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NL financial investments

2016 Annual Report

Adopted by the Board on 09 March 2017

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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. Its full name given in the articles of association 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 2016, NLFI managed State Holdings in the companies ABN AMRO Group NV, a.s.r. Nederland NV, SNS Holding BV (currently Volksholding BV), SRH NV, Propertize BV, RFS Holdings BV and NLFI Financial Investments BV (in liquidation).

The IPO of a.s.r. Nederland NV took place on 10 June 2016. After partial exercise of the greenshoe option granted to the assisting investment banks, NLFI holds approximately 63.7 percent of the shares in a.s.r. Nederland NV.

On 1 September 2016, NLFI Financial Investments BV was dissolved (placed in liquidation) by resolution of shareholders. The liquidation was completed on 19 January 2017.

All the shares of Propertize BV were transferred on 27 September 2016 to a consortium consisting of Lone Star and JP Morgan on the basis of a sale and purchase agreement dated 28 June 2016.

Sixty-five million certificates for shares in ABN AMRO Group NV were sold on 17 November 2016. After delivery of these certificates on 20 November 2016, NLFI holds approximately 70 percent of the shares in ABN AMRO Group NV.

NLFI

Registered office address: Lange Houtstraat 26 in The Hague.

Postal address: PO Box 45650, 2504 BB The Hague

Telephone number: +31 (0)070 - 20 50 600.

Website: www.nlfi.nl

Email: nlfi.office@nlfi.nl

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2. NLFI activities in 2016

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 certificates for shares in exchange for acquiring and holding in trust and in its own name shares in the companies that until then were 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 item b(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 actions pertaining to, arising from or being potentially conducive to the objectives described in this article.

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 certificates for shares 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 foundation 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 an involved 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 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 invested companies concerning the manner in which the stipulations contained in the articles shall be implemented.

In 2016 NLFI undertook specific measures regarding the various holdings as part of its task to advise the Minister on the sale strategy. In a number of cases, it also implemented said strategy. The most important milestones for NLFI in 2016 are briefly discussed below.

Sale of Propertize

In line with the NLFI advice of October 2015, the Minister granted authorisation to NLFI to put the process for divesting Propertize BV (hereinafter: Propertize) in motion¹.

On 23 June 2016, NLFI advised the Minister to grant approval for the conclusion of a sale transaction with the consortium Lonestar Funds / J.P. Morgan Securities Plc. The purchase price for 100% of the shares of Propertize was fixed at EUR 895.3 million. Of this amount, EUR 22.5 million shall be paid providing certain conditions are met in association with the liquidation of a property project.

All shares of Propertize BV were transferred to the consortium on 27 September 2016.

¹ Decree of the Minister of Finance dated 09 December 2015 (Staatscourant (Government Gazette) 2015, 46524).

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IPO of a.s.r.

NLFI issued an advice to the Minister of Finance in November 2015 on the possibility of selling the shares in a.s.r. Nederland NV. (Hereinafter: a.s.r.). NLFI thereby recommended that priority be given to a successful execution of an IPO. This report was tabled by the Minister of Finance in the Dutch House of Representatives on 27 November 2015, along with a letter to the House. Based on the discussion of this letter in the House early 2016, the Minister authorised NLFI to execute the sale strategy described in the letter².

This led to the successful IPO of a.s.r. (see subsection 2.2) in which a total 54,449,885 ordinary shares were sold, which represent an interest of approximately 36.3 percent of the share capital in a.s.r. This resulted in total proceeds from the IPO (including the over-allotment shares and the proceeds of stabilisation) of approximately EUR 1,065 million.

ABB for ABN AMRO

On 17 November 2016, the sale through an Accelerated Book Building (ABB) took place of 65 million certificates for shares in ABN AMRO Group NV (hereinafter: ABN AMRO), yielding proceeds of approximately EUR 1.326 billion.

After transfer of the certificates on 20 November 2016, NLFI retains approximately 70 percent of the shares in ABN AMRO.

2.1.2. Objectives for 2017

NLFI attaches great importance to an informative shareholders meeting and an effective dialogue with the management and supervisory boards prior to and during the shareholder meeting. For a few years, NLFI has been sending an annual focus letter to its largest subsidiaries ABN AMRO, a.s.r. and Volksholding (formerly SNS Holding). The purpose of these letters is to highlight a number of priorities that, according to NLFI, require additional attention from these holdings. NLFI will further pursue the priorities mentioned in these letters by devoting special attention to them in the ongoing dialogue and, where necessary, at shareholder meetings. In 2016, the key focal points described in the NLFI annual report and the focus letter of the then already listed ABN AMRO was published on the NLFI website. In view of the IPO for a.s.r. and the transparency that NLFI advocates, the decision was made to publish all three focus letters in full on the NLFI website concurrently with the annual report for 2017.

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 2016, this amounted to 723,800,001 shares, each with a nominal value of one euro. These shares represent a 77% interest in the share capital of ABN AMRO.

In connection with a first ABB, NLFI transferred 65 million shares on 20 November 2016. At the end of 2016, NLFI still held therefore 658,800,001 shares in ABN AMRO. These shares represent a 70% interest in the issued share capital of this company.

2.2.2 Performance of duties and performed policy

NLFI discussed various topics with ABN AMRO management and supervisory boards:

- The financial results of the bank and the dividend policy.
- The composition of management and supervisory boards.
- The risk profile of the bank and its funding strategy.
- The 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 early 2016. The function of management and supervisory boards over the previous year were also

² Decree of the Minister of Finance dated 17 February 2016 (Staatscourant (Government Gazette) 2016, 10301).

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reviewed, both collectively and individually.

NLFI has also consulted with the Board of Stichting Administratiekantoor continuïteit ABN AMRO.

On 10 November 2016, NLFI asked the Minister of Finance to grant authorisation to start implementing a recommended first ABB of (maximum) 65 million certificates for shares in ABN AMRO via a so-called Accelerated Book Building procedure on the basis of "best effort". In a decision of the same date, the Minister granted his approval to this procedure, after which the ABB process was initiated. ABN AMRO was involved in executing the ABB in accordance with arrangements established in the relationship agreement.

The ABB resulted in the sale of a follow-on tranche of 65 million certificates for shares of ABN AMRO on 17 November 2016, yielding proceeds of approximately EUR 1.326 billion for the State.

After transfer of the certificates on 20 November 2016, NLFI retains approximately 70 percent of the shares in ABN AMRO.

A final dividend for ordinary shares in the amount of EUR 318.472 million was declared for 2016³; this in addition to an interim dividend for 2015 of EUR 350 million that was distributed in 2014⁴.

An interim dividend of EUR 289.52 million was received in September 2016⁵.

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

In presenting annual figures for 2016, ABN AMRO proposed that a final dividend of EUR 0,84 per share be declared for 2016. A resolution in this regard is to be adopted by the annual general meeting of shareholders (hereinafter AGM) on ratification of the financial statements for 2016.

2.2.3 Activities

In 2016, NLFI focused on exploring exit opportunities and preparing as well as implementing an ABB for ABN AMRO. In the run-up to the offer, NLFI followed 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 the first ABB, NLFI drew from a previously published long list of investment banks. This selection then took place by means of a competitive selection process in a transparent, objective and non-discriminatory manner. NLFI concluded a framework agreement with each of the service providers selected at that time. Four bookrunners were chosen for this ABB, namely three banks that acted as global coordinators during the IPO of ABN AMRO (ABN AMRO NV, Deutsche Bank AG, London Branch and Morgan Stanley & Co) plus an additional bank. To that effect NLFI selected Goldman Sachs, an investment bank with experience as bookrunner during recent large European follow-ons.

In September 2016, chairman of the ABN AMRO management board Gerrit Zalm announced that he would not complete his full term of office (until May 2018) and, in consultation with the supervisory board, decided to resign in 2017. Subsequently, the ABN AMRO supervisory board launched the process for choosing a successor to the chairman of the management board. The relationship agreement concluded by NLFI and ABN AMRO in November 2015 stipulates that the supervisory board shall make it possible for NLFI to advise on the decision to appoint the chairman of the management board. NLFI fulfilled this task in consultation with the Minister of Finance and the ABN AMRO supervisory board.

Kees van Dijkhuizen, former Chief Financial Officer of ABN AMRO, was appointed as chairman of the management board and Chief Executive Officer (CEO) in November 2016. After obtaining approval from supervisory authorities, his appointment came into effect on 1 January 2017.

Meetings with the chairpersons of the supervisory and management boards of ABN AMRO also took place on a regular basis in 2016. Such meetings constitute the means of implementing a meaningful

³ On 723,800,001 ordinary shares held by NLFI.

⁴ On 940.000.001 ordinary shares held by NLFI.

⁵ On 723,800,001 ordinary shares held by NLFI.

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dialogue between shareholder and the 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 (at so-called road shows). Furthermore, NLFI conducted a review of the supervisory board. Many topics were discussed during this consultation, including strategy, risk management, follow-on placings, governance and sustainability. Contact was also maintained with ABN AMRO in view of the principle that neither ABN AMRO nor NLFI 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 general meeting of shareholders of ABN AMRO Group NV on 18 May 2016. NLFI voted in favour of the following proposals:

- Adoption of the 2015 annual accounts.
- Dividend proposal for financial year 2015 to declare a final dividend of EUR 440,000 or EUR 0.44 per share in cash.
 - Discharging every member of the executive board in office during financial year 2015 of responsibility for his or her acts in 2015.
 - Discharging every member of the supervisory board in office during financial year 2015 of responsibility for his or her acts in 2015.
- Authorisation to issue shares and to grant rights to acquire shares to a maximum 10% of the outstanding share capital of ABN AMRO.
- Authorisation to restrict or exclude preferential rights.
- Authorisation to purchase shares and certificates for shares of in the capital of ABN AMRO to a maximum 5% of the outstanding share capital of ABN AMRO Group not held by NLFI.
- Appointment of A.C. Dorland as supervisory director.
- Appointment of F.J. Leeftang as supervisory director
- Appointment of J.S.T. Tiemstra as a supervisory director.

NLFI attended the extraordinary meeting of shareholders of ABN AMRO Group NV held on 12 August 2016. NLFI voted in favour of the following proposals:

- Appointment of J.B.J. Stegmann as supervisory director.

The percentage of the votes cast by NLFI on both occasions was 77%.

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

2.2.5 Outlook for 2017

The activities regarding ABN AMRO are being continued in 2017. The objectives formulated in Section 2.1.1 will be discussed at the AGM or during the preparations for this meeting. The regular meetings between NLFI and both the management and supervisory boards of ABN AMRO under the terms of the relationship agreement will also be continued. Such meetings constitute part of the meaningful dialogue between the shareholder and the company.

In 2017, NLFI will furthermore assess whether a further sale of shares of ABN AMRO is desirable and, if necessary, advise the Minister of Finance. It is also important that, with regard to the first ABB, NLFI agreed to a lock-up period of 90 days from the settlement date of 20 November 2016, with certain exceptions.

2.3. a.s.r. Nederland NV

2.3.1 Shares

NLFI has trusteeship of all the shares in the capital of a.s.r. Nederland NV (hereinafter: a.s.r.). In exchange, NLFI has provided the State with certificates for the same nominal value.

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At the beginning of 2016, this amounted to 200,000 shares, each with a nominal value of EUR 500. After a change in the status of a.s.r. in June 2016, these shares were converted into 150 million shares, each with a nominal value of EUR 0.16. The transferred shares represent a 100% interest in the share capital of a.s.r. The reduction in the subscribed capital of a.s.r. has taken place without refund and without exemption from the obligation to pay.

After the settlement of the IPO of a.s.r. on 14 June 2016 and partial exercise of the greenshoe, NLFI retains 95,550,115 shares, each with a nominal value of EUR 0.16. These shares represent a 63.7% interest in the share capital of a.s.r.

In connection with a first ABB, NLFI transferred 20.4 million shares on 17 January 2017. At present, NLFI therefore holds 75,150,115 shares in a.s.r. These shares represent a 50.1% interest in the issued share capital of this company.

2.3.2 Performance of duties and pursued policy

NLFI issued an advisory report to the Minister of Finance in November 2015 on the possibility of selling the shares in a.s.r. NLFI thereby recommended that priority be given to a successful execution of an IPO. This report was tabled by the Minister of Finance in the Dutch House of Representatives, along with a letter to the House.

In his letter, the Minister asked NLFI and a.s.r. to start preparations for an IPO, so that it could occur as from the first half of 2016.

Based on the discussion of this letter in the House on 28 January 2016, the Minister authorised NLFI to execute the sale strategy described in the letter⁶.

This led to the successful IPO of a.s.r. (see subsection 2.3.3) in which a total of 54,449,885 shares after partial exercise of the greenshoe, representing an interest constituting 36.3% of the issued share capital of a.s.r., were sold.

In 2016, NLFI also discussed various topics with the management and supervisory boards for a.s.r., including preparation and implementation of the IPO and first ABB and the execution of the relationship agreement. Furthermore, the NLFI Board held an evaluation meeting with the chairman of the supervisory board in early 2016.

A dividend of EUR 170 million was declared for 2015. The dividend was received (net of dividend tax) in 2016 by NLFI and paid to the State as a certificate holder⁷. a.s.r. stated in the prospectus for the initial public offering that it is committed to a dividend of EUR 175 million in 2016.

In presenting annual figures for 2016, the company proposed that a final dividend of EUR 1.27 per share be declared for 2016.

2.3.3 Activities

In 2016, NLFI focussed on the preparation and execution of IPO of a.s.r.

Underwriters and advisors for the IPO

Making use of a previously established long list, NLFI selected a total of eight investment banks to act as underwriters in the IPO of a.s.r. ABN AMRO Bank NV, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch acted as joint global coordinators. Barclays Bank PLC, Coöperatieve Rabobank UA (Rabobank), HSBC Bank plc and ING Bank NV acted as joint bookrunners. Joh. Berenberg, Gossler & Co. KG acted as co-lead manager.

In addition, N M Rothschild & Sons Limited, Allen & Overy and Citigate First Financial functioned as respectively financial, legal and communications advisors for NLFI.

NLFI imposed high demands on the quality of the global coordinators, bookrunners and co-lead managers. This involved, for example, demanding requirements with regard to knowledge and experience in the area of large share transactions (i.e. Equity Capital Market (ECM) transactions).

⁶ Decree of the Minister of Finance dated 17 February 2016 (Staatscourant (Government Gazette) 2016, 10301).

⁷ On the 200,000 ordinary shares then held by NLFI (100% of the subscribed share capital).

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High demands were also imposed on the skills of the analysts. As part of the selection process, the investment banks also confirmed that they are in possession of the required licences, they have a compensation policy that meets European standards, they comply with international social standards and they unconditionally comply with the contracts drawn up by NLFI.

The preparations for the IPO intensified after the appointment of the joint global coordinators on 18 January 2016. Selection of the bookrunners and co-lead managers was completed on 22 February 2016.

NLFI intensively participated in the various work groups that prepared the IPO, under the leadership of the joint global coordinators. On 13 May 2016, NLFI and a.s.r. announced the plans for the IPO and listing of a.s.r. on Euronext Amsterdam (the intention to float). On 30 May 2016, NLFI and a.s.r. announced the subscription period for the IPO and the publication of the prospectus. On 9 June 2016, NLFI and a.s.r. announced that the price of the shares was set at EUR 19.50 per share and would trade on Euronext Amsterdam on an "if-and-when-delivered" basis starting on Friday, 10 June 2016. The IPO-related press releases are available on the NLFI website.

Meetings with the chairpersons of the supervisory and management boards of a.s.r. also took place on a regular basis in 2016. 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 publication by a.s.r. (so-called roadshows). Furthermore, NLFI conducted a review of the supervisory board. Many topics were discussed during this consultation, including strategy, risk management, IPO, governance and sustainability. For the rest, contact was 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.

As a result of the IPO, NLFI was no longer the only shareholder of a.s.r. Retaining a 63.7% stake, NLFI certainly remained a major shareholder after the IPO. NLFI and a.s.r. agreed on an agreement relationship. The relationship agreement is intended to provide a clear framework for the relationship between NLFI and a.s.r. as long as NLFI holds a significant interest in a.s.r. The relationship agreement governs the following issues: the information to be shared, the matters that require the explicit approval of NLFI and the information obligations and contact requirements. This relationship agreement is published in its entirety on the NLFI website, and thus accessible to the public.

An initial meeting between NLFI and both the management and supervisory boards of a.s.r. under the terms of the relationship agreement took place on 8 September 2016. Such meetings constitute part of the meaningful dialogue between the shareholder and the company. The IPO of a.s.r. was furthermore reviewed.

2.3.4 Shareholder meetings and shareholder resolutions

On 21 March 2016, NLFI adopted a shareholder resolution outside meeting. This resolution authorised the notary public to amend the articles of association in accordance with the deed of amendment to the articles of association due to the proposed changes to the nominal capital and the proposed share split of a.s.r.

The percentage of the votes cast by NLFI on this issue was 100%.

NLFI attended the general meeting of shareholders of a.s.r. on 12 May 2016. NLFI voted in favour of the following proposals:

- Adoption of the 2015 annual accounts.
- Adoption of the dividend policy.
- Dividend proposal to pay out a dividend of EUR 170 million for financial year 2015.
- Discharging every member of the executive board in office during financial year 2015 of responsibility for his or her acts in 2015.
- Discharging every member of the supervisory board in office during financial year 2015 of responsibility for his or her acts in 2015.

The percentage of the votes cast by NLFI on these issues was 100%.

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NLFI voted in favour of the following shareholder resolutions passed outside meeting on 27 May 2016:

- Approval for the offering and listing of the shares in a.s.r., the publication of the prospectus, the decision-making by the management and the supervisory boards in relation to the offering and listing, and the performance of acts by a.s.r. or a subsidiary in connection with the aforementioned offering and listing or arising from one of the aforementioned resolutions.
- Approval of the amendment of the articles of association of a.s.r. in accordance with the draft deed to amend the articles of association.
- Authorisation the a.s.r. management board for a period of 18 months commencing on the settlement date of the flotation as the company body that is entitled, with the supervisory board's prior approval, to resolve to:
 - a. issue ordinary shares, or grant rights to acquire ordinary shares, with the proviso that this authority is restricted to a maximum of 10% of the issued capital and may not be used to pay out dividends in the form of ordinary shares; and
 - b. restrict or exclude the preferential right of shareholders when ordinary shares are issued or rights to acquire ordinary shares are granted as described in a above.
- Authorisation of the a.s.r. management board for a period of 18 months commencing on the day of this shareholder resolution as the company body that, following supervisory board prior approval, may resolve to grant Stichting Continuïteit ASR Nederland a continuous right which can be exercised multiple times to acquire preferential shares in the capital of a.s.r. under the terms specified in the shareholder resolution.
- Authorisation the a.s.r. management board for a period of 18 months commencing on the settlement date of the flotation as the company body that, following supervisory board prior approval, may resolve to acquire fully paid-up shares (or certificates) on behalf of the company, subject to the conditions set out in this shareholder resolution.
- Authorisation of the a.s.r. executive board to provide information to shareholders electronically.
- Approval of the proposal to appoint H.J. Hazewinkel as member and chair of the board of Stichting Continuïteit ASR Nederland.

The percentage of the votes cast for these resolutions was 100 percent.

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

2.3.5 Outlook for 2017

In January 2017, NLFI asked the Minister of Finance to grant authorisation to start implementing a recommended first follow-on of (maximum) 20.4 million shares of a.s.r. via a so-called Accelerated Book Building (ABB) on the basis of "best effort". The Minister granted his approval for this procedure, after which implementation of the ABB was initiated. a.s.r. was involved in the he ABB in accordance with the arrangements established in the relationship agreement.

The ABB resulted in the sale of a follow-on tranche of 20.4 million shares in a.s.r. on 13 January 2017, yielding proceeds of approximately EUR 452 million for the State. After transfer of the certificates on 17 January 2017, NLFI retains approximately 50.1% of the shares in a.s.r. a.s.r. purchased 3.0 million shares from this tranche and announced that the cancellation of these shares shall be placed on the agenda for the AGM to be held on 31 May 2017. After cancellation of the 3.0 million shares, NLFI's shareholding is expected to represent 51.1% of a.s.r.'s capital.

The activities regarding a.s.r. will be continued in 2017. The objectives formulated in subsection 2.1.1 will be discussed at the AGM. The regular meetings between NLFI and both the management and supervisory boards of a.s.r. under the terms of the relationship agreement will also be continued. Such meetings constitute part of the meaningful dialogue between the shareholder and the company.

In 2017, NLFI will furthermore assess whether a further sale of shares of a.s.r. is desirable and, if necessary, advise the Minister of Finance.

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2.4. SRH NV

2.4.1 Shares

NLFI has trusteeship of 287,619,873 ordinary shares in the capital of SRH NV (hereinafter: SRH), each with a nominal value of EUR 1.63.

In exchange, NLFI has provided the State with certificates for the same nominal value. These shares represent a 100% interest in the issued share capital of this company.

2.4.2 Performance of duties and pursued policy

In 2016, NLFI conducted a dialogue with the company regarding such issues as the company's structure following the separation of banking and insurance activities from the former SNS-REAAL Group.

NLFI also held talks in 2016 with the management and supervisory boards of SRH on such topics, including the mandate of management. Furthermore, the NLFI Board conducted an evaluation meeting with the chairman of the supervisory board at the beginning of 2016. The functions of the management and supervisory boards were also collectively and individually reviewed. During this meeting, it was, after proper consideration, concluded that the two-tier regime should be discontinued and the supervisory board would resign.

No dividend was paid for financial year 2015. SRH has not yet published its annual figures for 2016, so no proposal has been announced concerning a dividend for 2016.

2.4.3 Activities

Meetings with the chairpersons of the SRH management and supervisory boards also took place on a regular basis in 2016. Talks were also held on an ad hoc basis with members of the company's management board and senior management. A regular component was the discussion of quarterly figures within a few weeks following their adoption.

In the first half of 2016, NLFI held discussions with the company on the financing of VIVAT's pension indexation obligations due to SRH as well as the transfer of the pension indexation obligations of SRH and SNS Bank to VIVAT. SRH, SNS Bank, Anbang and VIVAT reached agreement on this issue in May 2016. All the above constitute completion of a process agreement that was included in the purchase agreement between SRH and Anbang of 30 June 2015.

A constructive dialogue also took place about such issues as company structure after separation of banking and insurance activities. NLFI also held an evaluation meeting with the supervisory board and participated in the annual joint meeting with the management and supervisory boards. For the rest, contact was maintained with the company in view of the principle that neither the company nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

By application dated 6 November 2014, the Vereniging VEB NCVB and several former shareholders of SNS REAAL NV (together: VEB et al) petitioned the Enterprise Section of the Amsterdam Court to order an investigation into the policy and affairs of SNS Reaal NV (currently SRH NV), SNS Bank NV (currently Volksbank NV) and Propertize BV. The petition names NLFI as an implicated party due to its role as the shareholder of these companies, and NLFI has also conducted a defence against the petition in this capacity. The Enterprise Section determined that, providing the petition of VEB et al was admissible, it would only consider the first question, since the applicant was then no longer a shareholder in the mentioned companies.

The Enterprise Section ruled by decision dated 08 July 2016 that the petition of VEB et al was only admissible with regard to SNS REAAL NV and inadmissible in relation to Propertize BV and stayed the decision on the admissibility in respect of SNS Bank NV.

SNS Reaal, the State of the Netherlands and NLFI have appealed this decision to the Supreme Court. The Supreme Court dismissed the appeal on 4 November 2016. A pre-trial review took place at the Enterprise Section on 20 December, in which the Enterprise Section determined that a hearing will be held on 8 June 2017.

NLFI is not a party to these proceedings. Admittedly, a representative of NLFI was once named by the experts heard by the Enterprise Section because discussions about forms of cooperation between SNS

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Reaal and one or more NLFI holdings at the time of the expropriation could yield possibly relevant information. NLFI is assisted in this matter by Allen & Overy, acting as its legal advisor.

2.4.4 Shareholder meetings and shareholder resolutions

NLFI attended the AGM of SRH NV on 30 May 2016. NLFI voted in favour of the following proposals:

- Adoption of the 2015 annual accounts.
- Dividend proposal not to pay out any dividend for the financial year 2015.
- Discharging every member of the executive board in office during financial year 2015 of responsibility for his or her acts in 2015.
- Discharging every member of the supervisory board in office during financial year 2015 of responsibility for his or her acts in 2015.
- Approving the profile of the management board to be amended with effect from 01 June 2016, at the proposal of the supervisory board.
- Reappointment of H.M. de Mol van Otterloo as a member of the management board (chair) for a period ending at the end of the AGM at which the annual accounts for financial year 2016 are adopted.
- Retirement of D.J. Okhuijsen as a member of the management board with effect from 01 June 2016.
- Retirement of C.M. Insinger as a member of the supervisory board with effect from the moment of amendment of the articles of association.
- Amendment of the articles of association of SRH NV in connection with the discontinuation of the two-tier management structure and the resignation of the supervisory board.
- Authorisation of every director of the company and every (junior) notary, notarial clerk and attorney employed at the offices of NautaDutilh NV to have the deed amending the articles of association executed.
- Amendment of the board regulations of SRH NV
- Authorisation of every director of the company and every (junior) notary, notarial clerk and attorney employed at the offices of NautaDutilh NV to have the deed amending the articles of association executed.

On 22 December 2016, NLFI adopted a shareholder resolution outside meeting. This was a decision appointing G.J.H. Broekers as the director of SRH NV for a period which runs until the end of the AGM in which the financial statements for 2016 are adopted.

The percentage of the votes cast by NLFI for all proposals was 100%.

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

2.4.5 Outlook for 2017

The activities regarding SRH are being continued in 2016. Given a number of ongoing legal proceedings, run off can still take some time.

2.5. SNS Holding BV (currently Volksholding BV)

2.5.1 Shares

NLFI has had trusteeship of all the shares in the capital of SNS Holding BV since 30 September 2015. (named Volksholding BV since 1 January 2017) (hereinafter: SNS Holding) since 30 September 2015. 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.

2.5.2 Performance of duties and pursued policy

SNS Holding holds the shares in SNS Bank NV. (hereinafter: SNS Bank). In its capacity as the sole shareholder of SNS Bank, SNS Holding has no independent activities and no employees.

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 also held talks in 2016 with the management and supervisory boards of SNS Holding on various topics, including the recommendation of NLFI to be issued by the Minister Finance concerning SNS Bank (see below). Furthermore, the NLFI Board held an evaluation meeting with the chairman of the supervisory board at the beginning of 2016. The function of management and supervisory boards over the previous year was also individually and collectively reviewed.

NLFI issued an advisory report to the Minister of Finance in June 2016. NLFI concluded that there is a widely supported need for the future strategic position of SNS Bank to be that of a safe retail bank offering simple, transparent and fairly priced financial products, operating on the basis of an operationally excellent business model and resulting in a competitive dividend yield.

In the exit advisory report of June 2016, NLFI was of the opinion that SNS Bank needs more time to acquire a strong position within the Dutch banking sector and is currently not yet ready for an exit. While the financial and operational results have improved ever since SNS REAAL was nationalised, the bank is still confronted with a number of operational and structural challenges. The primary reasons for the existence of these challenges are: the currently extremely low interest rates, which result in pressure on margins and volumes; the upward pressure on costs incurred by SNS Bank due to higher regulatory costs and the split-off of the former parent company; and uncertainty about the capital structure due to the unknown effects of, inter alia, the new 'Basel IV' regulations.

NLFI believes that a period of two to three years will be required to achieve optimum long-term value creation. In the opinion of NLFI, the successful execution of SNS Bank improvement plan will result in a revenue model featuring a low risk profile and a dividend yield that may be attractive to a wide group of long-term investors. Hence, the execution of the desired improvement plan does not, for the years to come, result in irreversible measures being taken or options being excluded in respect of future ownership structures.

The Minister of Finance offered NLFI's advisory report to the House of Representatives on 1 July 2016. The Minister endorsed the NLFI's statements. The relevant options for the future ownership structure will be further developed once SNS Bank is sufficiently prepared. The Minister requested NLFI to issue annual reports on the progress of implementing the improvement plan and the preparedness of SNS Bank to make a decision about its future.

In 2016, NLFI held discussions about the strategy plans of SNS Bank with the company board. NLFI has assessed SNS Bank's strategic plan and determined that these strategic principles can be met, should the plan be successfully executed. The associated objectives were also examined by NLFI. The execution of the strategic plan also meets the preconditions set by the European Commission in the context of the restructuring plan.

During 2016, NLFI kept the board of SNS Holding informed about the intention of SNS Bank to merge subsidiaries Regiobank NV and ASN Bank NV. The four brands SNS Bank NV will continue under the banking license of Volksbank NV. The separate banking licenses of ASN Bank NV and Regiobank NV expired on 31 December 2016.

Furthermore, the NLFI Board held an evaluation meeting with the Chairman of the supervisory board in early 2016.

A dividend of EUR 100 million was declared for 2015. The dividends continued to be paid to NLFI (after withholding of dividend tax), which in turn pays them to the State, the certificate holder. In presenting annual figures for 2016, the company proposed that a final dividend of EUR 135 million be declared for 2016.

2.5.3 Activities

Meetings with the chairpersons of the supervisory and management boards of Propertize took place on a regular basis in 2016. Talks were also held on an ad hoc basis with members of the management board and senior management of SNS. A constructive dialogue also took place concerning topics such as risk appetite, budget, capital and funding plan. NLFI also held an evaluation meeting with the supervisory board and participated in the annual joint meeting with the management and supervisory boards. For the rest, contact was maintained with SNS Holding in view of the principle that neither

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a.s.r. nor NLF I shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

The Boston Consulting Group has acted as strategic advisor in the run-up to the advisory report on the future options for SNS Bank.

2.5.4 Shareholder meetings and shareholder resolutions

NLF I attended the general meeting of shareholders of SNS Holding and SNS Bank on 26 May 2016. In its capacity as the sole shareholder of SNS Bank, SNS Holding has no independent activities and no employees. Because the management board and supervisory board of SNS Holding BV also have a membership overlap with the management board of SNS Bank, the choice was made to combine the annual meetings of shareholders.

NLF I voted in favour of the following proposals:

- Adoption of the 2015 annual accounts.
- Formation of reserves and payment of dividend: the proposal from the management board of SNS Bank to pay out a dividend for 2015 of EUR 100 million was approved by the sole shareholder SNS Holding. The management board of SNS Holding proposed to adopt a sum of EUR 100 as a dividend distribution to its sole shareholder NLF I. Of this gross distribution, EUR 49 million will be paid from reserved profits, and the remainder of EUR 51 million will be deducted from the share premium reserve.
- Discharging every member of the management board who was in office in the financial year 2015 of responsibility for his or her acts in 2015.
- Discharging every member of the supervisory board who was in office in the financial year 2015 of responsibility for his or her acts in 2015.
- Appointment of auditor for SNS Bank and SNS Holding with effect from financial year 2017.

NLF I established the dividend policy of SNS Holding on 8 December 2016 and has authorised the management board of SNS Holding to establish a dividend policy of SNS Bank.

NLF I agreed to an amendment of the Articles of Association of SNS Holding and SNS Bank on 08 December 2016. The amendment of the articles of association of SNS Holding and SNS Bank particularly related to the name change of the businesses concerned to respectively Volksholding and Volksbank.

The percentage of the votes cast by NLF I was 100 percent. An explanation of the voting decisions can be found on the NLF I website.

2.5.5 Outlook for 2017

The activities regarding Volksholding are being continued in 2017. The objectives formulated in subsection 2.1.1 will be discussed at the general meeting of shareholders. The regular meetings between NLF I and both the management and supervisory boards of the company will also be continued.

In 2017, NLF I will provide the Minister of Finance with a report on the progress of implementing the improvement plan of SNS Bank and the exit readiness of SNS Bank.

2.6. Propertize BV

2.6.1 Shares

NLF I has trusteeship of 50,003 shares in the capital of Propertize BV (each with a nominal value of fifty euros). In exchange, NLF I has provided the State with certificates for the same nominal value. These shares represent a 100% interest in the share capital of this company.

The State decided on 27 September 2016 to sell the shares in Propertize B.V. to the consortium Lone Star Funds / J.P. Morgan Securities Plc.

2.6.2 Performance of duties and pursued policy

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.

Based on an analysis of the market for commercial property loans, NLFİ noted in the autumn of 2015 that market conditions had improved significantly since the start of Propertize. In a letter of October 2015, NLFİ therefore advised the Minister to start the sale process for Propertize. In line with that NLFİ report, the Minister granted authorisation to NLFİ in December 2015 to put the process for divesting Propertize in motion⁸.

On 23 June 2016, NLFİ advised the Minister to grant approval for the conclusion of a sale transaction with the consortium Lonestar Funds / J.P. Morgan Securities Plc. The purchase price was fixed at EUR 895.3 million for the shares of Propertize. Of this amount, EUR 22.5 million shall be paid providing certain conditions are met in association with the liquidation of a property project. All shares of Propertize BV were transferred to the consortium on 27 September 2016.

Furthermore, the NLFİ Board held an evaluation meeting with the Chairman of the supervisory board in early 2016.

A dividend of EUR 45.5 million was declared for 2015. This dividend (after deduction of dividend tax) was received and transferred to the State as the holder of the depository receipts.

2.6.3 Activities

The activities involving Propertize in 2016 were dominated by the sale of Propertize. NLFİ strove for a transaction in which Propertize was sold to a single buyer or a group of buyers acting as a single buyer. The purpose of the sale was to achieve the highest value for Propertize and to execute the transaction in an effective and energetic manner, with minimal risk to the business, while taking the interests of all stakeholders into account.

The sale process started with the announcement in an advertisement in the Financial Times on 09 December 2015. There was an initial contact with 84 parties in total. Over half of them signed a confidentiality agreement. These parties were provided with further information about the process and the State's parameters as the seller. Four parties submitted an indicative offer for the whole of Propertize on 16 February 2016. These offers were sufficiently high to admit these four parties to the next round. The parties were given the opportunity to carry out due diligence, ask questions and attend management presentations. Two parties dropped out in this phase. In the final phase, two parties submitted a binding offer. Negotiations were conducted with these two parties with the aim of achieving the best possible price and terms for the State. Of these two parties, the Loan Star Funds / J.P. Morgan Securities Plc consortium was selected as the most desirable buyer, in view of the content of the offer compared to both the offer from the other bidder and the plan for winding up Propertize. The final negotiations resulted in agreement with the Lone Star Funds / J.P. Morgan Securities Plc consortium about price and conditions, as established in the purchase agreement.

Alvarez & Marsal acted as the financial advisor to NLFİ in the sale of Propertize and NautaDutilh as the legal advisor. Valuation Advisor American Appraisal (Duff & Phelps) was requested by NLFİ to make an independent valuation of Propertize in 2015.

Meetings with the chairpersons of the supervisory and management boards of Propertize took place on a regular basis in 2016. Discussions included talks about the progress of the winding-up plan, financial results and the sales process. Furthermore, NLFİ conducted an evaluation of the supervisory board. Talks were also held on an ad hoc basis with members of the management board and senior management of Propertize. Contact was also maintained with Propertize in view of the principle that neither Propertize nor NLFİ shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

2.6.4 Shareholder meetings and shareholder resolutions

NLFİ attended the general meeting of shareholders of Propertize on 23 March 2016. NLFİ voted in

⁸ Decree of the Minister of Finance dated 09 December 2015 (Staatscourant (Government Gazette) 2015, 46524).

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favour of the following proposals:

- adoption of the annual accounts of Propertize for 2015.
- declaring a dividend for financial year 2015 of Propertize, whereby the total dividend for 2015 amounted to approximately 45.5 million Euro in cash.
- discharging every member of the supervisory board of Propertize who was in office during the financial year 2015 of responsibility for his or her acts in 2015.
- discharging every members of the supervisory board of Propertize who was in office during the financial year 2015 of responsibility for his or her acts in 2015.
- approval of the Supervisory Board profile.

On 27 September 2016, NLFI adopted the following shareholder resolutions outside meeting:

- acceptance of the resignation of the members of the supervisory board and discharging the members of the supervisory board.
- discharging the members of the management board for the period until closing of the transaction with Lone Star / JP Morgan.

The percentage of the votes cast by NLFI for all proposals was 100%. An explanation of the voting decisions can be found on the NLFI website.

2.6.5 Outlook for 2017

On sale of the shares in 2016, the management of the Propertize shares will be terminated.

2.7 RFS Holdings BV

2.7.1 Shares

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

2.7.2 Performance of duties and 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 sale of interests in Saudi Hollandi Bank (SHB) could not be completed. This remains an aim of RFS.

No dividend has been established for 2016. Nor was there any repayment of capital.

2.7.3 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.

On 1 April 2014, RBS initiated two arbitration cases at the International Chamber of Commerce (ICC) in Paris in which the Dutch State (and not NLFI) is one of the defendants. In the course of 2016, the decision was taken to hear these arbitration cases. RBS initially claimed a total amount of EUR 135 million from the Dutch state and other respondents, but this was then adjusted to EUR 75 million. The claim originates from an alleged guarantee that, according to RBS, Fortis supposedly provided to RBS with and is related to the sale by ABN AMRO Bank (currently RBS) of its shares in the joint venture ABN AMRO Mellon Global Securities Services BV to Bank of New York Mellon.

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As manager of the assets acquired from the nationalisation of the Dutch components of the former Fortis SA, the Dutch State granted NLF I the authority in 2014 to act in the combined arbitration proceedings on behalf of the Dutch State and to perform all related activities required to carry out the proceedings. NLF I (and the Dutch State) shall be represented in this arbitration procedures by the law firm of Allen & Overy.

2.7.4 Shareholder meetings and shareholder resolutions

NLF I attended the general meeting of shareholders of RFS on 28 June 2016. NLF I voted in favour of the following proposals:

- Adoption of the 2015 annual accounts.
- Discharging every member of the executive board in office during financial year 2015 of responsibility for his or her acts in 2015.
- Instructing the external auditor for the financial year 2016 and the draft contract with the external auditor.

The percentage of the votes cast by NLF I for these proposals amounted in this instance to approximately 1.25%. All resolutions were adopted unanimously. An explanation of the voting decisions can be found on the NLF I website.

2.7.5. Outlook for 2017

In 2017, NLF I 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.

2.8. NLF I Financial Investments BV (liquidated)

2.8.1. Shares

In 2016, NLF I held 35 ordinary shares in the now dissolved company NLF I Financial Investments BV. (hereinafter: NLF I FI), each with a nominal value of one thousand euros. In exchange, NLF I has provided the State with certificates for the same nominal amount.

These shares represent 100% of the issued capital.

2.8.2 Performance of duties, pursued policy and activities

NLF I FI had no other activities in 2016 than the retention of a limited amount of cash resources. NLF I performs the management tasks for NLF I FI. As the manager of NLF I FI, NLF I has commissioned an accounting office to prepare the financial statements of NLF I FI for 2015 and 2016 (split year).

In adopting the financial statements for 2015, the decision was taken not to declare any (final) dividend for 2015 but to subtract the loss after tax from the general reserve.

The decision was taken to dissolve the company on 1 September 2016. NLF I acted as liquidator of the assets of the dissolved company and managed the remaining assets and liabilities. The dissolution was concluded in January 2017. The company then ceased to exist.

2.8.3 Shareholder meetings and shareholder resolutions

NLF I attended the general meeting of shareholders of NLF I FI on 14 March 2016. NLF I voted in favour of the following proposals:

- adoption of the annual accounts of NLF I FI for 2015. It was then decided to deduct the loss from the general reserve.
- discharging the NLF I FI management board of the management activities performed in 2015, as reflected in the financial statements.

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 attended a general meeting of shareholders of NLFI FI on 1 September 2016. NLFI voted in favour of the following proposals:

- dissolving the company and to adopt the relevant decision by applying Article 28.1 of the articles of association.

The percentage of votes cast represented by NLFI continued to be 100% of the total share capital. An explanation of the voting decisions can be found on the NLFI website.

2.8.3. Outlook for 2017

The liquidation of NLFI FI concluded on 19 January 2017. NLFI's management of the NLFI FI shares also ended at the same time.

NLFI has agreed with the certificate holder (the Dutch State) that the certificate holder shall receive the surplus from NLFI at the beginning of 2017 together with the financial results of NLFI for 2016, after the 2016 NLFI financial statements are ratified.

2.9. Ministry of Finance

In line with the current supervisory arrangement, NLFI has consulted with the Minister of Finance in 2016. Furthermore meetings between the chairman of NLFI and the supervising Managing Director of NLFI and the Director of the Financing Directorate were held on a regular basis. In these meetings, participants discuss the developments that were or might be relevant to ministerial decision-making, such as its decisions about the planned sale of share or those of a fundamental or significant nature. Topics of discussion also included the plans for the exit recommendations to be issued. These meetings also addressed business-operation and financing issues, such as the adopted financial statements and the budget of NLFI. A dividend estimate for the combined holdings of NLFI was also discussed.

Intensive contact between the Ministry of Finance and NLFI was maintained at all levels with regard to the flotation of a.s.r., the sale of Propertize and the IPO of ABN AMRO. This took place on the basis of the inspection schedule and specific procedures for the relevant transactions (if concluded) that comprised the relationship between the Ministry and NLFI. Steering-group consultations between NLFI and relevant holdings and tri-party committees involving NLFI, the relevant holding and the Ministry resulted in advice for the decision-making of the Minister of Finance.

Furthermore, discussions were held with the Ministry about the developments at the various companies, such as the advisory report about SNS Bank and the change in the structure and articles of association of SRH.

Frequent contact was also maintained 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 surprise the other and will promptly and accurately inform each other about relevant issues.

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3 Governance of NLF

3.1 Management and directors

The Management Board of NLF was, in 2016, entirely composed of M. Enthoven, 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 was also a temporary judge at the District Court in The Hague until 1 January 2017.

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 was also a State Councillor on the Council of State until 1 December 2016.

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

In 2016, the task allocation within the board was changed so that the primary responsibilities for the management of shares in each holding were assigned to various NLF board members. In view of the potential transactions and advisory exit reports to be issued, the board decided in December 2015 that a second board member should be assigned to a.s.r., Propertize, SRH and SNS Holding in addition to the existing appointees. See the table below.

Holding	First board member	Second board member
ABN AMRO	Michael Enthoven	
a.s.r.	Diederik Laman Trip	Michael Enthoven
SRH (formerly SNS REAAL)	Lilian Gonçalves-Ho Kang You	Michael Enthoven
SNS Holding (currently Volksholding)	Lilian Gonçalves-Ho Kang You	Diederik Laman Trip
Propertize	Michael Enthoven	Lilian Gonçalves-Ho Kang You
RFS	Michael Enthoven	

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In addition, functional areas of interest transcending any invested company were also subject to appointment in 2016:

Michael Enthoven: finance and risk;

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

Lilian Gonçalves-Ho Kang You: compliance, governance and corporate social responsibility.

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

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 years⁹. This means that, in 2017, Chairman Michael Enthoven will resign from the management board. The management board is in consultation with the Ministry of Finance about the manner in which the vacancy shall be filled.

Rens Bröcheler was the executive managing director of NLFI throughout 2016. In terms of decision-making and authorities, it is therefore possible to speak of sole 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 in 2011.

3.2. Board meetings

Twenty-six Board meetings were held in 2016. Important topics that were then discussed include:

- AGMs;
- shareholder resolutions outside meeting;
- resolutions on the preparation for the divestment of a.s.r.;
- resolutions on the divestment process for VIVAT;
- resolutions on the preparation for the first FPO of ABN AMRO;
- resolutions on the selection and appointment of advisors;
- SNS Bank exit advisory report;
- change to the structure and articles of association of SRH;
- change to the articles of association of SNS Holding (currently Volksholding);
- strategic developments;
- consultations with other companies and their bodies;
- consultations with the Ministry of Finance;
- internal affairs, such as adoption of budget and financial statements.

Two or three members were present at every board meeting, so that decisions could be legally taken. Michael Enthoven and Diederik Laman Trip were present at 25 of the 26 meetings; Lilian Gonçalves-Ho Kang You was present at 24 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 engaged external expertise for a number of (legal and financial) issues, as evidenced in the description of the activities in Chapter 2 of this report.

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

⁹ Decree of the Minister of Finance of 23 September 2016 on the appointment of board members for Stichting administratiekantoor beheer financiële instellingen (Staatscourant (Government Gazette) 2016, 33618).

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statements for 2016. NLF I has insurance for directors' liability for which the premiums are paid by NLF I.

Observer

The State transferred the shares of SNS REAAL to NLF I in late 2013. At the time, NLF I was already the shareholder of ABN AMRO, RFS and a.s.r. The acquisition threatened to create a possibly excessive concentration under the Dutch Competition Act (Mededingingswet). The Dutch Consumer and Market Authority (Autoriteit Consument & Markt, hereinafter: ACM) has approved a number of measures to be taken by NLF I and the Ministry of Finance in order to avoid possible concentration. These require NLF I to manage in such a way that any exchange of competitively sensitive information between the institutions within NLF I. The articles of association were amended for this purpose at the end of 2013.

Some of the measures adopted by the ACM include an observer appointed to NLF I by the State for the benefit of the ACM to ensure that the State and NLF I comply with the measures. The observer reports retrospectively every half year on the compliance with the implemented measures. The observer submitted two semi-annual reports to the ACM in 2016.

Integrity risks

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

- a. to prevent conflicts of interest of NLF I 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 NLF I;
- c. to prevent stock price manipulation as well as other misleading practices;
- d. to protect the reputation of NLF I and the individuals involved with it.

NLF I has an external compliance officer, who supervises compliance with the code of conduct. A confidential advisor on integrity was also appointed in late 2015. In 2016, compliance was made a permanent agenda item at board meetings in order to promote awareness. Important findings were discussed internally. Attention was paid during the year to such concerns as the considerations involved in accepting or not accepting gifts and invitations. NLF I also implemented operating regulations regarding the selection of consultants for (material) transactions. During the formal selection period ("request for proposal"), an operating regulation implemented in addition to associated contractual arrangements prohibited contact with candidates outside regular contacts involving ongoing issues. Any contact that nevertheless occurred was reported to the compliance officer. As usual, the compliance officer issued quarterly reports throughout 2016. The compliance officer also held an annual meeting with Lilian Gonçalves-Ho Kang You.

Legality and in-control statement

Within NLF I, several measures were taken to promote the legality of its action.

NLF I was subject to the supervision of the Netherlands Court of Audit (Algemene Rekenkamer). In 2016, the Court of Audit repeatedly requested information and documents about NLF I. 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 NLF I decided in 2015 to introduce further strengthening of the NLF I internal audit system. For this purpose, a system was implemented in 2015 under the guidance of an external consultant (EY) implemented a system involving an in-control statement that reinforces accountability and strengthens the internal management of NLF I. This system was also applied in 2016. The senior managing director has reported this matter to the board. The main risks are indicated in the section on risk reporting (Section 3.5).

Efficiency

The board of NLF I attaches great importance to the efficient functioning of NLF I. Efficiency is not the same as spending as little as possible (economy). It is a relative term for which a certain relationship is normally indicated between objectives, applied resources and achieved effects. The objectives of NLF I 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

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that they must be measured against a situation in which NLFI does not exist and the management is undertaken by the State itself. For this reason, it is difficult to determine how the costs incurred by NLFI relate to the achieved result.

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

NLFI views the implementation of the IPO for a.s.r. as an indication of its efficiency. This IPO of a.s.r. resulted in proceeds for the State in excess of EUR 1.065 billion¹⁰. The final sales costs amounted to approximately 0.53 % of this sum (approx. EUR 5.6 million).

Attention is also paid to comparisons between years. There was a limited decrease in costs in 2016 (approximately EUR 10.3 million) compared to 2015 (over EUR 11.8 million).

Moreover, the increase is almost entirely attributable to the costs of external advisors, mainly related to the preparation of advisory reports and transactions. By working with external advisors and preventing excessive increases in internal costs, a high degree of fiscal flexibility is created.

The revised procurement procedures made it possible for NLFI to hire high quality consultants at competitive rates. For the first ABB of ABN AMRO, NLFI was, in fact, able to select for 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. On the one hand, a budget is available for individual training. On the other, there is a collective programme of permanent education. A joint knowledge session for management and team was organised in 2016 about price-sensitive information with a legal advisor.

Furthermore, workload allowed only limited use to be made of individual opportunities for education and training in 2016.

Self evaluation

The Board annually evaluates its own performance. A review will be held once every three years with the support of an external advisor, most recently being the review for 2014. In this way, it acts in accordance with the best practice provision of the Dutch Corporate Governance Code for supervisory boards.

The board also reviewed its function throughout 2016 in this regard, initially as a self-evaluation and subsequently in consultation with the Ministry of Finance. The evaluation with the Ministry of Finance was particularly focused on the identification of the decreasing management tasks in 2017 and 2018, and of filling the vacancy that will arise on the Board in September 2017, when the term of the Chairman ends. Based on the evaluation, the Board recommended that the Ministry of Finance reduces the time spent and the remuneration as from 1 January 2017.

Board members and employees

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

In early 2016, NLFI had eleven employees with employment contracts under private law, including the executive managing director. One other employee was seconded part time from the Ministry of Finance. At the end of 2016, NLFI had nine employees working under employment contracts subject to private law¹¹. One other employee was seconded part time from the Ministry of Finance. A secretarial assistant was assigned to NLFI from a temporary employment agency.

Remuneration of senior officials (Wnt)

The Senior Public and Semi-Public Official Income (standardisation) Act [Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (Wnt)] came into force on 01 January 2013. The following

¹⁰ See in particular the letter from the Minister of Finance to the House of Representatives dated 11 July 2016.

¹¹ Respectively, as from 31 December 2016 and 29 February 2016.

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.

account has been prepared using the general Wnt maximum that applies to NLFI¹². In 2016, the maximum general remuneration was EUR 179,000. NLFI did not have any employees in 2016 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 non-employed executives in the meaning of the Wnt.

Amounts x € 1	M. Enthoven	L.Y. Gonçalves - Ho Kang You	D. Laman Trip	R. Bröcheler
Position(s)	Chairman	Board member / vice-chairperson	Board member / vice-chairperson	Senior managing director
Term of employment in 2016	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
Scope of employment (in FTEs) ¹³	0.44	0.33	0.33	1.11
Former senior official?	No	No	no	no
Real or fictitious employment ¹⁴ ?	Yes	Yes	yes	yes
Individual WNT maximum	79,556	59,667	59,667	179,000
Remuneration				
Remuneration	60,000	45,000	45,000	157,893
Taxable reimbursement of expenses	0	0	2,372 ¹⁵	2,716 ¹⁶
Remuneration payable by instalment	0	0	0	15,679 ¹⁷
Total remuneration	60,000	45,000	47,372	176,288
Data for 2015				
Term of employment in 2015	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
Term of employment in 2015	0.44	0.33	0.33	1.11
Remuneration for 2015				
Remuneration	60,000	45,000	45,000	147,972
Taxable reimbursement of expenses	0	0	2,104	2,510
Remuneration payable by instalment	0	0	0	15,974
Total remuneration for 2015	60,000	45,000	47,104	166,456

¹² NLFI is a private foundation under the law of the Netherlands (stichting) for which the Minister of Finance appoints board members. At NLFI, 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.

¹³ The normal work week at NLFI comprises 36 hours.

¹⁴ In the meaning of the Wnt.

¹⁵ This relates to the taxable part of the kilometre allowance paid in 2016.

¹⁶ This involves a taxable allowance for expenses fixed at € 150 a month and the taxable portion of the kilometre allowance.

¹⁷ This involves the pension contributions paid to ABP by the employer.

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Individual Wnt maximum for 2015	79,111	59,333	59,333	178,000
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In 2016, no payments were made to senior officials due to the severance of any employment position.

There were additionally no other officials in any employment position who received a salary above the individual Wnt maximum in 2016. No severance payments were made to other officers in 2016 that needs 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. Organisation

NLFI completed transactions with various external service providers and suppliers in 2016. This mostly involved legal, financial, administrative, accounting, communication and IT services. At the end of 2016, NLFI has ongoing contracts with various service providers for services in 2017.

Partly due to the finite lifespan of NLFI, a system of personal development plans for employees was launched in 2016 in order to help employees orient their careers after NLFI. In 2016, the number of employees was reduced by two. The tasks were partly absorbed by existing employees, and one employees was assigned from an temporary employment agency. In this way, NLFI is able to maintain the flexibility that is considered necessary due to the expected dissolution of NLFI after the sale of various shareholdings.

This reduction in employee numbers has been continued in drawing up the budget for 2017. It was further assumed that future staffing of NLFI will not involve recruitment of new permanent employees.

In early 2017, the Board gave notice of termination for part of the lease, as a result of which the lease office space will be reduced from 656 m² to 505 m² as from 1 December 2017.

3.5 Risk reporting

NLFI launched a system of in-control statements (ICS) in 2015, as reported above in the section headed *Legality and in-control statement*.

An ICS can be used to provide insight into the risks facing NLFI. It contributes to risk management and fits into the trend of auditing a board within an organisation. It also reflects the additional requirements placed on risk reporting in the management report of large and medium-sized companies¹⁸.

An ICS is 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. With a view to implementing such a system at NLFI, an organisation-wide risk assessment was performed in 2015 and an inventory made of ten identified risk areas¹⁹. The inventory contains a description for each area of identified risk that might pose a threat to the achievement of objectives by NLFI. Implemented and possible control procedures are also inventoried with respect to the risks involved. These control procedures are intended to render the respective risks reasonably manageable.

ICS 2016

The internal analysis of 2015 identified a number of residual risks to which extra attention will be paid in 2016. Explicit attention shall be paid to such items as accountability records (log books) and a newly implemented feedback system. A new filing system was also introduced in 2016. In particular, attention is drawn to the research into information management and information security that was

¹⁸ The risk reporting section in the management report has its basis in law (§ 2:391 BW), which makes it necessary for the legally required management report to include a description of the main risks and uncertainties that the legal entity faces.

¹⁹ I.e. leadership, accountability, staffing, process management, outsourcing, stakeholder relations, investment monitoring, dependence, information security, and compliance.

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carried out in 2016 and that resulted in recommendations to control certain risks. Among other things, the intention is to update the description of the administrative organisation and internal control (AO/IC) and to describe a number of procedures. The report on 2016 occurred in early 2017. In 2016, six risk areas were marked as priorities based on 2015; all risk areas inventoried in 2015 were addressed in the report for 2016. The risk areas mentioned in the report are (in no particular order): dependence, investment monitoring, leadership, staffing, accountability, process management, stakeholder relations, information security, compliance and outsourcing. The internal analysis of 2016 identified a number of residual risks to which extra attention will be paid in 2017. These relate to: (A) timely composition of accountability records, (B) consistent recording of agreements with the Ministry, (C) use of the education budget (D) back-up and active exchange of people between teams, (E) encryption of emails, (F) update of AO IC, (G) consistent archiving of emails. These risk areas will be given extra attention by the board and management in 2017. Attention shall also be paid in 2017 to the follow-up of the research into information management, information security, the downsizing of the organisation and the risks associated with it.

3.6 Outlook for 2017

In 2017, detailed preparation work will also be performed with regard to a number of sales transactions. NLFI foresees, however, a decrease in operation in the period 2017 and 2018. In view of this scale-down, the time requirement and remuneration of Board members shall be reduced as from 1 January 2017. The budget for 2017 has also been halved in comparison with 2016.

4. Corporate governance

NLFI endorses 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)²⁰. NLFI has been holding shares in listed companies since the IPOs of ABN AMRO and a.s.r. on 20 November 2015 and 10 June 2016. NLFI has previously decided to comply with the principles and best practices 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, a.s.r., SRH (formerly SNS REAAL), Propertize and SNS Holding 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 2016.

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 share certificates issued by the Stichting Administratiekantoor Continuïteit ABN AMRO Group NV.

Netherlands Corporate Governance Code²¹	Compliance by NLFI (implementation or explanation)
<i>Principles IV.2 Depositary receipts for shares</i>	
Certification of shares is a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a	At NLFI, share certification is not a means of preventing a (chance) majority of shareholders from controlling the decision-making process as

²⁰More specifically, it applies to entities permitted 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 certificates are admitted to trading on a multilateral trading facility or a comparable system (including listed companies).

²¹ The Code was adopted in 2003 by the then Tabaksblat Commission and updated in December 2008 by the Frijns Commission. In 2016, the code is revised by the Van Manen Commission. The revised code enters into effect in 1 January 2017. Dutch listed companies will have to report in 2017 on their compliance with Code 2008 on financial year 2016.

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result of absenteeism at a general meeting.	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 ²² .
Certification of shares may not be used as an anti-takeover measure.	The principle does not apply to NLFI.
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 NLFI Act does state that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions.
The trust office board enjoys the confidence of certificate holders.	This principle has been complied with.
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 complied with.
Best practice provisions trust office	
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 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 the certificate holder. The NLFI Act does state 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 (Algemene Rekenkamer).
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] may be part of the trust office board.	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. The NLFI articles of association state that NLFI board members may not be: - members of the management or supervisory boards at another financial institution or one of their subsidiaries; - the company's employees and regular advisors (as defined in the NLFI Act) or their subsidiaries. There is no indication of whether the same

²² Trust Office Foundation for the Management of Financial Institutions Act (Wet stichting administratiekantoor beheer financiële instellingen).

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	applies to former management and supervisory board members. This relates to the circumstance that NLFİ holds shares in various financial companies. Not to limit the group of potential NLFİ board members too drastically, former directors and/or management and supervisory board members of the holdings shall not be excluded from membership on the NLFİ board.
IV.2.3 A board member may be appointed to the trust office board for a maximum of three 4-year terms.	This provision is complied with.
IV.2.4 The trust office Board shall attend the general meeting and, if desired, make a statement about its voting practices.	This provision is complied with.
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.	The NLFİ articles of association state that, in exercising rights associated with the shares, NLFİ 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 NLFİ 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 NLFİ 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.
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.	In derogation of provision IV.2.6, the annual report of NLFİ 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 www.nlfi.nl .
IV.2.7 The report referred to in best practice provision IV.2.6 shall, in any event, set out: a) the number of shares for which certificates have been issued and an explanation of any changes in this number; b) the work carried out in the year under review; c) the voting behaviour in the general meetings held in the year under review; d) the percentage of votes represented by the trust office during the meetings referred to at c); e) the remuneration of trust office board members;	This provision is complied with.

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<p>f) the number of board meetings and the main items dealt with in them; g) the costs of the activities of the trust office; h) any external advice obtained by the trust office; i) the positions of the managers of the trust office; and j) the contact details of the trust office.</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.</p>	<p>As stated in provision IV 2.1, there is no provision for the granting of proxies. The NLF I Act does state that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions.</p>
<p>Principles IV.4 Responsibility of shareholders</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>Best practice provisions shareholders</p>	
<p>IV.4.4 A shareholder shall exercise the right of putting an item on the agenda only after consulting 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 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 (Burgerlijk Wetboek, 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>In the event that NLF I wishes to make use of the right to agenda items, NLF I will first consult with the company's management board. The response that we 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. NLF I feels that, within the existing relations, the 60-day period is sufficient. NLF I wants to avoid any use of the 180-day period to obstruct the scheduling process unnecessarily. Should NLF I have an item placed on the agenda of a general meeting, NLF I will also explain this issue during the meeting and answer any questions that might be asked.</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>NLF I does not make any use of vote counselling. Each voting decision will be taken after study of the relevant documents and internal consultation. If fundamental and weighty decisions are involved, coordination with the Ministry of Finance will be sought. The NLF I 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 I 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>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</p>	<p>This provision is complied with.</p>

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questions about it.	
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NLFI is an investor with a legally prescribed task but not an institutional investor in the strictest sense. Nevertheless, NLFI complies with 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."

Best practices	Compliance by NLFI
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.	NLFI has been publishing the voting policy on the NLFI website (www.nlfi.nl) since 30 May 2016.
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.	This provision is complied with.
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.	This provision is complied with. The reports on voting behaviour have been published on the NLFI website (www.nlfi.nl).

Due to its commitment to corporate governance, NLFI is a member of Eumedion, which regards itself as the forum for and source of corporate governance and sustainability. Eumedion has formulated a 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.

Best practices	Compliance by NLFI
1. Eumedion participants monitor their Dutch investee 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 investee companies and other engagement activities. They report at least once per year on the implementation of their policies.	NLFI has made further agreements with the 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 NLFI website. This annual report shall indicate voting behaviour during shareholder meetings. NLFI's focus letters to ABN AMRO, a.s.r. and Volksbank will be published concurrently with the report.
3. Eumedion participants have clear policies for dealing with situations in which it does not prove possible to convince the board of the Dutch investee company of their stances and differences of opinion between the board of the investee company in question and the shareholders remain unsolved.	Should any such case arise, NLFI 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 the concerns; - discuss the issue with other stakeholders, in particular the certificate holder; - raise the issue at a shareholder meeting;

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	<ul style="list-style-type: none"> - request a certain item be placed on the agenda of a regular general meeting of shareholders or convene an extraordinary general meeting of shareholders; - adopt fundamental and/or weighty decisions at a shareholders' meeting, following approval by the Minister of Finance.
4. Eumedion participants are willing to deal collectively with other Eumedion participants and other investors where appropriate.	This provision is complied with to the extent relevant to NLFI.
5. Institutional investors may have other business relations with Dutch investee 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 have been 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 shall report at least once per year on the implementation of their voting policy.	NLFI has been publishing the voting policy on the website since 30 May 2016. NLFI provides quarterly reporting on the implementation of the voting policy.
7. Eumedion participants cast informed votes ⁵ on all the shares they hold in Dutch companies at the general meeting of these investee 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 publicly disclose at least once in a quarter how they voted the shares in Dutch investee companies.	This provision is complied with.
9. Eumedion participants take account of factors in the area of the environmental, social policy and governance in their policy relating to the exercise of shareholder rights. This policy covers the entry into dialogue with Dutch listed companies and other engagement activities.	This provision is complied with.
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. NLFI does not lend any shares, except for any stabilisation transactions in the context of an IPO.

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5. Financial details of NLFI

5.1. *Financial details for 2016*

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 euros²³. 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 related therefore to the financial data of NLFI as an independent legal entity.

²³ Or much more or less as the board of NLFI and the Minister of Finance mutually agree in writing.

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**Abbreviated financial statements:
Balance sheet as at 31 December 2016**

(Balance sheet after profit appropriation)

	<i>31-12-2016</i>		<i>31-12-2015</i>	
	€	€	€	€
ASSETS				
Fixed assets				
Property, plant, and equipment				
Renovations and inventories	54,367		158,415	
IT	30,131		57,352	
		84,498		215,767
Current assets				
Inventories				
Printed matter inventory		2,000		2,000
Amounts receivable				
Other payables and prepayments				
ASSETS		78,862		357,127
Cash resources		11,468,986		17,920,445
 Total		<u>11,634,346</u>		<u>18,495,339</u>

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	<u>31-12-2016</u>		<u>31-12-2015</u>	
	€	€	€	€
LIABILITIES				
Equity				
Equalisation reserve		5,000,000		5,000,000
Current liabilities				
Liabilities to suppliers	1,210,558		1,514,570	
Taxes and social insurance contributions	77,848		67,492	
Other liabilities, accruals and deferred income	607,356		6,065,036	
Repayment to the State (Ministry of Finance)	<u>4,738,584</u>		<u>5,848,241</u>	
		6,634,346		13,495,339
Total		<u>11,634,346</u>		<u>18,495,339</u>

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**Abbreviated financial statements:
Statement of income and expenses in 2016**

INCOME	<i>result</i> 2016 €	<i>budget</i> 2016 €	<i>result</i> 2015 €
Income	<u>15,000,000</u>	<u>15,000,000</u>	<u>17,650,000</u>
Total income	<u>15,000,000</u>	<u>15,000,000</u>	<u>17,650,000</u>
EXPENSES			
Management	183,160	215,000	181,756
Employees	1,483,296	2,166,000	1,566,255
Premises	179,022	267,000	231,333
Office costs	266,384	277,000	207,783
Other costs	157,634	175,000	134,446
Consultancy costs	<u>7,991,455</u>	<u>11,900,000</u>	<u>9,503,002</u>
Total expenses	<u>10,260,951</u>	<u>15,000,000</u>	<u>11,824,575</u>
Interest	<u>-465</u>	<u>-</u>	<u>22,816</u>
Financial income	<u>-465</u>	<u>-</u>	<u>22,816</u>
Result	4,738,584	-	5,848,241
Profit/loss appropriation for equalisation reserve	-	-	-
Repayment to the State (Ministry of Finance)	<u>-4,738,584</u>	<u>-</u>	<u>-5,848,241</u>
Result after appropriation	<u>-</u>	<u>-</u>	<u>-</u>

Investment expenses

In 2016, investment in IT amounted to EUR 4,706.

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5.2. 2017 Budget

The NLFI Board prepared the budget for 2017 in December 2016. This budget was approved by the Minister of Finance in December 2016. The 7.5 million Euro in estimated expenses calculated according to the income and expenses system, was received at the beginning of January.

Abbreviated budget of income and expenses in 2017

INCOME	<i>estimate</i>	<i>estimate</i>
	2017	2016
	€	€
Income	7,500,000	<u>15,000,000</u>
Total income	<u>7,500,000</u>	<u>15,000,000</u>
EXPENSES		
Management	136,000	215,000
Employees	1,802,000	2,166,000
Premises	205,000	267,000
Office costs	350,000	277,000
Other costs	157,000	175,000
Consultancy costs	<u>4,850,000</u>	<u>11,900,000</u>
Total expenses	<u>7,500,000</u>	<u>15,000,000</u>
Interest	_____ -	_____ -
Financial income	===== -	===== -

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

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Independent auditor's report

To: the board of Stichting administratiekantoor beheer financiële instellingen (NLF)

Our opinion

The abbreviated financial statements 2016 (hereinafter: the financial statements) of Stichting administratiekantoor beheer financiële instellingen (NLF) statutory vested in The Hague is derived from the audited financial statements 2016 of Stichting administratiekantoor beheer financiële instellingen (NLF).

In our opinion the accompanying financial statements are consistent, in all material aspects, with the audited financial statements 2016 of Stichting administratiekantoor beheer financiële instellingen (NLF), on the basis as described in the explanatory notes of the audited financial statements.

The abbreviated financial statements comprise:

1. The abbreviated balance sheet at 31 December 2016
2. The abbreviated statement of income and expenses 2016

The abbreviated financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board. Reading the abbreviated financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting administratiekantoor beheer financiële instellingen (NLF). The abbreviated financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements of 9 March 2017.

The audited financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the financial statements 2016 of Stichting administratiekantoor beheer financiële instellingen (NLF) in our report of 9 March 2017.

Responsibilities the board for the abbreviated financial statements

Management is responsible for the preparation of the abbreviated financial statements on the basis as described in the explanatory notes of the audited financial statements.

The board is responsible for overseeing the financial reporting process of the abbreviated financial statements of the entity.

Our responsibilities

Our responsibility is to express an opinion on whether the abbreviated financial statements are consistent, in all material aspects, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch Standard 810, "Engagements to report on summary financial statements".

The Hague, 31 March 2017

Ernst & Young Accountants LLP

signed by S.B. Spiessens

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Appendix to the annual report Shareholder authorities and their use by NLF1

		ABN AMRO		a.s.r.		SRH		Propertize		SNS Holding	
Authorisations (au) in use (use) in 2016		au	use	au	use	au	use	au	use	au	use
<i>Appointment and dismissal of members of the management and supervisory boards</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 (§ 2:134 Civil Code (Netherlands); see §§ 2:162 and §§ 2:164a BW);	N/A	no	N/A ²⁴	no	yes	yes	yes	no	yes	yes
2	b) appointment, suspension and dismissal of members of the supervisory board, whereby 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 (§§ 2:142, 158.4, 144, 161a, 164a BW).	yes	yes	yes	no	yes	yes	yes	yes	yes	no
<i>Accountability of (financial) policy and supervision</i>											
3	c) request of relevant information (§ § 2:107 BW);	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
4	d) discharge of management and supervisory board members (§ 2:101.3 BW);	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
5	e) adoption of the annual report (§ 2:101.3 BW);	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
6	f) appropriation of the profit and declaration of the dividend (§ 2:105 in conjunction with § 2:101.6 BW; best practice provision IV.1.5 of the Dutch Corporate Governance Code);	yes ²⁵	yes	yes	yes	yes	yes	yes	yes	yes	yes
7	g) contracting of the statutory auditor, unless stipulated otherwise (§ 2:393.2 BW).	yes	no	yes	no	yes	no	yes	no	yes	yes
<i>Remuneration</i>											
8	h) adoption of the remuneration policy for the Board (§ 2:135.1 BW);	yes	no	yes	no	yes	no	yes	no	yes	no
		ABN AMRO		a.s.r.		SRH		Propertize		SNS Holding	
Authorisations (au) in use (use) in 2016		au	use	au	use	au	use	au	use	au	use

²⁴ The articles of association of a.s.r. Nederland NV were amended on 09 June 2016. As from that moment, § 2:164a BW no longer applies to the company (relating to a full structure regime), instead, the general rule on appointments to the supervisory board, etc. becomes applicable (§ 2:162 BW).

²⁵ The articles of association of ABN AMRO Group NV were amended on 24 November 2015. As from that moment, distributions on shares will not occur in cash but in the form of shares, or shareholders may be given the option of receiving payment in cash and/or in the form of shares.

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9	i) adoption of the remuneration for the supervisory board (§ 2:145 BW);	yes	no	yes	no	yes	no	yes	no	yes	no
10	j) approval of share schemes and option schemes (§ 2:135.3 BW).	yes	no	yes	no	yes	no	yes	no	yes	no
<i>Internal structure</i>											
11	k) amendment to the articles of association (§ 2:121 BW);	yes	no	yes	yes	yes	yes	yes	no	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 (§ 2:154.4 BW);	yes	no	yes	no	yes	yes	yes	no	yes	no
13	m) conversion (Section 2:18 in conjunction with 2:71 BW);	yes	no	yes	no	yes	no	yes	no	yes	no
14	n) legal merger (Section 2:317 in conjunction with 2:330 and 2:331 BW);	yes	no	yes	no	yes	no	yes	no	yes	no
15	o) split-off (§ 2:334 BW);	yes	no	yes	no	yes	no	yes	no	yes	no
16	p) designation of a representative in the event of conflicting interests (§§ 2:129.6 and 2:140.5 BW);	no	no	yes	no	yes	no	yes	no	yes	no
17	q) issue of shares or delegation of this power to another organ (§ 2:96 BW);	yes	yes	yes	yes	yes	no	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 (§ 2:96a BW);	yes	yes	yes	yes	yes	no	yes	no	yes	no
19	s) purchase of own shares, or delegation of this power to another organ (§ 2:98 BW);	yes	yes	yes	yes	yes	no	yes	no	yes	no
20	t) reduction of capital (withdrawal of shares) (§§ 2:99 and 2:100 BW);	yes	no	yes	no	yes	no	yes	no	yes	no
21	u) instructions to file for bankruptcy (2:136 BW).	no	no	no	no	no	no	no	no	yes	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 the enterprise or company (§ 2:107a BW);	yes	no	yes	no	yes	no	yes	no	yes	no
		ABN AMRO		a.s.r.		SRH		Propertize		SNS Holding	
Authorisations (au) in use (use) in 2016		au	use	au	use	au	use	au	use	au	use
23	w) discussion of a public bid for the shares of the company (§ 18.1 Decree on Takeover Bids Financial Supervision Act [Besluit openbare biedingen Wft]);	yes	no	yes	no	yes	no	yes	no	yes	no

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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 ² (§ 2 of the Netherlands Exemptions Decree Financial Supervision Act [Vrijstellingsbesluit overnamebiedingen Wft]).	yes	no	yes	no	yes	no	yes	no	yes	no
<i>Logistics</i>											
25	y) designation of the official language of the annual report and the financial statements (§§ 2:391.1 and 2:362.7 BW);	yes	yes	yes	no	yes	no	yes	yes	yes	no
26	z) distribution of information to shareholders by way of electronic means of communication (§ 5:25k of the Netherlands Financial Supervision Act [Wft]).	yes	no	yes	yes no	yes	no	yes	no	yes	no
<i>In addition to the above legal rights, the Netherlands 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:</i>											
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 Netherlands Corporate Governance Code);	yes	no	yes	no	yes	no	yes	no	yes	yes
28	b) discussion of each substantial change in the corporate governance structure of the company and of compliance with the Netherlands Corporate Governance Code (best practice provision I.2 of the Netherlands Corporate Governance Code).	yes	no	yes	yes	yes	no	yes	no	yes	yes

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		ABN AMRO		a.s.r.		SRH		Propertize		SNS Holding	
Authorisations (au) in use (use) in 2016		au	use	au	use	au	use	au	use	au	use
<i>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:</i>											
29	a) shareholders who singly or jointly represents 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 (§ 2:114a BW);	yes	no	yes	no	yes	no	yes	no	yes	no
30	b) shareholders who individually or jointly represent at least 10% of the issued capital can, on their request, be authorised by a court to convene a general meeting. The articles of association may contain a lower threshold (§ 2:110 BW);	N/A	no	N/A	no	N/A	no	N/A	no	N/A	no
31	c) a shareholder who represents 95% of the issued capital is entitled to buy out the remaining shareholders (§§ 2:92 and 2:359c BW)	N/A	no	N/A	no	N/A	no	N/A	no	N/A	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 (§ 2:359d BW);	N/A	no	N/A	no	N/A	no	N/A	no	N/A	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 (§ 2:333h BW).	N/A	no	N/A	no	N/A	no	N/A	no	N/A	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	yes	no	yes	no	yes	no
		ABN AMRO		a.s.r.		SRH		Propertize		SNS Holding	
Authorisations (au) in use (use) in 2016		au	use	au	use	au	use	au	use	au	use
35	g) every shareholder can demand of the Enterprise Section that the annual report be corrected (Section	yes	no	yes	no	Yes	no	yes	no	yes	no

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	2:447 in conjunction with § 2:448 BW);										
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	no	N/A	no	N/A	no	N/A	no	N/A	no