

10 October 2014

ASSESSMENT FRAMEWORK FOR THE SALE OF REAAL

1. Introduction

- 1.1. In his letter of 6 June 2014 the Minister of Finance ("**Minister**") informed the House of Representatives about his intention to initiate a sales process in the summer of 2014 for the insurance services of SNS REAAL N.V. ("**SNS REAAL**") housed in REAAL N.V. ("**REAAL**"). The Minister was thereby following the advisory memorandum of the stichting administratiekantoor beheer financiële instellingen (trust office foundation for the management of financial institutions, hereinafter "**NLFI**") from May 2014.
- 1.2. The Minister authorised NLFI to initiate a sales process for REAAL and to carry out the sales strategy for the REAAL shares described in the aforementioned letter on behalf of the State, as well as to perform all the associated activities described in the Wet stichting administratiekantoor beheer financiële instellingen (Trust Office Foundation for the Management of Financial Institutions Act, hereinafter "**Wet NLFI**").¹
- 1.3. This assessment framework includes firstly the preconditions that the Minister has stipulated for the execution of this sales process by NLFI and SNS REAAL. These preconditions follow from the requirements stipulated for the sales procedure by the European Commission and the commitment by the Dutch authorities and SNS Reaal to follow an open, transparent and non-discriminatory procedure.
- 1.4. Secondly this assessment framework sets out the criteria on the basis of which the Minister will assess the selected bid(s) submitted to him by NLFI for approval and authorisation for the sale of the REAAL shares². These assessment criteria represent a further elaboration of the criteria specified in the letter from the Minister, the underlying memorandum from NLFI and (the explanatory memorandum concerning) the Wet NLFI.
- 1.5. This assessment framework has been discussed with the Monitoring Trustee appointed in order to oversee the European Commission's aforementioned requirements for the sales process. At the suggestion of the Monitoring Trustee, the relevant parts of this assessment framework have been discussed with European Commission staff (the Directorate-General for Competition), who have indicated that they have no objection to it.

2. Preconditions for the sale process

- 2.1. The sales process must meet the following preconditions:
 - a. In order to avoid state aid, the sale will take place by means of an open, transparent and non-discriminatory bidding procedure in which everyone can take part and whereby:
 - (i) no terms are stipulated that would not be customary in comparable transactions between private parties and that might lead to a lower selling price;

¹ Article 3, second paragraph, section b, at 2° of the Wet NLFI.

² Article 3, third paragraph of the Wet NLFI.

- (ii) the shares are sold to the bidder who makes the most economically advantageous bid; and
 - (iii) the bidders receive enough time and information to be able to properly determine the value of the assets to be bought.
- b. The sales procedure that has been selected is a *controlled auction*. Interested parties who have not been expressly invited must also be offered the opportunity to be admitted to the sales procedure.³ For this reason, the bidding procedure shall be publicised to the extent necessary in view of the aforementioned requirements of openness and transparency.

3. Assessment criteria for bids

- 3.1. The most economically advantageous bid will be selected on the basis of (a) the amount of the financial offer⁴ included in the bid, and (b) the quality of the bid.
- 3.2. The Minister will assess the quality of the selected bid(s) submitted to him by NLF1 for approval and authorisation for the sale of the REAAL shares on the basis of the following criteria:
- a. The degree to which the financial offer included in the bid will be paid in cash.⁵
 - b. The degree to which the financial offer included in the bid will be paid in euros.
 - c. The degree to which the offer contains an 'earnout' or other conditional provisions with regard to the amount of the financial offer.
 - d. The degree to which the bid is binding.⁶
 - e. The degree to which the bid is based on or contains conditions relating to the provision of guarantees by the seller other than with regard to entitlement and ownership.
 - f. The degree to which the bid contains reservations (other than with regard to the applicable declaration of no objection from DNB and other regulatory permits (see 3.2(h)) and competition law permission(s) (see 3.2(i))).
 - g. The degree of certainty with which the bidder can actually finance the bid, whereby account will be taken of such factors as the means of financing from equity and/or debt capital; whereby the latter must be supported by binding commitments from debt capital providers at the time when the bid is submitted.

³ See inter alia 'Commission staff working document: Guidance Paper on state aid-compliant financing, restructuring and privatisation of State-owned enterprises', 10/02/2012. See also: 'Advisory memorandum on the sale of REAAL and ASR', NLF1, May 2014, p. 22.

⁴ Letter from Minister to the House of Representatives of 6 June 2014, p. 8.

⁵ 'Advisory memorandum on the sale of REAAL and ASR', NLF1, May 2014, p. 19.

⁶ 'Advisory memorandum on the sale of REAAL and ASR', NLF1, May 2014, p. 21.

- h. The degree of certainty that the proposed transaction, the bidder and its representatives will be able to obtain the applicable declaration of no objection from DNB and other regulatory permits within the period available for their acquisition (on the basis of section 1.6.1A of the *Wet op het financieel toezicht* (Financial Supervision Act)) once the purchase agreement is signed.
 - i. The degree of certainty that the bidder will be able to obtain competition law permission(s) within a period of no more than 6 months after the purchase agreement is signed.
 - j. The degree of certainty that the bidder and the proposed transaction will receive approval from the executive and supervisory boards of SNS REAAL, taking account of the completion of the required employee participation process. Account is thereby taken of such factors as the interests of REAAL and its affiliated companies, their future survival and the interests of the employees concerned.
 - k. The degree of certainty that the approval procedures relating to the bidder's general meeting of shareholders and consultation processes with regard to the works council will be fully and successfully completed (if the bidder cannot reasonably complete these consultation processes before the purchase agreement is signed).
 - l. The absence of other legal and reputation risks which are relevant under the *Market Economy Operator Principle*, taking account of the transaction structure and approach to the investment-linked insurance policy dossier proposed by the bidder.
- 3.3. NLF1 will provide an account of these criteria when submitting the selected bid(s) to the Minister.
- 3.4. The Minister may reject the most economically advantageous bid for REAAL that NLF1 selects and submits to him for approval and authorisation for the sale of the shares if this bid comes from another company in the State's portfolio. If such a decision is reached, it will be made only from the perspective of a market operator in comparable circumstances (in accordance with the *Market Economy Operator Principle*) and will be underpinned with a report from a reputable independent economic consultancy.