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NL financial investments

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Management Report 2021

Adopted by the NLFBI Board on 14 April 2022

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1. Introduction

NLFI is a foundation under the law of the Netherlands (stichting) operating as a trust with its registered office in the Municipality of The Hague. The full registered name is the Trust Office Foundation for the Management of Financial Institutions (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 2021, NLFI managed the holdings of the state in the companies ABN AMRO Bank N.V. and de Volksbank N.V.

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2. NLFI activities in 2021

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 her 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 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 holdings can be described as similar to that of an involved shareholder that respects the roles of the Executive and Supervisory Boards as defined in the articles of association. As a

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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 various invested companies concerning the manner in which the stipulations contained in the articles shall be implemented.

The most important activities for NLFI in 2021 are briefly discussed below.

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2.2. ABN AMRO Bank N.V.

2.2.1 Shares

NLFI has trusteeship of a 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. In turn, NLFI has provided the State with depositary receipts for the same nominal value.

2.2.2 Performance of duties and policy pursued

NLFI held regular formal and informal meetings with the ABN AMRO Supervisory and Executive Boards and/or their Chairpersons throughout 2021. Topics of discussion included:

- financial and non-financial results of the bank;
- composition of the Executive and Supervisory Boards;
- bank strategy and financial objectives as well as its risk profile.

Such meetings constitute the means of implementing a meaningful dialogue between shareholder and the company. Talks were also held with members of the Supervisory Board, Executive Board and management of ABN AMRO. A regular component was the discussion of quarterly figures within a few weeks following their publication by ABN AMRO (so-called road shows).

Many topics were discussed during these consultations, including strategy, risk management, compliance (including the gatekeeper function, e.g. compliance with mandatory measures to prevent money laundering), potential sales by NLFI, governance and sustainability. Contact was also maintained with ABN AMRO in view of the principle that neither ABN AMRO nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

Furthermore, the NLFI Board held the annual evaluation meeting for 2021 with the Chairman of the Supervisory Board. The function of the Executive and Supervisory Boards over the previous year was also individually and collectively evaluated.

ABN AMRO paid a final 2019 dividend of EUR 0.68 per share in 2021.

2.2.4 Shareholder meetings and shareholder resolutions

NLFI attended the general meeting of shareholders of ABN AMRO on 21 April 2021. At this meeting, NLFI voted in favour of the following motions by issuing voting instructions to the proxy (via the e-voting system):

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- a) adoption of Remuneration Report for 2020
- b) adoption of audited financial statements for 2020
- c) re-appointment of independent external auditor
- d) authorisation to issue shares and/or grant rights to subscribe for shares;
- e) authorisation to restrict or exclude preferential rights
- f) authorisation to purchase shares or depositary receipts for shares in the issued share capital of ABN AMRO Bank N.V.
- g) cancellation of shares or depositary receipts for shares in the issued share capital of ABN AMRO Bank N.V.

NLFI attended the extraordinary meeting of shareholders of ABN AMRO on 24 November 2021. ABN AMRO used this occasion to discuss the new organisational structure and the proposed appointment of three members to the Executive Board.

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

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2.3. Volksbank N.V.

2.3.1 Shares

NLFI has trusteeship of all the shares in the capital of de Volksbank N.V. In turn, NLFI has provided the State with depositary receipts for the same nominal value.

2.3.2 Performance of duties and policy pursued

NLFI held regular formal and informal meetings with the Chairpersons of de Volksbank Supervisory Board and Board of Directors throughout 2021.

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 constitute the means of implementing a meaningful dialogue between shareholder and the company. Talks were furthermore held 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 (so-called road shows). Many topics were discussed during these consultations, including strategy, risk management, compliance (including the gatekeeper function), governance and sustainability. Contact was furthermore maintained with de Volksbank in view of the principle that neither de Volksbank nor NLFI shall 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 2021 with the Chairman of the Supervisory Board. The function of the Board of Directors and Supervisory Board over the previous year was also individually and collectively evaluated.

2.3.3 Shareholder meetings and shareholder resolutions

On 15 April 2021, NLFI adopted the following resolution without meeting:

appointment of Mr John Reichardt as a member of the Board of Directors of de Volksbank, in the role of interim CFO, with effect from 15 April 2021, for a period of three months.

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NLFI attended the annual general meeting of shareholders (AGM) of de Volksbank N.V. on 21 April 2021. At this meeting, the following resolutions were passed:

- a) adoption of the financial statements of de Volksbank N.V. for 2020;
- b) new risk provisioning and dividend policies;
- c) retained earnings and/or dividend distribution;
- d) discharge from liability:
 - a. discharge from liability by NLFI of the current members of the Board of Directors of de Volksbank N.V. who were in office in the financial year 2020 for the performance of their executive duties in the financial year 2020, as reflected in the annual report, the financial statements and the announcements at the AGM;
 - b. discharge from liability by NLFI of Mr M. (Maurice) Oostendorp, who was in office as CEO of de Volksbank N.V. until 15 August 2020 and served as a member of the Board of Directors of de Volksbank until 1 September 2020, for the performance of his executive duties from 1 January 2020 to 1 September 2020, as reflected in the annual report, the financial statements and the announcements at the AGM;
 - c. discharge from liability by NLFI of Ms M. (Mirjam) Verhoeven, who was in office as COO of de Volksbank N.V. until 10 November 2020 for the performance of her executive duties from 1 January 2020 to 10 November 2020, as reflected in the annual report, the financial statements and the announcements at the AGM;
 - d. discharge from liability by NLFI to the current members of the Supervisory Board of de Volksbank N.V. who were in office in the financial year 2020 for the performance of their supervisory duties in the financial year 2020, as reflected in the annual report, the financial statements and the announcements at the AGM.

On 14 June 2021, NLFI adopted the following resolution outside of a meeting:

appointment of Mr John Reichardt as a member of the Board of Directors of de Volksbank in the role of interim CFO for a period of three months commencing on 15 July 2021.

On 11 August 2021, NLFI adopted the following resolution outside of a meeting:

appointment of Gerard van Olphen as member and Chairman of the Supervisory Board of de Volksbank for a term commencing on 13 August 2021 and terminating at the time of the closing of de Volksbank's Annual General Meeting of Shareholders in 2025.

On 20 September 2021, NLFI adopted the following resolutions outside of a meeting:

- a) appointment of Jeanine Helthuis as member of the Supervisory Board of de Volksbank for a term commencing on 20 September 2021 and terminating at the time of de Volksbank's Annual General Meeting of Shareholders in 2025.
- b) appointment of Petra van Hoeken as member of the Supervisory Board of de Volksbank for a term commencing on 20 September 2021 and terminating at the time of de Volksbank's Annual General Meeting of Shareholders in 2025.

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On 13 October 2021, NLFI adopted the following resolution outside of a meeting:

appointment of John Reichardt as a member of the Board of Directors of de Volksbank in the role of interim CFO for the term of 16 October 2021 to 31 December 2021.

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

2.4 RFS Holdings B.V.

NLFI is carrying out tax settlement activities related to the assets sold in Saudi Arabia in 2019 at the request and for the account of the Dutch State.

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3. Governance of NLF

3.1 Board and directors

In 2021, the NLF Board was entirely composed of W.M. van den Goorbergh (vice-chairman until 23 September 2021, chairman since 23 September 2021), D.C.C. van Everdingen (board member since 10 September 2021, vice-chairman since 23 September 2021) and Jhr. D. Laman Trip (Chairman until 23 September 2021).

Diederik Laman Trip left the Board with effect from 22 September 2021 due to the expiry of his term of appointment. The Board is very grateful to him for his contribution over the past years.

Wim van den Goorbergh

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

Diana van Everdingen

Diana van Everdingen was a lawyer at Stibbe for 22 years, including 15 years as a partner, specialising in M&A and ECM transactions. She then served as vice-chairman of the AFM supervisory board for eight years. She also holds some executive and supervisory positions in the cultural sector and postgraduate education.

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

Drs. Rens Bröcheler was the Executive Managing Director of NLF throughout 2021.

Rens Bröcheler

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 in 2011.

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3.2. Board meetings and consultations

Thirteen Board meetings were held in 2021. In addition, there were frequent consultations among Board members and with the team, and their resulting conclusions and decisions were recorded in the Board meeting reports. These consultations included approximately 30 telephone conferences in weeks in which no Board meetings took place. Important topics that were discussed include:

- AGMs;
- shareholder resolutions adopted without meeting;
- consultations with other companies and their bodies;
- ABN AMRO's strategy;
- composition of ABN AMRO's Executive and Supervisory Boards;
- preparation of share buy-back;
- de Volksbank's strategy;
- composition of de Volksbank's Board of Directors and Supervisory Board;
- settlement of liabilities arising from the sale of shares in SABB and RFS;
- resolutions on the selection and appointment of NLF I advisers;
- strategic developments;
- developments in "detecting financial fraud";
- consultations with the Ministry of Finance;
- Internal matters, including responsible management of risks and guidelines arising from the Covid-19 pandemic, compliance, as well as adoption of the budget and financial statements.

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

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3.3. Internal governance

NLFI has taken measures to ensure controlled and sound business operations. Consequently, there is an accepted description of the accounting organisation and internal control. The financial statements are audited by an external auditor. Ernst & Young has been engaged to perform the task of auditing the financial statements for 2021. NLFI has taken out directors' liability insurance for each individual director, the premiums for which are paid by NLFI.

Observer

As the Competition Act applies to NLFI's holdings, NLFI and the Ministry of Finance have taken action with the approval of the Authority for Consumer & Market (ACM). NLFI is restricted in the exercise of shareholder rights available to shareholders. Furthermore, the measures are aimed at preventing the exchange of competition-sensitive information between institutions within NLFI.

The measures approved by ACM include the appointment of an observer designated by the State and NLFI but functioning on ACM's behalf to monitor compliance with the measures by the Ministry of Finance and NLFI. The observer reports retrospectively every half year to ACM on the compliance with the implemented measures. The observer also reported in 2021.

Integrity risks

NLFI has adopted a code of conduct designed to ensure and maintain stakeholder confidence in NLFI and to prevent integrity risks. For this purpose, this code of conduct 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 monitors compliance with the code of conduct.

There is also an external confidential advisor on integrity.

Compliance was included as a standing item on the Board meeting agenda in 2021. As usual, the compliance officer issued quarterly reports throughout 2021.

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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 2021. In 2021, the team and Board jointly participated in a knowledge session with external experts in the field of sustainability.

Employees

NLFI had eight employees (five full-time, three part-time) working under private employment contracts during 2021.

Remuneration of senior executives (WNT)

The Senior Public and Semi-Public Official Income (Standardisation) Act [Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)] came into force on 1 January 2013. The financial statements contain separate accounting information on this subject. The maximum general remuneration was € 209,000 in 2021. NLFI did not have any employees in 2021 whose total remuneration paid by NLFI exceeded (a time-related portion of) the stipulated maximum remuneration and to whom the WNT would then apply.

In 2021, no payments were made to senior officials due to the severance of any employment position.

There were no other officials in employment who received a salary above the individual WNT maximum in 2021. No severance payments were made to other officials in 2021.

3.4. External suppliers and premises

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

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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-eye principle). The risk areas mentioned in the ICS were reviewed in 2021. They include leadership, liability, staffing, process control, outsourcing, stakeholder relations and supervision of holdings. NLFI adopts a risk-averse approach.

NLFI operated in line with RIVM guidelines in 2021 by working from home and holding digital meetings whenever possible. The office environment provides 1.5m set-ups, screens and adapted air purification equipment.

Financial buffers are maintained to absorb any financial 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 easily 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 2021, if and to the extent applicable.

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5. Financial details of NLF

5.1. Financial details for 2021

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

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

NLF holds the investments for the State and has issued depositary receipts to the State. NLF 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, NLF 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 NLF as an independent legal entity.

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5.2. Budget 2022

The budget for 2022 submitted to the Ministry of Finance is as follows:

NLFI budget 2022

Costs		Budget 2021	Budget 2022
I	Board	208,000	148,000
II	Employees	1,126,500	1,194,500
III	Premises	171,000	176,000
IV	Office	130,500	139,500
V	Other	164,000	164,000
	Sub-total	1,800,000	1,822,000
VI	Consultancy fees		
	Directly attributable holdings		
VI.1	Consultations on ABN AMRO	1,400,000	1,400,000
VI.3	Consultations on RFS & MinFin direct	60,000	60,000
VI.5	Consultations on de Volksbank (formerly SNS Bank)	700,000	700,000
VI.6	Other consultations	140,000	140,000
		2,300,000	2,300,000
Total	Expenses	4,100,000	4,122,000
	Income		
	Ministry of Finance	4,100,000	4,122,000
Total	Income	4,100,000	4,122,000
Result		0	0

This budget was approved by the Minister of Finance on 1 March 2022.