



NL financial investments

Annual Report 2012

1. Introduction

This is the second annual report issued by NLF¹ and covers NLF's first complete financial year. It is exclusively concerned with the activities of NLF and will not deal with the results of companies in which NLF holds shares (hereinafter: the Holdings). NLF is required by its Articles of Association to prepare an annual report prior to March 15th of the year following the financial year that is the subject of the report.

NLF endeavours to adopt the annual accounts and annual report prior to 1 March, their adoption then being submitted to the Minister for approval. The annual reports of the Holdings are still unavailable at this date.

NLF undertakes to manage the Holdings of the State of the Netherlands in the companies ABN AMRO Group NV, ASR Nederland NV, RFS Holdings BV and ABN AMRO Preferred Investments BV, this in accordance with private law.

The State's shares in ABN AMRO Group NV, ASR Nederland NV and ABN AMRO Preferred Investments BV were transferred into the trust of NLF in 2011. The State's shares in RFS Holdings BV were transferred in 2012 (see paragraph 2.5). Prior to the transfer, NLF performed, on behalf of the State of the Netherlands, all actual, preparatory and advisory activities connected with the State's shareholding in RFS Holdings BV.

In 2011, NLF was authorised by the Minister of Finance to resolve a number of legal issues stemming from the State's purchase of Fortis shares on 3 October 2008. This led in 2012 to an agreement between the parties involved. This agreement, which involves ABN AMRO Group NV, Ageas NV/SA (the former Fortis Belgium) and the State, thus terminated all disputes between the State of the Netherlands and Ageas NV/SA regarding the State's acquisition of the Dutch activities from the former Fortis on 3 October 2008 (see paragraph 2.6).

¹ NLF is a Trust Office Foundation [stichting administratiekantoor] with its registered office in the municipality of The Hague. The full registered name is the Trust Office Foundation Management Financial Institutions [stichting administratiekantoor beheer financiële instellingen].

2. NLFI activities in 2012

2.1. *General*

The objectives of NLFI are laid down in the Articles of Association. In 2012, NLFI continued the policy on the Holdings implemented in 2011. This policy is based on Article 3.2 of the Articles of Association, which states:

"In exercising the rights attached to the shares, the corporation will be guided primarily by the financial and economic interests of the holder of the depository receipts for shares issued by the corporation, taking into account the interests of the company and the entities affiliated with it and all the employees concerned. This entails, inter alia, ensuring that the companies pursue a responsible corporate strategy in line with sound commercial business practices and the applicable rules of good corporate governance."

NLFI's procedure with regard to the Holdings can be described as the practices of an involved shareholder that respects the roles of the Management and Supervisory Boards defined in the Articles of Association.

As a shareholder of a number of financial institutions, NLFI wishes to exercise sustainable and accountable business practices.

2.2. *ABN AMRO Group NV*

2.2.1 *Shares*

NLFI holds all the ordinary shares in the capital of ABN AMRO Group NV (hereinafter ABN AMRO) in trust. This amounts to 940,000,001 shares, each with a nominal value of one euro. In exchange, NLFI has issued the State with depository receipts for the same nominal value.

One of the shares involves a new issue in 2012, which was undertaken in connection with the agreement involving ABN AMRO, Ageas and the State (see paragraph 2.6). This share was certified in 2012.

The shares represent a 92.6% interest in the share capital of ABN AMRO. The other shares of ABN AMRO are held by ABN AMRO Preferred Investments BV (see paragraph 2.4).

2.2.3 *The performance of duties and the pursued policy*

NLFI has discussed with ABN AMRO how the risk policy should implement a moderate risk profile.

The dividend policy of ABN AMRO provides, in principle, for a dividend payment of 40% of the realised net profit. In 2011, a dividend on the ordinary shares was fixed at 250 million euros. Of this amount, 200 million euros were paid to the State as an interim dividend in 2011 (before the transfer of the shares to NLFI). Fifty million euros were subsequently paid to NLFI as a final dividend in 2012. The final dividend (after deduction of dividend tax) was then paid to the State as the holder of the depository receipts.

No interim dividend has been established for 2012.

NLFI is in discussion with ABN AMRO about a possible dividend for the financial year. A resolution on this point shall be taken in 2013 when the annual accounts for 2012 are adopted.

Legislation came into effect in 2012 containing a prohibition on the variable remuneration for directors of state-supported financial companies. ABN AMRO falls within the scope of this law. NLFI, in dialogue with the Supervisory Board of ABN AMRO, arrived at a remuneration policy for the Management Board at ABN AMRO that complies with this legislation. It subsequently submitted the policy for the approval of the Minister of Finance, who granted the required approval. In 2012, there were also discussions with ABN AMRO regarding customer focus and socially responsible business practices.

2.2.4 Activities

Meetings with the chairpersons of the Management and Supervisory Boards of ABN AMRO also took place on a regular basis in 2012. Talks were also held on an ad hoc basis with members of the Supervisory Board, Management Board and management of ABN AMRO. A regular component was the discussion of quarterly figures within a few weeks following their publication by ABN AMRO. Contact was also maintained with ABN AMRO in view of the principle that, since neither ABN AMRO nor NLFI wish to spring any surprises on each other, they will promptly and accurately inform each other about relevant issues.

A regular and an extraordinary general meeting of shareholders were held in 2012. NLFI exercised its right to add agenda items and placed the topic of socially responsible business practices on the agenda of the general meeting and the subject of dividends on the agenda of the extraordinary shareholder meeting.

NLFI also had a meeting with the Management Board, Supervisory Board and central Works Council.

These activities are being continued in 2013.

2.2.5 Shareholder meetings and shareholder resolutions

A regular and an extraordinary general meeting of ABN AMRO shareholders were held in 2012. With the agreement of NLFI, these meetings adopted resolutions concerning:

- the annual accounts for 2011;
- discharge of Management and Supervisory Board members;
- dividend for 2011;
- capital and funding plans for 2012;
- reappointment of the accountant for 2013 and 2014 and;
- risk appetite for 2013.

Additionally, NLFI adopted shareholder resolutions outside meeting about:

- the issue of one share;
- approval of the proposal to revise the remuneration structure for members of the Management Board.

The percentage of the votes cast represented by NLFI continued to be 92.6% of the share capital.

Without resulting in resolutions, there were also discussions during these meetings on:

- topics introduced by the central Works Council;
- Supervisory and Management Board reports;
- corporate governance;
- socially responsible business practices;
- participation by ABN AMRO in the private sector involvement (PSI) regarding Greece;
- dividend policy;
- vision and strategy.

2.3. ASR Nederland NV

2.3.1 Shares

NLFI holds all the shares (which is to say 200,000 shares, each with a nominal value of five hundred euros) in the capital of ASR Nederland NV (hereinafter ASR) in trust. In exchange, NLFI has issued the State with depository receipts for the same nominal value.

The shares held represent a 100% interest in the share capital of ASR.

2.3.2 The performance of duties and the pursued policy

The dividend policy of ASR provides, in principle, for a dividend payment of 40%-45% of the net profit for the year in question, this after required distributions to holders of hybrid instruments and preferred shares. A dividend was fixed at 71.3 million euros for financial year 2011. The dividend (after deduction of dividend tax) was received in 2012 and transferred to the State as the holder of the depository receipts.

A resolution on the 2012 dividend shall be taken in 2013 when the annual accounts for 2012 are adopted. The policy does not provide for interim dividends.

The above-mentioned legislation containing a prohibition on variable remuneration for the directors of state-supported financial institutions also relates to ASR, even though ASR has not received any state support (in the meaning of the first paragraph in Article 107 of the Treaty on the Functioning of the European Union). NLFI, in dialogue with the Supervisory Board of ASR, arrived at a remuneration policy that complies with this law. It subsequently submitted the policy for the approval of the Minister of Finance, who granted the required approval.

In 2012, there were also discussions with ASR regarding customer focus and socially responsible business practices. Talks were also held on ASR's strategy and capital policy.

The dialogue on these topics shall be continued in 2013.

In the final months of 2012 and after consultation with the Ministry of Finance, NLFI collaborated with other implicated parties in investigating the possibilities of a (partial) merger between SNS REAAL and ASR. On 1 February 2013, this investigation was discontinued as a result of the decision by the Minister of Finance to nationalise SNS REAAL.

2.3.3 Activities

Meetings with the chairpersons of the Management and Supervisory Boards of ASR also took place on a regular basis in 2012. Talks were also held on an ad hoc basis with members of the Management Board and senior management of ASR. A regular component was the discussion of quarterly figures within a few weeks following their adoption.

Contact was also maintained with ASR in view of the principle that, since neither ASR nor NLFI wished to spring any surprises on each other, they will promptly and accurately inform each other about relevant issues.

NLFI also a meeting with the Management Board, Supervisory Board and central Works Council.

These activities are being continued in 2013.

2.3.4 Shareholder meetings and shareholder resolutions

One general meeting of shareholders was held in 2012. With the agreement of NLFI, this meeting adopted resolutions concerning:

- the annual accounts of 2011;
- allocation of profits for 2011;
- discharge of Management and Supervisory Board members.

NLFI adopted shareholder resolutions outside meeting about:

- the multi-year plan 2012 - 2015, excluding the associated multi-year budget forecast;
- approval of the proposal to revise the remuneration structure for members of the Management Board.

- revision of the Articles of Association in connection with the merger of ASR with Amersfoortse Verzekeringen NV.;
- adoption of the annual accounts and annual report in English as of financial year 2011;
- acceptance of the resignation of R.H.A. Vledder as director and the discharge of the management under his direction;
- appointment of M.H. Verwoest as director;
- re-appointment of M.A. Scheltema as a member of the Supervisory Board.

2.4. ABN AMRO Preferred Investments BV

2.4.1 Shares

NLFI holds all priority A shares (which is to say 35 shares, each with a nominal value of one thousand euros) in the capital of ABN AMRO Preferred Investments (hereinafter AAPI) in trust. In exchange, NLFI has issued the State with depository receipts for the same nominal value. The shares held represent a 70% interest in the share capital of AAPI. The other shares of AAPI are held by third parties.

AAPI holds all the preferred shares in ABN AMRO Group NV. These preferred shares represent a 7.4 % interest in the share capital of ABM AMRO Group NV.

2.4.2 Performance of duties, pursued policy and activities

AAPI carries out the full transfer of dividend payments received from ABN AMRO. In 2012, a dividend for the priority shares held by NLFI was fixed at 2,180 euros and 65 eurocents. This dividend (after deduction of dividend tax) was received and transferred to the State as the holder of the depository receipts.

The other shareholders, whose investments in AAPI amounted to 210 million euros, had previously announced their desire to withdraw from the company. ABN AMRO can contractually choose to retract the preferential shares in the first quarter of 2013, but must comply with the rules established by the European Commission if it does so. The dividend payment may also be adjusted at the beginning of 2013. NLFI shall follow these developments.

It will also maintain contact with directors and fellow shareholders in 2013.

2.4.3 Shareholder meetings and shareholder resolutions

One general shareholder meeting was held in 2012. With the agreement of NLFI, this meeting adopted resolutions concerning:

- the annual accounts for 2011;
- allocation of the results for 2011;
- discharge of directors.

NLFI adopted shareholder resolutions outside meeting about:

- acceptance of the resignation of J.D. Kalverkamp as director;
- appointment of R.V.C. Schellens as director.

The percentage of the votes cast represented by NLFI continued to be 70% of the share capital.

2.5. RFS Holdings B.V.

2.5.1 Shares

In 2012, the State transferred all F shares (which is to say 100 shares, each with a nominal value of one eurocent) and 33.81% of the O shares (which is to say 338,103 shares, each with a nominal value of one eurocent) in RFS Holdings BV (hereinafter RFS) into the trust of NLFI. In exchange, NLFI issued the State with depository receipts.

Discussions in anticipation of the transfer of these shares were held with the Minister of Finance, other RFS shareholders (Banco Santander SA and RBS Plc) and the RFS Management Board. Legal research was also conducted on any permissions from (or notifications of) foreign regulators required for the transfer.

The F shares represent the State's interest in the assets that are materially attributed to ABN AMRO.

The O shares represent its stake in what are *shared assets*. These shares jointly represent approximately 1.25% of the total share capital of RFS.

Until the transfer, management of the shares in RFS held by the State was performed by the Ministry of Finance. It was agreed that NLFI, acting on behalf of the State, would conduct all the material, preparatory and advisory actions relating to or potentially benefiting the holding and transfer of these shares. Legal actions involving RFS were performed under power of attorney.

2.5.2 The performance of duties and the pursued policy

The interest of the State in RFS is associated with the remaining assets still belonging to the former ABN AMRO. Under the management of RBS NV, RFS is endeavouring to sell these assets. No shared assets were sold in 2012.

There was, in 2012, no dividend established for the shares held by NLFI.

In 2013, the work of NLFI with regard to RFS will focus on achieving the best possible sale of RFS assets.

2.5.3 Activities

The daily management of shared assets is performed by RBS NV. RBS NV will also take the lead in the possible sale of any assets.

NLFI held discussions with The Royal Bank of Scotland Group PLC (RBS) and Santander in 2012 with regard to the progress of this sale.

These activities are being continued in 2013.

2.5.4 Shareholder meetings and shareholder resolutions

One general meeting of shareholders was held in 2012. With the agreement of NLFI, this meeting adopted resolutions concerning:

- approval of the annual accounts for 2011;
- appointment of the accountant for financial year 2012;
- discharge of the RFS Management Board regarding the policy implemented in 2011.

NLFI voted on behalf of the State during this shareholder meeting (with power of attorney from the Minister of Finance). The percentage of the votes cast represented by NLFI continued to be approximately 1.25% of the share capital of RFS.

NLFI also voted on behalf of the State for a *debt to equity swap*, by means of which RBS converted a part of a loan to RFS into its equity. A new R share was issued for this purpose with a nominal value of one eurocent (without any control rights). RBS additionally contributed a sum of one billion euros to the debts of RFS. The issue of a single R share did not affect the State's control and financial position. The percentage of the votes cast represented by NLFI continued to be approximately 1.25% of the share capital of RFS.

2.6. Legal inheritance

In 2012, NLFI collaborated on the conclusion of an agreement between ABN AMRO and Ageas NV/SA (the former Fortis Belgium) regarding ABN AMRO Capital Finance Ltd and Mandatory Convertible Securities (MCS). NLFI also signed the agreement on behalf of the Dutch State. As a consequence, an end was reached to all the disputes between the Dutch State and Ageas NV/SA that were then outstanding with regard to the takeover of the Dutch activities of the former Fortis Group by the State of the Netherlands on 3 October 2008.

2.7. Ministry of Finance

In 2012, the Minister of Finance, after consultation with NLF, established a supervisory arrangement specifying how the Ministry of Finance will supervise NLF. It also describes the manner in which communications and exchanges of information shall occur between NLF and Finance.

In line with this arrangement, NLF had one meeting with the Minister of Finance in 2012. Regular meetings were held between the chairman of NLF and the Director of Financing (as a rule once a month). These meetings were organised to provide the Ministry of Finance with a sense of the developments that were or might be relevant to ministerial decision-making, such as its decisions about legal inheritance, future exit and decisions of a principle or substantial nature.

Frequent meetings were also held with other employees of the Ministry of Finance, especially employees of the Financing Directorate. Underlying these discussions is the fact that neither the ministry nor NLF wish to spring any surprises on each other and will promptly and accurately inform each other about relevant issues.

These activities are being continued in 2013.

On 1 February 2013, the Minister of Finance announced the ministry's intention to transfer the management of SNS REAAL to NLF while taking account of issues with regard to competition law. Realisation of this intention shall result in an expansion of activities at NLF.

2.8. NLF organisational issues

NLF has its registered office at Lange Houtstraat 26 in The Hague.

At the beginning of 2012, NLF had eight employees hired under employment contracts subject to private law. Two other employees were seconded part time from the Ministry of Finance. NLF staff was reduced over the course of 2012.

At the end of the year, NLF had six employees working under employment contracts subject to private law. One employee was also seconded part time from the Ministry of Finance and another hired on the basis of a temporary employment contract.

NLF completed transactions with various external service providers and suppliers in 2012. This mostly involved legal, financial, communications, secretarial, accounting and IT services.

One point in the Articles of Association of NLF was amended in October 2012 on the recommendation of the NLF Management Board. The amendment establishes that the annual accounts shall be prepared in accordance with a system of profits and losses generally accepted in the Netherlands. This also implies that the annual accounts will no longer be prepared on the basis of a so-called cash method.

3. Management and directors of NLF

3.1 Management and directors

The Management Board of NLF was, in 2012, entirely composed of: M. Enthoven (attorney at law), L.Y. Gonçalves-Ho Kang You (attorney at law) and *jonkheer* D. Laman Trip. Michael Enthoven was the chairman. Diederik Laman Trip served as vice-chairman in the even quarters and Lilian Gonçalves-Ho Kang You was vice-chairwoman in the uneven quarters.

Michael Enthoven

M. Enthoven (attorney at law) worked for years at JP Morgan & Co and was chairman of the board at NIBC, where he acquired substantial experience in corporate and investment banking. He has worked as an advisor to the Ministry of Finance since the fall of 2008. In this connection, his responsibilities included membership to the Supervisory Board of ABN AMRO Holding NV. He is now a deputy judge.

Lilian Gonçalves-Ho Kang You

L.Y. Gonçalves-Ho Kang You comes from the legal profession and has held several positions, including member of the Management Board of the Netherlands Independent Post and Telecommunications Authority [*Onafhankelijke Post en Telecommunicatie Autoriteit (OPTA)*]. As an attorney and advisor, she has been inter alia involved in mergers and takeovers. She is currently a State Councillor on the Council of State.

Diederik Laman Trip

Jonkheer D. Laman Trip has held several positions, including the chairmanship of the Board for the ING Group in the Netherlands until 2005, and has substantial experience in retail banking and insurance. He is currently the chairman of the Board of Directors and Supervisory Board at ANWB and chairman of the Netherlands Committee for Enterprise and Financing [*Nederlands Comité voor Ondernemerschap en Financiering*].

Rens Bröcheler was managing director of NLF throughout 2012.

Rens Bröcheler

R. Bröcheler worked at Generale Bank and ABN AMRO before moving to the Ministry of Finance in 1999. At the ministry, he gained extensive management experience as the head of Cash Management, head of Investments and project director for Financial Institutions. He has been managing director since the establishment of NLF.

3.2. Management Board meetings

Twenty-two Management Board meetings were held in 2012. Important topics that were then discussed include:

- annual general meetings of shareholders;
- shareholder resolutions outside meeting;
- strategic developments;
- consultations with other companies and their organs;
- consultations with the Ministry of Finance;
- internal opportunities.

Two or three members were present at every Management Board meeting, so that decisions could be legally taken. The attendance of M. Enthoven was 100 per cent and both L.Y. Gonçalves-Ho Kang You (attorney at law) and *jonkheer* D. Laman Trip attended 95 per cent of the time.

As a rule, the attending Management Board members were physically present but, in a number of cases, members participated in the meetings by means of an audio (and visual) connection. The Management Board obtained external advice with regard to a number of legal and financial questions. The chairman of the Management Board visited "sister organisation" UKFI in London in 2012.

The Management Board appointed in 2011 conducted an internal review of its own activities in 2012. The intention is to involve a number of stakeholders in the review for 2013, including the Ministry of Finance. The review can be conducted by an external party in the subsequent year.

3.3. Remuneration of Management Board members

NLFI has no managers or employees for whom the sum of the taxable salary and benefits payable by NLFI and paid in instalments amounts to more than (a time-related proportion of) the average annual taxable income stipulated in the Netherlands Publicly Financed Top Incomes (Publication) Act [*Wet openbaarmaking uit publieke middelen gefinancierde topinkomens*].

In 2012, the chairman received gross Management Board remuneration of 3,750 euros per month; other board members received gross Management Board remuneration of 2,500 euros per month. Board members were also entitled to reimbursement of incurred travel and accommodation expenses.

4. Financial details of NLFI

4.1. Financial details for 2012

NLFI is a non-profit corporation. The Trust Office Foundation Management Financial Institutions Act [*Wet stichting administratiekantoor beheer financiële instellingen*] states that the Minister of Finance shall cover the costs that NLFI incurs for its legal tasks and objectives, as defined in the Articles of Association and the trust conditions. This guarantees the financial continuity of NLFI.

In 2012, NLFI received a sum of 5,250,000 euros from the State for the performance of transactions pursuant to law and the Articles of Association. This amount was established on the basis of the NLFI budget, as drawn up by the Management Board and approved by the Minister.

Losses for 2012, calculated in accordance with the profit and loss procedure, amounted to 2,659,777 euros. In preparing the annual accounts, the difference between the realised profits and the realised losses, amounting to 2,590,223 euros, was added to the equalisation reserve. According to the profit and loss procedure, the amount of equity was 3,239,703 euros as of 31 December 2013. This equity consisted entirely of the equalisation reserve.

Future differences between the realised profits and realised losses from the activities of NLFI will be credited to or debited from his equalisation reserve, as stipulated in the Articles of Association.

4.2. 2013 Budget

The NLFI Board prepared the budget for 2013 in November 2012. This budget was approved by the Minister of Finance in December 2012. The amount of the budgeted expenditures, calculated according to the income and expenditure procedure at 5,250,000, has now been received.

The budget for 2013 has not been included here (in summary form) because the function of the budget does not make this meaningful. This has to do with the dynamics of the environment in which NLFI operates (i.e. the volatile financial markets) and the relatively limited size of the budget in relation to the financial interests associated with the managed shares. The management of the activities therefore occurs by the supervision of the managing director (based on monthly reports) and discussions in Management Board meetings (based on quarterly reports).