



NL financial investments

Advisory memorandum on the sales
options for ABN AMRO and a.s.r.

23 August 2013



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Foreword



Foreword

In this letter, the stichting administratiekantoor beheer financiële instellingen (trust office foundation for the management of financial institutions), acting under the name of NLFI, advises the Minister of Finance on the available options for returning the shares held by NLFI in financial institutions to the private sector. The advisory memorandum represents NLFI's independent assessment of the degree of readiness of ABN AMRO and a.s.r. in different exit scenarios.

These recommendations are partly based on intensive contact between NLFI on the one hand and ABN AMRO and a.s.r. on the other hand. We have gratefully made use of the valuable input provided by the institutions and by their co-determination bodies.

In addition, we wish to thank the Ministry of Finance, De Nederlandsche Bank and the Autoriteit Financiële Markten (Authority for the Financial Markets) for indicating their views on earlier versions of this advisory memorandum.

Furthermore, discussions have been conducted with a number of investment banks, legal advisers, umbrella organisations for (institutional) investors and other experts who have shared their views with us. We wish to express our deep gratitude for the contributions of all parties that have played a part in writing this advisory memorandum.

Executive board of NLFI,

mr. M. Enthoven, Chairman

mr. L.Y. Gonçalves-Ho Kang You

Jhr. drs. D. Laman Trip

August 2013

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 & conclusions



Summary & conclusions

Introduction

When drawing up this advisory memorandum, NLFİ has acted in accordance with its purpose as described in its articles of association. In the lawful discharge of its duties and in exercising the rights associated with the shares, NLFİ focuses primarily on the financial and economic interests of the State of the Netherlands¹, while taking into consideration the interests of the company, its subsidiaries and affiliates and the employees that are thus involved. Among other things, this means that NLFİ has taken the interests of the stakeholders of the companies into consideration, including those of the Works Councils concerned, when drawing up this advisory memorandum.

Both companies have been closely involved in drawing up this advisory memorandum. De Nederlandsche Bank and the Autoriteit Financiële Markten have also been given the opportunity to express their views. Furthermore, NLFİ has conducted exhaustive discussions with a number of investment banks, various legal advisers, umbrella organisations representing (institutional) investors, and other experts who have shared their views with us.

The advisory memorandum analyses the possibilities that exist for selling shares that are held in ABN AMRO Group N.V. (ABN AMRO) and ASR Nederland N.V. (a.s.r.). Your predecessor in office formulated four boundary conditions for this. These relate to:

- 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 absorptive capacity; and
- iv. the objective of recovering the disbursed amount and interest charges. The advisory memorandum is structured around these boundary conditions and also addresses motions of the Tweede Kamer (Dutch Lower House).

The level of interest in financial institutions, particularly banks, is substantial and has increased strongly in recent years. This reflects the importance of these institutions for Dutch society. There is increasing appreciation of the fact that banks operate in society for the common good and that financial institutions play an important facilitatory role in economic growth. This key role of the financial institutions is firmly anchored in Dutch and European legislation and regulations. In addition, the financial sector is now subject to closer scrutiny and supervision. Controlling morally high-risk behaviour (*moral hazard*), which might undermine the long-term economic growth of the Netherlands, is of great importance. Guaranteeing this function (of acting for the

¹ The financial and economic interest of the State is linked to the exchangeable depositary receipts for shares issued by NLFİ (trade name) rather than a shareholding in the companies.

common good) can be seen as preconditional to the above-mentioned boundary conditions relating to a sale.

Interim shareholder

You and your predecessors in office have indicated that the interim nature of the investments, which were made in the interests of securing the stability of the financial sector, has always been a main priority: a speedy return to the private sector was and is the Cabinet's intention.² At the beginning of 2011, your predecessor in office set himself the goal of substantially reducing government interests in the financial sector within a period of five years. The State of the Netherlands (State) has also indicated on many occasions in the state aid procedure with the European Commission that it has no intention of willingly investing in ABN AMRO in the long term.³ This is in line with the recommendation made by the Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) advocating normalising relations in order to stimulate competition in the Dutch banking sector by privatising state-owned banks as soon as circumstances allow. The Commission felt that state ownership of a part of the market was irreconcilable with a properly functioning free market.

The Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) concluded⁴ that calculation of the amount paid at the time of nationalisation was partly influenced by the amount the Belgian authorities indicated they required on 3 October 2008 for the parts of the Fortis S.A/N.V. concern that were not purchased by the State of the Netherlands. Due to this aspect and for reasons of protecting financial stability, the Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) concluded that there can be no doubt that an excessive amount was paid for the parts that were purchased. The enquiry commission went on to state that while the investment certainly has economic value, it was unlikely that the total investment would be recovered.

Stability of the financial sector

The actions taken by the government, legislator and supervisory bodies in recent years have strengthened the stability of the financial sector. The banks have strengthened their capital reserves in anticipation of the introduction of Basel III. The introduction of Solvency II should result in a more accurate assessment of risks in the insurance sector. The introduction of the European banking union is intended

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- 2 Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2010-2011, hoofddossier 28165, nr. 117 (Lower House of the States General, sitting year 2010-2011, main dossier 28165, no. 117).
 - 3 Commission Decision of 5 April 2011 on measures C 11/09 (ex NN 53b/08, NN 2/10 and N 19/10) implemented by the Dutch State for ABN AMRO Group NV (created following the merger between Fortis Bank Nederland and ABN AMRO NV), point 87-88, OJ L 333/1, 15 December 2011 (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:333:0001:0046:EN:PDF>)
 - 4 Finding of the Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System), 11 April 2012.

to mitigate the risks associated with the activities of the banks. The European Central Bank's intervention in mid-2012 has led to increased stability in the euro area. The risk of system failure has reduced substantially during the past two years.

The reduction in bank deposits at the European Central Bank and premature repayment of long-term refinancing operations (LTRO) on the part of many banks are signals that indicate an increase in interbank transactions. The bailout package for Cyprus has had practically no effect on the trend towards stability. At national level, the nationalisation of SNS REAAL N.V. can be categorised as company-specific. However, there is still no clarity regarding how the financial sector will ultimately be affected by the current recession. On the other hand, there is also no reason to assume the existence of acute threats, which would endanger the stability of the sector and individual institutions.

The remaining concerns regarding the stability of the (Dutch) financial sector are no reason for delaying making preparations for the sale of both ABN AMRO and a.s.r. Furthermore, initiating the first steps in the process of offering these entities for sale may have a positive effect on stability in the sector and confidence in the sector and the economy in general.

ABN AMRO

A stock market flotation is the most logical choice for ABN AMRO. There is little interest on the part of strategic parties and, in the event of an acquisition, these parties are unlikely to pay an amount that the State would find acceptable. Selling the company to customers and a possible conversion to a cooperative structure is complex and the proceeds are expected to be low. NLFİ recommends starting to prepare for the sale of ABN AMRO via a stock market flotation, without however prematurely excluding other possibilities.

Due to current economic circumstances and the effect that these may have on the earnings of ABN AMRO, NLFİ deems a waiting period of a minimum of one year before the actual stock flotation to be appropriate. ABN AMRO can use this period of time to prepare itself for a stock market flotation. The European Commission has imposed various limitations due to the state aid received by ABN AMRO. Selling (or starting to sell)⁵ would put an end to some of the measures ensuing from state aid and state ownership.⁶

⁵ Selling (or starting to sell) indicates the intention to privatise, regardless of the form that privatisation may ultimately take.

⁶ If more than 50% of the shares currently held by the State in ABN AMRO are sold before April 2016, the *acquisition ban* ceases to apply. As soon as selling starts, ABN AMRO also becomes exempt from the ban on variable remuneration for directors pursuant to the Dutch Act on limitation of the liability of the supervisory authorities in the Netherlands and the ban on bonuses for enterprises that have received state aid: 'Wet aansprakelijkheidsbeperking De Nederlandsche Bank en Autoriteit Financiële Markten en bonusverbod staatsgesteunde ondernemingen' (the same also applies for a.s.r.).

A sustained and visible improvement in profitability is required in order to optimise the proceeds of a stock market flotation. Reducing the cost ratio can contribute to an increase in profitability and efficiency. You recently requested the financial institutions, including ABN AMRO and a.s.r., to apply wage restraint as a strategy for improving efficiency.⁷ If in the future the emphasis in the market will be on a consistent dividend payout ratio, the dividend policy of ABN AMRO will have to be adjusted accordingly. A sustained higher payout ratio offered by sober, low-risk financial institutions generally leads to a higher market valuation. This is obviously subject to the proviso that ABN AMRO's capital ratios are strong enough to allow the bank to commit itself to a dividend policy of this type and will remain at that level for the foreseeable future.

The valuation of ABN AMRO at the time of a stock market flotation will be lower than the State's total capital investment in ABN AMRO of EUR 21.66 billion. If economic circumstances improve in 2014 and ABN AMRO succeeds in showing a sustained improvement in profitability, the bank's value, in comparison to similar banks, may increase to a sum approaching the Common Equity Tier 1 capital level. At the end of the second quarter of 2013, this amounted to EUR 15.4 billion.

Initiating a sale procedure will reduce the national debt⁸ and limit the financial risk that is associated with the State's shareholding. In the event of a stock market flotation, the State can reduce its shareholding in phases during a period of several years. The price of ABN AMRO shares may increase with the passage of time, subject for example to improved economic conditions and improved operational management. Consequently, the proceeds for the State may increase and it is therefore possible that the proceeds may ultimately reach a figure that is similar to the initial capital expenditure.

Having private-sector shareholders will result in a disciplinary effect for the companies. This also offers an additional and efficient form of supervision of the company's activities during the period in which part of the shares are still owned by the State. If ABN AMRO also proves itself capable of achieving its objectives while operating as a stock exchange listed company, the share price could increase.

a.s.r.

In the case of a.s.r., NLFI concludes that a merger with an insurance company that is active in the Netherlands, or a stock market flotation, are both possible scenarios. NLFI recommends including the possibility of a national consolidation in the sales process. This is because a.s.r. is a solid insurance company of adequate size and

⁷ The Stichting Onderzoek Multinationale Ondernemingen (Foundation for Investigating Multinational Businesses) supports this view and published a piece about imbalances in the Dutch banking sector on 22 November 2012, which focused on the difference between remuneration in the banking sector and other sectors.

⁸ In a sales transaction involving (part of) the shares held in the company (or companies), the purchase amount may be paid in the form of a cash sum. In that scenario, the national debt is reduced. If however the purchase amount is paid in the form of shares of the purchasing company, national debt will not be reduced.

strength to operate independently and has not received aid (in the form of a capital injection) from the State. In fact, a.s.r. can be made ready for both consolidation and for a stock market flotation in the near future. Selling the company to customers and a possible conversion to a cooperative structure is complex and the proceeds from a sale of this type are expected to be low.

The state of affairs in the real economy has a lesser effect on the profitability and quality of the assets of a.s.r. than in the case of ABN AMRO, and is therefore not a reason for delaying a sale. The low interest-rate level on the capital market has an adverse effect on insurers' (investment) results and consequently their value. Due to the unpredictability of interest rate trends, the interest rate is less suitable as a parameter for determining the right time to sell.

In order to increase its valuation, a.s.r. must however present an ambitious and credible improvement in its results for the coming years. Sustained profitability improvement can be achieved by focusing strongly on cost management and reducing damage ratios. Wage restraint can also be applied by a.s.r. as an instrument for increasing efficiency. A dividend policy that focuses on achieving a continuously high payout ratio is of great importance for an insurance company, perhaps more so than for a bank. This is again subject to the proviso that the capital ratios must be sufficient to allow this.

The value of a.s.r. is currently lower than the initial amount of EUR 3.65 billion⁹ disbursed by the State in order to bail out the Dutch insurance activities of the former Fortis S.A./N.V. It should be noted that a.s.r. was recently involved in one of the alternative scenarios that were investigated during the period prior to nationalisation of SNS REAAL. Reference has been made in public documents to a stand-alone mid-point valuation of between EUR 2.15 billion and EUR 2.3 billion in January 2013. The drop in value of a.s.r. during recent years is comparable to that experienced by other companies in the sector. This is attributable to strong competition in a market that is relatively saturated, the impact of changing regulations for products that generate capital growth, a period of economic unrest with low capital market interest rates and a loss of confidence in the sector on the part of customers due to problems with investment-linked insurance. The value of a.s.r. may increase after a possible initial public offering (IPO) and subsequent tranches of shares may be sold at a higher price. Furthermore, a.s.r. could also be involved in a consolidation after a stock market flotation, which would potentially have a positive effect on the sale proceeds for the State. NLFi advises you to start preparations for a sale by adopting a dual track approach where both consolidation options and a stock market flotation are included in the possible strategies.

⁹ An amount of EUR 4 billion is allocated to the acquisition of the insurance entities at the time of partial nationalisation on 3 October 2008. The acquisition price paid for Fortis Verzekeringen Nederland (now a.s.r.) and Fortis Corporate Insurance (FCI) is not split out further. FCI was sold for EUR 350 million in 2009.

Governance after starting to sell

Due to the key social role played by the banks, the Tweede Kamer (Dutch Lower House) has asked how this very important social consideration can be anchored when setting up governance after initiating the sale. In support of the views of the companies themselves, NLFi feels that the social role played by the companies should preferably be anchored in the description of purpose in their respective articles of association. Before initiating the sale, NLFi therefore advises you to amend the articles of association of the companies in order to guarantee continuation of their social role. This applies to the role that the companies fulfil in the economy, their duty to offer adequate service to customers and that the companies shall operate safely. In the estimation of NLFi, an amendment of this nature may even lead to enhanced market value.

NLFi emphasises the importance of continuing to exercise control after a start has been made with selling for as long as the State still has a substantial financial interest in the companies via NLFi's shareholding. Unless sufficient control can be retained, the State's remaining financial interest may be adversely affected as the interests of new shareholders will not necessarily run parallel with those of the State. NLFi's task is to ensure sustained growth in value of the State's financial interest.

In the event of a stock market flotation, NLFi advises you to protect the State's remaining financial interest in the company by creating additional controlling powers. This could be achieved by stipulating qualified majorities, laid down in the articles of association, for approving resolutions on specific key topics during the meeting of the shareholders. Those topics should be limited to resolutions relating to substantial changes to the identity or character of the companies.¹⁰ These powers would make it possible for NLFi as a shareholder, for the purpose of protecting the State's direct financial interest, to materially influence the process in the event of an acquisition of the company by a third party. Creating controlling rights in association with a certain percentage of shares when voting on resolutions is acceptable for investors and avoids the possible adverse effect that more permanent structures may have on the valuation. In respect of this issue, NLFi advises you to comply with a majority¹¹ that is typically used in the market and which also appears in legislation as a permitted majority¹², namely a two thirds majority of the votes cast, which represent more than half of the issued capital. This effectively means that NLFi has controlling rights up to the time when the State's interest falls below one third of the issued capital.

If the State's (financial) interest in ABN AMRO and a.s.r. reduces to such an extent that it can no longer be described as substantial, additional measures that are designed to ensure controlling authority are no longer justified. This not only derives from Dutch and European regulations, but is also associated with the possible

¹⁰ NLFi understands this to solely include resolutions relating to important changes to the company's name, registered office, purpose and authorised capital and resolutions as referred to in article 2:107a of the Dutch Civil Code (Burgerlijk Wetboek).

¹¹ For example: ING Group N.V., AKZO Nobel N.V. and Koninklijke Philips N.V.

¹² Articles 2:133, paragraph 2 and 2:134, paragraph 2 of the Dutch Civil Code (Burgerlijk Wetboek).

negative effects on valuation of the company by investors if NLFI were to retain controlling rights in the case of a minor remaining interest.

When the remaining interest falls below one third, in the stock market flotation scenario for ABN AMRO, NLFI advises activating a protective instrument with preference shares that is linked to the company. This 'stichting continuïteit' (continuity foundation) may temporarily exercise a call option right for as many cumulative preference shares as are required to give the foundation actual controlling rights in the event of an actual or imminent concentration of control among the shareholders¹³, which in the estimation of the foundation's executive board is considered to be undesirable and not in the best interests of the company and its subsidiary or affiliated business. This instrument can offer protection against hostile takeovers in a situation where NLFI can no longer offer this protection as a shareholder. The protective instrument is not intended to protect the State's financial interest, but rather to protect the interests of the company itself.

NLFI advises you not to create a protective instrument of this type in the stock market flotation scenario for a.s.r. This is based on the consolidation in the Dutch insurance sector that is expected to take place in the medium term. It is important that a.s.r. retains the required degree of flexibility for such a consolidation. The above-mentioned protective instrument could act as a hindrance in the case of consolidation. Introducing a protective instrument of this type may also have a negative effect on the valuation of a.s.r. shares.

At present, ABN AMRO and a.s.r. apply the mitigated structure regime (gemitigeerd structuurregime).¹⁴ At the time of the IPO, both companies will fall under the full structure regime. This means that the authority required for appointing and dismissing members of the executive board shifts from the general meeting of shareholders to the supervisory board. As such, the structure regime offers an inherent form of protection against shareholders with hostile intentions because these shareholders are unable to appoint members of the executive board.

During the preparations and after the sale starts, NLFI shall conscientiously respect the advisory rights to which co-determination bodies are entitled pursuant to the Wet op de ondernemingsraden (Works Council Act) subject to the boundaries of good governance relationships as laid down in legislation, regulations and codes in the case of both ABN AMRO and a.s.r.

Process and time line

In the case of ABN AMRO, NLFI recommends using the first twelve months following the Tweede Kamer (Dutch Lower House) debate on this advisory memorandum for preparing an IPO. During the preparatory phase, the company can work on the challenges that still remain in order to present an investment proposition for all of its

¹³ This is typically known as a call option foundation.

¹⁴ The mitigated structure regime is a less stringent form of the rules for two-tier statutory entities and applies at present because the State owns 100% of the shares.

divisions that will be of interest to investors. This period can be used to assess the extent to which the highly desirable improvement in the state of the Dutch economy, which is required for a successful stock market flotation, has in fact come about. Additionally, this period can be used to influence aspects relating to governance and remuneration at the time of the stock market flotation. Furthermore, as soon as this advisory memorandum has been discussed in the Tweede Kamer (Dutch Lower House), NLFi shall engage an independent consultant for the preparatory actions prior to a sale of ABN AMRO. When doing so - as in the case of any other decisions taken during the sale procedure - all actions shall comply with the stipulations of the Wet op de ondernemingsraden (Works Council Act). This obviously also applies to any other decisions taken during the sale procedure.

If, after the preparatory period of twelve months has elapsed, there is, in the estimation of NLFi, an opportunity for implementing a successful IPO within a period of four to six months, NLFi will inform you of this and request you to authorise a stock market flotation. Even though a stock market flotation is the preferred course of action, NLFi does not wish to prematurely exclude other options that may present themselves in the future. In the scenario of a stock market flotation, the State's interest will be reduced during a period of several years.

In the case of a.s.r., NLFi recommends using the period directly following on from the debate on this advisory memorandum in the Tweede Kamer (Dutch Lower House) for further investigation of the possibilities for consolidation and simultaneously prepare the company for a stock market flotation during a period of six months. This approach retains maximum flexibility in achieving the objective of an optimum sale for the State. In a possible consolidation process, it must be ensured that interested parties have equal chances in a process that they perceive to be transparent. If, after the preparatory period of six months, an attractive opportunity arises for implementing a successful stock market flotation within a period of four to six months, NLFi will request you to authorise implementation. It is not inconceivable that other opportunities, such as an acquisition bid, will arise during the final phase of the preparations for an IPO. NLFi does not wish to exclude any of the options prematurely. As soon as this advisory memorandum has been debated in the Tweede Kamer (Dutch Lower House), NLFi shall also engage an independent consultant for the sale procedure and the associated preparations. Here again - as in the case of any other decisions taken during the sale procedure - all actions shall comply with the stipulations of the Wet op de ondernemingsraden (Works Council Act).

Introduction



1 Introduction

In this letter, the stichting administratiekantoor beheer financiële instellingen (trust office foundation for the management of financial institutions), acting under the name of NLF I (hereinafter: NLF I), advises you on the available options for returning the shares held by NLF I in financial institutions to the private sector. This complies with NLF I's legal purpose as laid down in the relevant enabling Act (Wet stichting administratiekantoor beheer financiële instellingen, also referred to as Wet NLF I)¹⁵. This Act assigns to NLF I the task of advising the Dutch Minister of Finance on strategy regarding the sale of shares held by the State. NLF I complies with that mandate in issuing this advisory memorandum. You recently indicated in your letter to the Tweede Kamer (Dutch Lower House)¹⁶ i. your intention of integrating the policy agenda for the Dutch banking sector and ii. that you would present your plans for the future of the financial institutions of ABN AMRO Group N.V., ASR Nederland N.V. and SNS REAAL N.V. to the Dutch Lower House. You indicated that these documents would be issued to the Lower House as soon as possible after the summer recess.¹⁷ This explanatory memorandum (which does not consider SNS REAAL) serves as input for the presentation of your plans for the future.

NLF I manages, subject to private law, the shares in ABN AMRO Group N.V., ASR Nederland N.V. and RFS Holdings B.V. Among other responsibilities, NLF I is charged with exercising all rights attached to the shares, including voting rights. NLF I is also charged with the task of advising you on strategy regarding the sale of the shares by the State of the Netherlands (State). If the State authorises NLF I to do so, NLF I shall implement this strategy in the name of the State.

When drawing up this advisory memorandum, NLF I has acted in accordance with its purpose as described in its articles of association. In the lawful discharge of its duties and in exercising the rights associated with the shares, NLF I focuses primarily on the financial and economic interests of the State of the Netherlands¹⁸, while taking into consideration the interests of the company, its subsidiaries and affiliates and the employees that are thus involved. Against this background, NLF I has, when drawing up this advisory memorandum, also taken into consideration the interests of the stakeholders in the companies, including those of the Works Councils concerned.

¹⁵ Article 3, second paragraph, section b, subsection 1° of the enabling Act (Wet NLF I).

¹⁶ Letter to the Tweede Kamer (Dutch Lower House), "Rapport Commissie Structuur Nederlandse banken" (Report of the Commission on the Structure of Dutch Banks), 28 June 2013, reference: FM/2013/1233 M.

¹⁷ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2012-2013, hoofddossier 32545, nr. 14 (Lower House of the States General, sitting year 2012-2013, main dossier 32545, no. 14).

¹⁸ The financial and economic interest of the State is linked to the exchangeable depositary receipts for shares issued by NLF I (trade name) rather than a shareholding in the companies.

Both companies have been closely involved in drawing up this advisory memorandum.¹⁹ In addition, NLFI has spoken at length with various other parties. NLFI has asked the Nederlandsche Bank (Dutch Central Bank), also abbreviated to DNB in this document, and the Autoriteit Financiële Markten (Financial Markets Authority), also abbreviated to AFM in this document, to comment on the advisory memorandum and has incorporated their reactions in the memorandum. The input provided by the Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) has also been incorporated in the advisory memorandum. Furthermore, discussions with a large number of investment banks, various legal advisors and umbrella organisations for (institutional) investors have contributed to the final form of this advisory memorandum.

The advisory memorandum analyses the possibilities that exist for selling shares that are held in ABN AMRO Group N.V. (ABN AMRO) and ASR Nederland N.V. The name ASR Nederland was changed with effect from 27 January 2013 and abbreviated to the current company name of a.s.r. This is the name used by NLFI in this advisory memorandum. The interest in RFS Holdings B.V. (RFS) is linked to the undivided assets of the former ABN AMRO organisation, which was taken over in 2007 by a consortium of RBS (R), Fortis (F) and Santander (S). RBS has been authorised by the consortium partners to manage and sell the assets in RFS in an orderly manner.²⁰ Therefore, the sale of the interest held in RFS falls outside the scope of this advisory memorandum. SNS REAAL N.V. has not (yet) been transferred to NLFI and is not included in this advisory memorandum.

Table 1 shows the State's actual capital expenditure and the capital still owing, which amount to EUR 28 billion. In total, the purchase and capitalisation of ABN AMRO, a.s.r. and RFS has required expenditure of approximately EUR 30 billion. An amount of EUR 302 million for settlement and capitalisation of RFS, for which the Tweede Kamer (Dutch Lower House) gave its permission to your predecessor, did not need to be disbursed. Additionally, a temporary guarantee arrangement in which the State assumed responsibility for the credit risk associated with (part) of ABN AMRO's mortgage portfolio that involved an amount of EUR 1.7 billion, expired in October 2010.

Of the EUR 28 billion in capital expenditure that is still outstanding, according to NLFI's assessment, approximately EUR 21.66 billion is to be attributed to ABN AMRO and EUR 3.65 billion²¹ to a.s.r.²² The remaining amount of EUR 2.6 billion is to be

¹⁹ The views of both of the institutions and their Central Works Councils are attached to this advisory memorandum as annexes.

²⁰ The role of RBS as 'Z-Share manager' was agreed by the consortium parties at the time when the 'old' ABN AMRO was taken over. The State has taken over the rights and obligations of previous consortium member Fortis Group S.A./N.V.

²¹ An amount of EUR 4 billion is allocated to the acquisition of the insurance entities at the time of partial nationalisation on 3 October 2008. The acquisition price paid for Fortis Verzekeringen Nederland (now a.s.r.) and Fortis Corporate Insurance (FCI) is not split out further. FCI was sold for EUR 350 million in 2009.

²² The Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) determined the same subdivision on 11 April 2012.

attributed to RFS. The capital costs incurred by the State are not included in table 1. Dividend payments, other sums received and (bank) taxes have not been taken into account.²³

Description	Date	ABN AMRO	a.s.r.	RFS	Total
Nationalisation	Oct-2008	€ 12,800 mln	€ 4,000 mln		€ 16,800 mln
Recapitalisation ABN AMRO	Dec-2008	€ 4,320 mln		€ 2,220 mln	€ 6,540 mln
Sale Fortis Corporate Insurance	July-2009		€ (350) mln		€ (350) mln
Mandatory Convertible Note (MCN) I	July-2009	€ 800 mln			€ 800 mln
MCN II and conversion loan into equity	Dec-2009	€ 3,150 mln			€ 3,150 mln
Clearing and capitalisation RFS	March-2010			€ 438 mln	€ 438 mln
Coupon payment MCN not received	April-2010	€ 103 mln			€ 103 mln
Remaining capitalisation ABN AMRO	June-2010	€ 490 mln			€ 490 mln
Repatriation share RFS capital	Dec-2011			€ (16) mln	€ (16) mln
Total expenses		€ 21,663 mln	€ 3,650 mln	€ 2,642 mln	€ 27,955 mln

Table 1: Overview of the State of the Netherlands' capital expenditure.

The Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) concluded²⁴ that calculation of the amount paid upon nationalisation was partly influenced by the amount the Belgian authorities indicated they required on 3 October 2008 for the parts of the Fortis S.A/N.V. concern that were not purchased by the State of the Netherlands. Due to this aspect and for reasons of protecting financial stability, the Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) concluded that there can be no doubt that an excessive amount was paid for the parts that were purchased. The enquiry commission went on to state that while the investment certainly has economic value, it was unlikely that the total investment would be recovered.

Political alignment

You and your predecessors in office have indicated that the interim nature of the investments, which were made in the interests of securing the stability of the financial sector, has always been a main priority: a speedy return to the private sector was and is the Cabinet's intention.²⁵ The same letter – entitled "exitbeleid financiële deelnemingen" (exit policy relating to financial holdings) – to the Dutch Lower House (Tweede Kamer) states - in summarised form - that the objective is to substantially reduce the State's interests in the financial sector within a period of five years, if and insofar as compliance is possible with four boundary conditions:

1. The financial sector is stable. There are no longer any doubts about interbank transactions, the quality of the assets held by individual system banks and their solidity;

²³ A detailed report on the capital disbursed can also be found on the website of the Algemene Rekenkamer (Netherlands Court of Audit).

²⁴ Finding of the Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System), 11 April 2012.

²⁵ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2010-2011, hoofddossier 28165, nr. 117 (Lower House of the States General, sitting year 2010-2011, main dossier 28165, no. 117).

2. The companies concerned are ready for the intended form of sale or divestment. There is a good financial track record, the quality of reporting complies with the demands of the future, the executive board profile matches the strategy that has been determined and there are good prospects of sustained growth in value, particularly in a situation where the company continues as an independent operation;
3. The market is ready for the intended transactions. There is adequate absorption capacity, there is interest in investments in the financial sector and the expected proceeds are in line with that level of interest;
4. The objective is to recover the total investment in the companies referred to above, plus the costs of capital incurred by the State, as far as possible.

Originally, the intention was to float both ABN AMRO and a.s.r. on the stock exchange. However, it was also indicated that other forms of sale would explicitly not be excluded; all strategic and financial options would be kept open to the end.

The State of the Netherlands (State) has also indicated on many occasions in the state aid procedure with the European Commission that it has no intention of becoming a long-term investor in ABN AMRO. The European Commission has been informed²⁶ of the timeline for an IPO without excluding other options.

The boundary conditions relating to a sale of ABN AMRO are repeated in the Dutch Cabinet's coalition agreement. There is no mention of a.s.r. by name.

"... ABN AMRO may only return to the market when the financial sector is stable. There must be adequate interest in the market, the business must be ready for this transition and as much as possible of the State's total investment must be recovered. Against this background, we are investigating the other options that exist alongside a full stock market flotation..."

Coalition agreement between VVD – PvdA, "Bruggen slaan" (Building bridges), 29 October 2012

On 8 June 2011, a general consultation was held to discuss the letter on exit policy in relation to financial shareholdings ("exitbeleid financiële deelnemingen"). On the basis of the subsequent plenary debate of 21 June 2011, three motions relating to the sale of ABN AMRO and a.s.r. were approved on 28 June 2011. This involves the following motions:

- the Van Vliet motion of not taking irreversible steps in the sale procedure (28165, no. 125);
- the Groot/Bashir motion on the ownership structure after sale (28165, no. 127);
- the Blanksma-van den Heuvel motion on the corporate governance structure after exit (28165, no. 128).

²⁶ Letter dated 20 August 2010 from the State to the European Commission, which describes the objective of reducing the holding in ABN AMRO by [25% - 65%] before the end of [2014 - 2018], subject to this being possible. Quote: "the Dutch State is fully committed to a complete exit".

In the debate of 6 February 2013 on the nationalisation of SNS REAAL N.V., a number of further motions were approved, which impinge on this advisory memorandum.

This involves the following two motions:

- the Koolmees/Harbers motion, which requests the government, among other things, to inform the Tweede Kamer (Dutch Lower House) of the plans for the future of ABN AMRO and SNS Bank before the summer of 2013 (33532, no. 14);
- the Van Hijum/Nijboer motion, which requests the government to investigate how the governance structure can best be set up following an exit, also in relation to investigating alternatives to a stock market flotation which offer better guarantees for socially responsible banking (33532, no. 17).

This advisory memorandum serves as input for your discussions with Parliament about the plans for the future of ABN AMRO and therefore partially answers the Koolmees/Harbers motion. SNS Bank has not yet been transferred to NLFi and is not included in this advisory memorandum.

The level of interest in financial institutions, particularly banks, is substantial and has increased strongly in recent years, as evidenced by the number of occasions this topic has been discussed in the Tweede Kamer (Dutch Lower House). This reflects the importance of these institutions for Dutch society. There is increasing appreciation of the fact that banks operate in society for the common good and that financial institutions play an important facilitatory role in economic growth. The Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) also makes reference to the social importance of financial institutions in its report. The key role of the financial institutions is firmly anchored in Dutch and European legislation and regulations. In addition, the financial sector is now subject to closer scrutiny and supervision. Controlling morally risk-seeking behaviour (*moral hazard*), which might undermine the long-term economic growth of the Netherlands, is of great importance. Guaranteeing this function (of acting for the common good) can be seen as preconditional to the above-mentioned boundary conditions relating to a sale.

Assessment framework for privatisation operations

A policy framework for divesting government holdings has existed since 1985 and has been refined on different occasions. Particular reference is made here to the Deelnemingenbeleid Rijksoverheid memoranda (Government policy on holdings) of 2001 and 2007 (Parliamentary Documents II 2001/02, 28 165, no. 2 and 2007/08, 28 165, no. 69). The essence of the framework is that the state must act in a way that is both commercially responsible and controllable. On 25 March 2013, the Cabinet ratified the decision-making framework for privatising government services, which was introduced by the Eerste Kamer (Dutch Upper House) in the report entitled "Verbinding verbroken?" ("Connection broken?"). The interests involved in a privatisation are extensive and diverse. This may result in the ultimate reversal of the decision to privatise an activity. This occurred at national level in respect of the intended privatisation of Schiphol Group N.V. More recent examples are Deutsche Bahn AG in Germany and Dong A/S in Sweden. The use of the decision-making

framework can bring order to the process in a way that reduces the risks associated with delaying and/or revoking a privatisation.

Even though privatisation of government services does not apply in respect of ABN AMRO and a.s.r., public interests are involved in the holdings that will be privatised. The Cabinet has indicated that it sees the decision-making framework drawn up by the investigative committee as a valuable instrument for use by Parliament when discussing and assessing privatisation proposals. In answer to the request put by the Van Vliet motion, NLFi advises you to use this framework as a guideline. The decision-making framework defines five different phases. Your ministry has indicated that the process is currently in the phase where a decision is to be taken on the privatisation design, i.e. phase three. In the sale procedure for ABN AMRO and a.s.r., the next phase, implementation of the decision, consists of two parts: the concrete preparatory phase and an execution phase (phase four). Prior to the execution phase, NLFi will request you to give authorisation for implementing the sale.

NLFi supports the comment made by your predecessor in office that it is important to clearly state beforehand that selling processes, particularly those of this size, are associated with high uncertainty. Unexpected events or gradual changes will occur which may lead to amendment, delay, acceleration of the process, or result in higher or lower proceeds. However, an orderly and commercially responsible process may be expected at all events.

Guide for the reader

The advisory memorandum is structured around the four boundary conditions that your predecessor in office formulated, and around the motions that have been approved by the Tweede Kamer (Dutch Lower House). Of the four conditions, the first, i.e. stability in the financial sector, must be satisfied independently of the chosen form of sale or settlement. Once this condition has been satisfied, the other conditions may also be taken into consideration. Therefore, the advisory memorandum starts by presenting a view on the stability of the financial sector and explores the question of whether this is anchored firmly enough to justify starting preparation for a sale of the companies. Next, the various sales options are described in three categories followed by an individual analysis of both ABN AMRO and a.s.r. The analysis of the individual companies answers the question, on a category by category basis, of whether the other three conditions that have been formulated relative to the sales transaction can be satisfied by this particular selling approach.

After analysing the different sale transaction categories, the options relating to the governance situation after starting the sale procedure are investigated in detail. This passage responds to the requests put in the Groot/Bashir, Blanksma-van den Heuvel and Van Hijum/Nijboer motions. The advisory memorandum concludes with a section on the process and timeline.

2

Stability of the financial sector



2 Stability of the financial sector

The Dutch financial sector has been strongly depressed since 2008 due to the (financial) economic circumstances nationally and abroad. This led to interventions and state-aid programmes for various Dutch financial institutions. The shareholdings in ABN AMRO and a.s.r. are a direct consequence of intervening in order to bail out the former Fortis S.A./N.V. organisation. ABN AMRO received (various forms of) state aid during the period between nationalisation in 2008 and the separation from RFS in 2010. Since the separation, ABN AMRO has not received any further state aid. No (capital) aid has been given to a.s.r. ABN AMRO is under no obligation to pay back the state aid.²⁷ However, the European Commission has imposed a number of (conduct-related) measures on ABN AMRO. These are of a temporary nature and partly associated with the privatisation. ING currently finds itself in a process that will lead to compliance with the measures that the European Commission made conditional to giving ING state aid. AEGON has already complied in full with the requirements set in its particular case. SNS REAAL was recently nationalised under the dictates of the Interventiewet (Intervention Act). Poor results related to real estate investments nationally and abroad were among the causes of SNS REAAL's problems. The situation at SNS REAAL is company specific.

The actions taken by the government and supervisory bodies in recent years have strengthened the stability of the financial sector. The planned introduction of Solvency II for insurance companies will lead to more accurate valuation of risks in the insurance sector. The intervention ladder used by De Nederlandsche Bank (the Dutch Central Bank) for supervision of the insurance sector will be strengthened and made more risk-oriented as of 1 January 2014. Among other powers, DNB is authorised to demand a recovery plan from an insurance company when that insurance company's capital position looks likely to drop into the danger zone. The provision of the Implementation Act Solvency II guideline (Implementatiewet richtlijn Solvabiliteit II) comes into force with effect from 1 January 2014.²⁸ This provision makes it obligatory for all insurance companies to request a certificate of no objection before being allowed to pay dividend if their solvency position looks likely to fall below the required level of solvency within a period of 12 months.

The banks have increased their capital reserves in anticipation of the introduction of Basel III. In addition, DNB shall inform the four Dutch system banks of the SIFI buffer²⁹ that will be determined for the individual banks during the course of 2013.

²⁷ European Commission Decision, C(2011)2114 final, 5 April 2011.

²⁸ Consultation version modification to the Financial Supervision Act (Wet op het Financieel Toezicht) for recommendations by the Raad van State (Council of State).

²⁹ SIFI buffer: the *common equity tier 1* buffer, between 1% and 3%, which Systemically Important Financial Institutions must additionally maintain.

Furthermore, the financial markets legislation letter (wetgevingsbrief financiële markten)³⁰ indicates that you intend to comply with the request submitted by DNB and the AFM to make it obligatory for banks to apply for a certificate of no objection before paying dividends to shareholders. This will expand the instruments available to DNB for supervising the banks' capital reserves.

In future years, work will take place at European level in order to introduce the banking union and the associated enhanced micro-prudential supervision. The banking union will help to strengthen the stability of the financial sector and raise confidence in European banks. Before the start of the regime of direct supervision, the ECB will carry out balance sheet assessments at the banks that are to be placed under direct supervision, also known as Asset Quality Reviews (AQRs). Uncertainty relating to the outcome of these AQRs will affect market sentiment in 2014 and will also have an effect on the timing of a possible (partial) sale of ABN AMRO. The Ministers of Finance of the countries in the European Union reached broad political agreement on the recovery and resolution Directive on 27 June 2013. The associated legislation is expected to come into effect in 2018.

The European Central Bank will investigate the quality of the European banks' financial assets in 2014 in connection with the introduction of the banking union. In its report³¹, the Financieel Stabieliteitscomité (Financial Stability Committee), also abbreviated to FSC in this document, endorses the importance of the ECB's investigation into banking assets and indicates that investors will probably be more prepared to finance banks after a thorough balance sheet audit has taken place. The FSC was set up in November 2012. Its task is to signal financial stability risks in the Netherlands. The decision to set up the committee ensued from the recommendations of the Parlementaire Enquêtecommissie Financieel Stelsel (Parliamentary Enquiry Commission for the Financial System) and is an additional instrument for macro-prudential supervision. The committee consists of representatives from DNB, the AFM and the Ministry of Finance and is chaired by the president of DNB.

The AFM emphasises³² that banks, insurance companies and service providers in the sector must re-invent themselves in a time of economic uncertainty. Even though much-publicised steps have been taken to achieve this, the interests of customers must be given a much greater priority than was previously the case, in the opinion of the AFM. DNB and the AFM recently announced their intention of starting up a joint investigation into obstacles and success factors on the road to greater sustainability and customer focus in order to help banks and insurers in their efforts to change.

³⁰ Letter to the Tweede Kamer (Dutch Lower House), "Wetgevingsbrief op het terrein van de financiële markten" (Legislation letter relating to the financial markets), 8 July 2013. Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2012-2013, hoofddossier 32545, nr. 14 (Lower House of the States General, sitting year 2012-2013, main dossier 32545, no. 14).

³¹ Report following the second meeting of the Financieel Stabieliteitscomité (Financial Stability Committee), 30 May 2013.

³² Autoriteit Financiële Markten (Financial Markets Authority), 2012 Annual Report.

The Dutch economy

At national level, the risks for the financial sector have reduced but are still present. The full weight of the crisis now bears on the real economy. The recession in which the Netherlands finds itself has resulted in increasing losses for the banks in the area of their loan portfolios, both for mortgages and business loans. The situation in commercial real estate markets in particular and the market for small and medium enterprise loans is under great pressure. In addition, rising unemployment is likely to result in increased provisions for losses on loans.

The insurance companies are also experiencing the effects of the recession. Premium revenues have reduced due to the pressure on consumer spending, low interest rates and fierce competition in the market. Technical charges are relatively high because policyholders are more likely to claim compensation and do so more often in tough economic conditions. In addition, allowance must be made for the shifts that will take place in the insurance sector as a result of the introduction of the ban on commissions on complex products, effective from 1 January 2013. DNB indicates that the ultimate effects of the current recession and reforms on the banks and insurance companies are not yet completely clear. Only after the economy has in fact started to recover will it be possible to identify these effects more accurately.

Rating agency Standard & Poor's (S&P) indicates that the continuing downward pressure on the Dutch housing market and the private sector will delay recovery of the Dutch economy.³³ S&P expects economic circumstances to have a significant effect on the performance of Dutch financial institutions until the end of 2014. Even so, in its report on the Dutch banking sector of April 2013, S&P states that it is satisfied with the material progress made by the large banks in respect of their capital buffers. S&P's concerns about the insurance market largely focus on the market for life insurance and the question of the extent to which the net outflow of capital, due to the very low level of new policy contracts, can be managed.

Rating agency Moody's³⁴ also identifies the challenges that are faced by banks operating in the Netherlands. Moody's reports a drop in the quality of the assets. According to Moody's, this risk is greater than one would expect during a normal economic cycle.

The international dimension

Due to the strong dependence of the Dutch economy on international trade, consideration must also be given to the stability of other countries, particularly those in the euro area. The risks of possible financing problems in some countries that are part of the euro area have not yet subsided completely. However, confidence in the euro area and the creditworthiness of individual states has risen since mid-2012. The presentation of the agreement on a bailout package for the Cyprian banks and for

³³ Standard & Poor's, Rating services on ABN AMRO, 19 November 2012.

³⁴ Moody's, Investor service credit research on Dutch banks, 13 March 2013.

providing finance for the Cyprian government did not have an adverse effect on stability in the euro area.

On 2 August 2012, the European Central Bank (ECB) announced that it would, if required, intervene in the capital markets by purchasing sovereign state bonds (Outright Monetary Transactions) in order to prevent disintegration of the euro area. This announcement and subsequent statements made by the ECB in support of this policy have resulted in investors assessing the risks for sovereign states in the euro area at a much lower level. The interest rates on government bonds and the prices for credit default swaps - the transfer of credit risks - in respect of sovereign states whose creditworthiness was perceived to be doubtful by investors, have fallen strongly. This indicates that the risks have reduced.

The reduction in the level of concern about the creditworthiness of countries in the euro area is of great importance for banks in the euro area. A possible bankruptcy of one of the euro area countries, or an exit from the monetary union, would have far-reaching, direct (and indirect) effects on Dutch banks. The reduction in the credit risk associated with sovereign states leads to greater stability in the euro area and reduced credit risk exposure for individual banks in the euro area. The reduction in excess liquidity that banks in the euro area deposit with the ECB, overnight deposits, is in line with the reduction in credit risk. This is a sign that the banks have greater confidence in their counterparts and interbank transactions are on the increase. The fact that banks are also making more widespread use of the possibility for premature repayment of long term refinancing operations (LTRO) indicates that the euro money market is returning to normality.

The European Systemic Risk Board (ESRB), part of the European system for financial supervision, is responsible for macro-prudential supervision of the financial system within the European Union (EU) and contributes to prevention and mitigation of system risks for the EU. The ESRB's risk dashboard³⁵ indicates that the probability of system failure, expressed as the probability of two or more large banking concerns having to petition for bankruptcy within a period of one year, has strongly reduced during the past two years. However, the probability of a system failure has not yet reached the levels that applied before the bankruptcy of Lehman Brothers in 2008. The European Banking Authority (EBA), part of the European system for financial supervision, states in its annual report that banks in the European Union are still largely focused on internal issues and trying to increase their buffers through application of risk-avoiding strategies. These strategies can be attributed to the reduced quality of the assets in 2012 and at the beginning of 2013 that were held by the banks consulted by the EBA. The resulting risk for the real economy, in the opinion of the EBA³⁶, is that this mindset prevents the banks from efficiently fulfilling their important role of providing loans nationally and abroad. The FSC indicates that it sees the degree to which banks and national governments are interwoven in

³⁵ ERSB Risk Dashboard, issue 3, 21 March 2013

³⁶ European Banking Authority, Risk Assessment Report, January 2013.

Europe as a source of financial instability. It therefore hopes that creating a banking union, subject to proper design, can contribute to breaking down these interwoven relationships. Agreements about the Single Supervisory Mechanism, a European resolution mechanism and European supervision regarding the deposit guarantee scheme are felt to be of great importance by the FSC.

Implications for financial markets

Despite the fact that the real economy is still under pressure, the situation in the financial markets has improved distinctly during the past year. Even though there are still risks present, the level of volatility in the financial markets has clearly reduced. Investment banks indicate that the situation on the financial markets has now improved to the point where financial institutions can once again issue new shares under acceptable conditions. Within the financial sector, Deutsche Bank, KBC and Delta Lloyd among others have successfully issued new shares. If the rate of economic growth increases in the coming quarters, the situation in the financial markets is likely to improve further.

When the following chapters discuss the sale options, the option of a stock flotation shall also be considered. NLFi is of the opinion that there are no fundamental objections to being listed on the stock exchange in relation to the possibly destabilising effect that this listing might have. One possible objection is that a strong fall in share prices might be followed by an outflow of cash in the form of withdrawals from savings accounts. In the worst scenario, this would result in a run on the bank. Any drop in the price of stock exchange listed shares is however likely to be related to a growing perception that there may be problems with the quality of the bank's assets. The fact that the share price falls in a scenario of this nature can also be seen as a 'desirable warning' for customers. It should be noted that an effect of this type can also arise if the company is not stock exchange listed. Banks whose shares are not traded on the stock exchange generally finance themselves using bonds that are priced on a daily basis. And a priced credit default swap exists for all banks of any real size. This is a facility that parties can use to cover the counterparty risk in interactions with the bank. Bond prices and prices of credit default swaps can therefore also act as a warning signal in the same way as share prices. Being stock exchange listed also has benefits. The disciplinary effect that accountability to private investors has may be positive for the company and also for other stakeholders, such as customers and employees. A stock exchange listing offers an extra and efficient form of supervision over the company. Being quoted on the stock exchange makes it possible to anticipate a requirement to strengthen equity capital or finance investments by issuing shares. In the case of ABN AMRO, a reduction of the State's shareholding to less than 50% would put an end to the restriction on acquisitions imposed by the European Commission in connection with the state aid that has been received.

Conclusion:

The actions taken by the government and supervisory bodies in recent years have strengthened the stability of the financial sector. The banks' capital buffers have grown and risks in the insurance sector are valued more accurately. The introduction

of the European banking union is intended to reduce the risks associated with the activities of banks in the Economic and Monetary Union. The recent bailout for Cyprus has had practically no effect on stability.

The ECB's intervention in 2012 has promoted stability. The reduction in the excess liquidity deposited at the European Central Bank and premature repayment of LTRO facilities by banks are signals that indicate an increase in interbank transactions. The prices of credit default swaps related to banks in the euro area have dropped sharply, meaning that banks can attract capital and finance more cost-effectively. The likelihood of a system event has reduced strongly during the past two years, but has not yet reached zero.

At national level, the recent nationalisation of SNS REAAL can be categorised as company-specific. There is still no clarity regarding how the financial sector will ultimately be affected by the current recession and reforms. The housing market is considered to be one of the main risk factors. The quality of assets of financial institutions may reduce further due to the difficult situation in the housing market. However, there is also no reason to assume the existence of acute threats, which would imperil the stability of the sector and individual institutions.

Financial institutions are now once again capable of actively sourcing funds from the capital market subject to acceptable conditions. Once further signs of an impending economic recovery appear, it is probable that the financial markets will improve further during the preparation time - which is estimated for ABN AMRO and a.s.r. at a minimum of one year, respectively six months - and during the period that is required for implementing a sale. Any remaining concerns regarding the stability of the (Dutch) financial sector are also no reason for delaying starting to make preparations for the sale of both ABN AMRO and a.s.r.

3

Description of the different possible types of sale



3 Description of the different possible types of sale

In view of the conclusion that the remaining concerns about the stability of the (Dutch) financial sector present no obstacle for starting to make preparations for a possible sale of both ABN AMRO and a.s.r., it is important to decide what possible sale options exist and which options are realistic. In addition to a stock flotation - in the "exitbeleid financiële deelnemingen" (exit policy relating to financial Holdings) letter - described as the most logical exit route for both ABN AMRO and a.s.r. - there are further types of sale which may be considered. The range of options is divided up into three categories. These three categories are discussed in the next two chapters in relation to both ABN AMRO and a.s.r.

3.1 Sale to a strategic party or private equity investor

The possibility of a sale as a complete entity or split out into divisions has been investigated for both companies. Potential buyers have been considered in the Netherlands and abroad. In addition to strategic parties, i.e. businesses in the financial sector, consideration has also been given to possible private equity investors. A possible merger with a strategic party has also been considered.

3.2 A stock flotation

A stock 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 stock flotation, a discount is normally given on the value in order to make the IPO a success. 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 company. A number of past examples of privatisations indicate that a sale based on a stock market flotation can take several years. The State floated KPN on the stock exchange in 1994. Partly due to major losses in the period from 2000 to 2002, the last tranche of shares, 8%, was not sold until 2006. DSM was floated on the stock exchange in 1989. The last share in DSM was sold in 1996.

3.3 Sale to customers

The possibility of selling the companies to their customers has been investigated. There are several examples in the Dutch financial sector where customers are (economic) co-owners of a business. A number of cooperatives, of which the Rabobank is the best known example, exist in both the Dutch banking and insurance sectors.

4

ABN AMRO



4 ABN AMRO

4.1 Current situation

NLFI controls 100% of the shares and has full voting rights in ABN AMRO.³⁷ The holding in ABN AMRO is a direct consequence of the nationalisation of the Dutch divisions of the former Fortis S.A./N.V. on 3 October 2008.^{38/39}

ABN AMRO in its current form is a result of the merger of the purchased company divisions, ABN AMRO and Fortis Bank Nederland.⁴⁰ In 2009, a transition team under the management of Gerrit Zalm was appointed to prepare integration of the two banks. In 2010, compliance was achieved with the requirements that had previously been set by the European Commission in 2007, namely the sale of a number of divisions within the organisation. The sale of part of the commercial banking activities to Deutsche Bank was one of the last major obstacles that had to be overcome before ABN AMRO and Fortis Bank Nederland could merge. This merger took place on 1 July 2010, leading to the creation of the current ABN AMRO organisation. During the period between nationalisation and the merger between ABN AMRO and Fortis Bank Nederland, the Dutch State injected additional capital into ABN AMRO amounting to EUR 8.86 billion (refer to table 1). Work started on integration immediately after the merger in 2010. This very extensive and complex operation was completed within budget and before the original deadline with minimum disruption for customers.

The executive board of ABN AMRO consists of seven board members and is chaired by Gerrit Zalm. The board members have extensive experience in business and banking. ABN AMRO strives to be a transparent bank with a transparent management structure and attaches great importance to a high level of corporate governance. ABN AMRO has implemented the Dutch Corporate Governance Code and the Banks Code (Code banken) and strives to translate the associated principles into policy and

³⁷ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2011-2012, hoofddossier 31789, nr. 41 (Lower House of the States General, sitting year 2011-2012, main dossier 31789, no. 41).

³⁸ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2008-2009, hoofddossier 31371, nr. 12 (Lower House of the States General, sitting year 2008-2009, main dossier 31371, no. 12).

³⁹ On 11 March 2013, a change was made to the shareholder structure - more specifically the shareholding in ABN AMRO via ABN AMRO Preferred Investments - which resulted in an increase in NLFI's holding from 97.8% to 100%. In March 2013, ABN AMRO Group N.V. purchased and withdrew the preference shares that were held by ABN AMRO Preferred Investments B.V. (AAPI). This resulted in a simplification of the shareholder structure of ABN AMRO Group N.V. From that time on, NLFI became the only shareholder in ABN AMRO Group N.V. In addition, the AAPI shares held by three private investors were purchased and withdrawn. This meant that NLFI also became the only shareholder in AAPI. With effect from 28 March 2013, NLFI is also the only executive board member of AAPI, whose name has been changed to NLFI Financial Investments B.V.

⁴⁰ Parliamentary document: Tweede Kamer der Staten Generaal, vergaderjaar 2008-2009, hoofddossier 31789, nr. 1 (Lower House of the States General, sitting year 2008-2009, main dossier 31789, no. 1).

apply them in practice. In addition, co-determination in general, and the role of the Central Works Council in particular, have grown enormously. ABN AMRO has been scored highly by the AFM for prioritising its customers' best interests and for its complaints management.

ABN AMRO⁴¹ focuses its activities on Dutch consumers and (small) business customers. ABN AMRO is one of the three largest banks in the Netherlands and offers a broad range of products and services. Internationally, ABN AMRO operates primarily in a number of fields where it possesses unmistakable expertise. Some examples are Energy, Commodities & Transportation (ECT), Clearing Activities and Private Banking. ABN AMRO summarises its strategy as follows:

- Encouraging more widespread adoption of the attitude of 'putting the customer first', using the bank's expertise for the benefit of society, providing sustainable and responsible loans and advice;
- Investing in the future: approximately EUR 700 million for IT systems and processes in the period up to and including 2017;
- Maintaining a moderate risk profile and a target CET1 ratio of 11.5% – 12.5% in 2017;
- Selective international growth. The revenue generated abroad increases from 18% of annual turnover in 2012 to 20% - 25% in 2017;
- Achieving improved operational efficiency. The ratio between costs and income (C/I ratio) shall be reduced to 56% - 60% during the period up to 2017.
- A target return on equity of 9% - 12% in 2017.

The three defined sale transaction categories are described in more detail for ABN AMRO below and assessed with regard to their compliance with the conditions stated in the introduction.

4.2 Sale to a strategic party or private equity investor

Sale to a strategic party would involve national and foreign banks. In theory, the greatest value can be achieved through a Netherlands-based acquisition or merger. This statement is based on the high degree of synergy that can be achieved when two Dutch banks merge. Even though discussions took place between ABN AMRO and ING in the years preceding the acquisition of ABN AMRO by the consortium in 2007, this currently does not appear to be a realistic option. Even if Dutch banks were interested in a national consolidation, it is questionable whether this would comply with the conditions set by the competition authority for consolidations and maintain the socially desirable situation of adequate competitiveness in the sector.

⁴¹ All the information included here is based on estimates made by NLFi or by investment banks and use is made of publicly available figures and other data that has been published previously by ABN AMRO.

A number of the most financially strong banks in Europe may be interested in acquiring ABN AMRO in the longer term. The benefits that an acquisition of ABN AMRO would have for these parties include:

- expansion and diversification into an additional home market as a leading national player;
- increasing activities in a triple-A⁴² country;
- an opportunity for achieving substantial synergy benefits.

The number of acquisitions in the financial sector in the euro area increased last year. However, these acquisitions did not involve more than a few billion euros. There has been no interest to date in major acquisitions and mergers in the euro area. A possible acquisition of ABN AMRO falls in the latter category.

The lack of major acquisitions, in spite of the fact that interesting assets seem to be available in the market, is attributable to a number of developments:

- the internal focus of banks on restructuring and cleaning up their balance sheets, largely due to higher capitalisation requirements;
- the high costs that are associated with raising equity capital in order to fund an acquisition;
- scepticism on the part of investors with regards to transformational and cross-border acquisitions and mergers in a relatively uncertain macro-economic situation;
- possible reluctance on the part of supervisory bodies regarding approval of an acquisition or merger of this type;
- the more limited growth potential of the Dutch market in comparison to other international investment opportunities.

Proactively contacting parties in order to ascertain their interest in a possible acquisition of ABN AMRO was not part of the process within the context of this advisory memorandum. However, cautious approaches have been made in order to gauge the level of interest. To date, no serious opportunities have presented themselves. Based on this, we estimate that potential buyers, both strategic buyers and private equity investors, have little to no interest in acquiring ABN AMRO as a whole. In the event that strategic buyers were interested, a (large) part of the acquisition price would probably be paid in the form of shares in the purchaser's organisation. One disadvantage of an acquisition by a private equity investor (or group of private equity investors) is that it may be more difficult to raise additional capital in an emergency scenario. If this private equity investor (or group of private equity investors) is unable or unwilling to provide additional capital, this might have an adverse effect on the company's stability.

⁴² On 6 February 2013, credit rating agency Fitch downgraded the State of the Netherlands to triple-A status with a *negative outlook*.

It is perfectly possible that acquisition candidates exist for some of ABN AMRO's divisions. However, selling off divisions does not seem to be a desirable option at this point in time in view of the complexity that this would involve. This is because an approach of this nature may lead to a long and complex period in which divisions are split away from the organisation. Splitting up the company after the acquisition of the former ABN AMRO in 2007 resulted in a complex process that continues to this day. Furthermore, selling off divisions of ABN AMRO may result in the State continuing to own the less interesting divisions for a longer period of time. Selling off divisions may also complicate and delay other sales options, such as a stock market flotation.

Conclusion:

To date, NLFİ has determined that national and foreign strategic parties and private equity investors have little to no realistic interest in acquiring or merging with ABN AMRO. There have been no major mergers and acquisitions in the European Union in recent years. A sale to a strategic party or private equity investor is therefore not a realistic option at this point in time. However, potential purchasers are obviously welcome to indicate their interest. This scenario should not be excluded ahead of time.

4.3 A stock flotation

4.3.1 *Is ABN AMRO ready for an IPO?*⁴³

ABN AMRO is capable of presenting an interesting proposition for a stock flotation. To that end, it is important that ABN AMRO succeeds in performing at the top end of the target profitability range at a forecast capital ratio of approximately 12% CET1. Investors must have confidence in the bank's ability to achieve this objective within the foreseeable future and in its ability to maintain that level of performance. Profitability at divisional level is a key consideration when assessing the investment proposition. ABN AMRO still faces a major challenge in this area.

In spite of the economic climate, ABN AMRO has succeeded in achieving the financial objectives that it set itself during the past three years. Profitability for 2013 is expected to come under pressure due to poor macroeconomic conditions. The profitability trend in the SME, large corporations and private banking divisions is the greatest challenge faced by ABN AMRO when drawing up an attractive proposition for investors during a stock market flotation. The cost of equity capital, i.e. the rate of return expected by the company's shareholders, must be generated by the profits made by these divisions in the financial forecasts. That is not yet the case. Based on risk considerations, the bank has announced its intention to limit growth in parts⁴⁴ of the Retail division. This means that the most profitable division will account for a

⁴³ During the past few months, NLFİ has conducted intensive discussions with more than ten different *investment banks* in order to assess ABN AMRO's preparedness and also test the level of interest among investors and estimate the possible proceeds.

⁴⁴ ABN AMRO has indicated its desire to stabilise its mortgage portfolio.

proportionally smaller percentage of the net result. Increased profit will have to be achieved through an improvement in the yield and growth of divisions that currently do not cover their cost of equity capital.

In previous years, ABN AMRO has succeeded in achieving its efficiency improvement objectives. This is positive for the financial track record of the company and its executive board. The objective of a cost/income ratio of 60% - 65% has been achieved. The recently published, more demanding objective of 56% - 60% in 2017 is considered by investment banks to be adequately ambitious at the lower end of the range.

Within the current capital-related supervisory framework, ABN AMRO is adequately capitalised and making preparations for introduction of the new framework, i.e. Basel III. The CET1 ratio is currently described as adequate by investment banks and the objective for future years is also seen as positive. The CET1 ratio will have to increase adequately in future years without having an adverse effect on the return on equity capital for the present and future shareholders. The Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) recommends that Dutch banks ensure early compliance with the requirements of Basel III and limit their leverage ratio by introducing a minimum leverage ratio of more than 3% of the balance sheet total. ABN AMRO currently has a leverage ratio of slightly more than 3%⁴⁵.

ABN AMRO has also improved its financing position during the past few years and has not needed to use the LTRO facility offered by the ECB. The ratings published by credit rating agencies in respect of ABN AMRO are not particularly dependent on the fact that the State owns the shares, but are related to the bank's system relevance. Consequently, a sale (or start of a sale) by the State is expected to have little effect on the company's creditworthiness rating.

In the event of a stock market flotation, the AFM emphasises that ABN AMRO must continue to focus adequately on putting its customers' interests first; a situation where this principle is compromised by efforts to increase profitability in the light of a possible stock market flotation must be avoided. NLFi notes here that a consistent emphasis on putting customers' interests first on the part of ABN AMRO might reduce the company's cost of capital. After all, putting customers' interests first reduces the risks associated with financial service provision. Consequently, a focus on improving profitability is a logical extension of the practice of putting customers' interests first rather than a contradiction in terms. Insofar as it becomes necessary to weigh up the courses of action required for achieving financial objectives and putting customers' interests first against each other, the executive board and supervisory board of ABN AMRO are considered capable of finding an appropriate balance.

⁴⁵ Based on Basel II regulatory capital.

ABN AMRO complies with the corporate governance requirements that apply to stock exchange listed companies and the company is considered to be capable of complying with the requirements that apply in a stock exchange listed environment. Investment banks gave a positive assessment of the results achieved by the executive board and the supervisory board. The recently appointed CFO has previous experience of preparing a financial institution for an IPO.

Conclusion:

ABN AMRO has proved itself capable of achieving its financial and operational objectives. The recently presented, more challenging financial objectives are adequately ambitious and credible in the eyes of investors. The time required to make preparations for a stock market flotation must be used to make all divisions of ABN AMRO ready for a flotation by continuing to improve profitability. The challenge here is to achieve the profitability objective in the SME, major corporations and private banking divisions.

4.3.2 *Are investors interested in a stock market flotation for ABN AMRO?*

Share price volatility has reduced strongly during the past year due to the ECB's intervention in August 2012 and the expectation that the recession in the euro area is close to bottoming out. Reduced volatility and the persistently low interest rate for bonds is causing investors to return to the stock markets. This is one of the reasons why the stock markets performed well last year. Reduced volatility also substantially influences the degree to which companies (choose to) use the stock markets in order to offer existing shares and issue new shares. An IPO requires significant time for preparation, ranging from a number of months to a year, and also requires a period of low volatility. Discontinuing the selling process after starting the execution phase may affect the final proceeds of the sale if the company is in fact sold at some later stage. Sellers considering a stock market flotation generally wait until stock market volatility has stabilised at a low level for an extensive period of time. It would seem that we now find ourselves at the beginning of such a period of stability.

The amount of capital that was attracted by issuing shares or offering shares for sale increased during 2012. In the spring of 2013, the number of stock market flotations increased again and this upward trend is expected to continue during the rest of the year. The fact that stock markets are open for longer indicates that investors are returning to shares. Investment banks indicate that the investments in shares made by institutional investors increased sharply during the past 12 months. Within the financial sector, Deutsche Bank and KBC among others have successfully issued new shares. Barclays is currently preparing a rights issue.

Because free trading in ABN AMRO's shares is not possible, we cannot exactly determine the level of interest investors would have in ABN AMRO shares. The expectation is that the level of interest among investors for ABN AMRO shares would be similar to their interest in comparable banks. It must be noted here however that completely accurate comparisons are not possible. ING Bank is the only Dutch bank of comparable size that is listed on the stock exchange. However, ING is more active than ABN AMRO in foreign countries and its current market value is also based on

the presence of large insurance entities and reflects uncertainties relating to restructuring of the company. Once the insurance entities have been sold, the resulting bank will be more comparable to ABN AMRO. The time when the insurance entities will be sold is also important for timing a possible stock market flotation for ABN AMRO. There are also foreign banks that have a similar business model to ABN AMRO. Examples can be found in Scandinavia; e.g. Nordea, DnB NOR and Danske Bank. The main difference between these peers and ABN AMRO is that they operate in a different geographical environment with different characteristics and economic and fiscal developments.

In general, solid banks with a strong capital base and a high payout ratio are valued relatively highly on stock markets due to the low risk profile associated with the investment. This has resulted in changes to the strategy adopted by other banks. For example, as part of moves to increase capital, Barclays recently raised the targeted level for its dividend payout ratio from 30% to 40-50% in 2015, apparently with the supervisory body's approval.⁴⁶

It is important for investors to have adequate confidence in the expectation that a higher dividend will be paid in the future. In the case of ABN AMRO, making a credible commitment to a relatively high and sustained dividend payout ratio in the future is therefore an essential requirement for an IPO. This will only be possible if the bank is adequately capitalised. In 2013, DNB will inform ABN AMRO, in its capacity as one of the four Dutch system banks, of the SIFI⁴⁷ buffer that has been determined for the bank. If a period of actions that target increasing the capital ratios has still to take place, the growth path to a high and sustained dividend payout ratio must be clearly communicated to investors.

Shares with a high and sustained dividend yield (high yield shares) are of interest to long-term investors such as institutional investors (institutional funds). This type of share also attracts investors who manage their portfolios based on a long-term view and who are interested in long-term expectations and the bank's long-term investments. ABN AMRO must give adequate consideration to the long term when presenting strategic objectives and investments.

Since 2010, ABN AMRO has regularly conducted discussions with parties that invest in government bonds and the capital market. ABN AMRO is viewed positively by the majority of investors. Investors have a preference for banks that mainly earn their money through traditional banking activities; providing loans and operating savings accounts. ABN AMRO is seen as a bank with a good capital position and low risk profile. The status of the Netherlands as a stable factor in Europe and the limited investment banking activities of the bank contributed to the positive assessment on the part of investors. It seems likely that an adequate number of investors will be

⁴⁶ Press release issued by Barclays on 30 July 2013: <http://group.barclays.com/about-barclays/investor-relations/results-announcements>.

⁴⁷ SIFI buffer: the *common equity tier 1* buffer, between 1% and 3%, which Systemically Important Financial Institutions must additionally maintain.

interested in an IPO. In view of the size of the share issue at the time of the stock market flotation, the expectation is that a significant share will be placed with international funds in line with normal practice.

When implementing a stock market flotation, due consideration must be given to the IPO pipeline. In explanation of the above, NLFi wishes to draw attention to the fact that preparations for the sale of banks that have been nationalised in recent years are taking place in a number of European countries. If several banks are floated on the stock exchange during the same period, the IPOs may lead to competition for investors' capital and downward pressure on the sales proceeds.⁴⁸ In the Netherlands specifically, the operation to split the banking and insurance entities within ING bank is currently ongoing. The split, which may be effected as early as 2014, will result in the creation of a banking enterprise that is more comparable to ABN AMRO.

Finally allowance must be made for the possibility that the stock markets may 'close', due to increased volatility or other factors. The level of interest among investors may also be limited by developments in the housing market and the increasing default rate among small and medium-sized enterprises. ABN AMRO will have to address these issues during the preparatory phase leading up to a possible stock market flotation. The success of a stock market flotation depends on stock market volatility remaining at a low level for a protracted period of time. This in no way prevents ABN AMRO from starting to prepare for a stock market flotation at this early stage so that the business is ready when the stock markets have proven their ability to absorb flotations for some considerable time.

Conclusion:

ABN AMRO shares satisfy many of the requirements that investors have at this time regarding stock market flotations. Investment banks indicate that investors are interested in a bank like ABN AMRO: a financially strong bank that operates from a stable base is associated with relatively low risk and has ambitions for growth in a number of areas. This is however subject to ABN AMRO responding in an adequately ambitious and credible way to the challenge of covering the cost of equity capital at divisional level. In consideration of the economic climate and the time that is required for achieving ABN AMRO's objectives, a preparatory period of twelve months prior to a stock market flotation is desirable. In addition, an IPO is expected to require between four and six months from start to finish.

4.3.3 Will floating ABN AMRO on the stock exchange generate the desired proceeds?

The State's goal is to recover its expenditure for ABN AMRO, plus the capital costs. Excluding capital costs and income received during the management phase, this expenditure amounts to a total of EUR 21.66 billion. For more details please refer to the introduction.

⁴⁸ NLFi maintains contacts with sister organisations abroad in order to limit effects of this type.

In order to assign a value to ABN AMRO, investors will look among other things at the development in the share price for (comparable) banks in the euro area and at the specific situation in which ABN AMRO finds itself, such as the macro economic circumstances that affect the Netherlands and ABN AMRO.

In recent months, several investment banks have - without having received an explicit instruction from NLF I to do so - tried to value ABN AMRO from an investor's perspective. This has resulted in a valuation range around book value, based on regression analyses of the market values of the banks that best lend themselves to comparison with ABN AMRO. The outcome is that ABN AMRO's market value is somewhat higher than the average of all the European banks. The average of all the European banks is less than the Common Equity Tier 1 capital level. At the end of June, ABN AMRO's Common Equity Tier 1 Capital amounted to EUR 15.4 billion. This is significantly higher than the value indications that NLF I received in September 2011, the period immediately following the date on which NLF I became operational. Signs of an imminent economic recovery are an important prerequisite for actually achieving a valuation that approximates this book value. In addition, ABN AMRO must have a credible answer to the challenges that have been stated previously. The valuations that have been made are snapshots and subject to changes that may arise in investor sentiment and in the valuation of banks in general. Changes in legislation and regulations may also affect how banks are valued; e.g. the negative effects that the introduction of the bank tax will have on profits and the need to grow equity capital.⁴⁹

A stock market flotation will probably lead to proceeds that are lower than the actual capital expenditure. However, a complete sale of ABN AMRO will require several years. Subsequent share offers may take place at a higher valuation. This may be the case if ABN AMRO achieves its financial ambitions and the Dutch and European economies emerge from the recession. Due to direct assessment on the part of investors, the achievement of ABN AMRO's ambitions will result in greater value in a stock market environment than in the situation where the State owns all the shares. The proceeds in the long term may approach the initial capital disbursement.

Conclusion:

At present, ABN AMRO is valued at a lesser amount than the initial capital disbursed by the State. In the case of a stock market flotation, it is possible that the investment will be loss-making initially in comparison to this disbursement. However, subsequent share sales may take place at a premium relative to the current valuation. It is therefore important that ABN AMRO achieves its objectives and that the economy makes a transition to recovery. The proceeds in the long term may approach the initial capital disbursement.

⁴⁹ Conclusion of the Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) regarding the introduction of the bank tax, 28 June 2013.

4.4 Sale to customers of ABN AMRO

A cooperative structure may lead to an increase in the involvement of customers with the bank, subject to the company culture at the bank being structured to allow this. An example of this scenario already exists in Dutch banking, namely Rabobank. Rabobank has a cooperative structure that offers customers the opportunity of purchasing member certificates that allow them to influence the bank's policies. This is also the case on a lesser scale at Triodos bank and more recently KNAB⁵⁰.

In the case of ABN AMRO, significant disadvantages are associated with converting the bank to a cooperative structure. In the first place, issuing certificates to customers means that the option of issuing shares in order to strengthen equity capital in emergency situations becomes practically impossible. In this scenario, an issue of new member certificates is very unlikely to be successful.

Secondly, it is questionable whether the customers of ABN AMRO are interested in investing exclusively in their bank in order to acquire the right to influence the bank's policies other than via shares that are traded on the stock exchange in the normal manner. On balance, the customers of ABN AMRO are probably less receptive to the idea of a cooperative structure than, for example, the customers of Rabobank. They have after all consciously chosen to give their custom to ABN AMRO and not to a cooperative bank. At Rabobank, the cooperative philosophy is embedded in the structure and make-up of the organisation. This is evidenced by multiple fora at Rabobank in which members may participate in discussions relating to bank policy. Rabobank focuses on communities and regional areas where the local banks are in fact shareholders in the business. ABN AMRO's structure is more centralised and the bank has a different focus.

Thirdly, exercising the option of setting up a cooperative structure means that proceeds of a sale are likely to be substantially lower than the initial investment. This is attributable to the expected lengthy time line for selling certificates, which in turn is caused by a low absorption capacity for member certificates. In the case of Rabobank, the procedure for issuing member certificates took some considerable time.⁵¹ Because of the lengthy timeline associated with a sale in the form of setting up a cooperative structure, the present value of future cash flows is lower than the present value for other types of sale. Even though the shareholding can be transferred very quickly to a foundation that manages the shares on behalf of the stakeholders in ABN AMRO in this scenario, the State's financial interest will remain at a substantial level for a very considerable period of time. The risk associated with the State's remaining financial interest is likely to exist for decades in this scenario.

⁵⁰ Part of Aegon N.V.

⁵¹ As of 31 December 2012, the share of member certificates in the capital of Rabobank Groep amounted to EUR 6.67 billion. ABN AMRO would require a multiple of this amount in order to achieve an acceptable return for the State.

Fourthly, a further risk associated with selling member certificates to customers is that the actions of their bank will affect them directly in financial terms. If the expectations that were awakened at the time of purchasing the member certificates are not achieved, customers may be disappointed and withdraw all of their assets from the bank. This is an undesirable effect. In addition, the idea that a member certificate or any other kind of participation in banks' risk-bearing capital is without risk must be avoided. There was much (retrospective) debate about the risk-bearing nature of customers' assets after DSB Bank NV went bankrupt and following the intervention in SNS REAAL N.V.

Finally, converting the company to a cooperative structure is very complex in both operational and legal terms. For example, it is not possible to establish in advance whether member certificates qualify as Common Equity Tier 1 (CET1) capital for newly founded cooperative structures.

Conclusion:

Converting a bank of ABN AMRO's size into a cooperative structure is highly complex in both legal and operational terms. The structure and make-up of the company is different from that of a cooperative bank. A cooperative structure would act as a major constraint on ABN AMRO's ability to strengthen its capital in emergency situations. The expected proceeds from this form of sale are low and there is debate about the extent to which capital obtained from customers is risk-absorbing. On the grounds of the above, a sale to customers and a conversion to a cooperative structure are not desirable.

4.5 Sub-conclusion regarding ABN AMRO

A stock market flotation is the most logical choice for ABN AMRO. There is little interest on the part of strategic parties and, in the event of an acquisition, these parties are unlikely to pay an amount that the State would find acceptable. A sale to customers and a possible conversion to a cooperative structure is complex, reduces the bank's options to strengthen its capital in emergency situations and the proceeds from such a sale for the State are expected to be low. NLFİ recommends starting to prepare for the sale of ABN AMRO via a stock market flotation, without however prematurely excluding other possibilities.

Due to the current economic circumstances and the effect that these may have on the profits of ABN AMRO, NLFİ feels a waiting period of a minimum of one year before the actual stock market flotation to be appropriate. ABN AMRO can use this period of time to prepare itself for an IPO. The European Commission has imposed various limitations due to the state aid received by ABN AMRO. Selling (or starting to

sell)⁵² would put an end to some of the measures ensuing from state aid and state ownership.⁵³

A sustained and visible improvement in profitability is required in order to optimise the proceeds of a stock market flotation. Reducing the cost ratio can contribute to an increase in profitability and efficiency. You recently requested the financial institutions, including ABN AMRO and a.s.r., to apply wage restraint as a strategy for improving efficiency.⁵⁴ If in the future the emphasis in the market will be on a consistent dividend payout ratio, the dividend policy of ABN AMRO will have to be adjusted accordingly. A sustained higher payout ratio offered by sober, low-risk financial institutions generally leads to a higher market valuation. This is obviously subject to the proviso that ABN AMRO's capital ratios are strong enough to allow the bank to commit itself to a dividend policy of this type and will remain at that level for the foreseeable future.

The valuation of ABN AMRO at the time of a stock market flotation will be lower than the State's total capital investment in ABN AMRO of EUR 21.66 billion. If economic circumstances improve in 2014 and ABN AMRO succeeds in showing a sustained improvement in profitability, the bank's value may increase to a sum approaching the Common Equity Tier 1 capital level. At the end of the second quarter of 2013, Common Equity Tier 1 capital amounted to EUR 15.4 billion. This value indication represents a snapshot in time.

Initiating a sale procedure will reduce the national debt⁵⁵ and limit the financial risk that is associated with the State's shareholding. In the event of a stock market flotation, the State can reduce its shareholding in phases during a period of several years. The price of ABN AMRO shares may increase with the passage of time, subject for example to improved economic conditions and improved operational management. Consequently, the proceeds for the State may increase and it is therefore possible that the proceeds may ultimately reach a figure that might approach the initial capital expenditure.

Having private-sector shareholders will result in a disciplinary effect for the companies, particularly if they are listed on the stock exchange. This also offers an

⁵² Selling (or starting to sell) indicates the intention to privatise, regardless of the form that privatisation may ultimately take.

⁵³ If more than 50% of the shares currently held by the State in ABN AMRO are sold before April 2016, the *acquisition ban* ceases to apply. As soon as selling starts, ABN AMRO also becomes exempt from the ban on variable remuneration for directors pursuant to the Dutch Act on limitation of the liability of the supervisory authorities in the Netherlands and the ban on bonuses for enterprises that have received state aid: 'Wet aansprakelijkheidsbeperking De Nederlandsche Bank en Autoriteit Financiële Markten en bonusverbod staatsgesteunde ondernemingen' (the same also applies for a.s.r.).

⁵⁴ The Stichting Onderzoek Multinationale Ondernemingen (Foundation for Investigating Multinational Businesses) supports this view and published a piece about imbalances in the Dutch banking sector on 22 November 2012, which focused on the difference between remuneration in the banking sector and other sectors.

⁵⁵ In a sales transaction involving (part of) the shares held in the company (or companies), the purchase amount may be paid in the form of a cash sum. In that scenario, national debt is reduced. If however the purchase amount is paid in the form of shares of the purchasing company, national debt will not be reduced.

additional and efficient form of supervision of the company's activities during the period in which part of the shares are still owned by the State. If ABN AMRO also proves itself capable of achieving its objectives while operating as a stock exchange listed company, the share price may increase.

5

ASR Nederland



5 ASR Nederland

5.1 Current situation

NLFI manages 100% of the shares and has voting rights on all shares in ASR Nederland N.V. (a.s.r.). The holding in a.s.r. is a direct consequence of the nationalisation of the Dutch parts of the former Fortis S.A./N.V. on 3 October 2008. Up until 2008, a.s.r., 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. a.s.r. 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 a.s.r. to pay dividend since 2011.⁵⁶

a.s.r. is a general insurer with activities in the following product segments: nonlife insurance, work disability insurance, health insurance, capital growth for private individuals, pension insurance, funeral insurance and banking. a.s.r. focuses on private individuals, owners of one-man businesses and small and medium-sized enterprises (SME). Distribution takes place via insurance brokers and through direct channels such as online sales. a.s.r. expressively chooses in favour of 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 in the recent past.

The executive board of a.s.r. consists of four board members and is chaired by Jos Baeten. The board members all have extensive (management) experience in banking and insurance. a.s.r. is a transparent business and attaches great value to a high level of corporate governance. a.s.r. is not listed on the stock exchange and therefore has no obligation to comply with the Dutch Corporate Governance Code. However, a.s.r. attaches great importance to a transparent management structure and consequently applies the Dutch Corporate Governance Code, the Code Verzekeraars (Code for Dutch insurance companies) and the Code Banken (Banks Code) (for a.s.r. Bank). a.s.r. makes every effort to translate the guiding principles of

⁵⁶ All the information included here is based on estimates made by NLFI or by investment banks and use is made of publicly available figures and other data that has been published previously by a.s.r.

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.

The three defined sale transaction categories are described in more detail for a.s.r. below and assessed with regard to their compliance with the conditions stated in the introduction.

5.2 Sale to a strategic party or private investor

5.2.1 *Is a.s.r. ready to be sold?*

As clarified in the later section of this document that analyses the organisation's preparedness for an IPO, a.s.r. is perfectly capable of operating autonomously and has put its affairs in order. a.s.r. can provide the information required for the processes that needs to be followed if the company is sold to a strategic party or a private equity investor, or if it merges with a strategic party.

a.s.r. is making preparations for a future as an autonomous insurance company in order to being able to implement its strategy in this form. However, if opportunities for consolidation arise, these must obviously be investigated seriously and a.s.r. is prepared to play an active role in that process. Consolidation offers benefits and opportunities for the company and its stakeholders such as policyholders and employees.

Consideration can be given to selling the organisation in parts, for example by selling the individual life insurance policy portfolio, which is closed on balance. However, this would involve significant complexity for the company. A sale of the 'closed' portfolio might lead to a negative change to Standard & Poor's rating. In the case of selling the organisation in parts, there is also a risk that the State will continue to own the shares of the parts that are found to be less interesting for some considerable time. Based on these and other grounds, a.s.r. should avoid focusing on a sale in parts. The benefits of diversification (risk diversification, economies of scale and efficient use of capital) would be nullified in the event of separation. Due to the effect that selling the organisation in parts would have on the value of the entire organisation and the associated risks, selling a.s.r. in parts is not desirable at this point in time.

Conclusion:

a.s.r. is capable of and prepared to participate in a process that will result in a sale or merger. Consolidation offers benefits and opportunities for the company and its stakeholders such as policyholders and employees. a.s.r. should avoid focusing on a sale in parts.

5.2.2 *Are any parties interested in purchasing a.s.r.?*

The insurance companies themselves, analysts and investors expect consolidation to take place in the Dutch insurance sector. The expectation is that the six major life and nonlife insurers will consolidate, meaning that a number of larger players will remain. How and when this consolidation will take place is uncertain, but, in view of

the shrinking market and the synergy benefits and economies of scale that could be achieved, it is likely to happen in the foreseeable future. Even though a.s.r. has demonstrated that it is of sufficient size to continue as an independent insurance company, this expected consolidation trend may also affect a.s.r. If attractive opportunities arise for participating in such a consolidation trend, a.s.r. is able and willing to play an active role in that process. Consolidation may enhance the sector's stability due to the transition to a smaller number of possibly more profitable parties. This improvement in profitability is likely to be achieved largely through reducing the cost base and through economies of scale.

Possibly triggered by the nationalisation of SNS REAAL, the sector now seems to be more receptive to taking the first steps towards consolidation. This can also be attributed to the fact that different parties and the economy in the euro area as a whole have successfully braved the storm and have now reached calmer waters. Various parties have indicated their interest in a.s.r. to NLFi. These are not only parties that had already indicated their interest before the nationalisation of SNS REAAL, but also parties that have expressed their interest for the first time more recently.

Various Dutch insurance companies see a.s.r. as an interesting candidate for a merger. a.s.r. and its policyholders may benefit from a merger with another Dutch insurance company. Because the insurance market faces difficult trading conditions and consolidation may lead to benefits in various areas – e.g. synergy effects, diversification, distribution channels, solvency - and better positioning for the future, the option of a sale to, or a merger with, a strategic party should be investigated.

Private investors also seem interested in purchasing shares in the sector. In an alternative scenario for the nationalisation of SNS REAAL, CVC Capital Partners indicated their interest in becoming a co-shareholder in a company formed from merging SNS REAAL and a.s.r. Scenarios of this type can be revisited when considering a consolidation.

An acquisition by a party that is currently not active in the Dutch market is not a realistic option at present. The Dutch market is saturated and foreign parties are mainly interested in growth potential. Furthermore, foreign parties are also aware of the need for consolidation. An acquisition of two Dutch insurers seems to be a bridge too far however. The debate about investment-linked insurance is an aspect that foreign parties in particular find difficult to understand and may therefore form an obstacle.

Different parties are also interested in parts of insurance companies such as the purchase of 'closed' individual life insurance portfolios. At present, selling a.s.r. as a whole is to be preferred above selling the organisation in parts for the reasons explained above.

Conclusion:

Strategic parties and private investors are increasingly interested in making a serious start on implementing consolidation in the sector. Consolidation may improve insurance companies' positioning in the face of an uncertain future for the sector and lead to synergy effects. The possibility of a sale or merger to a strategic party and/or private equity investor should be investigated further.

5.2.3 Will selling a.s.r. generate the desired proceeds?

The State's goal is to recover its expenditure for a.s.r.⁵⁷, plus the capital costs. Excluding capital costs and income received during the management phase, this expenditure amounts to a total of EUR 3.65 billion. For more details please refer to the introduction.

a.s.r. was recently involved in one of the alternative scenarios that were investigated in the months prior to the nationalisation of SNS REAAL. Reference has been made in public documents to a stand-alone mid-point valuation of between EUR 2.15 billion and EUR 2.3 billion in January 2013. The expected drop in value relative to the nationalisation in October 2008 is in line with the loss of value suffered by peers during the same period. Since 2008, the price/earnings ratio of stock exchange listed insurance companies in the peer group has fallen and the valuation of life insurance companies has dropped from more than the embedded value - the present value of the future profit from insurance activities and the net asset value - times a factor of 1 to approximately 50% to 60% of this embedded value.⁵⁸

There may be an advantage relative to the proceeds of a stock market flotation (which is described in a later section of this document). A premium over and above market value is generally paid in transactions where a strategic party is the purchaser and the transaction gives that party a controlling interest. The synergy effects that can be achieved through a merger between insurance companies are substantial. Therefore, due in part to the current economic climate, the characteristics of the insurance market in the Netherlands and the low interest rate, not selling all of the shares in the company in the event of a sale to a strategic party might be advantageous. A situation where part of the proceeds from the sale consists of liquid shares in the combined entity might have a positive effect on the final proceeds for the State.

In the case of a sale to a strategic party, greater consideration must be given to implementation risks than in the case of a stock market flotation. It may be difficult to reach agreement and a financial audit prior to the sale may reveal unpleasant surprises. The shareholders of both companies have to approve the deal and the purchasing party may have to attract additional capital in order to raise the acquisition amount prior to the actual purchase.

⁵⁷ See Table 1. Four billion euros was paid for the insurance entities. Information on how this amount is split between a.s.r. and Fortis Corporate Insurance (FCI) is not available. Three hundred and fifty million euros was raised by the sale of FCI.

⁵⁸ This information relates to an average based on comparable insurance companies.

In addition, the Works Councils of the companies involved play an important role in an intended merger between two parties. A declaration of no objection issued by DNB is required. The AFM emphasises that a.s.r. must also continue to focus adequately on putting its customers' interests first in the case of a sale to a strategic party or private investor.

Conclusion:

In a possible consolidation process, it must be ensured that interested parties have equal chances in a process that they perceive to be transparent. The proceeds from this scenario are strongly dependent on the situation and the negotiations with individual buyers. As a result, it is difficult to determine what amount may be paid. If a.s.r. is sold to a strategic party or private investor, the initial investment may possibly not be recovered. However, the value of the synergy effects may be substantial and by not immediately selling all of the shares, the State might benefit from an increase in value as time passes.

5.3 A stock flotation

5.3.1 *Is a.s.r. ready for a stock market flotation?*⁵⁹

a.s.r. has succeeded in becoming fully autonomous in operational terms in a short period of time. The prudent risk and capital policy has proven to be capable of withstanding extremely difficult economic conditions. The balance sheet has been strengthened without a capital injection from the State, solvency has improved to a responsible and solid level and a.s.r. has paid dividend since 2011. The action taken to strengthen the balance sheet was one of the main reasons for an improvement in Standard & Poor's rating from A with a 'negative outlook' to A with a 'stable outlook' in 2012. a.s.r. has booked a positive net result each year in the recent past. Efficiency has improved and a.s.r. has proved its ability to implement cost objectives.

The markets in which a.s.r. operates, particularly the market for life insurance, have been under pressure for some time. There are several reasons for this: following on from the investment-linked insurance uproar, confidence in insurance companies has fallen, the Dutch economy shows no to little growth, the interest rate on the capital market has plummeted to a historically low level, fiscal changes that adversely affect insurance companies have been implemented and 'banksparen', an income-tax deductible pension savings account form where lower margins are achieved, has risen in popularity. All of this has led to a substantial reduction in the demand for life insurance in particular. a.s.r. as an institutional investor is also confronted by uncertainty in the financial markets and falling yields due, among other factors, to the drop in interest rates on the capital markets.

⁵⁹ During the past few months, NLFi has conducted intensive discussions with more than ten different *investment banks* in order to assess the preparedness of a.s.r. and also gauge the level of interest among investors and estimate the possible proceeds.

Achieving a sustained improvement in profitability in both the Nonlife and the Other⁶⁰ sectors is a further challenge faced by a.s.r. This is because new production is largely booked in these segments and they therefore determine the long-term sustainability of the earnings model. The level of new production in the Life sector is very low in comparison to the size of the existing portfolio.⁶¹ On balance, this situation results in a 'closed book' with a net outflow of premiums in future years. The existing Life portfolio is profitable. The right strategy here is to maintain portfolio profitability in the future, when it will reduce in size, by managing the cost base appropriately.

a.s.r. has taken effective action in the area of investment-linked insurance. In 2011 and 2012, all customers who qualified for compensation did in fact receive compensation and many advisory interviews have been conducted with customers. The AFM feels it important that making preparations for and implementing a sale of the shares does not impede the progress of the existing approach. There is still a risk that court cases about 'promised investment returns' in policies issued by insurers in the past may lead to additional damage compensation payments. The influence of legal rulings may be major and cannot easily be predicted at the moment. The likelihood that additional payments may need to be made to existing policyholders in the future affects the market value of Dutch insurance companies.

The executive board of a.s.r. has built up an impressive track record in terms of their ability to achieve results. Examples of this are the way in which a.s.r. was extricated from Fortis S.A./N.V., the cost reductions that have been implemented and the improvements that have been made in the areas of financial management and risk management. This has resulted in the improved rating issued by S&P under the current market circumstances. In terms of governance, a.s.r. is ready for a stock market flotation. In the case of a stock market flotation, a.s.r. will apply the remaining elements of the codes from which it currently deviates. Analyses made by S&P and consultancies indicate that a.s.r. can comply in the near future with the requirements that apply to a stock exchange listed company with regard to financial management and reporting.

Conclusion:

a.s.r. has demonstrated its ability to operate as an autonomous, solid and profitable insurance company and has paid annual dividend since 2011. The executive board has proven its ability to act effectively in response to market challenges. a.s.r. is considered to be capable of complying with the requirements that apply for a stock market flotation in the spring of 2014. However, there are still major challenges to overcome in order to present a convincing proposition to investors in all areas. The return on equity capital in the Nonlife and Other segments in particular must be improved.

⁶⁰ The Other segment includes Ditzo, ASR bank, SOS International, a.s.r. vastgoedontwikkeling, and the company's own pension expenses and holding activities.

⁶¹ The 'pensions', 'funeral insurance' and 'level term life insurance' product groups are part of the Life sector and generate new production. These components are not included in the 'closed book' definition.

5.3.2 *Are investors interested in a stock market flotation for a.s.r.?*

The section on ABN AMRO concludes that investors are once again interested in shares and also ready to purchase shares in financial institutions. Stock market flotations are a realistic proposition once again due among other things to reduced stock market volatility. One way of assessing interest in the shares of a.s.r. is to analyse investor interest in the shares of comparable insurance companies. In the Netherlands, Delta Lloyd Groep is the stock exchange listed insurance company that bears the most resemblance to a.s.r. At the beginning of this year, Aviva succeeded in selling its remaining interest of 19.4% in Delta Lloyd to institutional investors subject to acceptable conditions. The time when ING Group will possibly sell the European insurance entities, as a result of the restructuring measures imposed by the European Commission, is also relevant for a.s.r. a.s.r. will compete with Delta Lloyd, AEGON and probably ING Insurance on the stock market.

The focus of a.s.r. on solidity, efficiency and putting its customers' interests first makes the share attractive for investors with a long-term investment horizon who are looking for an interesting and stable (dividend-based) return. a.s.r. still faces the challenge of presenting a sufficiently interesting yield proposition for investors in all areas of activity. In relation to the latter, it is important that all of the segments in the financial forecasts show consistent profitability that covers the cost of equity capital. Only then can a.s.r. commit itself to a high dividend payout ratio. A higher payout ratio generally results in a higher market value, as the shares in a.s.r. will probably be seen as high yield shares.

In the event of a stock market flotation, the AFM emphasises that a.s.r. must continue to focus adequately on putting its customers' interests first; a situation where this principle is compromised by efforts to increase profitability in the light of a possible stock market flotation must be avoided. NLFi notes here that a consistent emphasis on putting customers' interests first on the part of a.s.r. might reduce the company's cost of equity capital. After all, putting customers' interests first reduces the risks associated with financial service provision. Consequently, a focus on improving profitability is a logical extension of the practice of putting customers' interests first rather than a contradiction in terms. Insofar as it becomes necessary to weigh up the courses of action required for achieving financial objectives and putting customers' interests first against each other, the executive board and supervisory board of a.s.r. are considered capable of finding an appropriate balance.

The interest shown by investors may also be related to the expectation that a.s.r. will be involved in a consolidation. After a stock market flotation has taken place, a.s.r. may still be involved in a consolidation within the sector, both as a potential purchaser and as a potential takeover candidate. In that situation, investors would hope to benefit from a possible takeover or merger and the resulting synergy effects. Protective measures that may possibly obstruct a consolidation will be reflected in the level of investor interest and have a negative effect on the company's

market value.⁶² In view of the size of the share issue at the time of a stock market flotation, the expectation is that a significant share will be placed with international funds in line with normal practice.

Conclusion:

The solid profile of a.s.r. may interest investors with a long-term investment horizon. It must be noted here that a.s.r. still faces the major challenge of presenting a sufficiently interesting proposition for investors in all areas of activity and satisfying investors' desires for shares offering a stable and high (dividend) yield. The possible role of a.s.r. in a consolidation may offer upward price movement potential for investors at the time of a stock market flotation, which means that instruments designed to protect the company should be avoided. The recent, more stable market environment, which is characterised by falling volatility in the stock markets and rising share prices, increases the chance of a successful stock market flotation. It is expected that sufficient interest in a stock market flotation of a.s.r. shares can be aroused if adequately strong answers to the challenges faced by the business can be found.

5.3.3 Will floating a.s.r. on the stock market generate the desired proceeds?

As described in the section on a possible sale to a strategic party or private investor, market value figures for a.s.r. have been published as part of a recent exercise. These valuations for a.s.r. were lower than the initial investment made by the State.

At the time of a stock flotation, a discount is normally given on the value in order to make a success of the IPO. The proceeds from the sale of subsequent tranches of shares may be higher. This is possible if the economy improves and if capital market interest rates rise. Improvements in operational management and therefore profit will also lead to a higher market value, particularly if this occurs when the company is listed on the stock exchange. In the scenario where a.s.r. becomes involved in a consolidation after the stock market flotation, the State may still benefit from additional value generated by synergy effects (with the exception of the shares that have already been sold).

Conclusion:

Due among other things to the current economic situation, low interest rates and the specific circumstances in the Dutch insurance market, a stock market flotation in the near future will probably not result in recovery of the initial investment in a.s.r. The market value of a.s.r. may increase with the passage of time and tranches of shares that are sold subsequently may be at a higher share price. Furthermore, a.s.r. could also be involved in a consolidation after an IPO, which would potentially have a positive effect on the sale proceeds for the State.

⁶² For more information, please refer to the section entitled 'Considerations relating to governance after starting to sell'.

5.4 Sale to customers of a.s.r.

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. The strategic goals of a.s.r., which give priority to solidity and long-term returns over and above short-term profitability and prioritise becoming the insurance company with the greatest customer focus, are an inherently good match for a cooperative structure. Furthermore, a.s.r. indicates that the culture of the business would also fit in well with a cooperative structure.

The possible disadvantages associated with attracting capital from customers have already been highlighted in the description of the cooperative structure relating to ABN AMRO. These disadvantages also apply generally to a.s.r. Issuing certificates to customers means that the option of issuing shares in order to strengthen equity capital in emergency situations becomes practically impossible.

The arguments relating to the time line for issuing member certificates also apply in the case of an insurance company. The proceeds from a sale in this scenario are subject to a high degree of uncertainty and may disappoint. It is highly likely that the 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. Even though the shareholding can be transferred very quickly to a foundation that manages the shares on behalf of the stakeholders in a.s.r. in this scenario, the State's financial interest will remain at a substantial level for a very considerable period of time. The risk associated with the State's remaining financial interest is likely to exist for decades in this scenario.

A further risk associated with a cooperative structure is that customers are directly affected in financial terms by the actions of their insurance company. Contrary to a bank, in the case of an insurance company, transferring the insured capital is more difficult if the expectations that were created at the time of the sale of member certificates are not achieved. Most insurance products are based on long-term contracts and premature surrender is subject to penalty clauses. Even so, for asset management activities, there is a risk that disappointed customers will transfer all of their assets to a different insurance company. This is an undesirable effect. Additionally, the degree to which capital that has been received from customers may in fact be used to absorb losses when the insurance company's solvency needs require this, is still a matter of debate. The idea that a member certificate or any other kind of participation in insurance companies' risk-bearing capital is without risk must be avoided.

Finally, as in the case of ABN AMRO, converting the company to a cooperative structure is very complex in both operational and legal terms.

Conclusion:

The strategy and culture of a.s.r. fit in well with the character of a cooperative structure. A cooperative structure would act as a major constraint on the ability of a.s.r. to strengthen its capital in emergency situations. Converting a.s.r. into a cooperative structure means that the State's financial interests in a.s.r. would remain substantial for a very considerable period of time. This is undesirable. The total proceeds of a sale of this type are subject to many uncertainties. Due to the long-term nature of this type of sale, the present value of the proceeds will be relatively low. Finally, there is still debate about whether or not capital provided by customers may be used to absorb losses. Considering all of these factors, NLFI advises discontinuing further investigation of a sale to customers.

5.5 Sub-conclusion regarding a.s.r.

In the case of a.s.r., a merger with an insurance company that is active in the Netherlands or a stock market flotation are both possible scenarios. NLFI recommends including the possibilities of national consolidation in the sales process. This is because a.s.r. is a solid insurance company of adequate size and effectiveness to operate independently and has not received aid (in the form of a capital injection) from the State. In fact, a.s.r. can be made ready for both consolidation and for a stock market flotation in the near future. Selling the company to customers and a possible conversion to a cooperative structure is complex and the proceeds from a sale of this type are expected to be low.

The state of affairs in the real economy has a lesser effect on the profitability and quality of the assets of a.s.r. than in the case of ABN AMRO and is therefore not a reason for delaying a sale. The low interest-rate level on the capital market has an adverse effect on insurers' investment results and consequently their market value. Due to the unpredictability of interest rate trends, the interest rate is also less suitable as a parameter for determining the right time to sell.

a.s.r. will have to present an ambitious and credible improvement in its results for the coming years. Sustained profitability improvement must be achieved by focusing strongly on cost management and reducing damage ratios. Wage restraint can also be applied by a.s.r. as an instrument for increasing efficiency. A dividend policy that focuses on achieving a continuously high payout ratio is of great importance for an insurance company, perhaps more so than for a bank. This is again subject to the proviso that the capital ratios must be sufficient to allow this.

The value of a.s.r. is currently lower than the initial amount of EUR 3.65 billion⁶³ disbursed by the State in order to bail out the Dutch insurance activities of the former Fortis S.A./N.V. It should be noted that a.s.r. was recently involved in one of

⁶³ An amount of EUR 4 billion was allocated to the acquisition of the insurance entities at the time of partial nationalisation on 3 October 2008. The acquisition price paid for Fortis Verzekeringen Nederland (now a.s.r.) and Fortis Corporate Insurance (FCI) is not split out further. FCI was sold for EUR 350 million in 2009.

the alternative scenarios that were investigated during the period prior to nationalisation of SNS REAAL. Reference has been made in public documents to a stand-alone mid-point valuation of between EUR 2.15 billion and EUR 2.3 billion in January 2013. The drop in value of a.s.r. during recent years is comparable with other companies in the sector. This is attributable to strong competition in a market that is relatively saturated, the impact of changing regulations for products that generate capital growth, a period of economic unrest with low capital market interest rates and a loss of confidence in the sector on the part of customers due to problems with investment-linked insurance. The value of a.s.r. may increase after a possible stock market flotation and tranches of shares that are sold subsequently may be associated with a higher share price. Furthermore, a.s.r. could also be involved in a consolidation after a stock market flotation, which would potentially have a positive effect on the sale proceeds for the State. NLFI advises you to start preparations for a sale by adopting a dual track approach where both consolidation options and a stock market flotation are included in the possible strategies.

6

Considerations relating to governance after starting to sell



6 Considerations relating to governance after starting to sell

Introduction

The Tweede Kamer (Dutch Second House) has requested an investigation into the issue of governance after starting to sell. This request was partially prompted by the desire of the Tweede Kamer (Second House) to prevent history, i.e. the nationalisation of ABN AMRO and SNS REAAL, from repeating itself.

In the financial sector, checks and balances are based on regulations and supervision in the first place. In the Netherlands, DNB is responsible for prudential supervision of banks and insurance companies. In the near future, the European Central Bank will also supervise banks in the euro area, including ABN AMRO. Financial supervision focuses on solvency, liquidity and prudent operational management. The introduction of a banking union at some time in the future will contribute to the stability of the banks and reduce the financial risks of the euro area countries.

Regulation in the financial sector has increased strongly in recent years. The increase in regulation has partly come about in order to eliminate the elements that caused the recent financial crisis and its effects. The Interventiewet (Dutch Intervention Act), living wills (codicil) and bail-in possibilities for loan capital have reduced the risks that were embedded in the system. The possibilities for supporting banks or splitting up banks into their component parts when they find themselves in financial difficulties have been expanded. The capital reserves held by financial institutions have been strengthened.

Liikanen⁶⁴ and the Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) state that good governance can contribute to the stability and strength of financial institutions. The European Commission recommends stimulating more effective monitoring of long-term investors.⁶⁵ Among other things, the Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks) recommends strengthening governance for banks, for example by scaling up the supervision activities of the supervisory board, but not to an extent that affects independence. The Commission also recommends that banks explicitly describe the role they wish to play in society in a social statute.

⁶⁴ "High level expert group on reforming the structure of the EU banking sector", chaired by Erkki Liikanen, 2 October 2012.

⁶⁵ Green paper, Corporate governance action plan, December 2012.

NLFI emphasises the importance of continuing to exercise control after a start has been made with selling for as long as the State still has a substantial financial interest in the companies via NLFI's shareholding. Unless sufficient control can be retained, the State's remaining financial interest may be adversely affected as the interests of new shareholders will not necessarily run parallel with those of the State. NLFI's task is to ensure sustained growth in value of the State's financial interest.

This chapter describes a number of measures that are designed to optimise control and the sale of the shareholder interest in a sustained manner in order to protect the State's financial interest as effectively as possible. These measures give NLFI additional rights that will ensure its capability of exercising control after initiation of the sale. This is in line with NLFI's assignment at the time of its foundation, in accordance with its purpose as described in its articles of association.

Legal framework for protecting the State's financial interest

The use of protective measures must fall within the boundaries set by Dutch company law. As a shareholder, NLFI may only negotiate or retain rights that are acceptable within a normal company law relationship. This applies pre-eminently when the shareholding reduces to a minority position. In addition, measures that would give NLFI special rights for the purpose of protecting public interests must be assessed in the light of European rules relating to the free movement of capital. In global terms, these rules require such measures to be non-discriminatory, justified by compelling reasons of public interest and that they satisfy the basic principles of proportionality and subsidiarity. The 'golden shares' jurisprudence of the European Union's Court of Justice leads us to the conclusion that introducing a golden share for ABN AMRO and a.s.r. in order to protect the public interest conflicts with European law due to the lack of a *compelling* reason of public interest.⁶⁶ Protecting matters of general public interest such as financial stability is after all implemented through legislation and regulations.

Rights that are designed to protect the State's financial interest are also seen as a barrier to the free movement of capital if they extend further than what is acceptable in normal company law relationships. This may be the case if NLFI negotiates rights designed to protect the State's direct financial interest in a way that a minority shareholder with a comparable interest would not be able to claim in a normal company law relationship.

This means that any measures must be based on protecting a sufficiently substantial (minority) interest of NLFI in the shares in the company, and therefore a sufficiently substantial financial interest of the State in the companies. This makes NLFI's position comparable to that of a normal shareholder who acts to achieve his (own) financial and economic objectives within the bounds of reasonableness and fairness.

⁶⁶ See for example: Court of Justice of the European Union (ECJ), *Commission/United Kingdom*, no. C-98/01 (British Airports Authority), 13 May 2003; ECJ, *Commission/France*, no. C-483/99 (Elf-Aquitaine), 4 June 2002; and ECJ *Commission/Netherlands*, no. C-282/04 and C-283/04 (KPN/TPG), 28 September 2006.

The term *substantial* (minority) interest is defined as an interest that offers sufficient proportionality relative to the level of influence the measure is intended to achieve. As long as NLFIs interest remains at the level of a substantial (minority) interest, measures can be implemented in order to ensure that NLFIs retains control. Once the State's financial interest has reduced to such an extent that it can no longer be described as substantial, measures designed to protect the State's direct financial interest are no longer justifiable.

Guideline criterion for setting up the governance structure after starting to sell

One of the four boundary conditions for selling is attempting to recover the total investment in ABN AMRO and a.s.r., plus the capital costs incurred by the State. Therefore, when setting up the governance structure, the possible (negative) effect that individual measures and the overall structure set-up may have on the proceeds from a sale for the State are very important considerations.

NLFI has asked various investment banks to comment on the possible effect of such measures on the proceeds from the sale. Discussions have also taken place with organisations representing the interests of shareholders and owners of securities in order to gain their views on the use of instruments for guaranteeing control and protection. In general, one can conclude that the downward price effect and investor objections can be expected to be greater if investors foresee an acquisition of the company that may be associated with a so-called 'acquisition premium'. Investors are more likely to miss out on this acquisition premium if protective measures exist. Furthermore structures of a permanent nature are considered to be undesirable by investors and may lead to a lower market valuation.

In addition, NLFI has investigated whether the introduction of loyalty shares might offer a guarantee for attracting long-term investors. A bonus in the form of increased voting rights or increased dividend can be allocated to shareholders who retain their shareholding for longer than a defined period. This construction is designed to create a solid, dependable block of shareholders who will not be influenced by unfounded changes in sentiment.

However, there are downsides to instruments of this nature. The introduction of loyalty shares leads to a conscious distinction between the legal positions of different shareholders. This would mean that NLFI itself would be characterised as a long-term shareholder. In that capacity, NLFI would be entitled to a loyalty dividend, for example, and would claim a very large share of the total dividend paid by the business. This position could make it difficult to attract a broad investor base.⁶⁷ NLFI could unilaterally waive its right to a loyalty bonus, but that would result in a situation of diluted earnings per share, to the detriment of the State.

⁶⁷ In the past, DSM considered introducing a loyalty dividend in order to assign an extra dividend to loyal shareholders. However, DSM decided against this course of action in 2008 due to the low level of interest in loyalty shares among investors and shareholders' fears that holders of loyalty shares would receive a bonus at the expense of normal shareholders.

A further effect of introducing a loyalty share is that investment decisions are no longer solely based on an assessment of the company's value and strategy; this can disrupt the manner in which the capital market operates. In addition, long-term investors are not necessarily more involved as shareholders.⁶⁸ This is in line with the standpoint of the Cabinet, which stated in its reaction of 17 May 2013 to the European Commission's green paper on long-term financing that loyalty shares are associated with a number of disadvantages and that it saw no reason to encourage this instrument.

Anchoring the social role

Due to the key social role played by financial institutions in Dutch society, the Tweede Kamer (Dutch Lower House) has asked how this very important social consideration can be anchored when setting up governance after initiating the sale. In support of the views of the companies themselves, NLFi feels that the social role played by the companies should preferably be anchored in the governance structure. In line with the recommendation of the Commissie Structuur Nederlandse Banken (Commission on the Structure of Dutch Banks), NLFi therefore advises you to amend the articles of association of the companies in order to confirm their social role before initiating the sale. This applies to the role that the companies fulfil in the economy, their duty to offer adequate service to customers and that the companies shall operate safely. In the estimation of NLFi, an addition of this nature to the description of the purpose of the companies in their articles of association may even lead to an enhanced valuation.

An international perspective

Failing financial institutions have been nationalised in many countries inside and outside the euro area in recent years. Most countries have still to initiate procedures for returning these institutions to the private sector. When doing so, consideration will also be given to measures that can be implemented in order to retain (temporary) control and guarantee protection of the institutions.

In most European countries, no action has been taken as yet in order to sell recently nationalised financial institutions. Examples are Germany, France, Belgium and the United Kingdom, where the government still has substantial interests in one or more institutions.

In some European countries, the government possesses a (substantial) minority interest in commercial financial institutions that were privatised in the past. These interests have been maintained for a variety of reasons. For example, the Norwegian government maintains an interest of 34% in DnB NOR in order to ensure that the bank's head office remains in Norway. The Swedish government has a holding of 7%

⁶⁸ See: Notitie belonen trouwe aandeelhouders (Memorandum on rewarding loyal shareholders), appended to: Parliamentary document, Tweede Kamer der Staten-Generaal, vergaderjaar 2008-2009, hoofddossier 31083, nr. 26 (Lower House of the States General, sitting year 2008-2009, main dossier 31083, no 26) and the reaction of Eumedion to the European Commission's Green Paper on the long-term financing of the European economy, available via: http://www.eumedion.nl/en/public/knowledgenetwerk/consultations/2013-06_response_ec_green_paper_long_term_financing.pdf

in Nordea.⁶⁹ This holding is being reduced at present because the government feels that the bank no longer fulfils a function in the public interest.

The use of protective measures is not specifically reserved for Dutch companies. Protective instruments are often also used in the countries surrounding the Netherlands. In more distant countries, protective constructions are also not unusual. For example, protective instruments such as *poison pills*⁷⁰ and *staggered boards*⁷¹ are used in the United States of America. In the past, there has been discussion on the subject of the possible presence of a so-called '*Dutch discount*' in association with the use of protective measures in the Netherlands. In more recent times, little reference has been made to this phenomenon and there is also hardly any evidence to support the existence of a discount of this type.

Advice relating to governance after starting to sell

a. Measures for protecting the State's financial interest

In the event of a stock market flotation, NLF I advises you to protect the State's remaining financial interest in the company by creating additional controlling powers. This could be achieved by stipulating qualified majorities, laid down in the articles of association, for approving resolutions on specific key topics during the general meeting of shareholders. Those topics should be limited to resolutions relating to substantial changes to the identity or character of the companies.⁷² These powers would make it possible for NLF I as a shareholder, for the purpose of protecting the State's direct financial interest, to materially influence the process in the event of an acquisition of the company by a third party.

Creating controlling rights in association with a certain percentage of shares when voting on resolutions is acceptable for investors and avoids the possible adverse effect that more permanent structures may have on the valuation. In respect of this issue, NLF I advises you to comply with a majority⁷³ that is typically used in the market and which also appears in legislation as a permitted majority⁷⁴, namely a two thirds majority of the number of votes cast, which represent more than half of the issued capital. This effectively means that NLF I has controlling rights up to the time when the State's interest falls below one third of the issued capital.

⁶⁹ On 19 June 2013, the Swedish government sold 6.4% of its holding in Nordea at the existing share price. After that transaction, the Swedish government still owns 7% of the shares in Nordea.

⁷⁰ A poison pill is a protective construction where the party being acquired tries to make its shares less attractive for the party intending to make an acquisition. There are a number of variants. For example, warrants can be issued that entitle existing shareholders (with the exception of the party making the acquisition) to buy new shares in the company at a low price.

⁷¹ A construction where executive directors are appointed for a protracted period before re-election, meaning that a company that has acquired a majority shareholding for a hostile takeover attempt cannot exercise full control for as long as the uncooperative executive directors cannot be dismissed.

⁷² NLF I understands this to solely include resolutions relating to important changes to the company's name, registered office, purpose and authorised capital and resolutions as referred to in article 2:107a of the Dutch Civil Code (Burgerlijk Wetboek).

⁷³ For example: ING Group N.V., AKZO Nobel N.V. and Koninklijke Philips N.V.

⁷⁴ Articles 2:133, paragraph 2 and 2:134, paragraph 2 of the Dutch Civil Code (Burgerlijk Wetboek).

Based on discussions that NLFİ has conducted with various investment banks, the relevant supervisory bodies and organisations representing the interests of shareholders and owners of securities, NLFİ has come to the conclusion that this method best serves the purpose of NLFİ as described in the articles of association and minimises any negative impact on the value of the State's remaining interest to the greatest possible extent. The measure as suggested here falls within the boundaries established by Dutch company law and complies with European legal regulations.

If the State's interest in ABN AMRO and a.s.r. is reduced to such an extent that it can no longer be described as substantial, additional measures that are designed to ensure controlling authority are no longer justified. This not only derives from Dutch and European regulations, but is also associated with the possible negative effects on the valuation of the company by investors if NLFİ were to retain controlling rights in the case of a minor remaining interest.

Investors require clarity on the issue of the final governance structure before an IPO takes place. This issue must be clarified in the prospectus that will be assessed by the AFM. Consequently, instruments of this type must be incorporated in the articles of association prior to a stock market flotation.

In addition to the measures described previously, NLFİ advises you to include elements confirming the social role of the companies in their articles of association before the start of the sale (see *Anchoring the social role*).

b. *Protective measure for the company itself*

When the remaining interest of NLFİ falls below one third of the issued capital, NLFİ's shareholding will no longer be sufficient to protect the company against a hostile takeover bid by a third party. In the scenario of a stock market flotation for ABN AMRO and when NLFİ's remaining interest falls to less than one third of the issued capital, NLFİ advises activation of a protective instrument linked to the company involving preference shares and setting up a continuity foundation. Here again, the possibility of activating this instrument must be included in the articles of association prior to a stock market flotation.

The continuity foundation's purpose is to represent the best interests of the company, its subsidiaries and/or affiliates and all those involved by parrying actions that conflict with those interests and put the company's continuity, independence or identity at risk. The foundation may temporarily exercise a call option right for as many cumulative preference shares as are required to give the foundation actual controlling rights in the event of an actual or imminent concentration of control among the shareholders, which in the estimation of the foundation's executive board is considered to be undesirable and not in the best interests of the company and its subsidiary or affiliated business.⁷⁵ This

⁷⁵ This is typically known as a call option foundation.

instrument can offer protection against hostile takeovers in a situation where NLFI can no longer offer this protection. A continuity foundation also represents the company's interests.

NLFI advises you not to create a protective instrument of this type in the stock market flotation scenario for a.s.r. This is based on the expectation that consolidation will take place in the Dutch insurance sector in the medium term. It is important that a.s.r. retains the required degree of flexibility for such a consolidation. The above-mentioned protective instrument could act as a barrier in the case of consolidation. Introducing a protective instrument of this type may also have a negative effect on the valuation of a.s.r. shares.

At present, the mitigated structure regime (a less stringent form of the rules for statutory two-tier entities) applies to both ABN AMRO and a.s.r.⁷⁶ At the time of the IPO, both companies will fall under the full structure regime. This means that the authority required for appointing and dismissing members of the executive board shifts from the general meeting of shareholders to the supervisory board. As such, the full structure regime - indirectly - offers an inherent form of protection against shareholders with hostile intentions because these shareholders are unable to appoint members of the executive board. NLFI advises you not to implement measures that would prevent the full structure regime from coming into effect when a new shareholder arrives on the scene, in so far as any such possibilities may already exist. When operating as a stock exchange listed company, it is important to establish company law relationships that are as normal as possible whenever feasible and warranted.

Co-determination

During the preparations and after the sale starts, NLFI shall conscientiously respect the advisory rights to which co-determination bodies are entitled pursuant to the Wet op de ondernemingsraden (Works Council Act) subject to the boundaries of good governance relationships as laid down in legislation, regulations and codes in the case of both ABN AMRO and a.s.r.

⁷⁶ The less stringent form of the rules for two-tier statutory entities applies at present because the State owns 100% of the shares.

7

Considerations relating to the process and time line



7 Considerations relating to the process and timeline

The sale procedure for ABN AMRO and a.s.r. consists of two parts: a concrete preparatory phase and an execution phase. Prior to the execution phase, NLFİ will request you to give authorisation for implementing the sale.

In the case of ABN AMRO, NLFİ recommends using the first twelve months following the debate in the Tweede Kamer (Dutch Lower House) on this advisory memorandum to prepare the company for an IPO. During this preparatory phase, the company can continue to work on the challenges that still remain in order to present an investment proposition for all of its divisions that will be of interest to investors. This period can be used to assess the extent to which the highly desirable improvement in the state of the Dutch economy, which is required for a successful IPO, has in fact come about. Additionally, this period can be used to influence aspects relating to governance and remuneration at the time of the stock market flotation. Furthermore, as soon as this advisory memorandum has been discussed in the Tweede Kamer (Dutch Lower House), NLFİ shall engage an independent consultant for the preparations relating to a sale of ABN AMRO. When doing so - as in the case of other decisions taken during the sale procedure - all actions shall comply with the applicable stipulations of the Wet op de ondernemingsraden (Works Council Act). This obviously also applies to any other decisions taken during the sale procedure.

If, after the preparatory period has elapsed, there is, in the estimation of NLFİ, an opportunity for implementing a successful IPO within a period of four to six months, NLFİ will inform you of this and request you to authorise a stock market flotation. Even though a stock market flotation is the preferred course of action, NLFİ does not wish to prematurely exclude other options that may present themselves in the future. In the likely scenario of a stock market flotation, the State's interest will be reduced during a period of several years.

In the case of a.s.r., NLFİ recommends using the period directly following on from the debate on this advisory memorandum in the Tweede Kamer (Dutch Lower House) for further investigation of the possibilities for consolidation and to simultaneously prepare the company for an IPO during a period of six months; a dual track strategy. This approach retains maximum flexibility in achieving the objective of an optimum sale for the State. In a possible consolidation process, it must be ensured that interested parties have equal opportunities in a process that they perceive as transparent. If, after the preparatory period of six months, an attractive opportunity arises for implementing a successful stock market flotation within a period of four to six months, NLFİ will request you to authorise implementation. It is not inconceivable that other opportunities, such as an acquisition bid, will arise during the final phase

prior to an IPO. NLFI does not wish to exclude any of the options prematurely. As soon as this advisory memorandum has been debated in the Tweede Kamer (Dutch Lower House), NLFI shall also engage an independent consultant for the sale procedure and the associated preparations. When doing so - as in the case of other decisions taken during the sale procedure - all actions shall comply with the applicable stipulations of the Wet op de ondernemingsraden (Works Council Act).

Annexes



Annexes

This section includes the following appendices:

- Response of the Management Board and the Supervisory Board of ABN AMRO to this memorandum, including a response of the Central Works Council of ABN AMRO, August 9, 2013
- Response of the Management Board and the Supervisory Board of a.s.r. to this memorandum, August 12, 2013 (in Dutch)
- Response of the Works Council of ASR Netherlands NV to this memorandum, August 13, 2013 (in Dutch)

Annex 1

Response of the Management Board and the Supervisory Board of ABN AMRO to this memorandum, including a response of the Central Works Council of ABN AMRO, August 9, 2013

Managing Board

NL Financial Investments
Attn: The Board
Lange Houtstraat 26
2511 CW Den Haag

Amsterdam, 9 August 2013

Subject: your advice regarding the exit strategy for ABN AMRO Group N.V.

Dear Sir/Madam,

We have read your letter of 26 July 2013 to the Minister of Finance advising him on the exit strategy for ABN AMRO. We would like to express our appreciation of the open and transparent manner in which you have recently discussed with us the possible privatisation of ABN AMRO. We are pleased to accept your invitation to respond to your advice to the Minister, and we appreciate the positive image you paint of how ABN AMRO has developed in the past few years.

Since the current ABN AMRO was formed in 2010, we have laid a firm foundation for a solid Dutch bank with an international network, focusing on select markets and client segments within and outside the Netherlands and a moderate risk profile. ABN AMRO is now in a favourable position to face the future, as evidenced by the bank's long-term strategy for 2013-2017. The Managing Board is proud of the steps ABN AMRO has taken in recent years, thanks in large part to the enormous efforts and commitment of its employees and the loyalty and trust of its customers. ABN AMRO also greatly values the constructive attitude of its shareholder. With the various separation and integration activities completed, ABN AMRO has now turned its attention to the next important step, i.e. possible privatisation.

Against this background, the Managing Board would like to respond to your invitation by presenting its vision on the privatisation of ABN AMRO and your advice to the Minister. The Managing Board is also writing this letter on behalf of the Supervisory Board. The Managing Board and the Supervisory Board are aware of their own responsibility to safeguard the interests of clients, employees and all other ABN AMRO stakeholders, both in the context of the possible privatisation and later in terms of governance. Our response in this letter places these interests centre stage.

To summarise, the Managing Board and the Supervisory Board concur with your advice to the Minister to privatise ABN AMRO by means of an initial public offering (IPO) and to use the first twelve months after your advice has been debated in the Lower House to prepare for the

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IPO. The same applies to your advice to determine whether an IPO can be launched within four to six months thereafter. To be clear, we would note that ABN AMRO has not committed to meet the ratios, targets and recommendations quoted by you insofar as they deviate from the ratios stated in the long-term strategy that ABN AMRO announced to the market in March 2013 and your letter would be understood to imply such commitment. All ratios, targets and objectives may only be set in consultation with, and with the final decision being taken by, the Managing Board and Supervisory Board, taking into account the view of the regulatory authorities (De Nederlandsche Bank in particular).

Our response below is limited to a few specific subjects noted in your advice to the Minister, i.e.:

- (I) the form of privatisation;
- (II) the timing of privatisation; and
- (III) takeover defence mechanisms.

We will also address the vision of the Central Works Council with regard to the position of our employees.

I) Form of privatisation

Your advice to the Minister describes a number of possibilities for how to privatise ABN AMRO. We would like to emphasise our preference for an IPO in several tranches, as stated as the preferred scenario in your advice. The other scenarios entail large disadvantages, a few examples of which are discussed in your letter of advice. ABN AMRO is therefore not in favour of these alternative scenarios.

An IPO would offer ABN AMRO various benefits, such as an independent position in the market and the possibility to raise capital via the capital markets in the future. An IPO in combination with the measures described below under section III would also allow ABN AMRO to retain its identity as a Dutch systemic bank and enable ABN AMRO to pursue its long-term strategy. An IPO would also allow ABN AMRO to retain an organisational structure that is transparent to its clients, employees and investors, in which ABN AMRO carries out its reporting in accordance with market standards. In line with the recommendations of the Commission on the Structure of Dutch Banks (*Commissie Structuur Nederlandse Banken*), an IPO would contribute to the competitive conditions in the sector and help create a level playing field.

Your advice states that the Dutch State's shareholding will be reduced to zero over the course of several years. ABN AMRO, however, is positive about the State retaining a minority shareholding, given the contribution that the State, in keeping with the requirements of the Lower House, can make to ABN AMRO retaining its unique, Dutch identity and safeguarding its continuity. We do understand, however, that the State will make its own decision in this matter, based on its own interests. If the State decides to retain a minority shareholding for a longer period of time (at arm's length), we would propose for consideration a shareholding of between 15% and 30% (possibly in the form of depositary receipts). As you state in your letter of advice, other European banks (such as Norway's DnB NOR) have shown that a minority shareholding has only a limited influence on the bank's valuation. We share your opinion that,

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under European regulation and (golden share) jurisprudence, no special rights may be attached to shares held by the State. The rights attached to the shares must be in line with those that are customary for listed companies in the Netherlands (so-called best practices). In our opinion, any deviations from this practice should be avoided.

II) Timing of privatisation

We concur with your advice to the Minister to use the first twelve months following a debate in the Lower House to prepare for an IPO and subsequently to determine whether an IPO can be launched within four to six months, based in part on the economic conditions at that time.

As stated above, ABN AMRO has started in-house to explore the possibilities of an IPO, taking into account the letter of 24 January 2011 from the Minister to the Lower House ('exit policy for financial holdings'). Nevertheless, an IPO requires lengthy, highly labour-intensive preparation. Although we have made progress so far, we expect ABN AMRO to need at least the time stated in your advice to fully prepare itself for an IPO. We agree with you that the precise date of an IPO must be chosen carefully. Given your objective of maximising the proceeds from the transaction, the launch date should be determined by, among other things, developments in the economic climate and their influence on ABN AMRO's results. ABN AMRO must show a consistent development of its results over several quarters in order to favourably influence investors' valuation of the company and to meet the targets you have stated. After the twelve-month period, these elements must be taken into consideration when assessing whether an IPO can be launched within four to six months. Needless to say, the opinion of De Nederlandsche Bank must be taken into consideration as well.

We are fully aware that a successful IPO depends on an attractive 'equity story'. ABN AMRO announced the main elements of its long-term strategy in March 2013, including three concrete financial targets. For the purpose of an IPO, it is important to give investors more insight into how ABN AMRO intends to achieve its long-term targets and the contribution of each of its businesses. We will devote the coming period to fleshing out the details of this 'equity story', or an explanation of the bank's profile and strategy for investors in the context of an IPO, taking into account the responses to our strategy that we have received so far from NLFI, investors and investment banks.

III) Takeover defence mechanism

The best protection against a new hostile takeover, and a repeat of the past, is for ABN AMRO to focus on sustainable performance. Nevertheless, there may be a need for effective legal protection in some situations. You state that not only Dutch companies make use of takeover defence mechanisms, but companies in neighbouring countries do so in large numbers as well. The fact that you have found virtually no proof of the presence of a 'Dutch discount' coincides with the image we have, especially regarding the Dutch structure for issuing preference shares based on a call option to an independent ('White Knight') continuity foundation. We concur with your observation that the latter structure involving preference shares is a defence mechanism frequently used by Dutch listed companies¹, one which is generally accepted by

¹ Examples are ING, Aegon, Philips, DSM, Ahold, ASML, KPN and Randstad.

investors and which has no demonstrable influence on share prices. In practice, this structure has repeatedly proven to work preventively and, at the very least, is a good way to create extra time and the opportunity to find an optimum solution for the company and all its stakeholders. We therefore wholeheartedly agree with your advice to introduce such a structure for ABN AMRO.

We also agree that the structure described should be put into place and incorporated into the articles of association before the IPO is launched. We do not, however, see any reason to wait until the State's holding in ABN AMRO has been reduced to less than one-third of the issued capital before activating this structure. It is uncertain whether – for example, based on a review by the court – the control attached to a State shareholding would be sufficient to block a majority voting power (whether or not activist), even in combination with qualified majorities for strategic shareholder decisions (see below).

Moreover, in the event of a hostile takeover bid or attempt to split up the company by activist shareholders, ABN AMRO, as an independent, listed company, would have an independent responsibility to determine its own position in the interests of all its stakeholders, without the interests of shareholders (including those of the State as a shareholder) being decisive. In such a situation, the Managing Board and Supervisory Board would be legally bound to independently consider the various interests involved. Failing to activate the described structure upon the launch of an IPO would make ABN AMRO fully dependent on the cabinet in power at that time for exercising the rights attached to the State's shareholding. Although we assume that the interests of ABN AMRO and the State usually coincide, this is not necessarily the case under all circumstances. According to generally accepted (legal) standards, the State has the right as a shareholder to place its own interests above those of other stakeholders. In addition, it is possible that the State may be obliged to take into account European regulations and may not allow purely national interests to prevail. We understand from your advice that the protection derived by the State from qualified majorities is fully aimed at safeguarding the State's financial-economic interests. The interests of the company and its stakeholders, including clients and employees, are not stated. Although other stakeholders are included in your summary of the statutory objectives of NLF, the State's interests are once again stated explicitly as having primary importance. We would also note that you do not exclude pursuing alternative sale scenarios in the future. This exposes the company and its stakeholders to a large degree of uncertainty.

Needless to say, ABN AMRO's standpoint is intertwined with its experience with the acquisition by the Consortium of Fortis, RBS and Santander in 2007. The fact that ABN AMRO had previously dismantled its existing protection mechanisms made it defenceless to the pressure of activist shareholders, as a result of which it was taken over and split up by the Consortium. Experiences with divisions of 'the old ABN AMRO' acquired by foreign banks strengthen our conviction that ABN AMRO should remain a Dutch bank with its roots in the Netherlands. This would require ABN AMRO to take suitable measures to protect its own interests. It would also meet the wishes of the Lower House stated in your letter – i.e. to prevent history repeating itself, once again jeopardising the interests of the Dutch market and stability of the financial system. As described above, we believe that a State minority interest in ABN AMRO is insufficient in this respect.

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To summarise, we believe that the White Knight structure should be activated directly upon the launch of the IPO.

Please note, however, that we concur with your advice to amend the ABN AMRO articles of association, introducing qualified majorities (at least two-thirds of votes cast that represent at least half of the issued capital) for various strategic shareholder decisions. You refer to important decisions that change the nature or identity of the company. We believe this should include multiple decisions, such as decisions to change the articles of association and to reduce capital. We would like to discuss this issue with you in greater detail. Qualified majorities should be enacted if these shareholder decisions are not taken at the proposal of the Managing Board and without the approval of the Supervisory Board. Based on mandatory application of the full large company regime² for ABN AMRO with effect from the date of the IPO, the articles of association should also include provisions regarding the appointment and dismissal of directors by the Supervisory Board.

Employee participation/vision of Central Works Council

We have regular contact with the Central Works Council (COR) of ABN AMRO regarding the possible privatisation. The Managing Board and Supervisory Board believe it is important that privatisation enjoys wide support within the organisation; for this reason, the Managing and Supervisory Boards attach great value to the COR's vision. We therefore endorse your remark that preparations for the IPO should allow the COR to exercise its duties and responsibilities.

We spoke with you previously about drafting a protocol for establishing the collaboration between NLF and ABN AMRO during the preparations for an IPO. The protocol should contain agreements on how the ABN AMRO COR will be involved and will be given the opportunity to carry out its duties and responsibilities. We would like to discuss this protocol with you as soon as possible so that a solid foundation is in place as soon as the Minister gives the green light to start the preparations.

As the chairman of the COR explained to you during the General Meeting on 28 March 2013, the COR is strongly recommending maximum protection against a possible hostile takeover. The Managing and Supervisory Boards share the COR's opinion that measures should be taken to prevent history repeating itself. The COR has discussed its vision of the privatisation with us in detail and summarised its views in a document, which is enclosed with this letter.

The COR has informed us that it supports the introduction of an employee participation plan as part of the privatisation. The COR bases this view on a survey it conducted among ABN AMRO employees in late 2011 on their vision of ABN AMRO in 2017. A significant proportion of respondents would like to take part in share ownership. Among the benefits listed, the COR stated that such a plan would promote greater involvement among employees

² ABN AMRO currently operates under the mitigated large company regime under article 2:265a paragraph 1, subparagraph b of the Dutch Civil Code.

in the long term and would help create a group of loyal shareholders. We propose that we explore the feasibility of an employee participation plan as part of the preparations for an IPO.

Additional remarks

In addition to the above, we were also very interested to note your advice on embedding the social role and responsibilities of ABN AMRO in its governance. We understand that the Netherlands Authority for the Financial Markets (AFM), among other parties, has emphasised that ABN AMRO should continue to devote attention to client-centricity during and after the IPO. In our view, the inherit concern here is unnecessary, regardless of regulatory requirements and developments in jurisprudence. Client-centricity is one of the key elements of ABN AMRO's strategy; in fact, it is one of the five strategic pillars of the long-term strategy communicated on 1 March 2013. During the General Meeting of 28 March 2013, the Managing Board gave an extensive presentation on how ABN AMRO puts clients' interests centre stage. The score awarded to ABN AMRO in the AFM dashboard in the past two years shows that ABN AMRO genuinely puts clients' interests first and that the initiatives launched in this respect are starting to pay off. ABN AMRO's commitment to client-centricity will in no way be affected by the IPO.

The ABN AMRO long-term strategy reflects the company's social responsibility in a wider sense. We refer you to the policy pursued and initiatives taken in the area of sustainability. This commitment, too, will not be affected by the IPO.

Against this backdrop, we would like to exchange thoughts with you on how to embed ABN AMRO's social role and responsibilities in its governance. For example, the objects stated in the articles of association could be expanded with elements that underscore consideration of clients' interests. In working out further details, however, explicit attention should be paid to the legal risks in order to head off any unintended negative consequences for ABN AMRO. Further embedding of client-centricity and other aspects of the social role of banks should also be carefully considered in relation to implementation of the recommendations of the Commission on the Structure of Dutch Banks. ABN AMRO is currently considering these recommendations.

Conclusion

We concur with your advice to the Minister to privatise ABN AMRO by means of an IPO and to use the first twelve months after your advice has been debated in the Lower House to prepare for the IPO. The same applies to your advice to determine whether an IPO can be launched within four to six months thereafter. The exact date of the IPO must be carefully chosen. The launch date should be determined by, among other things, developments in the economic climate and their influence on ABN AMRO's results.

We are also positive about the State retaining a minority shareholding after the IPO. We do understand, however, that the State will make its own decision in this matter, based on its own interests, and could possibly decide to fully reduce its stake in ABN AMRO to zero over the course of several years. If the State decides to retain a minority shareholding for a longer period of time (at arm's length), we would propose for consideration a shareholding of between 15% and 30% (possibly in the form of depositary receipts).

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We support the introduction of an effective takeover defence mechanism for ABN AMRO in the form of a White Knight structure, in addition to the establishment of a full large company regime on the date of the IPO and inclusion in the articles of association of qualified majorities for strategic shareholder decisions. We consider it our responsibility, however, to activate and make this structure effective directly upon the launch of the IPO. This will ensure that the infrastructure is present (in terms of company law) so that, in the event of a hostile takeover or similar initiatives by activist shareholders, ABN AMRO can take effective measures to protect the interests of the company, its clients, employees and all other stakeholders.

Needless to say, the views of the Managing and Supervisory Boards described in this letter are subject to the consent of De Nederlandsche Bank (insofar as necessary) for the various decisions and steps required for the IPO. The same applies to the support provided by the Central Works Council, in accordance with the applicable legal provisions.

In closing, we would like to stress that the ABN AMRO Managing Board, with the support of the Supervisory Board, will do everything in its power to ensure the success of an IPO of ABN AMRO.

Please feel free to contact us should you require further information at this point.

Yours sincerely,

On behalf of the Managing Board and Supervisory Board,

Johan van Hall
Vice-Chairman, ABN AMRO Managing Board

Enclosure: Letter from ABN AMRO Central Works Council

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ABN AMRO Groep N.V.
Attn: Managing Board
Gustav Mahlerlaan 10
1082 PP AMSTERDAM

9 August 2013

SUBJECT: ADVICE OF NLFI REGARDING EXIT STRATEGY

Dear members of the Managing Board,

Thank you for sending the final draft advice of 26 July 2013 from NL Financial Investments ('**NLFI**') to the Minister of Finance on the exit strategy for ABN AMRO and the response from you and the Supervisory Board set out in your letter of today.

Before going into the details of these documents, we would like to express our appreciation for how we have been informed so far about the plans and about the platform offered to us to convey our thoughts and ideas. Like you, we too want to quickly establish a formal protocol for documenting the collaboration between NLFI and ABN AMRO regarding preparations for the IPO. Under the protocol, concrete arrangements will need to be made in consultation with us describing how and when we, the Central Works Council, will be able to carry out our duties and responsibilities.

The advice

Let me start out by saying that we largely endorse your response to NLFI's advice. We, too, believe that ABN AMRO has to be privatised in order for it to fully realise the long-term strategy, and an IPO is the best option. We would note that the Central Works Council, like you, prefers that the State ultimately retain a minority shareholding in ABN AMRO (acting at arm's length), as a minority shareholding would enable the State to help the bank retain its Dutch identity and autonomy.

As for the timing, the letter of advice assumes a preparation stage of twelve months, after which NLFI can decide to launch an IPO within a period of four to six months. It is hard to say whether this timeline is realistic, but the Central Works Council does not want it to be set in stone. At any rate, the main concern should be ensuring that the IPO is successful. If more time is required, then we feel the time should be taken.

Takeover defence mechanism

We feel that the subject of takeover defence mechanisms merits special attention. ABN AMRO has a charged history in this respect. We can only guess how differently things would have

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turned out if ABN AMRO had had adequate takeover defence mechanisms in place in the past. One thing is certain: if protection measures had been in place, ABN AMRO would have been able to defend itself more effectively and the damage would have been avoided or at least mitigated. We believe that everything should be done at all times to prevent ABN AMRO from becoming a puppet for external parties again, with no legal or other means to act independently in such a situation.

Continuity Foundation (Stichting Continuïteit)

We have sought out information and advice regarding takeover defence mechanisms and, based on our research, have come to the conclusion that we share your vision on the establishment of a Continuity Foundation, which will be granted a call option for preference shares to be issued. Like you, we believe that this defence mechanism should be put into place at the outset, i.e. upon the launch of the IPO, and we fully endorse your arguments. We do not understand the objections to establishing a Continuity Foundation at the outset, nor are these objections explained. If NLFI, as long as it holds more than one-third of the shares, wants to keep all its options open as the shareholder – such as selling its shares to a third party at an attractive price, even if that is not in the interests of the company and the companies affiliated with it (interests that the Continuity Foundation serves in exercising its authorities) – then that is not a convincing argument. To the contrary: given the bank's past and position in the market, ABN AMRO should be protected from the outset, with the company's interests being the main criterion rather than (exclusively) the interests of the State, regardless of how large the State's shareholding is. The Central Works Council will fight for this standpoint during the consultation procedure.

Large company regime

We understand that under the legal system, the large company regime will apply as of the IPO. We believe it is important that the large company regime is actually set up at that time and we endorse NLFI's advice to the State to refrain from taking measures that could hinder its operation. The large company regime offers a certain degree of protection, and the Central Works Council wants the Managing Board to be appointed and dismissed by the Supervisory Board, based on the composition over which it has influence.

Qualified majorities

In accordance with NLFI's and your views, we believe that qualified majorities should be introduced when taking important shareholder decisions. This applies not only to decisions referred to in article 107a, Book 2 of the Dutch Civil Code (decisions regarding important changes to the identity or nature of the company) and decisions regarding the name, registered office, purpose or authorised capital, as endorsed by NLFI, but – further to what the Board endorses – also to other important decisions, such as amendments to the articles of association and reduction of capital.

Priority shares

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To ensure additional protection, we would ask the Managing and Supervisory Boards to reconsider their views regarding the creation of a priority share and to grant that share to a Priority Foundation (*Stichting Prioriteit*). We feel it is important that shareholders, even if they have a qualified majority, cannot amend the articles of association or take decisions on important changes to the identity or nature of the company without first overcoming a barrier, i.e. the approval of the Priority Foundation. This could offer significant protection. Careful composition of the Foundation's board would ensure in all cases, and especially in the event of a hostile takeover bid or shareholder activism, that well-considered decisions are taken.

We would point out that it is not unusual to issue priority shares. This form of protection is applied by other listed companies, including AkzoNobel, Wereldhave, Binck, ARCADIS, Aalberts Industries and Brunel.

Employee participation

We are pleased with the support we have found in you for considering the establishment of an employee participation plan. You correctly state that the Central Works Council conducted a survey among all ABN AMRO employees in late 2011 on their vision of ABN AMRO in 2017. A significant proportion of the workforce responded, showing that employees would like the opportunity to take part in share ownership.

As already stated, the concept of giving employees a share in the results of the company they work for is receiving increasingly positive attention in the literature (see Arnoud W.A. Boot, *De ontwortelde onderneming*, Stichting Management Studies 2009 and Michael Lower, *Employee participation in governance*, Cambridge 2010) and in society and politics. The benefits of offering an employee participation plan include greater employee commitment and a sense of responsibility, long-term employee loyalty, better performance and a higher number of shares held by shareholders with a long-term vision. In short, loyal shareholders who understand the business.

The Central Works Council is a fervent advocate of an employee participation plan. We look forward to engaging with you in a dialogue on this issue.

Summary

As the above shows, we largely endorse your response as set out in your letter of today to NLFi regarding its advice to the Minister on the exit strategy for ABN AMRO.

We feel strongly that a Continuity Foundation (*Stichting Continuïteit*) should be established and should be operating as from the launch of the IPO. We also endorse the introduction of qualified majorities in shareholder meetings regarding important decisions. However, the Central Works Council would like to see additional protection put into place in the form of a Priority Foundation (*Stichting Prioriteit*) with approval authorities with respect to a number of material shareholder decisions. ABN AMRO has a charged history in this respect and everything should be done at all times to prevent history from repeating itself.

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The Central Works Council believes that employee engagement in the ins and outs of the bank's operations is very important. The establishment of an employee participation plan that is widely supported would help promote employee engagement. Employees who also have a financial interest in ABN AMRO will be more committed to the bank's long-term objectives; the bank, for its part, will gain a group of loyal shareholders.

The Central Works Council will take a firm stance during the upcoming consultation procedure regarding effective protection of ABN AMRO and the introduction of an employee participation plan.

We are simultaneously sending a copy of this letter to NLFI in light of the open dialogue with the Central Works Council that NLFI supports.

Yours sincerely,

René Hazebroek
Chair
cc: NL Financial Investments

"These letters are a translation of the original Dutch text. In the event of any discrepancies, the Dutch text shall prevail."

Annex 2

Response of the Management Board and the Supervisory Board of a.s.r. to this memorandum, August 12, 2013 (in Dutch)

Vertrouwelijk
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T.a.v. M. Enthoven
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2504 BB DEN HAAG

ASR Nederland N.V.

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Datum 12 augustus 2013
Onderwerp Exit advies a.s.r.

Telefoon (030) 257 33 01

Geachte bestuur, Beste Michael,

In het exitadvies aan de minister wordt voor wat betreft a.s.r. geadviseerd een dual track-benadering te volgen. Door enerzijds op zo kort mogelijke termijn concrete voorbereidingen treffen voor een (gedeeltelijke) zelfstandige beursgang en door anderzijds in diezelfde periode nadrukkelijk de mogelijkheden te onderzoeken van een eventuele consolidatie in de Nederlandse markt.

In 2008 is door de minister van financiën aangegeven dat het moment van privatisering van a.s.r. afhankelijk zal zijn van onder andere de stabiliteit van het bedrijf en de mate waarin financiële markten genormaliseerd zijn.

Vanaf 2008 is a.s.r. begonnen met de afsplitsing van haar voormalige moederbedrijf. De balans en het risicomanagement zijn op het niveau gebracht dat hoort bij een zelfstandige Nederlandse verzekeraar. De rating is verbeterd, de solvabiliteit is degelijk en gedurende vijf opeenvolgende jaren zijn structurele kostenreducties doorgevoerd. Vanaf 2009 is er jaarlijks een positief bedrijfsresultaat gerealiseerd en sinds 2011 keert a.s.r. dividend uit.

Ook de verdere transitie van a.s.r. neemt concrete vormen aan. Het uitvoeren van de business strategie resulteert in vereenvoudiging van het productaanbod, verdere structurele verlaging van kosten, effectieve distributie en waardering van klanten. Het consequent volgen van de ingezette koers moet leiden tot een maatschappelijk relevante en geaccepteerde verzekeraar waar de klant écht voorop staat en daarmee bijdragen aan herstel van klantvertrouwen.

Vanaf 2008 is a.s.r. ook gestart met de voorbereidingen op een zelfstandige privatisering. De interne processen die nodig zijn voor een eventuele beursgang zijn daar op zoveel als mogelijk aangepast. Doel daarvan was dat u als aandeelhouder desgewenst zou kunnen besluiten tot verzelfstandiging als de markt daarvoor in uw opinie goede gelegenheid bood. Nu de financiële markten enigszins tot rust zijn gekomen en de koersontwikkeling van verzekeraars voorzichtige tekenen van herstel laat zien, lijkt daarvoor momentum te ontstaan. Zowel de omvang van a.s.r., de gekozen strategie als de solide balans, bieden ruimte voor een zelfstandige toekomst.

Datum 12 augustus 2013
Onderwerp Exit advies a.s.r.

Daar staat tegenover dat de Nederlandse verzekeringsmarkt momenteel sterk verzadigd is en krimpt. Mede als gevolg van het wegvallen van fiscale stimulansen voor spaarverzekeren, het verbod op provisie, de lage rente (die vooral de markt voor pensioenen raakt) en de voor consumenten en bedrijven aanhoudend moeilijke economische tijden.

In een krimpende markt kan consolidatie een strategische mogelijkheid voor een exit bieden. Dit scenario biedt de mogelijkheid om in de Nederlandse markt synergievoordelen te behalen, die ten gunste van de belastingbetaler kunnen komen. a.s.r. vindt het dan ook verstandig om naast de voorbereiding op een beursgang ook de opties daartoe nadrukkelijk te (blijven) verkennen.

Daarmee onderschrijven wij het in goed overleg met ons tot stand gekomen advies van de 'dual track'-benadering.

Met vriendelijke groet,

Namens Raad van Bestuur

Namen de Raad van Commissarissen



Mr. J.P.M. Baeten

Dr C. van der Pol

Annex 3

Response of the Works Council of ASR Netherlands NV to this memorandum, August 13, 2013 (in Dutch)

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Van Ondernemingsraad ASR Nederland N.V.
E-mail asrverzekering.or@asr.nl

Kopie aan Jos Baeten, voorzitter Raad van Bestuur
Datum 13 augustus 2013
Referentie OR-nr 2013-308
Onderwerp Brief aan minister inzake exit-strategie a.s.r.

Geachte heer Enthoven,

Wij hebben van de bestuurder van a.s.r. het concept advies van NLFI aan de minister over de exit van a.s.r. ontvangen.

De bestuurder heeft de ondernemingsraad van a.s.r. reeds in een vroeg stadium geïnformeerd over het proces en de ontwikkelingen rondom de exit. Ook zijn wij de afgelopen maanden door de bestuurder goed op de hoogte gehouden over de verschillende mogelijkheden die er toe moeten leiden dat a.s.r. weer als een geprivatiseerd bedrijf op de Nederlandse markt gaat opereren.

De ondernemingsraad herkent de door u beschreven mogelijkheden en zal - zoals ook aangegeven in uw advies - zijn mening vormen en inhoudelijke reactie presenteren op het moment dat duidelijk is op welke wijze a.s.r. geprivatiseerd wordt en de consequenties daarvan voor o.a. de medewerkers.

In de tussenliggende periode zullen wij ons uiteraard op de hoogte laten blijven stellen van de verdere ontwikkelingen rondom de exit van a.s.r.

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



Marcel Hindriks
Vice-voorzitter