

SNS BANK

PILLAR III 2013: RENUMERATION

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1 INTRODUCTION

In compliance with the requirements set out in the Policy Act and Regulation on Sound Remuneration policies pursuant to the Financial Supervision Act (Besluit & Regelgeving Beheerst Beloningsbeleid Wft 2011), i.e. the implementation of changes in Pillar III disclosure requirements on remuneration, this report provides further information on SNS Bank's remuneration policy and governance.

The paragraphs below set out the 2013 remuneration for SNS Bank's Senior Management and members of staff whose actions have a material impact on the risk profile of SNS Bank (Other Identified Staff).

SNS Bank issues this report on remuneration together with SNS REAAL's 'Report on SNS REAAL identified staff remuneration policy for 2013'. Please refer to the latter for more details.

SNS Bank's remuneration policy forms an integral part of SNS REAAL's Group Remuneration Policy. As such, it is fully derived from and in line with all the procedures from this Group policy and accompanying actions.

The principles of the remuneration policy apply to all units of SNS Bank and are as follows:

- The policy is compliant with current laws and regulations;
- The policy is characterised by its consideration for all of SNS Bank's stakeholders, i.e. customers, employees, shareholder and society;
- Remuneration is transparent and in line with signals that reach SNS Bank from the outside world;
- Remuneration matches the risk profile of SNS Bank and the relevant jobholder;
- The policy is in accordance with and contributes to sound and effective risk management and does not encourage staff to take more risks than acceptable to SNS Bank;
- The total remuneration package does justice to the requested output of the relevant jobholder;
- 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 SNS Bank's strategy and long-term interests;
- There is an appropriate ratio between the fixed and the variable remuneration;
- The policy is as consistent as possible for the entire Group to encourage the exchange and movement of staff to other positions.

Regulations (CEBS Guidelines) specify that the variable remuneration policy is related to:

1. All financial benefits linked to performance criteria applied by the entity;
2. All non-financial benefits linked to performance criteria;
3. All variable personal benefits;
4. All discretionary pension benefits.

SNS Bank does not apply the second and fourth element.

2 RELATIONSHIP BETWEEN REMUNERATION AND PERFORMANCE

The variable remuneration schemes are based on clearly defined and measurable Key Performance Indicators (KPIs) that have been determined prior to the performance period. Achieving these KPIs is a condition to be awarded variable remuneration. When setting KPIs for the variable remuneration, all SNS REAAL stakeholders, when relevant and possible, are taken into account:

- Customers;
- Employees;
- The Dutch State as sole shareholder;
- Society.

The KPIs are divided into financial and non-financial KPIs. Every KPI has a weighting factor expressed in a percentage of the total of 100%. The ratio between financial and non-financial KPIs differs per function group and is defined in the SNS REAAL Group Remuneration Policy. The Executive Board sets out guidelines for the KPIs .

IMPORTANT NON-FINANCIAL KPIS FOR ARE:

- Putting the customer's interests first (including customer satisfaction)
- Employee satisfaction
- Individual KPIs with regard to the separation of the Banking and Insurance activities

IMPORTANT FINANCIAL KPIS FOR ARE:

- Financial result
- Cost control
- Market share

The level of variable remuneration, both parts (cash and shares), is determined on the basis of achieving the KPIs. At Group level there are also preconditions to award variable remuneration, the so-called 'guiding principles'. If these guiding principles are not met, the variable remuneration may be adjusted downward or held back altogether. Remuneration shall at all times give substance to our mission and the realisation of SNS REAAL's (long-term) strategy.

The ratio between financial and non-financial KPIs varies depending on the function. Traders, portfolio managers and investment managers are mainly rewarded on the basis of the returns they generate. Clear guidelines are in place to support customers' interests and to mitigate risks. Hence, the percentage of financial KPIs for these functions is relatively high (80% at the maximum). The variable remuneration is also relatively high because the work is highly specialised, with a major impact on the operating result. Most of the other functions are management functions, which are mainly driven by non-financial KPIs such as putting customers' interests first (KBC), solving high-risk action items and employee satisfaction. However, to maintain a link with the operating results, at least 20% of the KPIs should be financial KPIs. Staff members in control functions have deviating KPIs to ensure their independence.

3 DEFINITION IDENTIFIED STAFF

Identified Staff at SNS REAAL is selected on the basis of an internal analysis in accordance with the criteria of the Dutch Central Bank (*De Nederlandsche Bank*, DNB) as outlined in its Open Book Supervision. A summary of the analysis can be found in the appendix of 'Report on SNS REAAL identified staff remuneration policy for 2013'.

At SNS REAAL, the entire senior management is considered Identified Staff on account of their responsibilities, impact on SNS REAAL's risk profile and remuneration, but also on account of simplicity en transparency. In addition to this group, constituting the major part, Identified Staff at SNS REAAL comprises a number of Collective Labour Agreement (CLA) employees who exert material impact on SNS REAAL's risk profile and a group of front office staff whose remuneration is equal to that of senior management. Each year, the relevancy of the Identified Staff selection is reviewed. Staff changes, i.e. starters, leavers and internal transfers, are monitored by HR and processed immediately. Following stricter EBA guidelines, the Identified Staff selection method will be revised in 2014. Separation of the Banking and Insurance activities may lead to a different composition of Identified Staff.

4 THE MAIN CHARACTERISTICS OF THE REMUNERATION POLICY

Remuneration of Identified Staff is in accordance with the Dutch Regulation on Sound Remuneration pursuant to the Financial Supervision Act (Regeling Beheerst Beloningsbeleid Wft 2011). As Identified Staff is divided into several categories, including CLA and non-CLA employees, the remuneration policy may vary between the categories.

In 2013, further reductions in remuneration were implemented.

- Senior management's salary scales were reduced and the variable remuneration scheme was reduced in two stages (1 January 2013 and 1 January 2014) from 50% to a maximum of 20%. This concerns the policy, for in 2012 and 2013 senior management was not awarded any variable remuneration at all;
- Senior management, nor other employees, got a salary increase under the CLA (inflation adjustment);
- For a group of front office staff, the variable remuneration scheme was significantly reduced and part of it was compensated with a temporary market supplement.

The outlines of the variable remuneration scheme are as follows:

- The individual objectives (KPIs) are established on an annual basis. The level of variable remuneration depends on the extent to which those objectives for the year in question (the performance period) are realised;
- The variable remuneration is made up of an upfront part and a deferred part. Both parts are split equally between cash (50%) and phantom shares (50%);
- 40% of the total variable remuneration is deferred and is awarded conditionally, subject to a favourable outcome of the so-called ex post risk analysis (see below). The deferred part will be paid out in cash (20%) three years after the one-year performance period has lapsed. The deferred part in shares (20%) is paid out 4 years (Executive Board 5 years) after the one-year performance period has lapsed. Employee will take possession of the shares at that time. There is no retention period for these shares. Income tax on the deferred part will be due after the deferment period, both for the part in cash and the part in shares;
- During the retention period, stock trading is under no circumstances permitted.

Belangrijke financiële KPI's voor 2014 zijn:

- Financieel resultaat
- Kostenbeheersing
- Marktaandeel

5 THE EX-ANTE AND EX-POST RISK ANALYSIS

The ex ante risk analysis is performed prior to or at the beginning of the year of evaluation. The aim is to ensure that the variable remuneration-related part of the remuneration policy is properly implemented. The six distinct steps of the ex ante risk analysis are an:

- a) Evaluation of the methodology to select Identified Staff and check if the list of Identified Staff is up-to-date
- b) Evaluation of general KPI requirements for Identified Staff
- c) Evaluation of the KPIs as laid down for the Executive Board, in addition to the requirements referred to under 2
- d) Evaluation of the KPIs as laid down for the control functions
- e) Evaluation of the KPIs as laid down for senior management and other Identified Staff
- f) Check if conditional variable remuneration criteria are still adequately defined.

The ex post risk analysis covers employees who qualify as Identified Staff and pertains to the deferred part of the variable remuneration. The basic principle for the ex post risk analysis is the evaluation of the consequences of actions by Identified Staff based on events in the deferment period that shed a new light on actions in the evaluation period. Based on this evaluation, it is determined if the variable remuneration is awarded unconditionally or adjusted downward.

Based on a re-evaluation of the ex ante established criteria (termed reasonableness test), it is determined if a remuneration that has been awarded conditionally, may be awarded unconditionally. If this is not the case, a malus situation arises and the remuneration is adjusted downward. If the variable remuneration was paid out on the basis of incorrect information on the achievement of the objectives underlying the award of the variable remuneration or on circumstances on which the variable remuneration was made conditional, all or part of the remuneration may be recovered, even after it has been awarded and distributed unconditionally (claw back). Recovery may also be initiated by the Supervisory Board on behalf of SNS REAAL.

6 CONTROL FUNCTIONS

SNS REAAL has appointed the following departments as control departments:

- Group Risk Management
- Compliance, Security & Operational Risk Management.
- Group Audit
- Group Finance
- Human Resource

These departments have an important role in controlling and auditing the remuneration policy and are to fulfil the role as independently as possible.

Directors of control departments with final responsibility are considered to be Identified Staff, as are most of the other managers in their management team. All other staff in the control departments is not considered to be identified Staff.

The control departments reports their findings to the Supervisory Board committee applicable to that particular department.

In order to guarantee the independence of all control functions as much as possible, they have deviating KPIs that are fully (100%) based on their own job content.

In the annual review of the remuneration policy in the Remuneration Committee and the Executive Board of SNS REAAL, specific attention is paid to the remuneration of control functions with final responsibility. HR will submit a report on the remuneration policy and the execution and details/exceptions with regard to the control functions.

7 REMUNERATIONS SENIOR MANAGEMENT AND OTHER IDENTIFIED STAFF

REMUNERATION SENIOR MANAGEMENT 2013

In € thousands	UNRESTRICTED	DEFERRED
Fixed remuneration		
Cash	1.649	--
Phantom shares SNS REAAL	--	--
Total fixed remuneration	1.649	--
Variable remuneration		
Cash	--	--
Phantom shares SNS REAAL	--	--
Total variable remuneration	--	--
Total fixed and variable remuneration	1.649	--

REMUNERATION OTHER IDENTIFIED STAFF 2013

In € thousands	UNRESTRICTED	DEFERRED
Fixed remuneration		
Cash	7.864	--
Phantom shares SNS REAAL	--	--
Total fixed remuneration	7.864	--
Variable remuneration		
Cash	27	18
Phantom shares SNS REAAL	27	18
Total variable remuneration	54	36
Total fixed and variable remuneration	7.918	36

REMUNERATION OTHER IDENTIFIED STAFF 2013

In € thousands	SENIOR MANAGEMENT	OTHER IDENTIFIED STAFF
Guaranteed variable	--	--
Amount paid	--	--
Number of beneficiaries	--	--

No amounts of deferred remuneration were awarded, paid out or reduced through performance adjustments during the financial year.

8 SIGN-ON AND SEVERANCE PAYMENTS

SIGN-ON AWARDS AND SEVERANCE PAYMENT 2013

In € thousands	SENIOR MANAGEMENT	OTHER IDENTIFIED STAFF
Sign-on awards	--	--
Amount paid	--	--
Number of beneficiaries	--	--
Severance payments		
Amount paid	259	--
Number of beneficiaries	1	--
Number of beneficiaries	259	--