

**Capital Requirements Regulation (CRR)  
Remuneration Report**

*Performance year 2015*

**TABLE OF CONTENTS**

1) INTRODUCTION: ..... 3  
2) SCOPE:..... 3  
3) GOVERNANCE: ..... 3  
4) PERFORMANCE MANAGEMENT PROCESS:..... 4  
5) REMUNERATION CHARACTERISTICS:..... 5  
6) REMUNERATION PARAMETERS:..... 6  
7) AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION: ..... 8

**ANNEX 1** PAID REMUNERATION  
**ANNEX 2** AWARDED & PAID VARIABLE REMUNERATION  
**ANNEX 3** OUTSTANDING DEFERRED VARIABLE REMUNERATION

**1) INTRODUCTION:**

Our organizational success depends on the high level of skills and professionalism of our employees and remuneration needs to be well-balanced to retain and recruit highly qualified staff. Therefore, Credit Europe Bank N.V. (“CEBNV”) ensures that its remuneration policy maintains a balance between short-term and long-term value creation. The Group Remuneration Policy incorporates rules and guidelines for the setting and determination of fixed and variable remuneration for both Identified and Non Identified Staff and ensures appropriate correspondence with its risk profile and the interests of all stakeholders.

**2) SCOPE:**

This Remuneration Report provides detailed information on our Group Remuneration Policy and practices of our Identified Staff. This report and the data herein, refer to the performance year of 2015.

This report should be read in conjunction with our remuneration chapter, as laid down in the Annual Report 2015.

**3) GOVERNANCE:**

The key elements of the governance structure for the fixing, execution and evaluation of the remuneration management are as follows:

CEB’s Supervisory Board is responsible for the establishment, execution and evaluation of the Group Remuneration Policy and the Supervisory Board monitors the proper implementation of this by the Managing Board. The HR & Remuneration Committee (a subcommittee of the Supervisory Board – described in more detail below) meets at least each quarter and prepares the decision-making process for the Supervisory Board, taking into account the long-term interests of all stakeholders of CEB.

Remuneration of Identified Staff is determined by the Supervisory Board. The remuneration of the other employees is determined and implemented by the Managing Board and supervised by the HR & Remuneration Committee. For senior managers in control functions, remuneration is directly supervised by the HR & Remuneration Committee.

CEB’s Group Remuneration Policy authorizes the Supervisory Board to adjust the variable remuneration of (a group of) Employees, if continuation on the same level would have an unfair and unintended effect. Moreover, the Supervisory Board has the right to reclaim the variable component of remuneration granted to Employees, if it turns out that such was based on inaccurate data.

#### **4) PERFORMANCE MANAGEMENT PROCESS:**

One of the key elements of CEB's Group Remuneration Policy is the description of the appraisal process. In this paragraph, a summary is given of this process:

On the basis of pre-determined and assessable objectives, comprising financial and non-financial elements, and also on the basis of competences and general indicators, an Employee's overall performance assessment is determined, at least once per year. The non-financial objectives form a substantial portion (with a minimum of 50%) of the total set of objectives for an employee.

##### **(i) Objective-setting**

Each year, the Managing Board formulates its own objectives (financial and non-financial) and presents them for approval to the Supervisory Board. The approved objectives are then assigned (partially) to the relevant Identified Staff and Employees. Pursuant to the Group Remuneration Policy, financial objective-setting for Employees in control functions may not be based on the commercial objectives of CEB, i.e. the objectives of these Employees are set independent from the financial targets and/or results of the business they control.

##### **(ii) Performance assessment**

Financial performance of an employee is assessed in the context of CEB's financial stability and own-funds requirements as well as the long-term interests of the shareholders and other stakeholders.

Financial performance shall be evaluated on the basis of (a) divisional/ departmental profitability, calculated on financial criteria such as Net Income and (b) the department's attribution/claim to the risk profile of CEB.

Via a web-based performance management system, an overall 'performance score' is generated. The three performance categories are competences, general indicators and objectives. For the overall score, the following weighted percentages apply per category: competences 30%, general indicators 20% and objectives 50%. The end score is a figure between 1 and 5 – whereby 5 is excellent.

Performance evaluation of Identified Staff takes into account performance over several years and appraisals for Employees in control functions take into account the 'countervailing function' of these staff members.

Apart from the governance structure and appraisal process, the CEB Group Remuneration Policy incorporates rules and guidelines for the setting and determination of fixed and variable remuneration for both Non-Identified as Identified Staff. In the following chapters the specific requirements are applicable to CEB's Identified Staff.

## **5) REMUNERATION CHARACTERISTICS:**

### **(i) Variable Remuneration Cap**

As a rule in CEB, all fixed salary levels are conservatively aligned in comparison to similar functions in banking and the industry, nationally and internationally.

The main principles for granting variable pay are based on the Wbfo, CRD IV and the Rbb 2014. This results in the fact that CEB applies a maximum ratio of variable remuneration in relation to fixed remuneration for Identified Staff. Employees are not remunerated on the basis of a CLA and any variable remuneration to be paid (if any at all) may not exceed 100% of an Employee's annual fixed salary. Further all awards of variable remuneration to Employees of the Group comply with the limitations on variable remuneration pursuant to article 1:121 of the FSA, where applicable, use is made of the deviations included in the aforementioned article of the FSA. Guaranteed variable remuneration to Employees is not allowed.

### **(ii) Phantom Share plan**

In CEB's Phantom Share Plan the terms and conditions for the granting of Phantom Shares to Identified Staff are laid down. The Plan entails that variable remuneration awarded to an Identified Staff will be:

- for 60% unconditional and for 40% deferred;
- if an Identified Staff member is awarded a total of more than € 300.000 gross (or equivalent), 40% will be unconditional and for 60% deferred;
- at least 50% of the variable remuneration (deferred or unconditional) is in the form of financial instruments whose value is determined by/ derived from the value of CEB shares: Phantom Shares. These financial instruments are rights – not shares.

The deferred part of the variable remuneration vests over a period of 3 years. Furthermore, vested Phantom Shares (whether deferred or unconditional) are subject to a retention period of 1 year. Vesting and exercise of the Phantom Shares is subject to the fulfilment of certain conditions. For example, the holder's performance score must exceed a certain limit.

**6) REMUNERATION PARAMETERS:**

Pursuant to the Group Remuneration Policy, the granting of variable remuneration ‘at all’ depends on CEB’s performance in a year. By virtue of the rules, if CEB’s ROAE in any given year is less than 2% or negative, there will be no variable remuneration. Additionally, the requirement applies that the granting of variable remuneration may not restrict CEB’s possibilities to reinforce its regulatory capital, its solvency ratio or its own funds. CEB has no other non-cash benefits or non-cash variable remuneration elements.

*(i) Ex-ante risk adjustment*

The ex-ante assessment process aims to check, verify and consider the full range of any current and potential future risks. As part of this process, the control functions perform the ex-ante risk assessment. With the input from the control functions, a set of risk requirements is agreed for all Identified Staff holding risk taker roles. Risk requirements set the minimum standard to be obtained during the performance year. Deviation there from may lead to full or partial reduction of variable remuneration via a so called risk modifier.

*(ii) Ex-post risk adjustment: Malus & Clawback*

Further to the above, the ex-post assessment process aims to perform an analysis as to whether amongst others the outcome of the initial ex-ante assessment process were correct. Like with the ex-ante assessment, this assessment is performed by the control functions. The payment of variable remuneration is subject to malus and clawback arrangements, which means that variable remuneration granted but not yet vested, in whole or in part, will be reduced or lapse (malus) or variable remuneration already vested/paid will be recovered (clawback), in whole or in part, in case pre-determined risk requirements are not met.

The payment of variable remuneration is subject to the following malus and clawback arrangements:

Variable remuneration granted but not yet vested, in whole or in part, may be reduced or lapse (malus) or variable remuneration already vested/paid may be recovered (clawback), in whole or in part, if one or more of the following circumstances would occur:	Malus	Clawback
the Identified Staff member did not meet fitting norms on competence and appropriate behaviour;	✓	✓
the Identified Staff member is responsible for behaviour leading to deterioration of the Group’s position;	✓	✓
evidence of misconduct or serious error by the Identified Staff member (e.g. in case of a negative reassessment by the regulator; a breach of disciplinary laws for bankers, codes of conduct and other internal rules, especially concerning risks);	✓	✓
any regulatory sanctions where the conduct of the Identified Staff member contributed to the sanction;	✓	✓
in case any variable remuneration paid to the Identified Staff member was based on inaccurate (financial) data.	✓	✓

<b>Variable remuneration granted but not yet vested, in whole or in part, may be reduced or lapse (malus) if one or more of the following circumstances would occur:</b>	<b>Malus</b>	<b>Clawback</b>
if the Group Company or the business unit in which the Identified Staff member works suffers a significant downturn in its financial performance (e.g. an ROAE < 2%) or when the financial results are negative;	✓	
if the Group Company or the business unit in which the Identified Staff member works suffers a significant failure of risk management;	✓	
significant increases in the Group's, the relevant Group Company's or business unit's economic or regulatory capital base;	✓	
if there are significant changes in the Group's or the relevant Group Company's overall financial situation.	✓	

<b>Variable remuneration awarded and not paid out to Identified Staff shall be immediately forfeited and nullified, and were applicable subject to clawback:</b>	<b>Malus</b>	<b>Clawback</b>
in case of termination of the employment agreement for urgent cause within the meaning of section 7:677 (1) of the Dutch Civil Code (DCC) or for the ground as referred to in section 7:669 (3) sub (d) DCC, or similar legislation in other jurisdictions ('bad leaver').	✓	✓

<b>Variable remuneration awarded and not yet vested, shall be forfeited and nullified:</b>	<b>Malus</b>	<b>Clawback</b>
if at the date of pay out, the Identified Staff member has an average 'performance score' of less than 2.5 (out of a scoring range between 0 ('poor') and 5 ('excellent'), over 3 previous and consecutive years,	✓	

With respect to the overall monitoring by CEB's control functions, a comprehensive framework is defined in a separate document with the title 'Control Functions Remuneration Monitoring Procedure'.

## 7) AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION:

### (i) Total remuneration Identified Staff

Over the year 2015, the **total** amount of remuneration paid out to the Identified Staff amounts to € 14.959.636

### (ii) Aggregate quantitative information on **fixed** remuneration for Identified Staff

The fixed salaries of all staff are aligned with comparable functions inside and outside the financial industry, national and international.

Adjustments to fixed salaries are in principle considered annually. The amendments are proposed for an individual or a group of Employees by the appropriate functional manager and decided upon by the Managing Board and/or the Supervisory Board (on advice of the HR & Remuneration Committee) or, where applicable, by the responsible local management. Fixed salaries may not be adjusted downwards unilaterally by the Managing or Supervisory Board or, where applicable, by the responsible local management, except in case the interests of the Employees concerned should yield to the interests of the relevant group Company according to standards of reasonableness and fairness.

In 2015, the total amount of fixed remuneration paid out to the Identified Staff amounts to € 12'469'171

### (iii) Aggregate quantitative information on **variable** remuneration for Identified Staff

As part of CEB's Group Remuneration Policy, variable remuneration packages of all employees are granted based on the (financial and non-financial) performance over the respective reporting year and paid out in the form of cash and/or Phantom Share (both unconditional and conditional) in the preceding years.

The variable remuneration for Identified Staff was split in an unconditional and deferred part (resp. 60% and 40%, or resp. 40% and 60% if awarded a total of more than € 300.000 gross) and awarded in cash or Phantom Shares (50/50). A retention period of 1 year applies to the vested Phantom Shares.

In 2015 CEB has identified a total of 81 Identified Staff members and the following can be shared as a concise summary concerning the variable remuneration;



### **AWARDED**

Over the performance year 2015, the total amount of variable remuneration **awarded** amounts to € 3.952.644, which is split into:

- Non-Identified Staff:
  - Unconditional cash with a total amount of € 1.300.878
- Identified Staff
  - Unconditional cash with a total amount of € 767.286
  - Unconditional Phantom Shares with a total amount of € 748.110
  - Deferred cash with a total amount of € 568.185
  - Deferred Phantom Shares with a total amount of € 568.185

### **PAID OUT**

Over the performance year 2015, the total amount of variable remuneration **paid out** amounts to €2.068.164, which is split into:

- Non-Identified Staff:
  - Unconditional cash with a total amount of € 1.300.878
- Identified Staff
  - Unconditional cash with a total amount of € 767.286

With reference to the **deferred variable remuneration of previous years**, the total amount **paid out**, both cash and Phantom Shares, amounts to € 1.723.179

### **OUTSTANDING**

With reference to the deferred variable remuneration, the total amount **outstanding** amounts to € 3.572.445, which is split into:

- Cash
  - Deferred cash with a total amount of € 1.142.048
- Phantom Shares
  - Vested with a total amount of € 1.279.131
  - Unvested with a total amount of € 1.151.266

### **Finally, over the performance year 2015:**

- There has been no individual remunerated € 1 million or more;
- There has been no 'less than awarded' deferred pay-out due to ex-post adjustment;
- No sign-on or entry awards were paid to any Identified Staff member;
- No severance payments were paid to any Identified Staff member
  - Severance payments have been paid to a total of 21 employees (non-identified staff) amounting to € 1'048'798. None of the payments exceeded one year's fixed salary and the highest amount granted was € 100'685.

*For an overview of the total remuneration paid to Identified Staff; amounts of awarded and paid (deferred) variable remuneration, to both Identified & Non-Identified Staff; as well as the outstanding vested and unvested variable remuneration, is being referred to enclosed annexes 1, 2 & 3.*

**ANNEX 1**    Paid Remuneration

	Fixed Remuneration to ID Staff (2015)	Variable Remuneration to ID Staff (over 2015 Performance)	Paid Remuneration to ID Staff (2015)
# Identified Staff (IDS)	Total	Total	Total
81	€12.469.171	€2.490.465	€14.959.636

**ANNEX 2**      Awarded & Paid Variable Remuneration

# Identified Staff (IDS)	Variable Remuneration (previous years)		Variable Remuneration (over 2015 performance)						
	Deferred Cash Payments to ID Staff Total	Deferred Phantom Share Payments to ID Staff Total	Immediate Cash (IDS)	30% Phantom Shares (IDS)	20% Deferred Cash (IDS)	20% Deferred Phantom Shares (IDS)	Total (IDS)	Non-Identified Staff (NIDS)	Total Variable Remuneration (IDS & NIDS)
81	€529.133	€1.194.046	€767.286	€748.110	€568.185	€568.185	€2.651.766	€1.300.878	€3.952.644

*IDS* = Identified Staff

*NIDS* = Non Identified Staff

**ANNEX 3** Outstanding Deferred Variable Remuneration

# Identified Staff (IDS)	Variable Remuneration (previous years)		Variable Remuneration (over 2015 performance)						
	Deferred Cash Payments to ID Staff Total	Deferred Phantom Share Payments to ID Staff Total	Immediate Cash (IDS)	30% Phantom Shares (IDS)	20% Deferred Cash (IDS)	20% Deferred Phantom Shares (IDS)	Total (IDS)	Non-Identified Staff (NIDS)	Total Variable Remuneration (IDS & NIDS)
81	€574.010	€1.114.531	€0	€747.829	€568.037	€568.037	€1.883.904	€0	€3.572.445

	Total Outstanding
Cash	€ 1.142.048
Vested Phantom Shares	€ 1.279.131
Unvested Phantom Shares	€ 1.151.266

**IDS** = Identified Staff

**NIDS** = Non Identified Staff