



NL financial investments

Advisory memorandum on the
sale of REAAL and ASR

May 2014



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Foreword

NLFI manages the interests of the State in a number of financial institutions, including SNS REAAL and ASR Nederland. NLFI has a mandatory task to manage the shareholding in the financial institutions in a commercial rather than a political way. NLFI is also tasked with advising the Dutch Minister of Finance on strategy regarding the sale of the shares. In this letter, NLFI advises you on the options for the sale of the insurance activities of SNS REAAL and the role which ASR Nederland may play in this. The advisory memorandum also considers the (follow-up) study that you requested in respect of the sales options for ASR Nederland.

This advisory memorandum is prepared in part on the basis of intensive contact with SNS REAAL and ASR Nederland. We have gratefully made use of the valuable input from the institutions and the advisory bodies associated with them.

We also owe our thanks to the Ministry of Finance, De Nederlandsche Bank (Dutch Central Bank) and the Autoriteit Financiële Markten (Financial Markets Authority) for providing their opinions on earlier versions of this document. Discussions were also held with a number of investment banks and legal and financial advisers who shared their insights with us.

We are very grateful to all those who helped us to come to this recommendation.

NLFI Board,

LL.M M. Enthoven (Chairman),
LL.M L.Y. Gonçalves-Ho Kang You
Jhr. Drs. D. Laman Trip.

May 2014

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.



Summary

This advisory memorandum considers the options investigated by NLFI for a private sale of REAAL N.V. (REAAL), a 100% subsidiary of SNS REAAL N.V. (SNS REAAL) to which all insurance activities are assigned.¹ This is closely associated with the European Commission decision of 19 December 2013 to approve rescue aid to SNS REAAL. A major condition to this approval is the sale of all SNS REAAL insurance activities within the timeframe set out in the restructuring plan approved by the European Commission. In this advisory memorandum, NLFI also considers the options for the sale of ASR to other insurance companies pursuant to the advisory memorandum regarding the sales options for ABN AMRO and ASR dated 23 August 2013. This is in accordance with your request in a letter to the Tweede Kamer (Dutch Lower House) dated 18 December 2013.

Sale of REAAL

As holder of 100% of the shares in REAAL, SNS REAAL shall act as the seller. As the only shareholder in SNS REAAL and indirect shareholder in REAAL, NLFI will be closely involved in and play an active role in any sale. This is in line with the framework used by the government in the sale of government holdings.

NLFI is of the opinion that a private sale of REAAL should be organised as a controlled auction. This would facilitate an open and competitive tender process designed to maximise proceeds from the sale. Given the requirement for transparency, it should preferably be made a condition that only cash offers are requested. This may allow the double leverage within SNS REAAL to be reduced as required by the European Commission. Further, it will also reduce the risk to the State as a consequence of the bridge loan of EUR 1.1 billion it has made to SNS REAAL. Optimising proceeds may entail, besides direct proceeds, other relevant elements'. This includes the certainty that a bidder can in fact finance the bid, an action plan with respect to unit-linked insurance following the acquisition, legal risks with respect to the transaction, a well-founded business plan including a synergy and integration plan and the likelihood that supervisors will approve the acquisition.

NLFI advises that the sale process be organised in phases so that detailed information is shared only with interested parties that have not dropped out at an earlier stage. Assuming this advisory memorandum is considered in the Tweede Kamer (Dutch

¹ In this advisory memorandum, REAAL also includes SNS Asset Management. SNS REAAL intends to assign the subsidiary above to the sale of REAAL.

Lower House) in June 2014, and that the sale process then commences prior to publication of the semi-annual accounts of SNS REAAL, it would be December 2014 at the earliest before a definitive purchase agreement could be signed.

NLFI considers it highly important that the sale of REAAL complies with the specific requirements set by the European Commission with respect to the sale of REAAL and with the general requirements set by the Commission for an open and transparent process. It is the opinion of NLFI that the recommended sale process complies with all the points of these requirements. One of the requirements of the European Commission is that the sale takes place within the timeframe of the restructuring plan. It is the opinion of NLFI that it is also in the interests of REAAL itself that the sale starts in the short-term and is completed within the foreseeable future. Among other things, long-term uncertainty as a consequence of the mandatory divestment will be damaging to the daily commercial operations of REAAL. NLFI advises you, after discussing this advisory memorandum with the Tweede Kamer (Dutch Lower House), to ask SNS REAAL to start the sale process.

Sale of ASR with a dual track approach

NLFI is of the opinion that ASR is currently ready for the start of a *dual track* exit process which may result in a private sale or a market flotation. The executive board of ASR has successfully continued to build a track record of achieving results. NLFI considers that ASR will be ready for market flotation in the autumn of 2014.

NLFI notes a number of general market conditions and more structural issues at play in the insurance market that lead to the conclusion that now is not the best time to sell ASR in its entirety.

NLFI also notes two important developments which considerably alter the playing field within the insurance sector: the announced flotation of Nationale Nederlanden by ING Group and the sale of REAAL by SNS REAAL. NLFI is of the opinion that it would not be desirable to float ASR on the market at the same time as Nationale Nederlanden or offer ASR for private sale in the market during the sale of REAAL. NLFI recommends putting the *dual track* approach for ASR on hold for the moment.

ASR bid for REAAL

As indicated in the exit advisory memorandum dated 23 August 2013, ASR is keen and able to play an active role if an attractive consolidation option is presented. This is the case with the sale of REAAL. NLFI advises you to permit ASR, along with other interested parties, to take part in the bidding process for REAAL. NLFI endorses the analysis by ASR that there is clear economic rationale for the acquisition of REAAL. A merger would result in a strong player in the insurance sector. ASR has indicated that cost reductions can be achieved, that there are economies of scale and that a merger with REAAL will strengthen distribution.

The synergistic benefits that the merger would achieve could increase proceeds from an exit from the combination at a later stage.

To make an adequate bid for REAAL, ASR will need to attract additional capital, assuming that the State is not prepared to grant the necessary additional capital. NLFI considers it important that ASR attracts the financing on market terms, adopting an open and transparent process in line with the requirements set out by the European Commission. Against this background, NLFI would prefer that ASR raise the majority of the financing in the form of equity by issuing new shares, provided this can be done under acceptable terms. This preference is derived from the market test that this yields for a bid by ASR for Reaal and the joint risk bearer this will introduce in addition to the State. Issuing new shares will dilute the State's interest in the possible combination and that has elements of privatisation. To comply with the requirements set by the European Commission on the sale of government holdings, the ASR financing process will also need to be competitive and sufficiently accessible for potential bidders. Among other things, this means that every party must have the opportunity to participate in the selection process for a financier for ASR before it makes a bid for REAAL. Only if ASR submits a winning bid for the shares in REAAL will financing of the bid proceed and the financier selected will acquire a minority interest in ASR. If the ASR bid does not result in the acquisition of REAAL, ASR will not make use of the financing. The sale process for ASR as an independent company can then continue with a *dual track* approach whereby the recommendation is to first wait for the flotation of Nationale Nederlanden and the sale of REAAL to be completed.

If ASR makes a bid for REAAL, NLFI is simultaneously both the sole shareholder in the selling party, SNS REAAL, as well as in the bidding party, ASR; consequently, NLFI has implemented a number of additional internal measures to avoid any conflicts of interest or unfair competition. NLFI has organised its internal operations in such a way that portfolio optimisation is excluded. It has done this to avoid any conflicts of interest and potential breach of the requirement for an open and transparent process for the sale of REAAL and the ASR bid – and the financing of the latter.



1 Introduction

1.1 Content of the advisory memorandum

As you indicated immediately following the nationalisation of SNS REAAL N.V. (hereinafter: SNS REAAL) all shares held by the State in SNS REAAL were transferred on 31 December 2013 to Stichting administratiekantoor beheer financiële instellingen (trust office foundation for the management of financial institutions,² hereinafter: NLFI), in exchange for certificates. Since then, NLFI has managed the State's holdings in, among others, SNS REAAL, ASR Nederland N.V. (hereinafter: ASR), ABN AMRO Group N.V. and Propertize B.V. (formerly SNS Property Finance B.V.).

In your letter to the Tweede Kamer (Dutch Lower House) dated 18 December 2013,³ you asked NLFI to deliver an assessment in March 2014 of the possibilities for a private sale of REAAL N.V. (hereinafter: REAAL), a 100% subsidiary of SNS REAAL to which the group's insurance activities are assigned.⁴ NLFI addresses this request in this advisory memorandum. This advisory memorandum does not consider the option of privatising SNS Bank N.V. In accordance with your request, you will receive a separate advisory memorandum in this respect after summer 2014. In your letter dated 18 December 2013 you asked NLFI to also include the follow-up research in respect of ASR in the advisory memorandum, as announced previously in your plans for the future of financial institutions⁵ dated 23 August 2013. In this 'plans for the future' letter you expressed your desire to adopt a so-called *dual track* approach for ASR with possibilities for both a private sale and market flotation. After the 'plans for the future' letter had been considered in the Tweede Kamer (Dutch Lower House), you asked ASR to make further preparations for a market flotation. At the same time, you asked NLFI to investigate the possibilities of a sale to other insurance companies. In this advisory memorandum, NLFI will also share the (follow-up) assessment that you requested for ASR.

Should you, in line with this advisory memorandum, decide to allow the sale of REAAL to commence in the short-term, this will have a major impact on the options for ASR. This is why this advisory memorandum looks not just at the possibilities regarding the sale of ASR with a *dual track* approach as you requested, it also looks at the role that ASR could play in the REAAL sale process.

² 'Stichting administratiekantoor beheer financiële instellingen' operates under the name NLFI.

³ Parliamentary document no. 33532-31, 18 December 2013.

⁴ Some of the insurance activities are assigned to subsidiaries of REAAL.

⁵ Parliamentary document no. 32013-36, 23 August 2013.

In preparing this advisory memorandum, NLFI has acted in accordance with its purpose as described in its statutes. In the lawful discharge of its duties and in exercising the rights associated with the shares held by NLFI, NLFI focuses primarily on the financial and economic interests of the State,⁶ while taking into consideration the interests of the company, its subsidiaries and affiliates and the employees that are thus involved. When drawing up this advisory memorandum and in accordance with these statutes, NLFI has also considered the interests of the stakeholders in REAAL and ASR, including those of the relevant Works Councils. This is also in line with the explicit request by SNS REAAL, ASR, and the advisory bodies associated with them to focus on the interests of the stakeholders concerned.⁷ Moreover, NLFI ensures that the companies pursue a responsible corporate strategy in line with sound commercial business practices and the applicable rules of good corporate governance.

Because SNS REAAL and ASR qualify as government holdings and this advisory memorandum relates to the sale of REAAL by SNS REAAL and the role which ASR may play in this, NLFI has taken the relevant government framework into account when drawing up this advisory memorandum. To the extent that this advisory memorandum is concerned with the sale of REAAL, the decision-making framework for the privatisation and empowerment of government services⁸ dated 30 October 2012 has been taken into account. To the extent that it is concerned with a possible role for ASR in the REAAL sale advisory memorandum, the framework for (dis)investments by government holdings described in the Nota Deelnemingenbeleid Rijksoverheid (Government Policy on Holdings) memorandum 2013 has been followed.⁹

SNS REAAL and ASR were closely involved in preparing this advisory memorandum. In addition De Nederlandsche Bank N.V. (Dutch Central Bank) (hereinafter: DNB) and the stichting Autoriteit Financiële Markten (Authority for the Financial Markets) (hereinafter: AFM) were also asked to share their views on the advisory memorandum. Discussions were also held with various investment banks and financial and legal advisers.

1.2 Overview of market conditions in the insurance sector

In your 'plans for the future of financial institutions' letter dated 23 August 2013, you considered the stability of the financial sector as a whole and the insurance sector in particular.¹⁰ You indicated that work was being undertaken at both national and at the European level to further strengthen the stability of the financial sector. In your

⁶ The financial and economic interest of the State is linked to the exchangeable certificates for shares issued by NLFI (trade name) rather than a shareholding in the companies.

⁷ See the responses from SNS REAAL and ASR and the advisory bodies associated with them to the exit advisory memorandum included as annex 6 to this advisory memorandum.

⁸ Parliamentary Research Committee report entitled 'Verbinding verbroken?' (Connection broken) dated 30 October 2012 Privatisation/Empowerment of Government Services (2012), Eerste Kamer (Dutch Upper House), session 2012-2013, C.A.

⁹ Parliamentary Documents II 2007/08, 28 165, no. 69 and Ministry of Finance, Director of Financing, Government Policy on Holdings Memorandum 2013, 18 October 2013, p. 69.

¹⁰ Parliamentary document no. 32013-36, 23 August 2013.

opinion, the acute market stress had declined. Furthermore, measures have been implemented to help prevent the threat of future market stress.

You indicated that turnover in the individual life insurance market is under considerable pressure. This is caused by the rising popularity of 'banksparen' income tax deductible pension savings accounts, a reduced need for savings and investment mortgages, reduced consumer confidence in the sector and by unit-linked insurance policies sold in the past. Furthermore, low capital market interest rates have major consequences for life insurance companies and their valuation.

NLFI endorses this conclusion. The low capital market interest rates make it very costly for insurance companies to offer interest rate guarantees. At the same time, the return on fixed rate securities on the assets side of insurance companies' balance sheets is restricted because of the low rate of interest. This is reflected in a relatively low valuation of Dutch insurance companies.

Other developments in the insurance market are also putting downward pressure on the valuation of Dutch insurance companies. The prudential supervision of insurance companies in the years ahead will be dominated by the Solvency II capital framework which is expected to be introduced on 1 January 2016. In anticipation of Solvency II, DNB has introduced the theoretical solvency criterion (TSC). Introduction of the TSC means that technical investment and insurance risks become part of determining the capital requirements for investment companies.¹¹ DNB uses the TSC as a risk-based indicator to establish whether an insurance company will or could fall below the required solvency margin over the next 12 months. Where this is the case, the insurance company must submit a request for a declaration of no objection from DNB to make a dividend payment or other capital withdrawals. The more risk-focused supervisory system means changes to insurance companies' investment mix. This has resulted in a lower Solvency II capital requirement which also has consequences for insurance companies' return on investment.

In addition to low interest rates and the tightening up of the capital requirements for insurance companies, life insurance companies in the Netherlands find themselves confronted with the consequences of the unit-linked insurance affair. DNB announced recently that¹² it is important that insurance companies find a definitive solution to the unit-linked insurance affair. Insurance companies are also being urged by the AFM to make changes to their policy so that customers have the opportunity to improve their position looking to the future. The AFM has drawn up a recommendation for determining the target figures that insurance companies need to meet.¹³ It is about offering solutions for different types of policyholder. However, developing an approach to the unit-linked insurance affair will take some time and during that time, uncertainty about the outcome of the affair will continue to push down the valuation of Dutch insurance companies.

¹¹ De Nederlandsche Bank, Annual Report 2013, p. 66.-67

¹² De Nederlandsche Bank, Overview of Financial Stability, spring 2014, no. 19.

¹³ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2013-2014, hoofddossier 29507, nr. 121 (Lower House of the States General, session 2013-2014, main dossier 29507, no. 121).

Declining turnover is forcing life insurance companies to restrict their activities. Various insurance companies have now completely stopped selling new individual unit-linked insurance policies. The sale of traditional life insurance policies is also coming under pressure, in part due to a change in how they are treated fiscally, resulting in the rising popularity of 'banksparen', an income-tax deductible pension savings account. Furthermore, the individual life insurance market has stopped growing and the non-life insurance market is saturated. Because of these trends, insurance companies, analysts and investors have for some time been expecting consolidation in the Dutch insurance sector. This expectation is based primarily on the synergy benefits and economies of scale that can be achieved in a shrinking market. Improvement will then be achieved largely through reducing the cost base. However, to-date, there has been no meaningful move to consolidate the Dutch insurance sector. The intended sale of REAAL could mark the first step towards such consolidation. Insurance companies that already have substantial activities in the Dutch market are expected to show interest because of the significant synergies that integrating with REAAL could deliver.

In addition to the intended sale of REAAL by SNS REAAL, ING Group N.V. (ING) also plans to start with the sale of Nationale Nederlanden. In the exit advisory memorandum dated August 2013, NLFi already made reference to the process that will result in the divestment of ING into a separate bank, ING Bank, and a separate insurance company, Nationale Nederlanden. In 2009, with revisions in 2012, the European Commission imposed a number of restructuring measures on ING. These oblige ING to have sold 50% of the European insurance activities by the end of 2015. By the end of 2016 at the latest, the European insurance activities must have ceased completely. To comply with this, it has now become clear that the stock flotation of Nationale Nederlanden will need to take place in 2014. With a stock flotation, Nationale Nederlanden may over time become a player in the consolidation of the sector.

The highlighted developments in the Dutch insurance sector are putting the valuation of individual insurance companies under pressure. The individual life insurance market is no longer growing and the market for non-life insurance is saturated. Over the forthcoming period, both SNS REAAL and ING must divest their insurance activities due to a decision by the European Commission. Despite the observation that consolidation is possible and desirable, the developments outlined imply that potential buyers for REAAL and ASR are probably limited at the moment.



2 Sale of REAAL

This chapter examines the sale options for REAAL. See annex 1 for more detailed background information about SNS REAAL and REAAL. SNS REAAL intends to include SNS Asset Management (SNS AM) within the REAAL legal holding prior to the sale of REAAL. SNS AM is, like REAAL, a 100% subsidiary of SNS REAAL. In this advisory memorandum, REAAL and SNS AM are referred to jointly as REAAL.

2.1 Role of NLF I in the sale of REAAL

As holder of 100% of the shares in REAAL, SNS REAAL shall act as the seller. Clearly NLF I, as the sole shareholder in SNS REAAL and, ultimately, as an indirect shareholder in REAAL, will be very closely involved in any sale of REAAL. As such, SNS REAAL must first submit important decisions regarding any possible sale transaction to NLF I for approval.¹⁴ NLF I also sees its role as shareholder to monitor repayment by SNS REAAL of the EUR 1.1 billion bridge loan provided by the State. NLF I will also ensure that the sale process complies with the requirements set by the European Commission for an open and transparent process. The State will continue to formally monitor compliance with the restructuring plan agreed by the European Commission. NLF I shall ensure that SNS REAAL implements the restructuring plan.

Given the above tasks and responsibilities, NLF I will need to play an active role in any sale process. Governance in any such process rests with NLF I. This is in line with the basic premise of the Government Policy on Holdings Memorandum 2013 that in the case of sale processes relating to government holdings, governance should rest with the State as the selling shareholder.¹⁵

2.2 European Commission requirements with respect to the REAAL sale process

The State's shareholding in SNS REAAL is the direct consequence of the nationalisation on 1 February 2013. In its decision of 19 December 2013, the European Commission agreed to the support measures and restructuring of SNS REAAL on the basis of the restructuring plan submitted by you and SNS REAAL. The total restructuring period in the European Commission's decision is 2014-2017. An important element of the

¹⁴ This is derived from article 2: 107a of the Dutch Civil Code and the SNS REAAL articles of association. NLF I must then submit key and weighty decisions to the minister for approval in accordance with article 4 of the NLF I Act.

¹⁵ Government Policy on Holdings Memorandum 2013, page. 68.

restructuring plan is the separation of the banking and insurance activities so that REAAL and SNS Bank can be sold separately from one another.

The European Commission also imposed four additional requirements on the sale of REAAL:¹⁶

1. the sale process must be open and transparent;
2. SNS REAAL must divest all the insurance activities of SNS REAAL;
3. the proceeds from the sale must be used in the first instance to reduce SNS REAAL's 'double leverage'¹⁷; and
4. the sale must be completed within the timeframe of the restructuring plan.

This chapter explains how the sale process recommended by NLFİ complies with all four of the requirements.

The requirement imposed by the European Commission that the REAAL sale process must be open and transparent is given further substance in a European Commission internal guideline. In this guideline the European Commission has defined the requirements with which an open and transparent sale process must comply during the privatisation of government holdings.¹⁸ The basic premise is that the selling member state is deemed not to be granting any state support to the buyer provided the buyer pays a fair market price for the shares in the company. This is known as the 'criterion of the private buyer'.

According to the European Commission, market compliance of the sale price can be safeguarded in a number of ways. In any case, there is no question of state support if the following conditions are met:

- i. The process is open and transparent. A competitive tender that is open to all parties, is transparent and is independent of mandatory actions with respect to the sale;
- ii. The highest bid must be honoured if the market compliance conditions and criteria related to the sale are met and the stability of the sector and of the companies concerned is assured;
- iii. Bidders must be granted sufficient time and information to reach an effective valuation.

In the case of complex privatisation transactions, there is a certain degree of flexibility when assessing compliance with the conditions, at least as long as the sale process is covered by the necessary guarantees.

¹⁶ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2010-2011, hoofddossier 28165, nr. 117 (Lower House of the States General, session 2010-2011, main dossier 28165, no. 117).

¹⁷ Double leverage occurs when subsidiaries' equity is financed with loan capital raised by the parent company.

¹⁸ European Commission, 'Guidance Paper on state aid-compliant financing, restructuring and privatisation of State-owned enterprises', Brussels, 10 February 2012, available via: http://ec.europa.eu/competition/state_aid/studies_reports/swd_guidance_paper_en.pdf.

2.3 Conditions for the return of government interests

In addition to the requirements imposed by the European Commission on the sale of REAAL, below is a brief summary of the four conditions formulated by your predecessor in office in 2011 concerning the return of government interests in financial institutions to the private sector:¹⁹

- i. the stability of the sector;
- ii. the degree of readiness and stability of the financial institution that is to be sold;
- iii. the market's absorption capacity; and
- iv. the objective of recovering the State's total investment plus capital costs as far as possible.

The fact that in the case of REAAL, unlike ABN AMRO and ASR, the European Commission requires REAAL to be divested limits the relevance of the above conditions in terms of the sale of REAAL. For this reason, annex 3 includes only a summary assessment of these conditions.

2.4 Private sale via a controlled auction

In your letter to the Tweede Kamer (Dutch Lower House) dated 18 December 2013²⁰ you indicated a private sale as the most logical route for the sale of REAAL. NLFİ supported this conclusion based on the public information known at the time. You have asked NLFİ to examine whether a private sale remains the preferred route. On the basis of an analysis carried out by NLFİ, NLFİ concludes that a private sale remains the most logical route. This analysis is included as annex 2 to this advisory memorandum.

A private sale in this context means the sale of REAAL to a strategic market party²¹ or a financial investor from the Netherlands or abroad. Financial investors may refer to *private equity*, institutional parties or specialist (re)insurance companies for a run-off portfolio. The sale of REAAL as a whole to a consortium of strategic market parties and/or financial investors each interested in a part of REAAL is also a possibility provided the consortium forms a single party in the sale agreement (see also chapter 2.7, under ii) and the actual separation of those parts takes place following formal completion of the sale.

There are a number of private sale options such as a bilateral sale process, a 'controlled auction' and a 'public auction'. In a controlled auction, the seller determines in advance the parties that are invited to submit a bid. This must be a wide circle of

¹⁹ Tweede Kamer, vergaderjaar 2010-2011, 28165, nr. 117 (Dutch Lower House, session 2010-2011, 28165, no. 117).

²⁰ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2013-2014, hoofddossier 33532, nr. 31 (Lower House of the States General, session 2013-2014, main dossier 33532, no. 31).

²¹ Parties who are already active as an insurance company.

parties. These parties will receive a *process letter* with a precise description of the conditions with which a bid must comply in order to be eligible. Parties who have not received a *process letter* but who have registered as an interested party and comply with the conditions described in the *process letter* may also submit a bid. With a public auction, anyone is able to submit a bid. In this variation, the seller does not know which parties may respond and in what form bids will be submitted.

NLFI is of the opinion that a wide circle of interested parties should be enabled to submit a bid for REAAL via a controlled auction. This will facilitate an open and competitive tender process. A public auction is less preferable from the point of view of process management.

2.5 The sale process in concrete terms

With a view to the transparency required, the preference is to impose a condition that all bids must be made in cash, and not in shares for example.²² Bids in cash can be effectively compared against one another. Cash proceeds from the sale can also be used to reduce the double leverage within SNS REAAL. It will also reduce the risk to the State as a consequence of the bridge loan of EUR 1.1 billion made to SNS REAAL. Further, cash proceeds from the sale will avoid the State indirectly acquiring shares in a company in which it had no interest until that point. Your policy and that of your predecessors is focused on a gradual exit of the State's interests in financial institutions. Accepting bids in shares would mean a move away from this principle.

The sale process must focus on optimising the proceeds from the sale of REAAL as a whole. When determining the optimal proceeds from the sale, the direct revenue from the sale is not the only relevant criterion. NLFI believes that other factors may also be relevant. These relate to:

1. how certain it is that the bidder can actually finance the bid

The extent to which a bid can be financed in cash depends in part on the bidder's financial strength and to what extent the bidder can easily raise external capital.

2. an action plan to the unit-linked insurance affair following acquisition

The basic premise is that SNS REAAL and/or the State issues as few guarantees as possible to the buyer. NLFI's working assumption with respect to the unit-linked insurance affair is that the State and/or SNS REAAL offer no guarantee nor indemnity. However SNS REAAL will, as part of the sale process, offer as much insight as possible in the status of the unit-linked insurance affair. This is in line with the AFM policy on this point.²³ This will enable buyers to properly price

²² It follows from a previous decision by the European Commission that imposing conditions on the way in which bids must be submitted is permitted, see European Commission, decision in the case of ANA – Aeroportos de Portugal, 19 June 2013, C(2013) 3546.

²³ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2013-2014, hoofddossier 29507, nr. 121 (Lower House of the States General, session 2013-2014, main dossier 29507, no. 121).

REAAL's unit-linked insurance policies. The ultimate buyer must also provide full insight and clarity regarding the approach to the unit-linked insurance affair following the transaction. The buyer must be aware of his duty of care with respect to unit-linked insurance policies.

3. legal risks in relation to the transaction

In reviewing a bid the legal risks, in particular risks in relation to the transaction, are a relevant criterion.

4. a well-founded business plan (including any synergy and integration plan)

A detailed business plan (including any synergy and integration plan) is a relevant criterion in the assessment of a bid.

5. the likelihood that external supervisory bodies will approve the acquisition

Bid assessment will also take into consideration the likelihood that supervisory bodies will approve the transaction in time. For example a buyer acquiring an interest of at least 10% in REAAL must request a declaration of no objection from DNB. Furthermore, from a competition perspective prior approval by the Dutch Authority for Consumers & Markets or the European Commission will probably be required prior to sale of shares in REAAL, depending on the buyer's activities in the Netherlands or in other member states of the European Union. If prior approval is required, the transaction cannot be completed until the competent authority has in fact granted such approval. The buyer must prepare a market concentration statement to this effect.

6. the likelihood that a bid will successfully pass the governance procedures of the companies concerned

SNS REAAL's legal and statutory framework specify that any decision taken by the executive board to transfer REAAL requires the approval of the supervisory board. Before the decision can be submitted for approval to NLFI as the sole shareholder in SNS REAAL, the Works Council must be given the opportunity to form a view on the proposed decision and issue a recommendation.²⁴

2.6 Sale process time schedule

Prior to the sale, more work will be done to separate REAAL from both SNS REAAL and SNS Bank. NLFI is of the opinion that the REAAL sale process should be organised in a phased way. This means that detailed information about the company will be shared only with interested parties that have not dropped out at an earlier stage of the process. As result, there will be limited disruption to REAAL's commercial interests.

²⁴ This is derived from article 2:107a of the Dutch Civil Code and article 25 of the Wet op de ondernemingsraden (Works Councils Act).

A sale process organised as a controlled auction takes on average between six and nine months from completion of the necessary preparations through to signing of the binding purchase agreement.

Once this advisory memorandum has been discussed in the Tweede Kamer and you have agreed to start the REAAL sale process, SNS REAAL will put together a confidential *process letter* (process description) – with a description of the sale procedure and the company that is for sale – and a confidential information memorandum – containing information about the company. Assuming that the advisory memorandum is dealt with in the Tweede Kamer (Dutch Lower House) in June 2014, SNS REAAL will then aim to issue the *process letter* and the information memorandum prior to publication of the semi-annual accounts for²⁵ 2014.

Interested parties will be given the opportunity to submit an initial indicative bid on the basis of the information memorandum. The first round of bids can generally be held at the earliest four weeks after the information memorandum is sent out. The bids submitted are then reviewed. A selection will then take place of the parties that have submitted the most attractive bids.

The remaining party/ies will be given the opportunity to submit a binding bid based on the information gathered from the data made available by SNS REAAL. This information will be of a detailed nature so that interested parties can submit a well-informed bid. This generally takes between six and eight weeks.

Selection of the remaining party/ies then takes place. According to SNS REAAL, this could take place in the autumn at the earliest, assuming that the process is started prior to publication of the semi-annual accounts for 2014. Exclusive negotiations then start with the remaining party/ies. This process generally takes a few weeks.

The provisional SNS REAAL timeline assumes that a definitive binding sale agreement can be signed at the earliest in December 2014, which in turn assumes that the process can be started prior to publication of the half-yearly accounts for 2014.

2.7 Does the sale process comply with the European Commission's requirements?

As noted previously, NLFİ considers it important that the REAAL sale process complies with the conditions imposed by the European Commission.²⁶ SNS REAAL endorses this.²⁷ The analysis below shows that the sale process recommended by NLFİ complies with these requirements and conditions.

²⁵ Scheduled for 28 August 2014.

²⁶ In this case the sale process adopted does not, in principle, need to be reported to the European Commission.

²⁷ See the written response from SNS REAAL to the advisory memorandum dated 16 April 2014, included as annex 6.

i. Open and transparent process

In the view of NLF, a controlled auction whereby a wide circle of potential interested parties is invited to submit a bid complies with the requirements set by the European Commission for an open and transparent sale process. This is because of the fact that interested parties that are not invited must be admitted to the sale process provided they comply with the conditions imposed previously on a bidder or on the way in which a bid is submitted. The European Commission requirements provide the scope to impose such conditions, provided these are transparent and non-discriminatory.²⁸ The criterion set out in chapter 2.5 that bids must be in cash and the other assessment factors referred to in the same chapter are, in the opinion of NLF, transparent and non-discriminatory.

ii. The sale of all the insurance activities of SNS REAAL

A private sale will in principle allow all the insurance activities to be sold. SNS REAAL and NLF have investigated whether the sale of separate insurance activities is possible and desirable. Such a sale process could potentially yield a greater number of interested parties than a process whereby REAAL is offered as a whole. On the other hand, splitting off various insurance activities is complex, time-consuming and increases the operational risk for SNS REAAL. SNS REAAL also makes reference to this in its response to the advisory memorandum (annex 6). There is also the risk that the market will have no interest in certain activities. In terms of process monitoring, it is also preferable to sell REAAL as a whole with a single sale agreement rather than with multiple sale agreements for different parts.

However, to be considered for separate activities of REAAL, potential buyers may form a consortium and purchase the insurance activities as a whole and then split them up following formal completion of the sale. Splitting off the insurance activities over time should be possible for the separate legal entities of REAAL, i.e. SRLEV N.V., REAAL Schadeverzekeringen N.V., Proteq Levensverzekeringen N.V., SNS Verzekeringen B.V. and SNS Asset Management. Zwitserleven is not a separate legal entity but does form part of SRLEV N.V. Given the legal and supervisory requirements, it is highly complicated to transfer Zwitserleven as a separate entity or portfolio.

iii. Use of the proceeds from the sale to reduce the double leverage within SNS REAAL

The proceeds from the sale should be used in the first instance to reduce the double leverage within SNS REAAL. Reducing the double leverage may also reduce the risk faced by the State in relation to the EUR 1.1 billion bridge loan granted to SNS REAAL.

iv. Complete sale within the timeframe of the restructuring plan

The European Commission requires the sale of REAAL to be completed within the timeframe of the restructuring plan. It is also in the interests of REAAL itself that

²⁸ See: European Commission, decision in the case of ANA – Aeroportos de Portugal, 19 June 2013, C(2013) 3546.

the sale starts in the short-term and is completed within the foreseeable future. Long-term uncertainty as a consequence of the mandatory divestment is likely to be damaging to REAAL's commercial operations. The REAAL sale process must therefore be addressed quickly. A further argument in favour of a short-term sale is as follows. When SNS REAAL was nationalised, the securities and assets issued by REAAL were not nationalised. However the now definitive restructuring plan means that the coupon interest on certain hybrid instruments issued by SRLEV (100% subsidiary of REAAL) for the moment may not be paid out without prior consent from the European Commission. This means that REAAL has a 'default' rating on these instruments from credit rating agencies. This could result in a lower rating for the company itself. For the moment, REAAL is not permitted to buy back these instruments at or below the nominal value without the prior consent of the European Commission. These conditions cease to prevail at the moment that REAAL is divested.

The period of time required for a private sale depends in part on the complexity of the transaction and the number of interested parties. As explained in greater detail in chapter 2.6, the sale process with a controlled auction takes on average between six and nine months from completion of the necessary preparations through to the signing of a binding sale agreement. Assuming that the process is started prior to publication of the semi-annual accounts for 2014, NLFI is of the opinion that this complies with the requirements of the restructuring plan.

2.8 Request

NLFI advises you, following discussion in the Tweede Kamer, to request that SNS REAAL begin the REAAL sale process along the lines described in this advisory memorandum. NLFI requests that you grant authority to NLFI to implement on behalf of the State the strategy described in this advisory memorandum for the sale of REAAL shares and to perform all associated activities as defined in article 3, second paragraph, section b, subsection 2° of the NLFI Act.²⁹

²⁹ Article 3, second paragraph, section b, subsection 2° of the NLFI Act states: "to execute on behalf of the State the strategy referred to in part 'b' under (i) and, to the extent authorised, to perform activities with a view to managing assets related to the shares and with a view to selling the shares".



3 Sale options for ASR with dual track approach

3.1 Readiness of ASR

In line with the NLFI exit advisory memorandum from August 2013, in your letter to the Tweede Kamer dated 23 Augustus 2013, you indicated that ASR was ready to prepare for a sale with a *dual track* approach. ASR is considered to be capable of undergoing a process which may result in a sale or merger. In August 2013, ASR was also considered to be in a position where it could possibly meet the requirements for a market flotation as early as spring 2014. NLFI also noted that ASR still faced a number of strategic challenges in making every aspect of its market proposition convincing to investors. In particular, profitability in both Non-life and Other³⁰ required sustained improvement.

Nor was ASR completely ready in the area of financial management and reporting. More than six months have passed since then. During this time ASR has undertaken further preparations by tackling the outstanding points and addressing the strategic challenges highlighted by NLFI.

The financial management has been further improved over the past six years and is now of high standards. This applies equally to internal and external reporting which has been both speeded up and improved. The aim is to further accelerate the processing of internal reports. ASR is at an advanced stage in its preparations for Solvency II³¹ and is in a position to prepare suitable reports in this respect. The Solvency II risk metrics have also been implemented at the level of ASR's Onder Toezicht Staande Ondernemingen (Companies under Supervision) (OTSO).³² Furthermore, ASR has been conducting an Own Risk Solvency Assessment (ORSA) for a number of years. These studies demonstrate that ASR is able to recover to an acceptable solvency level following extreme situations. Also of relevance in this context is the fact that the rating agency Standard & Poor's (S&P) has adjusted the rating from an "A" rating with a *negative outlook* which was valid to 2012 to an "A" rating with a *stable outlook* for ASR Leven (life insurance) and ASR Schade (non-life insurance). Operational risk management has also been strengthened with organisation-wide implementation of the so-called Management-in-Control

³⁰ The Other segment includes Ditzo, ASR Bank, SOS International, a.s.r. property development, and the company's own pension expenses and holding activities.

³¹ When it is introduced, which is expected on 1 January 2016, this second solvency directive will aim to harmonise the capital supervisory framework within the European Union.

³² Legal entities falling under ASR Nederland N.V. which are subject to supervision, see figure 2 in annex 4.

framework. ASR also receives a good review from S&P with respect to risk management. ASR is also ready for market flotation in terms of compliance with relevant corporate governance codes.

With respect to addressing the strategic challenges, ASR's approach over the past year has already borne fruit. The combined ratio³³ and profitability of the non-life segment has improved thanks to a continued focus on cost management and further improvement to the claims management process.³⁴ In 2013, the combined ratio excluding the impact of WGA-ER (partial disability act excess) was 96.5%.³⁵ This is good compared with its peers. Within the Other segment, it is notable that the banking activities set up by ASR are now profitable. The savings portfolio increased via deposits into life annuity accrual accounts. At the same time, lower ICT, marketing and personnel costs reduced operational expenditure. Furthermore exposure in ASR's real estate development business - also part of the Other segment - declined substantially in the recent period. In consultation with municipalities and investors, projects have been phased and downscaled and projects which do not fit within the strategic framework have been dropped.

As explained in chapter 1.2, the life insurance market has been under pressure for some time. In particular, there has been a sharp decline in demand for individual life insurance products. However in 2013 ASR demonstrated that, despite the decline in new production and premium subscriptions, it is able to maintain profitability of the existing portfolio. Furthermore, ASR has adopted a (pro)active attitude to the unit-linked insurance affair and actively approached customers. Some customers have already received compensation. The necessary provisions have also been incurred. In the pensions market, ASR has maintained its market position in collective guarantee products. ASR has also successfully introduced a new (defined contribution) product. Via a joint venture with Brand New Day, ASR is responding to the fast growing market for premium pension institutions (PPI). Given the nature of the portfolio, it would appear that ASR is able to generate sufficient profit from the life insurance segment for a long time to come, while continuing to work towards a sustainable future with new initiatives in pension products and banking activities.

NLFI is therefore of the opinion that ASR is currently ready for the start of a dual exit process which may result in a private sale or a market flotation. The executive board of ASR has successfully continued to build on a track record of achieving results. NLFI considers that ASR will be ready for market flotation in the autumn of 2014.³⁶

³³ The combined ratio is a benchmark for the operational profitability of a non-life insurance company and is a ratio of premium income from non-life policies and total costs (payment of claims, acquisition costs and operational costs) related to the policies.

³⁴ Management of the process that results in the payment of claims.

³⁵ WGA-ER: Partial Disability Act excess. In line with the Dutch partial disability act (WGA) market, the size of payments and new claims submitted to ASR is higher than previously forecast. In 2013, this led to an additional contribution of EUR 137 million with respect to WGA-ER. ASR has implemented measures to manage WGA-ER claims payments.

³⁶ ASR is also of the opinion that the company is ready for market flotation according to ASR's response to the advisory memorandum included as annex 6.

3.2 Is the market ready for the sale of ASR?

Chapter 1.2 includes a more detailed description of the insurance sector in the Netherlands. From the perspective of the general market conditions outlined and the more structural issues at play in the Dutch insurance sector, this does not appear to be the best time to sell ASR in its entirety.

This does not affect the fact that, as reported in the exit advisory memorandum of August 2013, ASR could be an interesting company for various Dutch insurance companies to consider a merger with. During the recent period, various parties have indicated their interest in ASR to NLFI and ASR but this has not yet resulted in a concrete proposal.

At the same time, NLFI reports two important market developments which are changing the playing field within the insurance sector considerably and which may have substantial impact on the execution and timeline of a dual exit process for ASR. This relates to the market flotation of Nationale Nederlanden announced by ING Group N.V. (ING) and the developments surrounding the sale of REAAL by SNS REAAL.

As explained in chapter 1.1, it now seems clear that ING intends to float Nationale Nederlanden on the stock exchange in 2014. The timing of the any Nationale Nederlanden flotation must certainly be weighed up against a decision regarding the timing of any ASR flotation. Simultaneous market flotation of ASR would be undesirable because the market's absorption capacity is considered too limited.

The other important development is the sale of REAAL. Should you decide, in line with this advisory memorandum, to start the sale of REAAL in the short-term, this could be a first concrete move towards consolidation in the insurance sector. NLFI is of the opinion that it would not be desirable to put ASR on the market for (private) sale at the same time given the market's limited absorption capacity.

NLFI indicated in the August 2013 exit advisory memorandum that if an attractive consolidation opportunity presents itself, ASR would like and is able to play an active role in this. The sale of REAAL could represent just such an attractive option in the short-term. Chapter 4 considers more closely the role that ASR can play in the REAAL sale process and how ASR can give shape to this in practice.

3.3 Will the capital expenditure be recovered if a sale is achieved

In the 'plans for the future' letter of 23 August 2013 you advised that ASR was involved in an alternative scenario that was researched in the months leading up to the nationalisation of SNS REAAL. You indicated that public documents referred to a *stand-alone mid-point* valuation of ASR at between EUR 2.15 billion and EUR 2.3 billion in January 2013. This is lower than the State's capital expenditure which can

be allocated to ASR at EUR 3.65 billion.³⁷ It must be noted that the valuation was a snapshot and it is only after the entire ASR shareholding has been sold that it will be possible to determine whether the State's capital expenditure can be recovered.

NLFI notes that share prices for the majority of insurance companies comparable to ASR rose in the period after this valuation was made in January 2013. The earlier observation that ASR has taken important steps towards improving the underlying result could be positive with respect to value development. However ongoing low short-term and long-term interest rates are continuing to put downward pressure on investment returns. There is scope for a positive development in the value of ASR's shares if the economic climate continues to improve and interest rates rise. However there is no certainty of this. There may also be other adverse developments which negatively affect ASR's valuation.

NLFI does not rule out that in the case of a market flotation involving the sale of various tranches of shares on the stock market over the long-term, the total proceeds from the sale could equal the State's capital expenditure.

3.4 Conclusion

Given the fact that REAAL may be sold in the short-term and that the market flotation of Nationale Nederlanden is expected at any time in 2014 together with the general market conditions, NLFI advises that for the moment, you suspend the *dual track* process for ASR pending the sale of REAAL and the market flotation of Nationale Nederlanden. At the same time, ASR can play a role in the REAAL sale process by submitting a bid. This is explained in greater detail in the following chapter.

³⁷ See annex 5 for more detailed explanation.



4 The role of ASR in the REAAL sale process

4.1 Bidding for REAAL

NLFI indicated in the August 2013 exit advisory memorandum that if an attractive consolidation opportunity presents itself, ASR would like and is able to play an active role in this. The sale of REAAL represents just such an opportunity. Should you decide to initiate the sale of REAAL, the Management Board of ASR considers it in the interests of the company to submit a bid. ASR has indicated that it sees big strategic and economic advantages in a possible merger with REAAL (as per the response from ASR to the advisory memorandum which is included as annex 6). The merger would result in a strong player in various sub-sectors of the Dutch insurance sector. ASR has indicated that cost reductions can be achieved, that there are economies of scale and that a merger with REAAL will underpin the strength of distribution. The synergistic benefits that the merger would achieve would increase revenue from later exit from the combination.

During the credit crisis, ASR received no state support³⁸ and is therefore not restricted by a European Commission acquisition ban. In common with other interested parties, ASR should be permitted to participate in the sale process as organised by SNS REAAL in accordance with the requirements imposed by the European Commission for an open and transparent process. As a government holding, ASR is not permitted to enjoy any benefit from the sale of another State holding. This means that ASR must also act within the framework used by the European Commission in the assessment of investments by participating member states. One relevant criterion in this context is that the ASR bid must be under market terms. This is explained in greater detail in chapter 4.2.

As the sole shareholder in ASR, NLFI must review the ASR bid for the REAAL shares in advance, taking various aspects into account.³⁹ These include shareholder value, the impact of an acquisition on future opportunities to sell the State's remaining shareholding in the combination, contractual terms of the bid including guarantees and indemnities, a well-founded synergy and integration plan, the governance structure following the acquisition, the likelihood of DNB issuing a declaration of no objection, partly on the recommendation of the AFM, and the approach to the unit-

³⁸ ASR falls within the scope of the 'Wet aansprakelijkheidsbeperking De Nederlandsche Bank (DNB) en Autoriteit Financiële Markten (AFM) en bonusverbod staatsgesteunde ondernemingen' (Dutch Act on limitation of the liability of Dutch Central Bank and the Authority for the Financial Markets (AFM) and the ban on bonuses for enterprises that have received state aid).

³⁹ This is derived in part from the Government Policy on Holdings Memorandum 2013.

linked insurance affair. The granting of state support should also be avoided. A number of these aspects are considered in more detail below.

One important aspect in the assessment of a bid by ASR is the impact that the acquisition of REAAL would have on opportunities to sell the State's remaining interest in ASR. NLFİ agrees with ASR that a merger between ASR and REAAL could increase the saleability of ASR. The expectation is that in a market flotation, ASR would be more attractive to investors in combination with REAAL. The proposition that can be offered to investors by floating a combination on the stock market is likely stronger than if ASR were to be floated as an independent company. In its response to the advisory memorandum (annex 6), ASR also states that a merger with REAAL would enable ASR to strengthen its own profile in the context of a future market flotation of the combination by achieving concrete synergies and strengthening its market position.

The combination can be floated on the stock market as soon as the operational integration of the two parties permits. This is expected to require a period of at least one to one and a half years. The market flotation of Nationale Nederlanden will probably have taken place by then.

An earlier private sale of the combination cannot be ruled out. Acquisition of the combination by a Dutch insurance company may be more complex from a competition perspective, given the size of any such combination in terms of the Dutch market. However such a scenario cannot be ruled out. There needs to be a review for each individual situation of the potential complications in terms of competition and the opportunities to implement mitigating measures. This could include separating certain divisions or activities of the combination. Sale of the combination to a foreign insurance company also remains a possibility.

The likelihood of DNB, in part on the recommendation of the AFM, issuing a declaration of no objection to ASR as the buyer of REAAL is very important. NLFİ attaches great importance to the stability of the financial system and the stability of the two companies themselves, which is also to the benefit of the policyholders. For a declaration of no objection to be issued, the combination must demonstrate sufficient solvency, provide sufficient insight into the operational risks of the combined portfolios and how they are managed, and have expert and experienced management in place together with a credible future earnings model.

The approach to the investment-related insurance affair is very important. If the two insurance companies merge, it must be clearly shown how this issue will be addressed within the combination. Of relevance here is how outstanding aspects will be dealt with and the risks this entails for the combination and its shareholder(s).

ASR has indicated that combining with Reaal will in all probability not lead to any problems with respect to market concentration and competition in any of the market segments in which the two parties operate. Although the market position of a merger between ASR and REAAL would be strengthened in virtually all the insurance market

sub-markets, the joint market share will probably remain below the limits at which competition issues come into play. NLFİ agrees with this analysis.

Based on the analysis conducted by ASR and its advisers, NLFİ endorses the view of ASR that the sale of REAAL represents an interesting opportunity with a clear economic rationale and that integration of the two insurance companies considerably increases the State's chance of recovering its original investment in ASR.⁴⁰ One added effect of ASR participating in the bid process for REAAL is that it will increase competition for REAAL shares, which may result in a high(er) sale price for SNS REAAL.

4.2 Financing of the bid for REAAL

Indicative calculations by ASR lead to the conclusion that to make an adequate bid for REAAL resulting in a combination that is sufficiently solvent, ASR must raise additional capital. NLFİ has based this advisory memorandum on the assumption that the State is not prepared to provide the necessary additional capital. This means that ASR must raise the necessary capital externally. NLFİ considers it important that ASR attracts the finance in line with market conditions, adopting an open and transparent process in line with the requirements set by the European Commission. During this financing process, ASR may not be favoured on the basis that it is a government holding.

Companies have various options for attracting external financing. This may be in the form of equity where external financiers are prepared to provide capital in exchange for shares and control, or loan capital where external financiers are prepared to provide capital in exchange for repayment obligations.⁴¹ A combination of these can also be chosen. NLFİ will perform a critical review of the way in which ASR wishes to attract capital and what form this will take from a shareholder's perspective. NLFİ considers it important that the State maintains a majority interest in ASR and in the combination, regardless of the form of the capital that is attracted.

As noted in chapter 4.1 above, NLFİ considers it important that any review of a bid by ASR also considers whether ASR is acting within the framework used by the European Commission in assessing investments by participating member states. This applies equally to the financing raised by ASR for the bid.⁴² The relevant criterion here is of a market participant in a market economy. As part of this, investments are tested against the 'principle of the investor operating in the market economy'. A private investor intending to make an investment will do so only under market terms. It is assessed whether in comparable circumstances a private investor,

⁴⁰ See the response from ASR to the advisory memorandum which is included as annex 6.

⁴¹ This relates to loan capital which, due to its nature, qualifies as equity in the company's solvency calculations, also known as hybrid capital.

⁴² Draft communication from the Commission concerning the term "state support" as defined by article 107 (1), Treaty on the Functioning of the European Union (2014).

operating in normal market conditions, would make the same investment as the government holding. If so, this is seen as a strong indication of compliance with the above principle. To comply with the requirements imposed by the European Commission, NLFİ would prefer ASR to raise the majority of the financing for any bid for Reaal in the form of equity by issuing new shares, provided this can be done under acceptable terms. This preference is derived from the market test that this yields for a bid by ASR for Reaal⁴³ and a situation in which the joint risk bearer in the combination will be introduced in addition to the State.

Issuing new shares will dilute the State's interest in the possible combination and that has elements of privatisation. This aligns with the stated aim of yourself and your predecessor in office to gradually reduce the State's risk in the financial sector, including the insurance sector. From the assessment of the insurance sector in chapter 1.2, it follows that now is not the right time to sell ASR in its entirety. However, financing a bid will dilute only a small part of the State's interest in ASR, with the rationale that this presents an interesting proposition which will increase the future saleability of ASR and is expected to considerably increase the value of ASR and the combination for a later exit.

The basic premise of privatisation is that the selling member state does not grant any state support to the buyer provided the buyer pays a fair market price for the shares in the company, the so-called 'criterion of the private buyer'. This principle is explained in more detail in chapter 2.2 along with the conditions that must be met according to the European Commission to establish that no state support is paid. NLFİ is of the opinion that a competitive and sufficiently accessible financing process provides sufficient security that the selection criteria and agreed terms - specifically the price - are on market terms and do not include any elements of state support.

When assessing the financing that ASR is looking to attract, NLFİ will also consider what role the external financier(s) hope for in the governance relationships. It is usual for a financier to want to attach specific control rights to the acquisition of a minority interest. The particular control rights which the State in all circumstances wishes to retain as a majority shareholder must be reviewed. This may include the introduction of a right of veto on decisions concerning major changes to the identity or character of the combined company and decisions concerning remuneration policy.

When assessing ASR's potential financier, NLFİ must also consider the likelihood of the European Commission granting the necessary approval and of the DNB, partly on the recommendation of the AFM, issuing the necessary declaration of no objection in time. As part of this, DNB will review with REAAL the manageability of the synergy and integration plan.

⁴³ In its response to the advisory memorandum, ASR also indicated that if a bid by ASR for REAAL is jointly financed by a third investor, additional assessment of ASR's Performance and the market compliance of a possible acquisition would be required (annex 6).

NLFI's working assumption is that neither the State nor SNS REAAL will offer any form of guarantee or indemnity with respect to the unit-linked insurance affair. This must also be taken into account in the selection of a financier.

4.3 What parties could act as financier to ASR?

In part due to the requirements imposed by the European Commission for an open and transparent process, all parties must have the opportunity to participate in the selection process to find a financier for ASR so that it can bid for REAAL. This means that not only financial investment companies such as *private equity*, hedge funds, SWFs⁴⁴ and pension funds can participate, so too can national and foreign strategic parties. Such parties could possibly form a consortium to finance the acquisition of REAAL by ASR, provided the consortium constitutes one single party in the financing agreement. Strategic partners refers to parties operating a (re)insurance company in the Netherlands or abroad.

Only if ASR submits a winning bid for the shares in REAAL will the financing of the bid proceed and the financing partner(s) selected acquire a minority interest in ASR. If a strategic party is selected, greater attention will need to be given to the technical aspects of competition issues. It is also conceivable that a financial investment company or a strategic party may form a consortium with ASR and that the consortium partners will reach agreements regarding the separation of existing legal entities within REAAL. These options cannot be ruled out ahead of time.

4.4 What if the acquisition of REAAL is not successful?

ASR's participation in the REAAL sale process has two possible outcomes:

1. ASR submits the winning bid and merges with REAAL. The State can divest this combination to the private market via a market flotation, a private sale or a *dual track* approach. See chapter 4.1 for more information.
2. The ASR bid does not result in the acquisition of REAAL. In this case, ASR does not require any external financing. The process of selling ASR as an independent company with a *dual track* approach can continue. As noted above, the flotation of Nationale Nederlanden should take place before pursuing flotation for ASR. And before pursuing a private sale, NLFI advises awaiting the completion of the sale of REAAL.

⁴⁴ Sovereign wealth funds.

4.5 Request

Based on the above, NLFİ advises you to permit ASR, along with other interested parties, to submit a bid for the REAAL shares and attract external financing for this along the lines described in this advisory memorandum, and NLFİ also requests that you grant authority to implement this plan on behalf of the State.

NLFİ recommends that you halt implementation of the *dual track* sale process for ASR as recommended in August 2013 pending completion of the REAAL sale process and the market flotation of Nationale Nederlanden.



5 NLFI's internal operations

Because NLFI not only manages the State's holdings in SNS REAAL but also in other financial institutions, NLFI has put in place the necessary internal measures to avoid possible perceptions of coordination or preferential treatment by NLFI. If you decide to initiate the sale of REAAL and permit ASR to submit a bid for REAAL and attract external financing to this end, NLFI will be in the position of simultaneously acting as the sole shareholder in the selling party, SNS REAAL, and in ASR as the bidding party. Furthermore, the State's interest in ASR may be diluted in order to admit a financing partner. Any such structure of transactions in theory allows for the possibility of coordination or preferential treatment by NLFI. NLFI therefore considers it very important to exclude portfolio optimisation to avoid any conflicts of interest and possible breach of the requirement for an open and transparent process. To avoid the risk of any form of conflicts of interest, prior to the sale of REAAL an open and transparent sale process must be set up which complies with the requirements imposed by the European Commission on any such process. In common with other bidding parties, ASR should be permitted to take part in the sale process. ASR's bid will be assessed in the same way as any other bids and against the same published criteria. ASR's raising of external financing will be approached in the same way. NLFI also recommends implementing an open and transparent process for this in compliance with European Commission requirements.

NLFI has implemented a number of measures to prevent conflicts of interest. For example measures have been implemented to prevent any unauthorised exchange of information between ASR and SNS REAAL taking place via NLFI. NLFI is divided into different teams, each of which is responsible for one of the institutions whose shares NLFI manages. This means that the team working on implementing the REAAL sale process is strictly segregated from the team working on the ASR bid and the financing thereof. The teams will work at separate locations. The principle of collegial governance within NLFI will be temporarily suspended for the duration of these transactions. Within NLFI, there is no internal alignment between these teams. Both teams report directly to you independently of one another and, represented by the manager with prime responsibility, will submit key and important decisions to you directly. Joint decision-making within NLFI is therefore temporarily suspended with respect to these transactions. The SNS REAAL team's considerations when assessing any bid submitted by ASR depend to some extent on what impact the bid will have on the value and the possible proceeds from sale of both companies over time.



Annex 1: background information to SNS REAAL and REAAL

SNS REAAL.

REAAL merged with SNS Bank in 1997 to form SNS REAAL. This merger led to a fundamental change in the group structure, making SNS REAAL a bank/insurance company just like, for example, ING Group. The thinking behind this combination is that banks and insurance companies have a different risk profile and that combining these elements within one group makes the organisation more stable. This is also why the financial supervisory body permits the combination of banks and insurance companies. Additionally, the bank/insurance company combination provides opportunities for *cross selling*. A further advantage is the option to partially finance subsidiaries' equity with loan capital raised by the parent company, which is known as 'double leverage'. This enables the holding company to maintain less capital than the sum of the individual parts. By the end of 2013, SNS REAAL's double leverage amounted to EUR 704 million (pro forma).

The financial crisis demonstrated that banks and insurance companies can encounter problems at the same time. The double leverage in the holding company makes it even more difficult to make up losses. The bank and insurance company's counterparties have also become aware of this vulnerability which may make access to financing markets more difficult. This has made supervisory bodies and investors aware that too much double leverage is risky and needs to be reduced.

Alongside the financial interconnectedness, the SNS REAAL holding is also closely interwoven with the banking and insurance elements. This means that certain group functions, including risk management, treasury, IT and the personnel policy are assigned to the holding company.

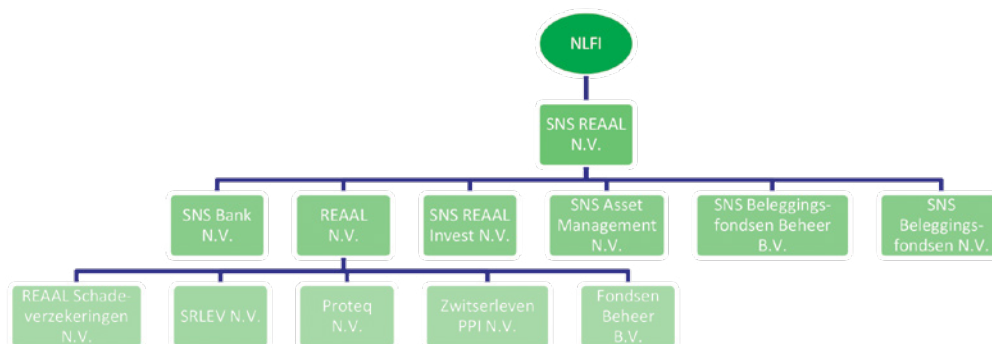


Figure 2: SNS REAAL organogram

The executive board of SNS REAAL consists of four board members and is chaired by Mr Van Olphen. Prior to nationalisation, shares in SNS REAAL were traded on the stock exchange. Accordingly, SNS REAAL implemented the Dutch Corporate

Governance Code. As a result of nationalisation, the Code is no longer formally applicable but the group continues to adhere to the principles and best practices of the Code.

REAAL

REAAL was formed from two insurance companies that were founded at the beginning of the 20th century and formed part of the trade union movement. In 1997, REAAL was merged with SNS Bank to form SNS REAAL. The market flotation of SNS REAAL in 2006 heralded a new period of acquisitions, including that of AXA Nederland, Winterthur, DBV Verzekeringen and Zwitserleven. As a result, REAAL grew to become the second biggest life insurance company and sixth biggest non-life insurance company in the Netherlands.

REAAL's products include individual life insurance, non-life insurance, pensions, disability insurance and investment funds which are sold under the brands REAAL, Zwitserleven, Proteq and Zelf.nl. The insurance policies are sold primarily to individuals and SME customers via authorised agents, insurance brokers and the SNS Retail Bank distribution channel. REAAL seeks to develop further as an efficient organisation in which the interests of the customer are central. The investment policy within the insurance activities is generally relatively conservative.

The statutory board of REAAL currently consists of three members but will be expanded prior to the separation. All of SNS REAAL's insurance activities are governed by the Code for Dutch Insurance Companies (Code Verzekeraars).

SNS Asset Management

SNS Asset Management (SNS AM) forms a separate division of SNS REAAL but has a strong link with the group's insurance activities. SNS AM primarily manages assets for REAAL, Zwitserleven, ASN Bank, ASN Beleggingsfondsen Beheer, SNS Beleggingsfondsen Beheer and the Zwitserleven Beleggingsfondsen. Its managed assets amount to approximately EUR 44 billion. SNS REAAL intends to assign SNS AM, together with SNS Beleggingsfondsen Beheer, to REAAL prior to the sale of REAAL. REAAL will then comprise all the group's insurance and asset management activities. However SNS AM and SNS Beleggingsfondsen Beheer will remain separate legal entities of REAAL.

Annex 2: analysis of the different scenarios for the sale of REAAL

In addition to a private sale, NLFI has also investigated two other scenarios for the sale of REAAL: a market flotation and sale to customers.

a. Market flotation

A market flotation involves floating (part) of the shares on the stock exchange as freely marketable shares (*free float*). In the case of an *initial public offering* (IPO), a relatively small proportion of the shares (10% to 30%) is offered for sale on the stock exchange. At the time of a market flotation, a discount is normally given on the value in order to make a success of the initial public offering. During the period following the IPO, *block trades* (< 10%) and *marketed offerings* (> 10%) are used to offer a number of tranches of shares via the same stock exchange, possibly up the point where all the shares in the company are freely marketed on the stock exchange. The period between an IPO and 100% *free float* normally requires several years, dependent also on the size of the enterprise.

Does a market flotation process comply with the European Commission's requirements?

With a market flotation, the shares are valued on the basis of the market mechanism. This form of sale is in line with the European Commission's 'criterion of the private buyer'.⁴⁵ Shares are floated in an open and transparent process.

A market flotation will allow all the insurance activities and the asset management activities to be divested. Further, the proceeds will be in cash, enabling SNS REAAL's double leverage to be reduced.

However a market flotation also has its disadvantages. External reporting within SNS REAAL is currently centralised. Since no external reporting functions are assigned to REAAL, it will be very time-consuming to set up and make these functions operational in a stock-market listed company. Therefore REAAL could only be floated on the stock exchange in the long-term. Furthermore, generally speaking only a proportion of the shares is offered for sale as part of an IPO. The period between an IPO and 100% *free float* via the sale of successive tranches of shares is normally several years. This means there is a risk that the restructuring measures imposed by the European Commission will not be met on time.

⁴⁵ European Commission, 'Guidance Paper on state aid-compliant financing, restructuring and privatisation of State-owned enterprises', Brussels, 10 February 2012, available via: http://ec.europa.eu/competition/state_aid/studies_reports/swd_guidance_paper_en.pdf.

Sale to customers

There are several examples in the Dutch financial sector where customers are (economic) co-owners of a business. Achmea and Rabobank are well-known examples of a cooperative structure.

Does a 'sale to customers' process comply with the European Commission's requirements?

A cooperative structure may lead to an increase in the involvement of customers, subject to the company culture at the business being structured to allow this.

A number of insurance companies with a cooperative structure (including mutual insurance companies) exist in the Netherlands; these include Achmea, VGZ and a number of medium-sized and small insurance companies. REAAL's roots and its strategic objectives, including the aim to become a more efficient organisation in which the interests of the customer are central, in themselves are well aligned with a cooperative structure.

A sale to customers, like a private sale, could be arranged in an open and transparent process, with the proceeds from the sale used to reduce SNS REAAL's double leverage. However there are major disadvantages associated with issuing certificates to customers. It generally takes several years to make certificates available because of the low absorptive capacity for member certificates. In this scenario the proceeds from sale are subject to a great deal of uncertainties and can be low. It is highly likely that the net present value of future cash flows will be substantially lower than the present value for a different form of sale due to the protracted period of time required for a sale when introducing a cooperative structure. Therefore a sale to customers cannot be completed within the timeframe of the restructuring plan set by the European Commission. Further, this type of sale process is exceptionally complex and may result in lower than expected proceeds from the sale.

Conclusion regarding the alternative sale options for REAAL

NLFI is of the opinion that the sale scenarios investigated do not comply with the European Commission requirements because they cannot be completed within the timeframe imposed by the European Commission.

Annex 3: conditions for the divestment of financial holdings

For the sake of completeness, below is another brief review of the conditions formulated in 2011 by your predecessor in office for the divestment of financial holdings to the private sector.⁴⁶ As mentioned previously, these conditions are of limited relevance to the REAAL sale process given the mandatory nature of the divestment.

Is the sector stable?

See the description of market conditions included in the introduction to this exit advisory memorandum (chapter 1.2).

Is REAAL ready to be sold?

SNS REAAL believes that REAAL is ready to be sold. Since nationalisation, SNS REAAL has been working to split off the banking and insurance activities. Interconnections between the banking and insurance activities are being eliminated as far as possible. REAAL is also working on separating off the holding. The separation of REAAL has been advanced in such a way that it will not stand in the way of a sale. Waiting too long to sell could have negative consequences for commercial operations. See chapter 2.7 for explanation (explanation to part iv).

Are any parties interested in purchasing REAAL?

REAAL could be interesting for a number of Dutch insurance companies to join forces with. REAAL primarily performs activities which are relatively very profitable at high scale, such as individual life insurance, pensions and non-life insurance. REAAL is thus attractive to strategic market parties because of the synergies that can be achieved. REAAL has strong brands which may attract strategic market parties. REAAL's size in the Dutch market entails the risk that an acquisition by one or more Dutch insurance companies could encounter competitive barriers in sub-markets.

With a view to the separation of the banking and insurance activities, REAAL will sign a distribution agreement with SNS Retail Bank for the sale of insurance products. Bidders in the REAAL sale process will be given the opportunity to submit a bid that includes this agreement.

⁴⁶ Tweede Kamer, vergaderjaar 2010-2011, 28165, nr. 117 (Dutch Lower House, session 2010-2011, 28165, no. 117).

Acquisition by a party that is currently not active in the Dutch market is less likely. The Dutch market is relatively saturated and foreign parties are mainly interested in opportunities in markets with strong growth. The debate in the Netherlands about unit-linked insurance is an aspect that foreign parties in particular find difficult to understand and may therefore form an obstacle. While less likely, a foreign strategic party cannot be ruled out either.

In addition to strategic market parties, financial investors may possibly be interested in (parts of) REAAL. They may include *private equity*, institutional parties and specialist (re)insurance companies for a run-off portfolio. Sale to a consortium of market parties and/or financial investors is also a possibility. This will widen the circle of interested parties and may benefit the competition.

Aim to recover the State's total investment to the extent possible

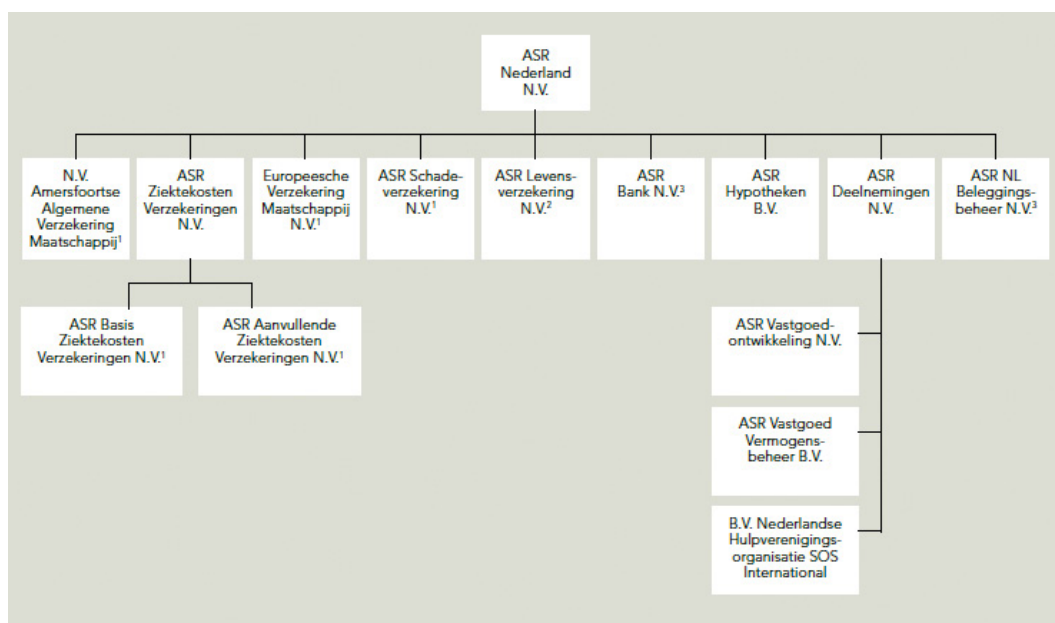
The State's total capital expenditure for SNS REAAL is EUR 2.865 billion. This is shown in the table in annex 5. The table also shows the State's capital expenditure for the other financial institutions supported. The amounts do not include the State's capital costs and dividend payments, other payments and (bank) taxes have not been taken into account.

The process for the sale of REAAL must be focused on maximising the proceeds from the sale and thus recovering the State's investment as far as possible. When determining the optimum proceeds from the sale, other factors in addition to the direct proceeds from the sale are relevant, such as contractual terms and how certain it is that the bidder really can finance the bid. These factors must be weighed against each other.

Annex 4: background information to ASR

NLFI holds 100% of the shares and has voting rights on all shares in ASR. The holding in ASR is a direct consequence of the nationalisation of the Dutch divisions of the former Fortis S.A./N.V. on 3 October 2008. Up until 2008, ASR, as Fortis Verzekeringen Nederland N.V., was an integral part of Fortis S.A./N.V. When Fortis S.A./N.V. collapsed, the insurance activities had to be extricated from the former parent company in a very short period of time. A completely new ICT platform, a new governance structure and an autonomous risk management function had to be set up. The development of important functions that focus on financial solidity and strengthening the balance sheet were and continue to be high on the agenda. ASR has not received any financial aid from the State. The balance sheet has been strengthened and solvency has improved. That, in combination with other factors, has made it possible for ASR to pay dividends since 2011.

ASR is a generalist insurance company represented in multiple product segments: non-life insurance, work disability insurance, health insurance, capital growth for private individuals, pension insurance, funeral insurance and banking. ASR focuses on private individuals, owners of one-man businesses and small and medium-sized enterprises (SMEs). Distribution takes place via insurance brokers and through direct channels such as on-line sales. ASR expressly chooses a sustainable approach that concentrates on offering security to its customers. In the opinion of the AFM, the business has made significant progress in putting its customers' interests first.



1 Registered non-life insurance companies

2 Registered life insurance companies

3 Other wft reatistered companies (Included in segment Other)

Figure 2: ASR organogram

The executive board of ASR consists of four board members and is chaired by Mr J.P.M. Baeten. The board members all have extensive experience (management) in the banking and insurance business. ASR recently announced the departure of its CFO Mr R.Th. Wijmenga, and the appointment of his successor Mr H.C. Figee with effect from 1 May 2014. ASR is a transparent business and attaches great value to a high level of corporate governance. Shares in ASR are not listed on the stock exchange and ASR therefore has no obligation to comply with the Dutch Corporate Governance Code. Even so, ASR attaches great importance to a transparent management structure and applies the Dutch Corporate Governance Code, the Code for Dutch Insurance Companies and the Dutch Banks Code (for ASR Bank). ASR makes every effort to translate the guiding principles of the codes into policy and subsequently apply that policy in practice. In addition, there is a strong degree of co-determination via the Works Council.

Annex 5: The State's capital expenditure

The table show indicates the capital expenditure made by the State. Of the EUR 31.32 billion that is still outstanding, according to NLFI's assessment, approximately EUR 2.865 billion is to be attributed to SNS REAAL and EUR 3.65 billion⁴⁷ to ASR.⁴⁸ This calculation does not include the State's capital costs and dividend payments, other payments⁴⁹ and (bank) taxes⁵⁰ have not been taken into account.

Beschrijving	Datum	ABN AMRO	a.s.r.	RFS	SNS REAAL	Propertize	Totaal
Nationalisatie Fortis Nederland	okt-2008	€ 12.800 mln	€ 4.000 mln				€ 16.800 mln
Verstreking kernkapitaal SNS REAAL	nov-2008				€ 750 mln		€ 750 mln
Herkapitalisatie ABN AMRO	dec-2008	€ 4.320 mln		€ 2.220 mln			€ 6.540 mln
Verkoop Fortis Corporate Insurance	jul-2009		€ (350) mln				€ (350) mln
Mandatory Convertible Note (MCN) I	jul-2009	€ 800 mln					€ 800 mln
Terugbetaling deel kernkapitaal	nov-2009				€ (185) mln		€ (185) mln
MCN II en omzetting leningen in EV	dec-2009	€ 3.150 mln					€ 3.150 mln
Verrekening en kapitalisatie RFS	mrt-2010			€ 438 mln			€ 438 mln
Niet ontvangen couponbetaling MCN	apr-2010	€ 103 mln					€ 103 mln
Resterende herkapitalisatie ABN AMRO	jun-2010	€ 490 mln					€ 490 mln
Repatriatie deel RFS kapitaal	dec-2011			€ (16) mln			€ (16) mln
Ontoegening SNS REAAL	mrt-2013				€ 2.200 mln		€ 2.200 mln
Verstreking overbruggingskrediet	mrt-2013				€ 1.100 mln		€ 1.100 mln
Kapitalisatie Propertize	dec-2013					€ 500 mln	€ 500 mln
Resolutieheffing SNS REAAL	mrt-jul 2014				€ (1.000) mln		€ (1.000) mln
Totaal uitgaven		€ 21.663 mln	€ 3.650 mln	€ 2.642 mln	€ 2.865 mln	€ 500 mln	€ 31.320 mln

⁴⁷ An amount of EUR 4 billion was allocated to the acquisition of the insurance entities at the time of partial nationalisation of Fortis N.V./S.A. on 3 October 2008. The acquisition price paid for Fortis Verzekeringen Nederland (now ASR) and Fortis Corporate Insurance (FCI) is not split out further. FCI was sold for EUR 350 million in 2009.

⁴⁸ The Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) determined the same sub-division on 11 April 2012.

⁴⁹ However the one-off SNS REAAL resolution charge related explicitly to the nationalisation of SNS REAAL is shown as a receipt in figure 1. Temporary resolution charge act 2014, dated 4 December 2013.

⁵⁰ A detailed report on the capital expenditure can also be found on the website of the Algemene Rekenkamer (Netherlands Court of Audit).

Annex 6:

Comments SNS REAAL, ASR and participation bodies



SNS REAAL

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Datum 16 april 2014

Onderwerp Finaal perspectief op het exit advies

Geachte heer Enthoven,

Sinds de nationalisatie per 1 februari 2013 heeft SNS REAAL gewerkt aan de consequenties van de nationalisatie. SNS REAAL is direct na de nationalisatie tevens begonnen met het herijken van haar strategie. De nieuwe strategie kent de torenbrug van Londen als metafoor: SNS REAAL zal zich splitsen in een "banktoren" en een "verzekeringstoren", die elk een eigen toekomst tegemoet zullen gaan. De holding zal verdwijnen. De gecentraliseerde stafafdelingen en centrale IT organisatie zullen elk bij de torens worden betrokken (gelijk het ophalen van de brug). De bank en verzekeraar zullen verbonden blijven via een commerciële distributieovereenkomst. Het Ministerie van Financiën heeft in goede samenwerking met SNS REAAL een herstructureringsplan opgesteld en ingediend, waarin deze strategie een wezenlijk onderdeel is. De Europese Commissie heeft het herstructureringsplan op 18 december 2013 goedgekeurd. Daarop heeft SNS REAAL het vastgoedonderdeel Property Finance per 31 december 2013 afgesplitst en is het aandeelhouderschap van SNS REAAL N.V. door het Ministerie van Financiën overgedragen aan NLFI.

NLFI heeft de afgelopen tijd gewerkt aan het opstellen van het exit advies aan de Minister betreffende de verkoop van de verzekeraar van SNS REAAL. Wij willen onze waardering uitspreken voor de prettige en constructieve dialoog met NLFI in de afgelopen periode.

Voor SNS REAAL is een aantal elementen in een verkoopproces van de verzekeraar van belang.

Ten eerste, SNS REAAL ziet de verkoop van de verzekeraar als één geheel als enige mogelijkheid, gezien de complexiteit van de afsplitsing van de verzekeraar van SNS REAAL. Het is echter voor een competitief verkoopproces wel van belang om consortia van meerdere partijen in de gelegenheid te stellen om gezamenlijk een bod te kunnen uitbrengen.

Ten tweede, het verkoopproces dient open, eerlijk en transparant te verlopen. Dit is ook een expliciete eis vanuit de Europese Commissie.



Ten derde, SNS REAAL acht het noodzakelijk om het verkoopproces voor de halfjaarcijfers te beginnen.

Als laatste, de Raad van Bestuur en de Raad van Commissarissen van SNS REAAL zullen elke bieding niet slechts wegen op basis van de prijs. Ook de belangen van de verschillende stakeholders van SNS REAAL zullen hierbij expliciet worden meegewogen, waaronder het belang van de polishouders, obligatiehouders, onze medewerkers en de aandeelhouder. Hierbij zijn de verantwoordelijkheden beschreven in het Nederlands (vennootschaps-)recht vanzelfsprekend het uitgangspunt.

SNS REAAL heeft met instemming ervan kennisgenomen dat bovenstaande elementen ook terugkomen in uw exit advies. Wij kijken uit naar een voortzetting van ons overleg in de komende periode.

Met vriendelijke groet,

P/O 
Gerard van Olphen

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Datum 15 mei 2014
Referentie 14/0022/JB/eb
Onderwerp Reactie op concept exit advies
Telefoon 030-2573301

Geacht Bestuur,

Wij hebben kennisgenomen van het concept advies van NLFI aan de minister, betreffende de privatisering van a.s.r. en het verkoopproces van de verzekeringsactiviteiten van SNS Reaal. NLFI heeft ons in vroeg stadium betrokken bij de opzet van deze brief en ons gevraagd op het concept te reageren.

a.s.r. zou graag in de gelegenheid worden gesteld om te bieden op de verzekeringsactiviteiten van SNS Reaal, en daarmee het “dual track” proces tijdelijk opschorten.

Met deze brief brengen wij een aantal voor ons belangrijke punten onder uw aandacht.

a.s.r. is, zoals ook verwoord door NLFI, zowel gereed voor een beursgang als voor een bod op Reaal. Een succesvol bod van a.s.r. op Reaal stelt a.s.r. in staat de uitvoering van haar strategie te versnellen en te intensiveren, waarbij de kans dat de Staat haar oorspronkelijke investering in a.s.r. terugverdient, aanzienlijk wordt vergroot. Verder zien wij een aantal additionele voordelen van het mee laten bieden van a.s.r. op Reaal, ook voor de Nederlandse belastingbetaler. Het verlenen van toestemming aan a.s.r. om mee te bieden:

- i. draagt bij aan een zo breed mogelijk spectrum van mogelijke bidders en daarmee aan optimale opbrengst voor de belastingbetaler;
- ii. kan bijdragen aan de noodzakelijke consolidatie van Nederlandse verzekeringsmarkt;
- iii. stelt a.s.r. in staat om haar eigen profiel te versterken in het kader van de geplande toekomstige beursgang, door realisatie van concrete synergiën en versterking van haar marktpositie;
- iv. geeft, indien een overname mede gefinancierd wordt door een derde investeerder, zoals in de brief van NLFI verwoord, een extra toets op de prestaties van a.s.r. Een dergelijke professionele toets zorgt niet alleen voor bevestiging van de marktconformiteit van een mogelijke transactie, maar helpt ook in de verdere voorbereiding van een beursgang van de nieuwe combinatie als eerste stap in de privatisering van a.s.r.

Datum 15 mei 2014
Onderwerp Reactie op concept exit advies

Naar onze mening zou hiermee op dit moment een verkooptraject van Reaal prioriteit moeten hebben boven de eventuele stand alone-privatisering van a.s.r. Op grond van het EC-besluit bestaat er een formele urgentie met betrekking tot de verkoop van Reaal. Wij verwachten tevens dat met een succesvol bod van a.s.r. op Reaal, de integratie van beide verzekeraars en de daaropvolgende gezamenlijke beursgang uiteindelijk de optimale opbrengst voor de Nederlandse staat zal worden gerealiseerd.

a.s.r. zal, lerend van de lessen van de financiële crises en het eerdere proces rond Reaal, tot een afgewogen oordeel komen en een eigen afweging maken met betrekking tot de aantrekkelijkheid en de waardering van Reaal. Het bestuur van a.s.r. heeft een eigen bestuurlijke verantwoordelijkheid als het gaat om het besluit tot deelname aan het biedingsproces, de analyse van de activiteiten van Reaal en de wijze waarop a.s.r. een mogelijk bod vorm zal geven (in termen van waardering, voorwaarden en financiering).

Hierbij worden, naast het belang van de aandeelhouder, uitdrukkelijk ook de belangen van alle andere stakeholders (klanten, medewerkers, samenleving, het financiële bestel en toezichhouders) gewogen. Uitgangspunt voor het bestuur van a.s.r. is het vormgeven van een transactie die de ingezette strategie versterkt, tot duurzame verbetering van de dienstverlening aan onze klanten kan leiden, die waarde-creërend is voor de aandeelhouder (en daarmee uiteindelijk voor de belastingbetaler), die plaatsvindt op marktconforme voorwaarden en die het bestuur in staat stelt ook in de nieuw tot stand te brengen entiteit prudent beleid te voeren. Ook het op een later moment in te winnen advies van de ondernemingsraad zal worden meegenomen in de afwegingen die het bestuur maakt en de beslissingen die uiteindelijk genomen worden.

a.s.r. beoogt een investeerder (of investeerders) te vinden die past (of passen) bij haar strategie, cultuur en bedrijfsvoering, met inbegrip van de handhaving van haar 'risk appetite'. a.s.r. zal daarom de verschillende mogelijke investeerders nadrukkelijk moeten beoordelen op het onderschrijven van haar strategie en positionering. Daarnaast toetsen we uiteraard de toegevoegde waarde die mogelijke investeerders kunnen leveren als het gaat om de bedrijfsvoering en de balansoptimalisatie van de nieuwe combinatie. Hoe groter de scope aan potentiële investeerders, des te groter de kans dat partijen kunnen worden geselecteerd die bij dit gewenste profiel passen.

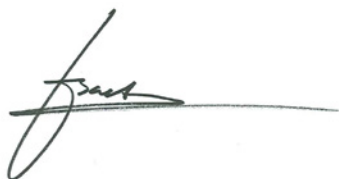
Uiteraard kan de finale financieringsstructuur pas worden vastgesteld als alle relevante informatie over de balans van Reaal is ontvangen en de pro forma balans en verlies- en winstrekening van de combinatie kan worden vastgesteld.

We vertrouwen erop dat we met dit schrijven het perspectief van het bestuur van a.s.r. op een mogelijke transactie helder hebben verwoord.

Uiteraard zijn wij graag tot nadere toelichting bereid.

Met vriendelijke groet,

ASR Nederland N.V.



Mr. J.P.M. Baeten
Voorzitter Raad van Bestuur



Dr. C. van der Pol
Voorzitter Raad van Commissarissen

pag 2/2



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Datum 23 april 2014

Uw referentie

Onderwerp: Perspectief Medezeggenschap SNS REAAL op het exitadvies

Geachte heer Enthoven,

Na de nationalisatie van SNS REAAL is er hard gewerkt aan een plan om de herstructurering van SNS REAAL vorm te geven. Dit plan is eind 2013 goedgekeurd door de Europese Commissie.

De Medezeggenschap van SNS REAAL (verder: MZ SR) stelt het bijzonder op prijs dat zij door de Raad van Bestuur (RvB) nauw betrokken is bij de totstandkoming van het herstructureringsplan, de hieruit voortvloeiende afsplitsing van Propertize BV en het traject voor de splitsing van de bank en verzekeraar.

In het kader van het aanstaande verkoopproces van Reaal NV leggen we graag de volgende aandachtspunten aan u voor:

1. De RvB en de Raad van Commissarissen (RvC) hebben naast een verantwoordelijkheid richting spaarders, polishouders en aandeelhouder, ook een verantwoordelijkheid naar de medewerkers.
De MZ SR rekent erop dat de RvB, RvC en NLFI voldoende aandacht hebben en houden voor de belangen van de medewerkers ten opzichte van andere stakeholders.
2. Bij het verkopen of fuseren met een andere partij is het hebben van een gelijkwaardige positie van de medewerkers van SNS REAAL essentieel. Deze gelijkwaardige positie zou zich moeten vertalen in een evenwichtig nieuw personeelsbestand, waarbij er gelijke kansen en mogelijkheden voor alie medewerkers moeten zijn bij overname en integratie.
3. Behoud van werkgelegenheid, zowel op korte als (middel-)lange termijn, is van essentieel belang voor de MZ SR.

Hoewel u deze aspecten niet in uw advies heeft opgenomen, hechten wij er waarde aan om deze alsnog expliciet te benoemen. Wij zetten ons contact met de bestuurder voort om zo onze verantwoordelijkheid ten aanzien van de medewerkers van Reaal NV optimaal in te kunnen vullen.

Wij hebben onze uitgangspunten van de beoordeling van de toekomst van SNS REAAL nader uitgewerkt in een COR statement. Dit hebben wij met de RvB en RvC besproken. Wij zullen dit binnenkort ook met u bespreken.

Hartelijke groet,
Namens de MZ SNS REAAL



Marieke van Doorne
Voorzitter COR SNS REAAL



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MZ SNS REAAL

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Kopie aan Jos Baeten, voorzitter Raad van Bestuur a.s.r.
Kick van der Pol, voorzitter Raad van Commissarissen a.s.r.

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Onderwerp Brief NLFI aan minister inzake advies verkoop a.s.r.

Geachte heer Enthoven,

Wij hebben via de bestuurder van a.s.r. kennis genomen van het advies van NLFI aan de minister over de verkoop van a.s.r.

Gegeven de omstandigheid dat Reaal mogelijk op korte termijn wordt verkocht, Nationale Nederlanden naar verwachting op enig moment in 2014 naar de beurs wordt gebracht en gegeven de algemene marktomstandigheden, adviseert u de minister voor wat betreft de verkoop van a.s.r. de al eerder ingezette dual track benadering voorlopig aan te houden en eerst de verkoop van Reaal en de beursgang van Nationale Nederlanden af te wachten alvorens verdere stappen te zetten.

Evenals in uw eerdere advies aan de minister herkent de ondernemingsraad de door u beschreven route-opties. Hij wil daar een drietal opmerkingen bij maken:

1. In uw advies beschrijft u nadrukkelijk de mogelijkheid die aan a.s.r. geboden zou moeten worden om mee te kunnen bieden op de verzekeringsactiviteiten van SNS Reaal. De ondernemingsraad verwelkomt de mogelijkheid die a.s.r. wordt geboden om te acteren in de consolidatieslag die naar verwachting op de Nederlandse verzekeringsmarkt gaat plaatsvinden. De ondernemingsraad heeft dan ook in eerste instantie geen principieel bezwaar tegen een dergelijke bieding. Uiteraard gaan wij er daarbij wel van uit dat een dergelijke bieding en de daarop volgende integratie zodanig wordt vormgegeven dat deze past in de strategie en maatschappelijke positionering van a.s.r.

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Onderwerp Advies aan minister inzake verkoop a.s.r.
Behandeld door

2. NLFi lijkt in het advies aan de minister bij verkoop van a.s.r. te streven naar één (grote) investeerder. De ondernemingsraad acht het van belang in deze afweging mee te nemen dat één van de belangrijkste selectiecriteria hierin is het verzekeren van investeringen voor een langere termijn en daarmee het voorkomen van speculaties op de korte termijn. De kredietcrisis heeft immers geleerd dat het streven naar maximale aandeelhouderswaarde verstrekende gevolgen kan hebben.
3. De ondernemingsraad mist in het advies dat toetsing van de transactie niet alleen gericht moet zijn op het belang van de aandeelhouder(s), maar ook op het belang van overige stakeholders en dan in het bijzonder de klanten en de medewerkers. Hierbij willen wij refereren aan hetgeen a.s.r. bereikt heeft als het gaat om de beoogde maatschappelijke positionering, de kernwaarden en de identiteit van a.s.r. zoals die door bestuur en medewerkers samen is ontwikkeld en gedragen wordt. Om deze inspanningen gestand te doen, zal de ondernemingsraad de uiteindelijke transactie in welke vorm dan ook met nadruk toetsen op de consequenties voor de overige stakeholders.

De ondernemingsraad zal zijn uiteindelijke mening vormen over en inhoudelijke reactie geven op de verkoop van a.s.r. op het moment dat definitief duidelijk is op welke wijze dit wordt vormgegeven.

In de tussenliggende periode zullen wij ons uiteraard op de hoogte laten blijven stellen van de verdere ontwikkelingen. Mocht u naar aanleiding van onze brief vragen of opmerkingen hebben dan zijn wij uiteraard bereid om een toelichting te geven.

Met vriendelijke groet,
Ondernemingsraad van a.s.r.



Marieke Kwakkel
Voorzitter



Marcel Hindriks
Vice-voorzitter