



Annual Report
2016

Bouwinvest Dutch Institutional
Retail Fund N.V.



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Management company profile

Bouwinvest Real Estate Investment Management

Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) is one of the largest Dutch investment managers specialised in real estate for institutional investors. Bouwinvest's Amsterdam-based team of 136.6 FTEs manages total assets of € 8.5 billion, in five Dutch property sector funds and international real estate investments.

The Dutch real estate portfolio comprises five sector funds: a Residential Fund, a Retail Fund and an Office Fund – all open to institutional investors – plus a Hotel Fund and a Healthcare Fund managed for anchor investor bpfBOUW. Bouwinvest also provides its anchor investor bpfBOUW with tactical asset allocation advice and investments in listed and unlisted real estate funds in Europe, North America and the Asia-Pacific region.

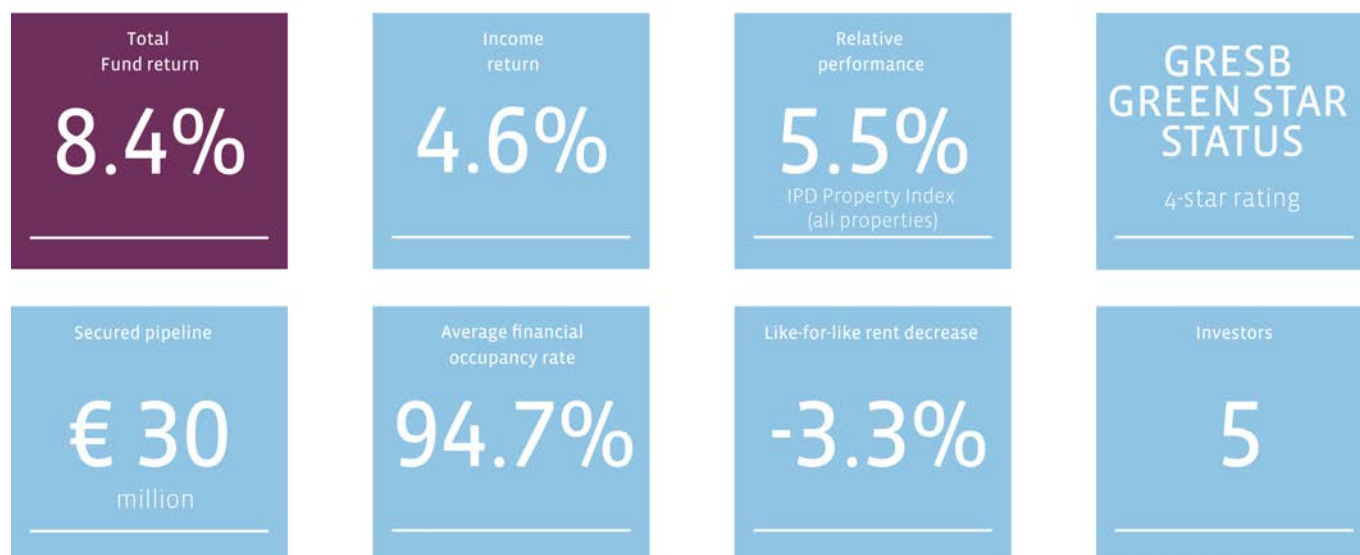
Bouwinvest is recognised as one of the leading real estate investment managers in the Netherlands. It has a solid track record of high-performance thanks to its in-depth knowledge of the Dutch and international real estate markets and best-in-class valuation and risk management policies.

Bouwinvest's portfolios are constructed to insulate investors against ever rapidly changing market trends and have strong governance structures. The company's Supervisory Board, together with a clearly defined system of checks and balances, provides four levels of governance oversight. Besides dedicated asset management teams Bouwinvest has in-house experts in Compliance, Legal, Risk Management, Research, Marketing and Communication, Finance, CSR and Investor Relations. Bouwinvest has an ISAE 3402 type II certification and has an AIFMD (Alternative Investment Fund Manager Directive) licence by the Dutch Financial Markets Authority (AFM).

In 2016, Bouwinvest's three main Dutch sector funds were awarded a GRESB Green Star sustainability rating for the third successive year.

2016 at a glance

Key information in 2016



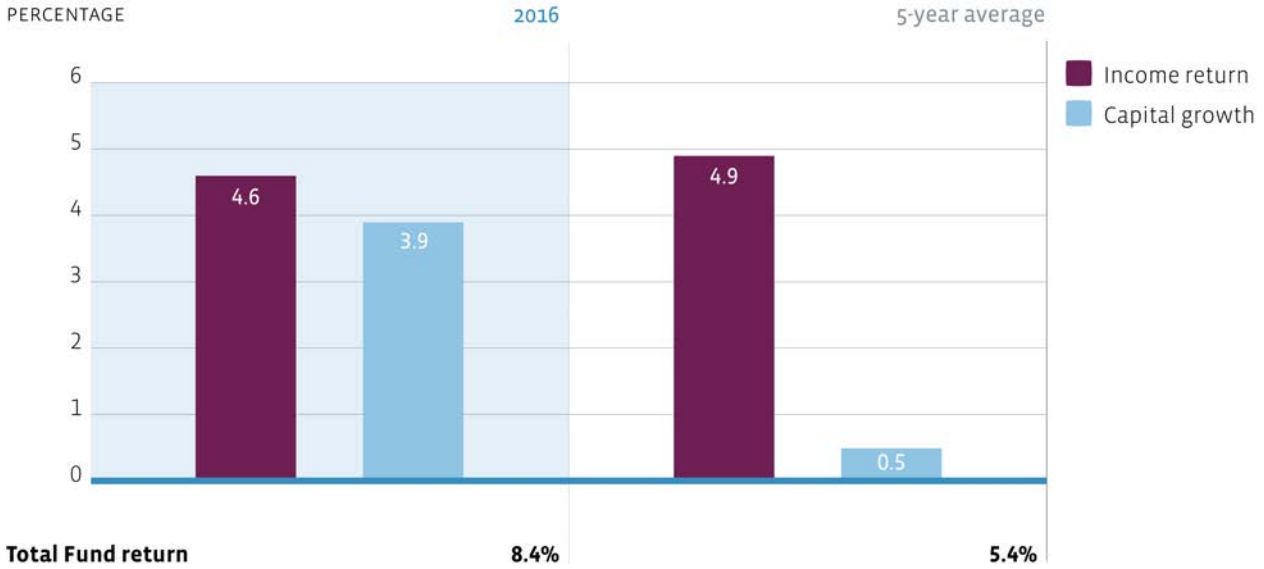
Highlights 2016

- Total Fund return 8.4%, almost doubled compared to last year
- Outperformance for the sixth consecutive year, total property return 9.3% versus 3.8% IPD Property Index
- Continued high average financial occupancy rate of 94.7%
- In 2016 three investors entered the Fund and were fully invested at year-end 2016
- As per 1 January 2017, two investors increased their commitment and one new investor will enter the Fund
- The Fund sold one asset, completed two redevelopments and added six new assets to its portfolio
- New and extended lease contracts totaling 72,977 m²; rental value € 16.6 million per year
- GRESB Green Star status for third successive year

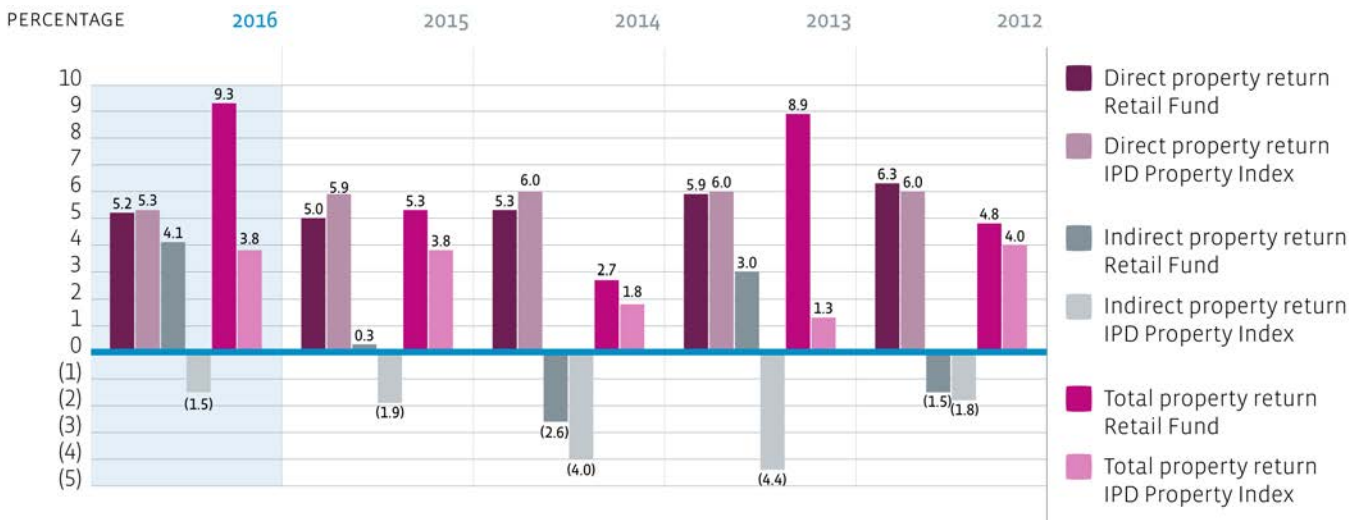
All amounts in € thousands unless otherwise stated

Performance per share	2016	2015
Dividends (in €)	114.76	108.84
Net earnings (in €)	215.61	116.48
Net asset value IFRS (in €, at year-end)	2,640.21	2,537.12
Net asset value INREV (in €, at year-end)	2,650.14	2,547.83
Statement of financial position	2016	2015
Total assets	832,920	747,515
Total shareholders' equity	824,201	738,335
Total debt from credit institutions	-	-
Result	2016	2015
Net result	64,250	32,150
Total Expense Ratio (TER)	0.52%	0.53%
Real Estate Expense Ratio (REER)	0.82%	0.91%

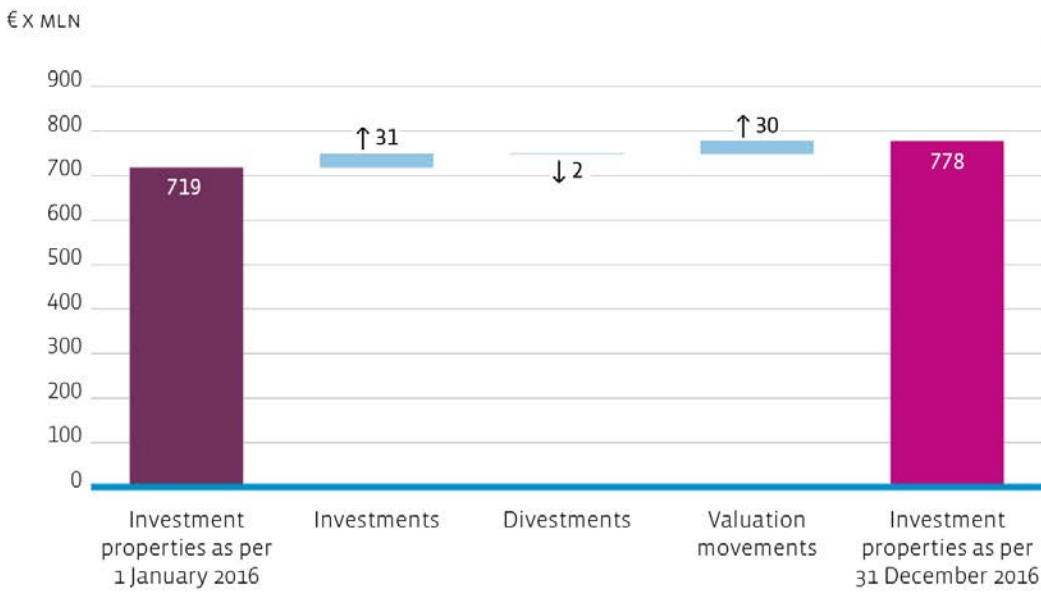
Fund return



Property performance (all properties)

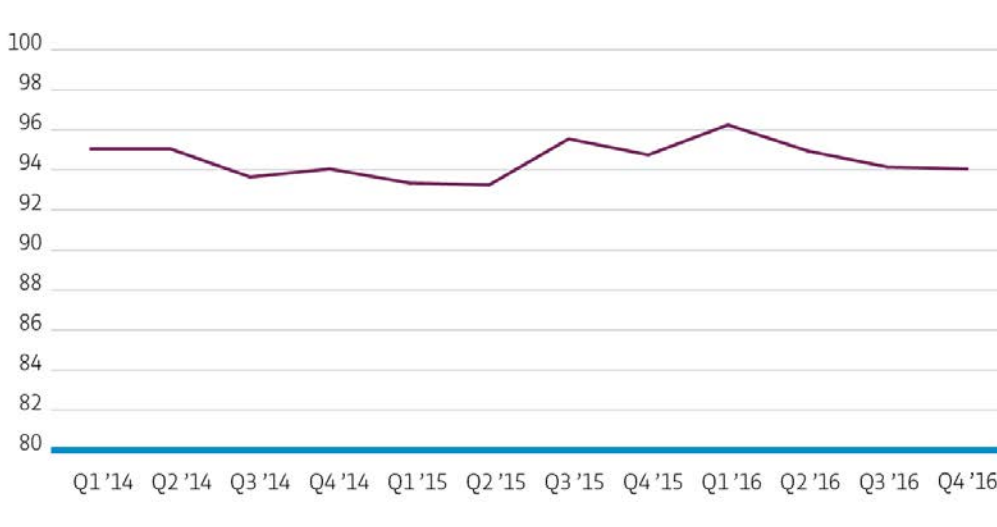


Portfolio movements



Financial occupancy rate

PERCENTAGE



Portfolio figures

	2016	2015
Investment property	765,613	526,093
Investment property under construction	12,711	193,051
Gross initial yield	5.8%	6.8%
Total number of properties	47	42
Average monthly rent per square metre (in €)	233	225
Financial occupancy rate (average)	94.7%	94.2%
Sustainability (A, B or C label)	85.2%	88.0%

CSR key data

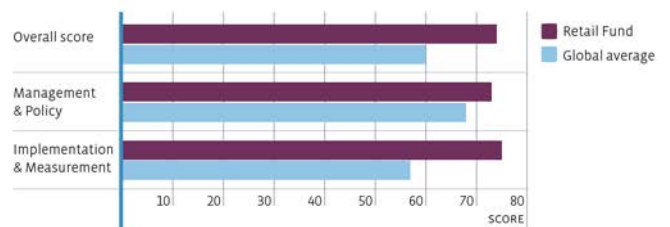
Fund sustainability performance

GRESB Green Star status



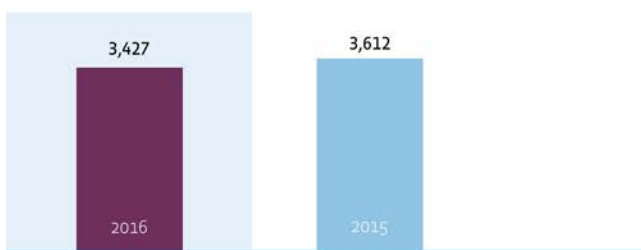
The Fund's performance in the GRESB benchmark

Global Real Estate Sustainability Benchmark 2016

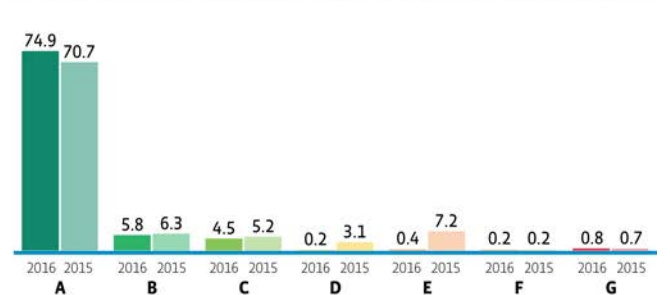


Energy consumption

Energy consumption (like-for-like, MWh)



Distribution of energy labels by labelled floor space (m²) in %¹⁾



1) 13.2% not labelled, mainly recent acquisitions and redevelopments (2015: 6.6%)

Sustainability highlights

- GRESB Green Star classification for third successive year
- Two shopping centres BREEAM NL In-Use certified
- Pilot smart real estate management and maintenance
- Reopening of Damrak 70 and the unveiling of the Beurspassage in Amsterdam (hotspot Amsterdam Oersoep)

Key facts

- 85.2% awarded a green energy label (A, B or C label)
- Average energy index improved to 0.91 from 0.98
- Energy consumption fell by 5.1%

Key information over five years

All amounts in € thousands, unless otherwise stated

	2016	2015	2014	2013	2012
Statement of financial position					
Total assets	832,920	747,515	689,847	615,525	593,034
Total shareholders' equity	824,201	738,335	670,322	605,784	586,102
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	114.76	108.84	115.68	127.98	140.48
Net earnings (in €)	215.61	116.48	46.76	203.15	98.37
Net asset value IFRS (in €, at year-end)	2,640.21	2,537.12	2,527.09	2,594.04	2,571.55
Net asset value INREV (in €, at year-end)	2,650.14	2,547.83	2,544.13	2,608.41	2,587.76
Result					
Net result	64,250	32,150	11,185	47,149	22,421
Total Expense Ratio (TER)	0.52%	0.53%	0.57%	0.57%	0.55%
Real Estate Expense Ratio (REER)	0.82%	0.91%	0.75%	0.78%	0.78%
Fund return					
Income return	4.6%	4.4%	4.5%	5.1%	5.7%
Capital growth	3.9%	0.1%	(2.7)%	3.0%	(1.5)%
Total Fund return	8.4%	4.5%	1.8%	8.1%	4.2%
Portfolio figures					
Investment property	765,613	526,093	446,309	459,830	474,978
Investment property under construction	12,711	193,051	207,867	146,945	84,477
Gross initial yield	5.8%	6.8%	7.0%	6.9%	6.7%
Total number of properties	47	42	41	39	38
Average monthly rent per square metre (in €)	233	225	219	210	207
Financial occupancy rate (average)	94.7%	94.2%	94.4%	92.9%	95.1%
Sustainability (A, B or C label)	85.2%	82.2%	79.1%	60.1%	-
Property performance (all properties)					
Direct property return	5.2%	5.0%	5.3%	5.9%	6.3%
Indirect property return	4.1%	0.3%	(2.6)%	3.0%	(1.5)%
Total property return	9.3%	5.3%	2.7%	8.9%	4.8%
IPD Property Index retail real estate (all properties)					
Direct return IPD Property Index	5.3%	5.9%	6.0%	6.0%	6.0%
Indirect return IPD Property Index	(1.5)%	(1.9)%	(4.0)%	(4.4)%	(1.8)%
Total return IPD Property Index	3.8%	3.8%	1.8%	1.3%	4.0%

The Retail Fund at a glance

Fund characteristics

- Closed-End Fund
- Core investment style
- No leverage
- 7% long-term average annual Fund return target
- Robust governance structure
- Investment structure for an indefinite period of time
- Reporting in accordance with INREV standards

Fund management

Bouwinvest is the manager and Statutory Director of the Retail Fund. The Bouwinvest Board of Directors is responsible for Bouwinvest's long-term strategy, as well as the day-to-day management of the organisation itself and its assets under management. Bouwinvest's Dutch Investments business unit is responsible for all real estate investments in the Netherlands. This business unit has a dedicated asset management team specialised in the retail real estate sector, with experts in acquisition and divestment, property revitalisation and letting.

Our vision on the Dutch Retail market

- Retail market for in particular experience based shopping sites continues to polarise
- Consumers seeking greater convenience and enhanced customer experience
- Rapid growth of online sales still remains a challenge to certain sectors of traditional retail
- Major retailers taking multi-channel or omni-channel approach - physical and digital shops converging
- Main city centres in the Randstad and key regional cities outperforming other market segments
- Urbanisation and ageing population key factors in future retail landscape
- Redevelopment, revitalisation and transformation the key to healthy retail market of the future
- Growing need for clear focus – Experience and Convenience

Optimisation strategy

The Fund aims to optimise its portfolio through:

- Targeted acquisitions taking into account current retail trends
- Redevelopment of core assets and the disposal of non-core retail units
- Specialised, well-positioned and future-proof retail assets
- Focus on two decisive elements in the future of retail: Experience and Convenience
- Focus on customising local property and marketing management
- New-build projects and redevelopments are opportunities to improve sustainability of Fund's portfolio

The retail portfolio at a glance

Portfolio characteristics

- 47 Dutch retail properties (€ 778 million; 209,979 m²)
- Focus on Experience and Convenience
- Continuously high occupancy rate
- Continuous outperformance of IPD Property Index
- High percentage of green energy labels (A, B or C label)
- GRESB Green Star

Focus on Experience and Convenience

Virtually all of the portfolio's assets qualify as high-quality retail facilities. In line with our strategic focus, the properties can be divided into two segments:

EXPERIENCE - High street retail in best shopping cities

The main focus of the Fund's Experience portfolio is on individual high street shops or clusters of shops in prime shopping areas in major Dutch city centres. These city centres have retained their market share and will continue to do so in the future. The historical surroundings, the varied supply of retail formulas, plus restaurants, museums and other cultural and leisure facilities help keep these shopping areas attractive and popular. In short, they offer today's consumers the experience and 'fun factor' they demand, as shopping has become part of a 'total experience' for many consumers. Very importantly, these shopping areas are widely seen as the most future-proof segment of the retail market, and we believe this will continue to drive demand for retail space from a wide range of national and international fashion and lifestyle retail brands.

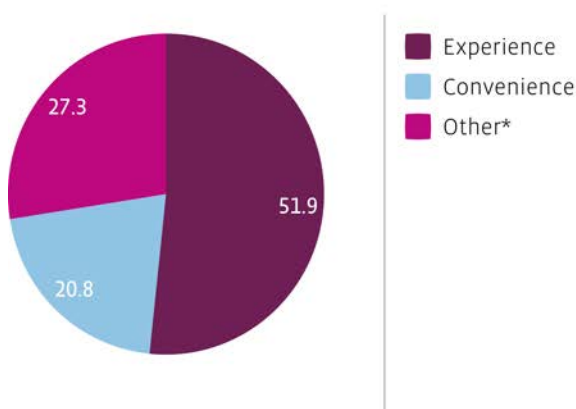
For strategic asset management and acquisition purposes, Bouwinvest and its research department retail experts have developed a ranking tool for the top shopping cities and high streets in the Netherlands, based on criteria such as footfall, average rent per m², vacancy rate, the number of inhabitants and average income in specific catchment areas. This tool provides an overview of the most attractive cities and shopping streets in the Netherlands.

CONVENIENCE - Shopping centres and solitary supermarkets with strong catchment area

A healthy catchment area is the main factor in the success of any shopping centre or supermarket with a focus on daily shopping needs. The size – and health – of a catchment area can be affected by the regional economy, the local and regional demographic outlook and competing retail stock. A healthy regional economy guarantees employment and income growth, while demographic growth has a visible impact on a shopping centre's potential market. On the other hand, new retail stock can lead to a reduction in a centre's effective catchment area.

The Fund focuses on a number of additional factors that increase the level of convenience so prized by today's consumers, an element that the Fund believes will become ever more important in the future. These additional criteria include easy accessibility, comfort parking, an effective tenant mix, plus the overall look and feel of the centre. Demographic changes in for instance average age - or household size needs to be actively addressed through continuously optimising the property and its tenant mix. One essential part of the retail mix is one or two clear, complementary and well positioned supermarket anchors, as these act as a major 'pull' factor for convenience shoppers. An effective retail mix, with various specialist stores is another factor that makes shopping centres attractive to consumers. Due to market changes and the ongoing growth of online sales, the number of non-food shops in these centres will decline even more in the near future. Therefore the Fund is also focused on actively revitalising its convenience centres though increasing the average share in m² and its cash flow from supermarkets, shops in daily goods and deliveries and decreasing the number of non-core units.

Portfolio composition by strategy as a percentage of market value



* The category Other consists of retail assets that does not fully meet our strict Experience and Convenience criteria. The Fund aims to decrease the share of Other in the existing portfolio to at least 20% of the portfolio value.

Selection of principal properties

Experience



Damrak 70
Amsterdam



Nieuwendijk 196
Amsterdam



Ridderstraat 17
Breda



WTC retail units
Rotterdam



Demer 38
Eindhoven



Rechtestraat 35-35a
Eindhoven

Convenience



Stadionplein
Amsterdam



Mosveld
Amsterdam



Heyhoef
Tilburg



Parkweide
Ede



Berkel Centre
Berkel en Rodenrijs

Message from the chairman

Dear stakeholders,

The Retail Fund delivered a very strong performance last year, recording a total return of 8.4%, the Fund's highest return since 2010 and an outperformance of the IPD Property Index. This was partly driven by the strong rise in consumer confidence and a clear increase in consumer spending and we saw this improved sentiment reflected in our valuations last year. It is a clear testament to our strategy of focusing on the segments we believe will be the growth drivers in the retail sector for many years to come, the Experience and Convenience segments, which was where we saw the highest revaluations last year. We are already heavily invested in these segments and all our acquisitions last year qualify as either Experience or Convenience.

The upward revaluations also reflect a number of major redevelopments we have carried out in these segments, including the Damrak/Nowadays redevelopment in the Experience segment, the largest inner city retail redevelopment in the capital in many years. This constitutes a huge upgrade for this part of Amsterdam and a major contribution to Amsterdam city council's efforts to transform the Damrak in to a fitting gateway into the capital. It was also a privilege to unveil the wonderful new Beurspassage, complete with the striking Amsterdam Oersoep artwork. Of course none of this would have been possible without the hard work of all our partners over the past six years. I'd like to thank all of them for their dedication, creativity and willingness to cooperate.

Of course, we also opened two new assets in the convenience segment in Amsterdam last year, Mosveld and Stadionplein and we added assets in Breda and Eindhoven. We made steady progress in our strategy of controlled growth and towards our target of € 1 billion in assets by year-end 2019.

There is still a certain level of volatility in the Retail Fund portfolio, but the balance of Experience and Convenience and the spread of risks make the portfolio resilient in the face of economic fluctuations. High street retail will always remain popular in our historical city centres, while the Convenience segment is not very vulnerable to the growing online shopping trend. And the fact high street retail assets tend to enjoy good indirect returns, while convenience centres offer good direct returns gives the portfolio a healthy balance on the return front.

There is no denying that the retail market will continue to be challenging in the years ahead. The Netherlands has one of the most dense retail stocks in Europe and a lot of surplus stock in towns and regions suffering from the negative impact of urbanisation and population shifts. And yet despite the general acceptance – certainly in the sector itself – that we need to redevelop existing stock rather than add new retail stock, building permits are still being issued. And they are primarily being issued for outlet centres, which add little value and actually threaten to destroy value in the long-term. The potential damage to existing stock from these new centres is something we monitor very closely when we are looking to acquire new properties.

We believe our strategy and our strong focus on quality and returns have helped us strike a healthy balance in our portfolio that will stand us in good stead in the years to come. We currently have an occupancy rate of around 95%, which is high compared with the retail sector as a whole. This is a clear sign that we are getting the balance right, something borne out by the rapid uptake by retailers of vacant assets last year. We are also building a solid reputation in the capital market and we managed to attract three new investors last year, which were fully invested at year-end 2016. For 2017, two investors increased their commitments to the Fund, and one new investor will be entering the Fund. We look forward to welcoming more new investors in the future.

All that is left is for me to express my gratitude to our investors for their continued trust and all our employees for their dedication and commitment to Bouwinvest.

Dick van Hal

Chairman of the Board of Directors

Report of the Board of Directors

Composition of the Board of Directors



Chairman of the Board of Directors and Statutory Director

D.J. (Dick) van Hal (1958, Dutch)

Dick van Hal has been Chairman of the Board of Directors since his appointment on 1 March 2008. From 1999 until that time, he held several senior positions at Syntrus Achmea Vastgoed, including Managing Director and CEO. Dick started his career with Centraal Beheer Beleggingen and Staal Bankiers. He studied Investment Analysis (VBA) at the University of Amsterdam. Dick is Vice-chairman of IVBN (Dutch Association of Institutional Investors in Real Estate).



Managing Director Finance

A. (Arno) van Geet (1973, Dutch)

Arno van Geet joined Bouwinvest as Managing Director Finance on 1 October 2014. Prior to joining Bouwinvest, he spent his entire career in the financial sector, including various management roles at Interpolis and Westland Utrecht Hypotheekbank, most recently as Chief Financial Officer at Allianz Nederland. Arno is responsible for financial and risk management, accounting, reporting, corporate control, internal audit, business process management, IT and research. Arno studied Law and Economics at the University of Utrecht.



Managing Director Dutch Investments

A. (Allard) van Spaandonk (1961, Dutch)

Allard van Spaandonk joined Bouwinvest on 1 November 2008, as Director Asset Management. As of 1 January 2013, Allard has been Managing Director Dutch Investments, responsible for investments in Dutch real estate. He was previously the director of the retail and residential portfolios at Syntrus Achmea Vastgoed, as well as head of residential mortgages at Achmea Vastgoed. Allard started his real estate career at ABP Hypotheken in 1986. Allard is a member of the Management Board of the NEPROM (Dutch association of project development companies).



Managing Director International Investments

S.A. (Stephen) Tross (1967, Dutch)

Stephen Tross was appointed as Managing Director International Investments on 1 September 2010. He joined Bouwinvest in 2009 as COO International Investments. Stephen previously worked in the real estate audit practices at KPMG Accountants NV and PwC in the Netherlands, New York and London. He studied Business Economics at the Hogeschool Utrecht and accountancy at NivRA-Nyenrode. Stephen is a professional member of the British Institution of Chartered Surveyors and a member of the ANREV Management Board. Stephen is member of the Supervisory Board of LekkerLeven B.V., a Dutch Services Company.



Head of Dutch Retail Investments

C. (Collin) Boelhouwer (1976, Dutch)

Collin Boelhouwer has been Head of Asset Management Retail since 2008. He is responsible for the performance of the assets of the Bouwinvest Dutch Institutional Retail Fund. Collin has fourteen years' experience in real estate management and gained his retail real estate experience with Fortis Real Estate, where he was Commercial Real Estate Manager responsible for the asset management of an office and retail portfolio in the Netherlands. Collin studied Real Estate Management & Development at the University of Technology Eindhoven and is a professional member of the RICS since 2010.

Market developments and trends

Economy and demographics

Dutch economy shrugs off potential impact of Brexit vote

Despite the initial fears triggered by the Brexit vote, the Dutch economy continued its steady recovery in 2016 and economic growth with a level above 2% actually outpaced earlier projections. This economic growth was driven by rising business confidence and as a consequence a rise in business investments, on the back of a steady rise in manufacturing output and continuing export growth. The main negative uncertainties relate to events outside the Netherlands. The uncertainty triggered by the Brexit vote and the recent U.S. elections, plus a potential economic slowdown in China, may put a damper on growth and confidence, while geopolitical tensions in various parts of the world continue to pose a risk to the global economy.

Population growth continues

Recent decades have seen strong population growth and it is expected to continue in the coming years. The total population and the number of households are expected to continue growing until 2040, stimulating overall consumer spending. The current population is expected to increase from 16.9 to 17.6 million by 2025, while the number of households is set to rise by 70,000 each year from the current 7.7 million to 8.3 million by 2025 and 8.6 million by 2040. The largest growth is set to be in single-person households, which are expected to increase from 2.9 million to 3.3 million by 2025.

Trends and developments in the retail market

Dutch retail market continues to polarise, sees major shift in demand

In the early part of 2016, the retail sector was still reeling from the bankruptcies of department store V&D, retail chain Macintosh, Miss Etam, Perry Sport and pharmacist DA, all of whom failed to keep up with changing consumer preferences and shopping behavior. However, some of these retailers made a restart by restructuring their business through repelling non-core locations and reopening their best performing and potential healthy businesses. At the same time, the Dutch retail market has seen a marked upsurge in new leases with (international) formulas, such as Primark and Zara, who have adapted swiftly and now have a solid position on the Dutch retail market. In addition, much of the retail space in prime locations left vacant by these bankruptcies is currently being taken up by retailers entering the Dutch market or existing retailers expanding their floor space. In early 2016, Canadian retail giant Hudson's Bay announced plans for 20 new stores in the Netherlands and by October had signed 13 lease deals for its Hudson's Bay and Sax Off 5th formulas in former V&D locations. Polarisation among retailers and investors is expected to continue in the next few years and like Hudson's Bay, new and existing retailers – and investors – are likely to focus on opportunities in the Top cities, with Amsterdam leading the pack.

Major cities will continue to outperform

Occupancy rates are expected to remain high in large urban shopping areas and these areas are most likely to see continued healthy rental growth in the future. Major cities such as Amsterdam, Utrecht, Rotterdam and The Hague are in the best position to take advantage of technological, demographic and economic developments, with a number of regional cities with a strong economic and demographic outlook in the following pack. Central shopping areas that offer the 'fun-factor' in the form of cultural and leisure facilities are expected to continue to deliver strong returns, as are ancillary district shopping centres with a focus on daily shopping needs in strong catchment areas. Central shopping areas in medium-sized and small cities will generate lower returns, as will ancillary shopping areas with few square metres devoted to non-daily shopping and peripheral shopping areas.

Physical and digital shops converge

Online shopping continued to grow in 2016 and once again saw double digit growth in the first three quarters of the year, way above the modest growth seen in retail sales through physical stores. Once again, food sales from supermarkets and other grocery-related shops exceeded the growth in non-food sectors such as fashion and electronics. It should be noted that while online shopping is having a major impact on the retail sector, it is largely focused on certain sectors, such as travel, electronics, media and clothes. As a result, it has so far had a limited impact on the overall retail landscape, as these sectors make up only 7% of the total market. An increasing number of retailers are also waking up to the potential of multi-channel or omni-channel sales strategies, and many saw their highest sales increases via online channels in 2016. Large numbers of consumers now see online research as an essential part of their shopping experience and often combine online and physical shopping. That said, consumers are becoming ever more demanding and retailers are being forced to meet the high standards with respect to both online shopping options (delivery or pick-up) and the look and feel of their physical stores. On top of all this, pure online players are now exploring the possibility of opening physical stores and several major online retailers have announced plans for bricks and mortar outlets.

Redevelopment the key to healthy future for retail sector

Given the current overcapacity on the Dutch retail market, most players now agree the future of a healthy and vibrant retail real estate market will require much greater emphasis on redevelopment, commercial refurbishment, marketing and branding, rather than the addition of new retail stock. The redevelopment and modernisation of existing stock will help the sector to avoid a worsening of the supply/demand ratio in the Dutch retail market. Fortunately, government retail policy introduced this year, is aimed at safeguarding the existing retail structure and discouraging the realisation of new retail supply. We expect to see an increase in redevelopment opportunities, especially in prime high street areas where leading retailers are demanding larger floor plans. On top of this, the Netherlands has a large stock of district shopping centres in need of a qualitative transformation, from one-dimensional shopping centres (or shopping areas) to multi-dimensional centres. These represent a major opportunity for investors with a clear vision of the future of the Dutch retail sector and a strong commitment to 'convenience' retail.

District shopping centres offer opportunities for value growth

The strong and stable sales growth in the food segment seen in 2016 continues to boost ancillary shopping areas with a strong focus on daily shopping and this is expected to continue for the foreseeable future. The best district shopping centres tend to include a number of complementary specialty shops, such as bakeries and quality butchers, in addition to their anchor supermarket(s), offering consumers a wider selection, greater service and higher quality. That said, even in this segment, urbanisation and ageing divide the landscape into locations that are future-proof and locations that are less viable, as they are located in areas where purchasing power is expected to decline. District shopping centres attract considerable capital due to their historically high yield gaps. When location and the retailer mix are well matched, the risk of vacancy is relatively limited. Thanks to the ongoing recovery in economic growth, there is some chance of value growth in the medium term.

Another development on this front is the growth of new food formulas responding to consumer trends, such as local sourcing and ecological responsibility, and winning continued repeat business. These are helping the larger district centres and small district and neighbourhood centres to keep both occupancy and lease rates at a healthy level.

New leasehold conditions Amsterdam

Currently the municipality of Amsterdam is in a process of renewing the current leasehold conditions. Concept lease hold conditions have been published, which has led to quite some response and turmoil. The reaction of the municipality on this turmoil was that the municipality will review and analyse all reactions and that this may lead to an adjusted concept. At this moment it's unclear what the final version of the lease hold conditions will encompass and if and to what extent these possibly adjusted lease hold conditions will affect the value of the investments of the Fund in Amsterdam. The Fund has € 57 million exposure at year-end 2016 in Amsterdam for in total 4 properties. Bouwinvest is monitoring this matter closely and possible steps to mitigate any loss of investment values will depend on the outcome of the new leasehold conditions.

Implications for retail real estate

Strong demand for Dutch real estate investments

After climbing to their highest level since 2007 in 2015, Dutch real estate investment volumes came in at € 13.5 billion in 2016, which is about 9% higher than the level in 2015. Of this figure about 2.1 billion euro was invested in retail real estate, which is 22% below the total retail investments in 2015 of € 2.7 billion, however still a high level. Foreign investors now account for around 55% of the total investment volume and are showing continued interest in the investment market. With interest rates in the U.S. slowly increasing and real estate prices in other key markets such as London, Paris and Munich having already increased, investment momentum is picking up in continental Europe, including the Dutch real estate markets. More risk-seeking investors have become more active on both the buy and sell side. Supported by the economic recovery across the country, prices of secondary locations are expected to increase. However, the continuing interest of both Dutch and international investors is quickly pushing up prices. This trend is expected to continue in the coming years. For core investors, it is now essential to have the right relationships in the market and to be a partner in the early stages of development or buying processes, as this enables them to select the right assets for an attractive risk-return profile. Compared to more opportune competitors, investors with in-depth real estate knowledge and active asset management teams will be the ones that can add value and that will therefore outperform in the long run.

Experience is major advantage for high streets in big cities

The ongoing growth in online sales will have less of an impact on A1 shopping areas in big cities. And thanks to the urbanisation trend, larger Dutch cities have by far the best demographic and economic outlook. These cities also offer the best 'shopping experience' for consumers, as they tend to offer a wide range of additional attractions, such as historical centres, museums, restaurants and other amenities. Location is another major factor in terms of adding the experience element for both local consumers and visitors. On top of the continuing demand from traditional high street retailers, new opportunities are emerging from the recent trend of online retailers opening physical shops to bolster their brand.

Large and top located retail units in prime shopping streets still in demand

The trend of retailers looking for larger retail units or units on top locations continued in 2016 and is gaining pace. Major national and international fashion chains in particular are demanding more retail space per outlet, especially in the major urban centres of the Netherlands. Due to the relatively small amount of suitable space currently available, demand will continue to be strong, particularly in cities like Amsterdam, Utrecht and Rotterdam. This is helping to compensate for the loss of both large and small retailers in the troubled fashion sector and 2016 saw the fairly rapid take-up of vacant space created by the bankruptcies of a number of leading retail groups.

Consumer convenience drives focused shopping centres

District shopping centres with a focus on daily groceries are also well positioned to thrive in the online environment. Food has proven to be a resilient segment of the Dutch retail market and has seen consistent growth over the past few years. The combination of a local meeting place with supermarkets as strong anchor stores accompanied by a complete offering of high quality daily products and services also means these centres have felt little impact from online shopping. This type of retail real estate remains an attractive long-term investment. Good accessibility and parking facilities are vital.

The Fund's optimisation strategy

The Retail Fund aims to increase its assets under management to approximately € 1 billion by 2019. The main drivers of this growth will be acquisitions. The Fund's strategy focuses on retail real estate that is generating stable returns now and will continue to do so in the future, taking into account the trends and developments in the retail market. The Fund's execution of this strategy is based on the belief that the future of retail real estate will be determined by two very distinct segments of the market: high street shopping areas that offer consumers a distinctive Experience and district shopping centres or solitary supermarkets that provide very high levels of Convenience. To achieve its targets, the Retail Fund aims to optimise its portfolio through targeted acquisitions, the redevelopment of core assets and the disposal of non-core retail units. We believe that the current competitive market requires specialised, well-positioned retail assets. Our strategy is to focus on what we believe will be the two decisive elements in the future of Retail:

- Experience: High street retail units, focus on A1 locations in major shopping cities
- Convenience: District shopping centres and solitary supermarkets, focus on catchment areas, strong tenant mix and accessibility

In addition, the key building blocks in the Fund's strategy are:

- **Redevelopment:** expansion/redevelopment of well-located shopping centres and retail units to meet the quality requirements of modern retail
- **Active, customised asset management:** maintaining high occupancy levels by developing close relationships with tenants, local authorities and consumers
- **Focus on retail tenants** less sensitive to economic cycles as well as innovative retailers adding value in terms of both convenience as experience

Portfolio developments 2016 in perspective

Portfolio composition at year-end 2016:

- 47 Dutch retail properties
- 209,979 m² of lettable floor space
- Total value of investment property of € 778 million

Diversification guidelines and investment restrictions

During the financial year, the Fund adhered to its diversification guidelines and investment restrictions.

Diversification guidelines	Current portfolio	Conclusion
≥ 80% of investments invested in high street retail and district shopping centres	95.9% in high street retail and district shopping centres	Compliant
≥ 90% of investments invested in low or medium risk categories	95.9% in low and medium risk	Compliant
Investment restrictions when the total investments of the Fund are > € 750 million		
< 15% invested in single investment property	There is one investment property exceeding 15%	Compliant with remark (*)
< 10% invested in non-core properties (non-retail investment properties)	0% concerns non-core Retail properties	Compliant
No investments that will have a material adverse effect on the Fund's Diversification Guidelines.	There have been no investments in 2016 that have a material adverse effect on the Fund's diversification guidelines	Compliant
Restrictions on (re)development activities < 5% of the Fund's total investment portfolio value		
a. only Assets from the Fund's portfolio qualify for (re)development	In 2016 all (re)development activities were executed only for assets of the Fund's portfolio	Compliant
b. the activities are exclusively targeted at optimising the quality of the portfolio	All activities were targeted at optimising the quality of the Fund portfolio	Compliant
c. not allowed if it has a negative impact on the Fund's Diversification Guidelines	There was no negative impact on the Fund's diversification guidelines	Compliant
d. signed commitments relating to at least 60% of the rental income of the Asset is required	Commitment > 60%	Compliant
e. (re)development is undertaken by and for the risk and account of Bouwinvest Retail Development, a wholly owned subsidiary of the Fund	All (re)development activities are undertaken by and for the risk and account of Bouwinvest Retail Development	Compliant
f. all financial risks in connection with the work to be conducted as part of the (re)development will be contractually excluded by Bouwinvest Retail Development and transferred to external developers or contractors. Examples of such risks are: design and building risks and cost and planning risks	All financial risks in connection with the work to be conducted as part of the (re)development are contractually excluded by Bouwinvest Retail Development and transferred to external developers or contractors	Compliant
g. zoning risks remain with the Fund, however starting the building activities in relation to a (re)development is conditional upon obtaining the relevant zoning permits	The building activities in relation to a (re)development were conditional upon obtaining the relevant zoning permits	Compliant

(*) The management made an exception for the investment property Damrak, because of its unique retail location and its low risk profile

Investments, divestments and (re)developments

Due to the various ongoing and completed redevelopments, 2016 was once again a year of optimisation. The Fund invested a total € 31 million in new turn key acquisitions and redevelopments, which helped take the total value of the portfolio to € 778 million. All the new-delivered and redeveloped assets bolster either the 'Experience' or 'Convenience' portfolios.

New assets in the portfolio

Stadionplein, Amsterdam

The Fund acquired an eye-catching multi-use complex in the historic district of Amsterdam-Zuid, near the 1928 Olympic Stadium. The new development includes approximately 4,500 m² of retail space and is a very distinctive addition to the neighbourhood, thanks to its much larger shops, especially the Albert Heijn supermarket, and its superb access by road and public transport. The shopping centre opened in 2016 and focuses primarily on healthy foods, anticipating the growing demand for this type of product in its high-end catchment area.



Mosveld, Amsterdam

The Fund acquired the Mosveld shopping centre in the revitalised and increasingly popular southern part of Amsterdam-Noord. This centre has a substantial and growing catchment area, thanks to the ongoing transformation of this former harbour area, including numerous residential and cultural developments. The 7,700 m² Mosveld shopping centre focuses on shopping for daily goods. Anchored by two modern supermarkets (Albert Heijn and Deen), a central location in the neighbourhood and its own parking area, the centre offers all the convenience the Fund demands. Mosveld opened July 2016.



Ginnekenstraat 42, 57 and Ridderstraat 17, Breda

The Fund acquired three high street assets in Breda, a city in the strong urban conurbation known as Brabantstad. This region includes a number of the top retail cities in the Netherlands outside the Randstad conurbation. The retail units have been leased to retailer SIX and international retailers Adidas and Tommy Hilfiger. The total surface area of the three stores is 620 m². The acquisition is a good fit with the Retail Fund's 'Experience' strategy.



Rechtestraat 35, Eindhoven

In Eindhoven, the Fund acquired a retail property shop in the Rechtestraat, part of historic shopping area and the busiest shopping street after Demer. The building includes 440 m² of leasable area and is rented to Dutch fashion brand Claudia Sträter. The acquisition is a good match with the 'Experience' element of the Retail Fund's strategy. Eindhoven is the city with the largest retail offering in the province of Noord-Brabant and is among the Top-10 most attractive Dutch cities for shopping.



Completed redevelopments

Damrak 70, Amsterdam

One of the highlights of 2016 was the official opening of the new Beurspassage on Amsterdam's Damrak by Mayor Eberhard van der Laan. With an impressive ceiling made up of 450 m² of glass mosaic tiles, a traditionally crafted terrazzo floor, giant art deco mirrors and gilded chandeliers, the Beurspassage is a splendid new icon in the Dutch capital. The new Beurspassage is also the crowning glory of the Nowadays redevelopment. Over the past six years, the Retail Fund has transformed the dated buildings at Damrak 70, 80 and Nieuwendijk 196 into hyper-modern locations for international retailers such as Zara, JD Sports, C&A and Primark. The project has a total leasable area of 27,500 m², making it a very large project in the retail heart of Amsterdam and a major part of the city centre's retail offering in this gateway to the city for millions of residents and visitors alike



Westerhaven, Groningen

This large-scale redevelopment has given a major boost to the Westervhaven shopping centre in Groningen. The current shopping centre offers over 14,000 m² of retail space and a parking garage for 800 cars. Westervhaven includes a traditional shopping street with tenants such as Hema and Kruidvat, plus a two-floor building with large-scale retail spaces. In 2015, the Retail Fund signed a long term lease with international retailer Primark for 7,000 m² of retail space in Westervhaven. In May 2016, Primark opened its only store in the northern part of the Netherlands and has already proven a major draw for both consumers and other retailers. In addition to the new lease with Primark, the Fund renewed its lease with Media Markt for 3,000 m² of retail space. In 2017, international retailer Nike will open a new 1,000-m² store in the former site of a C&A store.



Redevelopment investments

Molenhoekpassage, Rosmalen

To maintain the high quality of this successful shopping centre for daily goods and reduce the risk of vacancy, the Fund is upgrading and updating the look and feel of this centre and adapted the division of retail spaces to the demands of the current tenants. The Albert Heijn supermarket has added over 500 m² to its current retail space and the Fund has improved the routing within the centre as well as the accessibility and number of parking spaces to the new consumer demands. Thanks to these changes, combined with the arrival of a second supermarket (Aldi) nearby, the Fund expects Molenhoekpassage to retain its strong market position in Rosmalen, part of the city of 's-Hertogenbosch. Full completion is expected in Q1 2017.



Goverwelle, Gouda

The Fund is investing in the upgrade and expansion of the Goverwelle shopping centre. The 1,000 m² extension will create space for the expansion of the Albert Heijn supermarket and for adding a second, complementary discount supermarket, plus additional parking facilities for 235 cars. Bouwinvest expects to complete this redevelopment in 2018.



Muntpassage Weert

The Fund is currently evaluating a potential upgrade of the Muntpassage shopping centre in combination with the letting of 3,500 m² of vacant retail space following the bankruptcy of former tenant V&D. As part of this evaluation, the Fund is currently in negotiations with several retailers for units in the renovated shopping centre. If these negotiations turn out to be successful and the investment is in line with the Funds strategy, Bouwinvest expects to complete this redevelopment in 2018.

Secured pipeline

Centrumplan, Rosmalen

The investment Centrumplan in Rosmalen includes the acquisition of 17 retail units with a combined size of around 6,800 m², which will form the expansion and completion of the current Rosmalen shopping centre.

Construction is scheduled to start in Q1 2017 and delivery is expected in Q1 of 2018. The expected total annual rental income for the entire plan is estimated at around € 1.4 million upon delivery.

The main anchors are two supermarkets: Jumbo (around 2,000 m²) and the Lidl (around 1,800 m²), together with a number of daily grocery units. In addition, national retailers such as Kruidvat and HEMA are set to open stores in this new city centre area, together with a Brasserie located in a historical building. The average life of the contracts that have been signed is around 8.3 years from delivery.

This investment is a good fit with the 'Convenience' element of the Fund's strategy, which includes investments in local shopping centres with a healthy catchment area, anchored by supermarkets, with ample parking facilities and a retail mix geared towards daily shopping needs

Broerstraat 52 and 52a, Nijmegen

The Fund acquires two high street units in the Broerstraat, the busiest shopping street in Nijmegen. The units are rented by retailer Men at Work B.V. and Nelson Schoenen B.V. and includes 613 m² leasable area on the ground floor and 500 m² basement area. Nijmegen is among the Top-10 most attractive Dutch cities for shopping, so the acquisition is a good match with the 'Experience' element of the Retail Fund's strategy.

Divestments

Assets that do not fit our strategic requirements regarding Experience or Convenience because of their location, size or economic outlook will be sold. In line with these divestment criteria, we concluded the sale of the 2,100-m² Kop Van Zuid asset in Rotterdam in early 2016.

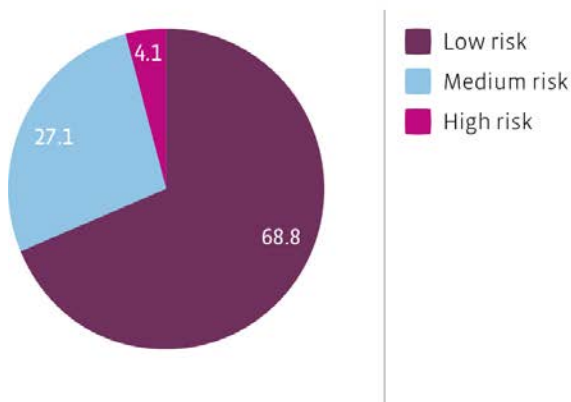
Optimising the risk-return profile

In terms of risk diversification, at least 90% of the investments must be low or medium risk.

The actual risk allocation as at year-end is shown in the figure below. Every year, all properties are assessed separately. In 2016, the Fund was classified as at least 90% low and medium risk and as such was consistent with the framework and Fund conditions.

Portfolio composition by risk category based on market value

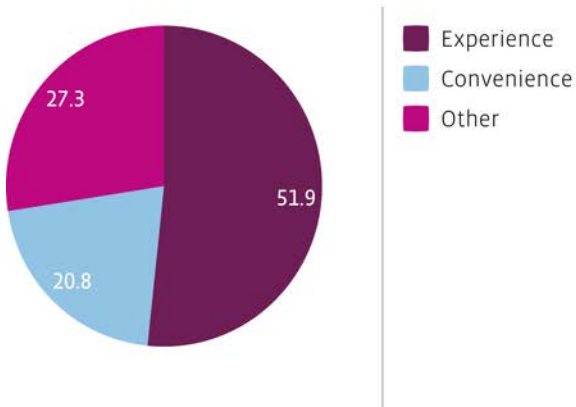
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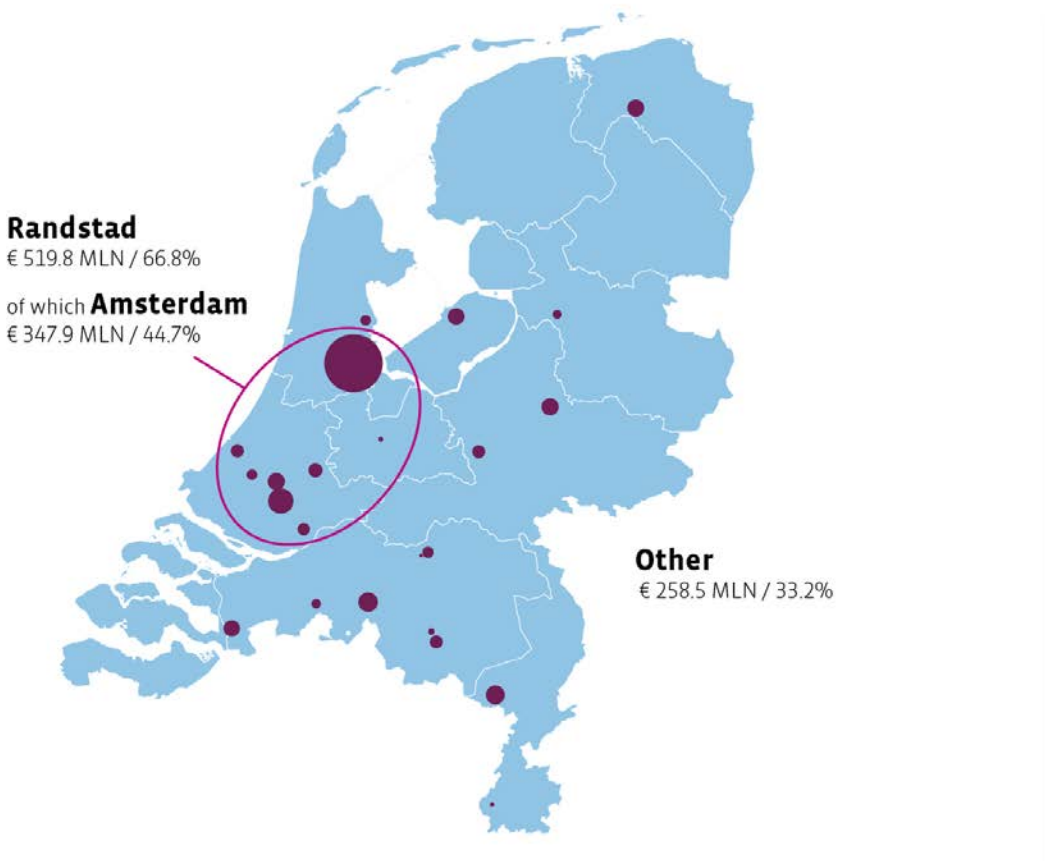
Portfolio diversification

The Fund's diversification strategy is based on the belief that the future of retail real estate will be determined by two very distinct segments of the market: high street shopping areas that offer consumers a distinctive Experience and district shopping centres or solitary supermarkets that provide very high levels of Convenience. In addition to this, the Fund's strategy is focused on active asset management aimed at optimising the portfolio and keeping it as a future proof as possible.

Portfolio composition by strategy as a percentage of market value



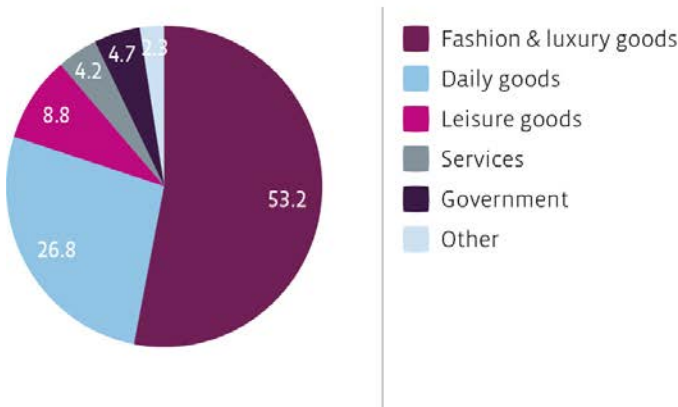
Regional spread of the Retail Fund portfolio based on market value



Tenant mix

The Fund's portfolio includes a wide range of tenants by segment type. In 2016, the segments fashion and luxury goods increased to 53.2%, mainly due to investments and completed redevelopments. The segment 'daily goods' is also strongly represented, accounting for 26.8% of the total portfolio, in line with the Fund's strategic focus on Experience and Convenience.

Portfolio composition by tenant sector as a percentage of rental income



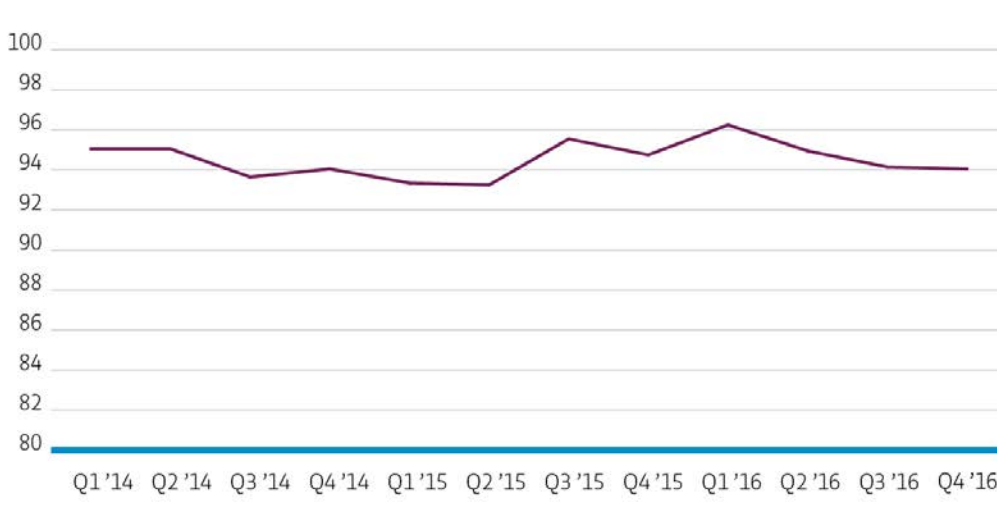
Active asset management

Financial occupancy

While still challenging, the retail market showed signs of a cautious but slightly more robust improvement in 2016, on the back of a continued firming of the economy and healthy economic growth, plus a marked improvement in consumer confidence to pre-2008 levels. Thanks to highly active management of the portfolio, the Fund managed to increase the average occupancy rate up to 94.7% in 2016, compared with 94.2% in 2015.

Financial occupancy rate

PERCENTAGE

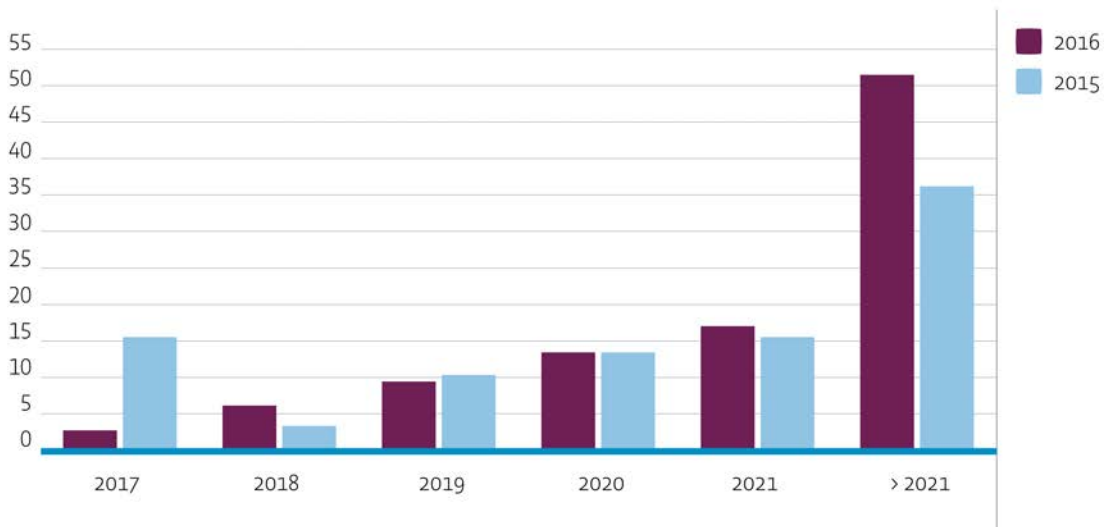


Pro-active leasing

Lease contracts covering a total of 20,249 m² expired in 2016, and the Fund closed and extended leases for a total of 72,977 m² (€ 16.6 million per year). By the end of 2016, more than 51% of the total rental income expires after 2021.

Expiry dates as a percentage of rental income

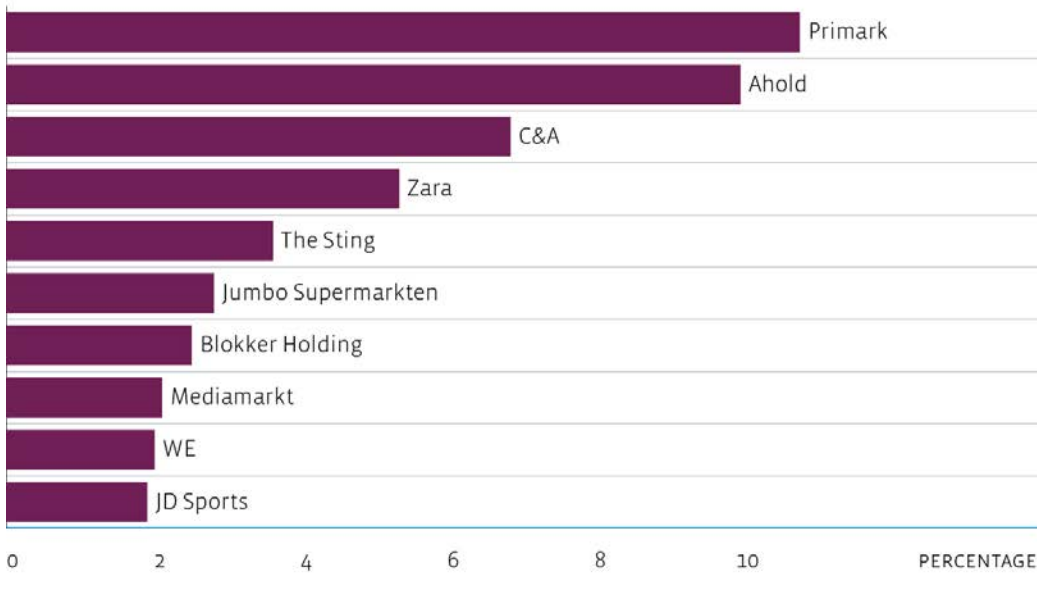
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The Retail Fund's top 10 tenants

The top ten tenants accounted for a total volume of 47.5% of the theoretical rent in 2016 (2015: 41.3%). Primark is now the Fund's number one tenant, following the completion of the redevelopments in Westerhaven in Groningen and the Damrak redevelopment in Amsterdam.

Top 10 major tenants based on theoretical rent



Sustainable value

Bouwinvest also continued to improve the sustainability of the Fund, for example through the DUO energy labels for all the assets in the portfolio. These labels provide information and sustainability measures for both tenant and lessor. The Fund also sees redevelopment projects as the perfect opportunity to upgrade and enhance the sustainability of its assets, for instance by fitting solar panels and other measures. Making the Fund's assets more sustainable helps to maintain or increase their value and improves their letting potential. As a result of the improved sustainability, the Fund was awarded GRESB Green Star status for the third successive year in 2016. We aim to retain this Green Star status in the years ahead and we will continue to implement existing initiatives and launch new ones to achieve our CSR ambitions.

Financial performance in 2016

Total return

The Fund realised a total fund return of 8.4% (2015: 4.5%), consisting of a 4.6% income return (2015: 4.4%) and a 3.9% capital growth (2015: 0.1%). The total return in Euro's grew to € 64.3 million in 2016, from € 32.2 million in 2015. The main driver of the growth in the total return was the increase in capital growth, compared to 2015.

The Fund's NAV grew to € 824 million from € 738 in 2015, a growth of 12%. The main drivers of the NAV growth were the acquisitions of investment property, the completion of new assets and redevelopments, and the positive revaluations of the investment properties in the portfolio.

Income return

The Fund realised an income return of 4.6% in 2016, 0.2%-point higher than in 2015.

The main driver of the increase in the income return for 2016, compared to 2015, is the increase of the net rental income in 2016. Due to acquisitions, the completion of new assets and redevelopment, the net rental income in 2016 increased with 13.9% compared to 2015. Also the modest result on the disposal of Kop van Zuid shopping Centre in Rotterdam contributed to a higher income return in 2016.

The secured rent until 2019 (three-year horizon) at year-end 2016 increased to 91% of the 2016 gross rental income (year-end 2015: 83%). The Fund's expiration risk is very low since more than half of the total rental income of the Fund (51.4%) expires after 2021. In 2016, the new and extended lease contracts, totaling a 72,977 m² and a rental value of € 16.6 million per year, also contributed to the increase of the secured rent and thereby lowering the expiration risk for The Fund. As a result of the new and extend lease contracts, the average financial occupancy rate also increased to 94.7% in 2016, compared to 94.2% in 2015.

Capital growth

The Fund realised a capital growth of 3.9% in 2016, 3.8%-point more than in 2015.

Property values continued to show an upward trend in 2016 compared to 2015. We believe that this is due to the fact that the Fund is largely invested in the Randstad conurbation and the Fund's continued focus on optimising the portfolio by upgrading and future-proofing the assets.

Property performance

The total property return for 2016 came in at 9.3% (2015: 5.3%), consisting of a 5.2% direct property return (2015: 5.0%) and a 4.1% indirect property return (2015: 0.3%). The total property return is with 9.3% an outperformance of 5.5% of the the IPD Property Index return 3.8%.

The fund return (INREV) and property return (IPD) are different performance indicators. The fund return is calculated according to the INREV Guidelines as a percentage of the net asset value (INREV NAV) and the property return is calculated according to the IPD methodology as a percentage of the value of the investment properties. INREV e.g. includes cash, the fee costs and administrative costs in the calculation of the income return (INREV). Furthermore the amortisation of acquisition is treated differently by INREV and IPD.

Capital Management

Leverage

In accordance with the Information Memorandum, The Fund will be financed solely with equity and will have no leverage, but may borrow a maximum of 3% of the balance sheet total for liquidity management purposes.

During 2016, the Fund was solely financed with equity and did not use any loan capital for liquidity management purposes.

Treasury management

For treasury management the Fund acted accordingly its treasury policy in 2016, in order to manage liquidity and financial risks for the Fund. The main objectives of the treasury management activities were to secure shareholders' dividend pay-out and liquidity by redemptions, as well as managing the Fund's cash position.

At year-end 2016, The Fund had € 39.8 million in freely available cash and € 13.5 million in a 30-day deposit as at 31 December 2016. During 2016 the cash position increased by € 25.7 million, as compared to year-end 2015.

During 2016, The Fund paid € 33.4 million as dividend to the shareholders. Also during 2016, two capital calls were executed at a total amount of € 55 million.

Interest rate and currency exposure

During 2016 The Fund was subject to the negative interest rate development for its bank balances. In order to minimize the costs of the negative interest rate on the bank balances, during 2016 the Fund used 30-day bank deposits.

As the Fund had no external loans and borrowings during 2016, as well as The Fund did not had any foreign currency exposure during 2016, The Fund had no exposure to interest rate risks or currency exposure risks.

Dividend and dividend policy

The Board of Directors of Bouwinvest proposes to pay a dividend of € 114.76 per share for 2016 (2015: € 108.84), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 76.4% was paid out in 2016, with the final quarterly instalment paid out in March 2016. The remainder of the distribution over 2016 will be paid out in a final instalment on 25 April 2017, following approval by the Annual General Meeting of Shareholders to be held on 12 April 2017.

Tax

The Fund is structured as a fiscal investment institution (FII) under Dutch law and is therefore not subject to corporate tax. Being an FII, the Fund is obliged by law to maintain a pay-out ratio of 100% of the Fund's distributable profit; as stated above, the Fund proposed to pay out 100% of its distributable profit. The Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2016.

AIFMD

Bouwinvest is the fund manager of the Retail Fund. In February 2014, Bouwinvest was among the first Dutch institutions to obtain the AIFMD licence. Under this licence, Intertrust Depository Services B.V. acts as independent depository of the Fund for the benefit of the investors and performs all depository functions and duties pursuant to AIFMD regulations.

Outlook

We are cautiously optimistic on the outlook for the Dutch economy, following a marked pick-up in growth in the course of 2016 as the Dutch economy appeared to shrug off the initial shock of the Brexit vote. Unemployment continued to fall in 2016 and consumer confidence reached the highest level since the 2008 financial crisis and these factors will all have a positive impact on the Dutch retail sector in the year(s) ahead. In addition, persistent low inflation is set to boost consumer spending by some 2% annually for the foreseeable future. All in all, this is likely to increase demand for retail space in the main shopping areas of the larger Dutch cities, especially the cities in the Randstad urban conurbation, and in district shopping centres with healthy catchment areas.

Urbanisation and demographics key factors

Population growth and urbanisation will continue to be key trends in the coming years. Both the total population and the total number of households in the Netherlands will continue to grow in the coming decades. However, demographic growth will be concentrated in the core regions of the country, with the biggest growth forecast for the cities of the Randstad urban conurbation. Due in part to the aging of the population and the movement of younger people to the cities, other parts of the country will see a decline in population, which will affect the qualitative and quantitative demand for retail space in the decades ahead.

Polarisation set to continue

In view of these trends, the value gap between primary and secondary locations is likely to widen in the years ahead. This will affect both high street retail and local shopping centres, and there will be both winners and losers on these fronts. The major cities are still the best positioned to take advantage of demographic, economic and technological developments. Central shopping areas in these cities will continue to outperform and deliver strong returns, as will district shopping centres with healthy catchment areas throughout The Netherlands. The losers are likely to be central shopping areas in medium-sized and smaller cities and ancillary shopping areas without an adequate supply of non-daily shopping retail outlets.

Physical and digital shops converge

Online sales are continuing to increase and will be a key factor in the retail market for many years to come. However, as online sales are largely confined to a small number of retail segments, such as travel, electronics, media and clothes, the impact on the retail market as a whole will be limited. Also, a number of major online retailers have now opened or are planning to open physical stores to boost brand engagement and client loyalty.

Competition for investment-grade retail real estate increasing

The demand for high-quality retail real estate is rising steadily, fueled by increased activity among Dutch investors and an influx of foreign capital from international investors. Dutch retail real estate is still attractively priced when compared with prices in other key European markets, such as London, Paris or Munich. This is pushing up prices for prime properties and will make it more challenging to find and acquire new assets at the right price.

Future-proofing

We believe that prime retail locations that excel in our strategic segments of experience and convenience will be the most future-proof investments in the years ahead. The Fund will therefore continue to optimise its portfolio, by investing in distinctive and high-quality high street retail units in the major shopping cities (A1 locations) and in well-positioned daily shopping centres with a clear focus on convenience.

The retail market as a whole is still facing many challenges. However, we made solid progress in terms of portfolio optimisation and the (re)development of several key assets in 2016. We believe this has put the Fund in an even stronger position for the future. We will continue these efforts in 2017, again taking delivery of new assets and reopening redevelopments for business.

Amsterdam, 20 March 2017

Bouwinvest Real Estate Investment Management B.V.

Dick van Hal, *Chairman of the Board of Directors and Statutory Director*

Arno van Geet, *Managing Director Finance*

Allard van Spaandonk, *Managing Director Dutch Investments*

Stephen Tross, *Managing Director International Investments*

Corporate Social Responsibility

CSR strategy

Bouwinvest aims to provide a solid return on real estate investments for institutional investors and their beneficiaries and to do this in a responsible manner. What this means is that we take a long-term view and environmental, social and governance (ESG) criteria play a significant role in our investment strategy. We have integrated social, environmental, and/or ethical considerations in our core business strategy and operations to create more value for our stakeholders and generate better risk-adjusted financial returns for our investors. Sustainable and socially responsible investments and business operations play a key role in booking growth in a controlled manner, future-proofing our organisation and real estate investments and is part of the role we want to play in tackling the challenges we all face today and in the future. In other words, we see sustainability as an inherent part of our corporate mission and our license to operate.

It's our ambition to stay in the leading group
of sustainable Real Estate Funds



People

Experience
Convenience
Comfort
Safety



Planet

Energy
Waste and Materials
Water



Profit

Facilities
Flexibility
Accessibility

Our sustainability mission

Create and sustain stakeholder value through effective integration of material ESG issues that lower risks and future proof our real estate investments, enhance the skills and satisfaction of our employees and contribute to the development of the communities we invest in.

Our strategy to achieve this goal is based on three main pillars:

1. **Long term performance;** we want to provide stable returns and improve overall performance
2. **Building value;** we want to create added value for all our stakeholders
3. **Sustainable partnerships;** we want to develop and maintain sustainable partnerships with our stakeholders

With our Sustainability strategy in place, we can respond to issues such as: investment market changes; shifting consumer demands; legislation and regulation compliance; climate change; minimising the use of natural resources. And we can do all this while still creating value for our stakeholders.

Long-term performance

In line with Bouwinvest's CSR pillars, the Retail Fund's sustainability strategy is focused on increasing the sustainability performance and attractiveness of its retail assets. Not only does this boost the long-term performance of the Retail Fund's assets, it also increases the total value of the Fund's property portfolio and creates financial and social value for all the Fund's stakeholders.

Building value

The Fund considers investments in sustainability from a business perspective. Energy-efficiency measures improve the competitive position of the Fund's retail properties and add value for our stakeholders, both investors and tenants. However, the Fund's sustainability strategy extends beyond energy use to the social aspects of sustainability, such as investments to upgrade local public amenities and facilities, helping to create a pleasant environment where people can shop and meet.

We build value by addressing those issues that are important and relevant to our stakeholders, both tenants (such as comfort, energy use, materials and indoor climate) and investors (such as risk, returns, governance, stability and transparency). We engage them in constructive dialogues.

Scope	Tool	Targets
Fund	GRESB	Outperformance of the benchmark and retain Green Star rating
Asset	EPC labels	Generate insight into current performance and reduce operational costs, improve the quality of assets
Tenants	DUO label, Green Leases	Increase sustainability awareness among tenants, with a focus on energy use; cooperation with tenants: education and awareness
Property managers	Contracts and meetings	Active cooperation to achieve CSR targets

Sustainable partnerships

Cooperation and engagement with our tenants and other stakeholders is an essential part of our sustainability strategy. We firmly believe that we can achieve the most by working with all our clients and other stakeholders, sharing ideas and devising innovative solutions to the challenges we all face.

Tenant engagement

We conduct a bi-annual tenant satisfaction survey to gather the information we need to promote the interests of our tenants. As in previous years, we discussed the results with our property managers and agreed targets, all aimed at further improving tenant satisfaction. The key results of most recent survey (2015) are:

- 180 tenants responded (response rate of 49%)
- Average satisfaction slightly decreased to 5.8 (2013: 6.0)

Tenant satisfaction has dropped slightly as a result of the predominantly negative sentiment among retailers in general.

Encourage ESG criteria

In the context of tenant engagement Bouwinvest believes it is important to test our tenants on financial and ESG criteria and to use our influence as much as we can.

Our nr.1 tenant, Primark, is the retail business line of the London public listed Irish company Associated British Food. Primark itself is employing 68,000 people and has over 300 store locations. Currently ABF nor Primark haven't signed the United Nations Global Impact principles yet. These principles are aimed at CSR in the areas of human rights, labour environment and anticorruption. ABF and Primark are encouraged by their stakeholders to consider signing up these principles. Other sources to obtain information are studies of Rank a Brand and Robeco SAM. In August 2016 Rank a Brand scored the first milestones for Primark. One of the milestones is the Code of Conduct, designed to ensure that the suppliers Primark works with respect the risks of their workforce. It sets out the core principles that suppliers and factories must follow to ensure products are made in good working conditions, that the people making them are of a legal working age, are treated decently and paid a fair wage. Of course ethics policies need to be done not only by commitment or announcement, but they should be put in practice. Primark employs a team of 65 audit specialists, supported by external companies, who are based on the ground in nine key sourcing countries. In November 2016 Robeco SAM published the report: "ESG risks and opportunities in the textile sector". Their conclusion is that Primark is making progress in implementing the concerning policies, and is taking her Responsibility.

DUO Labels

In 2016, the Fund continued to increase assessments in its portfolio using DUO Labels as part of its tenant engagement programme. By year-end 2016, we had completed the assessment of all suitable units and our main challenge for the future is to convince our tenants that cooperation makes good business sense, both in terms of environmental impact and cost savings. The DUO Label system assesses the resource efficiency of tenants' retail units and offers practical advice on achieving sustainability goals. An Energy Map provides tenants with a micro-view of their energy consumption. This map outlines the efficiencies and inefficiencies of areas controlled by the lessor – such as roof, flooring and wall insulation – but more importantly, it analyses the areas controlled by the tenant, including the storefront, climate control, ventilation, lighting and escalators.

The map highlights problem spots, compares the store to the centre average and provides advice on how to reduce energy consumption. These maps serve as a starting point for discussion with the retailers on their energy consumption and potential savings.

We are currently preparing for the second phase in this process, which will involve gathering data from our tenants and setting targets via green leases or sustainable user agreements in lease contracts.

Managing the supply chain

The Retail Fund has Service Level Agreements with its suppliers in the chain. We assess property managers each quarter on topics related to administrative management, technical management (including sustainability), commercial management and tenant satisfaction.

The Retail Fund applies 'Bewuste Bouwers' criteria to all new-build projects and redevelopments. These criteria ensure that the contractor deals with the concerns of local residents, and addresses safety and environmental issues during the construction phase.

To promote and increase sustainable procurement we launched a project with IVBN (Association of Institutional Property Investors in the Netherlands) and a number of fellow fund managers to engage and assess the Fund's suppliers using a sustainability web tool. Current and future suppliers will be assessed on their sustainable commitments, policies and behaviour.

Pilot smart real estate management and maintenance

In 2016, the Fund has conducted a successful pilot with an online management concept for the effective management and maintenance of properties. The tool supports the Fund to register, schedule, manage and monitor standard inspections and legal inspections, as well as evacuation exercises, certifications and insurance policies. The tool helps the Fund to reduce its strict liability and total costs of ownership. It can lead to savings of up to 15% while minimising user costs, maintaining the quality and value of the properties and preventing unwanted vacancies. The Fund is planning to further implement the tool in 2017.

Partnerships with local government agencies

The city of Lelystad is a prime example of how we work with private and public parties on initiatives to inject new life into urban centres. Lelystad is going through a difficult period, with high vacancy rates in its main shopping area. The Retail Fund has teamed up with its tenants, a number of fellow investors and the business community to take initiatives together with the local authorities, residents and cultural organisations with the aim to inject new life into the city centre. These initiatives include public and private investments in the city centre, the set-up of a Business Improvement Zone, the joint determination of a future vision and the execution of a marketing and branding programme.

Environmental performance

Focus on material topics

The focus of the Retail Fund's sustainability strategy is on reducing the environmental footprint of the shopping centres or retail assets in its portfolio. It does so by exerting a direct influence on the larger (public) areas of the buildings or complexes, and by investing in improvements that benefit existing and potential tenants. We actively cooperate with existing tenants on initiatives to optimise comfort and energy efficiency. We continue to work with our property managers, local authorities and tenants to provide comfortable, safe and convenient shopping areas in our retail assets. So far, six assets have been assessed or are in the process of being assessed for the 'Keurmerk Veilig Ondernemen' safety certification.

Monitoring performance

Monitoring environmental performance data (energy and water consumption, greenhouse gas emissions and waste) is an important part of managing sustainability issues. The Fund tracks and aims to improve the environmental performance of its managed real estate assets; those properties where the Fund is responsible for purchasing and managing energy consumption. The Fund reports on energy consumption (electricity, heating and gas: the energy components) for shopping centres which translates to greenhouse gas emissions.

Smart meters, smart business

To monitor energy consumption closely the Fund continued to expand active monitoring in 2016 by installing smart metering systems. All common areas and connections for which the Fund is responsible for purchasing energy are now covered. It also started a pilot of web-based energy monitoring and management for two assets. In addition, the Fund plans to install smart meters at all new developments, acquisitions and at individual tenant level. Once again, this will require close cooperation with tenants, as they have to agree to install the smart meters. This still remains a challenge.

Energy efficiency improvements through sustainable upgrades

The Fund sees redevelopment projects as the perfect opportunity to upgrade and enhance the sustainability of its assets, for instance by fitting solar panels, insulation, efficient lighting and other measures. Making the Fund's assets more sustainable helps us to maintain or increase their value and improves their letting potential. In 2016, the Fund carried out measures to increase the sustainability of its assets at the following shopping centres:

- **Molenhoekpassage, Rosmalen** - To maintain the high quality of this successful shopping centre for daily goods and reduce the risk of vacancy, the Fund is upgrading and updating the look and feel of this centre and adapting the division of retail spaces to the demands of the current tenants. During the highly sustainable redevelopment, the Fund increased energy efficiency by adding insulation to the outer facade of concrete plates. The Fund also renewed the roof area and added more insulation, which helped to improve the centre's energy label to B from G.
- **Goverwelle, Gouda** - The Fund used the opportunity of a major renovation project to completely replace the roof covering, replace the old insulation with modern and much more efficient insulation system that also improved water drainage from the roof.
- **Maasplaza, Dordrecht** - In this centre, the Fund replaced the old lighting with LED spotlights. This increased light levels while reducing energy consumption and energy bills.
- **Prinsenland, Rotterdam** - The fund replaced the central heating boiler with a new, more efficient boiler, helping to cut gas and electricity use.
- **De Promesse, Lelystad** - The Fund took a number of radical noise-reduction measures at his centre, to reduce the nuisance of the noise generated by cooling systems, with the aim of improving the living environment for local residents.

Following technical improvements and joint initiatives with tenants, the average Energy Index improved to 0.91 in 2016 (2015: 0.98). The majority of the portfolio's properties have now been awarded an energy label A, B or C (85.2%), indicating a good overall level of energy efficiency for the portfolio.

Clear targets, practical measures

The Fund has set clear targets to reduce energy consumption in the assets over which it has 'operational control', mostly shopping centres. In 2016, the Fund managed to cut energy consumption by 5.1% (2015: 2.7%) contributing to a total cut in energy consumption of 18.2% in the period 2012-2016 on a like-for-like basis and achieved its target.

The Fund has set clear targets for the period 2016-2018 to decrease its environmental impact:

- Energy: average annual reduction 2%
- GHG emissions: average annual reduction 2%
- Water: average annual reduction 2%
- Waste: increase recycling percentage
- Renewable energy: increase percentage renewable energy

The implementation of an Environmental Management System (EMS) will help us to achieve these targets. Furthermore, we aim to increase the use of renewable energy. Following the Climate Agreement in Paris (COP21), plus the United Nations 2030 agenda for sustainable development and the Dutch Energy Agreement, we expect to see stronger external demand to reduce GHG emissions and commitments to actively contribute to sustainable cities and communities. We actively support and contribute to these initiatives where possible.

The Fund's ambition to increase the coverage and therefore the transparency of its environmental impact according to INREV sustainability guidelines is reflected in the summary of key CSR data. For more detailed information please see the CSR performance indicators at the end of this annual report.

Green building certificates

The design for the redevelopment of the retail complex Damrak 70 and 80 in Amsterdam was awarded the BREEAM NL New Build and Renovation Very Good certificate at year-end 2015. The design team worked with a BREEAM NL expert to incorporate a host of sustainability measures in the design. The roof has been fitted with solar panels and the building has been fitted out with LED lamps. The designers also opted for energy efficient escalators and lifts, while virtually all the existing construction was either reused or incorporated in the design. The redevelopment also complied with the *Bewuste Bouwers* sustainable construction code, which includes standards for minimising and separating waste, the reduction of energy and water use, safety and the prevention of nuisance in the immediate environment.

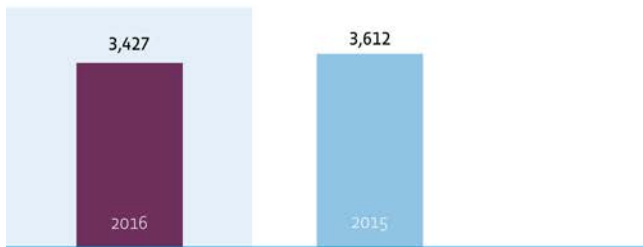
The Fund continued the BREEAM assessment process in 2016 by working with the new tenants to introduce a broad range of measures for the fit-out and use of the retail premises, with the ultimate aim of a BREEAM NL Very Good post-construction stage certificate. The post-construction certificate can be issued only once the renovation is completed, all the tenants have moved into the complex and both the external assessor and the Dutch Green Building Council finally have checked and verified all the provided evidence. This is expected in the first quarter of 2018. The adjoining project Nieuwendijk 196 in Amsterdam has already received the design stage certificate BREEAM Very Good. The post-construction certificate is expected in the second quarter of 2017.

The Fund also started the process for obtaining the BREEAM-NL In-Use certificate for two shopping centres: Goverwelle (Gouda) and Makado (Purmerend). Both certificates were issued in the beginning of 2016.

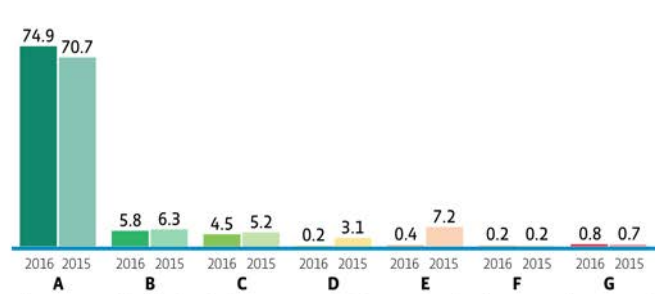
Green lease

The Retail Fund continued its Green Lease initiative in 2016, adding 13 Green Leases. These lease agreements incorporate sustainability clauses, with the aim of increasing and enhancing the information exchange between the Retail Fund and its tenants. This in turn creates opportunities to improve environmental performance. Combined with installing smart meters at tenant level, the Fund sees this as the first step towards more far-reaching green leases in the future.

Energy consumption (like-for-like, MWH)



Distribution of energy labels by labelled floor space (m²) in %¹⁾



1) 13.2% not labelled, mainly recent acquisitions and redevelopments (2015: 6.6%)

Benchmarking

Benchmarking based on the Global Real Estate Sustainability Benchmark (GRESB) enables the Retail Fund to obtain more insight into the opportunities to improve the sustainability performance measured at fund level. In 2016, the Fund participated for the fifth time in the GRESB assessment and improved its scores. Overall the Fund achieved a 74% score (2015: 69), divided in ‘Management & Policy (73%) and Implementation & Measurement (75%). The Fund was awarded Green Star status, the highest category in the GRESB scoring system, for the third year in a row and retained its position as second in its peer group.

Corporate governance

Bouwinvest Dutch Institutional Retail Fund N.V. (the Retail Fund) was established in 2010. Stichting Bedrijfstakpensioenfondsvoor de Bouwnijverheid (bpfBOUW, the pension fund for the construction industry) is the Retail Fund's anchor investor. The Fund has a transparent governance structure, which ensures effective and efficient management, combined with proper checks and balances. The Fund's governance structure consists of a General Meeting of Shareholders, a Shareholders' Committee and a Board of Directors.

Fund governance

The Retail Fund is governed in a robust framework with systems and processes to manage risks appropriately. Safeguarding the interests of our investors, integrity and transparency play a key role in the Fund's governance principles:

- Independent compliance function
- Conflicts of interests policy
- 'Checks and balances' framework with four lines of defence
- Robust process management: ISAE 3402 type II certified
- AIFMD compliant
- Independent depositary appointed

Rules and principles governing day-to-day business

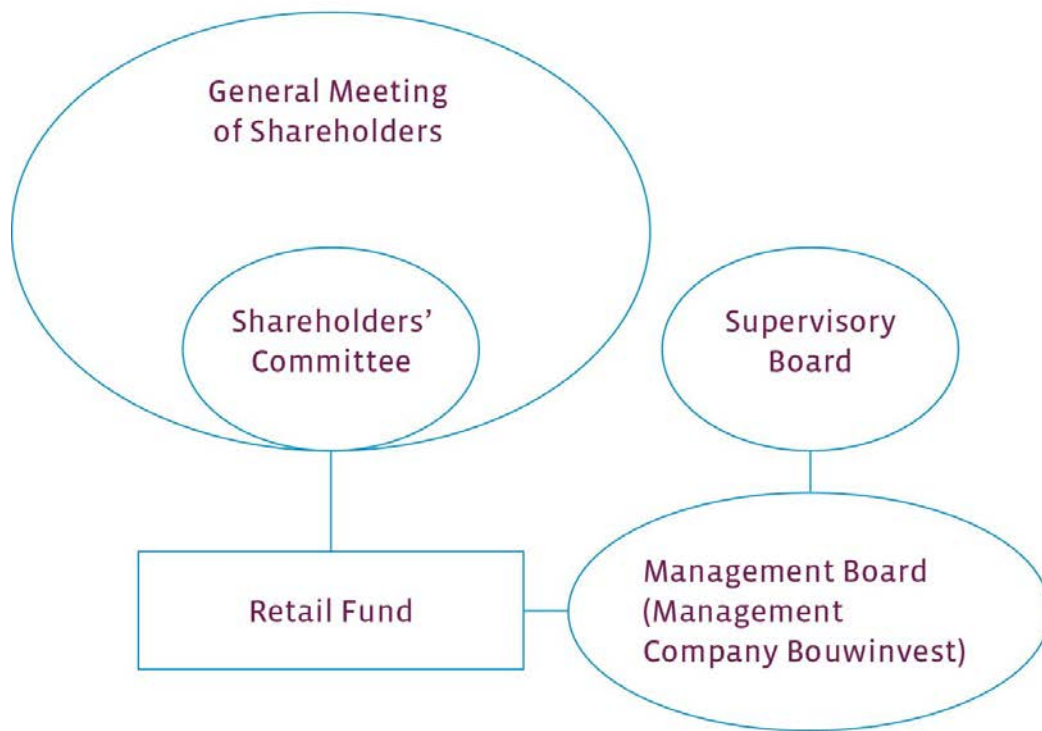
- Best-in-class system for valuation of assets
- '4-eyes-principle' on all real estate investments
- Transparency and integrity in daily business conduct
- Code of conduct
- Shareholder communications

Structure of the Fund

The Retail Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code, with its corporate seat in Amsterdam, the Netherlands. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969. Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) is the Fund's Statutory Director and management company, subject to the terms of the management agreement. The management company has a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is subject to supervision of the Dutch Financial Markets Authority (AFM) and by the Dutch Central Bank (DNB).

The Fund owns two taxable subsidiaries, Bouwinvest Retail Development B.V. and Bouwinvest Dutch Institutional Retail Fund Services B.V. These subsidiaries perform activities that might go beyond mere 'investing'. By having these activities performed by these subsidiaries the Fund remains compliant with the investment criteria of the FII-regime. Bouwinvest Retail Development B.V. performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Retail Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

Fund governance structure



Shareholders' Committee

The Shareholders' Committee comprises a maximum of five shareholders: one representative of each of the four shareholders with the largest individual commitment and one member to represent the collective interests of all other shareholders. Members of the Shareholders' Committee will be appointed by the General Meeting of Shareholders for a period of one year.

Role of the Shareholders' Committee

The role of the Shareholders' Committee is to approve certain specified resolutions by the management company (see governance matrix) and assist the management company by providing advice if such is requested. The responsibility for proper performance of its duties is vested in the Shareholders' Committee collectively. In 2016, the Shareholders' Committee met twice to discuss the Fund Plan and the results of the Retail Fund.

General Meeting of Shareholders

Shareholders of the Retail Fund must be qualified institutional investors within the meaning of section 1:1 of the Dutch Financial Markets Supervision Act (FMSA). General Meetings of Shareholders are held at least once a year to discuss the annual report, adopt the financial statements and discharge the Statutory Director of the Fund for its management. Shareholder approval is required for resolutions that have a substantial impact on the Retail Fund and its risk profile (see governance matrix).

Governance matrix

	General Meeting of Shareholders		Shareholders' Committee	
	Simple Majority vote (> 50%)	Double Majority vote	Approval rights	Consultation rights
Amendment of the strategy of the Fund		X		X
Liquidation, conversion, merger, demerger of the Fund		X		X
Dismissal and replacement of the Management Company		X		X
Amendment of the Management Fee of the Fund		X		X
Conflict of Interest on the basis of the Dutch Civil Code		X		X
Investments within the Hurdle Rate Bandwidth as specified in the Fund Plan			X	
Related Party Transaction			X	
Amendment or termination of the Fund Documents	X			X
Adoption of the Fund plan	X			X
Deviation from the valuation methodology of the Fund as set out in the Valuation Manual	X			X
Investments outside the Hurdle Rate Bandwidth as specified in the Fund Plan	X			X
Change of Control (of the Management Company)				X
Appointment, suspension and dismissal of managing directors of the Fund (with due observance to the rights mentioned under 3. here above).	X			X
Amendment to the Articles of Association of the Fund	X			
Adoption of the Accounts of the Fund	X			
Information rights on the basis of the Dutch Civil Code	X			
Authorising the management board to purchase own Shares	X			
Reducing the capital of the Fund	X			
Extending the five month term with regard to approval of the Accounts	X			
Providing the management board with the authority to amend the Articles of Association of the Fund	X			
Appointing a representative in the event of a Conflict of Interest	X			
Requesting to investigate the Accounts and the withdrawal thereof	X			
Approval of an Applicant Shareholder to become a Shareholder of the Fund	X			

The rights of the General Meetings of Shareholders and the Shareholders' Committee are further specified in the Information Memorandum of the Fund and the Fund Documents.

Anchor investor

As at this annual report's publication date, bpfBOUW holds the majority of the shares of the Retail Fund.

Management company

Bouwinvest is charged with the management and administration of the Fund. It is authorised to conduct any and all business activities related to the entire real estate investment process to achieve the Fund's investment objectives. Bouwinvest believes responsible business practices are a vital element in achieving the targeted return on investment. Bouwinvest is structured as a private limited company. bpfBOUW holds 100% of the shares in Bouwinvest.

Board of Directors

Bouwinvest has a Board of Directors, consisting of one Statutory Director, also Chairman of the Board, and three managing directors: the Managing Director Finance, the Managing Director Dutch Investments and the Managing Director International Investments. The Statutory Director is appointed by the General Meeting of Shareholders of Bouwinvest following nomination by Bouwinvest’s Supervisory Board. The Board of Directors is governed by a set of regulations that also outline its tasks and responsibilities.

Supervisory Board

Bouwinvest has an independent Supervisory Board with a minimum of three and a maximum of five members. The Supervisory Board currently has four members. The maximum term of office is four years, with the possibility of reappointment for an additional four years. The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of the company and its related business. The Supervisory Board is responsible for the quality of its own performance. The members of the Supervisory Board are appointed by the General Meeting of Shareholders of Bouwinvest. In carrying out its duties, the Supervisory Board is guided by the interests of the company and its related business.

Policies, rules and regulations

Corporate Governance Code

Although the Dutch Corporate Governance Code does not directly apply to Bouwinvest as it is an unlisted company, the Board of Directors endorses the best practices of the Code as far as applicable to Bouwinvest.

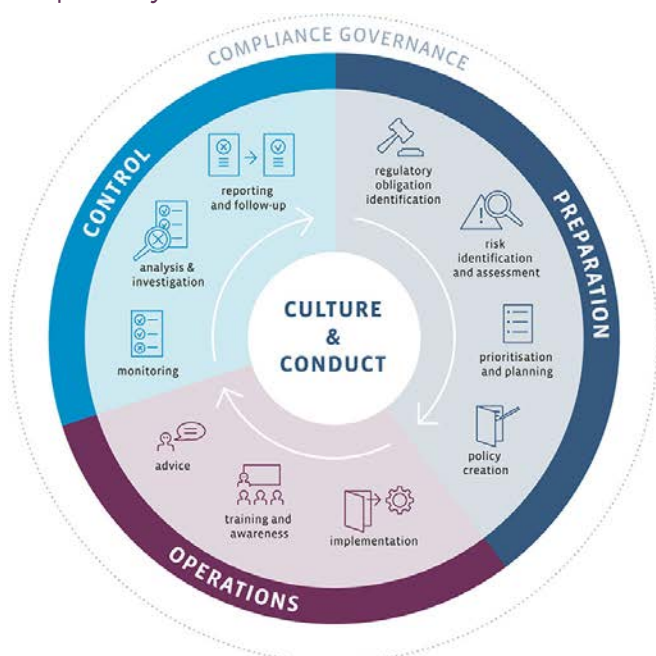
Code of Conduct

Bouwinvest has drawn up a Code of Conduct that applies to all its employees and which includes additional rules that specifically apply to the Board of Directors and Supervisory Board with respect to conflicts of interest and investments. The Code of Conduct deals with issues such as ethical behaviour, conflicts of interest, compliance with laws and (internal and external) regulations, CSR, health and safety, as well as our business partners. Bouwinvest has also instituted a whistleblower policy dealing with the reporting and investigation of unethical behaviour. All employees receive code of conduct training.

Compliance

Bouwinvest has a dedicated Compliance function that identifies, assesses, advises on, monitors and reports on the company’s compliance risks. For the planning, execution and reporting of all compliance activities, the compliance function employs the Bouwinvest Compliance Cycle. This cycle contains ten groups of activities that are key for the compliance function. The compliance risks include the risk of legal or regulatory sanctions, financial loss, or loss of reputation that the management company may suffer as a result of any failure to comply with applicable financial regulations, codes of conduct and standards of good practice. The compliance officer reports to the Statutory Director on a monthly basis, as well as to the chairman of the Supervisory Board on issues related to the Board of Directors.

Compliance cycle



Conflicts of Interest policy

Bouwinvest has a Conflicts of Interest policy. The purpose of this policy is to ensure that no material conflicts of interest occur that are damaging for investors in the fund, the fund or Bouwinvest. The policy also describes how Bouwinvest should act with respect to the allocation of different investment opportunities over the respective funds and clients. The policy is intended to supplement but not replace any applicable Dutch laws governing conflicts of interest.

In 2016, there were no conflicts of interest as referred to in the Bouwinvest Conflicts of Interest Policy, either between the members of the Board of Directors, the management company, the Fund and/or other funds managed by the management company.

Funds managed by Bouwinvest

Bouwinvest manages the following funds:

- Bouwinvest Dutch Institutional Residential Fund N.V.
- Bouwinvest Dutch Institutional Retail Fund N.V.
- Bouwinvest Dutch Institutional Office Fund N.V.

Bouwinvest has a separate mandate from bpfBOUW for the management of international real estate investments, Bouwinvest Dutch Institutional Hotel Fund N.V. and Bouwinvest Dutch Institutional Healthcare Fund N.V.

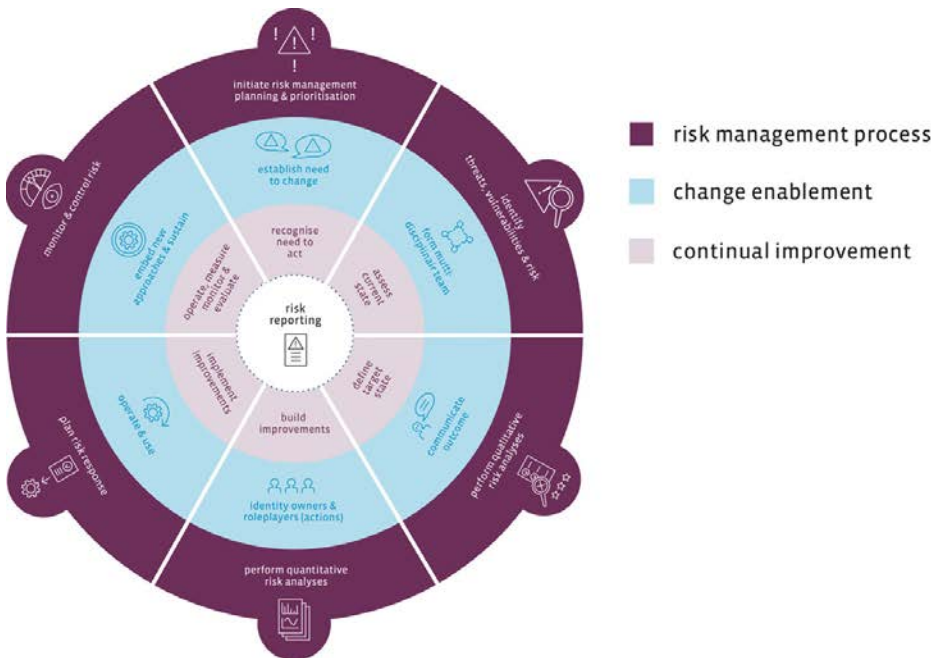
External auditor

The Fund's external auditor is Deloitte Accountants B.V. Deloitte audits the financial statements of the Fund. Deloitte also audits the financial statements of Bouwinvest and of the other funds managed by Bouwinvest.

Risk management

Risk management and compliance

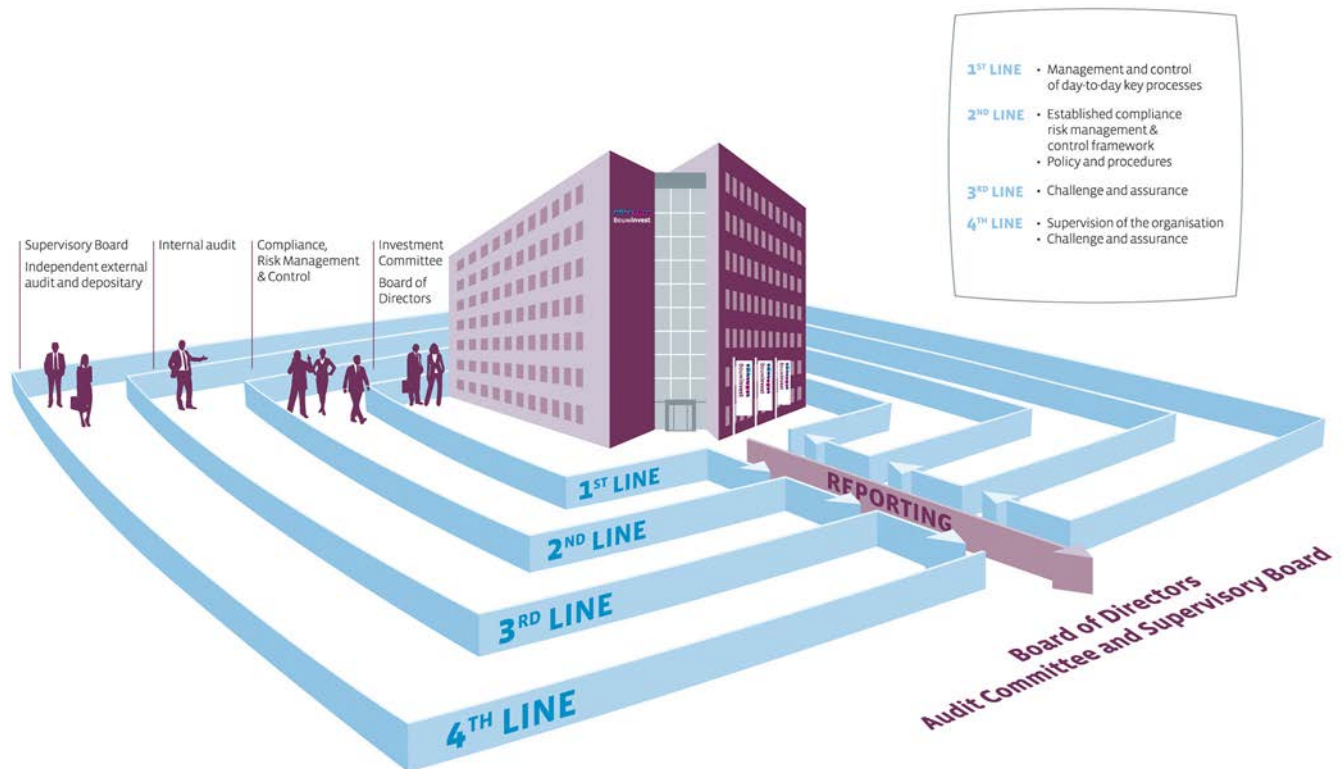
Risk management and compliance are independent functions within Bouwinvest. Their role is to identify, assess, advise on, monitor and report on financial, operational and compliance risks faced by the Fund. In 2016, Bouwinvest continued to refine and enhance its risk and compliance capabilities. It also introduced new policies and renewed quarterly risk reporting formats for the Fund.



Risk management framework

Bouwinvest has implemented a risk management framework based upon the principles of The Committee of Sponsoring Organizations of the Treadway Commission (COSO). It is an Enterprise Risk Management Framework (ERMF), covering all activities of the Fund at all levels. To ensure that its risk management framework is operational and effective, Bouwinvest has established an Accountability and Monitoring policy, consisting of the 'Four lines of defence'. This policy puts risk management into practice by using Management (1st line), Risk-compliance-control (2nd line), Internal audit (3rd line) and External audit - Supervisory Board (4th line) as defence functions.

Bouwinvest's lines of defense



Major risk factors and corrective measures

Within the domain of the Retail Fund, we distinguish the following risk clusters:

- Market risks
- Strategic risks
- Management risks

Market risks

Market risks focus on the Fund's exposure to adverse market developments. Such developments can affect both the Fund's direct and indirect return. In the quarterly fund reporting the following Key Risk Indicators (KRIs) are shown to reflect the Fund's current risk situation and future risk outlook:

- Occupancy
- Operational expenditure
- Remaining lease term
- Counterparty risk
- Valuation movement

Occupancy

The occupancy KRI reflects the current and expected occupancy situation for the Fund. Occupancy depends on market demand, availability of competitive propositions and fund portfolio positioning in the market. Occupancy is an important driver for the expected direct return of the Fund. Because of its importance for direct return it can also affect the Fund's indirect return considerably.

Operational expenditure

The Fund's direct return, its ability to pay out dividends to its shareholders, is also dependent on its expected expenditure. As mentioned with the occupancy KRI the direct return performance has a considerable effect on the indirect performance as well. The Operational expenditure KRI reflects cost performance compared to planned cost. On top of that the quarterly fund report shows an asset manager outlook for cost performance.

Remaining lease term

In commercial real estate like that of the Retail Fund leases are contracted with a fixed term. The average weighted remaining lease term serves as a KRI to reflect the uncertainty of future direct returns. The outlook for this KRI indicates whether the asset manager expects this uncertainty to increase or decrease.

Counterparty risk

Counterparty risk is the risk that parties the Fund has agreements with will default. This risk is largely determined by the ability of its tenants to fulfil their contractual obligations. For the Retail Fund, this risk is mitigated by active credit management and critical tenant selection.

Valuation movement

The valuation movement KRI indicates the fund return driven by revaluations and it reflects the outlook for this indicator. All properties owned by the Fund are revaluated by external appraisers either on a quarterly (standing properties) or on an annual (non-standing properties) basis. This revaluation is the most important driver for the Fund's indirect return.

Strategic risks

Strategic risks focus on the Fund's ability to fulfill its strategic goals. These goals focus primarily on sustainable long term fund performance. In the quarterly fund reporting the following Key Risk Indicators (KRIs) are shown to reflect the Fund's current risk situation and future risk outlook:

- Asset risk mix
- Segment fulfillment
- Sustainability
- Acquisition and disposition

Asset risk mix

Different assets in the Fund's portfolio provide propositions differing in riskiness. Each property is scored in a risk return assessment model and appointed a risk category accordingly. In order to optimise fund return while considering the Fund's risk appetite fund goals are set for each of the three risk categories. The KRI for asset risk mix shows whether or not the Fund is able to match its portfolio to the risk appetite it is aiming for.

Segment fulfillment

Based on analysis and investment beliefs the Retail Fund has specific strategic goals regarding the type of assets it aims to own. More specifically the Fund is focusing its investment activities on high street retail and shopping centres. The Segment fulfillment KRI focuses on the ability of the Fund to attain the segment distribution it is aiming for.

Sustainability

To ensure the Fund will be a future proof fund which is able to provide long-term stable returns goals are set for the sustainability of the Fund. This KRI will show whether or not the Fund is currently able to meet its sustainability goals.

Acquisition and disposition

In order to meet investor demand the Fund aims for a portfolio of a certain size. The acquisition and disposition KRIs show the Fund's (expected) ability to meet its portfolio size targets.

Management risks

This refers to the risk that Bouwinvest's management of the Retail Fund, including its management and control of the risks it faces, may in some way be inadequate or ineffective. This would affect the Fund's direct and indirect returns. This risk is subdivided into the following risk elements:

- Fund specific legal or regulatory risk
- Fund manager continuity and reputation

Fund specific legal or regulatory risk

This KRI is meant for fund management to be able to notify investors of any large regulatory or legal circumstances that may affect or are already affecting fund performance. To prevent as much legal or regulatory irregularities as possible Bouwinvest has an experienced legal staff.

Fund manager continuity and reputation

The fund management organisation is a responsibility of Bouwinvest. If Bouwinvest sees any threats to its functioning as a fund manager, for instance in damaged reputation or threatened continuity, this KRI will be used to inform investors. In 2015 the subject of integrity has attracted extra attention within Bouwinvest. This has resulted in a companywide training program and the completion of an elaborate Integrity Risk Analysis. Going forward Bouwinvest as a manager will continue to aim for having the highest possible integrity standard.

To control operational and integrity risks, there is a management agreement in place that determines the responsibilities of Bouwinvest as the Retail Fund's management company. Bouwinvest's ISAE 3402 certification provides investors with reassurance on the risk management, including risk definition and control measures, of all key processes of a company's day-to-day operations.

Alternative Investment Fund Managers Directive (AIFMD)

Since 2014, Bouwinvest has an AFM licence as required by the AIFMD. This licence allows Bouwinvest's real estate funds to manage funds that are open for institutional investors other than bpfBOUW. The AIFMD specifies certain transparency and integrity-related requirements for Alternative Investment Funds. In 2016, Bouwinvest continued to optimise its reporting processes and streamlined its cooperation with depositary Intertrust Depositary Services B.V.

Monitoring and reporting

Monitoring the risks is embedded in the daily activities of the responsible line manager and is an integral part of the planning and control cycle. Bouwinvest monitors all the defined risks via key risk indicators, supported by the performance reporting and business incidents reporting processes. Each quarter, the Board of Directors is provided with a risk report, including the risk indicators indicated above and actions necessary to limit or mitigate risk, if there is a deviation between the outcome and the pre-determined norm. The Fund continued to enhance its system for reporting and monitoring risk in 2016. These improvements enable management to act in a timely manner to counteract or mitigate risk.

Financial statements

Consolidated statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note	2016	2015
Gross rental income	6	44,786	38,718
Service charge income	6	1,779	1,971
Other income		138	215
Revenues		46,703	40,904
Service charge expenses		(1,813)	(2,198)
Property operating expenses	7	(6,571)	(5,069)
		(8,384)	(7,267)
Net rental income		38,319	33,637
Result on disposal of investment property		137	(183)
Positive fair value adjustment completed investment property		29,213	12,141
Negative fair value adjustment completed investment property		(28,696)	(29,682)
Net valuation gain (loss) on investment property	12	517	(17,541)
Net valuation gain (loss) on investment property under construction	13	29,398	19,831
Administrative expenses	8	(4,013)	(3,595)
Result before finance result		64,358	32,149
Finance result	9	(107)	1
Net finance result		(107)	1
Result before tax		64,251	32,150
Income taxes	10	(1)	-
Result for the year		64,250	32,150
Items that will not be reclassified subsequently to comprehensive income		-	-
Items that may be reclassified subsequently to comprehensive income		-	-
Total comprehensive income for the year, net of tax		64,250	32,150
Net result attributable to shareholders		64,250	32,150
Total comprehensive income attributable to shareholders		64,250	32,150
Distributable result	19	34,198	30,044
Pay-out ratio	19	100%	100%

Consolidated statement of financial position

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2016	2015
Assets			
Non-current assets			
Investment property	12	765,613	526,093
Investment property under construction	13	12,711	193,051
		778,324	719,144
Current assets			
Trade and other current receivables	14	1,285	745
Cash and cash equivalents	15	53,311	27,626
		54,596	28,371
Total assets		832,920	747,515
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		312,172	291,013
Share premium		348,515	318,992
Revaluation reserve		163,514	128,330
Retained earnings		(64,250)	(32,150)
Net result for the year		64,250	32,150
Total equity	16	824,201	738,335
Current liabilities			
Trade and other payables	17	8,719	9,180
Total liabilities		8,719	9,180
Total equity and liabilities		832,920	747,515

Consolidated statement of changes in equity

For 2016, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	291,013	318,992	128,330	(32,150)	32,150	738,335
Comprehensive income						
Net result	-	-	-	-	64,250	64,250
Total comprehensive income	-	-	-	-	64,250	64,250
Other movements						
Issued shares	21,159	33,841	-	-	-	55,000
Appropriation of result	-	-	-	32,150	(32,150)	-
Dividends paid	-	(4,318)	-	(29,066)	-	(33,384)
Movement revaluation reserve	-	-	35,184	(35,184)	-	-
Total other movements	21,159	29,523	35,184	(32,100)	(32,150)	21,616
Balance at 31 December 2016	312,172	348,515	163,514	(64,250)	64,250	824,201

* See explanation dividend restrictions [Note 16](#) [on page 63]

For 2015, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2015	265,254	306,991	98,077	(11,185)	11,185	670,322
Comprehensive income						
Net result	-	-	-	-	32,150	32,150
Total comprehensive income	-	-	-	-	32,150	32,150
Other movements						
Issued shares	25,759	39,241	-	-	-	65,000
Appropriation of result	-	-	-	11,185	(11,185)	-
Dividends paid	-	(27,240)	-	(1,897)	-	(29,137)
Movement revaluation reserve	-	-	30,253	(30,253)	-	-
Total other movements	25,759	12,001	30,253	(20,965)	(11,185)	35,863
Balance at 31 December 2015	291,013	318,992	128,330	(32,150)	32,150	738,335

* See explanation dividend restrictions [Note 16](#) [on page 63]

Consolidated statement of cash flows

All amounts in € thousands

	Note	2016	2015
Operating activities			
Net result		64,250	32,150
Adjustments for:			
Valuation movements		(29,915)	(2,290)
Result on disposal of investment property		(137)	183
Net finance result		107	(1)
Movements in working capital		(39)	(9,421)
Cash flow generated from operating activities		34,266	20,621
Interest paid		(107)	-
Interest received		-	1
Cash flow from operating activities		34,159	20,622
Investment activities			
Proceeds from sales of investment property		1,839	13,337
Payments of investment property		(10,896)	(8,475)
Payments of investment property under construction		(21,033)	(52,723)
Cash flow from investment activities		(30,090)	(47,861)
Finance activities			
Proceeds from the issue of share capital		55,000	65,000
Dividends paid		(33,384)	(29,137)
Cash flow from finance activities		21,616	35,863
Net increase/(decrease) in cash and cash equivalents		25,685	8,624
Cash and cash equivalents at beginning of year		27,626	19,002
Cash and cash equivalents at end of year	15	53,311	27,626

Notes to the consolidated financial statements

All amounts in € thousands, unless otherwise stated

1 General information

The Retail Fund (Chamber of Commerce number 34366471) is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund was formed for the purpose of providing shareholders with a rate of return by acquiring, managing, adding value to and disposing of a diversified real estate portfolio through investments in retail real estate in the Netherlands. The anchor shareholder is Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (93.0%) and Bouwinvest (0.3%), manager of the Fund, is aligned with the main shareholder of the Fund. As of 2016 we have welcomed three new shareholders to the Fund.

The Fund owns two taxable subsidiaries, Bouwinvest Retail Development B.V. (Chamber of Commerce number 66245060) and Bouwinvest Dutch Institutional Retail Fund Services B.V. (Chamber of Commerce number 67492665). These subsidiaries perform activities that might go beyond mere 'investing'. By having these activities performed by these subsidiaries the Fund remains compliant with the investment criteria of the FII-regime. Bouwinvest Retail Development B.V. performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Retail Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

The Fund's active portfolio management is supported by the supply of (re)developed properties by Bouwinvest Development B.V., Bouwinvest Retail Development B.V. and third parties.

The Statutory Director will present the annual report to the Annual General Meeting of shareholders on 12 April 2017, and will request the approval of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The Fund's functional and presentation currency is the euro. All amounts are in thousands of euros, unless otherwise stated. The financial year 2016 was a normal calendar year from 1 January to 31 December 2016.

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Office Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company financial statements of the Fund are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2, of the Dutch Civil Code. These financial statements have been prepared in accordance with the provision of Article 2:362 subsection 8 and 9, of the Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

Statement of comprehensive income

The Fund presents its statement of comprehensive income by nature of expenses.

Change in accounting policies

In 2016, the Fund changed the 'Statement of cash flows' to the indirect method whereas in prior years the 'Statement of cash flows' was reported according to the direct method. The fund changed the preparation to the indirect method, whereby the net result of the statement of comprehensive income is adjusted for the effects of:

- non-cash items such as valuation movements
- changes during the period in inventories and operating receivables and payables
- cash effects relating to investment activities

- cash effects relating to finance activities

The changes to the indirect 'Statement of cash flows' is retrospectively adjusted so the comparative figures 2015 are adjusted. The Fund decided to report according to the indirect 'Statement of cash flows' whereas it reconciles directly with the accounting records of the Fund. There is no impact on the equity or the net result for the year 2016 and 2015.

Application of new and revised International Financial Reporting Standards (IFRS)

In 2016, the Fund did not adopt any new or amended standards and does not plan the early adoption of any of the standards issued but not yet effective.

Below is a list of the amendments to IFRSs and the new Interpretations that are mandatorily effective for accounting periods that begin on or after 1 January 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception;
- Amendments to IAS 27: Equity Method in Separate Financial Statements;
- Amendments to IAS 1: Disclosure Initiative;
- Annual Improvements to IFRSs 2012–2014 Cycle;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations; and
- Amendments to IAS 16 and IAS 41: Bearer Plants.

The application of these amendments has had no material impact on the disclosures in the Fund's financial statements.

New and amended standards and interpretations, effective for financial years beginning on or after 1 January 2017 Standards issued but not yet effective

Standards issued but not yet effective up to the date of the issuance of the Fund's financial statements are listed below:

- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15, effective 1 January 2018;
- IFRS 9 Financial Instruments, effective 1 January 2018.

The Fund has studied the improvements and is currently assessing their impact.

New and amended standards and interpretations not yet adopted by the European Union

The standards, amended standards and interpretations that have not yet been adopted by the European Union are not yet being applied by the Fund.

- IFRS 16 Leases;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7: Disclosure Initiative;
- Clarifications to IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Annual Improvements to IFRS Standards 2014-2016 Cycle;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration; and
- Amendments to IAS 40: Transfers of Investment Property.

The Fund has studied the improvements and is currently assessing their impact.

Preparation of the financial statements

The consolidated financial statements have been prepared on the historical cost basis except for investment property and investment property under construction, which are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The following entities are included in the consolidated financial statements:

- Bouwinvest Office Development B.V. (100%), established 15 June 2016
- Bouwinvest Dutch Institutional Retail Fund Services B.V. (100%), established 15 December 2016

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Investment property

Investment property under construction or being developed for future use as investment property is presented under 'Investment property under construction'.

Land held under operating leases is classified and accounted for by the Fund as investment property when it meets the rest of the definition of investment property and is accounted for as a finance lease.

Investment property is measured initially at its cost, including related transaction costs such as advisory costs, notary costs, transfer taxes and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

In line with the Practice Statements, as incorporated in the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ('the Red Book'), valuations are performed as of the financial position date by professional valuation experts who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as an investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, including vacancy and rental incentives. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposal of investment properties are recognised in the statement of comprehensive income in the year of disposal.

In the fair value assessment of the investment property the potential effect on future cash flow in respect to granted lease incentives are taken into consideration.

2.4 Investment property under construction

Investment property under construction for future use as investment property is stated at fair value.

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable. If the Fund determines that the fair value of an investment property under construction is not reliably determinable when construction is incomplete, it shall measure that investment under construction at cost until either its fair value becomes reliably determinable or construction is completed.

It may sometimes be difficult to determine the fair value of the investment property under construction reliably. In order to evaluate whether the fair value of an investment under construction can be determined reliably, management considers, among others, the following factors:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar construction projects
- Pre-let percentage
- Status of construction permits

After the first instalment for the project under construction, an external valuation expert values the project each quarter. Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise.

Investment property is not developed within the Retail Fund but via external parties or within Bouwinvest Development B.V. or Bouwinvest Retail Development B.V.. When entering into the contract, the rental risk is transferred to the Fund; the remaining risks remain with the developer. The paid instalments are therefore recognised as investment property under construction.

2.5 Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership. The Fund's financial assets consist of loans and receivables.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Fund assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

With respect to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Fund will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through the statement of comprehensive income, loans, held-to-maturity financial liabilities, and available-for-sale financial liabilities, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. When financial liabilities are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through the statement of comprehensive income, directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.6 Prepayments

Prepayments are stated at cost less any accumulated impairment losses.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.8 Issued capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Tenant deposits

The Retail Fund obtains deposits from tenants as a guarantee for the return of the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 12 months. Such deposits are treated as financial assets in accordance with IAS 39 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Tenant deposits are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the deposit for at least 12 months after the date of the statement of financial position.

2.10 Dividend distribution

An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year (doorstootverplichting). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other investments (including real estate), which are added to a so-called reinvestment reserve (herbeleggingsreserve), are not included in the distributable profit.

2.11 Rental income

Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Rent incentives granted by the Fund to its tenants are recognised as an integral part of the total rental income. The rent incentives are included in investment property.

Incentives to enter into rental agreements are spread evenly over the rental term, even if the payments are not made on such a basis. The rental term is the non-cancellable period of the rental agreement, together with any further term for which the tenant has the option to continue the rental agreement, when, at the inception of the rental agreement it is reasonably certain that the tenant will exercise this option.

Premiums received to terminate rental agreement are recognised in the statement of comprehensive income when they arise.

2.12 Service charges, property operating expenses and administrative expenses

In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, net of costs charged to tenants. These mainly relate to tax, insurance, leasehold, maintenance and professional fees. These are expensed as incurred. Administrative expenses are expenses that are not directly attributable to the operation of properties (including charged management costs not directly related to properties, office overheads, advice, valuation and audit fees, listing costs and marketing and promotion costs).

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

2.13 Other income

Income attributable to the year that cannot be classified under any of the other income categories.

2.14 Finance income and expenses

Finance income consists of interest income and is recognised in the statement of comprehensive income. Interest income is recognised in the statement of comprehensive income as it accrues.

2.15 Cash flow statement

Cash flows are stated according to the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investment activities, as this reflects the Fund's business activities most appropriately.

Cash and cash equivalents comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Earnings per share

The Fund presents basic and diluted earnings per share (EPS) for its ordinary share capital. The earnings per ordinary share are calculated by dividing the profit or loss attributable to the Fund's shareholders by the weighted average number of issued ordinary shares during the reporting period. In calculating the diluted earnings per share, the profit or loss attributable to the Fund's shareholders and the weighted average number of issued ordinary shares during the reporting period are adjusted for all potential dilutive effects on the ordinary shares.

2.17 Income taxes

Based on its status as an FII, the Fund is subject to Dutch corporate income tax at a rate of 0%. See Note 10.

3 Financial risk management

3.1 Financial risk factors

The risk management function within the Fund is carried out with respect to financial risks. Financial risks are risks arising from financial instruments to which the Fund is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

Risk management is carried out by the risk manager under policies approved by the Statutory Director of the Fund. The treasury manager identifies and evaluates financial risks in close cooperation with the Fund's business units and the risk manager. The Statutory Director of the Fund provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of excess liquidity.

Market risk

The market risk of financial instruments relates to foreign exchange risk, price risk and interest rate risk. For more information, we refer you to the Risk Management section.

(I) Foreign exchange risk

The Fund has no exposure to foreign exchange risk as it operates in a euro country only.

(II) Price risk

The Fund has no significant exposure to price risk as it does not hold any equity securities or commodities. The Fund is not exposed to price risk other than in respect of financial instruments, such as property price risk, including property rental risk.

(III) Interest rate risk

As the Fund has no external loans and borrowings, it has no exposure to related interest rate risks. The interest rate risk related to bank balances is mitigated by bank deposits.

(IV) Hedging risk

The Fund has no hedging instruments in use.

Credit risk

Credit risk is defined as the unforeseen losses on assets if counterparties should fail to meet their obligations. The creditworthiness of tenants is closely monitored by checking their credit rating and keeping a close watch on the accounts receivable. Rents are in general also payable in advance and part of the rent payable is secured by means of bank guarantees or guarantee deposits. There are no significant credit risk concentrations.

It is our policy to enter into financial transactions only with financial institutions with a credit rating of at least A (Standard & Poor's). The financial risk is monitored for each individual transaction. Given the high credit rating of its counterparties, the Fund does not expect any defaults.

The carrying amounts of the financial assets represent the maximum credit risk. The combined carrying amount on the reporting date was made up as follows:

(I) The Fund's maximum exposure to credit risk by class of financial asset was as follows:

	2016	2015
Trade and other receivables, net of provision for impairment (Note 14)		
Rent receivables from tenants	361	744
Other financial assets	924	1
Cash and cash equivalents (Note 15)	53,311	27,626

Deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

(II) Analysis by credit quality of financial assets was as follows:

	2016	2015
Trade and other current receivables		
Neither past due nor impaired	924	215
Total neither past due nor impaired	924	215
Past due but not impaired		
Less than 30 days overdue	339	382
30 to 90 days overdue	-	-
Total past due but not impaired	339	382
Individually determined to be impaired (gross)		
30 days to 90 days overdue	243	44
More than 90 days overdue	-	485
Total individually determined to be impaired (gross)	243	529
Less: impairment provision	(221)	(381)
Total trade and other current receivables, net of provision for impairment	1,285	745

There is a significant concentration of credit risk with respect to cash and cash equivalents, as the Fund holds cash accounts with one financial institution. This financial institution has a credit rating of A (Standard & Poor's) and therefore the credit risk is mitigated.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury manager aims to maintain flexibility in funding by keeping committed credit lines available.

The Fund's liquidity position is monitored on a daily basis by management and is reviewed quarterly by the Statutory Director of the Fund. A summary table with maturity of financial assets and liabilities (see below) is used by key management personnel to manage liquidity risks and is derived from managerial reports at Fund level. The amounts disclosed in these tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

The maturity analysis of financial instruments at 31 December 2016 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Assets				
Trade and other receivables	924	361	-	1,285
Liabilities				
Tenant deposits	-	-	479	479
Trade payables	2,980	-	-	2,980
Other financial liabilities	4,393	-	867	5,260

The maturity analysis of financial instruments at 31 December 2015 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Assets				
Trade and other receivables	215	530	-	745
Liabilities				
Tenant deposits	-	-	363	363
Trade payables	2,815	-	-	2,815
Other financial liabilities	4,566	43	1,393	6,002

3.2 Fair value estimation

The Fund has no financial assets that are measured at fair value. The carrying amounts of the financial assets and liabilities and their fair values were as follows:

As at 31 December	Note	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Loans and receivables (level 2)	14	1,285	1,285	745	745
Cash and cash equivalents (level 1)	15	53,311	53,311	27,626	27,626
Financial liabilities measured at amortised cost and other payables (level 2)	17	(8,719)	(8,719)	(9,180)	(9,180)
		45,877	45,877	19,191	19,191

In addition, for financial purposes fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount less impairment provision of trade receivables and trade payables approximates their fair value. All other Statement of financial position items are short-term and therefore not adjusted to their fair value.

3.3 Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Funding is secured by its shareholders through capital calls for which estimations are made each year. No external funding will be obtained.

The Fund distributes the operating profit annually to its shareholders as required by tax law. Reference is made to [Note 10](#) [on page 59]. In order to maintain or adjust its capital structure, the Fund may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares from shareholders or sell assets to reduce debt.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results. The estimates, assumptions and management judgements that carry a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of fair value property portfolio

The valuation of the investment property portfolio is determined in accordance with the Fund's valuation principles. All investments are measured at fair value and based on active market prices, adjusted, if necessary, for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to (i) active market prices, (ii) the influence of so-called rent-free periods and vacancy rates, (iii) the discount rates and (iv) assumed trends in rents.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with the guidelines of the IPD Nederland (IPD Property Index) applicable in the Netherlands.

The valuations are based on a discounted cash flow (DCF) analysis of each property combined – where necessary – with valuations based on market evidence. The DCF analyses are adjusted to existing lease agreements, in order to cover the full period of existing lease agreements. The DCF analyses are based on calculations of the future rental revenue in accordance with the terms in existing lease agreement, and estimations of the rental values when the agreement expires. The starting point for the estimation of the discount rate is the nominal interest rate for 10-year Dutch government bonds. This rate should be increased in accordance with the risks involved in property investments. The whole investment property portfolio is appraised on a quarterly basis by external appraisers. The valuations are executed by external independent valuation experts.

5 Retail locations by strategy

A spread by strategy is applied in the analysis of the valuation of the investment property portfolio.

The Fund's key retail locations by strategy are: Experience, Convenience and Other.

The valuation of the completed investment properties per retail location by strategy was as follows:

Property valuation as at 31 December	2016	2015
Strategy type		
Experience	404,206	199,473
Convenience	149,075	102,088
Other	212,332	224,532
Total	765,613	526,093

6 Gross rental income and service charge income

	2016	2015
Theoretical rent	48,498	42,001
Incentives	(1,165)	(850)
Vacancies	(2,547)	(2,433)
Total gross rental income	44,786	38,718

The future contractual rent from leases in existence on 31 December 2016, until the end of contract (accounted for on the basis of the minimum rent) can be analysed as follows:

	2016	2015
First year	46,862	41,897
Second to fifth years	169,366	147,815
More than five year	132,290	54,627

Service charge income represents € 1.8 million (2015: € 2.0 million) income receivable from tenants for the services utilities, caretakers, etc. when the Fund acts as a principal.

7 Property operating expenses

	2016	2015
Taxes	1,315	1,342
Insurance	164	115
Maintenance	1,738	946
Valuation fees	85	142
Property management fees	811	775
Promotion and marketing	195	212
Letting and lease renewal fees	498	482
Other operating expenses	1,221	857
Addition to provision for bad debts	544	198
Total property operating expenses	6,571	5,069

In 2016, € 0.2 million (2015: € 0.1 million) of the maintenance expenses related to unlet properties.

8 Administrative expenses

	2016	2015
Management fee Bouwinvest	3,829	3,451
Audit fees	24	24
Other administrative expenses	145	100
Legal fees	-	-
Other Fund expenses	15	20
Total administrative expenses	4,013	3,595

Where administrative expenses relate directly to the operation of the property portfolio, they are charged to operating expenses. Where administrative expenses relate directly to the development of the property portfolio, they are capitalised.

9 Finance result

	2016	2015
Finance result	(107)	1
Total finance result	(107)	1

The Fund had no external loans and borrowings during 2016. The Fund was subject to the negative interest rate development for its bank balances.

10 Income taxes

The Fund is structured as a fiscal investment institution (fiscale beleggingsinstelling, or 'FII') within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de vennootschapsbelasting 1969). An FII is subject to Dutch corporate income tax at a rate of 0%, provided that certain requirements are met regarding the Fund's distribution of profits, its activities, leverage and shareholders.

An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year (doorstootverplichting). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other investments (including real estate), which are added to a so-called reinvestment reserve (herbeleggingsreserve), are not included in the distributable profit.

An FII is obliged to be engaged exclusively in portfolio investment activities, i.e. it may not (partly) conduct an active trade or business. Whether an activity is characterised as a portfolio investment activity or as a business activity for Dutch tax purposes depends on all the relevant facts and circumstances. Additional rules apply for real estate development activities related to the FII's own real estate portfolio. In this respect, an FII may engage in development activities for its own real estate portfolio, provided that the property development is carried out within a taxable subsidiary that carries out the development activities on behalf of the FII. Improvements to existing properties do not qualify as development activities provided that the capital expenditure is less than 30% of the value of the property as determined by the Dutch Valuation of Immovable Property Act (Wet waardering onroerende zaken) prior to the improvements.

An FII may finance its investments with debt up to a maximum of 60% of the fiscal book value of the real estate property, plus 20% of the fiscal book value of all other investments.

To qualify as an FII, at least 75% of the Fund must be owned by:

- Individuals
- Entities that are not liable for profit tax and the profits of which are not taxed at the level of the beneficiaries
- Entities that are exempt from profit tax and the profits of which are not taxed at the level of the beneficiaries
- Listed/regulated FIIs

It is also prohibited for entities resident in the Netherlands to collectively own an interest of 25% or more in the Fund through one or more mutual funds or corporate entities not resident in the Netherlands with a capital divided into shares; and no single individual may own an interest of 5% or more.

Retail Development is the taxable subsidiary that carries out development activities for the Retail Fund. The profit before tax of Retail Development is € 5,000 and therefore the income tax amount to € 1,000.

In December 2016 the Fund established a taxable subsidiary, Bouwinvest Dutch Institutional Retail Fund Services B.V., which renders services that are ancillary to renting activities of the Fund. Since no services were recognised in 2016, the taxable profit was nihil.

The Retail Fund met the requirements of an FII in 2016. The effective tax rate was 0% (2015: 0%).

11 Employee benefits expense

The Retail Fund has no employees.

12 Investment property

	2016	2015
At the beginning of the year	521,589	445,936
Transfers from investment property under construction	232,447	85,239
Investments	10,896	8,475
Total investments	243,343	93,714
Transfers to investment property under construction	-	-
Disposals	(1,702)	(520)
Net gain (loss) from fair value adjustments on investment property (like for like)	(3,381)	(23,864)
Net gain (loss) from fair value adjustments on investment property	3,898	6,323
In profit or loss	517	(17,541)
In other comprehensive income	-	-
Transfers out of level 3	-	-
Total investment property (level 3)	763,747	521,589
Lease incentives	1,866	4,504
At the end of the year	765,613	526,093

The Fund's investment properties are valued by external valuation experts on a quarterly basis. The external valuation expert is changed every three years. On 31 December 2016, these properties were revalued by independent professionally qualified valuation experts who hold a recognised relevant professional qualification and had recent experience in the locations and categories of the investment properties valued. The carrying values of investment property as at 31 December 2016, and 1 January 2016, are in line with the valuations reported by the external valuation experts.

Since the accounting effect of lease incentives granted is included under non-current assets the recognised amount € 1,866,000 (2015: € 4,504,000) is deducted from the total fair value of investment properties.

Investments and investment property under construction	2016	2015
Experience	204,180	85,238
Convenience	38,979	77
Other	184	8,399
Total Investments and investment property under construction	243,343	93,714

Disposals	2016	2015
Experience	-	-
Convenience	-	-
Other	(1,702)	(520)
Total disposals	(1,702)	(520)

The significant assumptions made relating to the valuations are set out below.

2016	Experience	Convenience	Other	Total
Current average rent (€/m ²)	368	216	179	233
Estimated rental value (€/m ²)	395	205	167	231
Gross initial yield	4.2%	6.4%	8.0%	5.8%
Net initial yield	3.9%	5.2%	6.9%	5.0%
Current vacancy rate (LFA m ²)	3.2%	14.6%	5.4%	7.2%
Current financial vacancy rate	1.1%	3.6%	9.3%	5.3%
Long-term growth rental rate	2.0%	10.7%	10.2%	15.3%
Average 10-year inflation rate (IPD Nederland)				1.0%

2015

	Experience	Convenience	Other	Total
Current average rent (€/m ²)	395	205	192	225
Estimated rental value (€/m ²)	390	193	174	211
Gross initial yield	4.9%	7.6%	8.1%	6.8%
Net initial yield	4.2%	6.8%	7.0%	5.9%
Current vacancy rate (LFA m ²)	0.1%	4.2%	6.8%	5.2%
Current financial vacancy rate	2.5%	1.5%	7.9%	5.8%
Long-term growth rental rate	1.4%	1.8%	1.6%	1.6%
Average 10-year inflation rate (IPD Nederland)				1.5%

The vacancy rate showed an upward trend due to some bankruptcies.

The net valuation gain (loss) for the year included a positive fair value adjustment of € 29,213 (2015: € 12,141) relating to investment properties that are measured at fair value at the end of the reporting period.

The valuation of the investment properties takes into account a rent-free period/rent incentives ranging from 1 to 3 months after occupation.

As at 31 December 2016, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 0.5 million (2015: € 0.3 million).

Direct operating expenses recognised in profit or loss include € 0.1 million (2015: € 0.2 million) relating to vacant investment property. Investment property includes buildings held under finance leases. The carrying amount is € nil (2015: € nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 5.0% (2015: 5.9%). If the yields used for the appraisals of investment properties on 31 December 2016 had been 100 basis points higher (2015: 100 basis points higher) than was the case at that time, the value of the investments would have been 15.6% lower (2015: 13.5% lower). In this situation, the Fund's shareholders' equity would have been € 128 million lower (2015: € 76 million lower).

The table below presents the sensitivity of the valuation to changes in the most significant assumptions.

	2016		2015	
Change rental rates	-5%	5%	-5%	5%
Value of the investment property change	(38,281)	38,281	(26,305)	26,305
	2016		2015	
Change net initial yield	- 25 bps	+ 25 bps	- 25 bps	+ 25 bps
Value of the investment property change	40,318	(36,477)	23,147	(21,275)

13 Investment property under construction

	2016	2015
At the beginning of the year	195,182	207,867
Investments	21,033	52,723
Transfer to investment property	(232,447)	(85,239)
Transfer from investment property	-	-
Net gain (loss) from fair value adjustments on investment property under construction	29,398	19,831
In profit or loss	29,398	19,831
In other comprehensive income	-	-
Transfers out of level 3	-	-
Total investment property under construction (level 3)	13,166	195,182
Lease incentives	(455)	(2,131)
At the end of the year	12,711	193,051

	2016	2015
Investment property under construction at fair value	12,711	193,051
Investment property under construction at amortised cost	-	-
As at 31 December	12,711	193,051

Investment property is not (re)developed within the Retail Fund but via external parties or within Bouwinvest Development B.V. or Bouwinvest Retail Development B.V..

Investments and investment property under construction	2015	2015
Experience	12,825	21,629
Convenience	8,208	31,094
Other	-	-
Total investments and investment property under construction	21,033	52,723

The investment property under construction is valued by external valuation experts.

The significant assumptions made relating to the valuations are set out below.

	2016	2015
Gross initial yield	6.7%	4.8% - 7.5%
Net initial yield	6.0%	4.5% - 6.8%
Long-term vacancy rate	0.6%	0.0%
Average 10 - year inflation rate (IPD Nederland)	1.0%	1.5%
Estimated average percentage of completion	82.0%	72.0%
Current average rent (€/m ²)	199	319
Construction costs (€/m ²)	588	2,218

14 Trade and other current receivables

	2016	2015
Trade receivables	361	744
Group companies Bouwinvest	-	1
Tax	924	-
Other receivables	-	-
Balance as at 31 December	1,285	745

15 Cash and cash equivalents

	2016	2015
Bank deposits	13,490	13,500
Bank balances	39,821	14,126
Balance as at 31 December	53,311	27,626

The bank balances of € 39.8 million are freely available to the Fund as at 31 December 2016. In order to minimise the costs of the negative interest rate on the bank balances, during 2016 the Fund used 30-day bank deposits. The bank deposits of € 13.5 million have a 30 days' notice period.

16 Equity attributable to shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

For 2016, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	291,013	318,992	128,330	(32,150)	32,150	738,335
Comprehensive income						
Net result	-	-	-	-	64,250	64,250
Total comprehensive income	-	-	-	-	64,250	64,250
Other movements						
Issued shares	21,159	33,841	-	-	-	55,000
Appropriation of result	-	-	-	32,150	(32,150)	-
Dividends paid	-	(4,318)	-	(29,066)	-	(33,384)
Movement revaluation reserve	-	-	35,184	(35,184)	-	-
Total other movements	21,159	29,523	35,184	(32,100)	(32,150)	21,616
Balance at 31 December 2016	312,172	348,515	163,514	(64,250)	64,250	824,201

* See explanation dividend restrictions in this Note.

For 2015, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2015	265,254	306,991	98,077	(11,185)	11,185	670,322
Comprehensive income						
Net result	-	-	-	-	32,150	32,150
Total comprehensive income	-	-	-	-	32,150	32,150
Other movements						
Issued shares	25,759	39,241	-	-	-	65,000
Appropriation of result	-	-	-	11,185	(11,185)	-
Dividends paid	-	(27,240)	-	(1,897)	-	(29,137)
Movement revaluation reserve	-	-	30,253	(30,253)	-	-
Total other movements	25,759	12,001	30,253	(20,965)	(11,185)	35,863
Balance at 31 December 2015	291,013	318,992	128,330	(32,150)	32,150	738,335

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Retail Fund is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. Dutch Law stipulates that dividends can only be paid up to an amount equal to the excess of the Fund's own funds over the sum of the paid-up capital, statutory reserves and reserves required by law.

The revaluation reserve, being a legal reserve, cannot be freely distributed. Dividends are all payments from the free reserves. The free reserves consist of the share premium and retained earnings. Dividend will consist partly of profits and other payments.

In order to further align the processing of the distributable dividends with Dutch Law and taking into account the FII status of the Fund, the distributable dividends are made from retained earnings insofar the retained earnings – being the total amount of retained earnings and result for the year – are not negative. The remaining amount of legally required distributable dividends is subsequently made from share premium. Any residual negative retained earnings is supplemented from the share premium.

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2016	291,013	291,013	318,992	610,005
New shares issued	21,159	21,159	33,841	55,000
Dividend paid	-	-	(4,318)	(4,318)
Balance at 31 December 2016	312,172	312,172	348,515	660,687
Opening balance at 1 January 2015	265,254	265,254	306,991	572,245
New shares issued	25,759	25,759	39,241	65,000
Dividend paid	-	-	(27,240)	(27,240)
Balance at 31 December 2015	291,013	291,013	318,992	610,005

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2016, in total 312,172 shares had been issued and fully paid up.

Share premium

The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2016 was determined at the individual property level.

17 Trade and other payables

	2016	2015
Trade payables	2,980	2,814
Group companies Bouwinvest	-	1
Rent invoiced in advance	4,393	4,566
Tenant deposits	479	363
Service charge payments	595	1,141
Promotion costs	101	34
Tax	-	43
Other payables	171	218
Balance as at 31 December	8,719	9,180

The other payables relate to invoices yet to be received for maintenance of and investments in the portfolio.

18 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2016	2015
Net result attributable to shareholders	64,250	32,150
Weighted average number of ordinary shares	297,989	276,024
Basic earnings per share (€ per share)	215.61	116.48

The Fund has no potentially dilutive ordinary shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

19 Dividends per share

In 2016, € 33.4 million (2015: € 29.1 million) was paid as dividend. The payment of a dividend over 2016 of € 114.76 per share as at year-end 2016 (2015: € 108.84), amounting to a total dividend of € 34.2 million (2015: € 30.0 million), is to be proposed at the Annual General Meeting of shareholders on 12 April 2017. These financial statements do not reflect this dividend payable.

The dividend proposal for 2016 has not been accounted for in the financial statements. The dividend for 2016 will be paid in cash.

20 Contingent liabilities and assets

As at 31 December 2016, the Fund's total future commitments amounted to € 30 million (2015: € 24 million).

These commitments are made up as follows:

	2017	2018
Investment commitments	26	4
	26	4

The Fund has a contractual agreement with Bouwinvest for an indefinite period in which it has to pay a management fee, based on the net asset value. The notice period is two years.

The Retail Fund contracted Bouwinvest Development B.V. to redevelop the projects Damrak and Nieuwendijk in Amsterdam, whereas Bouwinvest Development B.V. outsourced the redevelopment activities to third parties. The Dutch tax authorities have raised questions about the objectivity of the compensation Bouwinvest Development B.V. calculates on its redevelopment activities. This subject is currently discussed with the Dutch tax authorities by Bouwinvest Development B.V. and the Retail Fund, the result is not clear yet.

21 Related parties

The Retail Fund's subsidiaries and members of the Supervisory Board and Board of Directors of Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) and the other entities under management by Bouwinvest, qualify as related parties of the Retail Fund. The Fund paid Bouwinvest a € 3.8 million fee in 2016 (2015: € 3.5 million). bpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

Bouwinvest Development B.V. and bpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

Members of the Supervisory Board and Board of Directors of Bouwinvest do not have any material interest in the Fund's voting shares and do not have options on shares. The Fund has not granted any loans to the members of the Bouwinvest Supervisory Board and Board of Directors.

The members of the Bouwinvest Supervisory Board and Board of Directors held no personal interest in the Fund's investments in 2016.

Bouwinvest Development B.V. and Bouwinvest Retail Development B.V. (re)develops part of the investment property for the Fund. In 2016, € 17.2 million (2015: € 30.1 million) was paid to Bouwinvest Development B.V. with regard to the projects Nieuwendijk 196 (Amsterdam), Damrak 70 (Amsterdam), Molenhoekpassage (Rosmalen), Goverwelle (Gouda) and Westerhaven (Groningen).

22 Management fee

Bouwinvest is the manager and the Statutory Director of the Fund. The management fee paid for the year 2016 amounted to € 3.8 million (2015: € 3.5 million).

In consideration of the management activities with respect to the Fund, Bouwinvest receives an annual management fee equal to 0.50% (exclusive of VAT) of the Fund's net asset value in accordance with the valuation methods of the Fund. The management fee is payable quarterly in advance.

The remuneration of the members of the Supervisory Board is included in the management fee paid to Bouwinvest.

During the reporting period, the manager, Bouwinvest, is responsible for five funds of which the Residential Fund, Office Fund and Retail Fund are under supervision of the Dutch Financial Markets Authority (AFM). Bouwinvest also has a separate mandate from bpfBOUW for the management of international real estate investments and manages Bouwinvest Development B.V. The remuneration cannot be explicitly allocated per fund and is therefore not available. The remuneration, in line with the AIMFD Article 107, is disclosed in the annual report 2016 of Bouwinvest Real Estate Investment Management B.V., which is filed and public.

23 Audit fees

The table below shows the fees charged over the year 2016 by Deloitte Accountants B.V. and the Deloitte Network in respect of activities for the Retail Fund.

	2016	2015
Audit of the financial statements	24	24
Other audit engagements	-	-
Tax advisory services	-	-
Other non-audit services	-	-
Total fees	24	24

24 Subsequent events

As of January 2017, three Dutch pension funds committed for a total of € 55 million.

Company balance sheet

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2016	2015
Assets			
Non-current assets			
Investment property		765,613	526,093
Investment property under construction		12,711	193,051
Financial assets	3	1,006	-
		779,330	719,144
Current assets			
Trade and other current receivables		1,285	745
Cash and cash equivalents		52,629	27,626
		53,914	28,371
Total assets		833,244	747,515
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		312,172	291,013
Share premium		348,515	318,992
Revaluation reserve		163,514	128,330
Retained earnings		(64,250)	(32,150)
Net result for the year		64,250	32,150
Total equity		824,201	738,335
Current liabilities			
Trade and other payables		9,043	9,180
Total liabilities		9,043	9,180
Total equity and liabilities		833,244	747,515

Company profit and loss account

All amounts in € thousands, unless otherwise stated

	2016	2015
Profit of participation interests after taxes	4	-
Other income and expenses after taxes	64,246	32,150
Result for the year	64,250	32,150

Notes to the company financial statements

All amounts in € thousands, unless otherwise stated

1 Summary of significant accounting policies

1.1 General

The Company financial statements of Bouwinvest Dutch Institutional Retail Fund N.V. (the Retail Fund) are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. These financial statements have been prepared in accordance with provision of Article 2:362 subsection 8 and 9, of the Dutch Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

If no other policies are mentioned, the applicable policies are those of the consolidated financial statements. The consolidated financial statements should be consulted for an appropriate interpretation of the Company financial statements.

The notes in the consolidated financial statements also apply to the Company accounts. If Company amounts are not directly traceable to the consolidated notes, additional notes are included in the Company notes.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The exemption laid down in Article 402 Book 2 of the Dutch Civil Code has been applied to the Company profit and loss account of the Fund.

1.2 Financial assets

Subsidiaries

Subsidiaries include all entities over which the Fund has the power – directly or indirectly – to control financial and operational policies. Subsidiaries are valued under the net equity method, but not lower than zero. The equity value is measured by valuation of assets, provisions and liabilities and determination of results based on the accounting policies of the consolidated financial statements.

Recognition of losses

If the share in losses attributable to the Fund exceeds the carrying amount of the net investment (investment and other unsecured receivables), further losses will not be recognised, unless the Fund has provided securities to the associate, committed to liabilities or paid on behalf of the associate. In that case, a provision will be set aside for the excess.

2 Financial risk management

Reference is made to Note 3 of the consolidated financial statements.

3 Financial assets

	2016	2015
As per 1 January	-	-
Acquisitions	1,002	-
Net result for the year	4	-
As per 31 December	1,006	-

The Fund acquired the shares (100%) of the following subsidiaries:

- Bouwinvest Retail Development B.V., Amsterdam
- Bouwinvest Dutch Institutional Retail Fund Services B.V., Amsterdam

Bouwinvest Retail Development B.V. redevelops investment properties for Bouwinvest Dutch Institutional Retail Fund N.V.

4 Equity attributable to shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

For 2016, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	291,013	318,992	128,330	(32,150)	32,150	738,335
Comprehensive income						
Net result	-	-	-	-	64,250	64,250
Total comprehensive income	-	-	-	-	64,250	64,250
Other movements						
Issued shares	21,159	33,841	-	-	-	55,000
Appropriation of result	-	-	-	32,150	(32,150)	-
Dividends paid	-	(4,318)	-	(29,066)	-	(33,384)
Movement revaluation reserve	-	-	35,184	(35,184)	-	-
Total other movements	21,159	29,523	35,184	(32,100)	(32,150)	21,616
Balance at 31 December 2016	312,172	348,515	163,514	(64,250)	64,250	824,201

For 2015, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2015	265,254	306,991	98,077	(11,185)	11,185	670,322
Comprehensive income						
Net result	-	-	-	-	32,150	32,150
Total comprehensive income	-	-	-	-	32,150	32,150
Other movements						
Issued shares	25,759	39,241	-	-	-	65,000
Appropriation of result	-	-	-	11,185	(11,185)	-
Dividends paid	-	(27,240)	-	(1,897)	-	(29,137)
Movement revaluation reserve	-	-	30,253	(30,253)	-	-
Total other movements	25,759	12,001	30,253	(20,965)	(11,185)	35,863
Balance at 31 December 2015	291,013	318,992	128,330	(32,150)	32,150	738,335

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2016, in total 312,172 shares had been issued and fully paid up.

Share premium

The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2016 was determined at the individual property level.

Appropriation of profit 2015

The Annual General Meeting of shareholders on 18 April 2016 adopted and approved the 2015 financial statements of the Retail Fund. A dividend of € 108.84 (in cash) per share has been paid. Of the profit for 2015 amounting to € 32.2 million, € 32.2 million was incorporated in the retained earnings.

Proposal for profit appropriation 2016

The management of the Fund proposes to the General Meeting of shareholders that a dividend of € 114.76 (in cash) per share be paid. Of the profit for 2016 amounting to € 64.3 million, € 64.3 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Retail Fund has no employees.

6 Remuneration

Reference is made to Note 22 of the consolidated financial statements.

Signing of the Financial Statements

Amsterdam, 20 March 2017

Bouwinvest Real Estate Investment Management B.V.

Dick van Hal, *Chairman of the Board of Directors and Statutory Director*

Arno van Geet, *Managing Director Finance*

Allard van Spaandonk, *Managing Director Dutch Investments*

Stephen Tross, *Managing Director International Investments*

Other information

Articles of Association related to the appropriation of profit

Appropriation of profit is provided for in Article 20 of the Articles of Association. This specific article is quoted below.

20.1

The distributable profit shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves. If the General Meeting has made a decision about profit distribution not later than immediately prior to or after the adoption of the financial statements, the distributable profit will be added to the reserves.

20.2

Distribution of profits shall take place after the adoption of the financial statements which show that the distribution is permitted.

20.3

The General Meeting may resolve to distribute one or more interim dividends and/or other interim distributions. The Board of Directors may also resolve to distribute one or more interim dividends.

20.4

Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.

20.5

Distribution to shareholders may be made only to the extent of distributable equity and if an interim dividend is paid, that requirement is met according to an interim financial statement as referred to in Article 2:105 Section 4 of the Dutch Civil Code. The Fund shall deposit the interim financial statements at the offices of the Chamber of Commerce (Commercial Register) within eight days after the date of the decision to make an interim distribution.

20.6

In calculating the appropriation of profits, the shares held by the Fund in its own share capital shall not be taken into account.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

Report on the financial statements 2016 included in the annual report

Our Opinion

We have audited the financial statements 2016 of Bouwinvest Dutch Institutional Retail Fund N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Bouwinvest Dutch Institutional Retail Fund N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements included in this annual report give a true and fair view of the financial position of Bouwinvest Dutch Institutional Retail Fund N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2016.
2. The following statements for 2016: the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2016.
2. The company profit and loss account for 2016.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Bouwinvest Dutch Institutional Retail Fund N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 8.2 million. The materiality is based on 1% of total equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview

Materiality level	€ 8.2 million
Basis for group materiality level	1% of total equity
Threshold for reporting misstatements	€ 410 thousand

We agreed with the Board of Directors that misstatements in excess of € 410 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Bouwinvest Dutch Institutional Retail Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Bouwinvest Dutch Institutional Retail Fund N.V.

Our group audit mainly focused on significant group entities.

We have performed all audit procedures ourselves for all group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors.

The key audit matters are not a comprehensive reflection of all matters discussed.

Key audit matter	How the key audit matter was addressed in the audit
<p>Valuation of investment property</p> <p>Investment property and investment property under construction are important accounts balances in the statement of financial position and are valued at fair value. The valuations of these investment properties are based on external valuations.</p> <p>The valuation of investment property contains an inherent estimation uncertainty (see also notes 4.1, 12 and 13 of the notes to the financial statements).</p>	<p>We have obtained an understanding of the key controls, including the involvement of the external valuation experts by management, surrounding the valuation process.</p> <p>Using the underlying external appraisal reports we have verified the value of the investment property. We have likewise reconciled the rental data applied with the financial accounting records. On the basis of IAS 40, we have reviewed the Fair Value concept as applied by the appraisers.</p> <p>Likewise, we have critically reviewed the relevant factors influencing the appraisal value of an object and discussed these with the external appraisers and the responsible client personnel.</p> <p>We have additionally engaged internal property experts to review a selection of the property.</p> <p>We have performed an additional test on the reliability of the estimation by comparing the valuation with the revenues effectively realized upon sale.</p>

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report, the annual report contain other information that consists of:

- The Report of the Board of Directors
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code
- Other additional information, among others: Corporate Social Responsibility, Corporate governance and Risk management.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Board of Directors as auditor of Bouwinvest Dutch Institutional Retail Fund N.V. as of the audit for year 2012 and have operated as statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 20 March 2017

Deloitte Accountants B.V.

Signed on the original: J. Holland

INREV valuation principles and INREV adjustments

INREV Valuation principles

In order to give investors information on the transition from the Net Asset Value (NAV) according to IFRS to the adjusted NAV based on INREV valuation principles, the Fund reports the adjustments according to the INREV valuation principles. The fundamental assumption underlying the adjusted INREV NAV of the Fund is that it should give a more accurate reflection of the economic value of the Fund and of a participation in the Fund as it would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's length transaction, a willing buyer/seller and an adequate time to market.

Note	Total	Per share	Actual impact on 2016 figures	Actual impact on 2015 figures
NAV per the IFRS financial statements	X	X	Yes	Yes
Reclassification of certain IFRS liabilities as components of equity	X	X	N/A	N/A
Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests				
1 in a vehicle	X	X	N/A	N/A
2 Effect of dividends recorded as a liability which have not been distributed	X	X	N/A	N/A
NAV after reclassification of equity-like interests and dividends not yet distributed	X	X	N/A	N/A
Fair value of assets and liabilities	X	X	N/A	N/A
3 Revaluation to fair value of investment properties	X	X	N/A	N/A
Revaluation to fair value of self-constructed or developed investment				
4 property	X	X	N/A	N/A
5 Revaluation to fair value of investment property held for sale	X	X	N/A	N/A
Revaluation to fair value of property that is leased to tenants under a finance				
6 lease	X	X	N/A	N/A
7 Revaluation to fair value of real estate held as inventory	X	X	N/A	N/A
8 Revaluation to fair value of other investments in real assets	X	X	N/A	N/A
9 Revaluation to fair value of indirect investments not consolidated	X	X	N/A	N/A
10 Revaluation to fair value of financial assets and financial liabilities	X	X	N/A	N/A
11 Revaluation to fair value of construction contracts for third parties	X	X	N/A	N/A
12 Set-up costs	X	X	N/A	N/A
13 Acquisition expenses	X	X	Yes	Yes
14 Contractual fees	X	X	N/A	N/A
Effects of the expected manner of settlement of sales/vehicle unwinding	X	X	N/A	N/A
15 Revaluation to fair value of savings of purchaser's costs such as transfer taxes	X	X	N/A	N/A
Revaluation to fair value of deferred taxes and tax effect of INREV NAV				
16 adjustments	X	X	N/A	N/A
17 Effect of subsidiaries having a negative equity (non-recourse)	X	X	N/A	N/A
Other adjustments	X	X	N/A	N/A
18 Goodwill	X	X	N/A	N/A
19 Non-controlling interest effects of INREV adjustments	X	X	N/A	N/A
INREV NAV	X	X	Yes	Yes

X= Possible impact on NAV and NAV per share N/A= Not applicable Yes= Impact on INREV NAV

INREV adjustments

All amounts in € thousands, unless otherwise stated

Note	Per share		Per share	
	Total 2016	2016	Total 2015	2015
NAV as per the financial statements	824,201	2,640.21	738,335	2,537.12
Reclassification of certain IFRS liabilities as components of equity				
1 Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	-	-	-	-
2 Effect of dividends recorded as a liability which have not been distributed	-	-	-	-
NAV after reclassification of equity-like interests and dividends not yet distributed	824,201	2,640.21	738,335	2,537.12
Fair value of assets and liabilities				
3 Revaluation to fair value of investment properties	-	-	-	-
4 Revaluation to fair value of self-constructed or developed investment property	-	-	-	-
5 Revaluation to fair value of investment property held for sale	-	-	-	-
6 Revaluation to fair value of property that is leased to tenants under a finance lease	-	-	-	-
7 Revaluation to fair value of real estate held as inventory	-	-	-	-
8 Revaluation to fair value of other investments in real assets	-	-	-	-
9 Revaluation to fair value of indirect investments not consolidated	-	-	-	-
10 Revaluation to fair value of financial assets and financial liabilities	-	-	-	-
11 Revaluation to fair value of construction contracts for third parties	-	-	-	-
12 Set-up costs	-	-	-	-
13 Acquisition expenses	3,098	9.92	3,118	10.71
14 Contractual fees	-	-	-	-
Effects of the expected manner of settlement of sales/vehicle unwinding				
15 Revaluation to fair value of savings of purchaser's costs such as transfer taxes	-	-	-	-
16 Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	-	-	-	-
17 Effect of subsidiaries having a negative equity (non-recourse)	-	-	-	-
Other adjustments				
18 Goodwill	-	-	-	-
19 Non-controlling interest effects of INREV adjustments	-	-	-	-
INREV NAV	827,299	2,650.14	741,453	2,547.83
Number of shares issued	312,172		291,013	
Number of shares issued taking dilution effect into account	312,172		291,013	
Weighted average INREV NAV	780,921		708,147	
Weighted average INREV GAV	795,146		722,499	
Total Expense Ratio (NAV)	0.52%		0.53%	
Total Expense Ratio (GAV)	0.52%		0.52%	
Real Estate Expense Ratio (GAV)	0.82%		0.91%	

Notes to the INREV adjustments

All amounts in € thousands, unless otherwise stated

1 Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long term interest in a vehicle

Investors' capital can take various forms aside from equity – examples include shareholder loans and hybrid capital instruments such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle.

Since investors in the Fund only invest via shares, no adjustment is included.

2 Effect of dividends recorded as a liability which have not been distributed

Under certain circumstances dividends are recorded as a liability but have not yet been legally distributed. For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As per 31 December 2016, no dividends are recorded as a liability, no adjustment is included.

3 Revaluation to fair value of investment property

After initial recognition, investment property is valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2016.

4 Revaluation to fair value of self-constructed or developed investment property

Development property is investment property under construction and valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2016.

5 Revaluation to fair value of investment property held for sale

Assets in this category are measured under IFRS at the lower of cost or net realisable value in the financial statements. The adjustment represents the impact on NAV of the revaluation of the property intended for sale, measured at cost, to fair value.

As per 31 December 2016, no properties intended for sale had been presented that are not included in the fair value of investment property.

6 Revaluation to fair value of property that is leased to tenants under a finance lease

Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently re-measured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As per 31 December 2016, no adjustment had been made since no property is held that is leased to tenants under a finance lease.

7 Revaluation to fair value of real estate held as inventory

Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements. This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the caption 'revaluation to fair value of real estate held as inventory'.

As per 31 December 2016, no adjustment had been made since no property is accounted for under IAS 2 (Inventory).

8 Revaluation to fair value of other investments in real assets

Under IAS16 other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As per 31 December 2016, no adjustment had been made since the Fund has no investments in real assets.

9 Revaluation to fair value of indirect investments not consolidated

Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV. The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As per 31 December 2016, no adjustment had been made since the Fund has no indirect investments in real estate.

10 Revaluation to fair value of financial assets and liabilities (including revaluation to fair value of debt obligations)

Financial assets and liabilities such as debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS.

As per 31 December 2016, no adjustment had been made since the financial assets and liabilities accounted for in the Statement of financial position are not materially different with the fair value of the financial assets and liabilities in accordance with the fair value principles of IFRS 13.

11 Revaluation to fair value of construction contracts for third parties

Under IAS11, construction contracts for third parties are normally accounted for based on the stage of completion. The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As per 31 December 2016, no adjustment had been made since the Fund has no construction contracts of third parties.

Adjustments to reflect the spreading of one-off costs

As described in further detail below, set-up costs and acquisition expenses should be capitalised and amortised. The rationale for these adjustments is to spread these costs over a defined period of time to smooth the effect of the write-off of costs on the vehicle's performance. Furthermore, it is a simple mechanism to spread costs between different investor groups entering or leaving the vehicle's equity at different times.

In practice, there are many other ways in which vehicles address such issues for pricing, valuation, or other purposes. Since the INREV NAV is primarily intended to facilitate comparability between different vehicles, the INREV approach is a simple but fixed methodology. Please note that these capitalised costs are subject to an impairment test each time the NAV is calculated and therefore should always be recoverable over time.

As the adjustments with respect to set-up costs are separately disclosed in the calculation of a vehicle's INREV NAV, investors can choose how these are taken into account when valuing their holding.

12 Set-up costs

Set-up costs (i.e. establishment expenses) are charged immediately to income after the initial closing date. This adjustment represents the impact on NAV of the capitalisation and amortisation of set-up costs over the first five years of the terms of the Fund. When capitalising and amortising set-up costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not to be expected that the capitalised set-up costs can be recovered.

As per 31 December 2016, the set-up costs of the Fund have been amortised, so no adjustment had been made per 31 December 2016.

13 Acquisition expenses

Under the Fair Value model, acquisition expenses of investments under the fair value assumptions according to IFRS may be partly charged to income or equity as fair value changes at the first subsequent measurement date after acquisition. This is when the fair value at the moment of measurement is less than the total amount of the purchase value of the assets and the acquisition expenses.

This adjustment represents the impact on NAV of the capitalisation and amortisation of acquisition expenses over the period from acquisition of the specific asset to five years after initial closing.

When an asset is sold during the amortisation period, the balance of capitalised acquisition expenses is charged to the income statement in the period of sale.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated (when market circumstances change) and it is not expected that the capitalised acquisition costs can be recovered with the sale of units of the Fund.

Most of the acquisitions are realised via a turn-key agreement with a development company. Since these acquisitions can be purchased free of transfer-tax normally the acquisition price is higher than if transfer-taxes should be paid separately. The valuation methodology is the net valuation after deduction of acquisition cost for a potential buyer. At initial recognition and during the instalments a part in the revaluation result will include the effect of the difference of the purchase price and the net valuation after deduction of acquisition cost for a potential buyer. This difference is taken into account in the INREV NAV as a separate item in the INREV adjustment in respect to Acquisition expenses.

Capitalised acquisition costs as per 31 December 2015	4,074
Acquisition costs 2016	682
Amortisation acquisition costs in 2016	(1,658)
Adjustment NAV (excluding tax)	3,098

14 Contractual fees

A liability represents a present obligation. A fee payable at the end of the lifetime of the Fund or at any other moment during the lifetime of the Fund may not meet the criteria for recognition of a provision or liability in accordance with IFRS at the moment the accounts are prepared.

As per the balance sheet date, all contractual fees and contingent liabilities are recognised in accordance with IFRS. The Fund did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as per the balance sheet date.

15 Revaluation to fair value of savings of purchaser's costs such as transfer taxes

This adjustment represents the positive impact on NAV of the possible reduction of transfer taxes and purchaser's costs for the seller based on the expected sale via the sale of shares. Transfer taxes and purchaser's costs which would be incurred in an asset sale are generally deducted when determining the fair value of the properties. The effect of a possible sale of shares in a property vehicle might be taken into account when determining the deduction of transfer taxes and purchaser's costs (if this lowers the actual transfer tax and/or purchaser's costs to be paid upon sale by the seller).

The Fund has no investment property structured in special vehicles. As per 31 December 2016, no adjustment had been made due to the fact that it is impossible to sell investment property via a share deal. Therefore, there is no possibility of an additional reduction of the transfer tax or purchaser's costs that might lead to a higher sales price.

16 Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments

Under IFRS, deferred tax (assets and liabilities) is measured at the nominal statutory tax rate. How the Fund expects to settle deferred tax is not taken into consideration. This adjustment represents the impact on NAV of the deferred tax for assets and liabilities or financial instruments based on the expected settlement. This should be taken into consideration when tax structures have been applied to reduce tax on capital gains or allowances.

Where goodwill is included in the Statement of financial position as a result of a deferred tax liability that is eliminated as a result of the above-mentioned adjustment, the goodwill related to this deferred tax will be excluded from NAV.

The Fund has the status of a fiscal investment institution (0% corporate tax rate). Therefore, no adjustment has been made, as the Fund is exempt from corporate tax payments.

17 Effect of subsidiaries having a negative equity (non-recourse)

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As per 31 December 2016, no adjustment had been made since the Fund has no subsidiaries.

18 Goodwill

At acquisition of an entity which is determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. Often a major component of such goodwill in property vehicles reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take account of the likely or intended method of subsequent exit), and the economic value attributed to such items in the actual purchase price. Except where such components of goodwill have already been written off in the NAV as determined under IFRS, they should be written off in the INREV NAV.

As per 31 December 2016, no adjustment had been made since the Fund has no goodwill recognised in the Statement of financial position.

19 Non-controlling interest effects of INREV adjustments

This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As per 31 December 2016, no adjustment had been made since the Fund holds no minority interests.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

Report on the INREV adjustments

Our Opinion

We have audited the accompanying INREV adjustments 2016 of Bouwinvest Dutch Institutional Retail Fund N.V., based in Amsterdam.

In our opinion the INREV adjustments are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the fund, i.e. INREV valuation principles, as set out on page 76 up to and including page 82.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the INREV adjustments" section of our report.

We are independent of Bouwinvest Dutch Institutional Retail Fund N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Description of responsibilities for the INREV adjustments

Responsibilities of management for the INREV adjustments

Management is responsible for the preparation of the INREV adjustments in accordance with the accounting policies selected and disclosed by the fund (INREV valuation principles) as set out on page 76 up to and including page 82.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the INREV adjustments that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the INREV adjustments

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these INREV adjustments. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the INREV adjustments, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluating the overall presentation, structure and content of the INREV adjustments, including the disclosures.

Amsterdam, 20 March 2017

Deloitte Accountants B.V.

Signed on the original: J. Holland

Shareholders' information & Investor Relations

Legal and capital structure

Bouwinvest Dutch Institutional Retail Fund N.V. is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969.

Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) is the Fund's Statutory Director and management company, subject to the terms of the management agreement. In February 2014, the management company obtained a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is now subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Shareholders

As of January 2017, one new and three existing investors committed for a total of € 55 million.

Name shareholder	Number of shares at year-end 2016
Shareholder A	290,225
Shareholder B	788
Shareholder C	12,311
Shareholder D	5,001
Shareholder E	3,847
Total	312,172

Dividend

As a result of the Fund's fiscal investment institution (FII) status, Bouwinvest will distribute all of the Net Realised Result to the shareholders through four quarterly interim dividend payments and one final dividend payment.

The Board of Directors proposes to pay a dividend of € 114.76 per share for 2016 (2015: € 108.84), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend will be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 76.4 % was paid out in the course of 2015. The fourth instalment was paid on 7 March 2017. The rest of the distribution over 2016 will be paid in one final instalment following the Annual General Meeting of shareholders on 12 April 2017.

Shareholders' calendar

31 May 2016	Payment interim dividend first quarter 2016, € 27.64 per share
30 August 2016	Payment interim dividend second quarter 2016, € 29.78 per share
8 December 2016	Payment interim dividend third quarter 2016, € 30.36 per share
7 March 2017	Payment interim dividend fourth quarter 2016, € 21.45 per share
12 April 2017	Annual General Meeting of Shareholders
25 April 2017	Payment of final dividend 2016, € 5.36 per share
6 June 2017	Payment interim dividend first quarter 2017
5 September 2017	Payment interim dividend second quarter 2017
5 December 2017	Payment interim dividend third quarter 2017
6 December 2017	General Meeting of Shareholders
6 March 2018	Payment interim dividend fourth quarter 2017

Investor relations

Bouwinvest aims for the highest level of transparency in its communications on the financial situation, strategy, plans and other information relevant to its existing and potential investors and other stakeholders. All the information Bouwinvest publishes via various channels is also available on the Bouwinvest Investor Web.

In addition to the regular information outlined above, Bouwinvest organised a number of investor relations activities in 2016, including road shows, property tours and one-on-one meetings with (potential) investors, plus we attended several high-profile real estate conferences to present the management organisation, its strategy and its vision on real estate to (potential) investors.

For further information on Bouwinvest's investor relations activities, please visit our corporate website at Bouwinvest.nl. You can also contact our Investor Relations department at ir@bouwinvest.nl or Karen Huizer, Investor Relations manager: +31 (0)20 677 1598.

CSR performance indicators

		2016	2015
Tenant engagement			
Number of leases		474	461
New tenants		87	69
Green Leases		23	10
DUO Labels (GRI-CRESS: CRE8)		454	352
Response rate (GRI: PR5)		49% *	
Satisfaction scores (GRI: PR5)		5,8 *	
INREV Sustainability performance measures			
	Units	2016	2015
Energy consumption			
Total electricity consumption (GRI: EN4)	MWh	972	944
Total gas consumption (GRI: EN3)	MWh	2,455	2,668
Total district heating and cooling (GRI: EN4)	MWh	-	-
Total energy consumption from all sources (GRI: EN4)	MWh	3,427	3,612
Carbon emissions (GHG)			
Total direct GHG emissions (GRI: EN15) Scope 1	tonnes CO ₂ e	459	498
Total indirect GHG emissions (GRI: EN16) Scope 2	tonnes CO ₂ e	387	376
Total GHG emissions (GRI: EN16) Scope 1 and 2	tonnes CO ₂ e	846	874
Total GHG emissions after compensation	tonnes CO ₂ e	459	498
Water consumption			
Total water consumption (GRI:EN8)	m ³	116	83
Waste management			
Total waste collected (GRI: EN22)	tonnes	91	101
Recycling rate		12	8
INREV Sustainability intensity measures			
Building energy intensity (GRI-CRESS: CRE1)	kWh/m ² /year	34.3	36.2
Greenhouse gas intensity from building energy (GRI-CRESS: CRE3)	kg CO ₂ e/m ² /year	8.5	8.8
Building water intensity (GRI-CRESS: CRE2)	m ³ /m ² /year	0.010	0.007
Certificates			
EPC labels coverage (GRI-CRESS: CRE8)		86.8%	93.4%
Green certificates (A,B or C label)		85.2%	88.0%
Average energy index		0.91	0.98
Green Building Certificates (BREEAM and GPR) (GRI-CRESS: CRE8)		4	4
Global Real Estate Sustainability Benchmark (GRESB) Overall Score (GRI-CRESS: CRE8)		74	69

Reporting of performance indicators

Bouwinvest reports environmental data of those assets where there is management control possible (operational control approach). Data is provided for those assets where we have authority to introduce and implement operating policies and are responsible for purchasing energy and water and handling waste. Our management control differs greatly by asset type (e.g. residential and office); these differences affect the level of influence we have over the sustainability performance of our assets.

Like for like data and changes represents assets which have been fully owned and operational for the full 24 month period in our investment portfolio. It provides insight in the performance of an indicator over time at a constant portfolio scope. The reduction in GHG emissions can be explained by the compensation of carbon emissions through purchase of carbon certificates. This follows the commitment of Bouwinvest to reduce the impact its operations has on climate change.

Energy, Emission and Water intensities are reported using “shared services” as the numerator and lettable floor area (LFA) as the denominator. “Shared services” refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered.

Contact information

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Glossary

Assets under management

Assets under management is defined as the net asset value of the funds, as per the chosen valuation principles of the funds, that Bouwinvest manages as investment manager.

Capital growth

Capital growth as a percentage is equal to the net result (INREV) minus the distributable result, divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Direct property return

Direct property return as a percentage is equal to the net rental income of investment properties divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (IPD methodology).

Distributable result

Distributable result is the total rental income and other income net of all expenses, costs, fees (including management fee), financing costs and taxes borne by the Fund available for distribution to the shareholders.

Estimated rental value

The estimated rent at which space within a property could reasonably be expected to be let given current market conditions.

Financial occupancy rate

This is the average occupancy rate of the portfolio over the year calculated on the basis of rental revenue according to contracts as at the reporting date, as a percentage of the theoretical rent.

Gross Asset Value (GAV)

The total property portfolio plus the value of any further assets at market value as per the chosen valuation principles.

Gross initial yield (passing)

Passing rent divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross initial yield (market)

Theoretical rent (market) divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross rental income

The gross rental income is the total contractual rental income over the reporting period from let properties reported under IFRS, including the net effects of straight-lining for lease incentives, including rent free periods.

Income return

Income return as a percentage is equal to the distributable result, divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Indirect property return

Indirect property return as a percentage is equal the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (IPD methodology).

INREV NAV

INREV NAV is based on the fair value of the underlying assets and liabilities, as at the balance sheet date, and adjusted for the spreading of costs that will benefit different generations of investors.

Investment property

Property that is fully operational on the reporting date

Investment property under construction

Property that is being constructed or developed for future use as investment property.

Lease incentive

Any consideration or expense borne by the property company, in order to secure a lease.

Like-for-like gross rental income

Like-for-like gross rental income compares the increase/decrease of the gross rental income of the portfolio that has been consistently in operation, during two full preceding periods that are described.

Net asset value (NAV)

The net asset value is equal to the shareholders' equity of the Fund.

Net initial yield

Net rental income divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Net rental income

Net rental income is gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

Passing rent

The annualised cash rental income being received as at a certain date, excluding the net effects of straight-lining for lease incentives. For the avoidance of doubt, where no rent is currently being paid due to operation of a rent-free period, the passing rent will be shown as zero.

Payout ratio of distributable earnings

This is the distributed dividend in the reporting period divided by the distributable result in the reporting period.

Real Estate Expense Ratio (REER)

Annual vehicle-level and property-specific costs over a 12 month period as a proportion of average vehicle assets (average GAV and average NAV).

Theoretical rent

Passing rent over the reporting period plus estimated rental value of vacant units.

Total Expense Ratio (TER)

The total expense ratio reflects the total fund expenses of the current reporting period as a percentage of the weighted average Net Asset Value (NAV) over the period. The TER is backwardlooking and includes the management fee, administrative expenses and valuation fees.

Total fund return (INREV)

Total fund return (INREV) as a percentage is equal to the net result (INREV) divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Transactions

Transactions are contractual obligations for the purchase of investment properties, where such property is not generating income for the benefit of the Fund as of the reporting date.

WALT (average remaining lease time)

Weighted average duration of lease contracts based on rent to the shorter of the first tenant break or lease expiry.

Properties overview

Municipality	Street name/property name	Floor space (in m ²)	Year of construction /renovation	Strategy type	Theoretical gross annual rent as per 31 December 2016	Occupancy rate (financial)
AMSTERDAM	Dukaat	5,438	1999	Convenience	1,062	97.2%
AMSTERDAM	Damrak 70	23,051	2016	Experience	7,425	100.0%
AMSTERDAM	Nieuwendijk 196	5,171	2015	Experience	3,267	91.1%
AMSTERDAM	Nieuwendijk 92	123	1900	Experience	123	100.0%
AMSTERDAM	Nieuwendijk 94	206	1900	Experience	128	99.8%
AMSTERDAM	Nieuwendijk 107	102	1900	Experience	92	100.0%
AMSTERDAM	Ferdinand Bolstraat 105	138	1900	Experience	61	100.0%
AMSTERDAM	Beethovenstraat 67	104	1900	Experience	59	100.0%
AMSTERDAM	PC Hoofdstraat 125	218	1900	Experience	186	100.0%
AMSTERDAM	Wolvenstraat 10	180	1900	Experience	121	100.0%
AMSTERDAM	Stadionplein winkels	4,453	2016	Convenience	1,321	75.5%
AMSTERDAM	Mosveld	7,635	2016	Convenience	1,809	68.9%
APELDOORN	t Fort	6,550	2001	Convenience	1,276	98.6%
APELDOORN	Hoofdstraat 107-115	4,625	2012	Experience	984	99.5%
BERGEN OP ZOOM	De Parade	15,220	2009	Other	2,649	95.6%
BERKEL EN RODENRIJS	Berkel Center	10,496	1997	Other	2,304	98.0%
BEST	Boterhoek 17	1,617	1984	Other	319	100.0%
BREDA	Ginnekenstraat 131	415	1900	Other	45	64.4%
BREDA	Ridderstraat 10	197	1900	Experience	129	89.5%
BREDA	Ginnekenstraat 42	166	1900	Experience	70	100.0%
BREDA	Ginnekenstraat 57	207	1900	Experience	128	100.0%
BREDA	Ridderstraat 17	466	1900	Experience	225	100.0%
DELFT	Sprengmolen	6,153	2012	Other	842	98.8%
DORDRECHT	Maasplaza	9,038	1994	Convenience	1,276	92.8%
EDE GLD	Achterdoelen	4,323	2001	Other	688	89.9%
EDE GLD	Parkweide	5,409	2015	Convenience	924	87.6%
EINDHOVEN	Demer 38	694	2012	Experience	409	100.0%
EINDHOVEN	Demer 48	869	1950	Experience	241	98.5%
EINDHOVEN	Rechtestraat 35	432	1900	Experience	158	103.2%
GOUDA	Goverwelle	5,780	1993	Other	1,187	96.0%
GOUDA	Kleiweg 27-31	1,508	2012	Experience	488	100.0%
GRONINGEN	Westerhaven	15,631	2001	Other	2,190	91.1%
LELYSTAD	De Promesse	15,361	2009	Other	3,211	95.2%
MAASTRICHT	Muntstraat 19	261	1900	Experience	91	91.6%
PURMEREND	Makado	6,253	1971	Other	1,056	91.5%
ROSMALEN	Molenhoekpassage	5,099	1992	Convenience	993	94.3%
ROTTERDAM	Prinsenland	4,551	2007	Convenience	1,074	99.1%
ROTTERDAM	Beijerlandselaan	3,093	2014	Other	717	100.0%
ROTTERDAM	WTC	8,094	1987	Experience	3,107	99.6%

's-HERTOGENBOSCH	Vughterstraat 2	57	1900 Other	48	100.0%
's-HERTOGENBOSCH	Vughterstraat 4	58	1900 Other	36	100.0%
THE HAGUE	Spui - Grote Marktstraat	3,256	1997 Experience	904	95.6%
THE HAGUE	Spuistraat 70	131	1900 Experience	70	85.1%
TILBURG	Heyhoef	10,800	1997 Convenience	2,877	99.8%
UTRECHT	Steenweg 43	275	1900 Experience	120	92.3%
WEERT	De Munt	16,209	1996 Other	3,277	96.6%
ZWOLLE	Het Eiland	6,931	2001 Other	681	78.2%
Total		217,044		50,448	94.7%

