



NL financial investments

Unofficial translation– Dutch version prevails

Management Report 2020

Adopted by the NLFI Board on 24 June 2021

1. Introduction

NLFI is a foundation under the laws of the Netherlands (stichting) with its registered office in the municipality of The Hague. The full registered name is stichting administratiekantoor beheer financiële instellingen. NLFI is a foundation with a statutory mandate, established to ensure a clear separation of interests, a credible exit strategy and commercial non-political governance of the companies of the State of the Netherlands in a number of financial institutions.

Throughout 2020, NLFI managed State Holdings in the companies ABN AMRO Bank N.V. and de Volksbank N.V.

2. NLFI activities in 2020

2.1. *General*

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

3.1. *The objects of the foundation are:*

(a)

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

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

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

(b)

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

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

(c)

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

(ii) to perform all actions relating to, arising out of, or conducive to the object set out in this article.

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

The foundation exercises the rights attached to the shares in such a way that companies decide their own commercial strategy and exercise the day-to-day running of the companies independently so that there is no question of coordinating the commercial policy of the companies and that between the companies no competition-sensitive information is exchanged.

NLFI's engagement with the companies can be described as similar to that of an involved shareholder that respects the roles of the Management and Supervisory Boards as defined in the articles of association. As a shareholder of a number of financial institutions, NLFI wishes to promote sustainable and accountable business practices. For this reason, NLFI has devoted the required attention to ensure corporate governance of these institutions functions properly. To supplement the NLFI articles of association, NLFI has concluded further agreements with the companies concerning the manner in which the stipulations contained in the articles shall be implemented.

The most important activities for NLFI in 2020 are briefly discussed below.

¹ Decree of the Minister of Finance dated 9 December 2015 (Staatscourant (Government Gazette)) 2015, 46524).

2.2. ABN AMRO Bank N.V.

2.2.1 Shares

NLFI has an 56.3% equity interest in ABN AMRO Bank N.V., of which approximately 49.9% is held directly in the form of ordinary shares and approximately 6.4% is held indirectly in the form of depositary receipts for shares. NLFI has issued depositary receipts for the same nominal value to the State.

2.2.2 Performance of duties and policy pursued

NLFI held regular formal and informal meetings with the ABN AMRO Supervisory and Management Boards and/or their Chairpersons throughout 2020. Topics of discussion included:

- financial and non-financial results of the bank;
- composition of the Board of Directors and Supervisory Board;
- strategy and financial objectives as well as the risk profile of the bank.

Such meetings facilitate a meaningful dialogue between shareholder and the company. Meetings 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.

Many topics were discussed during these consultations, including strategy, risk management, compliance (including the gatekeeper function), possible NLFI sales transactions, governance and sustainability. Contact was also maintained with ABN AMRO in view of the principle that ABN AMRO and NLFI shall not surprise the other, and they will promptly and accurately inform each other about relevant issues.

Furthermore, the NLFI Board held the annual evaluation meeting for 2020 with the Chairman of the Supervisory Board. The functioning of the Board of Directors and Supervisory Board over the previous year was also individually and collectively evaluated in that context.

ABN AMRO reserved a final dividend for 2019 of EUR 0.68 per share, which under normal circumstances would have been paid out to shareholders in 2020 after adoption in the General Meeting of Shareholders. Given the uncertain outlook due to COVID-19, the ECB issued a recommendation calling on banks not to pay dividends. ABN AMRO complied to this and did not pay out the reserved amount. ABN AMRO will still make payment when circumstances permit.

2.2.4 Shareholder meetings and shareholder resolutions

NLFI attended the annual general meeting of shareholders (AGM) of ABN AMRO Bank N.V. on 22 April 2020. At this meeting, NLFI voted in favour of the following motions by issuing voting instructions to the civil law notary (via the e-voting system):

- a) Remuneration Report for 2019;
- b) adoption of the audited financial statements for 2019;
- c) Discharge from liability of the individual members of the incumbent Executive Board for the performance of their duties in the financial year 2019.
- d) Discharge from liability of the individual members of the incumbent Supervisory Board for the performance of their duties in the financial year 2019
- e) Adoption of remuneration policy for the Executive Board
- f) Adoption of remuneration policy for the Supervisory Board
- g) Amendment of Articles of Association
- h) Collective profile of Supervisory Board
- i) Reappointment of Mr Arjen Dorland to the Supervisory Board
- j) Reappointment of Mr Jurgen Stegmann to the Supervisory Board
- k) Reappointment of Mr Tjalling Tiemstra to the Supervisory Board
- l) authorisation to issue shares and/or grant rights to acquire shares;
- m) authorisation to restrict or exclude preferential rights;
- n) Authorisation to acquire treasury shares or depositary receipts for shares in the issued share capital of ABN AMRO Bank N.V.
- o) Cancellation of shares or depositary receipt for shares in the issued share capital of ABN AMRO Bank N.V.

NLFI attended the extraordinary meeting of shareholders of ABN AMRO Bank N.V. on 15 December 2020 and agreed to the appointment of Ms Marieken Tannemaat as a member of the Supervisory Board.

An explanation of these shareholder resolutions can be found on the NLFI website.

2.3. De Volksbank N.V.

2.3.1 Shares

NLFI holds 100% of the shares in the capital of de Volksbank N.V.. NLFI has issued depositary receipts for the same nominal value to the State.

2.3.2 Performance of duties and policy pursued

NLFI held regular formal and informal meetings with the Chairpersons of the Supervisory Board and Board of Directors of de Volksbank throughout 2020.

Topics of discussion included:

- financial results of the bank;
- composition of the Board of Directors and Supervisory Board;
- strategy, risk profile and financial objectives.

Such meetings facilitate a meaningful dialogue between shareholder and the company. Meetings were furthermore held on an ad hoc basis with members of de Volksbank Board of Directors, Supervisory Board and management. A regular component was the discussion of quarterly figures within a few weeks following their publication by de Volksbank. NLFI also held ad hoc consultations with de Volksbank about the dismissal of the then CFO, as requested for by the Supervisory Board and as resolved by NLFI on 5 September 2020 (see 2.3.3). In addition, NLFI played a monitoring role in the independent expert investigation commissioned by de Volksbank into the dynamics of de Volksbank's Board of Directors and the interaction between the Board and the bank's Supervisory Board.

Furthermore, the NLFI Board held the annual evaluation meeting for 2020 with the Chairman of the Supervisory Board. The functioning of the Board of Directors and Supervisory Board over the previous year was also individually and collectively evaluated in that context.

At the Annual General Meeting of Shareholders on 23 April 2020, NLFI approved de Volksbank's proposal to pay NLFI a dividend of €165,000,000 at the expense of the 2019 annual result of de Volksbank N.V. However, payment of the 2019 dividend has been postponed on the ECB's recommendation due to the uncertainty surrounding the COVID-19 crisis. De Volksbank intends to pay a dividend for 2019 as soon as this becomes possible.

2.3.3 Shareholder meetings and shareholder resolutions

NLFI voted in favour of the following shareholder resolutions passed outside meeting on 18 March 2020: Appointment of Mr P.F.J. Veuger to the Board of Directors of de Volksbank N.V.

NLFI attended the Annual General Meeting of Shareholders (AGM) of de Volksbank N.V. on 23 April 2020, at which the following resolutions were adopted:

- a) Adoption of the financial statements of de Volksbank N.V. for 2020;
- b) Formation of reserves and payment of dividend;
- c) Discharge from liability:
 - (i) NLFI voted in favour of the motion to discharge the incumbent members of the Board of Directors of de Volksbank N.V. and the member who stepped down on 31 August 2019 from liability for the performance of their duties in the financial year 2019, as reflected in the annual report, the financial statements and the disclosures at the AGM.
 - (ii) NLFI voted in favour of the motion to discharge the members of the Supervisory Board of de Volksbank N.V. from liability for the performance of their duties in the financial year 2019, as reflected in the annual report, the financial statements and the disclosures at the AGM.
 - (iii) NLFI voted in favour of the motion to discharge the former members of the Board of Directors of de Volksholding B.V. from liability for the performance of their duties from 1 January 2019 to 30 March 2019, as reflected in the annual report, the financial statements and the disclosures at the AGM.
 - (iv) NLFI voted in favour of the motion to discharge the former members of the Supervisory Board of de Volksholding B.V. from liability for the performance of their supervisory duties in the financial year 2019, as reflected in the annual report, the financial statements and the disclosures at the AGM.
- d) Reappointment of Mr Jeroen Dijst to the Board of Directors of de Volksbank N.V. (as CRO).
- e) Commission the external auditor to audit the financial statements of de Volksbank N.V. for 2021
(pursuant to Section 2:393 of the Netherlands Civil Code and Article 28(1) of the articles of association of de Volksbank N.V.).

NLFI voted in favour of the following motions outside a meeting on 27 May:

- a) Appointment of Mr Martijn Gribnau to the Board of Directors of de Volksbank N.V. as of 17 June 2020
- b) Approval that the Supervisory Board appoints Mr Gribnau as Chairman of the Executive Board (CEO) of de Volksbank N.V. as of 15 August 2020

NLFI voted in favour of the following shareholder resolutions passed outside meeting on 05 September 2020: Dismissal of Mr P.F.J. Veuger to the Board of Directors of de Volksbank N.V.

An explanation of these shareholder resolutions can be found on the NLFI website.

2.4 RFS Holdings BV

In 2019, NLFI transferred its stake in RFS Holdings B.V. to Royal Bank of Scotland Group plc ("RBS") as part of the settlement. The final dividend and the purchase price for the shares were retained by RBS at the time because of the pending tax settlement in Saudi Arabia regarding the interest held in SABB. The final dividend of €6,234,422 and the purchase price of €595,538 were received from RBS in mid-2020 and credited to the Dutch State. NLFI is carrying out activities in connection with the tax settlement in Saudi Arabia at the request and for the account of the Dutch State.

3. Governance of NLFI

3.1 Management and directors

The Board of NLFI in 2020 composed of: L.Y. Gonçalves-Ho Kang You (attorney at law) and Dr W.M. van den Goorbergh and Jonkheer D. Laman Trip (Chairman). Ms L.Y. Gonçalves-Ho Kang You left the Board on 23 September 2020 due to the expiry of her term of appointment. The Board is very grateful to her for her contribution over the past nine years.

Diederik Laman Trip

Diederik Laman Trip has held several positions, including the chairmanship of the Board for the ING Group in the Netherlands until 2005, and has substantial experience in retail banking and insurance. His current activities include a seat on the Netherlands Committee for Enterprise and Financing (Nederlands Comité voor Ondernemerschap en Financiering).

Lilian Gonçalves-Ho Kang You (until 23 September 2020)

Lilian 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)). She has been inter alia involved in mergers and acquisitions as an attorney and adviser. Ms Gonçalves-Ho Kang You was State Councillor on the Council of State until 1 December 2016.

Wim van den Goorbergh

Wim M. van den Goorbergh is an economist and was CFO and Vice-Chairman of the Rabobank Board until 2002. He has subsequently held various managerial and supervisory positions, including supervisory directorships at BNG Bank and NIBC Bank.

Rens Bröcheler was the Executive Managing Director of NLFI throughout 2020. In that context regarding terms of decision-making and authorisations there is one-man leadership.

Rens Bröcheler

Rens Bröcheler worked at Generale Bank and ABN AMRO before moving to the Ministry of Finance in 1999. There he has gained extensive management experience as the head of Cash Management, head of Investments and project director for Financial Institutions. He has been Managing Director since the establishment of NLFI in 2011.

3.2. Board meetings and consultations

Seventeen Board meetings were held in 2020. In addition, frequently consultations took place among Board members and with the team, and conclusions and decisions resulting from such consultations were recorded in the notes of the Board meetings. These consultations included approximately 30 telephone conferences in weeks in which no Board meeting took place. Important topics that were discussed include:

- general meetings of shareholders;
- shareholder resolutions outside meetings;
- consultations with (the bodies of) the companies ;
- ABN AMRO's strategy;
- composition of ABN AMRO's Management and Supervisory Boards;
- De Volksbank's strategy;
- composition of de Volksbank's Board of Directors and Supervisory Board;
- the settlement of liabilities arising from the sale of shares in SABB and the sale of shares in RFS;
- resolutions on the selection and appointment of NLFI advisers;
- strategic developments;
- consultations with the Ministry of Finance;
- internal affairs, including responsibly dealing with the risks and guidelines arising from the COVID-19 pandemic, compliance and adoption of the budget and financial statements.

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 administrative organisation and internal control. The financial statements are audited by an external auditor. Ernst & Young has been engaged to perform the task of auditing the financial statements for 2020. NLFI has taken out directors' liability insurance for each individual director, the premiums for which are paid by NLFI.

Observer

NLFI and the Ministry of Finance, with the approval of the Netherlands Authority for Consumers and Markets (ACM), have implemented measures to prevent exchange of competition-sensitive information between the institutions within NLFI.

The measures approved by ACM include the appointment of an observer appointed by the State and NLFI for the ACM to monitor compliance by the State and NLFI with the measures taken. The observer reports retrospectively every half year to ACM on the compliance with the measures taken. The observer also reported in 2020.

Integrity risks

NLFI has established a code of conduct whose purpose is to safeguard and to maintain stakeholder confidence in NLFI and to prevent integrity risks. This code was updated in 2020. It consequently includes rules and guidelines for insiders:

- a. to prevent conflicts of interest 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 provided advice on updating the code of conduct in 2020 and who monitors compliance with the code.

There is also an external confidential advisor on integrity.

Compliance was a permanent agenda item at Board meetings in 2020. As usual, the compliance officer issued quarterly reports throughout 2020.

Legality, efficiency

Within NLFI, several measures have been taken to promote the legality and efficiency of the foundation's actions.

"in control statement"

As in previous years, an in-control statement was drawn up for internal use. The Executive Managing Director reported to the Board on this matter, which subsequently adopted it. See the section on risk (Section 3.5).

Lifelong learning

NLFI is a knowledge intensive organisation. The Board and the team are therefore working on education and training. Sufficient budget is available for individual training. Workload and the COVID-19 pandemic allowed only partial use to be made of individual opportunities for education and training in 2020. During the year, the team and Board jointly participated in knowledge sessions with external experts in the field of retail banking, compliance, privacy (GDPR) and sustainability.

Board members and employees

The Board of NLFI, in 2020, composed of: L.Y. Gonçalves-Ho Kang You (attorney at law), W.M. van den Goorbergh and D. Laman Trip (Chairman). L.Y. Gonçalves-Ho Kang You left the Board on 23 September 2020 due to the expiry of her term of appointment.

The Board members, who are appointed by the Minister of Finance, receive remuneration based on a contract for services that is concluded with them (Board Member Agreement).

At the beginning of 2020 NLFI had seven employees (full-time, three part-time) hired under employment contracts subject to private law. An external lawyer and an external economist were also hired from a temporary employment agency in 2020. These temporary positions were both terminated in the second half of 2020.

Remuneration of top officials (Wnt)

The Top Officials 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 financial statements contain separate accounting information on this subject. The maximum general remuneration was € 201,000 in 2020. NLFI did not have any employees in 2020 whose total remuneration paid by NLFI exceeded (a time-related portion of) the stipulated maximum remuneration.

In 2020, no payments were made to top officials due to the termination of any employment position.

There were no other officials in employment who received a salary above the individual Wnt maximum in 2020. No severance payments were made to other officers in 2020 that need to be reported under the Wnt or that, in previous years, had to be reported under the Executives' Pay Financed from Public Funds (Disclosure) Act (Wet openbaarmaking uit publieke middelen gefinancierde topinkomens (WOPT)) or the Wnt.

3.4. External suppliers and premises

NLFI procured goods and services from various external service providers and suppliers in 2020. This mostly involved legal, financial, administrative, accounting and IT services. NLFI had ongoing contracts with various service providers at the end of 2020 for services to be provided in 2021.

3.5 Risk provision

NLFI uses a system involving an in-control statement (ICS). Its purpose is to increase the transparency and consensus about risk assessment, management and monitoring. In addition to achieving objectives, this statement can also serve to prevent or control the risks that the organisation runs. The NLFI team has become substantially smaller since 2018. The administrative organisation was adjusted accordingly while maintaining the separation of functions between possession, payment and execution. Where necessary, work was performed under double supervision (four eyes principle). The risk areas mentioned in the ICS were reviewed in 2020. They include leadership, liability, staffing, process control, outsourcing, stakeholder relations and supervision of participations. NLFI adopts a risk-averse approach.

Since mid-March 2020, NLFI has been implementing measures in line with RIVM guidelines, such as working from home, digital meetings, installing splash guards and air purification equipment. Financial buffers are maintained to absorb any setbacks that may occur.

4. Corporate governance

NLFI endorses the importance of the Dutch Corporate Governance Code and the Stewardship Code drafted by Eumedion. These Codes apply to large companies with registered offices in the Netherlands whose shares or depositary receipts for shares are admitted to the stock exchange.

As described above in Section 1, NLFI is a foundation under the law of the Netherlands (stichting) with a task defined by law. The exercise of this task is subject to special rules, such as the prior approval of substantial and fundamental decisions by the Minister of Finance.

NLFI is not entirely comparable with the companies for which the Dutch Corporate Governance Code and the Stewardship Code have been drafted. As in previous years, the NLFI Board applied these Codes by analogy throughout 2020, if and to the extent applicable.

5. Financial details of NLFI

5.1. Financial details for 2020

NLFI is a non-profit foundation under Dutch law (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 administrative conditions. This guarantees the financial continuity of NLFI.

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

NLFI holds the investments for the State and has issued depositary receipts to the State. NLFI does not therefore have any financial or economic interest in the companies. In view of the regulations in the articles of association of the companies 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 below-stated financial data relates therefore to the financial data of NLFI as an independent legal entity.

5.2. Budget 2020

The budget for 2020 submitted to the Ministry of Finance is as follows:

NLFI budget 2021

Costs		Budget 2020	Budget 2021
I.	Board	147,500	208,000
II.	Employees	1,137,965	1,126,500
III.	Premises	170,125	171,000
IV.	Office	127,200	130,500
V.	Other	117,210	164,000
	Sub-total	1,700,000	1,800,000
VI.	Consultancy fees directly attributable companies		
VI.1	Consultations on ABN AMRO	1,500,000	1,400,000
VI.3	Consultations on RFS & MinFin direct	120,000	60,000
VI.5	Consultations on de Volksbank (formerly SNS Bank)	1,515,000	700,000
VI.6	Other consultations	230,000	140,000
		3,365,000	2,300,000
Total	Expenses	5,065,000	4,100,000
	Income		
	Ministry of Finance	5,065,000	4,100,000
Total	Income	5,065,000	4,100,000
Result		0	0

This budget was approved by the Minister of Finance on 22 February 2021.

THE ANNUAL ACCOUNTS ARE NOT TRANSLATED. PLEASE REFER TO THE DUCH VERSION OF THE
MANAGEMENT REPORT AS PUBLISHED ON THE WEBSITE OF NLFI

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