

Glossary NIBC Annual Report

ABSENTEEISM

A rolling average percentage of available workforce capacity in the Netherlands which has been lost due to sick leave. A lost work day of absence is a potential work day of an employee on which the employee did not work because he or she was sick.

BASEL III

Global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the members of the Basel Committee on Banking Supervision.

BASEL IV

A revision to the global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the members of the Basel Committee on Banking Supervision which was agreed in December 2017.

CO2 NEUTRAL/CARBON NEUTRAL

Being carbon neutral refers to achieving net zero carbon emissions (emission of gases that are released by the burning of fossil fuels and which contribute to the greenhouse effect). For NIBC, this means we measure our carbon emissions, avoid emissions (by using energy from renewable sources) and reduce our carbon emissions (through energy efficiency measures). We compensate any remaining emissions to realise net zero carbon emissions.

CORPORATE GOVERNANCE

Corporate governance is the system by which companies are directed and controlled, involving a set of relationships between a company's management, its board, its shareholders and other stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

A company's approach to monitor and ensure that it embraces responsibility for its actions and pursues economic, social and environmental progress simultaneously.

COST-TO-INCOME RATIO

A financial measure which shows a company's operating costs in relation to its operating income.

CREDIT RISK

The current or potential threat to the company's earnings and capital as a result of counterparty's failure to make required debt or financial payments on a timely basis or to comply with other conditions of an obligation or agreement, including the possibility of restrictions on or impediments to the transfer of payments from abroad.

DERIVATIVE

A derivative is the collective term used for a wide variety of financial instruments whose price derives from or depends on the performance of other underlying investments.

DUTCH BANKING CODE

The Banking Code lays out the principles for good conduct by banks related to the supervisory board, executive board, risk management, audit and remuneration.

DUTCH CORPORATE GOVERNANCE CODE

Code of conduct for listed companies aimed to improve transparency in reporting, strengthen the role of the Supervisory Board and increase control and protection of shareholders. This code is also known as code-*Tabaksblat*.

EQUATOR PRINCIPLES

Equator Principles (EP) provide a framework for the financial industry for assessing and managing social and environmental risks in projects. EP apply to project financing and project finance advisory transactions. On 4 June 2013 the latest version of EP (EP III) came into effect, accordingly adopted by NIBC as of 1 January 2014.

EMPLOYEE ENGAGEMENT SURVEY

The Employee Engagement Survey is a tool to measure the level of involvement and engagement of employees about their job, colleagues and the organisation.

EMPLOYEE TURNOVER

Calculation of the number of employees who have left and who have joined NIBC, expressed as a percentage of the total number of employees per year-end. NIBC's employee figures include the acquisition of NIBC Markets. In 2016, these employees are shown as "joiners", since they officially became part of NIBC in the middle of the calendar year.

FINES OR SANCTIONS

Number of significant (> EUR 10.000) fines and number of non-monetary sanctions for non-compliance with laws and regulations. In NIBC's non-financial key figures, limited to fines from a regulator. For added transparency to our stakeholders, NIBC includes non-punitive fines agreed as part of settlement of regular tax audits within this definition.

FULL TIME EQUIVALENTS

A *Full Time Equivalent* (FTE) represents, per employee, the total number of contract hours per week related to the maximum number of contract hours per week (e.g. 40 hours). This maximum can differ per NIBC office (depending on local guidelines) and kind of job contract. A full-time employee is an employee with a FTE percentage of 100%.

GENERAL DATA PROTECTION REGULATION

The *General Data Protection Regulation* (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information of individuals within the European Union (EU).

GLOBAL REPORTING INITIATIVE

The *Global Reporting Initiative* (GRI) provides a framework for sustainability reporting that is widely used around the world. The GRI Standards are the latest version of GRI's Sustainability Reporting Guidelines.

INCREASED SUSTAINABILITY RISK ASSESSMENT

In case potential sustainability risks are recognised as part of the risk assessment for a specific client, an increased sustainability risk assessment is required in line with NIBC's sustainability risk management policy.

LIQUIDITY

The ability or ease with which assets can be converted into cash.

LIQUIDITY COVERAGE RATIO

Ratio under Basel III requirements which requires a bank to hold sufficient high-quality liquid assets to cover its total net cash outflows over 30 days.

MARKET RISK

NIBC defines market risk as the current and prospective threat to its earnings and capital as a result of movements in market prices.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II

The *Markets in Financial Instruments Directive II* (MIFID II) is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors with the aim of restoring confidence in the industry after the financial crisis exposed weaknesses in the system.

NET STABLE FUNDING RATIO

Funding ratio under Basel III requirements that seeks to calculate the proportion of long-term assets which are funded by long term, stable funding.

NET PROMOTER SCORE

A customer loyalty metric used to measure client satisfaction. Outcome of *Net Promoter Score (NPS)* survey with corporate clients, who executed a deal / deals with NIBC Corporate Banking, and for existing portfolio clients of NIBC. NPS is based on the client responses related to the question: 'How likely are you to recommend our company / product / service to your friends and colleagues?'

NIBC'S SUSTAINABILITY POLICY FRAMEWORK

Policy framework that describes the potential environmental & social risks for specific sectors and clients, and the applicable sustainability standards in these sectors. All new corporate loans are screened against the sustainability policy framework.

NIBC DIRECT CUSTOMER SURVEY SCORE

The results of the latest *Customer Satisfaction Survey (CSS)* for the bank's retail clients, i.e. Mortgages and NIBC Direct Savings Netherlands (NL), Belgium (BE) and Germany (GE, also including Brokerage clients). In the Survey clients are asked to rate, on a scale from 1-10, the general satisfaction regarding NIBC Direct savings products and/or services.

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

Recommendations from the Organisation for Economic Co-operation and Development providing principles and standards for responsible business conduct for multinational corporations.

OPERATIONAL RISK

Risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk.

PORTFOLIO

A collection of investments held by an institution.

PROJECT FINANCE

Project Finance is a method of funding whereby the lender looks primarily to revenues generated by a Project as source of repayment and security.

NIBC applies the Equator Principles III guidelines and reports the number of transactions that fall in scope of EP and that reached financial close. For the purpose of Equator Principles, a

project is defined as the development & construction of a large, infrastructure and industrial project that:

- Takes place at a specific location; and
- Generates significant environmental and/or social impacts.

SHAREHOLDER

Individual or institution that legally owns a share in a public or private company.

SOLVENCY

The degree to which the current assets of an individual or entity exceed the current liabilities of that individual or entity.

STAKEHOLDER

Groups or individuals who are affected by or can affect the achievement of a company's objectives. For NIBC, these include clients, employees, shareholders, investors, civil society organisations, peer banks, media, rating agencies, regulators and government authorities.

TIER-1 RATIO

The Tier-1 ratio is the ratio of a bank's core equity capital to its total *risk-weighted assets* (RWA). Risk-weighted assets are the total of all assets held by the bank weighted by credit risk according to a formula determined by the Regulator (usually the country's central bank).

TRAINING EXPENSES

Total amount of employee training and education expenses, including related travel expenses. In NIBC's non-financial key figures, the training expenses are divided by the average headcount, accordingly reflecting the average training expense per employee.

UNITED NATIONS GLOBAL COMPACT

UN Global Compact is a strategic policy initiative for businesses and asks companies to embrace, support and enact, within their sphere of influence, ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

UN GUIDING PRICIPLES FOR BUSINESS AND HUMAN RIGHTS

The UN Guiding Principles for Business and Human Rights consist of 31 principles implementing the United Nations 'Protect, Respect and Remedy' framework. These Principles provided the first global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity, and continue to provide the internationally accepted framework for enhancing standards and practice regarding business and human rights.