

REMUNERATION REPORT

The Supervisory Board reviewed and amended NIBC's remuneration policy in 2020. The review took into account all relevant laws, regulations and guidelines: the Dutch Corporate Governance Code; the Dutch Banking Code; the DNB Principles on Sound Remuneration Policies (DNB principles), EBA Guidelines on Sound Remuneration; CRD IV, CRD V and the Dutch remuneration legislation for financial services companies ((Regeling beheerst beloningsbeleid van banken (RBB) and Wet beloningsbeleid financiële ondernemingen, Wbfo).

NIBC's remuneration policy and Managing Board remuneration for 2020 are outlined in this chapter. An overview of the remuneration of other staff and the Supervisory Board is also presented. Please see our website for further information about the remuneration policy.

To avoid unnecessary duplication, we refer to note [9](#), [54](#) and [57](#) of the Consolidated Financial Statements in this Annual Report for all relevant tables. These are considered to be an integral part of this Remuneration Report.

Remuneration principles

NIBC's remuneration policy is sustainable, balanced and in line with our chosen strategy and risk appetite. It revolves around these five key principles: remuneration is (i) aligned with NIBC's business strategy and risk appetite; (ii) appropriately balanced between short and long term; (iii) differentiated and linked to the achievement of performance objectives and the results of NIBC; (iv) externally competitive and internally fair; and (v) managed in an integrated manner that takes into account total compensation.

Managing Board remuneration in 2020

In order to determine appropriate market levels of remuneration for the Managing Board, the Supervisory Board has identified a hybrid benchmark peer group, consisting of all AEX and AMX (both Euronext) listed companies. Given the specific circumstances and legislation for the (Dutch) financial institutions, more specifically for banks, the Supervisory Board decided to also use a benchmark of the Dutch banks. The composition of these peer groups reflects the labour market in which NIBC competes for talent. As such, it is an objective measure not based on individual data points selected by NIBC.

Throughout the cycle, total compensation for the CEO and members of the Managing Board is targeted just below the median of their peers in the peer group, based on benchmark data provided by external independent compensation consultants and publicly available information. The positioning just below the median of the peer group is in line with the Dutch Banking Code.

Base salaries

In 2020, the base salary for the CEO was EUR 987,912 gross per year (2019: EUR 845,708). The base salary for the two other members of the Managing Board was EUR 718,482 gross per year (2019: EUR 615,060). Base salaries are paid in 12 equal monthly payments. The increase in base salaries is two folded. First, as of the financial year 2020 the CEO and the members of the Managing Board are no longer eligible for variable compensation and have been partly compensated in base salary (see below under Variable compensation). Second, the base salaries of the CEO and the members of the Managing Board increased with 2.83%. This increase was based on the three year average merit increase for all employees within NIBC and based on the Managing Board Remuneration Policy.

Variable compensation

As of the financial year 2020 the CEO and the members of the Managing Board are no longer eligible for variable compensation. To compensate for the loss of bonus opportunity, 68% of the three year average variable compensation (2017-2019) is converted into the base salary per 1 January 2020. This conversion and parameters are also applied to the vast majority of the bonus eligible employees of NIBC in The Netherlands. This adjustment has been implemented in the Managing Board Remuneration Policy 2020.

Pension

The CEO and other Managing Board members participate in the NIBC pension plan, in line with the arrangements available to all other employees. In 2020, the pension plan consisted of a) a collective defined-contribution pension arrangement (CDC arrangement) up to a (fiscal) maximum pensionable salary of EUR 110,111, and; b) an additional (gross) contribution up to their respective base salaries above the maximum pensionable salary. The retirement age for the CEO and members of the Managing Board was 68 in 2020. There are no contractual early retirement provisions.

For the CDC arrangement NIBC pays in 2020 a standard flat-rate contribution of 26.2 % into the pension fund (for the Managing Board as well as for all other employees). All employees are required to make a personal contribution of 4.2% of their pensionable salary in the CDC arrangement. The gross contribution by NIBC for pensions above the fiscal maximum pensionable salary is set at 25%.

Other key benefits

The CEO and members of the Managing Board are entitled to a company car up to a certain price limit or, if they prefer, the equivalent value of the lease car limit as a gross cash allowance. The CEO is entitled to the use of a permanent chauffeur from the chauffeurs pool whilst the other members of the Managing Board are entitled to the use of a chauffeur from the pool for business purposes only unless otherwise agreed by the Supervisory Board.

As is the case with all our employees, the members of the Managing Board are entitled to a contribution towards their disability insurance, accident insurance and permanent travel insurance.

The total amount of remuneration per individual Board Member split out in the separate components is shown below:

2020	Base salary	%	Variable compensation	%	Pension	%	Other key benefits	%	Total
P.A.M. de Wilt	987,912	76.3%	-	-	259,115	20.0%	47,303	3.7%	1,294,330
H.H.J. Dijkhuizen	718,482	75.2%	-	-	189,631	19.8%	47,403	5.0%	955,516
R.D.J. van Riel	718,482	75.9%	-	-	188,513	19.9%	40,103	4.2%	947,098

Employment contracts

The CEO and members of the Managing Board all have indefinite employment contracts, which are fully compliant with the Dutch Corporate Governance Code. Their appointment to the Managing Board is for a maximum term of four years. The term can be renewed.

Any severance payment is limited to 12 months' base salary and will not be awarded if the agreement with the member of the Managing Board is terminated early at the initiative of the member of the Managing Board, or in the event of seriously culpable or negligent behaviour on the part of the member of the Managing Board.

Relevant developments in 2021

According to the Managing Board Remuneration policy the annual adjustment of salaries per 1 January 2021 is based on the three year average merit increase of all employees within NIBC (2018-2020). Based on this methodology the annual adjustment of salaries per 1 January 2021 will be 3,23%. In line with the rest of the organisation the automatic annual increase will not be applied. Due to the acquisition by Blackstone the total remuneration of the MB will be looked at in the course of 2021.

To ensure the necessary stability and continuity of the Company following the acquisition of NIBC Holding N.V. by Blackstone, a retention package has been introduced for the Managing Board members, the ExCo members and a limited group of key staff. This retention package with a magnitude of 5,7 million will be unconditionally granted as of December 30, 2021. This package is not part of the annual variable income, but is awarded based on the specific regulations for retention bonuses (WFT 1:122).

Other staff remuneration

In line with the DNB Principles, employees whose professional activities have a material impact on NIBC's risk profile are designated Identified Staff. Specific remuneration conditions may apply to Identified Staff (other than Managing Board members). The outlines of the remuneration policies for Identified Staff and other staff are given below. For further details on the policies for Identified Staff, please see our [website](#).

Total compensation funding

Each year, based on a proposal by the Managing Board, the Supervisory Board decides, at its discretion, on the overall amount of money available for total compensation, the amount of money available for variable compensation and the specific forms in which variable compensation may be awarded.

Variable compensation

All employees eligible for variable compensation have a pre-agreed set of financial and non-financial (at least 50%) performance targets. Their performance assessments take into account the achievement of pre-agreed targets, how they have behaved according to NIBC's corporate values, as well as their contributions towards the bank's longer-term objectives. Non-financial performance aspects include client satisfaction, employee satisfaction, transparency, and sustainability. The Dutch Banking Code serves as a guideline for all employees.

Whether or not an employee actually receives a variable compensation for his or her performance, is wholly discretionary and depends on the overall financial and non-financial performance of the bank, of the respective business unit, personal performance and relevant market levels of remuneration. Employees do not qualify for variable remuneration if their performance has been inadequate or poor, if they have failed to meet duty-of-care or compliance requirements, if they have displayed behaviour contrary to NIBC's policies and corporate values, or if they were subject to disciplinary action.

For employees the variable compensation, if any, is delivered in various components:

1. cash;
2. deferred cash;
3. vested phantom share units;
4. unvested PSUs.

The Managing Board determines the precise split between cash and equity or equity-linked components, the proportion of deferred compensation and the form in which this is distributed (such as cash or unvested equity), whether a threshold applies for the deferred component and, if so, how high that threshold is.

For Identified staff, no threshold is applicable and any variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in PSUs and 20% in unvested PSUs. In this way, NIBC complies with regulations that require Identified Staff to receive 50% of all variable compensation in the form of equity or equity-linked instruments and for at least 40% of both the cash and equity component to be deferred. With the implementation of CRD V and the Dutch interpretation thereof in the RBB per 29 December 2020 proportionality is introduced in the legislative framework with regards to remuneration: if an employee's variable compensation is lower than EUR 50,000 and is lower than 11,1% of the individual base salary a payment may be made in cash only without a deferral period. The concept of proportionality has also been implemented in the NIBC Remuneration Policy 2020.

All employees (except for the ExCo) have been awarded a transaction bonus of EUR 2,500 at the end of December 2020 for the completion of the Blackstone transaction, which qualifies as variable compensation.

Special situations

Only in exceptional cases and only in the first year of employment the Managing Board can offer sign-on or guaranteed minimum bonuses to new employees as well as retention bonuses to existing employees. In the unlikely event that these bonuses amount to more than 100% of the base salary of the individual employee concerned, procedures will be followed in accordance with the regulations; the maximum ratio between fixed and variable remuneration will be respected.

Any severance payment made if NIBC terminates employment without cause, is subject to local legislation. For the Netherlands, the prevailing business court guidelines (transition formula) and, in the case of reorganisation, NIBC's Social Protocol, are applicable. Special compensation plans for specific groups of employees are subject to prior approval by the Managing Board, which annually informs the RNC and Supervisory Board about these arrangements.

Supervisory Board remuneration in 2020

The Supervisory Board remuneration policy 2019 has been approved by the Annual General Meeting in 2019. The new Supervisory Board remuneration policy has a system in place that determines the annual adjustment of fees per 1 January of a year for the Supervisory Board based on the three year average merit increase for all employees within NIBC. The increase per 1 January 2020 was 2.83%

The chair of the Supervisory Board is entitled to an annual fee of EUR 79,059 (2019: EUR 76,883), the vice-chair of the Supervisory Board is entitled to an annual fee of EUR 63,247 (2019: EUR 61,506) and the other members of the Supervisory Board are entitled to an annual fee of EUR 52,706 (2019: EUR 51,255).

In addition, all chairs of the AC, RPCC and RNC of the Supervisory Board are entitled to an annual fee of EUR 15,812 (2019: 15,377). Members of the AC and members of the RPCC are entitled to an annual fee of EUR 10,541 (2019: EUR 10,251). The members of the RNC are entitled to an annual fee of EUR 7,906 (2019: EUR 7,688). The members of the RPTC are entitled to an annual fee of nil (2019: nil).

All members of the Supervisory Board are entitled to reimbursement of genuine business expenses incurred while fulfilling their duties.

Amendments Supervisory Remuneration in 2021

Based on the remuneration policy of the Supervisory Board the annual adjustment of fees per 1 January 2021 is 3,23%. In line with the rest of the organisation the automatic annual increase will not be applied. Due to the acquisition by Blackstone, the total remuneration of the Supervisory Board will be reconsidered in 2021.

Remuneration governance

In line with the various recommendations and guidelines issued by regulators, NIBC has strengthened governance around the annual remuneration process and agreed upon key roles for the Human Resources, Risk Management, Compliance, Audit and Finance functions (control functions).

The Supervisory Board discussed the performance and remuneration of Identified Staff, as well as the performance and remuneration of control functions. The Supervisory Board also discussed the highest proposed variable compensations in 2020. Scenario analyses were conducted by Risk Management to assess the possible outcomes of the variable remuneration components on an individual and collective basis. The internal annual report 'Harrewijn' is discussed in the RNC as well as with the Works Council. This report provides information on the composition and development of compensation and benefits of its employees. Amongst others the report covers an internal pay ratio analysis. In line with the Dutch Corporate Governance Code NIBC discloses the relevant elements related to the internal pay ratios.

In 2020, the base salary pay ratio of the CEO (EUR 987,912) compared to the base salary of a member of the Managing Board (EUR 718,482) was 1.4 (2019: 1.4).

In 2020, the base salary pay ratio of the CEO and the Managing Board members (EUR 808,292) compared to the base salary of the non-statutory members of the ExCo (EUR 423,501) was 1.9 (2019: 2.0).

In 2020, the base salary pay ratio of the CEO (EUR 987,912) compared to the median fulltime base salary of all employees (EUR 74,600) was 13.2 (2019: 11.4).

Any vested amounts of variable remuneration are subject to clawback by the Supervisory Board in the event they have been based on inaccurate financial or other data, fraud, or when the employee in question is dismissed 'for cause'. Moreover, in exceptional circumstances, the Supervisory Board has the discretion to adjust downwards any or all variable remuneration if, in its opinion, this remuneration could have unfair or unintended effects. In assessing performance against pre-agreed performance criteria, financial performance shall be adjusted to allow for estimated risks and capital costs. In addition to clawbacks, the concept of 'malus' is part of the remuneration policy. This is an arrangement that permits NIBC to prevent vesting of all or part of the amount of deferred compensation in relation to risk outcomes of performance. Malus is a form of ex-post risk adjustment, one of the key requirements in addition to ex-ante risk adjustments. If an employee resigns, any unvested amounts of compensation are forfeited.

Conclusion

The RNC and the Supervisory Board believe NIBC's remuneration policy responsibly links performance and reward and is compliant with the applicable laws, regulations and guidelines. The Supervisory Board continues to believe in prudent management of remuneration whilst recognising

that NIBC operates in a competitive market place where it needs to be able to attract, motivate and retain sufficient talent.

NIBC is determined to make a positive contribution towards fair compensation practices in the banking sector in consultation with its stakeholders. Furthermore, we aim to create the level playing field that regulators envisage with regard to variable compensation.

Disclosure on advisory vote on the Remuneration Report 2019

In the AGM of 2020 the Remuneration Report was on the agenda for advice by the shareholders. The Chair of the Remuneration and Nominating Committee has reflected on the proposals, on salary increase methodology and the abolishment of variable compensation for the Managing Board (and the vast majority of employees in the Netherlands). Pursuant to the SRD II Regulation, shareholders were requested to cast an advisory vote on the remuneration report. 98% of the votes cast were in favour of the proposal, so that it was positively advised on. The RNC proposed not to change the contents and disclosures of the remuneration report 2019 based on this advisory vote.

Disclosure on Dutch Remuneration Legislation for Financial Services Companies

The total amount of variable income granted in 2020 with respect to the performance over 2019, amounts to EUR 8.0 million. This grant consists of (direct and deferred) cash and (vested and unvested) share based instruments. In 2020, one employee was awarded a total compensation of more than EUR 1 million (in 2019: 1 employee).

Disclosure on Share Holders Rights Directive (SRDII)

With regard to the remuneration of every Managing Board member a comparison of the annual changes in the remuneration over 2 book years (since IPO in 2018), the development of the company performance and the average (full time) remuneration of employees need to be disclosed based on the SRDII.

	Remarks	2020 vs 2019	2019 vs 2018	2018 vs 2017	Information
P.A.M. de Wilt	Base + variable compensation	-/-2.7%	2.50%	3.10%	Excl. one-off retention package 2018
H.H.J. Dijkhuizen	Base + variable compensation	-/-2.7%	2.50%	9.10%	Excl. one-off retention package 2018
R.D.J. van Riel	Base + variable compensation	-/-2.7%	2.50%	9.10%	Excl. one-off retention package 2018
Employees ¹	Base + variable compensation	-/-1.2%	2.50%	2.80%	

¹ Average increase of base salary on a full time equivalent basis of employees.

Medium-term objectives

	Medium-term objectives	2020	2019	2018
Return on equity	10-12%	2.6%	11.4%	13.6%
Cost/income ratio ¹	<45%	54%	44%	43%
CET I ²	≥14%	19.9%	17.1%	18.5%
Rating Bank	BBB+	BBB+	BBB+	BBB
Dividend pay-out ratio	≥50%	0%	59%	58%

¹ Cost/income ratio including non-recurring items.

² As from 2019, non-Solvency ratios are based on full implementation of CRR. As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.