



PRESS RELEASE

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Propertize wind-down on track

On 3 July 2015, Propertize published its 2014 Annual Report. The results show that in 2014, compared to 2013, total net exposure of the property and property finance portfolio declined by € 808 million to € 4,918 million. Net operational result for the period increased to € 36 million (2013: - € 22 million). Total net result for the period, including impairments, amounted to - € 49 million (2013: - € 823 million). The past year, after the separation at the end of 2013, Propertize further strengthened its organisation.

"The wind-down strategy we developed by us at the end of 2013 has proven to be robust and has led to a good result in the dynamic market of 2014", says Hans Copier, CEO of Propertize. "The development of the organisation and the wind-down that was achieved are mainly the result of the intrinsic motivation of the employees of Propertize." Attracting and retaining personnel for a high-grade organisation is one of the preconditions for the Propertize wind-down strategy. Copier: "It's great to see how hard employees have worked the past year, but it's especially impressive to see how much employees are committed to the special assignment Propertize has."

Strategy re-assessment and outlook for 2015

At the end of 2014, the wind-down strategy of Propertize was re-assessed through an analysis of 97% of the net exposure of the portfolio. This led to the conclusion that the strategy, as developed at the end of 2013 for the period up until 2023, is robust. The portfolio and the preconditions Propertize has defined for the strategy (improvement of the real estate markets, stable development of interest rates and establishing and maintaining a high-grade organisation) have developed within the defined framework. The dynamics in the real estate market increased during 2014 due to factors including the developments in the financial markets, especially the low interest rate levels. Propertize expects these dynamics to continue in 2015.

The increase of available liquidity in the real estate market had a positive effect on the execution of the wind-down strategy. However, Propertize is of the opinion that at this point there is no fundamental recovery of the real estate market yet, with the exception of the residential market. For Propertize, the developments confirm that the right wind-down strategy was chosen. With this strategy, Propertize expects to complete its special assignment in the coming years: to wind-down the property and property finance portfolio in a controlled, transparent and professional manner with high ethical standards.

Propertize Balance Sheet

(in million Euro)	2014	2013	
Result loan portfolio		119	92
Operating result property	(12)	(9)	
Release impairments on property	12	11	
Interest expenses property	<u>(15)</u>	<u>(15)</u>	
Result property projects	(15)	(13)	
Other income	-	3	
Total income	104	82	
Operating expenses	54	77	
Operating result (pre-tax)	50	5	
Taxation on operating result	(14)	(28)	
Net operating result	36	(22)	
Discounts	0	4	
Impairments	101	1,053	
Impairments attributed to property	<u>12</u>	<u>11</u>	
Total impairments and discounts	113	1,068	
Taxation on impairments and discounts	(28)	(267)	
Net result impairments and discounts	85	801	
Total net result	(49)	(823)	

In 2014, Propertize made a net result of € 49 million (2013: - € 823 million). The improvement of its result was especially due to lower impairments (- € 952 million), higher interest result on the property finance portfolio (+ € 27 million) and lower operational costs (-€ 23 million). The decline of the operational costs was mainly the result of strong recruitment efforts to ensure that the organisation has its own staff with which the organisation can be built and the wind-down strategy can be executed. As a result, the share of temporary staff in the total number of staff showed a sharp decline. Operational costs also declined due to lower costs for external legal advisors and other external consultants. Consolidation of several property projects at the end of 2013 did lead to higher operational costs in this category during 2014. Net operational results amounted to € 36 million (2013: - € 22 million).

Breakdown of Propertize portfolio

Statement of changes in net exposure by bucket (in million Euro)	Healthy	Value retention	Stop-loss	Total
Balance as at 31 December 2013	1,325	3,645	756	5,726
Redemptions and transactions	(153)	(279)	(275)	(707)
Impairments	-5	-97	1	-101
Discounts	-	-	-	-
Balance as at 31 December 2014	1,167	3,269	482	4,918
Distribution	24%	66%	10%	100%

Portfolio size

Total net exposure of the Propertize portfolio (property finance, property and assets held for sale) decreased by € 808 million to € 4,918 million in 2014 (2013: € 5,726 million). This was the result of sales and redemptions of € 707 million, besides impairments in the amount of € 101 million (2013: € 1,053 million). The decrease was partially due to the increased market dynamics, which, in combination with low interest rate levels, led to real estate prices declining less fast. Moreover, sales, an important restructuring and deconsolidation resulted in a reversal of impairments previously recognized.

The value of property projects declined to € 387 million (2013: € 810 million). This was mainly due to the sale of several projects at the end of 2014, which had been accounted for under 'Assets held for sale', the sale of which was completed at the beginning of 2015.

Total net exposure declined markedly across the portfolio, with a considerable decline in 'Stop-loss' from € 756 million to € 482 million. This decline is in line with the goal of Propertize to fully wind-down this part of the portfolio in the short term.

Capital, solvency and liquidity position

Total equity of Propertize as at 31 December 2014 amounted to € 1,177 million (year-end 2013: € 1,226 million). The decrease in the amount of Risk Weighed Assets was the main driver for the increase of the core Tier-1 ratio to 9.60% (year-end 2013: 8.01%). As a result, Propertize meets the requirements of the regulatory body. At year-end 2014, € 650 million of equity was earmarked for possible future impairments (year-end 2013: € 726 million). Own funds for solvency purposes amounted to € 527 million (year-end 2013: € 501 million). The liquidity position of Propertize amounted to € 299 million at year-end 2014 (year-end 2013: € 244 million), anticipating the redemption of funding in January 2015. Propertize's objective is to have a liquidity buffer of € 100 million as a minimum.

Funding

Early 2014 Propertize raised € 3,890 million as part of its funding programme through the placement of € 2,600 million in (non-STEP compliant) Medium Term Notes and € 1,290 million in (STEP compliant) Euro Commercial Paper. The State of the Netherlands fully

guarantees the funding programme. With the initial proceeds of the funding programme, and with regular redemptions, Propertize fully redeemed a € 4,054 million loan with SNS Bank on 4 April 2014. Year-end 2014 the Propertize funding amounted to € 3,501 million.

Net interest income

Compared to 2013, net interest income improved in 2014. Especially due to the wind-down that was realised, interest income declined to € 149 million (2013: € 195 million), which was compensated by sharply declined interest expenses of € 44 million (2013: € 118 million). This decline was the result of lower funding needs in combination with lower funding prices resulting from decreasing market rates and the positive effect of the State guarantee on funding rates.

Important steps for the organisation

During 2014 Propertize has further strengthened and developed its organisation. The number of employees with a contract of employment showed a strong increase and the various staff departments and positions which are necessary for the organisation to fulfill its task were filled in. The disentanglement of SNS REAAL has thus been successfully completed, with the migration of the technical control of the IT system to a new environment as an important milestone. In 2015 the focus will further shift from establishing and building the new organisation to the execution of the special assignment of Propertize.

'Propertize Way of Working' leads to change in way of thinking and working
In view of the need to further strengthen the organisation, the 'Propertize Way of Working' was established and implemented early 2014. The 'Propertize Way of Working' describes the administrative organisation and internal control system of Propertize. With clear duties and responsibilities the 'Propertize Way of Working' is the formal basis for professional, transparent, ethical and controlled business management by Propertize. It enables Propertize to operate as an independent organisation in the right manner, with adequate internal control according to the 'Three Lines of Defence' principle. The development and the implementation of the 'Propertize Way of Working' has led to an important change in the way that Propertize and its employees think and work. Moreover, it led to the announcement by the Dutch Central Bank (DNB) on 11 December 2014 that Propertize had sufficiently met the requirements of the formal instruction given by DNB on 9 September 2013 in relation to deficiencies of a controlled business management with high ethical standards.

About Propertize

Propertize gives loan management, restructuring & recovery and asset management new meaning with a name in which property, maximize and monetize come together. With the right people and an efficient organisation, Propertize will wind down its loan portfolio and property projects in the coming years. We are aware of the extraordinary context within which we operate. In our organisation, commercial real estate and the public dimension come together. Propertize is located in Utrecht and employs almost two hundred people. NLF1 is the sole shareholder of Propertize.

For more information, please contact

Roland Kroes, senior spokesperson Propertize

Mobile: +31 (0)6 – 1020 2894

E-mail: roland.kroes@propertize.nl