



NL financial investments

2014 Annual Report

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.

1. Introduction

NLFI is a foundation under the law of the Netherlands (*stichting*) operating as a trust with its registered office in the Municipality of The Hague. The full registered name is the Trust Office Foundation for the Management of Financial Institutions Management (*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 2014, NLFI managed State Holdings in the companies ABN AMRO Group NV, a.s.r. Nederland NV, SNS REAAL NV, Propertize BV (formerly SNS Property Finance BV), RFS Holdings BV and NLFI Financial Investments BV.

NLFI

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2. NLFI activities in 2014

2.1. General

The objectives of NLFI are laid down in the articles of association. NLFI policy is based on Article 3.2 of the articles of association, which states:

"In exercising the rights attached to the shares, the 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."

NLFI's procedure with regard to the holdings can be described as the practices of an involved shareholder comparable to an institutional investor that respects the roles of the management and supervisory boards defined in the articles of association.

As an involved shareholder of a number of financial institutions, NLFI aims 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 additional agreements with the various invested companies concerning the manner in which the regulations contained in the articles shall be implemented.

Advisory report published in 2014

In late May 2014, NLFI provided the Minister of Finance with an advisory report on the possibility of divesting the insurance activities of SNS REAAL NV (hereinafter: VIVAT Verzekeringen) and the role that a.s.r. Nederland (hereinafter: a.s.r.) could play in the sale. The report also dealt with the divestment possibilities for a.s.r.

NLFI recommended that a.s.r. finance a possible bid for VIVAT Verzekeringen from equity, partly by attracting one or more new investors. One advantage identified by NLFI was that this option would bring a partner on board with which risks could be shared. It would also create a market test for the takeover plans of a.s.r. In connection with the above, NLFI recommended suspending the sale of a.s.r. in a dual track process, as described in the advisory report of August 2013.

This report was tabled by the Minister of Finance in the Dutch House of Representatives (*Tweede Kamer der Staten-Generaal*) on 6 June 2014.

The advisory report was partly based on intensive contact between NLFI on the one hand and the invested companies on the other. NLFI gratefully made use of the valuable input from the companies and the participation bodies associated with them.

In addition, discussions were held with the Ministry of Finance, the Netherlands Central Bank (*De Nederlandsche Bank*), the Netherlands Financial Markets Authority (*Autoriteit Financiële Markt*), a number of investment banks, legal advisers, umbrella organisations for institutional and other investors, as well as other experts who shared their views with NLFI.

VIVAT Verzekeringen divestment process

In line with the NLFI advisory report, the Minister granted authorisation to NLFI to commence the process for divesting VIVAT Verzekeringen. The Minister also offered a.s.r. the latitude to submit a bid for VIVAT Verzekeringen.

Necessary internal measures were taken, as NLFI is involved with both the selling party and a potential bidding party. These measures were intended to prevent conflicts of interest and unfair competition. For this reason, NLFI worked in two separate teams. One team was concerned with the process of selling VIVAT Verzekeringen and the other with the possible bid from a.s.r. for VIVAT Verzekeringen and the financing thereof.

The teams made use of different locations and separate IT facilities. The board of NLFI also divided responsibilities and advised the Minister separately on the sale of VIVAT Verzekeringen and the possible role of a.s.r. in it.

NLFI thus ensured that a.s.r., as a potential bidder for VIVAT Verzekeringen, received the same information and treatment as other potential buyers received. The division of responsibilities also made sure that the a.s.r. bid was assessed by the VIVAT Verzekeringen team based on the same criteria as bids from other parties.

Furthermore, NLFI selected separate financial and legal advisers for the individual teams that assisted

NLFI in the preparations for a possible sale and purchase of VIVAT Verzekeringen. NLFI also selected financial service providers that, under contract to NLFI, formulated independent evaluations of either VIVAT Verzekeringen or a.s.r.

The a.s.r. team at NLFI maintained close contact with a.s.r in order to fulfil the duties of NLFI as a shareholder of a.s.r. First of all, an investigation was undertaken into one or more possible new investors in a.s.r. This led to an agreement being concluded between a.s.r. and a consortium of investors that would assume an interest in a.s.r. if the bid for VIVAT Verzekeringen should result in a transaction. a.s.r further investigated the desirability of submitting a bid for VIVAT Verzekeringen. Based on the findings from the investigation, a.s.r. concluded in January 2015 that the previously defined strategic rationale for a possible acquisition of VIVAT Verzekeringen would not be satisfied. The management and supervisory boards of a.s.r. therefore decided, after consultation with the a.s.r. team at NLFI and the consortium of possible investors, not to submit a binding bid for VIVAT Verzekeringen.

The SNS team at NLFI was in close contact with SNS REAAL NV (hereinafter: SNS REAAL) in order to fulfil the duties of NLFI as a shareholder of SNS REAAL and advisor for the Minister of Finance. This resulted in an advisory report that NLFI submitted to the Minister of Finance on 15 February 2015. In it, NLFI advised the Minister to grant conditional approval for SNS REAAL to enter into an agreement with Anbang Group Holdings Co. Limited (Anbang).

ABN AMRO Exit Advisory Report

NLFI worked on an advisory report for the Minister of Finance in 2014 about the possibility of selling ABN AMRO shares. The Minister is expected to table this report in the House of Representatives within the foreseeable future.

The report was partly based on intensive contact between NLFI and the invested financial institution. NLFI gratefully made use of the valuable input from the institution and the participation bodies associated with it.

In addition, discussions were held with the Ministry of Finance, the Netherlands Central Bank (*De Nederlandsche Bank*), the Netherlands Financial Markets Authority (*Autoriteit Financiële Markt*), a number of investment banks, legal advisers, umbrella organisations for institutional and other investors, as well as other experts who shared their views with NLFI.

NLFI furthermore availed itself of the services offered by legal and financial consultants. In so doing, NLFI opted to work with different advisers for the various projects.

2.1.1 Objectives for 2015

A great deal of attention will be devoted in 2015 to the advisory reports for the Minister on the sales options for the various holdings and the necessary preparations in advance of the sale of shares. NLFI formulated a number of objectives for the general meetings of shareholders of the four large holdings in 2015.

These objectives are largely based on the Eumedion Focus Letter of 2015 and recent publications of the Netherlands Institute of Charter Accountants (*Nederlandse Beroepsorganisatie van Accountants, abbreviated NBA*).¹ Just as last year, the objectives were aimed at strengthening public reporting for the primary users of these invested companies (initially NLFI as sole shareholder) and the responsibilities regarding the integrity of published financial and non-financial information.

Objective 1: Integrated reporting

NLFI is committed to integrated reporting, an important objective of Eumedion whereby not just financial reports but also other non-financial aspects are explained as an integral part of the reporting. Previously, NLFI has focused attention on environmental, social and governance information (ESG information) in the financial report. A subsequent step would be to have these factors become an integral part of reporting, wherever this is not already the case. Integrated reporting helps institutions focus attention on their financial and sustainability strategy and policy.

Objective 2: More informative and proper documentation of the in-control statement from management

A second objective of Eumedion and NLFI is concerned with a more informative and well-founded in-control statement in the annual report. This involves the ongoing responsibility of the board for monitoring and assessing the governance structure and internal risk management and control systems, including all material management systems such as financial, operational, IT and compliance

¹ To be found at: www.nba.nl

management ("hard controls") as well as internal management regarding behaviour and culture ("soft controls"). The design and implementation of these controls must be reviewed annually. It is therefore important that the management board explain the procedures used for this purpose in the annual report.

Objective 3: "New style" report from the external auditor

The third objective stems from the recent public debate on the auditor profession and its function.² Firstly, NBA established a new standard for the auditor's report in December 2014.³ In addition to an opinion on the reliability of annual accounts, the new auditor's report should include information about the standard of materiality and the way it has been determined, the scope of the group audit and the key elements of the audit.

Secondly, NLFI is now requesting an opinion from the audit committee and the external auditor on the NBA recommendation to have the auditor issue a separate evaluation statement in the annual report explicitly stating an opinion on the risk section, the continuity analysis, corporate governance information and - as an additional request from NLFI - the disclosure obligations under the Financial Undertakings (Remuneration Policy) Act [*Wet beloningen financiële ondernemingen (Wbfo)*].

Finally, NLFI would like to hear, at the general meeting of shareholders, the opinion of the Audit Committee on the quality in general of the audit of the annual report and annual accounts performed by the auditor.

Objective 4: Management letter for banks

NBA published a public management letter for banks in December 2014, identifying six key signals and making recommendations to institutions, supervisors / regulators and auditors.⁴ These signals and recommendations have broad support and can also be analogously applied to insurers. NLFI assumes that the institutions will take them seriously and, hence, allow them to be reflected in the reporting for 2014.

In addition to the above-mentioned objectives, NLFI will raise the following, mostly more regular topics at the general meeting of shareholders in 2015, such as:

- topics mentioned by the central or other works council;
- discharge and re-appointment of management and supervisory board members;
- reports of the management and supervisory boards;
- minutes of the general shareholders meeting or the extraordinary shareholders meeting;
- adoption of 2014 annual accounts (including the presentation by the external auditor);
- any proposed dividends;
- information on the 2015 budget / equity story.

In 2015, NLFI will regularly report the outcome of voting at shareholder meetings on its website.

2.2. ABN AMRO Bank NV

2.2.1 Shares

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

The shares represent a 100% interest in the share capital of ABN AMRO.

2.2.2 The performance of duties and the pursued policy

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

- stronger focus on customer interests;
- investing in the future;

² This is partly due to a second report from AFM, which appeared on 25 September 2014, entitled: "Results of the inspection of the quality of statutory audits at the Big 4 audit firms", which can be found at www.afm.nl.

³ To be found at: www.nba.nl.

⁴ See www.nba.nl.

- strong commitment to a moderate risk profile;
- continued selective international growth;
- improvement of profitability.

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

A final dividend for ordinary shares in the amount of 200 million Euro was declared for 2013; this in addition to an interim dividend for 2013 of 150 million Euro that was distributed in 2013.

An interim dividend for the current year amounting to 125 million Euro was paid out in 2014.

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

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

In presenting annual figures for 2014, ABN proposed that a final dividend of 275 million Euro be declared for 2014, as a result of which the total dividend for 2014 amounted to 400 million Euro. This is over 35 percent of the net profit for 2014. A shareholder resolution on this point shall be adopted when the annual accounts for 2014 are ratified.

2.2.3 Activities

Meetings with the chairpersons of the supervisory and management boards of ABN AMRO also took place on a regular basis in 2014. Talks were also held on an ad hoc basis with members of the supervisory board, management board and management of ABN AMRO. A regular component was the discussion of quarterly figures within a few weeks following their publication by ABN AMRO (at so-called road shows). Contact was also maintained with ABN AMRO in view of the principle that neither ABN AMRO nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

NLFI also held an evaluation meeting with the supervisory board and participated in the meetings of the management board, supervisory board and central works council. Discussions were also held with ABN AMRO concerning the sale of shares, paying particular attention to whether ABN AMRO is ready for an exit. NLFI not only conducted talks with the management board but also with the IPO work group of ABN AMRO. To capture the mutual expectations and responsibilities in case of a sale of shares, a transaction protocol was drawn up jointly with ABN AMRO. No irreversible steps in a sale shall be undertaken prior to the Minister of Finance informing the House of Representatives about the process.

2.2.4 Shareholder meetings and shareholder resolutions

A general meeting of shareholders was held in 2014. NLFI exercised its right to add agenda items. On this basis, the following topics were placed on the agenda for this meeting:

- Sustainability Report 2013;
- Update ABN AMRO Business Plan 2014 - 2017;
- Asset Quality Review.

On 20 March 2014, a resolution was adopted outside the shareholder meeting in connection with the extension of the term of office of some members of the management board at ABN AMRO until the next general meeting of shareholders in which reappointment was on the agenda.

On 26 June 2014, a resolution was adopted outside meeting to appoint Ms O. Zoutendijk as a member of the supervisory board of ABN AMRO.

On 16 December 2014, based on article 3:17a, paragraph 3 of the Netherlands Financial Supervision Act (Wft) a decision was taken outside meeting to approve continuation of the variable remuneration above 100% of the fixed portion of the annual remuneration for six employees working at branches of ABN AMRO Bank NV outside of the European Economic Area (EEA), with effect from January 2014, for as long as the circumstances are the same.

An overview of the adopted shareholder resolutions is included along with explanatory notes in Appendix 2 to the annual report.

2.2.5 Outlook for 2015

The objectives formulated in subsection 2.1.1 will be discussed at the general meeting of shareholders.

NLFI is carrying out the necessary preparations to enable a possible stock-market flotation of ABN AMRO. NLFI shall be assisted in this endeavour by a financial consultant and a legal advisor, who were selected in 2014.

NLFI shall soon inform the Minister of Finance if this option is still preferred, given market interest and the stability of the sector. It will then also be determined if ABN AMRO is actually ready for sale. Based on this process, political decisions can be made to indicate if the concrete preparations for sale can start. No irreversible steps in the sale shall be undertaken prior to the Minister of Finance informing the House of Representatives about the process.

2.3. ASR Nederland N.V.

2.3.1 Shares

NLFI has trusteeship of all the shares in the capital of a.s.r. Nederland N.V. (hereinafter a.s.r.). This amounts to 200,000 shares, each with a nominal value of one Euro.

In exchange, NLFI has provided the State with certificates for the same nominal value.

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

2.3.2 The performance of duties and the pursued policy

In May 2014, NLFI advised the Minister of Finance to allow a.s.r. the possibility of investigating an acquisition of VIVAT Verzekeringen, under which a.s.r. would fully or partially finance a possible bid for VIVAT Verzekeringen from equity, partly by attracting one or more new investors. In connection with the above, NLFI recommended suspending the sale of a.s.r. in a dual track process, as described in the advisory report of August 2013. The Minister of Finance followed this advice.

The dividend policy of a.s.r. provides, in principle, for a dividend payment of 40%-45% of the net profit for the financial year, this after distribution of hybrid instruments to shareholders. A dividend of 98.9 million Euro was declared for 2013. The dividend (after deduction of dividend tax) was received in 2014 and transferred to the State as the certificate holder.

In presenting annual figures for 2014, a.s.r. announced that a final dividend of 138.9 million Euro would be declared for 2014. A shareholder resolution on this point shall be adopted when the annual accounts for 2014 are ratified.

2.3.3 Activities

Meetings with the chairpersons of the supervisory and management boards of a.s.r. took place on a regular basis in 2014. Talks were also held on an ad hoc basis with members of the management board and senior management of a.s.r. A regular component was the discussion of quarterly figures within a few weeks following their adoption (at so-called road shows).

A meaningful dialogue also took place concerning topics such as risk appetite, budget, capital and funding plan and the issuance of hybrid capital instruments.

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.

NLFI also held an evaluation meeting with the supervisory board and participated in the meetings of the management board, supervisory board and central works council.

a.s.r. investigated the desirability of submitting a bid for VIVAT Verzekeringen. The a.s.r. team at NLFI maintains close contact with a.s.r. in order to fulfil the duties of NLFI as a shareholder of a.s.r. in the event that an acquisition occurred. To formalise reciprocal expectations and responsibilities, a transaction protocol was drawn up jointly with a.s.r. as well as an information protocol with the Ministry of Finance. NLFI contracted a valuation consultant to investigate the financial-economic rationale in connection with an acquisition. The a.s.r. team at NLFI also worked with a.s.r. on the conditional financing for the possible acquisition of VIVAT Verzekeringen by a.s.r. and consented to this contingent funding.

Based on the findings from the conducted investigation, a.s.r. concluded in early January 2015 that the

previous conditions and criteria for a possible acquisition of VIVAT Verzekeringen were not satisfied. The management and supervisory boards of a.s.r. therefore decided, after consultation with the a.s.r. team at NLFI and a consortium of possible investors, not to submit a binding bid for VIVAT Verzekeringen.

2.3.4 Shareholder meetings and shareholder resolutions

A general meeting of shareholders was held on 17 April 2014. With the consent of NLFI, this meeting adopted resolutions concerning:

- the annual accounts of 2013;
- profit appropriation for 2013;
- discharge of management and supervisory board members.

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

NLFI adopted a shareholder resolution outside meeting on 10 April 2014 to appoint Mr Ch. Figeo to the Management Board of a.s.r. On 21 August 2014, NLFI adopted another shareholder resolution outside meeting to reappoint Mr. C. van der Pol as member and chairman of the supervisory board. An overview of the adopted shareholder resolutions is included along with explanatory notes in Appendix 2 to the annual report.

NLFI also adopted a shareholder resolution outside meeting on 8 January 2015. This related to the reappointment of Ms A. Aris as a member of the supervisory board of a.s.r. Nederland NV for a period of four years retroactive to 7 December 2014.

2.3.5 Outlook for 2015

The activities regarding a.s.r. will be continued in 2015. The objectives formulated in subsection 2.1.1 will be discussed at the general meeting of shareholders.

NLFI is expected to provide the Minister of Finance with a new advisory report on the possible sale of a.s.r. shares during the second half of 2015. In line with the letters from the Minister of Finance to the House of Representatives of 23 August 2013 and 6 June 2014, a.s.r. undertook the necessary preparations to enable a sale of shares. The Minister of Finance shall inform the House of Representatives about the further progress in the divestment process. No irreversible steps in a sale shall be undertaken prior to the Minister of Finance informing the House of Representatives about the process.

2.4. SNS REAAL NV

2.4.1 Shares

NLFI has had trusteeship of all the shares in the capital of SNS REAAL NV (hereinafter SNS REAAL) since 31 December 2013 (hereinafter SNS REAAL). This amounts to 287,619,873 shares, each with a nominal value of one Euro. In exchange, NLFI has provided the State with certificates for the same nominal value. These shares represent a 100% interest in the share capital of this company.

2.4.2 Performance of duties and pursued policy

In May 2014, NLFI advised the Minister of Finance about arrangements for a private sale of REAAL Verzekeringen (hereinafter VIVAT Verzekeringen) in a controlled auction so that an open and transparent bidding process could take place. Given the requirement for transparency, NLFI has recommended the condition that only cash offers may be accepted.

NLFI considers it vital that the sale of VIVAT Verzekeringen meets the specific requirements of the European Commission regarding the sale of VIVAT Verzekeringen.

SNS REAAL does not have a current dividend policy. No dividend was declared for 2013, partly in view of the loss reported for that year.

SNS REAAL has delayed publication of its annual figures, so no proposal has yet been announced concerning a dividend for 2014.

2.4.3 Activities

In 2014, meetings were held on a regular basis with the chairmen of the supervisory and management boards of SNS REAAL, in addition to ad hoc discussions with members of the management board and the senior management of SNS REAAL. A regular component was the discussion of quarterly figures within a few weeks following their adoption (at so-called road shows).

Contact was also maintained with SNS REAAL in view of the principle that neither SNS REAAL nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

In the letter from the Minister of Finance to the House of Representatives dated 6 June 2014, NLFI was requested to carry out the sale of shares in VIVAT Verzekeringen on behalf of the State.⁵

VIVAT Verzekeringen is a fully-owned subsidiary of SNS REAAL. As the holder of the shares in VIVAT Verzekeringen, SNS REAAL is acting as the seller. As the sole shareholder of SNS REAAL and as the indirect shareholder of VIVAT Verzekeringen, NLFI is closely involved in the sale. For this reason, SNS REAAL must submit any decision about a sales transaction in advance to NLFI for approval, pursuant to article 2: 107 of the Civil Code and the articles of association of SNS REAAL. NLFI must then submit a proposed decision on such a sale to the Minister of Finance for approval, since it is a fundamental and significant decision.

NLFI also regards its role as shareholder to include overseeing the repayment by SNS REAAL of the 1.1 billion Euro bridging loan provided by the State. NLFI has additionally made sure that the sales process complies with the requirements stipulated by the European Commission for an open and transparent process.

To formalise reciprocal expectations and responsibilities, a transaction protocol was drawn up jointly with SNS REAAL as well as an information protocol with the Minister of Finance. The Minister of Finance has also established an assessment framework for the divestment of VIVAT Verzekeringen. In assessing bids, NLFI has taken account of the criteria contained in the assessment framework. To this end, NLFI has, inter alia, contracted a valuation consultant to perform an independent valuation of SNS REAAL.

Sales process

In October 2014, SNS REAAL received a non-binding offer from the insurer a.s.r. with a consortium of other parties. SNS REAAL received a non-binding offer from Anbang Group Holdings Co. Limited (Anbang). a.s.r. and Anbang were admitted to the *due diligence* phase, in which they were able to examine VIVAT Verzekeringen's books more closely in order to decide whether they wanted to make a binding offer.

a.s.r. and Anbang both had until the end of January 2015 to submit a binding offer.

⁵ Parliamentary Papers (*Kamerstukken*) II 2013/14, 33 532, no. 36.

2.4.4 Shareholder meetings and shareholder resolutions

A general meeting of shareholders was held on 17 April 2014. With the consent of NLFI, this meeting adopted resolutions concerning:

- the annual accounts of 2013;
- profit appropriation for 2013;
- discharge of management and supervisory board members;
- approval for the exercise of voting rights associated with SNS Bank NV shares and the manner in which said voting rights were exercised.

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

On 16 May 2014, NLFI adopted a shareholder resolution outside meeting to approve the merger of SNS REAAL NV and SNS REAAL Invest NV. NLFI adopted another shareholder resolution outside meeting to exercise the voting rights associated with the shares of SNS Bank NV and REAAL NV, as well as to stipulate the manner in which said voting rights were exercised.

An overview of the adopted shareholder resolutions is included along with explanatory notes in Appendix 2 to the annual report.

2.4.5 Outlook for 2015

At the beginning of 2015, negotiations between SNS REAAL and Anbang resulted in agreement on price and terms, as stipulated in the conditional purchase agreement between SNS REAAL and Anbang. NLFI requested the valuation consultant to carry out an independent valuation on the basis of information that was also available to potential buyers of VIVAT Verzekeringen. The price offered by Anbang is in line with the independent valuation.

In February 2015, NLFI informed the Minister of Finance of its opinion that the process of divesting VIVAT Verzekeringen meets the corresponding requirements set by the European Commission, in particular the requirement of an open and transparent sales process.

Taking everything into account, NLFI is of the opinion that this conditional purchase agreement with Anbang is the most economically advantageous outcome of the sales process, taking account of (i) the criteria in the assessment framework from the Minister of Finance, (ii) the interests of SNS REAAL and VIVAT Verzekeringen, and (iii) the financial and economic interests of the State.

In 2015, NLFI will ask the Minister for final approval for closing the transaction between SNS REAAL and Anbang if and when all conditions for the transaction have been met and the supervising authorities have granted their approval for the closing of the transaction.

The Minister of Finance announced in his letter to the House of Representatives dated 16 February 2015 that SNS Bank would be converted from a subsidiary of the holding company to a state-owned subsidiary, and the shares of SNS Bank transferred to NLFI. NLFI shall investigate the various divestment options for SNS Bank. NLFI intends to supply the Minister with an advisory report on the sale of (shares in) SNS Bank during the second half of 2015.

The objectives formulated in subsection 2.1.1 will be discussed at the general meeting of shareholders.

2.5. Propertize BV

2.5.1 Shares

NLFI has had trusteeship of all the ordinary shares in the capital of Propertize BV since 31 December 2013 (prior to 1 January 2014: SNS Property Finance BV). This amounts to 50,003 shares, each with a nominal value of fifty Euro. In exchange, NLFI has provided the State with certificates for the same nominal value.

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

2.5.2 Performance of duties and pursued policy

The purpose of Propertize is to downsize the portfolio of property and property financing in order to optimize revenue while lowering risk and costs. The aim is to reduce the property and property financing portfolio over the next ten years. The execution of the responsibility of Propertize shareholder shall also be influenced by this design.

Propertize does not have a current dividend policy. No dividend was declared for 2013, partly in view of the loss reported for that year.

Propertize has not yet published its annual figures, so no proposal has been announced concerning a dividend for 2014.

2.5.3 Activities

In 2014, NLFI recorded further agreements with Propertize in a memorandum of understanding (MoU); this in addition to the matters governed by the articles of association. Meetings with the chairpersons of the supervisory and management boards of Propertize also took place on a regular basis in 2014. Further topics of discussion included the composition of the supervisory board and the progress in the downsizing plan.

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 NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

2.5.4 Shareholder meetings and shareholder resolutions

A general meeting of shareholders was held on 26 June 2014. With the consent of NLFI, this meeting adopted resolutions concerning:

- ratification of the choice of language for the 2013 annual report and annual accounts
- the annual accounts of 2013;
- profit appropriation for 2013;
- discharge of management and supervisory board members;
- appointment of the auditor for financial year 2014.

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

On 12 June 2014, NLFI adopted a shareholder resolution outside meeting to ratify the remuneration policy for the supervisory board and the appointment of Mr. R. Meuter as chairman of the supervisory board of Propertize.

NLFI adopted another shareholder resolution outside meeting on 18 September 2015 to appoint Mr C. de Boo as a member of the supervisory board of Propertize.

2.5.5 Outlook for 2015

On 19 February 2015, NLFI adopted a resolution outside meeting to appoint Ms. S. Zijderveld as a member of the supervisory board of Propertize.

NLFI will hold regular meetings in 2015 with the chairpersons of the supervisory and management boards of Propertize. Talks will also be held on an ad hoc basis with members of the management board and senior management of Propertize. A regular item will involve the discussion of the downsizing plan. Contact will also be maintained with the invested company in view of the principle that neither Propertize nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

2.6 NLFI Financial Investments BV

2.6.1 Shares

NLFI holds 35 ordinary shares in NLFI Financial Investments BV (hereinafter: NLFI FI), each with a nominal value of one thousand Euro. These shares represent 100% of the issued capital.

2.6.2 Performance of duties, pursued policy and activities

NLFI FI has no other activities than the retention of a limited amount of cash resources. NLFI performs the management tasks for NLFI FI. As the manager of NLFI FI, NLFI has commissioned an accounting office to prepare the semi-annual and annual accounts of NLFI FI.

NLFI FI does not have a current dividend policy. In adopting the annual accounts for 2013, the decision was taken not to declare any (final) dividend for 2013 but to add the difference (ad € 7,230) between the positive result in 2013 and the dividend payment in March 2013 to the general reserve.

2.6.3 Shareholder meetings and shareholder resolutions

A general meeting of shareholders was held on 16 May 2014. With the consent of NLFI, this meeting adopted resolutions concerning:

- ratification of the engagement of EY to conduct an annual audit for the years 2012 and 2013;
- the annual accounts of 2013;
- profit appropriation for 2013;
- discharge of management and supervisory board members;
- appointment of the auditor for financial year 2014.

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

2.6.3 Outlook for 2015

NLFI also expects to carry out the management duties for NLFI FI in 2015. The company has not yet been liquidated because it could potentially play a role in the sale of shares and other share transactions involving other NLFI holdings.

2.7 RFS Holdings BV

2.7.1 Shares

NLFI has trusteeship of all F shares (which is to say 100 shares, each with a nominal value of one Euro cent) and 33.81% of the O shares (which is to say 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 provided the State with certificates for the same nominal amount.

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

2.7.2 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 published advisory exit report of August 2013 does not therefore discuss the sale of RFS shares. Two private equity holdings were sold in 2014 at a small profit. The sale of interests in Saudi Hollandi Bank could not be completed. This remains an aim of RFS.

No dividend has been established for 2014. Nor was there any repayment of capital.

2.7.3 Activities

The daily management of shared assets is performed by RBS NV. The sale of these assets has proven difficult and may still take a few years. Two private equity holdings were sold in 2014. RFS has held talks with RBS, Santander and ABN AMRO concerning the steps that should be taken to

bring about the sale of jointly-owned assets.

The European CRR (Capital Requirements Regulation of CRD IV) for RFS in 2014 led to a shortage of capital in the so-designated Z-share and N-share.

On the basis of shareholder agreements (RCSA), NLFI agreed in 2014 to settle the capital shortage in the O shares (Z share) of the other shareholders. NLFI also advised the State to agree to this.

Capital shortage in the F shares (N-share) was solved by a capital contribution that NLFI made through a payment to RBS NV in the amount of approximately 67.5 million Euro. This amount was covered one-to-one by a payment by ABN AMRO to NLFI. In connection with this payment, it was determined that ABN AMRO should obtain the beneficial ownership of the ID&JG business within the F shares.

2.7.4 Shareholder meetings and shareholder resolutions

One general meeting of shareholders was held in 2014. An overview of the adopted resolutions and the voting behaviour of NLFI is contained in Appendix 2.

2.7.5 Outlook for 2015

In 2015, RFS will continue to hold talks with RBS, Santander and ABN AMRO concerning the steps that should be taken to bring about the sale of jointly-owned assets. NLFI shall cooperate with any such sale. NLFI shall cooperate with the fulfilment of any new obligations for RFS stemming from the European Capital Requirements Regulation for RFS.

2.8. Ministry of Finance

In 2012, the Minister of Finance, after consultation with NLFI, established a supervisory arrangement. This arrangement was updated in 2014, in part due to the acquisition by NLFI of shares in SNS REAAL and Propertize. NLFI agreed with the changes to the supervisory arrangement.

In line with this arrangement, NLFI had one meeting with the Minister of Finance. Regular meetings were held between the chairman of NLFI and the Director General of Financing (as a rule once a month). These meetings were organised to inform the Ministry of Finance about the developments that were or might be relevant to ministerial decision-making, such as its decisions about any future exit or 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 ratified annual accounts and the budget of NLFI. A dividend estimate for the combined holdings of NLFI was also discussed.

For the process of divesting VIVAT Verzekeringen, the a.s.r. team of NLFI held regular meetings with the a.s.r. team at the Ministry of Finance. Similarly, the SNS team of NLFI consulted with the SNS REAAL team at the Ministry of Finance.

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

In 2015, the NLFI Board shall report to the Minister of Finance about the possible sale of various holdings. Regular meetings with the Financing Director will also be held throughout the year to discuss the developments that are or might be relevant to ministerial decision-making, such as its decisions about future exit and those of a fundamental or significant nature.

3 Governance of NLF

3.1 Board and managing directors

The NLF Board consisted throughout the entirety of 2014 of three members: M. Enthoven (attorney at law), L.Y. Gonçalves-Ho Kang You (attorney at law) and *Jonkheer* D. Laman Trip. Michael Enthoven was the chairman. Diederik Laman Trip served as vice-chairman in the even quarters and Lilian Gonçalves-Ho Kang You was vice-chairwoman in the uneven quarters.

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

Michael Enthoven

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

Lilian Gonçalves-Ho Kang You

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

Diederik Laman Trip

Jonkheer D. Laman Trip was chairman of the board for the ING Group in the Netherlands until 2005, and has substantial experience in retail banking and insurance. His current memberships include a seat on the Netherlands Committee for Enterprise and Financing (*Nederlands Comité voor Ondernemerschap en Financiering*).

As of 1 January 2014, the task allocation within the Board was changed so that the primary responsibilities for the management of shares in each institution were assigned to an individual NLF Board member as follows:

Michael Enthoven: ABN AMRO, Propertize and RFS;

Diederik Laman Trip: a.s.r.;

Lilian Gonçalves-Ho Kang You: SNS REAAL.

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

Michael Enthoven: finance and risk; Diederik Laman Trip: human resources, including appointments and remuneration policy; Lilian Gonçalves-Ho Kang You: governance and socially responsible enterprise.

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

Management board members were appointed for four years starting on 1 July 2011. The Minister of Finance will make a new decision concerning appointments in the first half of 2015.

Rens Bröcheler was the executive managing director of NLF throughout 2014. In terms of decision-making and authorities, it is therefore possible to speak of one-man 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 NLF.

3.2. Board meetings

Thirty-one Board meetings were held in 2014. Important topics that were then discussed include:

- annual general meetings of shareholders;
- shareholder resolutions outside meeting;
- reports on the divestment process for VIVAT Verzekeringen
- advisory reports to be issued;
- strategic developments;
- consultations with other companies and their bodies;
- consultations with the Ministry of Finance;
- internal issues

Two or three members were present at every Board meeting, so that decisions could be legally taken. M. Enthoven and D. Laman Trip attended all 31 meetings. L.Y. Gonçalves-Ho Kang You was present at 29 of the 31 meetings.

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

3.3. Internal governance

NLFI has taken measures to ensure controlled and sound business operations. Consequently, there is an accepted description of the accounting organisation and internal control. The annual accounts are audited by an external auditor. EY has been engaged to perform the task of auditing the annual accounts for 2014.

Observer

The State transferred the shares of SNS REAAL to NLFI in late 2013. At the time, NLFI 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 Authority for Consumers & Markets (ACM) then adopted a number of measures to prevent a possible concentration and requiring management by NLFI that would prevent any exchange of competitively sensitive information between the institutions within NLFI. The articles of association were amended for this purpose at the end of 2013.

NLFI furthermore undertakes its management tasks in such a manner that any exchange of competitively sensitive information between the institutions is prevented. Following consultation of NLFI with the observer and the Authority for Consumers & Markets (ACM), ACM confirmed that NLFI does not have the task of monitoring the competitively-sensitive information that the institutions exchange among themselves. On the basis of the cartel prohibition, institutions may not exchange competitively sensitive information with each other.

Some of the measures adopted by the ACM include an observer appointed to NLFI by the State for the benefit of the ACM to ensure that the State and NLFI comply with the measures. The observer reports retrospectively on the compliance with the implemented measures. In 2014, the tasks, powers and obligations of the observer were formalised in a set of instructions. For example, it states that if NLFI requires competitively sensitive information from an institution because NLFI deems the information necessary for the exercise of the task entrusted to NLFI, the institution shall forward the required competitive information to the observer. The observer will then assess whether NLFI actually needs the requested competitively sensitive information to perform the task entrusted to NLFI and, if the observer deems such is the case, he provides the required competitively sensitive information to the board of NLFI.

Separate teams/ fire wall

Due to the fact that a.s.r. could participate as a bidder in the VIVAT Verzekeringen sales process, NLFI structured its internal operations in such a way that portfolio optimisation is ruled out in order to avoid a conflict of interest and potential breach of the requirement for an open and transparent process for the sale of VIVAT Verzekeringen. The NLFI team that worked on the execution of the VIVAT Verzekeringen sales process carried out this work with strict separation from the team at NLFI involved in the implementation of a.s.r.'s strategy (by implementing a so-called *fire wall*). The principle of collegial governance within NLFI has been temporarily suspended with regard to this transaction. Both teams

reported directly to the Minister of Finance independently of one another and submitted fundamental and significant decisions to the Minister directly.

For this reason, the management regulations were modified.

Incidentally, the fire wall was, in consultation with the Minister of Finance, discontinued after publication of the letter from the Minister of Finance to the House of Representatives regarding the proposed sale of VIVAT Verzekeringen to Anbang Insurance.

Integrity risks

NLFI has established a code of conduct whose purpose is to safeguard and to maintain stakeholder confidence in NLFI as well as to avoid any risks to integrity. For this purpose, the code of conduct has rules and guidelines for insiders:

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

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

More detailed consideration was given to compliance in 2014. For instance, an awareness session was organised by the compliance officer. In addition to the code of conduct, guidelines were established on invitations and the use of social media. Discussions were also held on the use of corporate e-mail and internet, as well as a system for the monitoring of such use.

Legality

Within NLFI, several measures were taken to promote the legality of its action. NLFI was also subject to the supervision of the Netherlands Court of Audit (*Algemene Rekenkamer*). In 2014, the Court of Audit repeatedly requested information and documents about NLFI. The Court had used the results of its investigation, for example, to update the Court's website on the credit crisis. The findings were also used in the audit of the annual accounts of the Ministry of Finance (IXB).

The board of NLFI discussed the letter on financial management and control of the semi-public sector in 2014 that the Minister of Finance sent to the House of Representatives on 27 November 2013. This discussion instigated NLFI to investigate a possible strengthening of the internal audit function in 2015.

Efficiency

The board of NLFI attaches great importance to the efficient functioning of NLFI. 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 NLFI are laid down in legislation and the articles of association. The applied resources are indicated in the annual accounts. The achieved effects are not so easy to measure, in view of the situation in which the management is being undertaken by the State itself. For this reason, it is difficult to determine how the costs incurred by NLFI relate to the achieved result.

Attention is also paid to comparisons between years. The increase in expenses in 2014 compared to previous years does not at all mean that work is being performed less efficiently. Reference is made in this regard to a report published in 2013 by the Court of Audit.⁶ It noted that NLFI's capacity to handle peak periods was too low, and capacity and specific knowledge needed to be hired. The Court of Audit then requested attention be devoted to ensure that NLFI has the capacity and expertise to perform its task, this even after the expansion of the task requirement by the addition of SNS REAAL and Propertize. The auditor in the management letter moreover reported on the question whether the management and organisation of NLFI met the requirements of efficiency. The auditor evaluated the efficient operation of the planning and control cycle as a management tool. This evaluation did not give the auditor any reason to make significant comments, while qualifying the current planning and control cycle as effective.

Permanent education

NLFI is a knowledge intensive organisation. The board and the team are consequently working permanently 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. For this reason, the team has followed collective training on styles of influence. In addition, various knowledge sessions were organised jointly for management and team. IN 2014, sessions were organised on compliance, business analysis

⁶ Report on the Annual Report 2012 of the Ministry of Finance (IXB).

from an investor's perspective, company synergy and developments in supervision.

Self evaluation

The Board that took office in 2011 evaluated its own performance in 2014 with the assistance of an external advisor and the the involvement of the Ministry of Finance as a significant stakeholder. In this way the board applied the best practice provision III.1.7 in the Netherlands Corporate Governance Code. The external consultant conducted preparatory talks with board members, various members of the team and two directors from the Ministry of Finance.

The NLF I board has started to develop a functional model. The measures discussed with ACM have led the board to convert to a client model, subject to collegial decision-making. This model requires the board to work in a different manner, both internally and with the team.

The fact that a.s.r. could participate in the sales process of VIVAT Verzekeringen as a bidder led to the establishment of a fire wall in 2014. The fire wall restricted the implementation of the client model, subject to collegial decision-making. After removal of the fire wall, there will be further development of the client model, subject to collegial decision-making. Inspiration is drawn in this regard from the concept of high-performance teams. Applying this concept will allow the mutual expectations between management and team to be further refined and more widely shared.

The board will also enter into discussion with the Ministry of Finance to examine how mutual collaboration, which both parties view as generally good, can be further improved.

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 1 January 2013. The following account has been prepared using the general Wnt maximum that applies to NLF I.⁷ In 2014, the maximum general remuneration was 230,474 Euro. NLF I did not have any employees in 2014 whose total remuneration paid by NLF I exceeded (a time-related portion of) the stipulated maximum remuneration. The indicated Wnt maximum per person is calculated in proportion to the extent of the employment in which the extent of employment used in the calculation can never be greater than 1.0 FTE.

Comparable figures for 2013 are shown in square brackets, providing they differ from the 2014 data. It should furthermore be noted that, beginning 1 January 2014, remuneration of board members is, with the approval of the Minister of Finance, adjusted to the volume of work.

Remuneration of senior officials

Amounts x € 1	M. Enthoven (attorney at law)	L.Y. Gonçalves - Ho Kang You (attorney at law)	Jonkheer D. Laman Trip	R. Bröcheler
Position(s)	Chairman	Board member / vice-chairperson	Board member / vice-chairperson	Managing Director
Term of employment in 2014	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
Extent of employment (in terms of FTE) ⁸	0.5 [0.33]	0.33 [0.25]	0.33 [0.25]	1.09 [1.06]
Former senior official?	no	no	no	no
Employment relationship? ⁹	yes	yes	yes	yes
<i>Remuneration</i>				
Remuneration	60,000 [45,000]	45,000 [30,000]	45,000 [30,000]	132,910 ¹⁰ [136,010]

⁷ NLF I is a private foundation under the law of the Netherlands (*stichting*) for which the Minister of Finance appoints board members. At NLF I, board members and the managing director are senior officials (*topfunctionaris*) in the meaning of the Wnt. Board members form the highest executive body of the foundation and the managing director is the highest subordinate to that body and is, furthermore, charged with day-to-day management.

⁸ The normal work week at NLF I comprises 36 hours.

⁹ In the meaning of the Wnt.

¹⁰ Including a variable remuneration based on the right of transfer under the Wnt.

Taxable reimbursement of expenses	0.00	0.00	2,525 [2,170] ¹¹	2,488 [2,091] ¹²
Remuneration payable by instalment	0.00	0.00	0.00	23,509 [22,557] ¹³
Total remuneration	60,000 [45,000]	45,000 [30,000]	47,525 [32,170]	158,907 [160,658]
Applicable Wnt maximum ¹⁴	115,237 [76,186]	76,825 [57,140]	76,825 [57,140]	230,474 [228,559]

In 2014, no payments were made to senior officials due to the severance of any employment position.

In addition to the senior officials listed above, there are no other officials who, in 2014, received a salary above the applicable Wnt maximum or a salary that needed to be reported under the Executives' Pay Financed from Public Funds (Disclosure) Act (*Wet openbaarmaking uit publieke middelen gefinancierde topinkomens*) or the Wnt. No severance payments were made to other officials in 2014 that needed to be reported under the Wnt.

3.4. Organisation

In early 2014, NLFI had seven employees with employment contracts under private law, including the executive managing director (but excluding board members). Two other employees were seconded part time from the Ministry of Finance. At the end of 2014, NLFI had ten employees working under employment contracts subject to private law. One other employee was seconded part time from the Ministry of Finance.

The activities of NLFI were expanded at the end of 2013 by the addition of holdings in SNS REAAL and Propertize. NLFI completed transactions with various external service providers and suppliers in 2014. This mostly involved legal, financial, administrative, accounting and IT services.

At the end of 2014, NLFI reached an agreement with a number of financial consultants and legal advisers for consultation services in 2014 and 2015 with regard to possible transactions involving the shares in the holdings under NLFI management.

On 19 December 2014, NLFI began an open selection process for service providers with knowledge and experience in the area of large share transactions (i.e. Equity Capital Market (ECM) transactions). Throughout this procedure, NLFI implemented the basic principles of transparency, objectivity and non-discrimination.

3.5 Outlook for 2015

NLFI selected 26 financial service providers in January 2015 with which to conclude a framework agreement for the brokerage of possible transactions involving the shares that NLFI holds for the State. The list of service providers was published on the NLFI website (www.nlfi.nl). Further selection from this large list for a specific transaction may occur after the political decision-making on a possible transaction has occurred.

The NLFI articles of association were amended in early March 2015 pursuant to an order from the Minister of Finance. It was then determined that the NLFI equalisation reserve shall not, in principle, exceed five million Euro.¹⁵ Any balance above the specified maximum will be paid by NLFI to the State. This rule will be applied for the first time when adopting the annual accounts for 2014. Furthermore, a change was made to the rules on delegation and support.

The Minister of Finance has announced a number of changes to the tasks and authorities of NLFI. An amendment to the Trust Office Foundation for the Management of Financial Institutions Act (*Wet*

¹¹ This relates to the taxable part of the kilometre allowance.

¹² This involves a taxable allowance for expenses fixed at € 150 a month and the taxable portion of the kilometre allowance.

¹³ This involves the pension contributions paid to ABP by the employer.

¹⁴ $y = \frac{x \cdot a \cdot b}{365}$ where: x = Wnt remuneration maximum applicable to institutions, a = part-time factor (maximum 1.0 FTE) and b = term of employment in calendar days. The comparable figures for 2013 are excluding social insurance contributions, which are no longer included as of 2014.

¹⁵ Or much more or less as the board of NLFI and the Minister of Finance mutually agree in writing.

stichting administratiekantoor beheer financiële instellingen; hereinafter NLFI Act) announced that both the NCA as NLFI would be given additional powers with regard to the holdings managed by NLFI¹⁶. The following powers are involved:

- the authority to investigate if agreements with regard to re-structuring and exit strategy are being fulfilled at the financial institutions in question, so long as the State indirectly (through NLFI) holds more than 50% of shares;
- the authority to investigate if the subsidiaries of the holdings and their subsidiaries are fulfilling the agreements on re-structuring and exit strategy, if insight into such factors has specific significance for the divestiture process. This authority also remains in effect as long as the State holds, through NLFI, 50% of the shares.

4. Corporate Governance

NLFI endorse the importance of the Netherlands Corporate Governance Code. This Code applies to large companies with registered offices in the Netherlands whose shares or share certificates are admitted to the stock exchange (hereinafter: listed companies).¹⁷ At present, NLFI does not hold any shares in any listed companies.

In view of the letter from the Minister of Finance to the House of Representatives dated 23 August 2013 and its discussion in the House, NLFI will, in the future, have the prospect of holding shares in listed companies.¹⁸ In anticipation of this possibility, NLFI has 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 and a.s.r. constitute the rights of the shareholder as indicated in the Eumedion Corporate Governance Handbook and the extent to which NLFI has exercised these powers in 2014.

Netherlands Corporate Governance Code	Compliance by NLFI (implementation or explanation)
<i>Principles: IV.2 Share certificates</i>	
Certification of shares is a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting.	At NLFI, share certification is a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Certification is based on the NLFI Act and ensures a transparent separation of interests, a credible exit strategy and non-political governance. ¹⁹
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 trust office board enjoys the confidence of certificate holders.	This principle has been respected.
Certificate holders may recommend candidates	The Minister of Finance appoints, suspends and

¹⁶ See Netherlands Government Gazette (*Staatscourant*) 2012, 26086.

¹⁷ Or to be more precise, the power to trade on a regulated market or comparable system. The Code also applies to large companies with registered offices in the Netherlands (with balance-sheet value > € 500 million) whose shares or share certificates are admitted to trading on a multilateral trading facility or a comparable system (including listed companies).

¹⁸ Parliamentary Papers (*Kamerstukken*) II 2012/13, 32 013, no. 36.

¹⁹ Trust Office Foundation for the Management of Financial Institutions Act (*Wet stichting administratiekantoor beheer financiële instellingen*).

for appointment to the trust office Board.	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 governance of the State and the companies (see Parliamentary Papers [<i>Kamerstukken</i>] II 2008/9 31 965 no. 7). Given the desired distance, it is not possible to grant voWftting 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 (<i>Algemene Rekenkamer</i>).
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; - employees or regular advisers of financial companies (as defined in the NLFI Act) or their subsidiaries. There is no indication of whether the same applies to former management and supervisory board members. This relates to the circumstance that NLFI holds shares in various financial companies. Not to limit the group of potential NLFI board members too drastically, former directors and/or management and supervisory board members of the holdings shall not be excluded from membership on the NLFI board.
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 respected.
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 NLFI articles of association state that, in exercising rights associated with the shares, NLFI shall primarily focus on the financial and economic interests of the certificate holder, while taking into consideration the interests of the company, its related companies and the employees that are thus involved. This consequently entails the provision in its articles of association requiring NLFI to ensure that the companies pursue a responsible corporate

	<p>strategy in line with sound commercial business practices and the applicable rules of good corporate governance. The most recent amendment of the articles of association further added that NLF I shall exercise the rights associated with the shares in such a manner that the holdings can independently determine their commercial strategies and undertake daily operations without there being any question of coordination of commercial policy among the holdings and no exchange of competition-sensitive information occurs.</p>
<p>IV.2.6 The trust office shall report periodically, but at least once a year, on its activities. The report shall be posted on the company's website.</p>	<p>In derogation of provision IV.2.6, the annual report of NLF I shall not be published on company websites because the annual report does not pertain to any single company. The annual report will, in fact, be published on the website www.nlfi.nl.</p>
<p>IV.2.7 The report referred to in best practice provision IV.2.6 shall, in any event, set out:</p> <ul style="list-style-type: none"> 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; 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>This provision is complied with.</p>
<p>IV.2.8 The trust office shall, without limitation and in all circumstances, issue proxies to certificate holders who so request. Each certificate holder may also issue binding voting instructions to the trust office.</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</p>	<p>This provision is complied with.</p>

board shall be granted the opportunity to stipulate a reasonable period in which to respond (the response time). This shall also apply to any above-mentioned intention involving the legal right to call a general meeting pursuant to Section 2:110 of the of the Netherlands Civil Code (<i>Burgerlijk Wetboek</i> , hereafter BW). The shareholder shall respect the response time stipulated by the Board within the meaning of best practice provision II.1.9.	
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.	NLFI does not make any use of vote counselling. The NLFI Act states that the Minister of Finance can issue a binding voting instruction with regard to fundamental or significant decisions. The Minister can also instruct NLFI if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (<i>Algemene Rekenkamer</i>).
IV.4.6 If a shareholder has arranged for an item to be put on the agenda, he shall explain this at the meeting and, if necessary, answer questions about it.	This provision is complied with.

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."

With the publication of this annual report, NLFI will also start to comply with the associated best practice provisions. NLFI furthermore finds it appropriate to issue a report on voting behaviour along with the publication of each respective annual report (hence at least once a year). The following provisions are involved:

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. 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. 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.
--

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 listed companies.	This provision is complied with.
2. Eumedion participants have clear policies with regard to the exercise of their shareholders' rights, which may include entering into dialogue with Dutch listed companies and other engagement activities. They report at least once per year on the implementation of their policies.	This annual report shall indicate voting behaviour during shareholder meetings and will indicate the objective for 2015.
3. Eumedion participants have clear policies for	Should any such case arise, NLFI may undertake

<p>dealing with situations in which it fails to convince the board of a listed company in which it invest to adopt the investors views and differences of opinion between the board of the listed company in question and the shareholders remain unresolved.</p>	<p>one or more of the following actions:</p> <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; - request a certain item be placed on the agenda of a regular general meeting of shareholders or convene a extraordinary general meeting of shareholders; - after approval by the Minister, take substantial or fundamental decisions at a shareholder meeting.
<p>4. Eumedion participants shall be willing to deal collectively with other Eumedion participants and other investors where appropriate.</p>	<p>This provision is complied with to the extent relevant to NLFi.</p>
<p>5. Institutional investors may have other business relations with Dutch listed companies apart from the shareholder relationship alone. Eumedion participants take steps to mitigate conflicts of interest arising from these different roles. Eumedion participants have clear and robust procedures in place for the action to be taken in the event that divergent or conflicting interests arise. The procedures are publicly disclosed. Material conflicts of interest will be disclosed to the institutional clients affected.</p>	<p>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.</p>
<p>6. Eumedion participants shall 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.</p>	<p>NLFi has not published any voting policy. NLFi shall report at least once per year on the implementation of their voting policy.</p>
<p>7. Eumedion participants cast informed votes on all the shares they hold in Dutch companies at the general meetings of these listed companies. In the event that the Eumedion participant casts a withhold or against vote on a management proposal, the Eumedion participant will explain the reasons for this voting behaviour to the company management, either voluntarily or on the request of the company in question.</p>	<p>This provision is complied with.</p>
<p>8. Eumedion participants shall publicly disclose at least once a quarter how they voted based on their holdings in listed companies.</p>	<p>NLFi will comply with this provision.</p>
<p>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.</p>	<p>This provision is complied with.</p>
<p>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.</p>	<p>This provision is complied with.</p>

5. Financial details of NLFI

5.1. *Financial details for 2014*

NLFI is a non-profit foundation under the law of the Netherlands (*stichting*). The NLFI Act states that the Minister of Finance shall cover the costs that NLFI incurs for its legal tasks and objectives, as defined in the articles of association and the trust conditions. This guarantees the financial continuity of NLFI.

According to the current text of Article 7 in NLFI's articles of association, any difference between realised income and incurred expenses is added to or deducted from the equalisation reserve. As at the ratification of the annual accounts for 2014, the equalisation reserve contained, in fact, its maximum of 5 million Euro.

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

**Abbreviated annual accounts:
Balance sheet as at 31 December 2014**

(Balance sheet after profit appropriation)

	€	<u>31-12-2014</u>	€	€	<u>31-12-2013</u>
ASSETS					
Fixed assets					
Property, plant, and equipment					
Renovations and inventories	233,813		137,364		
IT	53,886		25,906		
Website:	<u>0</u>		<u>1,650</u>		
		287,699		164,920	
Current assets					
Inventories					
Printed matter inventory		2,000		2,000	
Amounts receivable					
Prepayments		72,545		49,714	
Cash resources		17,424,309		3,875,223	
		_____		_____	
Total		<u>17,786,553</u>		<u>4,091,857</u>	

LIABILITIES	€	<u>31-12-2014</u>	€	€	<u>31-12-2013</u>	€
Equity						
Equalisation reserve			5,000,000			3,872,707
Current liabilities						
Liabilities to suppliers		1,930,146			45,238	
Taxes and social insurance contributions		53,988			32,754	
Other liabilities, accruals and deferred income		612,321			141,158	
Repayment to Ministry of Finance		<u>10,190,098</u>			<u>0</u>	
			12,786,553			219,150
Total			<u>17,786,553</u>			<u>4,091,857</u>

**Abbreviated annual accounts:
Statement of income and expenses in 2014**

INCOME	<i>Result 2014 €</i>	<i>Estimate 2014 €</i>	<i>Result 2013 €</i>
Income	<u>17,100,000</u>	<u>17,100,000</u>	<u>5,250,000</u>
Total income	<u>17,100,000</u>	<u>17,100,000</u>	<u>5,250,000</u>
EXPENSES			
Management	198,046	212,000	122,958
Employees	1,353,642	1,614,400	845,167
Premises	161,761	160,000	140,605
Office costs	159,560	230,491	144,927
Other costs	124,184	154,000	76,473
Consultancy costs	<u>3,920,689</u>	<u>14,800,000</u>	<u>3,312,503</u>
Total expenses	<u>5,917,882</u>	<u>17,170,891</u>	<u>4,642,633</u>
Interest	<u>135,273</u>	-	<u>25,637</u>
Financial income	<u>135,273</u>	-	<u>25,637</u>
Result	11,317,391	-70,891	633,004
Profit/loss appropriation for equalisation reserve	-1,127,293	70,891	-633,004
Repayment to Ministry of Finance	<u>-10,190,098</u>	<u>0</u>	<u>0</u>
Result after appropriation	<u>-</u>	<u>-</u>	<u>-</u>

Investment expenses

In 2014, an amount of 57,524 Euro was invested in IT and a sum of 149,278 Euro in renovations and inventory.

Auditor's report for an arrangement comparable to the annual accounts

To the board of the Trust Office Foundation for the Management of Financial Institutions (NLFI)

The above abbreviated annual accounts, comprising the abbreviated balance sheet as at 31 December 2014, the abbreviated statement of income and expenses and the abbreviated budget for 2015 has been derived from the audited annual accounts of the Trust Office Foundation for the Management of Financial Institutions (NLFI). We issued an unqualified opinion on those annual accounts in our audit report of 16 March 2015.

The abbreviated annual accounts do not contain all the notes required by the guidelines for *Annual Reporting RJ 640 Organisations without profit motive (Jaarverslaggeving RJ 640 Organisaties zonder winststreven)*. Familiarity with the abbreviated accounts cannot therefore take the place of examining the audited accounts of NLFI.

Responsibility of management

The board is responsible for preparing an abbreviated version of the audited accounts in accordance with the accounting principles described in the guidelines for *Annual Reporting RJ 640 Organizations without profit motive*.

Auditor's responsibility

Our responsibility is to express an opinion on the abbreviated annual accounts based on our work performed in accordance with the law of the Netherlands, including Netherlands Standard 810, Engagements to report on abbreviated annual accounts (*Opdrachten om te rapporteren betreffende samengevatte financiële overzichten*).

Opinion

In our opinion, the abbreviated annual accounts, in all aspects of material significance, are consistent with the audited annual accounts of NLFI and in conformity with the principles set out in the *Guidelines for Annual Reporting RJ 640 Organizations without profit motive*.

The Hague, 16 March 2015

Ernst & Young Accountants LLP

M. E. Kimmenade RA MGA

5.2. Budget 2015

The NLFİ Board prepared the budget for 2015 in November 2014. This budget was approved by the Minister of Finance on 24 February 2015. Of the 17.65 million Euro in estimated expenses calculated according to the income and expenses system, an amount of EUR 10 million was received at the beginning of January.

Abbreviated budget of income and expenses in 2015

INCOME	<i>Estimate</i>	<i>Estimate</i>
	<i>2015</i>	<i>2014</i>
	€	€
Income	<u>17,650,000</u>	<u>17,100,000</u>
Total income	<u>17,650,000</u>	<u>17,100,000</u>
EXPENSES		
Management	215,000	212,000
Employees	1,945,000	1,614,400
Premises	197,000	160,000
Office costs	305,000	230,491
Other costs	108,000	154,000
Consultancy costs	<u>14,880,000</u>	<u>14,800,000</u>
Total expenses	<u>17,650,000</u>	<u>17,170,891</u>
Interest	<u>-</u>	<u>-</u>
Financial income	<u>-</u>	<u>-</u>

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

Appendix 1 to the annual report

Shareholder authorities and their use by NLFI

		ABN AMRO		a.s.r.		SNS REAAL		Propertize	
Summary of shareholders' rights		Authority	Used in 2014	Authority	Used in 2014	Authority	Used in 2014	Authority	Used in 2014
<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 (section 2:134 Civil Code (Netherlands), hereafter the "Civil Code"; see section 2:162 and 2:164a Civil Code);	yes	yes	yes	yes	yes	yes	yes	no
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 (Sections 2:142, 158.4, 144, 161a, 162a Civil Code).	yes	yes	yes	yes	yes	no	yes	yes
<i>Accountability of (financial) policy and supervision</i>									
3	c) request of relevant information (Section 2:107 Civil Code);	yes	yes	yes	yes	yes	yes	yes	yes
4	d) granting of discharge to members of the management board and members of the supervisory board (Section 2:101.3 Civil Code);	yes	yes	yes	yes	yes	yes	yes	yes
5	e) adoption of the annual report (Section 2:101.3 Civil Code);	yes	yes	yes	yes	yes	yes	yes	yes
6	f) appropriation of the profit and declaration of the dividend (section 2:105 in conjunction with 101 par. 6 Civil Code; best practice provision IV.1.5 of the Dutch corporate governance code);	yes	yes	yes	yes	yes	yes	yes	yes
7	g) appointment of the statutory auditor, unless stipulated otherwise (Section 2:393.2 BW).	yes	no	yes	no	yes	no	yes	no
<i>Remuneration</i>									
8	h) adoption of the remuneration policy for the Board (Section 2:135.1 Civil Code);	yes	no	yes	no	yes	yes	yes	no
9	i) adoption of the remuneration for the Supervisory Board (Section 2:145 Civil Code);	yes	yes	yes	no	yes	no	yes	yes

10	j) approval of share schemes and option schemes (Section 2:135.3 BW).	yes	no	yes	no	yes	no	yes	no
<i>Internal structure</i>									
11	k) amendment to the articles of association (Section 2:121 Civil Code);	yes	no	yes	yes	yes	yes	yes	no
12	l) resolution on a proposal by the Board to continue or discontinue the two-tier board system after the company no longer meets the legal criteria for application of the two-tier system (Section 2:154.4 Civil Code);	yes	no	yes	no	yes	no	yes	no
13	m) conversion (Section 2:18 in conjunction with 2:71 Civil Code);	yes	no	yes	no	yes	no	yes	no
14	n) legal merger (Section 2:317 in conjunction with 2:330 and 2:331 Civil Code);	yes	no	yes	no	yes	yes	yes	no
15	o) split-off (Section 2:334 Civil Code);	yes	no	yes	no	yes	no	yes	no
16	p) designation of a representative in the event of conflicting interests (Section 2:129.6 and Section 2:140.5 Civil Code);	no	no	yes	no	yes	no	yes	no
17	q) issue of shares or delegation of this power to another organ (Section 2:96 Civil Code);	yes	no	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 (Section 2:96a Civil Code);	yes	no	yes	no	Yes	no	yes	no
19	s) purchase of own shares, or delegation of this power to another organ (Section 2:98 Civil Code);	yes	no	yes	no	Yes	no	yes	no
20	t) reduction of capital (withdrawal of shares) (Sections 2:99 and 2:100 Civil Code);	yes	no	yes	no	yes	no	yes	no
21	u) instructions to file for bankruptcy (2:136 Civil Code).	no	no	no	no	no	no	no	no
<i>Public offer and other decisions on a major change in the identity or character of the company</i>									
22	v) approval of management board decisions concerning a significant change in the identity or character of the enterprise or company (Section 2:107a Civil Code);	yes	no	yes	no	yes	no	yes	no
23	w) discussion of a public bid for the shares of the company (Section 18 par. 1 Decree on Takeover Bids Financial Supervision Act [Netherlands]);	yes	no	yes	no	yes	no	yes	no
24	x) the exemption of a shareholder or group of shareholders acting in concert from the obligation to make a public bid for the shares ² (Section 2 of the Netherlands Exemptions Decree Financial Supervision Act [Vrijstellingsbesluit	yes	no	yes	no	yes	no	Yes	no

	overnamebiedingen Wft]).								
25									
25	y) designation of the official language of the annual report and the annual accounts (Sections 2:391.1 and 2:362.7 Civil Code);	yes	yes	yes	no	yes	no	yes	yes
26	z) distribution of information to shareholders by way of electronic means of communication (Section 5:25k of the Netherlands Financial Supervision Act [Wft]).	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	yes	yes	yes	yes	yes	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	yes	yes	yes	yes	yes	yes	yes
	<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 (Section 2:114a Civil Code);	yes	yes	yes	yes	yes	yes	yes	yes
30	b) shareholders who individually or jointly represent at least 10% of the issued capital can, on their request, be authorised by a	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no

	court to convene a general meeting. The articles of association may contain a lower threshold (Section 2:110 Civil Code);								
31	c) a shareholder who represents 95% of the issued capital is entitled to buy out the remaining shareholders (Section 2:92 BW and 2:359c BW)	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
32	d) the right to offer the shares to the party which represents at least 95% of the issued capital as a result of a public bid (Section 2:359d Civil Code);	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
33	e) the right to submit a request for indemnification if the shareholder has voted against a merger resolution, when the acquiring company is a company incorporated under the law of another member state of the European Union or the European Economic Area (Section 2:333h Civil Code).	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no
34	f) shareholders who individually or jointly represent a certain interest in a company can ask the Enterprise Section of the Amsterdam Court of Appeal to institute an inquiry into the running of a company.	yes	no	yes	no	yes	no	yes	no
35	g) every shareholder can demand of the Enterprise Section that the annual report be corrected (Section 2:447 in conjunction with 2:448 Civil Code);	yes	no	yes	no	yes	no	yes	no
36	h) after publication of the notice for a general meeting of shareholders, a shareholder with an economic interest, either alone or together with others, of at least 1% of the issued capital or who holds shares with a market value of at least €250,000 is, in the near future, enabled to distribute information to other investors who are identified by the issuer.	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no	N/A (NLFI holds 100%)	no

Appendix 1 to the annual report

Voting behaviour at shareholder meetings and for shareholder resolutions outside meeting

1. Introduction

NLFI endorses the importance of the Netherlands Corporate Governance Code.²⁰ NLFI does not currently hold any shares in a listed company²¹ but has nevertheless decided to comply with the principles and best practices of the Netherlands Corporate Governance Code. For this reason, NLFI will periodically issue reports on its website indicating the manner in which NLFI voted as a shareholder at general meetings of shareholders.

In this document, NLFI gives an account of its voting behaviour in 2014.

2. ABN AMRO Bank NV

NLFI also adopted a shareholder resolution outside meeting on 20 March 2014, to extend the term of office of some members of the management board at ABN AMRO until the next general meeting of shareholders, when reappointment was on the agenda.

Explanatory Note

The terms of the relevant members of the Board expired on 31 March 2014. The supervisory board indicated that it wanted to extend the appointments until the next general meeting of shareholders. Partly given the short period until the shareholder meeting of 10 April 2014, NLFI agreed to this proposal.

NLFI attended the general meeting of shareholders of ABN AMRO Group NV on 10 April 2014.

NLFI exercised its right to add agenda items. On its basis, the following topics were placed on the agenda for this meeting:

- Sustainability Report 2013;
- Update ABN AMRO Business Plan 2014 - 2017;
- Asset Quality Review.

NLFI agreed to the following proposals:

- To adopt the abbreviated annual accounts of ABN AMRO NV for 2013.

Explanatory Note

NLFI partly based this decision on the reports of the management and supervisory boards, the oral presentation of the management and supervisory boards at the AGM and the auditor's report and the presentation by the auditor at the shareholder meeting.

- To declare a dividend for financial year 2013 of ABN AMRO Group NV, whereby the total dividend for 2013 amounted to 350 million Euro in cash.
An interim dividend of 150 million Euro had already been paid in 2013. The final dividend therefore amounted to 200 million Euro in cash.

Explanatory Note

NLFI took this decision because this proposal conformed to the dividend policy.

- To discharge the members of the management board of ABN AMRO Group NV with regard to the policy implemented in 2013, as reflected in the Annual Report 2013 and its clarification at the general meeting of shareholders.

²⁰ This Code applies to large companies with registered offices in the Netherlands whose shares or share certificates are admitted to the stock exchange (listed companies). More 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.

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

Explanatory Note

NLFI did not have any reason not to grant the discharge.

- To discharge the members of the supervisory board of ABN AMRO Group NV with regard to the supervision maintained in 2013, as reflected in the Annual Report 2013 and its clarification at the general meeting of shareholders.

Explanatory Note

NLFI did not have any reason not to grant the discharge.

- To reappoint the members of the management board for a period of four years, with the exception of Mr. K. van Dijkhuizen, who was not eligible for reappointment because he was appointed in 2013 for a term of four years.

Explanatory Note

NLFI voted in favour of the decision to reappoint, partly based on the recommendation of the supervisory board, the opinion of the supervisory staff and the experience of NLFI itself with the board members involved.

The Netherlands Central Bank confirmed that the eligibility and integrity tests could be omitted at the time of the reappointment, since these tests had already taken place.

The reappointment of the management board chairman was considered to be a fundamental or significant decision. NLFI requested and obtained prior consent for this reappointment from the Minister.

- To reappoint the members of the supervisory board for periods of one to four years.
Mr R. Baron van Slingelandt was appointed supervisory board chairman for a period of two years.

Explanatory Note

The supervisory board has a new resignation schedule. Considering the revised schedule, the choice was made for reappointment terms of one to four years.

NLFI voted in favour of the decision to reappoint, partly based on the recommendation of the supervisory board, the opinion of the supervisory staff and the experience of NLFI itself with the supervisory board members involved. The Netherlands Central Bank tested Mr. R. Baron Slingelandt regarding his suitability for the post of chairman of the supervisory board and obtained a positive result.

The reappointment of the chairman of the supervisory board was considered to be a fundamental or significant decision. NLFI requested and obtained prior consent for this reappointment from the Minister.

- To revise remuneration for supervisory board members

Explanatory Note

At the request of NLFI as shareholder, the supervisory board submitted a proposal to amend the remuneration scheme for the supervisory board. The proposal involved maximising the number of paid positions on supervisory board committees to two.

The decision was considered to be a fundamental or significant decision. NLFI requested and obtained prior consent for it from the Minister.

NLFI also adopted a shareholder resolution outside meeting on 26 June 2014. This related to the appointment of Ms. O. Zoutendijk as a member of the supervisory board of ABN AMRO Group NV on 1 July 2014 for a period of four years.

Explanatory Note

NLFI adopted the resolution partly based on the recommendation of the supervisory board, the opinion of the supervisory staff of ABN AMRO Group NV and an interview with the proposed candidate performed by NLFI itself.

The Netherlands Central Bank tested Ms O. Zoutendijk regarding her suitability for this position and obtained positive results.

On 16 December 2014, based on article 3:17a, paragraph 3 of the Netherlands Financial Supervision Act (Wft) a decision was taken outside meeting to approve continuation of the variable remuneration above 100% of the fixed portion of the annual remuneration for six employees working at branches of ABN AMRO Bank NV outside of the European Economic Area (EEA), with effect from January 2014, for as long as the circumstances are the same.

Explanatory Note

In accordance with CRD IV ABN AMRO Bank NV requested approval from the shareholder to set of the variable remuneration above 100% of the fixed portion of the annual remuneration for six employees working at branches of ABN AMRO Bank NV outside of the European Economic Area (EEA) with effect from January 2014, for as long as the circumstances are the same.

The members of the management and supervisory boards of ABN AMRO NV issued a favourable opinion, taking in to account the characteristics of the local labour market in the relevant areas, the fact that ABN AMRO Group N.V. considers these employees as essential for these branches and the fact that continuation of the level of variable remuneration is in accordance with the Netherlands Financial Supervision Act (Wft). The shareholder followed this advices, taking into account the selective application to a limited number of employees.

The decision was considered to be a fundamental or significant decision. NLFI requested and obtained prior consent for it from the Minister of Finance.

The percentage of the votes cast by NLFI was again 100%.

3. ASR Nederland N.V.

NLFI attended the general meeting of shareholders of a.s.r. Nederland NV on 17 April 2014. NLFI agreed to the following proposals:

- To adopt the abbreviated annual accounts of a.s.r. Nederland NV for 2013.

Explanatory Note

NLFI partly based this decision on the reports of the management and supervisory boards, the oral presentation of the management and supervisory boards at the AGM and the auditor's report and the presentation by the auditor at the shareholder meeting.

- To declare a dividend for financial year 2013 of a.s.r. Nederland NV, whereby the dividend on ordinary shares for 2013 amounted to EUR 98.9 million in cash.

Explanatory Note

NLFI took this decision because this proposal conformed to the dividend policy ratified by the shareholder meeting.

- To discharge the members of the management board of a.s.r. Nederland NV with regard to the policy implemented in 2013, as reflected in the Annual Report 2013 and its clarification at the general meeting of shareholders.

Explanatory Note

NLFI did not have any reason not to grant the discharge.

- To discharge the members of the supervisory board of a.s.r. Nederland NV with regard to the supervision maintained in 2013, as reflected in the Annual Report 2013 and its clarification at the general meeting of shareholders.

Explanatory Note

NLFI did not have any reason not to grant the discharge.

The percentage of the votes cast by NLFI was again 100%.

NLFI also adopted a shareholder resolution outside meeting on 10 April. This related to the appointment of Mr. Ch. Figeo as a member of the management board of a.s.r. Nederland NV for a period of four years beginning on 1 May 2014. The percentage of the votes cast by NLFI on this issues was 100%.

Explanatory Note

NLFI adopted the resolution partly based on the recommendation of the supervisory board, the advice of the works council, the approval of the Netherlands Central Bank and an interview with the proposed candidate conducted by NLFI itself.

The Netherlands Central Bank tested Mr. Ch. Figeo regarding his suitability for the position of Chief Financial Officer of a.s.r. Nederland NV and obtained a positive result.

NLFI also adopted a shareholder resolution outside meeting on 21 August 2014. This related to the reappointment of Mr C. van der Pol as a member and chairman of the supervisory board of a.s.r. Nederland NV for a period of four years retroactive to 15 June 2014. The percentage of the votes cast by NLFI on this issues was 100%.

Explanatory Note

NLFI adopted the resolution partly based on the recommendation of the supervisory board, the advice of the works council, the approval of the Netherlands Central Bank and an interview with the candidate up for reappointment conducted by NLFI itself.

The reappointment of the chairman of the supervisory board was considered to be a fundamental or significant decision. NLFI requested and obtained prior consent for this reappointment from the Minister of Finance.

4. SNS REAAL NV

NLFI attended the general meeting of shareholders of SNS REAAL NV on 17 April 2014. NLFI agreed to the following proposals:

- To adopt the annual accounts of SNS REAAL NV for financial year 2013.

Explanatory Note

NLFI partly based this decision on the reports of the management and supervisory boards, the oral presentation of the management and supervisory boards at the AGM and the auditor's report and the presentation by the auditor at the shareholder meeting.

- To declare no dividend for financial year 2013 of SNS REAAL, whereby no dividend was distributed for 2013.

Explanatory Note

NLFI agreed to this proposal, partly in view of the reported loss for 2013.

- To discharge current members of the management board of SNS REAAL NV who were in office during financial year 2013 with regard to their management responsibilities for 2013 as reflected in the annual report, the annual accounts and disclosures at the annual general meeting of shareholders, with the proviso that no discharge was granted to board members for January 2013.

Explanatory Note

Not granting discharge for the period in 2013 prior to nationalisation by the State on 1 February 2013 is in line with the decision of the state not to grant discharge for the year 2012. A decision not to grant discharge implies that no judgement is given on the personal performance of the management or supervisory board members of SNS REAAL NV. NLFI did not have any reason not to grant discharge for the period subsequent to the nationalisation.

- To discharge current members of the supervisory board of SNS REAAL NV and the supervisory board members who resigned as at 1 November 2013, all of whom were in office during financial year 2013,

with regard to their management supervisory responsibilities for 2013 as reflected in the annual report, the annual accounts and disclosures at the annual general meeting of shareholders, with the proviso that no discharge was granted to board members already in office on 1 January 2013 for their supervision in January 2013.

Explanatory Note

This is in line with the discharge of management board members of SNS REAAL NV.

- To approve the exercise of voting rights associated with SNS Bank NV shares and the manner in which said voting rights were exercised with regard to: a) adoption of the (consolidated) annual accounts of SNS Bank NV.

Explanatory Note

At this meeting, NLFII voted to approve the annual accounts 2013 of SNS REAAL NV, in which the figures for SNS Bank NV were consolidated.

NLFII took the decision to ratify the annual accounts of SNS Bank NV for 2013 partly on the basis of the report of the supervisory board and the audit report of the auditor.

To discharge members of the management board of SNS Bank NV with regard to their management responsibilities for 2013 as reflected in the annual report and annual accounts, with the proviso that those who were already in office on 1 January 2013 were not discharged for the month of January 2013.

Explanatory Note

This is in line with the discharge of management board members of SNS REAAL NV.

To discharge current members of the supervisory board of SNS Bank NV and the member who resigned as at 1 November 2013, all of whom were in office during financial year 2013, with regard to their management supervisory responsibilities for financial year 2013, with the proviso that board members already in office on 1 January 2013 were not discharged for January 2013.

Explanatory Note

This is in line with the discharge of management board members of SNS REAAL NV.

On 16 May 2014, NLFII granted written approval for the merger of SNS REAAL NV and SNS REAAL Invest NV.

Explanatory Note

NLFII granted approval after consultation with the management board. The Netherlands Central Bank consented to the merger. The intention to merge was published and no objections were raised.

On 26 June 2014, NLFII adopted the following shareholder resolutions outside meeting:

- To approve the exercise of voting rights associated with SNS Bank NV shares and the manner in which said voting rights were exercised regarding:
 - a. the appointment of the following persons to the executive board of SNS Bank NV as of 1 July 2014: Mr. R. Lang Hall, Ms. A. van Melick, Mr. M. Substitutes (until 1 November 2016) and Mr. A. Baas;
 - b. the appointment of the following persons to the executive board of REAAL NV as of 1 July 2014: Ms S. van den Herik, Mr M. van der Meulen (until 1 June 2018) and Messrs J. de Wit, A. Schouten and W. Horstmann.

Explanatory Note

NLFII partly based this resolution on the advice of the central works council at SNS REAAL NV and the works council of REAAL / Zwitserleven.

The Netherlands Central Bank tested these policy-makers regarding their suitability for this position and obtained positive results.

- To approve the exercise of voting rights associated with SNS Bank NV shares and the manner in which said voting rights were exercised with regard to the ratification of the remuneration policy for executive board members of SNS Bank NV and REAAL NV.

Explanatory Note

The decision was considered to be a fundamental or significant decision. NLF I requested and obtained prior consent for it from the Minister.

- To approve the exercise of voting rights associated with SNS Bank NV shares and the manner in which said voting rights were exercised with regard to the amendment of the articles of association of SNS Bank NV and REAAL NV.

Explanatory Note

NLF I did not have any reason not to approve this proposal.

- To approve the exercise of the voting rights associated with REAAL NV shares and the manner in which said voting rights were exercised with regard to the adoption of the annual accounts of REAAL NV for 2013.

Explanatory Note

At this meeting, NLF I voted to approve the annual accounts 2013 of SNS REAAL NV, in which the figures for REAAL NV were consolidated.

NLF I took the decision to ratify the annual accounts of REAAL NV for 2013 partly on the basis of the report of the supervisory board and the audit report of the auditor.

- To approve the exercise of voting rights for the shares of REAAL NV and the way in which said voting rights were exercised:
 - a. to discharge members of the management board of REAAL NV who were in office in 2013 with regard to the management responsibilities performed by them in 2013 as reflected in the annual report and annual accounts, except for events in the month of January 2013;
 - b. to discharge members of the supervisory board of REAAL NV who were in office in 2013 with regard to the management supervisory responsibilities performed by them in 2013 as reflected in the annual report and annual accounts, except for their supervision of management in January 2013.

Explanatory Note

This is in line with the discharge of management board members of SNS REAAL NV.

The percentage of the votes cast by NLF I was again 100%.

5. Propertize BV

On 12 June 2014, NLF I adopted the following shareholder resolutions outside meeting:

- To ratify the remuneration policy for the supervisory board of Propertize BV.

Explanatory Note

The decision was considered to be a fundamental or significant decision. NLF I requested and obtained prior consent for it from the Minister.

- To appoint Mr R. Meuter as chairman of the supervisory board of Propertize BV.

Explanatory Note

NLF I adopted the resolution partly based on the recommendation of the supervisory board and an interview with the proposed candidate performed by NLF I itself.

The Netherlands Central Bank tested Mr. R. Meuter regarding his suitability for the post of chairman of the supervisory board of Propertize BV and obtained a positive result. The appointment of the chairman of the supervisory board was considered to be a fundamental or significant decision. NLFI requested and obtained prior consent for the appointment from the Minister.

A general meeting of the shareholders of Propertize BV was held on 26 June 2014. Prior to the meeting, NLFI had sent a letter of objectives to the company in accordance with the provisions stipulated in Section 2.1.1. of the NLFI Annual Report 2013.

NLFI agreed to the following proposals:

- To adopt the choice of language for the 2013 annual report and annual accounts (English)

Explanatory Note

For practical reasons, NLFI approved the proposal to adopt the annual report and annual accounts 2013 in the English language, after the board had agreed to draw up the annual report for 2014 and subsequent years in Dutch.

- To adopt the annual accounts of Propertize BV for financial year 2013.

Explanatory Note

NLFI partly based this decision on the reports of the management and supervisory boards, the oral presentation of the management and supervisory boards at the AGM and the auditor's report and the presentation by the auditor at the shareholder meeting.

- To declare dividend for 2013

Explanatory Note

Given the reported loss for 2013, no dividend was declared.

- To discharge current members of the company management board who were in office during 2013 and the member who resigned from the management board (then still known as the executive board) as at 26 June 2013 with regard to their management responsibilities for 2013 as reflected in the annual report, the annual accounts and disclosures at the annual general meeting of shareholders, with the proviso that no discharge was granted to board members for January 2013.

Explanatory Note

NLFI did not have any reason not to grant a discharge except for the period in 2013 preceding nationalisation by the State. In the view of NLFI, nationalisation of SNS REAAL NV on 1 February 2013 makes it impossible to grant a discharge for January 2013.

- To discharge current members of the supervisory board who were in office during financial year 2013 with regard to their management supervisory responsibilities for 2013 as reflected in the annual report, the annual accounts and disclosures at the annual general meeting of shareholders, with the proviso that no discharge is granted to board members for supervision during January 2013.

Explanatory Note

NLFI did not have any reason not to grant a discharge except for the period in 2013 preceding nationalisation by the State. In the view of NLFI, nationalisation of SNS REAAL NV on 1 February 2013 makes it impossible to grant a discharge for January 2013.

- To appoint KPMG as the auditor for financial year 2014.

Explanatory Note

For practical reasons, NLFI assented to the proposal after obtain clarification from the management board. Selection of a new auditor shall be initiated in financial year 2015.

The percentage of the votes cast by NLFI was again 100%.

NLFI also adopted a shareholder resolution outside the shareholder meeting on 18 September 2014. This related to the appointment of Mr C. de Boo as a member of the supervisory board of Propertize BV in 2014 for a period of four years, which is to say until the general meeting of shareholders in 2018. The percentage of the votes cast by NLFI on this issues was 100%.

Explanatory Note

NLFI adopted the resolution partly based on the recommendation of the supervisory board and an interview with the proposed candidate performed by NLFI itself.

The Netherlands Central Bank tested Mr. C. dee Boo regarding his suitability for the position of member of the supervisory board of Propertize BV and obtained a positive result.

6. RFS Holdings BV

NLFI attended the general meeting of shareholders RFS Holdings NV on 24 June 2014. NLFI agreed to the following proposals:

- To adopt the annual accounts of RFS Holdings BV for financial year 2013.

Explanatory Note

NLFI partly based this decision on the report of the management board, the clarification by the management board at the shareholder meeting, the audit report by the auditor and the explanation of the auditor at the shareholder meeting.

Given the reported loss for 2013, no dividend resolution was adopted.

- To discharge all the members of the management board of RFS Holdings NV who were in office in 2013 with regard to the performance of their duties during financial year 2013, as reflected in the annual report 2013 and its clarification at the general meeting of shareholders.

Explanatory Note

NLFI did not have any reason not to grant the discharge.

- To appoint Deloitte as the auditor for financial year 2014.

Explanatory Note

NLFI did not have any reason not to approve this proposal.

- To accept the dismissal of Mr J. Kremers as a member of the management board of RFS Holding BV.

Explanatory Note

NLFI did not have any reason not to consent.

- To appoint Mr I. van Eeghen as a member of the management board of RFS Holding BV.

Explanatory Note

NLFI partly based this decision on the recommendation of the management board of RFS Holdings BV. The Netherlands Central Bank consented to the appointment of Mr I. van Eeghen as a member of the management board of RFS Holding BV.

The percentage of the votes cast by NLFI in this instance amounted to approximately 1.25%. All resolutions were adopted unanimously.

7. NLFI Financial Investments BV

NLFI attended the general meeting of shareholders NLFI Financial Investments NV on 16 May 2014. The percentage of the votes cast by NLFI at the shareholder meeting was 100%. NLFI agreed to the following proposals:

- To ratify the engagement of EY to perform the annual audit for 2012 and 2013.

Explanatory Note

In early 2014, NLFI, as shareholder of NLFI Financial Investments BV, approved the appointment of EY as the auditor for NLFI Financial Investments for financial years 2012 and 2013. This decision was ratified at the general meeting of shareholders.

- to adopt the annual accounts for 2013. It was concurrently decided that the difference (ad € 7,230) between the positive result in 2013 and the dividend payment in March 2013 indicated in the annual accounts for 2013 shall be added to the general reserve and therefore no (final) dividend was declared for 2013.

Explanatory Note

NLFI took this decision on the basis of the auditor's audit.

- To discharge the board of NLFI Financial Investments BV discharge the performance of their management duties in 2013, insofar as their task performance is reflected in the annual accounts.

Explanatory Note

NLFI did not have any reason not to grant the discharge.