

Remuneration Identified Staff 2015



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SNS BANK N.V.: REMUNERATION IDENTIFIED STAFF 2015

INTRODUCTION

In compliance with Pillar 3 and the Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2014 (Regeling beheerst belongingsbeleid Wft 2014), SNS Bank NV (SNS Bank) reports annually on the remuneration and remuneration policy in respect of employees whose actions may have a material impact on the organisation's risk profile (Identified Staff). In each report, SNS Bank looks back to the previous calendar year by means of a combined report that is posted on SNS Bank's website under Corporate Governance/Remuneration/Remuneration Policy Identified Staff.

The report comprises two parts. The first part describes the governance in respect of remuneration and the remuneration policy, and the second part reports on the remuneration of Identified Staff in 2015. Identified Staff is subdivided into three groups:

1. Management Body, comprising SNS Bank's statutory Board (Board of Directors) and until 1 October 2015 the Executive Board of SNS REAAL (8 individuals);
2. Senior Management, comprising the Identified Staff that reports to the Management Body (49 individuals);
3. Other Identified Staff (15 individuals).

GOVERNANCE AND THE REMUNERATION POLICY

The remuneration policy in respect of the Identified Staff is laid down in the SNS Bank NV Group Remuneration Policy and is based on the remuneration principles stated therein applicable to all units and groups of SNS Bank. These principles are as follows:

- the remuneration policy is compliant with current legislation and regulations;
- the remuneration policy is characterised by its consideration of all of the company's stakeholders – customers, employees, shareholder and society – and is rooted in the principle of the human touch;
- the remuneration policy must contribute to a healthy balance between the organisation's revenues and profitability on the one hand and the cost of labour and our position in the labour market on the other;
- the remuneration is transparent;
- the remuneration matches the risk profile of SNS Bank and the risk profile of the relevant person holding the position;
- the policy is in accordance with and contributes to sound and effective risk management and does not encourage taking more risks than acceptable to the company;
- the total remuneration package reflects the requested output of the relevant person holding the position;
- the purpose of the policy is to attract and retain good employees, taking SNS Bank's specific position into account;
- the policy contributes to the realisation of the strategy and long-term interests of SNS Bank;
- there is an appropriate ratio between the fixed and variable remuneration;
- the policy is as consistent as possible for the entire Group to encourage the exchange and movement of staff to other positions.

GOVERNANCE

In connection with the material impact of the Identified Staff on the organisation's risk profile we set up a control framework to monitor the remuneration and remuneration policy in respect of Identified Staff. To this end, the control departments Risk Management and Compliance work together with the staff departments Finance, Legal Affairs and HR in a Remuneration Working Group. The activities of the Remuneration Working Group are assessed by the Remuneration Steering Group, in which Board members of the working group members serve under the chairmanship of the Chairman of the SNS Bank Board of Directors.

As the control department, Audit independently assesses the adoption and application of the remuneration policy, and the ultimately responsible Director of Audit also participates in the Remuneration Steering Group without having a right to vote. Decision-making on the remuneration and remuneration policy for Identified Staff lies mainly with the Supervisory Board. The implementation of the schemes for Collective Labour Agreement (CLA) employees is the responsibility of the Board of Directors. The Supervisory Board also decides on the total sum of variable remuneration.

The Remuneration & Nomination Committee (ReNomCo), which is responsible for preparing decisions of the Supervisory Board regarding remuneration, met eight times in 2015. All documents for the ReNomCo are provided through the Board of Directors.

In order for them to safeguard the independence of employees in control functions as much as possible, they do not have financial performance targets and the performance targets are mainly aimed at the employee's own job content.

The ultimately responsible directors of the control departments are Identified Staff, just like the other directors in their management team. None of the other employees in control functions are designated as Identified Staff.

DETERMINATION OF IDENTIFIED STAFF

SNS Bank's Identified Staff has been determined using a matrix compiled by Risk Management that is derived from the regulatory technical standard of the European Banking Authority (EBA) ensuing from the CRD IV capital requirements. Changes in commencement of employment, termination of employment and internal shifts are monitored by HR and processed throughout the year. In addition, the Remuneration Working Group annually examines whether the determination is still correct, and the determination is submitted to the Supervisory Board for approval.

For 2015, 72 SNS Bank employees were designated as Identified Staff (for part of the year or the entire year). They were designated on the basis of one or more of the 18 criteria set by Risk Management, such as their position in the organisation (e.g., member of the Board of Directors), responsibility for a certain risk either individually or as a member of a committee, and the amount of the remuneration.

RELATIONSHIP BETWEEN REMUNERATION AND PERFORMANCE

Every year, performance targets are agreed with every employee, regardless of whether a variable remuneration scheme applies. If a variable remuneration scheme applies, achieving such performance targets is a condition for variable remuneration to be granted.

Performance targets must be specific and measurable. When performance targets are determined, all of SNS Bank's stakeholders are considered, where relevant and possible. Such stakeholders are:

- customers;
- employees;
- the Dutch State as the sole shareholder;
- society.

Every year, the Board of Directors establishes guidelines for the performance targets of employees whose earnings are above the level of the CLA. Performance targets are divided into financial targets and non-financial targets. Every performance target has a weighting factor expressed as a percentage of the 100% total. Depending on the position, the ratio between the financial targets and non-financial targets varies within clear frameworks to serve customer interest and mitigate risks.

Different targets apply to control functions so as to safeguard their independence. The performance targets of the Board of Directors were as follows for 2015:

Target	Performance year 2015		Performance year 2016		
	KPI	Weighting ¹	Target	KPI	Weighting ¹
30% financial	1 Net result SNS Bank N.V.	20%	0% financial		
	2 Return on Equity (ROE)	5%			
	3 Cost over assets	5%			
70% non financial	4 Customer orientation	20%	100% non financial	1 Net Compliant Customer Growth	15%
	5 Employee satisfaction	10%		2 Customer experience	15%
	6 Manifesto	10%		3 Employee commitment	15%
	7 Marketshare	10%		4 Integrated Control Framework	15%
	8 Strategic projects	20%		5 SNS Bank's new strategy	15%
				6 Manifesto	15%
				7 Savings/Mortgages balance	10%
Total		100%			100%

1 The weighting is the average of the members of the Board of Directors

In addition to the realisation of the performance targets, frameworks are also established for SNS Bank as a whole (referred to as 'Guiding Principles') for variable remuneration to be granted. If the Guiding Principles are not met, the Supervisory Board may decide not to grant any variable remuneration or to reduce the variable remuneration. In any event, remuneration must contribute to our mission and the realisation of SNS Bank's (long-term) strategy.

EX ANTE AND EX POST RISK ANALYSIS

At the beginning of the performance year, the control departments conduct an ex ante risk analysis in order to safeguard that the performance targets are determined and that they meet the criteria set.

The ex ante risk analysis consists of five steps:

1. assessing the method of determination of Identified Staff and checking whether the Identified Staff list is correct;
2. evaluating general requirements for Identified Staff;
3. evaluating the performance targets as determined for the Management Body, Senior Management and the other Identified Staff, supplementary to the actions referred to in 2;
4. evaluating the performance targets as determined for the control functions, supplementary to the actions referred to at 2;
5. checking whether the Guiding Principles with regard to the variable remuneration are still up to date.

At the end of the performance period, the control departments conduct an ex post risk analysis.

The ex post risk analysis focuses on determining the variable remuneration for the preceding year and the deferred (conditional portions of the) variable remuneration from previous years. The analysis examines whether the proposed variable remuneration has been determined in the correct manner. It also examines whether there is cause to adjust the variable remuneration to be granted downwards or to reclaim the variable remuneration already granted. This includes the assessment of any consequences ensuing from the Identified Staff's actions that manifest themselves during the deferral period and shed new light on the actions during previous performance periods. Based on this, advice is given as to whether the variable remuneration can be granted or should be adjusted downwards.

If variable remuneration is paid out based on incorrect information about the realisation of the targets on which the variable remuneration is based or about circumstances upon which the variable remuneration was made conditional, the variable remuneration may be reclaimed in full or in part, even after it has been unconditionally granted and paid out (claw back). The claim can also be filed on SNS Bank's behalf by the Supervisory Board.

THE REMUNERATION POLICY FOR IDENTIFIED STAFF

The Identified Staff of SNS Bank do not form a homogenous group, but are spread across the organisation and comprise both directors and CLA employees. Apart from the remuneration that may vary for each target group, there are clear rules for granting and paying remuneration to Identified Staff. This policy is laid down in the SNS Bank NV Group Remuneration Policy and its implementation is monitored by the control departments (including an independent assessment by Audit).

The following applies to Identified Staff:

- Where applicable, the variable remuneration is made up of a direct component and a deferred component, which are both based on a one-year performance period;
- Both the direct and deferred components are distributed half in cash and half in phantom shares;
- The direct component is unconditional and amounts to 60% of the total variable remuneration. When the remuneration is granted, the employer withholds payroll tax on the total direct component.
 - After deduction of the payroll tax, half of the remaining net portion is paid out in cash;
 - After deduction of the payroll tax, half of the remaining net portion is granted in the form of phantom shares. A retention period of one year is applicable to these shares, following which the value at that time will be paid out in cash. It is not possible to keep the phantom shares longer than this.
- The deferred component is conditional and amounts to 40% of the total variable remuneration. The amount definitively granted depends on the developments in the deferral period and the reasonableness test/ex post risk analysis. No payroll tax is withheld yet at the time of conditional granting; this is done at the time of unconditional granting. The component conditionally granted is divided into 50% cash and 50% phantom shares.
 - The deferral period for the component in cash (20%) is three years. After the reasonableness test/ex post risk analysis, this component can be granted unconditionally three years after the conditional granting;
 - The deferral period for the component in phantom shares (20%) is four years. After the reasonableness test/ex post risk analysis, this component can be granted unconditionally four years after the conditional granting. Payment of the value of the phantom shares at that time will be made in cash. In view of the extended deferral period, no retention period is applied. It is considered part of the deferral period.

SNS Bank's 2015 Identified Staff (72 employees) break down into the following groups:

Unit	Position	Number of Identified Staff	Variable remuneration as a % of fixed remuneration
Management Body	Board of Directors + SNS REAAL Executive Board	8	0%
Senior Management	Identified Staff that reports to the Management Body	49	maximum of 20% and 0% for employees subject to the prohibition of bonuses for state-supported companies
Other Identified Staff: Financial Markets	Front-office employee	1	maximum of 40%, with the business unit average being subject to a maximum of 20%
Other Identified Staff: SNS Securities	Bond Desk Traders and two Board members	11	0% up to a maximum of 50%, with the business unit average being subject to a maximum of 20%
Other Identified Staff	Employees who may have a material impact on the organisation's risk profile and Collective Labour Agreement	3	maximum of 6.75% and, above CLA level, a maximum of 20%

MAIN REMUNERATION DEVELOPMENTS IN 2015

- A salary increase was awarded to all employees under the CLA, being 0.3% with effect from 1 January 2015 and 1% with effect from 1 July 2015;
- It was decided to implement the measures of the Act on Remuneration Policies of Financial Undertakings (Wbfo) as from 1 January 2015. This means that, in addition to the Executive Board (of SRH) and the Board of Directors, a number of Identified Staff members are also subject to one or more of the following measures:

1. ban on variable remuneration;
 2. freeze of fixed annual income (excluding any collective increases);
 3. severance pay cap at one fixed annual salary.
- Pursuant to the Wbfo, the variable remuneration (where still applicable) was capped at 20% of each person's individual annual income with effect from 1 January 2015. An exception permitted by law applies to two business units, which, as from 1 January 2015, are subject to a maximum variable remuneration of 20% on average for the relevant employees to whom a variable remuneration scheme applies. However, the variable remuneration per individual will never be more than 50%.
 - The salary of the Chairman of the Board of Directors was lowered to € 396,000

Where applicable, the ReNomCo prepared the decision-making. Until 1 October 2015, it consisted of four Supervisory Board members, i.e. Ms C.M. Insinger, Ms M.R. Milz, Mr J.J. Nooitgedagt and Mr L.J. Wijngaarden (Chairman). Since 1 October 2015 the ReNomCo has consisted of three Supervisory Board members, i.e. Ms M.R. Miltz, Mr L.J. Wijngaarden (Chairman) and Mr J.C.M. van Rutte.

ANY SPECIAL ARRANGEMENTS ON EMPLOYMENT CONDITIONS

SNS Bank defines 'special arrangements on employment conditions' as guaranteed variable remuneration, retention and/or welcome packages, material severance payments and discretionary pension. SNS Bank must comply with the specific requirements and restrictions laid down in laws and regulations on this issue. The purpose of these requirements is mainly to ensure that the organisation's long-term interests are sufficiently safeguarded, which includes a consideration of risks run in the longer term ('risk alignment'). SNS Bank has followed up on this in the following way.

SNS Bank generally does not grant any guaranteed variable remuneration (signing bonus). Only when new employees join the company may guaranteed variable remuneration be granted in the first year of service. Two conditions here are that the employer's own funds and solvency margin or equity are healthy and that this is permitted on the basis of laws and regulations.

The granting of guaranteed variable remuneration is subject to the Supervisory Board's permission (for the Board of Directors) or the Board of Directors' permission (for other employees) following a recommendation by HR. Reasons must be given for the proposal and the decision-making is recorded for the purpose of the annual evaluation of the remuneration policy by the Supervisory Board.

SNS Bank generally does not grant any retention bonuses. Such an arrangement may only be agreed if the retention bonus provisions stated in the Act on Remuneration Policies of Financial Undertakings (Wbfo) have been complied with. Any retention bonuses awarded are reported in writing to the control departments once a year and are discussed in the ReNomCo. The granting of a retention bonus is subject to the Supervisory Board's prior permission (for the Board of Directors) or the Board of Directors' prior permission (for other employees). This permission is laid down in a resolution.

Where permission from the Board of Directors is required, the decision-making of grants of € 50,000 or more per person are discussed with the Supervisory Board once a year on the occasion of the evaluation of the remuneration policy.

Any severance pay must meet the Wbfo requirements and be designed such that failures are not rewarded. The granting of a material severance pay is subject to the Supervisory Board's permission (for the Board of Directors) or the Board of Directors' permission (for other employees).

The point of departure for the Board of Directors and employees whose earnings are above the CLA level is that employees will not be exempt from work during the notice period but will perform suitable work.

REMUNERATION MANAGEMENT BODY, SENIOR MANAGEMENT AND OTHER IDENTIFIED STAFF FOR 2015

Remuneration Management Body 2015

in € thousands	Fixed remuneration ¹	Variable remuneration		Total Fixed + variable
		Direct/ conditional	Deferred/ conditional	
Maurice Oostendorp	485	--	--	485
Alexander Baas	277	--	--	277
Annemiek van Melick	335	--	--	335
Rob Langezaal	335	--	--	335
Martijn Wissels	314	--	--	314
Gerard van Olphen (until 27 July 2015)	354	--	--	354
Dick Okhuijsen (until 1 October 2015)	374	--	--	374
Wim Henk Steenpoorte (until 1 October 2015)	374	--	--	374
Totaal	2,848	--	--	2,848

1 Fixed remuneration is the fixed annual salary including holiday allowance, year-end bonus (13th month pay), the salary supplement by way of compensation for the loss of pension accrual over € 100,000, any other supplements and the contribution to health insurance.

Remuneration Management Body, Senior Management and Other identified staff

in € thousands	Management Body	Senior Management	Other Identified Staff
Number of employees	8	49	15
Total fixed remuneration for 2015	2,848	8,253	4,313
VARIABLE REMUNERATION:			
Direct unconditional in cash 30%	--	194	36
Direct unconditional in phantom shares 30%	--	194	36
Deferred conditional in cash 20%	--	130	24
Deferred conditional in phantom shares 20%	--	130	24
Total variable remuneration	--	648	120
Total outstanding remuneration unconditionally granted: direct portion in phantom shares with a retention period of one year ¹	--	194	36
Total outstanding remuneration conditionally granted: deferred portions in cash and phantom shares	--	285	214
Total remuneration that was previously conditionally granted and paid in 2015	--	12	805
Total remuneration that was previously conditionally granted and that was reduced in 2015 because it was adjusted to performance	--	--	--

1 Total after granting and payment in April 2016. This includes the new grants for 2015. The outstanding portion (of previous years) that will also be distributed in April 2016 is disregarded. The amounts of the outstanding portions include employees who have now left the company and/or who are no longer Identified Staff.

Any special remuneration

in € thousands	Management Body	Senior Management	Other Identified Staff
SIGNING BONUS AWARDED IN 2015			
Total amount of signing bonuses	--	19	--
Number of beneficiaries	--	1	--
SEVERANCE PAYMENTS AWARDED IN 2015			
Amount paid	669	762	--
Number of beneficiaries	2	3	--
Highest individual award	446	575	--
SEVERANCE PAYMENTS LAID DOWN IN EMPLOYMENT CONTRACTS UPON COMMENCEMENT OF EMPLOYMENT IN 2015			
Total amount of future severance payments	--	--	--
Number of beneficiaries	--	--	--
Number of persons who received a total remuneration (fixed + variable) of € 1 million or more for 2015	--	--	--