



NL financial investments

Management Report 2017

Ratified by the Board on 12 April 2018

unofficial translation

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: Stichting administratiekantoor beheer financiële instellingen. NLFI is a foundation 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 2017, NLFI managed State Holdings in the companies ABN AMRO Group NV, ASR Nederland NV and SNS Holding BV (currently Volksholding BV).

NLFI

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2. NLFI activities in 2017

2.1. *General*

The purpose of NLFI is stated in Article 3 of NLFI's articles of association. This provision begins as follows:

3.1. *The objectives of the foundation are:*

(a)

(i) to issue convertible share certificates in exchange for acquiring and holding in trust in its own name shares in the companies which until then have been held by the State of the Netherlands;

(ii) to manage shares in the companies held in trust;

(iii) to exercise all rights attached to the shares, including voting rights;

(b)

(i) to advise the Minister on the strategy for the sale of shares by the State;

(ii) to execute on behalf of the State the strategy referred to in part 'b' under (i) and, to the extent authorised, to perform activities with a view to managing assets related to the shares and with a view to selling the shares;

(c)

(i) to assist the Minister in his contacts with the European Commission or national regulators concerning the management and sale of the shares;

(ii) to perform all transactions associated with the object described in this Article, deriving therefrom or conducive thereto.

3.2. In exercising the rights attached to the shares, the foundation will be guided primarily by the financial and economic interests of the holder of the share certificates issued by the foundation, taking into account the interests of the company, related undertakings and all the employees concerned. This entails, inter alia, that the corporation will ensure that the companies pursue a responsible corporate strategy in line with sound commercial business operations and the applicable rules of good corporate governance.

The foundation shall exercise the rights associated with the shares in such a manner that the companies can independently determine their commercial strategies and undertake daily operations without there being any question of coordination of commercial policy among the companies and no exchange of competition-sensitive information.

NLFI's engagement with the holdings can be described as similar to that of a committed shareholder comparable to an institutional investor that respects the roles of the Management and Supervisory Boards as defined in the articles of association. As a shareholder in 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 invested companies concerning the manner in which the stipulations contained in the articles shall be implemented.

In 2017 NLFI undertook specific measures regarding the various holdings as part of its task to advise the Minister on the sales strategy. It has also implemented said strategy in a number of cases. The most important activities for NLFI in 2017 are briefly discussed below.

2.2. *ABN AMRO Group NV*

2.2.1 *Shares*

NLFI has trusteeship of ordinary shares in the capital of ABN AMRO. In exchange, NLFI has provided the State with certificates for the same nominal value. At the beginning of 2017, this amounted to 658.8 million shares, each with a nominal value of one euro. These shares represent an approximately 70% interest in the share capital of ABN AMRO.

In connection with a second follow-on tranche, NLF I transferred 65 million shares to the STAK ABN AMRO on 28 June 2017, after which they were certified and transferred to investors. The proceeds from this FPO amounted to EUR 1.479 billion. In connection with a third FPO, NLF I sold another 65 million shares on 15 September 2017. The proceeds from this FPO amounted to EUR 1.528 billion.

On 21 December, NLF I transferred 59.7 million shares to STAK ABN AMRO in exchange for share certificates issued to NLF I. NLF I and STAK ABN AMRO carried out the transfer to prevent STAK from having to request new declarations of no objection and other comparable regulatory approvals from the relevant financial supervisors. As a result of the transfer, NLF I continues to hold an interest of approximately 56.3% in ABN AMRO, of which approximately 49.9% is held directly in ordinary shares and approximately 6.4% is indirectly held by means of certificates.

2.2.2 Performance of duties and policy pursued

NLF I discussed various topics with ABN AMRO Management and Supervisory Boards:

- the bank's financial results;
- composition of Management and Supervisory Boards;
- strategy and financial objectives;
- sale of follow-on tranches by NLF I.

Furthermore, the NLF I Board held an evaluation meeting with the Chairman of the Supervisory Board in 2017. The performance of Management and Supervisory Boards over the previous year was also individually and collectively evaluated.

NLF I also consulted with the Board of Stichting Administratiekantoor continuïteit ABN AMRO.

A final dividend for 2016 of EUR 289.9 million was received in June 2017. An interim dividend for 2017 of EUR 386.0 million was received in September 2017.

The dividends continued to be paid to NLF I (after withholding of dividend tax), which in turn pays them to the State, the certificate holder.

2.2.3 Activities

Two ABN AMRO FPOs took place in 2017. In the run-up to the offers, NLF I monitored the relevant market and other developments. NLF I furthermore obtained advice from financial consultant NM Rothschild & Sons Limited and legal consultant Allen & Overy.

For investment banks acting as bookrunners during these FPOs, NLF I drew from a previously published longlist of investment banks. This selection then took place by means of a competitive selection process in a transparent, objective and non-discriminatory manner. NLF I has concluded a framework agreement with each of the service providers selected at that time.

Meetings with the Supervisory and Management Boards of ABN AMRO and their Chairpersons also took place on a regular basis in 2017. Such meetings constitute the means of implementing a meaningful dialogue between shareholder and company. 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 (so-called road shows). Furthermore, NLF I conducted an evaluation of the Supervisory Board. Many topics were discussed during this consultation, including strategy, risk management, FPOs, governance and sustainability. Contact was also maintained with ABN AMRO in view of the principle that neither ABN AMRO nor NLF I shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

2.2.4 Shareholder meetings and shareholder resolutions

NLFI attended the AGM of ABN AMRO Group NV on 30 May 2017. NLFI agreed to the following proposals:

- a) to ratify the financial statements for 2016;
- b) the dividend proposal;
- c) to discharge the members of the Management Board;
- d) to discharge the members of the Supervisory Board;
- e) to reappoint Annemieke Roobeek as a member of the Supervisory Board;
- f) to authorise share issues and rights to acquire shares;
- g) to authorise the restriction or exclusion of preferential rights;
- h) to authorise purchases of shares and/or certificates for shares in ABN AMRO Group's own share capital.

An explanation of the voting decisions can be found on the NLFI website.

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2.3. ASR Nederland NV

2.3.1 Shares

NLFI has trusteeship of all the shares in the capital of ASR Nederland NV (hereinafter: a.s.r.). In exchange, NLFI has provided the State with certificates for the same nominal value. At the start of 2017, these certificates related to 50.1% of the issued share capital of a.s.r.

NLFI sold the holding in ASR Nederland BV in four transactions:

On 13 January 2017, 20.4 million shares were sold for an amount of EUR 450 million.

On 5 April 2017, 20 million shares were sold for an amount of EUR 515 million.

On 13 June 2017, NLFI sold 25 million shares for an amount of EUR 725 million.

On 14 September 2017, 30.1 million shares were sold for an amount of EUR 1,018 million.

2.3.2 Performance of duties and policy pursued

NLFI discussed various topics with a.s.r. Management and Supervisory Boards:

- financial results;
- composition of Management and Supervisory Boards;
- strategy and financial objectives;
- sale of follow-on tranches by NLFI.

Furthermore, the NLFI Board held an evaluation meeting with the Chairman of the Supervisory Board. The performance of Management and Supervisory Boards over the previous year was also individually and collectively evaluated.

2.3.3 Activities

Four a.s.r. FPOs took place in 2017. In the run-up to the offers, NLFI monitored the relevant market and other developments. NLFI furthermore obtained advice from financial consultant NM Rothschild & Sons Limited and legal consultant Allen & Overy.

For investment banks acting as bookrunners during these FPOs, NLFI drew from a previously published longlist of investment banks. This selection then took place by means of a competitive selection process in a transparent, objective and non-discriminatory manner. NLFI has concluded a framework agreement with each of the service providers selected at that time.

Meetings with a.s.r. Supervisory and Management Boards and their Chairpersons also took place on a regular basis in 2017. Such meetings constitute the means of implementing a meaningful dialogue between shareholder and company. Talks were furthermore held on an ad hoc basis with members of the a.s.r. Management Board, Supervisory Board and management. A regular component was the discussion of the quarterly figures within a few weeks following their publication by a.s.r. (so-called road shows). In 2017, NLFI conducted an evaluation of the Supervisory Board. Contact was furthermore maintained with a.s.r. in view of the principle that neither a.s.r. nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

2.3.4 Shareholder meetings and shareholder resolutions

NLFI attended the general meeting of shareholders of ASR Nederland NV on 31 May 2017. NLFI agreed to the following proposals:

- a) to ratify the financial statements for 2016;
- b) the dividend proposal;
- c) to discharge the members of the Management Board;
- d) to discharge the members of the Supervisory Board;
- e) to extend the Management Board's authorisation to issue shares and/or to grant rights to subscribe for shares;
- f) to extend the Management Board's authorisation to restrict or exclude legal preferential rights;
- g) to authorise the Management Board to purchase shares;
- h) proposal to cancel shares held by a.s.r.

An explanation of the voting decisions can be found on the NLFI website.

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2.4. Volksholding BV (formerly SNS Holding BV)

2.4.1 Shares

NLFI has trusteeship of all the shares in the capital of Volksholding BV (formerly SNS Holding BV). This involves one share with a nominal value of one euro. NLFI acquired this share from the Dutch State in exchange for a share certificate.

2.4.2 Performance of duties and policy pursued

NLFI discussed various topics with the Volksholding Management and Supervisory Boards:

- the bank's financial results;
- composition of Management and Supervisory Boards;
- strategy and financial objectives.

Furthermore, the NLFI Board held an evaluation meeting with the Chairman of the Supervisory Board in 2017. The performance of Management and Supervisory Boards over the previous year was also individually and collectively evaluated.

2.4.3 Activities

Meetings with the Volksholding Supervisory and Management Boards and their Chairpersons also took place on a regular basis in 2017. Such meetings constitute the means of implementing a meaningful dialogue between shareholder and company. Talks were also held on an ad hoc basis with members of the Volksholding Supervisory Board, Management Board and management. A regular component was the discussion of the quarterly figures within a few weeks following their publication by Volksholding (so-called road shows). Furthermore, NLFI conducted an evaluation of the Supervisory Board. Many topics were discussed during this consultation, including strategy, risk management, governance and sustainability. Contact was furthermore maintained with Volksholding in view of the principle that neither Volksholding nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

In 2016, the Minister informed the Dutch House of Representatives about the future of Volksbank. The minister promised to inform the House of Representatives each year about the progress of the necessary improvements to Volksbank and about the readiness of Volksbank to decide on its future. He will provide this information on the basis of a progress report from NLFI. This happened for the first time with the Volksbank strategy progress report published by NLFI in September 2017.

2.4.4 Shareholder meetings and shareholder resolutions

NLFI attended the general meeting of shareholders of Volksholding BV and Volksbank NV on 20 April 2017.

NLFI agreed to the following proposals:

- a) to grant NLFI's approval for the proposed decision by Volksholding BV to adopt the financial statements of Volksbank NV for 2016;
- b) to have NLFI ratify the financial statements of Volksholding BV for 2016;
- c) to grant NLFI's approval for the adjusted reserve and dividend policy of Volksbank NV;
- d) to have NLFI adopt the adjusted reserve and dividend policy of Volksholding BV;
- e) proposal for Volksholding BV to distribute a dividend;
- f) to discharge all Directors;
- g) to discharge all Supervisory Board members;
- h) to reappoint Monika Milz as a member of the Supervisory Board of Volksholding BV;
- i) to approve the amended profile of the Supervisory Board of Volksholding NV and Volksbank BV;

- j) to adopt the remuneration policy for the Supervisory Board of Volksholding NV and Volksbank BV;
- k) to appoint the auditor for the financial statements of Volksholding BV in 2018.

NLFI voted in favour of the following shareholder resolutions passed without meeting on 23 August 2017:

- a. to grant NLFI approval for the proposed resolution of the Management Board of Volksholding BV to appoint Ms. S. Barendregt-Roojers as a member of the Supervisory Board of Volksbank NV as of 1 September 2017;
- b. to appoint Ms S. Barendregt-Roojers as member of the Supervisory Board of Volksholding BV as of 1 September 2017.

An explanation of the voting decisions can be found on the NLFI website.

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2.5 *RFS Holdings BV*

2.5.1 *Shares*

NLFI has trusteeship of all F shares (being 100 shares, each with a nominal value of one eurocent) and 33.81% of the O shares (being 338,103 shares, each with a nominal value of one eurocent, also called N shares) in RFS Holdings BV (hereinafter: RFS). In exchange, NLFI has provided the State with certificates for the same nominal amount.

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

2.5.2 *Performance of duties and policy pursued*

The Royal Bank of Scotland Group PLC (hereinafter: RBS) has been authorised by RFS shareholders to manage and sell the assets in RFS in an orderly manner. The sale of interests in Saudi Hollandi Bank (SHB) could not be completed. This remains an aim of RFS.

No dividend has been established for 2017. Nor was there any repayment of capital.

2.5.3 *Activities*

The daily management of shared assets is performed by RBS NV.

NLFI has held talks with RBS, Santander and ABN AMRO concerning the steps that might be taken to bring about the sale of jointly-owned assets. It is also looking at the possibilities of selling SHB.

2.5.4 *Shareholder meetings and shareholder resolutions*

NLFI attended the general meeting of shareholders of RFS on 24 July 2017. NLFI voted in favour of the following proposals:

- to ratify the financial statements for 2016.
- to discharge every member of the Executive Board in office during financial year 2016 of responsibility for his or her acts in 2016.
- to appoint EY as external auditor for the 2017 reporting year.

3 Governance of NLFI

3.1 *Management and directors*

Until 23 September 2017, the Management Board of NLFI was entirely composed of: M. Enthoven (attorney at law), L.Y. Gonçalves-Ho Kang You (attorney at law) and Jonkheer D. Laman Trip. By decision of 23 September 2015, Michael Enthoven, Lilian Gonçalves-Ho Kang You and Diederik Laman Trip were reappointed for respective periods of two, three and four years¹. Michael Enthoven resigned from the Board on 23 September 2017, at the end of his second term of office. Diederik Laman Trip became chairman of the NLFI Board as of 23 September 2017.

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

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

Diederik Laman Trip

Jonkheer Diederik 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. His current activities include a seat on the Netherlands Committee for Enterprise and Financing (Nederlands Comité voor Ondernemerschap en Financiering).

Lilian Gonçalves-Ho Kang You

Lilian Y. Gonçalves-Ho Kang You 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 adviser, she has been inter alia involved in mergers and takeovers. Lilian Gonçalves-Ho Kang You was State Councillor on the Council of State until 1 December 2016.

Michael Enthoven

Michael 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 adviser to the Ministry of Finance since the autumn of 2008. In this connection, his responsibilities included membership on the Supervisory Board of ABN AMRO Holding NV. He was also a temporary judge at the District Court in The Hague until 1 January 2017.

¹Decree of the Minister of Finance dated 23 September 2016 on the appointment of board members for Stichting administratiekantoor beheer financiële instellingen (Staatscourant (Government Gazette) 2016, 33618).

Rens Bröcheler was the Executive Managing Director of NLFI throughout 2017. In terms of decision-making and authorities, it is therefore possible to speak of sole leadership.

Rens Bröcheler

Rens 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 in 2011.

3.2. Board meetings

Fifteen Board meetings were held in 2017. Important topics that were then discussed include:

- AGMs;
- shareholder resolutions reached without meeting;
- resolutions on the divestment of a.s.r.;
- resolutions on the preparations for the second and third follow-on tranches of ABN AMRO;
- Volksbank strategy (progress report of September 2017)
- resolutions on the selection and appointment of advisers;
- strategic developments;
- consultations with other companies and their bodies;
- consultations with the Ministry of Finance;
- internal affairs, such as ratification of budgets and financial statements.

At least two members were present at every Management Board meeting, so that decisions could be legally taken.

In the period from 1 January 2017 to 23 September 2017, the Board consisted of three members. Twelve meetings were held during this period. All three Board members attended these meetings, although Mr Enthoven once and Jonkheer Laman Trip twice made use of an audio and video connection.

In the period from 23 September 2017 to 31 December 2017, the Board consisted of two members. Three meetings were held during this period, at which Ms Lilian Y. Gonçalves-Ho Kang You and Jonkheer Laman Trip were both always present.

The Board obtained external advice with regard to a number of legal and financial questions.

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 financial statements are audited by an external auditor. EY has been engaged to perform the task of auditing the financial statements for 2017. NLFI has insurance for directors' liability, for which the premiums are paid by NLFI.

Observer

NLFI and the Ministry of Finance, with the approval of the Netherlands Authority for Consumers and Markets (ACM), have taken a number of actions requiring management to be carried out in such a way as to prevent the exchange of competition-sensitive information between the institutions within NLFI. Some of the measures adopted by the ACM include an observer appointed to NLFI by the State for the benefit of ACM to ensure that the State and NLFI comply with the measures. The observer reports retrospectively every six months on the compliance with the implemented measures. The observer submitted two reports to ACM in 2017.

Integrity risks

NLFI has established a code of conduct whose purpose is to safeguard and maintain stakeholder confidence in NLFI as well as to prevent risks to integrity. The code of conduct therefore sets rules and guidelines for insiders:

- a. to prevent conflicts of interest between NLFI and the private interests of insiders;
- b. to avoid the 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 officer who supervises compliance with the code of conduct. A confidential adviser on integrity was appointed in late 2015. In 2017, compliance was made a permanent agenda item at Board meetings in order to promote awareness. As usual, the compliance officer issued quarterly reports throughout 2017. The compliance officer also held an annual meeting with Lilian Gonçalves-Ho Kang You.

Legality and in-control statement

Within NLFI, several measures were taken to promote the legality of its actions. NLFI was subject to the supervision of the Netherlands Court of Audit (Algemene Rekenkamer). The Court used the findings from its investigation to update the Court's website on the credit crisis. The findings were also used in the audit of the financial statements of the Ministry of Finance. The Board of NLFI decided in 2015 to introduce further strengthening of the NLFI internal audit system. For this purpose, a system was implemented in 2015 under the guidance of an external consultant (EY) involving an in-control statement that reinforces accountability and strengthens the internal management of NLFI. This system was also applied in 2016 and 2017. The Executive Managing Director reported to the Board on this matter. See the section on risk (Section 3.5).

Efficiency

The NLFI Board attaches great importance to the efficient functioning of NLFI. Efficiency is not the same as spending as little as possible. It is a relative term for which a certain relationship is normally indicated between objectives, resources applied and effects achieved. The objectives of NLFI are laid down in legislation and the articles of association. The applied resources are indicated in the financial statements. The achieved effects are not always so easy to measure, in view of the fact that they must be measured against a situation in which NLFI does not exist and management is undertaken by the State itself.

NLFI issued an advisory exit report for the Minister of Finance, formulating the objective that sales costs were to remain below 1% of the proceeds from an IPO.

For the second and third FPOs of ABN ANRO, NLFI was, in fact, able to select four top quality investment banks to assist in the sale of the shares without receiving any payment.

Permanent education

NLFI is a knowledge-intensive organisation. The Board and the team are therefore working on education and training and a budget is available for individual training. Due to workload factors, only limited use could be made of individual opportunities for education and training in 2017.

Self-evaluation

At least once a year, the Board evaluates its own performance as a collective, as well as the performances of the individual members. This self-assessment is performed analogously to the best practice provision included in Article 2.2.7 of the Dutch Corporate Governance Code, insofar as it applies to the Supervisory and Management Boards of listed companies. Due to the resignation of Michael Enthoven as Chairman of the NLFI Board and the temporary continuation of the Board with two members in 2017, the evaluation of the Board as a collective and its individual members was performed by the Board and the Ministry of Finance.

Board members and employees

NLFI had three Board members appointed by the Minister of Finance throughout 2017 until 23 September; after 23 September 2017, there were two Board members. They receive remuneration based on a contract for services that is concluded with them (Board member agreement).

In early 2017, NLFI had nine employees with employment contracts under private law, including the Executive Managing Director. One other employee was seconded on a part-time basis from the Ministry of Finance. At the end of 2017, NLFI had five employees working under employment contracts

subject to private law. In addition, one employee was seconded from the Ministry of Justice and Security for one day a week. A secretarial assistant was assigned to NLFI from a temporary employment agency.

Remuneration of senior executives (Wnt)

The Senior Public and Semi-Public Official Income (standardisation) Act [Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (Wnt)] came into force on 1 January 2013.

The following account has been prepared using the general Wnt maximum that applies to NLFI.

In 2017, the maximum general remuneration was EUR 181,000. NLFI did not have any employees in 2017 whose total remuneration paid by NLFI exceeded (a time-related portion of) the stipulated maximum remuneration. The indicated Wnt maximum for an individual is calculated in proportion to the extent of the employment, whereby the extent of employment used in the calculation can never exceed 1.0 FTE. NLFI has no supervisory board or board of supervisory directors. There were no senior executives without employment as understood under the Wnt.

Amounts x € 1	Michael Enthoven (attorney at law)	Lilian Y, Gonçalves -Ho Kang You (attorney at law)	Jonkheer Diederik Laman Trip	Rens Bröcheler
Office	Chairman	Managing Director / Vice-Chairman as of 23-09	Managing Director / Vice-Chairman as of 23-09	Executive Managing Director
Beginning and end of term of office in 2017	01/01 – 23/09	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12
Part-time factor in FTE	0.33	0.22	0.22	1.11
Former senior official?	No	No	No	No
(Fictitious) employment?	Yes	Yes	Yes	Yes
Remuneration				
Remuneration plus taxable expense allowances	33,750	30,000	31,006	161,579
Remuneration payable by instalment	-	-	-	18,093
<i>Sub-total</i>	<i>33,750</i>	<i>30,000</i>	<i>31,006</i>	<i>179,672</i>
Individually applicable maximum remuneration	43,529	39,820	39,820	181,000
- / - Undue amount paid	N/A	N/A	N/A	N/A
Total remuneration	33,750	30,000	31,006	179,672
Reason why the extra amount is not allowed	N/A	N/A	N/A	N/A
Data for 2016				
Beginning and end of term of office in 2016	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12
Part-time factor for 2016 in FTE	0.44	0.33	0.33	1.11
Remuneration plus taxable expense allowances	60,000	45,000	47,372	160,609
Remuneration payable by instalment (pension contributions)	-	-	-	15,679
Total remuneration for 2016	60,000	45,000	47,372	176,288

In 2017, no payments were made to senior officials due to the severance of any employment position.

There were additionally no other officials in employment who received a salary above the individual Wnt maximum in 2017. No severance payments were made to other officers in 2017 that need to be reported under the Wnt or that, in previous years, had to be reported under the Executives' Pay Financed from Public Funds (Disclosure) Act (Wet openbaarmaking uit publieke middelen gefinancierde topinkomens) or the Wnt.

3.4. External suppliers and premises

NLFI completed transactions with various external service providers and suppliers in 2017. These mainly involved legal, financial, administrative, accounting, communication and IT services. NLFI had ongoing contracts with various service providers at the end of 2017 for services to be provided in 2018.

In early 2017, the Board gave notice of termination for part of the lease, as a result of which the leased office space will be reduced from 656 m² to 550 m² as of 1 December 2017.

3.5 Risk provision

NLFI uses a system involving an In-Control Statement (ICS) based on an internal risk management and control system. Its purpose is to increase the transparency and consensus about risk assessment, management and monitoring. In addition to achieving objectives, management can be conducted in order to prevent or control the risks of an organisation. In 2017, it was established that the NLFI team had become substantially smaller. The administrative organisation was adjusted to accommodate this while maintaining the separation of functions between possession, payment and execution. Where necessary, work was performed under double supervision (four eyes principle).

The risk areas incorporated in the control statement were examined in 2017. These areas relate to leadership, liability, staffing, process management, outsourcing, the relationship with stakeholders and monitoring of holdings. Regarding these risk areas, the sufficiency of the measures was assessed and, where necessary, these measures were adjusted.

NLFI takes a risk-averse approach. Resilience will be maintained in order to compensate for any setbacks.

4. Corporate Governance

NLFI endorses the importance of the Netherlands Corporate Governance Code (the **Code**). The 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**). The Code was revised by the Van Manen Commission in 2016. The revised Code entered into force on 1 January 2017 and is furthermore anchored in law as of 1 January 2018. As a result, Dutch listed companies are expected to report in 2018 on compliance with the revised Code during the 2017 financial year. NLFI has held shares in listed companies since the IPOs of ABN AMRO on 20 November 2015 and a.s.r. on 10 June 2016. NLFI sold its remaining interest in a.s.r. on 14 September 2017.

NLFI had previously decided to comply voluntarily with the principles and best practices of the 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".

For the sake of completeness, it should be noted that the table below relates to shares of the various holdings for which NLFI issued certificates to the Dutch State, not the listed share certificates issued by the Stichting Administratiekantoor Continuïteit ABN AMRO Group NV.

The following recital is included in the preamble to the Code: *"Shareholders can give priority to their own interests, as long as they act in keeping with the principles of reasonableness and fairness in relation to the company, its organs and their fellow shareholders. This includes the willingness to engage in dialogue with the company and their fellow shareholders. The greater the interest which the shareholder has in a company, the greater is its responsibility to the company, fellow shareholders and other stakeholders"*.

Netherlands Corporate Governance Code	Compliance by NLFI (implementation or explanation)
<p>Principle: 4.1 The general meeting The general meeting should be able to exert such influence on the policies of the Management Board and the Supervisory Board of the company that it plays a fully-fledged role in the company's system of <i>checks and balances</i>. Good corporate governance requires the fully-fledged participation of shareholders in the decision-making of the general meeting.</p>	<p>NLFI complies with this principle.</p>
<p>4.1.5 (Shareholder's explanation when exercising agenda rights) A shareholder who has arranged for an item to be included on the agenda shall explain this item at the meeting and, if necessary, answer questions about it.</p>	<p>NLFI complies with this best practice provision.</p>
<p>4.1.6 (Inclusion of Shareholder agenda items) A shareholder shall be entitled to include an item on the agenda only after consulting the Management Board about said inclusion. Should one or more shareholders intend to request the inclusion of an item on the agenda that may result in a change of company strategy (e.g. for the dismissal of one or more Management or Supervisory Board members), the Board shall be granted the opportunity to stipulate a reasonable period in which to respond (response time). The opportunity to invoke a response time shall also apply to any above-mentioned intention involving the legal right to call a general meeting pursuant to Section 2:110 of the Netherlands Civil Code (Burgerlijk Wetboek, hereinafter BW). The relevant shareholder shall respect the response time stipulated by the Board within the meaning of best practice provision 4.1.7.</p>	<p>In the event that NLFI wishes to make use of the right to include items on the agenda, NLFI will first consult with the company's Management Board. The response time that NLFI will take into account is consistent with the statutory period of 60 days (§ 2:114a BW) and not 180 days as required by the Code. NLFI feels that, within the existing relations, the 60-day period is sufficient. NLFI wants to avoid the 180-day period being used to obstruct the scheduling process unnecessarily. Should NLFI have an item included on the agenda of the general meeting, NLFI will also explain this issue during the meeting and answer any questions that might be asked.</p>

<p>Principle 4.3 Casting votes Participation of as many shareholders as possible in the general meeting's decision-making is in the interest of the company's <i>checks and balances</i>. The company should, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.</p>	<p>To the extent relevant to NLF, it complies with this principle.</p>
<p>4.3.1 (Voting as deemed fit) Shareholders should vote as they deem fit. Shareholders who make use of the voting advice of third parties are expected to form their own judgements on the voting policy of these advisors and the voting advice provided by them.</p>	<p>NLF votes as it deems fit. NLF does not make any use of voting advice. Each voting decision is taken after studying the relevant documents and internal consultation. Consultation with the Ministry of Finance is sought whenever fundamental and weighty decisions are involved. The Financial Institutions (Management Trust) Act [Wet stichting administratiekantoor beheer financiële instellingen], otherwise known as the "NLF Act", states that the Minister of Finance can issue a binding voting instruction with regard to fundamental or significant decisions. The Minister can also instruct NLF if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (Algemene Rekenkamer).</p>
<p>Principle: 4.4 Certification of shares Certification of shares can be a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting.</p>	<p>At NLF, 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 NLF Act and ensures a transparent separation of interests, a credible exit strategy and non-political governance.</p>
<p>Certification of shares may not be used as an anti-takeover measure.</p>	<p>This principle does not apply to NLF.</p>
<p>The NLF 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.</p>	<p>In view of the reasons why NLF exists (including the need to provide a transparent separation of interests and commercial, non-political governance), the terms and conditions of NLF's administration do not enable certificate holders to demand voting rights. The NLF Act states that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions.</p>
<p>The Trust Office Board shall enjoy the confidence of certificate holders.</p>	<p>NLF complies with this principle.</p>
<p>Certificate holders may recommend candidates for appointment to the Trust Office Board.</p>	<p>The Minister of Finance appoints, suspends and dismisses NLF Board members.</p>
<p>The company may not disclose to the Trust Office any information that has not been made public.</p>	<p>Given the background of the financial interventions by the State that led to the establishment of NLF, this provision has not been complied with.</p>
<p>4.4.1 (Trust Office Board) The Trust Office Board shall enjoy the confidence of certificate holders and operate independently of the company that issued the certificates. The trust conditions specify the cases in which and the conditions under which certificate holders may request the trust office to call a meeting of certificate holders.</p>	<p>The establishment of NLF was intended to create greater distance between the State and the companies (see Parliamentary Papers [Kamerstukken] II 2008/9 31 965 no. 7). Given the desired distance, it is not possible to grant voting rights to certificate holders. The NLF Act does however state that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions. The Minister can also instruct NLF if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (Algemene Rekenkamer).</p>

<p>4.4.2 (Appointment of Board members) Trust Office Board members shall be appointed by the Trust Office Board after the job opening has been announced on the Trust Office website. 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 may be part of the Trust Office Board.</p>	<p>In derogation of best practice provision 4.4.2, the Minister of Finance appoints, suspends and dismisses the members of the NLF 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. The NLF articles of association state that NLF Board members may not be:</p> <ul style="list-style-type: none"> - members of the Management or Supervisory Boards at another financial institution or one of their subsidiaries; - the company's employees and regular advisers (as defined in the NLF Act) or their subsidiaries. <p>There is no indication of whether the same applies to former Management and Supervisory Board members. This relates to the circumstance that NLF holds shares in various financial companies. Not to limit the group of potential NLF Board members too drastically, former directors and/or Management and Supervisory Board members of the holdings shall not be excluded from membership of the NLF Board.</p>
<p>4.4.3 (Board appointment period) A person may be appointed to the Trust Office Board for a maximum of two four-year terms, followed by a maximum of two two-year terms. In the event of a reappointment after an eight-year period, reasons should be given in the report by the Trust Office Board.</p>	<p>NLF complies with this best practice provision.</p>
<p>4.4.4 (Attendance at the general meeting) The Trust Office Board shall attend the general meeting and, if desired, make a statement about its voting intentions.</p>	<p>NLF complies with this best practice provision.</p>
<p>4.4.5 (Exercise of voting rights) 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 NLF articles of association state that, in exercising rights associated with the shares, NLF 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 who are thus involved. This consequently requires NLF 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 articles of association further state that NLF 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 that no exchange of competition-sensitive information occurs.</p>
<p>4.4.6 (Periodic reports) The Trust Office shall report periodically on its activities, at least once a year. The report shall be posted on the company's website.</p>	<p>In derogation of best practice provision 4.4.6, the NLF Management Report shall not be published on company websites because the Management Report does not pertain to any single company. The Management Report will however be published on the NLF website (www.nlf.nl).</p>
<p>4.4.7 (Report contents) The report referred to in best practice provision 4.4.6 shall, in any event, indicate the following:</p>	<p>NLF complies with this best practice provision.</p>

<p>(i) number of shares for which certificates have been issued as well as an explanation of any change in this number; (ii) activities carried out during the financial year; (iii) voting behaviour in the general meetings held in the year under review; (iv) percentage of votes represented by the Trust Office during the meetings referred to in (iii); (v) remuneration of Trust Office Board members; (vi) number of Board meetings and the main items dealt with in these meetings; (vii) costs of Trust Office activities; (viii) any external advice obtained by the Trust Office; (ix) (other) positions held by Board members; and (x) contact details for the Trust Office.</p>	
<p>4.4.8 (Voting proxies) The Trust Office shall, without limitation and in all circumstances, issue proxies to certificate holders who so request. Certificate holders may also issue binding voting instructions to the Trust Office in respect of the shares which the Trust Office holds on their behalf.</p>	<p>As stated in provision 4.4.1, there is no provision for the granting of proxies. The NLF I Act states that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions.</p>

NLFI is an investor with a legally prescribed task, but is not an institutional investor in the strictest sense. Nevertheless, NLFI complies with the best practice provisions regarding institutional investors included in the Code. See the matrix below for an explanation of the relevant best practice provisions. The Code's preamble includes the following recital with regard to institutional investors: *"Institutional investors are responsible to the ultimate beneficiary owners for the careful and transparent assessment of how to exercise their rights as shareholders of companies."*

Provisions pertaining to institutional investors	Compliance by NLFI (apply or explain)
<p>4.3.5 (Publication of institutional investors' voting policy) Institutional investors (pension funds, insurers, investment institutions and asset managers) shall annually publish, at least on their websites, their policy on the exercise of voting rights for the shares that they hold in listed companies.</p>	<p>NLFI has published the voting policy on the NLFI website (www.nlfi.nl) since 30 May 2016.</p>
<p>4.3.6 (Report on the implementation of institutional-investor voting policy) Institutional investors shall report annually on their website and/or in their management report about the manner in which they have implemented their policy on the exercise of voting rights in the relevant financial year.</p>	<p>NLFI complies with this provision.</p>
<p>They [institutional investors] shall also report on their website at least once a quarter about any votes at a general meeting and the manner in which they voted. This report shall be posted on the company's website.</p>	<p>NLFI complies with this provision. The reports on voting behaviour have been published on the NLFI website (www.nlfi.nl).</p>

Eumedion sees itself as the forum and the source for corporate governance and sustainability for affiliated institutional investors. Eumedion has formulated a number of best practices for committed shareholdership. NLFI finds compliance with these best practices to be appropriate. The manner of compliance is revealed in the following table.

Best practices for committed shareholders	Compliance by NLF I (apply or explain)
1. Eumedion participants shall monitor the Dutch listed companies in which they invest.	NLF I complies with this provision.
2. Eumedion participants shall have clear policies with regard to the exercise of their shareholders' rights, which may include entering into dialogue with Dutch listed companies and other <i>engagement</i> activities. They shall report at least once a year on the implementation of their policies.	NLF I has made further agreements with various holdings about the implementation of shareholder powers. This has yielded a structured framework for the implementation of shareholder powers. The relationship agreements concluded with ABN AMRO and a.s.r. have been published on the NLF I website. This Management Report indicates voting behaviour at shareholders' meetings. NLF I will send a focus letter for 2018 regarding ABN AMRO.
3. Eumedion participants shall have clear policies for dealing with situations in which they fail to convince the Board of a listed company in which they invest to adopt their views, and differences of opinion between the Board of the listed company and the shareholders remain unresolved.	Should any such case arise, NLF I may undertake one or more of the following actions: <ul style="list-style-type: none"> - send a letter explaining the concerns; - convene additional meetings with the Management and/or Supervisory Board specifically to discuss concerns; - discuss the issue with other <i>stakeholders</i>, in particular the certificate holder; - raise concerns at a shareholder meeting; - request a certain item be included on the agenda of a regular general meeting of shareholders or convene an extraordinary general meeting of shareholders; - adopt fundamental or weighty decisions at a shareholders' meeting, following approval by the Minister of Finance.
4. Eumedion participants shall be willing to deal collectively with other Eumedion participants and other investors where appropriate.	NLF I complies with this provision to the extent relevant.
5. Institutional investors may have other business relations with Dutch listed companies apart from the shareholder relationship alone. Eumedion participants shall take steps to mitigate conflicts of interest arising from these different roles. Eumedion participants shall have clear and robust procedures in place for the action to be taken in the event that divergent or conflicting interests arise. The procedures shall be publicly disclosed. Material conflicts of interest will be disclosed to the institutional clients affected.	Decisions involving conflicts of interest of material significance for NLF I, the company or an NLF I Board member shall be submitted for the prior approval of the Minister of Finance.
6. Eumedion participants shall have a clear policy on voting and publicly disclose this policy. Eumedion participants shall report at least once a year on the implementation of their voting policy.	NLF I has published the voting policy on the website since 30 May 2016. NLF I provides quarterly reporting on the implementation of the voting policy.
7. Eumedion participants shall cast informed votes on all the shares they hold in Dutch listed companies at the general meetings of these companies. In the event that the Eumedion participant abstains or votes against a management proposal, the Eumedion participant will explain the reasons for this voting behaviour to the company management, either voluntarily or at the request of the company in question.	NLF I complies with this provision.

<p>8. Eumedion participants shall publicly disclose at least once a quarter how they voted based on their holdings in listed companies.</p>	<p>NLFI complies with this provision.</p>
<p>9. Eumedion participants shall take account of factors impacting on the environmental and social policy and governance in their policy relating to the exercise of their shareholder rights. This policy may involve entry into dialogue with Dutch listed companies and other engagement activities.</p>	<p>NLFI complies with this provision.</p>
<p>10. Eumedion participants shall not borrow shares solely for the purpose of exercising voting rights on these shares. They shall 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.</p>	<p>NLFI complies with this provision. NLFI does not lend any shares, other than for possible stabilisation transactions in the context of an IPO.</p>

5. Financial details of NLFI

5.1 *Financial details for 2017*

NLFI is a non-profit corporation. 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.

Future differences between the realised profits and realised losses from the activities of NLFI may be credited to or debited from this equalisation reserve. In accordance with the articles of association, the NLFI equalisation reserve shall not, in principle, exceed five million euros.

NLFI holds the investments for the State and provides the State with certificates. 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 therefore relates to the financial data of NLFI as an independent legal entity.

5.2 Budget 2018

The 2018 budget approved by the Ministry of Finance is as follows:

	Costs	Budget 2017		Budget 2018
I	Management	- 136,000	- -	130,000
II	Personnel	- 1,802,000	- -	1,103,000
III	Accommodation	- 205,000	- -	141,500
IV	Office costs	- 350,000	- -	215,000
V	Miscellaneous	- 157,000	- -	110,500
VI	Consultancy costs	- 4,850,000	- -	3,300,000
	Total costs	- 7,500,000	- -	5,000,000
	Total revenues	- 7,500,000	- -	5,000,000
	Result	- 0	- -	0

unofficial translation

Statement of income and expenses in 2017

INCOME	<i>Result</i> 2017 €	<i>Estimate</i> 2017 €	<i>Result</i> 2016 €
Income	<u>7,500,000</u>	<u>7,500,000</u>	<u>15,000,000</u>
Total income	<u>7,500,000</u>	<u>7,500,000</u>	<u>15,000,000</u>
EXPENSES			
Management	110,981	136,000	183,160
Employees	1,404,434	1,802,000	1,483,296
Premises	167,996	205,000	179,022
Office costs	197,295	350,000	266,384
Other costs	152,628	157,000	157,634
Consultancy costs	<u>3,544,662</u>	<u>4,850,000</u>	<u>7,991,455</u>
Total expenses	<u>5,577,996</u>	<u>7,500,000</u>	<u>10,260,951</u>
Interest	-615	-	-465
Financial income	<u>-615</u>	<u>-</u>	<u>-465</u>
Result	1,921,389	-	4,738,584
Profit/loss appropriation for equalisation reserve	-	-	-
Repayment to the State (Ministry of Finance)	<u>1,921,389</u>	<u>-</u>	<u>-4,738,584</u>
Result after appropriation	<u>-</u>	<u>-</u>	<u>-</u>