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The Hague, 23 June 2016

Re: Sale of Propertize

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.

Dear Mr Dijsselbloem,

In your letter to the House of Representatives of 16 October 2015 ('Sale of Propertize'), you announced the planned start of a sale process of all shares in Propertize B.V. (Propertize). This was prompted by the recommendation from NLFI (October 2015) in which NLFI stated that, in view of the improved market conditions, there was a good chance of selling Propertize in its entirety. You asked NLFI to initiate an open and competitive sale process together with Propertize, on behalf of the State. This sale process has taken place over the last few months, and is now in the final phase. With your approval, the Lone Star Funds / J.P. Morgan Securities Plc ('LS/JPM') consortium has been selected as the most desirable buyer of Propertize. The final preparations have now also been made to reach a sale transaction. This decision requires your prior approval. This letter sets out NLFI's recommendation to grant your approval for the sale transaction with LS/JPM, at the price and under the terms as set out in the draft purchase contract, after which you can proceed to sign the purchase contract.

In drawing up this advisory report, NLFI has been guided by the statutory description of NLFI's goals. In discharging its statutory task and in exercising the rights associated with the shares held by NLFI, NLFI has focused primarily on the financial and economic interests of the State, while taking into consideration the interests of the company, its associated businesses and the employees involved.

Criteria for the sale

In your letter of 16 October 2015, you set out two conditions for a sale. Firstly, no sale should take place if the proceeds of such sale did not exceed the anticipated future proceeds of the plan for winding down Propertize, taking into account the risks which the State would still incur during the winding down period. Secondly, the State's risk on the guarantee issued by the State for the funding which Propertize has raised in the form of (listed) bonds, must decrease or remain the same.

In its recommendation of October 2015, NLFI indicated that it expected that the State's capital expenditure attributed to Propertize of € 500 million will at least be recouped in the event of a sale. NLFI has also indicated that, in assessing the bids, the quality of the bids (such as the legal terms and conditions) and Propertize's views will be taken into account alongside the value of the sale. Finally, NLFI indicated in the October 2015 recommendation that it would carefully handle the advisory rights accruing to the employee representation under the Wet op de ondernemingsraden (Works Council Act - Wor) within the limits of good governance relationships as stipulated in laws, regulations and codes.

Conduct of the sales process

The sale process started with the announcement in an advertisement in the Financial Times on 9 December 2015. From that moment onwards, the financial advisers of NLFI and Propertize actively approached parties. There was an initial contact with 84 parties in total. Over half of them signed a confidentiality agreement. These parties were provided with further information about the process and the State's parameters as the seller. Four parties submitted an indicative offer for the whole of Propertize on 16 April 2016. These offers were sufficiently high to admit these four parties to the next round. The parties were given the opportunity to carry out due diligence, ask questions and attend management presentations. Two parties dropped out in this phase. In the final phase, two parties submitted a binding offer. Negotiations were conducted with these two parties with the aim of achieving the best possible price and terms for the State. Of these two parties, LS/JPM was selected as the most desirable buyer, in view of the content of the offer compared to both the offer from the other bidder and the plan for winding down Propertize. The final negotiations resulted in an agreement with LS/JPM about the price and terms as set out in the draft purchase contract.

Financial details

The final binding offer from LS/JPM represents a purchase price of € 895.3 million**,** of which a limited part (€ 22.5 million) will be paid to the State in due course, if and insofar as certain conditions are met[1]. Propertize also paid out its first dividend to the State earlier this year. The dividend was € 45.5 million[2]. This brings the total proceeds for the State with regard to Propertize, to € 940.8 million.

LS/JPM's final offer is higher, both in an absolute sense and weighted according to risks, than the final binding offer received from the other bidder. The bid is also higher than the equity of € 500 million, which Propertize received from the State when it was set up. Compared to

[1] These are deferred proceeds associated with the liquidation of a real estate project.
[2] See NLFI Annual Report, page 16, www.nlfi.nl..

the scenario whereby Propertize would dispose of the remaining portfolio itself - if no sale took place - LS/JPM's offer is also preferable in NLFI's view. This is because the anticipated risk-weighted proceeds from this winding down scenario are lower than the proceeds from the recommended sale. The anticipated proceeds in the winding down scenario do not take account of the fact that the State runs the risk, during the further winding down of the portfolio (estimated at 2 years), that market conditions will worsen. Such circumstances could have a negative impact on the timing of and proceeds from the winding down, and thereby also give rise to uncertainty with regard to the state-guaranteed funding. The State could also be confronted with as yet unknown legal risks through Propertize during the further dismantling of the legal structure of Propertize (estimated at 5 years). There is also the risk that the shrinking of the portfolio will increase the operational risks, such as the inability to retain experienced employees with knowledge of the portfolio.

Assessment of the purchase contract
In addition to the sale price, the purchase contract also sets out the legal terms and the rights and obligations, which the parties take on with respect to one another. The most important elements of the purchase contract are explained below.

Transaction structure
The transaction involves a sale by the State of all shares in Propertize. The sale contract also stipulates that Propertize's debt, consisting of (listed) state-guaranteed bonds, will be taken over by the State in return for payment by Propertize to the State of a sum equal to the face value of those bonds, supplemented with accrued but as yet unpaid interest. This structure means that the state guarantee can be scrapped. The payment from Propertize to the State will be partly financed with Propertize's available cash, and otherwise financed by the buyer. The acquisition of the debt by the State, plus the receipt of funds to pay it off, improves the State's risk position. Without the acquisition of the debt, the state guarantee would be maintained after Propertize was sold. This would then only lapse when the entire raised funding was fully repaid (2019). Because the State will no longer be a shareholder after the sale and would therefore have fewer tools to control the repayment of this funding, a sale without the transfer of debt would lead to an increased risk for the State.

Purchase price
The purchase price which the buyer must pay on the transfer date, expected to be in September 2016, consists of a fixed sum for the shares plus an extra sum per day from the 91st day after signing of the purchase contract. The purchase price is not subject to any further adjustments.

Conditions for the transfer of the shares ('closing')[3]
The purchase contract contains a number of conditions for closing. These must be met before the transfer of the shares can take place. Hence the buyer still needs to get permission from the relevant supervisory authorities. The Propertize Works Council also

[3] Closing refers to the transfer of the shares in return for payment of the agreed purchase price.

have to give a recommendation on the proposed transaction and financing structure. The Works Council recommendation process will be carried out carefully.

Pre-Closing agreements

During the period between signing the purchase contract and the transfer of the shares, Propertize's business activities must be managed as normal and certain specified decisions may not be made without the buyer's approval. This is a customary arrangement in a purchase contract.

Guarantees and indemnity

The purchase contract contains fairly customary guarantees for the benefit of the buyer relating to Propertize and its business activities. However, the State's liability for any breach of those guarantees is limited to € 1.

The purchase contract also contains a general tax indemnity for which the State's liability is also limited to € 1, and a specific indemnity relating to transfer tax for real estate for which the State's liability is limited.

NLFI makes a positive recommendation with regard to the content of the draft purchase contract. The contract offers a high degree of certainty that the final transfer of the shares in return for payment of the purchase price will take place in accordance with the agreements made. The transaction will also result in the transfer of Propertize itself, including its (historic) liabilities (with the few exceptions specified above). This means that the State will no longer be liable for these risks after the transfer, whilst that would be the case in the winding down scenario.

LS/JPM's background

The LS/JPM consortium is a collaboration between Lone Star Funds (LS) and JP Morgan Securities Plc, part of JP Morgan Chase & Co (JPM).
LS is an international venture capital company which invests in real estate, shares, loans and other financial assets. LS operates worldwide and since its first fund was set up in 1995, LS has set up 16 venture capital funds in which over USD 65 billion is invested. LS has also been active as an investor in the Netherlands since 2009, particularly in office buildings, and has invested over € 2 billion here. LS will become the shareholder in Propertize as a result of the transaction. Propertize will continue to manage its current loan portfolio following the transfer.
JP Morgan is one of the world's largest banks with a balance sheet total of over USD 2,424 billion. Within the consortium, JPM will, on the one hand, act as the direct buyer of certain (performing) loans and, on the other hand, provide the funding for the purchase to LS.

Company position

Propertize's company position is attached to this recommendation as an appendix. The executive board and the supervisory board support the proposed sale to LS/JPM. The transaction offers new prospects for at least part of the Propertize workforce, because the

Propertize platform is retained. These prospects are absent in the winding down plan for Propertize.

NLFI recommendation
Taking everything into account, NLFI believes that the proposed purchase contract with LS/JPM is the most financially favourable outcome of the sale process, also compared to the plan for winding down Propertize, taking account of the interests of the company, its associated businesses and the employees involved. The sale to LS/JPM fits in with the criteria for the sale specified at the start of the sale process in all areas.

NLFI recommends that you give your approval to enter into the sale transaction with LS/APM at the price and on the terms and conditions as specified in the draft purchase contract, and to proceed to sign the purchase contract.

Yours sincerely,

M. Enthoven (attorney at law),
Chairman of NLFI