

Dutch Banking Code
Accountability Report
ASR Bank N.V.

Introduction

ASR Bank N.V. ("a.s.r. Bank") is an independent, authorized banking institution. a.s.r. Bank is subject to the supervision of the Dutch Central Bank (DNB) and is a wholly owned subsidiary of ASR Nederland N.V. (hereinafter referred to as a.s.r. Nederland where it concerns the legal entity and as a.s.r. where it concerns the a.s.r. group as a whole).

The new Dutch Banking Code came into effect on 1 January 2015. It was introduced as part of the Future-Oriented Banking (Toekomstgericht Bankieren) programme. In addition to the new Dutch Banking Code, this programme comes with a social statute, a code of conduct and disciplinary law as a new set of self-regulation rules by which the banking sector, including a.s.r. Bank, is governed.

We should stress first and foremost that a.s.r. Bank endorses the Dutch Banking Code and the principles contained in it. On account of the fact that a.s.r. Bank has ties with the management and strategy of a.s.r., it has interpreted a number of principles described in the Code from a broader perspective.

This document, which has been posted on the website, sets out how a.s.r. Bank has implemented the new Dutch Banking Code.

Sound and ethical business practices

Strategy, vision and mission

a.s.r. Bank went to great lengths to reassess its strategy in 2015. This reassessment will be followed up by the further implementation of the chosen strategy in 2016.

a.s.r. Bank's strategy is part of the overall strategy of a.s.r. Any changes to the strategy of a.s.r. Bank are determined in dialogue between the Managing Board, the Supervisory Board and a.s.r. The strategy is formalized in the business plan and/or business model that is approved by the Supervisory Board.

a.s.r. Bank's mission is to be a safe and reliable bank with a focus on asset building and asset transfer, both now and in the future. It endeavours to do so by adhering to the adage of 'Safe, Simple and Standard' in its actions as well as its products.

a.s.r. Bank offers savings and investment products to retail customers. Its banking products are designed for customers who want to build or protect their assets; they are currently being sold via intermediaries and through other channels. a.s.r. Bank uses its customers' savings deposits primarily to fund residential mortgages for retail customers. a.s.r. Bank operates on the Dutch market.

Building on the robust risk management base that was created in 2015 and based on the changes in asset allocation implemented early in 2016, the Managing Board will give further shape to a sustainable strategy for a.s.r. Bank. This strategy will focus on further growing the savings and investment portfolio and improving the online customer portals in response to changing customer requirements.

Objectives

a.s.r. Bank has defined the following financial and non-financial business objectives in its Risk Appetite Framework:

- a.s.r. Bank operates its business at the lowest possible cost. It competes on pricing (in order to retain the (released) resources for a.s.r. Nederland);
- a.s.r. Bank increasingly absorbs the outflow from the life portfolio (improved retention rate);
- a.s.r. Bank seeks to strengthen its balance sheet (to support its business model);
- a.s.r. Bank seeks to achieve a stable equity position;
- a.s.r. Bank only offers robust and easy-to-understand products. This ensures that propositions are cost-effective, useful, safe and reliable both for customers and intermediaries and for a.s.r. Nederland itself.
- a.s.r. Bank has in place effective processes and reliable reporting procedures;
- a.s.r. Bank conducts its business with integrity and acts in accordance with applicable laws, rules and ethical standards;
- a.s.r. Bank only does business with partners that comply with its outsourcing policy and/or the acceptance policy of a.s.r. Nederland;
- Management and staff of a.s.r. Bank comply with internal and external fit and proper, expertise and professional requirements;
- a.s.r. Bank is and will continue to be a socially relevant business where governance has been structured such that customers are treated fairly and the interests of all stakeholders are weighed and sustainably guaranteed.

Governance

a.s.r. Bank looked at its governance structure in 2015 and introduced better alignment with market practice. a.s.r. Bank has in place a Risk Management Committee (RMC) with the following sub-committees: Pricing Committee (PC), Non-Financial Risk Committee (NFRC), Asset Liability Committee (ALCO), Credit Committee (CC), Model Validation Committee (MVC) and Regulatory Committee (RC). The rules of procedure were reassessed in 2015 and improvements were implemented primarily with respect to mandates and reporting lines. The RC and the MVC are newly established committees. In addition, the entire CFRO column, including Risk, ALM, Control and Accounting & Reporting, started to report directly to the CFRO of a.s.r. Bank in 2015.

The input Audit & Risk Committee (ARC), which is a sub-committee of the Supervisory Board, is to be delivered by the Risk Management Committee. In order to improve the secured footing of the compliance function in the structure of a.s.r. Bank, the Managing Board and the Supervisory Board asked the Compliance Officer of a.s.r. Bank to join the ARC in 2015. This has led to more opportunities for performing checks and balances by the supervisory directors as well as by the other members of the ARC.

Securing an effective and robust IT infrastructure is an ongoing process; the chances of achieving this are increased by the IT Manager (Bank/Mortgages Service Chain) having joined the management team (MT) that is chaired by the CEO of a.s.r. Bank. The MT meets every other week. In addition to the MT meetings, chain sessions are organized monthly. These sessions serve to discuss all product and system changes. The IT infrastructure is a key aspect in these sessions, which are led by the COO. The new and improved accounting infrastructure (hardware and software) of a.s.r. Bank went live in mid-2015. A future-proof and stable IT environment is now guaranteed.

Conduct and culture

The Managing Board of a.s.r. Bank encourages responsible conduct and a healthy culture throughout the organization by tabling this subject and keeping it on the table. With this in mind, conduct and culture are discussed and explained in periodic employee sessions to which the employees of all a.s.r. Bank departments, including the Managing Board, are invited. These sessions are also attended by one or more members of the Supervisory Board. a.s.r. also performs an annual engagement scan to test whether the concepts of understanding, narrating, achieving, improving and trusting still resonate with employees. The engagement scan serves to review the team dynamic and employees are asked whether they feel they are given enough scope to focus on customer interests and treat customers fairly.

The rules of procedures of the Managing Board stipulate that the members of the Managing Board are expected to fulfil their duties expertly and with due care and integrity, while complying with all applicable laws, rules, regulations and codes of conduct. The rules of procedure of the Supervisory Board stipulate that its members are expected to supervise the manner in which the Managing Board performs its duties. The rules of procedure of both the Managing Board and the Supervisory Board stipulate that the members of these boards are expected to lead by example.

From its mission, a.s.r. and a.s.r. Bank have derived three core values that serve as the "moral backbone": to be authentic, to show a personal touch, and to be accountable for our own conduct and for honouring commitments.

The codes of conduct and integrity code of a.s.r. and a.s.r. Bank contain the rules of conduct and values set out in the self-regulation package on future-oriented banking. Employment contracts make explicit reference to these rules and this code. a.s.r. and a.s.r. Bank provide information and support to employees on questions of how their own conduct and attitude may help to gain and maintain the trust of customers and other stakeholders. Key in this respect is that conduct and attitude should be based on the core values of a.s.r. and a.s.r. Bank. The recruitment and selection process and the induction programme for new staff also pay special attention to this topic. Every new employee is expected to take the oath or solemn affirmation at the monthly welcome day for new employees. Information about the core values is available on the a.s.r. website.

On 20 April 2015, the employees of a.s.r. Bank were the first of the entire a.s.r. organization to take the oath or solemn affirmation under the watchful eye of the Compliance Officer of a.s.r. Bank and an a.s.r. HR Officer. The ceremony was led by the CEO of a.s.r. Bank. Prior to the ceremony, the rules of conduct and the fact that employees of banks have come to be governed by disciplinary law were discussed at length in the employee session of March 2015. In addition, every employee received a booklet containing the future-oriented banking package in the employee session of June 2015 and the scope and implications of the package were discussed in this session. A short video produced by the Dutch Banking Association (NVB) was made available to employees to highlight to them the broad-based position of banks in Dutch society.

a.s.r. Bank will continue to focus on the bank's position in society and the issue of 'conduct and culture' in 2016 too by addressing it in employee sessions as well as on a smaller scale, e.g. in team meetings.

Supervisory Board

Composition and structure

The rules of procedure of the Supervisory Board, including the appended profile, govern its effectiveness and the duties of the Supervisory Board. The rules of procedure stipulate that the Supervisory Board should be composed in such a way as to enable the proper performance of its duties. The Supervisory Board has drafted a profile addressing its composition and qualities, taking account of the company's nature and business, and the expertise, experience and independence called for in its members. The Supervisory Board aims for diversity in its membership in terms of age and gender, etc. Once a year, the Supervisory Board evaluates its profile in order to learn lessons for its composition, procedures and competencies. When nominating candidates for appointment or re-appointment, allowance is made – within the boundaries of the general profile – for the Supervisory Board's ideal composition and the competencies represented on the Supervisory Board.

The Supervisory Board was led by its chairman Mr C.H. van den Bos throughout 2015. The Supervisory Board had four members until 1 September 2015. After Ms M.S. Scheltema had stepped down, the Supervisory Board functioned adequately with three members, namely Mr C.H. van den Bos, Ms K.T.V. Bergstein and Mr C.H. Figeer, until 1 January 2016. The period from September 2015 to January 2016 was used to assess whether the size of the Supervisory Board was still adequate and appropriate. Given the nature of the business, the operations and the required expertise and experience, the Supervisory Board believes that four is an appropriate number for the complement of the Supervisory Board; this should allow the Supervisory Board to perform its duties and upkeep the committee structure properly. In the selection procedure for the new Supervisory Board member, knowledge of the banking sector was a key priority. All things considered, the selection procedure resulted in the nomination and appointment to the Supervisory Board of Mr H.C. Hintzen as of 1 January 2016.

The CVs of the four members of the Supervisory Board have been posted on the website of a.s.r. Bank.

The rules of procedures stipulate that the Supervisory Board should weigh the interests of all stakeholders in a.s.r. Bank, also considering relevant aspects of corporate social responsibility. Shortly after their appointment, each Supervisory Board member is offered a tailored induction programme to introduce them to a.s.r. and their role as a Supervisory Board member. The programme focuses on a.s.r.'s role in society, including the interests of customers, intermediaries, employees and the shareholder. The Supervisory Board explicitly considers the interests of the various stakeholders in any issue it deals with.

All members must have many years' experience in highly responsible positions and a proven track record of considered business decisions. The composition of the Supervisory Board is such that the members can keep an open and independent mind, and adopt a critical stance towards each other, the Managing Board or whatever particular interest. At least two members of the Supervisory Board satisfy the independence criteria set down in the Dutch Corporate Governance Code.

On appointment, the chair and members of the Supervisory Board undertook to make themselves sufficiently available and accessible to enable the proper performance of their duties as Supervisory Board members, and they have indeed proven to be so. Members' availability may be deduced from their attendance at meetings. Outside meetings, members may be contacted (individually) and are available for discussion and consultation. Any urgent matters can also be addressed by email or in a telephone conference. In addition to seven routine Supervisory Board meetings, the supervisory directors consulted frequently in interim sessions in 2015, e.g. to give follow-up to various status reports.

Self-assessment

The Supervisory Board self-assesses its composition and other matters at least once a year. As stipulated in the Dutch Banking Code, this self-assessment takes place under independent guidance once every three years, 2014 being such a year. The self-assessment took place on 30 November 2015 under the internal guidance of the HR Director of a.s.r. The following aspects were assessed:

- The effectiveness of information provision;
- The interpretation given to the role of employer;
- The interpretation given to the role of adviser and the coordination of the scope in playing this role;
- The composition and accountability of the Supervisory Board and the members' teamwork.

The overall impression of the Supervisory Board's performance is good; the supervisory directors work well as a team and their relationship with the Managing Board is open and professional. Lines are short where they need to be, also between the chair of the Supervisory Board and the CEO.

Continuing education (CE)

The chair of the Supervisory Board is responsible for the effectiveness of the Supervisory Board and its committee. The rules of procedure stipulate that the members of the Supervisory Board are to follow a programme of continuing education (CE) and satisfy the CE requirements. In November 2015, PwC organized a knowledge session specifically for the managing and executive directors of a.s.r. Bank that addressed CRD IV/CRR and Basel III.

The two supervisory directors who also sit on the Executive Board of a.s.r. also took individual courses. Additionally, attention was devoted to knowledge-building in the areas of asset management and investments.

The other two supervisory directors, who are not on the Executive Board of a.s.r., took part in CE sessions that were put on for them at the level of a.s.r. Nederland.

The members are also governed by the CE requirements of the Governance Principles for Insurers given their role as members of the Managing or Supervisory Board of a.s.r. Nederland. As part of the annual self-assessment, supervisory directors can indicate whether they feel the need for further training on specific themes. This individual training will then be offered in the context of the CE programme.

Remuneration

a.s.r. and a.s.r. Bank follow a prudent, restrained and sustainable remuneration policy. The two supervisory directors of a.s.r. Bank who are not on the Executive Board of a.s.r. Nederland are the only members to receive an appropriate fee for the time they spent performing their duties. The extent of this fee is not related to the earnings of a.s.r. Bank.

Managing Board

Composition and structure

a.s.r. Bank has three managing directors, two of whom have been appointed as directors under the Articles of Association. The Articles of Association of a.s.r. Bank, the rules of procedure of the Managing Board and the job profiles provide an extensive description of the duties and responsibilities and the required experience and competencies of the managing directors. The Managing Board serves as a joint management body and seeks to arrive at decisions based on consensus. Managing directors are screened for their integrity and suitability, both internally by a.s.r. and externally by the regulator (DNB). The Supervisory Board periodically assesses the performance of the Managing Board.

The Managing Board is responsible for managing a.s.r. Bank. This responsibility encompasses the achievement of targets of a.s.r. Bank, the strategy and associated risk profile, developments in financial performance and any social aspects of doing business that are relevant to a.s.r. Bank. In performing its duties, the Managing Board carefully weighs the business's commercial interests and the financial risks, making allowance for all stakeholders (including customer interests) and the relevant regulations and codes of conduct.

Carefully balancing all interests of stakeholders in a.s.r. Bank is common practice and, as such, has been included in the Managing Board's rules of procedure and the internal a.s.r. Code of Conduct.

The members of the Managing Board are W.F.C. Cramer (interim Chief Executive Officer and director under the Articles of Association), M. Menheere (Chief Operations Officer and director under the Articles of Association) and A.P. Schouws (interim Chief Financial Risk Officer). The managing directors have diverse backgrounds and areas of expertise in the banking world, the financial sector or risk management.

In 2015, the following changes took place in the composition and complement of the Managing Board: the Annual General Meeting of Shareholders (AGM) resolved unanimously to grant honourable discharge from the Managing Board to Mr W.J.F. de Jong on 1 June 2015 and to Mr R.M. Brascamp on 1 October 2015. On 1 June 2015, Mr Cramer was appointed director under the Articles of Association; Mr Schouws was appointed general director as of 8 October 2015.

The CVs of the members of the Managing Board have been posted on the website of a.s.r. Bank.

Chief Finance and Risk Officer

The Managing Board bears collective responsibility for the management of the business, and hence for its overall risk management policy; final responsibility rests with the CEO. A division of duties is in place within the Managing Board, under which final responsibility for risk management has been assigned to the Chief Finance and Risk Officer (CFRO). The preparation of risk management and risk policy decisions is one of the CFRO's duties. This responsibility has been included in the job profile of the CFRO. Any decision that is material to the risk profile of a.s.r. Bank is reviewed and/or submitted to the two-weekly Managing Board meeting and the RMC by the CFRO, after which such decisions are submitted to the ARC. The CFRO is involved early in the preparation of decisions that are material to a.s.r. Bank's risk profile. In the performance of the risk management function, focus is placed also on the importance of financial stability of a.s.r.'s risk profile.

The CFRO combines two areas of focus, i.e. finance and risk management. His role in respect of these areas of focus and any related achievements does not entail any customer-driven sales activities, but follows from a portfolio approach to risk management. The CEO is responsible for commercial decisions. The Managing Board as a whole is informed frequently of the outcome of the risk monitoring procedures using the committee structure of a.s.r. Bank, among other channels. De gehele directie wordt, onder meer via de commissiestructuur van a.s.r. Bank, op frequente basis geïnformeerd over de uitkomsten van de risicomonitoring.

Continuing education

The Managing Board's rules of procedure guarantee that Managing Board members follow a programme of continuing education (CE). The CE programme includes both an individual and a group curriculum that relates to relevant issues and developments to the financial sector and banks in particular.

In 2015, the members of the Managing Board took part in the CE programme, which included a session organized by PwC on CRD IV/CRR and Basel III, and a session on governance and related matters that was organized by the Dutch Compliance Institute. A new programme will be put together for 2016.

Risk management and risk policy

Risk appetite

a.s.r. Bank has in place a Risk Appetite Framework (RAF) based on which the overall risk appetite of a.s.r. Bank is defined, communicated and monitored. The RAF encompasses the entire risk management cycle of a.s.r. Bank. The basic principle is to be and stay in control of achieving the corporate objectives with due observance of the risk decisions and the processes. The idea is to achieve the corporate objectives using sound business practices. In exercising the risk management function, focus is placed also on the impact that systemic risks might have on a.s.r. Bank's risk profile. Various stress scenarios are extrapolated for this purpose.

In the third and fourth quarters of 2015, the risk appetite was reassessed as part of the periodic cycle. The link between strategy, business model and risk appetite was made more transparent by defining key performance indicators, key risk indicators and key control indicators for each corporate objective and setting limits for these indicators. This has resulted in revised Risk Appetite Statements (RASs), which distinguish between financial and non-financial performance and risk metrics. This reflects the level of risk the Managing Board of a.s.r. Bank is prepared to incur to achieve its strategic targets in a business-as-usual situation and in a stress situation.

Reputation risks are consistently identified separately and the Managing Board defines concrete policies for them.

The RAF and RASs are revised at least annually and when material changes occur. The current RASs were approved by the Managing Board and Supervisory Board in October 2015. As part of a change in asset allocation in 2015, the risk appetite limits were revised as well. During this review, the risks were monitored within the internal framework and commercial interests, relevant rules and regulations and the level of risk were weighed. The impact of the material risks on a.s.r. Bank's risk profile were extrapolated in various scenarios before being fleshed out in an internal capital and liquidity adequacy document (ICLAAP). This document was discussed and ratified by the ARC.

Supervision

The RMC periodically communicates to the Managing Board the key findings of the ALCO, the MVC, the CC, the RC, the PC and the NFRC. The Managing Board is presented with additional reports if between scheduled reporting dates developments take place that require its attention.

The Supervisory Board exercises periodic supervision of a.s.r. Bank's risk management practices. Every quarter, the Managing Board reports on the financial and non-financial risk management to the ARC and the Supervisory Board. It monitors whether the risk profile stays within the set limits of the risk appetite. The ARC discusses the risk profile of a.s.r. Bank, including the assessment of the solvency and liquidity of the bank in relation to the set parameters. The ARC advises the Supervisory Board on this issue.

The Supervisory Board assesses periodically at strategic level whether the business operations in general are in keeping with a.s.r. Bank's risk appetite. The Managing Board provides the ARC and the Supervisory Board with the information needed to perform this assessment in such a manner as to enable the latter to form a considered opinion. This principle has been included in the rules of procedure of the Managing Board, the ARC and the Supervisory Board, and is a standard aspect of the management cycle.

Audit

Role and reporting

The collaboration between the Audit department of a.s.r. Nederland and a.s.r. Bank has been formalized in an agreement between the two parties. This collaboration is governed by the Audit Charter that was drafted especially for a.s.r. Bank. The Audit Department assists management in achieving the company's objectives by giving a professional, independent opinion of processes of governance, risk management and internal control. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimization. The independent position and mission have been formalized in the agreement between the Audit Department of a.s.r. Nederland

and a.s.r. Bank and the a.s.r. Bank Audit Charter. The Director of Audit reports to the CEO of a.s.r. Bank and has a reporting line to the chair of the Audit & Risk Committee. The Audit Plan is submitted annually to the ARC for approval.

Periodic consultations

The Director of Audit took part in five quarterly meetings of the ARC in 2015. The Audit Department and the independent external auditor also consulted on a quarterly basis in 2015. In addition, the independent external auditor is provided with a quarterly Audit Management Report containing a list of audit reports and the executive summaries of these reports. The full version of the audit report is provided to the independent external audit upon request; the independent external auditor also has the opportunity to review the working papers kept by the Audit Department. The independent external auditor reports its findings in its Board Report to the Managing Board, the ARC and the Supervisory Board.

The Audit Department also consults periodically with DNB to discuss the reports and the Audit Plan.

Finally, Audit takes the initiative to organize a tripartite session with DNB and the independent external auditor at least once a year. The tripartite session was held on 8 July 2015. It was attended by the CEO.

Remuneration

The remuneration policy of a.s.r. Bank is derived from the remuneration policy of a.s.r. Nederland. a.s.r. Bank adheres to the remuneration policy. The remuneration policy of a.s.r. Bank is based on the Dutch Financial Supervision Act, the Dutch Regulation on Sound Remuneration Policies, European law such as the Capital Requirements IV Directive and Regulation, and the Dutch Banking Code.

Enhancing and maintaining the integrity and robustness of a.s.r. and a.s.r. Bank is key to the remuneration policy, and the focus is squarely on the long-term interests of all our stakeholders. The aim of the remuneration policy is to motivate employees to work for the interests of customers and other stakeholders within the parameters of the (statutory) duty of care.

The remuneration policy is based on the following principles:

- The remuneration policy cannot restrict a.s.r. Bank's scope to strengthen its regulatory capital, solvency margin or equity.
- Both the assessment and remuneration criteria should comply with the terms laid down in the various national¹ standards.
- The policy needs to be transparent and its structure and methods should be applicable to all layers of management and to employees subject to the collective bargaining agreement.
- There must be a balance between trust in the intrinsic motivation of managers on the one hand and setting clear targets against which managers are assessed and remunerated, on the other.
- Corporate performance is assessed based on both customer satisfaction ratings and financial indicators, and performance criteria are adjusted for risks;
- The level of remuneration is just below the median for the peer group.
- The total remuneration package is appealing enough to allow us to compete in the relevant segments of the labour market and attract competent people.

a.s.r. Bank does not have any employees itself. All employees are on the payroll of a.s.r. Nederland, as are the members of the Managing Board. They are governed by the HR policy of a.s.r. Nederland, which is in line with the Governance Principles for Insurers and the Dutch Banking Code.

The total income of a member of the Managing Board is in reasonable proportion to the bank's remuneration policy. Their total income, at the time it is determined, is slightly below the benchmark median for the financial and non-financial sectors.

The members of the Managing Board and other (identified) staff of a.s.r. Bank do not receive any variable remuneration. a.s.r. and a.s.r. Bank do not award any shares or options to any employees.

The Managing Board of ASR Bank N.V.

April 2016

¹ These include the Dutch Regulation on Sound Remuneration Policies 2014, the Dutch Corporate Governance Code, the Dutch Banking Code, the Dutch Minimum Wage and Minimum Holiday Allowance Act and equal treatment regulations.

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