



NL financial investments

**2013 Annual Report**

## 1. Introduction

NLFI is a foundation under the law of the Netherlands (*stichting*) operating as a trust with its registered office in the Municipality of The Hague. The full registered name is the Financial Institutions Management Trust Office (*stichting administratiekantoor beheer financiële instellingen*). NLFI is an organisation with a statutory mandate, established to safeguard a transparent separation of interests, a credible exit strategy and commercial non-political governance of the holdings of the State of the Netherlands in a number of financial institutions

Throughout 2013, NLFI managed State Holdings in the companies ABN AMRO Group NV, ASR Nederland NV, RFS Holdings BV and NLFI Financial Investments BV (formerly ABN AMRO Preferred Investments BV), this in accordance with private law. Since 31 December 2013, NLFI has also been managing the State's holdings in SNS REAAL NV and SNS Property Finance BV (as of 1 January 2014, renamed Propertize BV).

On 23 August 2013, NLFI reported to the Minister of Finance about the possibilities of returning the shares held by NLFI to the private sector (hereinafter: the exit report). The report contains an independent assessment of NLFI with regard to the degree of readiness that ABN ANRO and a.s.r. have to undertake various exit options. This report has been tabled by the Minister of Finance in the Dutch House of Representatives (*Tweede Kamer der Staten-Generaal*)<sup>1</sup>. It has also been published on the NLFI website. The House of Representatives debated the government position based on the NLFI report in 2013. After votes in the house on a number of motions, ABN AMRO Group NV and ASR Nederland NV have been requested to prepare a possible sale of shares. The necessary preparations for this purpose have also been instituted at NLFI.

*This is a translation of the original text in Dutch. In case of divergences between the texts, the text of the Dutch version shall prevail.*

### **NLFI**

Registered Office Address: Lange Houtstraat 26 in The Hague.  
Postal address: PO Box 45650, 2504 BB The Hague  
Telephone number: +31 (0)70 - 20 50 600.  
Website: [www.nlfi.nl](http://www.nlfi.nl)  
E-mail: [nlfi.office@nlfi.nl](mailto:nlfi.office@nlfi.nl)

---

<sup>1</sup> Parliamentary Papers (*Kamerstukken*) II 2012/13, 32 013, no. 36.



## 2. NLFI activities in 2013

### 2.1. General

The objectives of the NLFI are laid down in the articles of association. NLFI 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 certificates for shares issued by the corporation, taking into account the interests of the company, related undertakings 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 comparable to an institutional investor 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. For this reason, NLFI has devoted the required attention to ensure corporate governance functions properly. To supplement the NLFI articles of association, NLFI has concluded further agreements with the various holdings concerning the manner in which the regulations contained in the articles shall be implemented<sup>2</sup>.

In January 2013, NLFI continued to work in consultation with the Ministry of Finance and in collaboration with other implicated parties in investigating the possibilities of a (partial) merger between SNS REAAL and a.s.r. NLFI operated in this regard on the basis of its role as an a.s.r. shareholder. On 1 February 2013, this investigation was discontinued as a result of the decision by the Minister of Finance to nationalise SNS REAAL.

NLFI has organised a review of its own function, with regard to both its legal role and its internal decision-making. NLFI has additionally sought support from an external advisor. This review has contributed to the organisational development of NLFI and is also involved in the annual evaluation by the Board of its own functions.

On 7 March 2013, NLFI received a work visit from the Standing Parliamentary Committee of the House of Representatives. The task, activities and governance of NLFI were discussed at this session.

On 23 August 2013, NLFI provided the Minister of Finance with a report on the available options for returning the shares held by NLFI in financial institutions to the private sector. The report contains an independent assessment by NLFI about the degree of readiness that ABN ANRO and a.s.r. have to undertake various exit options. The report was partly based on intensive contact between NLFI on the one hand and ABN AMRO and a.s.r. on the other. NLFI has gratefully made use of the valuable input from the institutions and the advisory bodies associated with them.

In addition, discussions have been held with the Ministry of Finance, Netherlands Central Bank (*De Nederlandsche Bank*), Netherlands Financial Markets Authority (*Autoriteit Financiële Markt*), a number of investment banks, legal advisors, umbrella organisations for institutional and other investors, as well as other experts who have shared their views. This report was tabled by the Minister of Finance in the Netherlands House of Representatives. The letter from the Minister and the report from NLFI were debated in a general session of the Standing Finance Committee of the Netherlands House of Representatives and a plenary session of the House. A number of motions were proposed on these occasions<sup>3</sup>. After votes on the motions, ABN AMRO and a.s.r. were requested to prepare for a possible sale of shares.

NLFI has also undertaken the necessary preparations for this purpose. For instance, a selection was made in late 2013 of the legal and financial advisors that will assist NLFI in the preparations and sale of the shares. In so doing, NLFI has opted to work with different advisors for the various channels.

When SNS REAAL was nationalised, the Minister of Finance announced the intention of transferring the management of the shares in SNS REAAL NV and Property Finance BV to NLFI. NLFI prepared for the transfer throughout 2013. This activity involved a dialogue with the Dutch Authority for Consumers & Markets (ACM) on the measures guaranteeing that SNS REAAL, ABN AMRO and a.s.r. remain independent companies with their own management and accountability. The discussions guaranteed that

---

<sup>2</sup> The additional arrangements have been recorded in a letter of understanding or covenant.

<sup>3</sup> See Parliamentary Papers (*Kamerstukken*) II 2013-2014, 32013

no coordination of commercial policy among the holdings could occur and no information of a competition-sensitive nature could be exchanged. Restrictions were also placed on the appointment of NLFI Board members, and an observer was designated within NLFI in order to monitor the measures. These procedures avoided any risks to competition, such as mutual coordination of commercial strategies. The separation ensures that these financial institutions can operate independently and that competition continues to exist between the banks and insurers. ACM approved these measures in December 2013.

ACM was additionally requested to approve the State's transfer of shares in SNS Property Finance to NLFI. This approval was granted in 2013.

For the divestiture of REAAL, the Minister has announced the intention of undertaking a private sale. NLFI will provide the Minister of Finance with a report in March 2014 on the options for private sale, allowing the various sale option of the SNS Bank to be investigated by NLFI during the coming months. NLFI intends to supply the Minister with a recommendation about the privatisation of SNS Bank before summer 2014.

In the meantime, NLFI has selected the financial and legal advisors who will assist NLFI in the preparations and possible sale of shares in REAAL Insurance by SNS REAAL.

### 2.1.1 Objectives for 2014

A great deal of attention will be devoted in 2014 to the reports for the Minister on the sales options of various holdings and the preparations and sale of shares.

NLFI formulated a number of objectives for the general shareholder meetings of shareholders of the four large holdings in 2014. The objectives are largely based on the Eumedion Letter of Objectives of 2014 and recommendations of the Netherlands Institute of Charter Accountants (*Nederlandse Beroepsorganisatie van Accountants, abbreviated NBA*).<sup>4</sup> The objectives are concerned with further improvements in the communication between the external auditor and the primary users of the financial reporting (in the first instance, NLFI as the majority shareholder) and on the reinforcement of the responsibilities regarding the integrity of the published financial information.

The first objective concerns the presentation by the external auditor. As the contracting party for the external auditor, NLFI has asked the supervisory boards of these holdings to have the auditor again make a presentation relevant to NLFI at the 2014 general meeting on the auditing work for the annual accounts, annual report, supervisory board report and, if applicable, the Corporate Social Responsibility (CSR) report. This fleshes out the corporate role of the external auditor.

In particular, we have requested that attention to be paid to the tone of management. In 2012, NBA suggested that internal and external auditors must include the tone of a company's management in audits. A good managerial tone is essential for the internal control and proper function of a company. Precisely because auditors must form an opinion about the extent to which an organisation is "in control", it is for NBA necessary that they determine if senior management displays the desired model behaviour.

As a second objective, NLFI believes in the appropriateness of having the main points in the topics covered by the external auditor in an oral presentation at the general meeting additionally incorporated in the written statement about the reliability of the annual accounts. For this reason, we have, in consultation with the supervisory board, provided a more substantial and business-specific auditor's report along with the annual accounts for 2013, in which we follow the British example<sup>5</sup> in providing information about:

1. the most important areas of risk for material deviation from the annual accounts.
2. the scope of the audit and
3. the use made of the concept of materiality.

A third objective concerns the further improvement of the insight into the tasks performed by the supervisory board or its audit committee regarding the guarantee of high-quality financial information. This will be done by including more meaningful information in the Supervisory Report. We encourage supervisory boards to comply with Eumedion and the NBA in:

1. describing the most important topics that the supervisory board or its audit committee have taken

---

<sup>4</sup> The accountant in the general meeting, audit of 2013 practices.

<sup>5</sup> Revised audit standard ISA 700 (UK and Ireland), which became effective on 1 January 2014 for the auditor reports on the annual accounts of British companies.

- into account in evaluating the annual accounts and to have the chairperson of the supervisory board's audit committee provide an explanation of the most important points of the external auditor in the management letter and the manner in which these points are addressed;
2. providing information about the most important dangers and risks to the integrity of the financial information and the manner in which these dangers and risks are addressed;
  3. information to be provided about the steps that are taken to evaluate the effectiveness of the statutory audit.

In addition to the above-mentioned objectives, NLF I will treat the following, mostly more regular topics in the general meeting of 2014;

- issues raised by the central or other Works Council;
- discharge and re-appointment of management and supervisory board members;
- reports of the management and supervisory boards;
- minutes of the general shareholders meeting or the extraordinary shareholders meeting;
- adoption of 2013 annual accounts (including the presentation by the external auditor);
- any proposed dividends;
- information on the 2014 budget / equity story;
- and, if applicable, an AQR (information on the state of affairs and possible applications of the Capital and Funding Plan 2014).

In 2014, NLF I shall outline its voting policy in a separate document to be published on its website. NLF I will furthermore periodically report how voting is conducted at shareholders' meetings and any digressions from the published voting policy.

## *2.2. ABN AMRO Bank NV*

### *2.2.1 Shares*

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

At the beginning of 2013, the shares represented a 92.6% interest in the share capital of ABN AMRO. The other shares of ABN AMRO were held by ABN AMRO Preferred Investments BV.

On 11 March 2013, ABN AMRO Group NV exercised a call option to purchase and withdraw the preference shares that were held by ABN AMRO Preferred Investments BV. ABN AMRO Group NV has subsequently withdrawn these shares. The purchase of the preferential shares has resulted in a simplified shareholder structure at ABN AMRO NV. As of 11 March 2013, NLF I became the only shareholder in ABN AMRO Group NV (see Section 2.4).

### *2.2.3 The performance of duties and the pursued policy*

NLF I has held discussions with ABN AMRO about the strategy established by the management board, in which choices about their national and international activities have been made by the company for a horizon extending to 2017. Important priorities for the strategy are:

- strengthening of the customer-interest focus;
- investing in the future;
- strong commitment to a mitigated risk profile;
- retention of selective international growth;
- improvement of profitability.

The dividend policy of ABN AMRO provides, in principle, for a dividend payment of 40% of the realised net profit. Discussions were held with ABN AMRO to ensure that, for the sake of prudence, dividends paid out for a number of years will be lower than 40% of annual profit, with the prospect of returning to a dividend payment equalling 40% of the net profit in 2015.

In 2012, a dividend on the ordinary shares was fixed at 250 million euros. This amount was paid out in full as a final dividend for 2013. In November 2013, an interim dividend for 2013 was set at 150 million euros.

The dividends continued to be paid to NLF I (after withholding of dividend tax) and forwarded by NLF I to

the State, the certificate holder.

With the established dividends, ABN AMRO is on course with the policy of gradually returning to the dividend ratio of 40% on net profit in 2015.

From the State's perspective, the dividend received from ABN AMRO (a total of 400 million euros in 2013) together with the dividend from a.s.r. (88.4 million euros in 2013) resulted in a bonus of 92.6 million euros in 2013. The Ministry of Finance had, in fact, estimated an amount for 2013 of 396 million euros in joint dividends received from ABN AMRO and a.s.r.

A resolution on the final dividend shall be taken in 2014 when the annual accounts for 2013 are adopted.

#### *2.2.4 Activities*

Meetings with the chairpersons of the supervisory and management boards of ABN AMRO also took place on a regular basis in 2013. 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 (at so-called road shows). Contact was also maintained with ABN AMRO in view of the principle that neither ABN AMRO nor NLF I shall spring any surprises on each other, and they will promptly and accurately inform each other about relevant issues.

A regular and an extraordinary general meeting of shareholders were held in 2013. NLF I made use of the right to put an item on the agenda and placed the topic of customer-interest focus on the agenda for the regular general meeting of shareholders.

NLF I also held an evaluation meeting with the supervisory board and participated in the meetings of the management board, supervisory board and central Works Council.

In 2013, NLF I also reviewed the recapitalisation of ABN AMRO that took place in 2009. NLF I informed the Minister of Finance about this review on 2 May 2013.<sup>6</sup> By reviewing operations with attention to the core tier 1 (CT1) ratios over recent years, it could be seen that the recapitalisation was adequate in terms of the amount. No surpluses or capital deficiencies have arisen. On the 23 August 2013, NLF I provided the Minister of Finance with a report about the options for the sale of ABN AMRO shares that have been deemed feasible. Based on the NLF I report, the Minister of Finance concluded that a stock-market flotation was the most realistic option for ABN AMRO. After conclusion of the debates on this letter in the House of Representatives in December 2013, ABN AMRO was requested to undertake the required preparations. Initial preparations were also performed at NLF I in 2013.

#### *2.2.5 Shareholder meetings and shareholder resolutions*

On 1 March 2013, NLF I enacted a shareholder resolution outside a general meeting of shareholders for the four-year appointment of Mr van Dijkhuizen as a member of the ABN AMRO management board as of 1 May 2013. The percentage of the votes cast represented by NLF I then consequently amounted to 92.6% of the share capital.

On 27 March 2013, NLF I enacted a shareholder resolution outside a general meeting of shareholders for the granting of approval on a number of decisions by the management board at ABN AMRO Group NV as shareholder of ABN AMRO Bank NV. They include:

- the decision to make a payment from the general reserves of ABN AMRO Bank NV to ABN AMRO Group NV.
- the decision to adopt the abbreviated annual accounts of ABN AMRO NV for 2012;
- the decision to discharge the members of the management board at ABN AMRO NV from their management responsibilities performed during the 2012 financial year;
- the decision to discharge the supervisory board members of ABN AMRO Bank NV from the supervisory responsibilities performed during the 2012 financial year; the decision to have ABN AMRO Bank NV reserve profits;

---

<sup>6</sup> The package approved by the Netherlands House of Representatives in 2009 consisted of capital measure effectively amounting to 6.88 billion euros. The guarantee scheme (CRI) of 1.70 billion euros expired in October 2010. An amount of 0.30 billion euros, intended for settlement among the consortium parties, did not have to be applied. As a consequence, the recapitalisation reached 4.88 billion euros, of which 1.35 billion euros was not deposited but took place by converting previously provided loans.

- the decision to have ABN AMRO Bank NV pay a final dividend on ordinary shares in the amount of 250 million euros.

The percentage of the votes cast represented by NLF I then consequently amounted to 100% of the share capital.

A general meeting of ABN AMRO shareholders was held on 28 March 2013. On this occasion, NLF I voted:

- to adopt the 2012 annual accounts;
- to discharge management board members;
- to discharge supervisory board members;
- to approve the proposed dividend;
- to approve the Capital and Funding Plan 2013.

The percentage of the votes cast represented by NLF I amounted to 100% of the share capital.

Discussions were also held at this general meeting of shareholders on the topic of customer-interest focus. The agenda item was placed on the agenda after NLF I made use of its right to table an agenda item.

An extraordinary general meeting of shareholders was held on 13 December. NLF I then voted to accept the Risk Appetite 2014 and the Capital and Funding Plan 2014. Non-decision-making discussions were also held on the following topics:

- the corporate strategy (foresight);
- European bank supervision / Asset Quality Review;
- sustainable and controlled remuneration policy.

The last two mentioned agenda items were placed on the agenda after NLF I made use of its right to table agenda items.

On 19 December 2013, NLF I adopted a shareholder resolution outside meeting to amend the articles of ABN AMRO in connection with the measures agreed with ACM. In line with this, changes were also made to additional agreements, such as those laid down in the letter of understanding.

#### *2.2.6 Outlook for 2014*

The activities regarding ABN AMRO are being continued in 2014. The objectives formulated in subsection 2.1.1 will be raised in the general meeting of shareholders.

NLF I is carrying out the necessary preparations to enable a stock-market flotation of ABN AMRO. NLF I shall allow itself to be assisted in this endeavour by a financial advisor and a legal advisor, who were selected in 2013.

At the end of 2014, NLF I shall inform the Minister of Finance if this option is still to be preferred, given market interest and the stability of the sector. It will then also be determined if ABN AMRO is actually ready for sale. It can also then be decided if the concrete preparations for sale can be begun, as it may then become evident that the more reasonable course would be to delay the sale for a while because the institution, market or sector is not yet ready for it. Market developments may also result in another sales option being better. If it turns out that a sale by means of market flotation may be initiated, the concrete preparations for such a sale shall take at least four to six months.

No irreversible steps in the sale shall be undertaken prior to the Minister of Finance informing the House of Representatives about the process.



### *2.3. ASR Nederland NV*

#### *2.3.1 Shares*

NLFI has trusteeship of 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 a.s.r.). In exchange, NLFI has issued the State certificates for the same nominal value.

The transferred shares represent a 100% interest in the share capital of a.s.r.

#### *2.3.2 The performance of duties and the pursued policy*

In January 2013, NLFI worked in consultation with the Ministry of Finance and in collaboration with other implicated parties in investigating the possibilities of a (partial) merger between SNS REAAL and a.s.r., with or without the participation of a facilitating third party. On 1 February 2013, this investigation was discontinued as a result of the decision by the Minister of Finance to nationalise SNS REAAL.

The dividend policy of a.s.r. provides, in principle, for a dividend payment of 40%-45% of the net profit for the year in question, this after distribution of hybrid instruments to shareholders. A dividend was fixed at 88.4 million euros in 2012. The dividend (after deduction of dividend tax) was received in 2013 and transferred to the State as the certificate holder.

A resolution on the 2013 dividend shall be taken in 2014 when the annual accounts for 2013 are adopted. The policy does not provide for interim dividends.

#### *2.3.3 Activities*

Meetings with the chairpersons of the supervisory and management boards of a.s.r. also took place on a regular basis in 2013. Talks were also held on an ad hoc basis with members of the management board and senior management of a.s.r. A regular component was the discussion of quarterly figures within a few weeks following their adoption.

Contact was also maintained with the institution in view of the principle that neither a.s.r. nor NLFI shall spring any surprises on each other, and they will promptly and accurately inform each other about relevant issues.

NLFI has also held an evaluation meeting with the supervisory board and participated in the meetings of the management board, supervisory board and central Works Council.

On the 23 August 2013, NLFI provided the Minister of Finance with a report about the options for the sale of a.s.r. shares that have been deemed feasible. Since a.s.r. can both continue to exist independently or actively participate in a consolidation of the Dutch insurance sector, the Minister of Finances has decided on the basis of an NLFI report to implement a two-track approach. After discussing the plans in the House of Representatives, a.s.r. was asked in December 2013 to prepare for these two option over the next six months. In undertaking its preparations, NLFI shall take note of the motions adopted by the House of Representatives.

#### *2.3.4 Shareholder meetings and shareholder resolutions*

The general meeting of shareholders was held on 4 April 2013. With the agreement of NLFI, this meeting adopted resolutions concerning:

- the annual accounts of 2012;
- allocation of profits for 2012;
- discharge of management and supervisory board members.

Discussions were also held at this meeting about the 2012 annual report, amendments to the articles of association and further agreements as laid down in the covenant, the investment policy and the solvability statement. The percentage of the votes cast represented by NLFI amounted to 100% of the share capital.

On 18 December 2013, NLFI adopted a shareholder resolution outside meeting to amend the articles of a.s.r. in connection with the measures discussed with ACM. In line with these changes, revisions were also made to the covenant.

On 23 December, NLFI also adopted a shareholder resolution outside meeting on the payment of an interim dividend by a.s.r. Levensverzekering NV and a.s.r. Schadeverzekering NV to ASR Nederland NV.

### 2.3.6 Outlook for 2014

The activities regarding a.s.r. are being continued in 2014. The objectives formulated in subsection 2.1.1 will be raised in the general meeting of shareholders.

In line with the letter from the Minister of Finance to the House of Representatives dated 22 August 2013, a.s.r. undertook the necessary preparations to enable a market flotation. At the same time, NLF I and a.s.r. investigated the possibility for consolidation with other insurers. This approach retains maximum flexibility in achieving the objective of an optimum sale for the State. It is furthermore important that interested parties obtain equal opportunities in a transparent process. NLF I is assisted in this regard by a financial consultant and a legal advisor.

NLF I will provide the Minister of Finance with a report on developments and the options for private sale of a.s.r. in March 2014. Only then will it be determined if the preparations are concluded and the flotation or consolidation process can begin. If it turns out that a consolidation or market flotation may be initiated, the concrete preparations for such purpose shall take at least four to six months. With regard to the process, consideration will also be given to the manner in which either procedure impacts on the recommendation that NLF I will make respecting REAAL (see subsection 2.4.3).

No irreversible steps in a sale shall be undertaken prior to the Minister of Finance informing the House of Representatives about the process.

## 2.4. SNS REAAL NV

### 2.4.1 Shares

On 31 December 2013, NLF I acquired trusteeship of 287,619,873 shares in the capital of SNS Nederland NV from the State (each with a nominal value of one euro). In exchange, NLF I issued the State certificates for the same nominal value.

These shares represent a 100% interest in the share capital of this company.

### 2.4.2 Performance of duties and activities

NLF I obtained the shares on the final working day of 2013. No work was performed regarding this company in 2013. Nor were any shareholder resolutions adopted by NLF I.

### 2.4.3 Outlook for 2014

NLF I will hold regular meetings in 2014 with the chairpersons of the supervisory and management boards of SNS REAAL. Talks will also be held on an ad hoc basis with members of the management board and senior management of SNS REAAL. A regular component will be the discussion of quarterly figures within a few weeks following their adoption.

Contact will also be maintained with the institution in view of the principle that neither SNS REAAL nor NLF I shall spring any surprises on each other, and they will promptly and accurately inform each other about relevant issues.

In managing SNS REAAL, NLF I shall take account of the Minister of Finance's intentions as described in the letter to the Netherlands House of Representative of 18 December 2013.<sup>7</sup> It explains that the intention is to eventually sell the insurer and the bank. According to the final restructuring plan and the agreements made by the Commission on this matter, the bank and insurer will be separated and sold individually.<sup>8</sup>

For the divestiture of REAAL, the Minister has announced the intention of undertaking a private sale. NLF I will provide the Minister of Finance with a report in March 2014 on the options for private sale. This report will also supply the Minister with an outline of the market interest for REAAL. It will also then be examined if a private sale is still the preferred option. The report will also include an assessment of any relationship with the recommendation regarding a.s.r.

No irreversible steps in a sale of REAAL shall be undertaken prior to the Minister of Finance informing the

---

<sup>7</sup> Parliamentary Papers (*Kamerstukken*) II 2013/14, 33 532, no. 31.

<sup>8</sup> European Commission Decision of 19 December 2013 to declare, on the basis of the submitted restructuring plan, that the supportive measures and restructuring of SNS REAAL are compatible with the internal market. See Article 107, third paragraph under b of the Treaty on the Functioning of the European Union. See [http://europa.eu/rapid/press-release\\_IP-13-1280\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1280_en.htm).

House of Representatives about the report.

The various sale options for the SNS Bank will be investigated by NLFI in the coming months. NLFI intends to supply the Minister with a report on the privatisation of SNS Bank before summer 2014.

## *2.5. Propertize BV (formerly SNS Property Finance BV)*

### *2.5.1 Shares*

On 31 December 2013, NLFI acquired trusteeship of 50,003 shares in the capital of SBS Property Finance BV from the State (each with a nominal value of fifty euros). In exchange, NLFI issued the State certificates for the same nominal value.

These shares represent a 100% interest in the share capital of this company.

### *2.5.2 Performance of duties and activities*

NLFI received the shares on the final working day of 2013 and did not undertake any activities with regard to the shares on that date. Nor did NLFI adopt any shareholder resolutions in 2013.

Prior to the transfer, the previous shareholder decided to amend the company's articles of association to change the name of the company as of 1 January 2014 to Propertize BV (hereinafter: Propertize).

### *2.5.3 Outlook for 2014*

The purpose of Propertize is to downsize the portfolio of property and property financing in order to optimize revenue while lowering risk and costs. The aim is to reduce the property and property financing portfolio over the next ten years.

NLFI will hold regular meetings in 2014 with the chairpersons of the supervisory and management boards of Propertize. Talks will also be held on an ad hoc basis with members of the management board and senior management of Propertize. A regular item will involve the discussion of the downsizing plan. Contact will also be maintained with the institution in view of the principle that neither Propertize nor NLFI shall spring any surprises on each other, and they will promptly and accurately inform each other about relevant issues.

## *2.6 NLFI Financial Investments BV (formerly ABN AMRO Preferred Investments BV)*

### *2.6.1 Shares*

Until 28 March 2013, NLFI had trusteeship of 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 exchange, NLFI issued the State certificates for the same nominal value. These shares represented a 70% interest in the share capital of AAPI. The other shares of AAPI were held by third parties.

Until 11 March 2013, AAPI held all the preferred shares in ABN AMRO Group NV. These preferred shares represented a 7.4 % interest in the share capital of ABM AMRO Group NV. On 11 March 2013, ABN AMRO exercised a call option to purchase and withdraw the preference shares held by AAPI. The shares in AAPI held by third parties were then purchased by AAPI on 12 March 2013. These shares were withdrawn on 28 March and the priority shares were converted into ordinary shares. The company's articles of association were amended at the same time. The name was then changed to NLFI Financial Investment BV (hereinafter: NLFIFI).

Since that time, NLFI has held 35 ordinary shares in NLFIFI, each with a nominal value of one thousand euros. These shares represent 100% of the issued capital.

### *2.6.2 Performance of duties, pursued policy and activities*

Accumulated profit reserves were taken into account when determining the price paid for the acquisition of shares held by third parties. There was no payment of dividend in 2013.

NLFI has been managing NLFIFI since 28 March 2013. Control of the company's bank account was transferred to NLFI by the previous management. As the manager of NLFIFI, NLFI has commissioned an accounting office to prepare the semi-annual and annual accounts of NLFIFI

### *2.6.3 Shareholder meetings and shareholder resolutions*

The shares in the company held by third parties were acquired on the basis of a verbal agreement and withdrawn by a notarial deed dated 12 March 2013.

A general meeting of shareholders was held on 28 March 2013. With the agreement of NLFIF, this meeting adopted resolutions concerning:

- adoption of the 2012 annual accounts;
- discharge of board members;
- withdrawal of shares;
- amendment of the articles of association;
- acceptance of the resignation of R.V.C. Schellens as board member;
- appointment of NLFIF as manager of NLFIFIF,

The percentage of the votes cast represented by NLFIF amounted to 100% of the share capital.

### *2.6.7 Outlook for 2014*

NLFIFIF has no other activities than the retention of a limited amount of cash resources. NLFIF holds the certificates for the shares in NLFIFIF with the aim of possibly implicating this company in the management of other holdings. If it turns out that NLFIFIF will not fulfil any such role, the company may be liquidated.

## *2.7 RFS Holdings BV*

### *2.7.1 Shares*

NLFIF has trusteeship of 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, also called N shares) in RFS Holdings BV (hereinafter RFS). In exchange, NLFIF has issued the State certificates for the same nominal amount.

The F shares represent the State's interest in the assets that are materially attributed to ABN AMRO. The O shares represent the State's interest in the assets that are materially attributed to the State. The shares held by NLFIF jointly represent approximately 1.25% of the total share capital of RFS.

### *2.7.2 The performance of duties and the pursued policy*

The Royal Bank of Scotland Group PLC (herein after: RBS) has been authorised by RFS shareholders to manage and sell the assets in RFS in an orderly manner. The exit report does not therefore discuss the sale of RFS shares. In 2013, it proved difficult to complete the sale of the remaining assets, including a portfolio of private equity and shares in Saudi Hollandi Bank. In the exit report, a portion of the State's capital expenditures in the amount of 2.642 billion euros is allocated to RFS. The value of the holding in RFS is lower than this amount of State capital expenditure. The book value of RFS's equity as at 31 December 2012 was 181 million euros.

No dividend has been established for 2013. Nor was there any repayment of capital.

### *2.7.3 Activities*

The daily management of shared assets is performed by RBS NV. A quick sale of these assets has proven difficult and may still take a few years. No jointly-owned assets were sold by RFS in 2013.

RFS has held talks with RBS, Santander and ABN AMRO concerning the steps that should be taken to bring about the sale of jointly-owned assets. NLFIF has also held discussions on the significance of the European Capital Requirements Regulation (under CRD IV) for RFS. All of the above prevented any transactions from occurring in 2013.

### *2.7.4 Shareholder meetings and shareholder resolutions*

One general meeting of shareholders was held in 2013. With the agreement of NLFIF and the other shareholders, this meeting adopted resolutions concerning:

- the appointment of Cornelis Visscher as the managing director of RFS;

- approval of the 2012 annual accounts;
- designation of Deloitte Accountants BV as the accountant for financial year 2013;
- discharge of the RFS management board regarding the policy implemented in 2012.

NLFI also agreed outside meeting to the issue of one new R share in RFS with a nominal value of one eurocent (without special authority rights). The issue of a single R share has not affected the State's control and financial position.

The percentage of the votes cast represented by NLFI continued, on each occasion, to be approximately 1.25% of the share capital of RFS.

#### *2.7.5. Outlook for 2014*

In 2014, RFS will continue to hold talks with RBS, Santander and ABN AMRO concerning the steps that should be taken to bring about the sale of jointly-owned assets. NLFI shall cooperate with any such sale. NLFI shall cooperate with the fulfilment of RFS's obligations stemming from the European Capital Requirements Regulation under CRD IV. According to these capital requirements, there was a capital deficiency with regard to the F shares in 2014 (the so-called N-share). Since the F shares represents interests in the assets materially attributable to ABN AMRO, ABN AMRO has been requested to resolve the deficiency.

#### *2.8. Ministry of Finance*

In 2012, the Minister of Finance, after consultation with NLFI, established a supervisory arrangement. In line with this arrangement, NLFI had one meeting with the Minister of Finance in 2013. Regular meetings were held between the chairman of NLFI and the Director General of Financing (as a rule once a month). These meetings were organised to inform the Ministry of Finance about the developments that were or might be relevant to ministerial decision-making, such as its decisions about any future exit or of a substantial or fundamental nature.

Discussions at these meetings concerned:

- possibilities of a full or partial merger of SNS REAAL and a.s.r.;
- the transformation of ABN AMRO Preferred Investments into NLFIFI;
- the retrospective calculation of the recapitalisation of ABN AMRO Preferred Investments in 2009;
- the annual accounts of ABN AMRO and a.s.r.;
- the substantial and fundamental decisions at general meetings of shareholders;
- decisions about dividends;
- the semi-annual accounts of ABN AMRO and a.s.r.;
- the remuneration policy of the holdings;
- possible appointments and re-appointments of management and supervisory board members;
- the report (to be provided) on the future sale of shares in ABN AMRO and a.s.r.;
- the agreements with ACM about the measures taken at NLFI;
- the transfer of SNS REAAL and Propertize shares to NLFI by the State;
- the 2013 annual accounts of NLFI;
- the budget at NLFI for 2014;
- the expected capital deficiency in the F shares of RFS for 2014.

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 NLFI wish to spring any surprises on each other and will promptly and accurately inform each other about relevant issues.

In 2014, the NLFI Board shall report to the Minister of Finance about the possible sale of various holdings. Regular meetings with the Financing Director will also be held throughout the year to discuss the developments that are or might be relevant to ministerial decision-making, such as its decisions about future exit and of a substantial or fundamental nature.

### 3 Governance of NLFI

#### 3.1 Board and managing directors

The NLFI Board consisted throughout the entirety of 2013 of three members: 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.

The three Board members appointed by the Minister of Finance receive remuneration based on a contract for services that is concluded with them (Board member agreement).

#### **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 (attorney at law) comes from the legal profession and has held several positions, including vice chairwoman 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 was chairman 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*).

IN 2013, allocation of duties within the Board was organised in terms of function:

Michael Enthoven: finance and risk;

Diederik Laman Trip: human resources, including appointments and remuneration policy; Lilian

Gonçalves-Ho Kang You: governance and socially responsible enterprise.

As of 1 January 2014, the task allocation within the Board has been changed in response to the expansion of the number of holdings, as a result of which the primary responsibility for the management of shares in each institution has been assigned to an individual NLFI Board member as follows:

Michael Enthoven: ABN AMRO, Propertize and RFS;

Diederik Laman Trip: a.s.r.;

Lilian Gonçalves – Ho Kang You: SNS REAAL.

The Board operates based on the principle of collegial decision-making and collective responsibility.

Rens Bröcheler was managing director of NLFI throughout 2013. It is therefore possible to speak of single-minded leadership.

#### **Rens Bröcheler**

R. Bröcheler worked at Generale Bank and ABN AMRO before moving to the Ministry of Finance in 1999. As a result, he has 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 NLFI.

#### 3.2. Board meetings

Twenty-six Board meetings were held in 2013. Important topics that were then discussed include:

- annual general meetings of shareholders;
- shareholder resolutions outside meeting;
- the exit report to be provided;
- 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 Board meeting, so that decisions could be legally taken. M. Enthoven participated in 25 of the 26 meetings, L.Y. Gonçalves-Ho Kang You in 24 of the 26 meetings and D. Laman in 23 of the 26 meetings.

As a rule, the attending 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 Board obtained external advice with regard to a number of legal and financial questions.

The entire Board and the managing director paid a visit to sister organisation *Bundesanstalt für Finanzmarktstabilisierung* (FMSA) in Frankfurt am Main.

### 3.3. Internal governance

NLFI has taken measures to ensure controlled and sound business operations. Consequently, there is an accepted description of the accounting organisation and internal control. The annual accounts are audited by an external auditor.

NLFI has established a code of conduct of which the purpose is to safeguard and to maintain confidence in NLFI by stakeholders as well as the prevention of risks to integrity. For this purpose, the code of conduct has rules and guidelines for insiders:

- a. to prevent any entanglement of NLFI and the private interests of insiders;
- b. to avoid use or disclosure of inside knowledge or other confidential market information and/or the misuse and unauthorised use of confidential information available to NLFI;
- c. to prevent stock price manipulation as well as other misleading practices;
- d. to protect the reputation of NLFI and the individuals involved with it.

NLFI has an external compliance office who supervises compliance with the code of conduct.

An evaluation interview was conducted for all NLFI employees whose employment has lasted longer than six months. Intervening performance interviews have also taken place.

The Board that took office in 2011 evaluated its own performance in 2014, at which time the Ministry of Finance was involved as an important stakeholder. During the evaluation, the review of the Board's performance was also involved in the exploration of the possible full or partial merger between SNS REAAL and a.s.r. (see subsection 2.1).

The general impression emerging from this evaluation was that the NLFI organisation and Board fulfilled a positive role. An area for further consideration is the role allocation with the Ministry of Finance.

Attention should also be paid to the allocation of roles in connection with the agreements made with ACM. NLFI advocates a re-assessment of the supervisory arrangement in which attention is certainly paid to the following issues:

1. The allocation of tasks and responsibilities in a crisis situation, in which the Minister adds to NLFI responsibilities as shareholder by giving it the ultimate responsibility for financial stability.
2. The relationship between the authorities of NLFI entrenched in the articles of association of the holdings and less well stipulated legal authorities of the Minister to give instruction with regard to voting.
3. The role of the observer.

The evaluation for 2014 shall be carried out by a third party.

### Remuneration of senior officials (Wnt)

The Senior Public and Semi-Public Official Income (standardisation) Act (*Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector*; hereinafter: Wnt) imposes rules on the remuneration of senior officials (*topfunctionarissen*).<sup>9</sup> NLF I complies with these provisions and do not have any employees whose total remuneration paid by NLF I exceeds (a time-related portion of) maximum remuneration under the Wnt.

The table below contains the information to be reported in accordance with the Wnt (Article 4.1).

<i>Name</i>	M. Enthoven (attorney at law)	L.Y. Gonçalves - Ho Kang You (attorney at law)	<i>Jonkheer</i> D. Laman Trip	R. Bröcheler
<i>Position</i>	Chairman	Board member / vice-chairperson <sup>10</sup>	Board member / vice-chairperson <sup>11</sup>	Managing Director
<i>Duration of the appointment during the financial year</i>	12 months	12 months	12 months	12 months
<i>Extent of the appointment during the financial year</i>	12 hours a week	8 hours a week	8 hours a week	38 hours a week
<i>Remuneration<sup>12</sup></i>	€ 45,000.00	€ 30,000.00	€ 30,000.00	€ 136,010.05
<i>Social insurance contributions</i>	€ 6,731.89	€ 1,218.22	€ 2,000.68	€ 8,965.45
<i>Taxable fixed and variable compensation for expenses</i>	€ 0.00	€ 0.00	€ 2,170 <sup>13</sup>	€ 2,091.40 <sup>14</sup>
<i>Provisions for remuneration payable in instalments.</i>	€ 0.00	€ 0.00	€ 0.00	€ 22,557 <sup>15</sup>
<i>Benefits due to termination of employment</i>	€ 0.00	€ 0.00	€ 0.00	€ 0.00

Beginning 1 January 2014, remuneration of Board members is, with the approval of the Minister of Finance, adjusted to the volume of work. The compensation for the chairman is, as of 1 January 2014, paid for a time requirement of 16 hours a week and amounts to 60,000 euros per annum. The compensation for the other Board members is, as of 1 January 2014, paid for a time requirement of 12 hours a week and amounts to 45,000 euros per annum. The remuneration remains within the boundaries indicated in the draft legislation for the reduction of the Wnt maximum remuneration.

<sup>9</sup> NLF I is a private foundation under the law of the Netherlands (stichting) for which the Minister of Finance appoints Board members. See Article 1.3, introduction and part b, Wnt. At NLF I, Board members and the managing director are senior officials (*topfunctionaris*) in the meaning of the Wnt. Board members form the highest executive body of the foundation and the managing director is the highest subordinate to that body and is, furthermore, charged with day-to-day management (see Section 1.1, introduction and b(5) Wnt).

<sup>10</sup> L.Y. Gonçalves - Ho Kang You is vice-chairwoman in the uneven quarters.

<sup>11</sup> D. Laman Trip is vice-chairman in the even quarters.

<sup>12</sup> NLF I Board members are not entitled to any variable remuneration. Variable remuneration is allocated to the managing director on the bases of terms of employment pre-existing the date when the Wnt came into effect. The amount of this variable remuneration paid out in January 2014 is included in the amount indicated in the table. The variable remuneration included in the reported is maximized to ten per cent of annual salary. See Article 2.11 and 7.3 (7) Wnt.

<sup>13</sup> This relates to the taxable part of the kilometre allowance.

<sup>14</sup> This involves a taxable allowance for expenses fixed at € 150 a month and the taxable portion of the kilometre allowance.

<sup>15</sup> This involves the pension contributions paid to ABP by the employer.



### 3.4. Organisation

In early 2013, NLFI has six employees with employment contracts under private law, including the managing director (but excluding Board members). One employee was also seconded part time from the Minister of Finance and another hired on the basis of a temporary employment contract. At the end of 2013, NLFI had seven employees working under employment contracts subject to private law. Two other employees were seconded part time from the Ministry of Finance.

The activities of NLFI have been expanded by the holdings in SNS REAAL and Propertize. In addition, work will be devoted in 2014 to the preparations for sale and sale of shares. In connection with this expansion in work, NLFI concluded an agreement in early 2014 for the seconding of an external employee at the managing director level, who has in the meantime started working for NLFI. Moreover, NLFI is giving consideration to hiring another employee at the managing director level. The day-to-day overall management will remain the responsibility of senior managing director Rens Bröcheler. In this way, he remains the sole leader.

NLFI completed transactions with various external service providers and suppliers in 2013. This mostly involved legal, financial, administrative, accounting and IT services.

At the end of 2013, NLFI reached an agreement with a number of financial consultants and legal advisors for consultation services in 2014 regarding the possible transactions involving the shares in the holdings under NLFI management.

The NLFI articles of association were amended on 30 December 2013 pursuant to an order from the Minister of Finance on 18 December 2013. This amendment entrenched a number of guarantees in the articles, as agreed with ACM. The guarantees so incorporated in the article of association ensure that:

- NLFI shall exercise the rights associated with the shares in such a manner that the holdings can indecently determine their commercial strategies and undertake daily operations without there being any question of coordination of commercial policy among the holdings and no exchange of competition-sensitive information.<sup>16</sup>
- In exercising the rights associated with the shares, NLFI shall not vote to appoint a person to the supervisory board if this person is a supervisory or management board member of another company or of one of the undertakings or legal entities belonging to its group. NLFI will only use the authority to appoint the supervisory board members of a company in order to guarantee that the supervisory board has sufficient expertise and is of adequate composition, and not to influence the implementation of commercial policy by the company in question.
- NLFI Board members cannot be members of the management or supervisory boards at a financial institution or one of its subsidiaries.

The opportunity was also used to revise the Articles by incorporating rules for the transfer of an operating balance to the operating reserve.<sup>17</sup>

### 3.5. Outlook for 2014

The Minister of Finance has announced a number of changes to the tasks and authorities of NLFI. First of all, an amendment to the Trust Office Foundation Management Financial Institutions Act (*Wet stichting administratiekantoor beheer financiële instellingen*; hereinafter: NLFI Act) has been announced in which both the Netherlands Court of Audit and NLFI shall receive additional authorities regarding the holdings under NLFI's management.<sup>18</sup> The following powers are involved:

- the authority to investigate if agreements with regard to re-structuring and exist strategy are being fulfilled at the financial institutions in question, so long as the State indirectly (through NLFI) holds more than 50% of shares;

---

<sup>16</sup> Competition-sensitive information is here defined as confidential information relating to the actual or intended competitive conduct of a company that, if shared with other companies, would instigate adjustment to or coordination of the commercial policies of the companies in question, this in either an explicit or tacit manner.

<sup>17</sup> Entrenched was the condition that, if any provisional positive operating balance attributed to a holding in any year is higher than the estimated expenses allocated to this company for the subsequent year, the difference is not transferred to the equalisation reserve but paid to the State. The difference is then deducted from the operating balance of the first-mentioned year.

<sup>18</sup> See Netherlands Government Gazette (*Staatscourant*) 2012, 26086.

- the authority to investigate if the subsidiaries of the holdings and their subsidiaries are fulfilling the agreements on re-structuring and exit strategy, if insight into such factors has specific significance for the divestiture process. This authority also remains in effect as long as the State holds, through NLFI, 50% of the shares.

Secondly, the Minister of Finance has announced an intention to investigate if, in any future case of State support, NLFI can be allocated the task of supervising compliance with certain agreements that the State makes with the institution on the occasion of providing capital support.<sup>19</sup> It is assumed that the Minister will prepare an amendment to the NLFI Act for this purpose.

---

<sup>19</sup> See Parliamentary Papers (*Kamerstukken*) II 2013/14, 33,532, no. 34.

#### 4. Corporate Governance

NLFI endorse the importance of the Netherlands Corporate Governance Code. This Code applies to large companies with registered offices in the Netherlands whose shares or share certificates are admitted to the stock exchange (hereinafter: listed companies).<sup>20</sup> At present, NLFI does not hold any shares in any listed companies.

In view of the letter from the Minister of Finance to the House of Representatives dated 23 August 2013 and its discussion in the House, NLFI will, in the future, have the prospect of holding shares in listed companies.<sup>21</sup> In anticipation of this possibility, NLFI has decided to comply with the principles and best practice of the Netherlands Corporate Governance Code. For this purpose, the following table indicates how NLFI as a trust office and shareholder complies with the relevant principles and best practices in following the principle of "apply or explain".

An appendix to the annual report indicates the extent to which the powers at ABN AMRO and a.s.r. constitute the rights of the shareholder as indicated in the Eumedion Corporate Governance Handbook and the extent to which NLFI has exercised these powers in 2013.

<b>Dutch corporate governance code</b>	<b>Compliance by NLFI (implementation or explanation)</b>
<b>Principles: IV.2 Share certificates</b>	
Certification of shares is a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting.	At NLFI, share certification is a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Certification is based on the NLFI Act and ensures a transparent separation of interests, a credible exit strategy and non-political governance. <sup>22</sup>
Certification of shares may not be used as an anti-takeover measure.	The principle is not directly applicable to NLFI, although it is certainly endorsed by it.
The trust office Board will issue proxies in all circumstances and without limitation to the certificate holders who so request. The certificate holders thus authorised can exercise voting rights at their discretion.	In view of the reasons that NLFI exists (including the need to provide a transparent separation of interests and a commercial, non-political governance), the terms and conditions of NLFI's administration do not enable the certificate holder to ask for voting rights.
The trust office Board enjoys the confidence of certificate holders.	This principle has been respected.
Certificate holders may recommend candidates for appointment to the trust office Board.	The Minister of Finance appoints, suspends and dismisses Board members.
The company may not disclose to the trust office information which has not been made public.	Given the background of the financial interventions by the State that led to the establishment of NLFI as well as the position of NLFI, this provision has not been respected. The non-compliance is justified, as there is no involvement with listed-companies.
<b>Best practice provisions trust office</b>	
IV.2.1 The trust office Board enjoys the confidence of certificate holders and operates independently of the company that issued the certificates. The trust conditions shall specify in what cases and subject to what conditions certificate holders may request the trust office to call a meeting of certificate holders.	The establishment of NLFI was intended to create a larger distance between the governance of the State and the companies (see Parliamentary Papers [ <i>Kamerstukken</i> ] II 2008/9 31 965 no. 7). Given the desired distance, there is no provision to make possible to grant voting rights to the certificate holder. The NLFI Act does state that

<sup>20</sup> Or to be more precise, the power to trade on a regulated market or comparable system. The Code also applies to large companies with registered offices in the Netherlands (with balance-sheet value > € 500 million) whose shares or share certificated are admitted to trading on a multilateral trading facility or a comparable system (including listed companies).

<sup>21</sup>Parliamentary Papers (*Kamerstukken*) II 2012/13, 32 013, no. 36.

<sup>22</sup> Trust Office Foundation Management Financial Institutions Act (*Wet stichting administratiekantoor beheer financiële instellingen*).

	<p>the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions. The Minister can also instruct NLFI if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (<i>Algemene Rekenkamer</i>).</p>
<p>IV.2.2 Trust office Board members shall be appointed by the trust office Board. The meeting of certificate holders may recommend persons to the trust office Board for appointment as officers. No current or former directors, current or former management or supervisory board members, employees or permanent advisers of any company [whose shares are held in trust] shall be part of the trust office Board.</p>	<p>In derogation of provision IV.2.2, the Minister of Finance appoints, suspends and dismisses the members of the NLFI Board. Before proceeding to appoint a Board member, the Minister of Finance will give the Board the opportunity to recommend a person for appointment to the Board.</p> <p>The NLFI articles of association state that NLFI Board members may not be:</p> <ul style="list-style-type: none"> <li>- members of the management or supervisory boards at another financial institution or one of their subsidiaries;</li> <li>- employees or regular advisors of financial companies (as defined in the NLFI Act) or their subsidiaries;</li> </ul> <p>There is no indication of whether the same applies to former management and supervisory board members. This relates to the circumstance that NLFI holds shares in various financial companies. Not to limit the group of potential NLFI Board members too drastically, former directors and/or management and supervisory board members of the holdings shall not be excluded from membership on the NLFI Board.</p>
<p>IV.2.3 A Board member may be appointed to the trust officer Board for a maximum of three 4-year terms.</p>	<p>This provision is respected.</p>
<p>IV.2.4 The trust office Board shall attend the general meeting and, if desired, make a statement about its voting practices.</p>	<p>This provision is complied with.</p>
<p>IV.2.5 In exercising its voting rights, the trust office shall be guided primarily by the interests of certificate holders, taking the interests of the company and its affiliated undertakings into account.</p>	<p>The NLFI articles of association state that, in exercising rights associated with the shares, NLFI shall primarily focus on the financial and economic interests of the certificate holder, while taking into consideration the interests of the company, its related companies and the employees that are thus involved. This consequently entails the provision in its articles of association requiring NLFI to ensure that the companies pursue a responsible corporate strategy in line with sound commercial business practices and the applicable rules of good corporate governance. The most recent amendment of the articles of association further added that NLFI shall exercise the rights associated with the shares in such a manner that the holdings can independently determine their commercial strategies and undertake daily operations without there being any question of coordination of commercial policy among the holdings and no exchange of competition-sensitive information occurs.</p>

<p>IV.2.6 The trust office shall report periodically, but at least once a year, on its activities. The report shall be posted on the company's website.</p>	<p>In derogation of provision IV.2.6, the annual report of NLF I shall not be published on company websites because the annual report does not pertain to any single company. The annual report will, in fact, be published on the website <a href="http://www.nlfi.nl">www.nlfi.nl</a>.</p>
<p>IV.2.7 The report referred to in best practice provision IV.2.6 shall, in any event, set out:</p> <ul style="list-style-type: none"> <li>a) the number of shares for which certificates have been issued and an explanation of any changes in this number;</li> <li>b) the work carried out in the year under review;</li> <li>c) the voting behaviour in the general meetings held in the year under review;</li> <li>d) the percentage of votes represented by the trust office during the meetings referred to at c);</li> <li>e) the remuneration of trust office Board members;</li> <li>f) the number of Board meetings and the main items dealt with in them;</li> <li>g) the costs of the activities of the trust office;</li> <li>h) any external advice obtained by the trust office;</li> <li>i) the positions of the managers of the trust office; and</li> <li>j) the contact details of the trust office.</li> </ul>	<p>This provision is complied with.</p>
<p>IV.2.8 The trust office shall, without limitation and in all circumstances, issue proxies to certificate holders who so request. Each certificate holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf.</p>	<p>Provision IV.2.8 does not apply. See the explanation of provision IV.2.1,</p>
<p><b>Principles: IV.4 Responsibility of shareholders</b></p>	
<p>Shareholders shall act in relation to the company, the organs of the company and their fellow shareholders in keeping with the principle of reasonableness and fairness. This includes the willingness to engage in a dialogue with the company and their fellow shareholders.</p>	<p>This principle has been complied with.</p>
<p><b>Best practice provisions shareholders</b></p>	
<p>IV.4.4 A shareholder shall exercise the right of putting an item on the agenda only after he consulted the management board about this. If one or more shareholders intends to request an item be put on the agenda that may result in a change in the company's strategy, for example through the dismissal of one or more management or supervisory board members, the NLF I Board shall be granted the opportunity to stipulate a reasonable period in which to respond (the response time). This shall also apply to any above-mentioned intention involving the legal right to call a general meeting pursuant to Section 2:110 of the of the Netherlands Civil Code (<i>Burgerlijk Wetboek</i>, hereafter BW). The shareholder shall respect the response time stipulated by the Board within the meaning of best practice provision II.1.9.</p>	<p>This provision is respected.</p>

<p>IV.4.5 A shareholder shall vote as he sees fit. A shareholder who makes use of the voting advice of a third party is expected to form his own judgement on the voting policy of this adviser and the voting advice provided by him.</p>	<p>NLFI does not make any use of vote counselling. The NLFI Act states that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions. The Minister can also instruct NLFI if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (<i>Algemene Rekenkamer</i>).</p>
<p>IV.4.6 If a shareholder has arranged for an item to be put on the agenda, he shall explain this at the meeting and, if necessary, answer questions about it.</p>	<p>This provision is observed.</p>

NLFI is a large investor but not an institutional investor in the strictest sense. Nevertheless, NLFI observe the principle applying to institutional investors that states: "Institutional investors shall act primarily in the interests of the ultimate beneficiaries or investors and have a responsibility to the ultimate beneficiaries or investors and the companies in which they invest, to decide, in a careful and transparent way, whether they wish to exercise their rights as shareholder of listed companies."

In 2014, NLFI will also start to comply with the affiliating best practice provisions: The following provisions are involved:

<p>IV.4.1 Institutional investors (pension funds, insurers, investment institutions and asset managers) shall publish annually, in any event on their website, their policy on the exercise of the voting rights for shares they hold in listed companies.</p> <p>IV.4.2 Institutional investors shall report annually, on their website and/or in their annual report, on how they have implemented their policy on the exercise of the voting rights in the year under review.</p> <p>IV.4.3 Institutional investors shall report at least once a quarter, on their website, on whether and, if so, how they have voted as shareholders at the general meeting.</p>
---

Due to its commitment to corporate governance, NLFI is a member of Eumedion, which regards itself as forum for and source of corporate governance and sustainability. Eumedion has formulated an number of best practices for committed shareholdership. NLFI finds compliance with these practices to be appropriate. The manner of compliance is revealed in the following table.

<b>Best practices</b>	<b>Compliance by NLFI</b>
1. Eumedion participants monitor their Dutch listed companies.	This provision is complied with.
2. Eumedion participants have clear policies with regard to the exercise of their shareholders' rights, which may include entering into dialogue with Dutch listed companies and other engagement activities. They report at least once per year on the implementation of their policies.	This annual report shall indicate voting behaviour during shareholders' meetings and will indicate the objective for 2014. NLFI will publish a voting policy in 2014.
3. Eumedion participants have clear policies for dealing with situations in which the board of a listed company in which it invest said participants invest cannot be convinced to adopt the investors views and differences of opinion between the board of the listed company in question and the shareholders remain unresolved.	Should any such case arise, NLFI may undertake one or more of the following actions: - send a letter explaining the concerns; - convene additional meetings with the management and/or supervisory board specifically to discuss the concerns; - discuss the issue with other stakeholders, in particular the certificate holder; - raise the issue at a shareholders' meeting; - request a certain item be placed on the agenda of a regular general meeting of shareholders or convene a extraordinary general meeting of shareholders; - after approval by the Minister, take substantial or fundamental decisions at a shareholders' meeting.
4. Eumedion participants are willing to deal collectively with other Eumedion participants and other investors where appropriate.	This provision is complied with.
5. Institutional investors may have other business relations with Dutch listed companies apart from the shareholder relationship alone. Eumedion participants take steps to mitigate conflicts of interest arising from these different roles. Eumedion participants have clear and robust procedures in place for the action to be taken in the event that divergent or conflicting interests arise. The procedures are publicly disclosed. Material conflicts of interest will be disclosed to the institutional clients affected.	Decisions involving conflicts of interest of material significance for NLFI, the company or an NLFI Board member shall be submitted for the prior approval of the Minister of Finance.
6. Eumedion participants have a clear policy on voting and publicly disclose this policy. Eumedion participants report at least once per year on the implementation of their voting policy.	NLFI will publish a voting policy in 2014.
7. Eumedion participants cast informed votes <sup>5</sup> on all the shares they hold in Dutch companies at the general meetings of these listed companies. In the event that the Eumedion participant casts a withhold or against vote on a management proposal, the Eumedion participant will explain the reasons for this voting behaviour to the company management, either voluntarily or on the request of the company in question..	This provision is complied with.
8. Eumedion participants shall publicly disclose at least once a quarter how they voted based on their holdings in listed companies.	NLFI shall comply with this provision starting in 2014.
9. Eumedion participants take account of factors in the area of the environmental, social policy and governance in their policy relating to the	This provision is complied with.

exercise of shareholder rights. This policy covers the entry into dialogue with Dutch listed companies and other engagement activities.	
10. Eumedion participants do not borrow shares solely for the purpose of exercising voting rights on these shares. They consider recalling their lent shares before the voting registration date for the relevant general meeting of the relevant Dutch listed company, if the agenda for this general meeting contains one or more controversial subjects.	This provision is complied with.



## 5. Financial details of NLFI

### 5.1. *Financial details for 2013*

NLFI is a non-profit foundation under the law of the Netherlands (*stichting*). The NLFI Act 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 2013, 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 Board and approved by the Minister. NLFI received interest income in the amount of 25,637 euros in 2013.

Expense for 2013 amounted to 4,642,633 euros. In preparing the annual accounts, the difference between the realised profits and the realised losses, amounting to 633,004 euros, was added to the equalisation reserve. The amount of equity was 3,872,707 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 may be credited to or debited from this equalisation reserve. It is furthermore the case that, if any provisional positive operating balance attributed to a holding in any year is higher than the estimated expenses allocated to this company for the subsequent year, the difference is not transferred to the equalisation reserve but paid to the State. The difference is then deducted from the operating balance of the first-mentioned year.

NLFI holds the investments for the State and issues the State certificates for all shares. NLFI does not therefore have any financial or economic interest in the holdings. In view of the regulations in the articles of association of the holdings and the legal authorities of the Minister of Finance regarding substantial and fundamental decisions, NLFI does not possess any preponderant control over the held companies that might be construed as consolidation. The above-mentioned financial data related therefore to the financial data of NLFI as an independent legal entity.

### 5.2. *2014 Budget*

The NLFI Board prepared the budget for 2014 in November 2013. This budget was approved by the Minister of Finance in December 2013. The amount of the budgeted expenditures, calculated according to the income and expenditure procedure at 17,100,000, has now been received. The overwhelming portion of the budget increase relates to consultation costs. They are non-structural costs connected with the preparations for and execution of the possible exit of REAAL, ABN AMRO and a.s.r. They concern payments to legal advisors, financial consultants and accountants, so that NLFI can carry out its legal responsibilities in an accountable manner. In addition, a small amount pertains to increased structural consultation costs for the management of the new holdings, SNS REAAL and Propertize. The amount in the 2014 budget is not representative of estimates in subsequent years.

The expenditures of NLFI are, for the most part, charged by the Ministry of Finance to the holdings involved based on the ministerial Cost Order.

The budget for 2014 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 and the relatively limited size of the budget in relation to the financial interests involved with the managed shares. The management of the activities therefore occurs by the supervision of the executive managing director (based on monthly reports) and discussions in management board meetings (based on quarterly reports).

## Appendix to the annual report

### Shareholders' rights

		ABN AMRO		a.s.r.	
Summary of shareholders' rights		Authority	Used in 2013	Authority	Used in 2013
<i>Appointment and dismissal of members of the management board and of the supervisory board</i>					
1	a) appointment, suspension and dismissal of members of the management board, in which context it should be noted that management board members of a statutory two-tier company are appointed by the supervisory board (Section 2:134; see furthermore Sections 2:162 BW and 2:164a BW for statutory two-tier companies);	yes	yes	yes	no
2	b) appointment, suspension and dismissal of members of the supervisory board, in which context it should be noted that the general meeting of statutory two-tier companies only has the option of collective dismissal of the members of the supervisory board (Section 2:142, 158.4, 144, 161a, 162a BW).	yes	no	yes	no
<i>Accountability of (financial) policy and supervision</i>					
3	c) request of relevant information (Section 2:107a BW); 2:107 BW).	yes	yes	yes	yes
4	d) granting of discharge to members of the management board and members of the supervisory board (Section 2:101.3 BW);	yes	yes	yes	yes
5	e) adoption of the annual report (Section 2:101.3 BW);	yes	yes	yes	yes
6	f) appropriation of the profit and declaration of the dividend (Section 2:105 in conjunction with 101.6 BW; best practice provision IV.1.5 of the Netherlands Corporate Governance Code);	yes	yes	yes	yes
7	g) appointment of the statutory auditor, unless stipulated otherwise (Section 2:393.2 BW).	yes	no	yes	no
<i>Remuneration</i>					
8	h) adoption of the remuneration policy for the Board (Section 2:135.1	yes	no	yes	no

	BW);				
9	i) adoption of the remuneration for the supervisory board (Section 2:145 BW);	yes	no	yes	no
10	j) approval of share schemes and option schemes (Section 2:135.3 BW).	yes	no	yes	no
<i>Internal structure</i>					
11	k) amendment of the articles of association (Section 2:121 BW);	yes	yes	yes	yes
12	l) resolution on a proposal by the Board to continue or discontinue the two-tier board system after the company no longer meets the legal criteria for application of the two-tier system (Section 2:154.4 BW);	yes	no	yes	no
13	m) conversion (Section 2:18 in conjunction with 71 BW);	yes	no	yes	no
14	n) legal merger (Section 2:317 in conjunction with 330 and 331 BW);	yes	no	yes	no
15	o) split-off (Section 2:334 BW);	yes	no	yes	no
16	p) designation of a representative in the event of conflicting interests (Section 2:129.6 and Section 2:140.5 BW);	no	no	yes	no
17	q) issue of shares or delegation of this power to another organ (Section 2:96 BW);	yes	no	yes	no
18	r) exclusion of the pre-emption right in the event of the issue of shares, or delegation of this power to another organ (Section 2:96 BW);	yes	no	yes	no
19	s) purchase of own shares, or delegation of this power to another organ (Section 2:96 BW);	yes	no	yes	no
20	t) reduction of capital (withdrawal of shares) (Sections 2:99 and 2:100 BW);	yes	no	yes	no
21	u) instructions to file for bankruptcy (2:136 BW);	no	no	no	no
<i>Public offer and other decisions on a major change in the identity or character of the company</i>					
22	v) approval of management board decisions concerning a significant change in the identity or character of	yes	no	yes	no

	the enterprise or company (Section 2:107a BW);				
23	w) discussion of a public bid for the shares of the company (Section 18 par. 1 Decree on Takeover Bids Financial Supervision Act [Netherlands]);	yes	no	yes	no
24	x) the exemption of a shareholder or group of shareholders acting in concert from the obligation to make a public bid for the shares <sup>2</sup> (Section 2 Exemptions Decree Financial Supervision Act [Netherlands]).	yes	no	yes	no
<i>Logistics</i>					
25	y) designation of the official language of the annual report and the annual accounts (Section :391.1 and 2:362.7 BW);	yes	no	yes	no
26	z) distribution of information to shareholders by way of electronic means of communication (Section 5:25k Financial Supervision Act [Netherlands]).	yes	no	yes	no
	In addition to the above legal rights, the Dutch corporate governance code contains a number of rights for the general meeting. Dutch listed companies are not required to grant these rights to the general meeting of shareholders. If said rights are not granted, the decision not to grant them must be explained. The following rights are involved:				
27	a) discussion of the policy on reserves and dividends, in particular the amount and purpose of the reserve and the amount and type of the dividend (best practice provision IV.1.4 of the Dutch corporate governance code);	yes	yes	yes	yes
28	b) discussion of each substantial change in the corporate governance structure of the company and of compliance with the Dutch corporate governance code (best practice provision I.2 of the Dutch corporate governance code).	First part yes, second part no	no	First part yes, second part no	no
	Besides the above-mentioned powers of the general meeting as an organ of a Dutch listed company,				

	individual shareholders or groups of shareholders also have certain rights:				
29	a) shareholders who singly or jointly represent at least 1% of the issued capital or who hold shares with a collective market value of at least € 50 million are entitled to put forward subjects to be dealt with at the general meeting. The articles of association may contain lower thresholds (section 2:114a BW);	yes	yes	yes	yes
30	b) shareholders who individually or jointly represent at least 10% of the issued capital can, on their request, be authorized by a court to convene a general meeting. The articles of association may contain a lower threshold (Section 2:110 BW);	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
31	c) a shareholder who represents 95% of the issued capital is entitled to buy out the remaining shareholders (Section 2:92 BW and 2:359c BW)	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
32	d) the right to offer the shares to the party which represents at least 95% of the issued capital as a result of a public bid (Section 2:359d BW);	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
33	e) the right to submit a request for indemnification if the shareholder has voted against a merger resolution, when the acquiring company is a company incorporated under the law of another member state of the European Union or the European Economic Area (Section 2:333h BW).	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
34	f) shareholders who individually or jointly represent a certain interest in a company can ask the Enterprise Section of the Amsterdam Court of Appeal to institute an inquiry into the running of a company.	yes	no	yes	no
35	g) every shareholder can demand of the Enterprise Section that the annual report be corrected (Section 2:447 in conjunction with 2:448 BW);	yes	no	yes	no

36	h) after publication of the notice for a general meeting of shareholders, a shareholder with an economic interest, either alone or together with others, of at least 1% of the issued capital or who holds shares with a market value of at least €250,000 is, in the near future, enabled to distribute information to other investors who are identified by the issuer.	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
----	---	-----------------------	----	-----------------------	----