Annual Report
2016

Bouwinvest Dutch Institutional **Office** Fund N.V.

Bouwinvest

Table of contents

Management company profile 4

Bouwinvest Real Estate Investment Management 4

2016 at a glance 5

Key information in 2016 5
CSR key data 7
Key information over five years 9
The Office Fund at a glance 10
The office portfolio at a glance 10

Message from the chairman 13

Report of the Board of Directors 14

Composition of the Board of Directors 14
Market developments and trends 15
The Fund's optimisation strategy 17
Portfolio developments 2016 in perspective 18
Financial performance in 2016 25
Outlook 27

Corporate Social Responsibility 29

CSR strategy 29
Sustainable partnerships 30
Environmental performance 31
Benchmarking 33

Corporate governance 34

Structure of the Fund 34
Management company 36
External auditor 38

Risk management 39

Risk management and compliance 39
Risk management framework 39
Major risk factors and corrective measures 40
AIFMD 42
Monitoring and reporting 42

Financial statements 43

Consolidated statement of comprehensive income 43
Consolidated statement of financial position 44
Consolidated statement of changes in equity 45
Consolidated statement of cash flows 46
Notes to the consolidated financial statements 47
Company balance sheet 66
Company profit and loss account 66
Notes to the company financial statements 67

Other information 70

Articles of Association related to the appropriation of profit 70
Independent auditor's report 71

INREV valuation principles and INREV adjustments 75

INREV valuation principles 75
INREV adjustments 76
Notes to the INREV adjustments 77
Independent auditor's report 82

Shareholders' information & Investor Relations 84

Legal and capital structure 84
Shareholders 84
Dividend 84
Shareholders' calendar 85
Investor relations 85

CSR performance indicators 86

Contact information 88

Glossary 89

Properties overview 91

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

Total Fund return: 5.5%	Income return: 3.6%	Relative performance: -2.7% IPD Property Index (all properties)	GRESB GREEN STAR STATUS 5-star rating
Secured pipeline: € 159 million	Average financial occupancy rate: 81.3%	Like-for-like rent decrease: -2.0%	Investors: 3

Highlights 2016

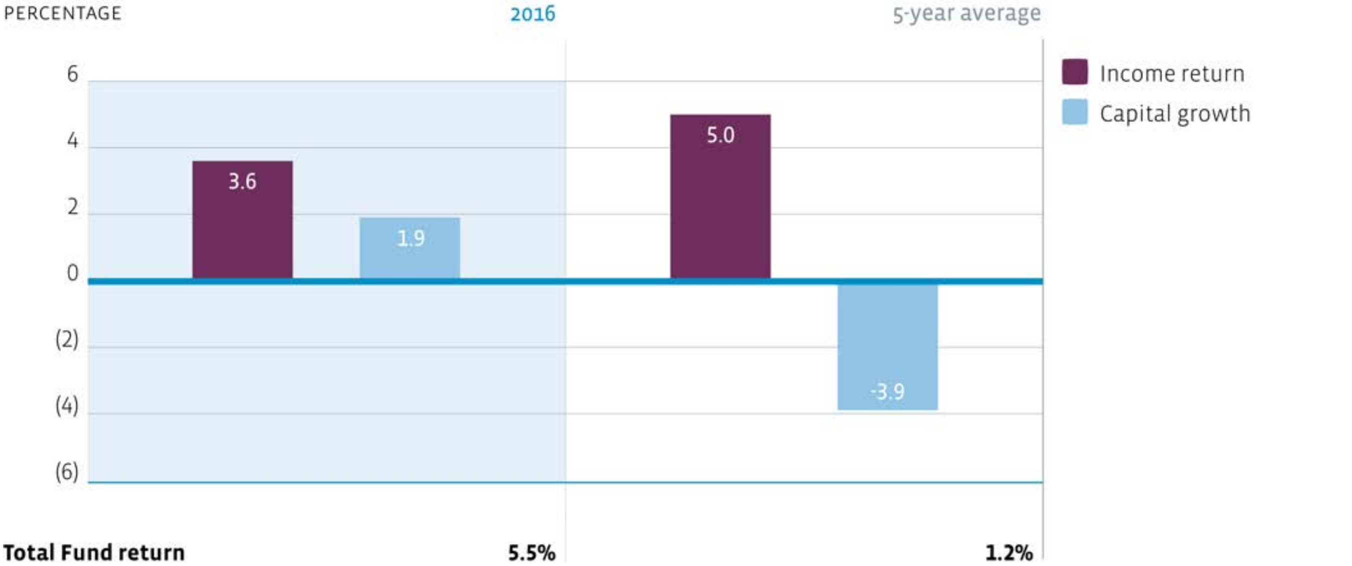
- Optimisation of the portfolio through redevelopments and property upgrades resulted in an underperformance compared to the IPD Property Index (all properties)
- Started redevelopment of The Olympic 1931 and 1962 in Amsterdam and several property upgrades e.g. WTC Rotterdam
- Acquisition of Hourglass building in Amsterdam's Zuidas business district
- Re-opening WTC The Hague after upgrade of entrance area
- Successful clustering of CSR-parties in Nieuwe Vaart in Utrecht
- Total new and renewed leases of 15,509 m^2 and an annual rent of € 2.9 million
- Commitment of a new investor as per January 2017
- WTC The Hague most sustainable multi-tenant office building in the Netherlands (BREEAM NL In-Use certified with EXCELLENT score (****) on both Asset and Building Management levels)

Performance per share	2016	2015
Dividends (in €)	73.18	88.22
Net earnings (in €)	118.22	15.06
Net asset value IFRS (in €, at year-end)	2,084.17	2,038.11
Net asset value INREV (in €, at year-end)	2,101.63	2,059.70

Statement of financial position (€ X thousand)	2016	2015
Total assets	536,257	567,043
Total shareholders' equity	525,988	554,723
Total debt from credit institutions	-	-

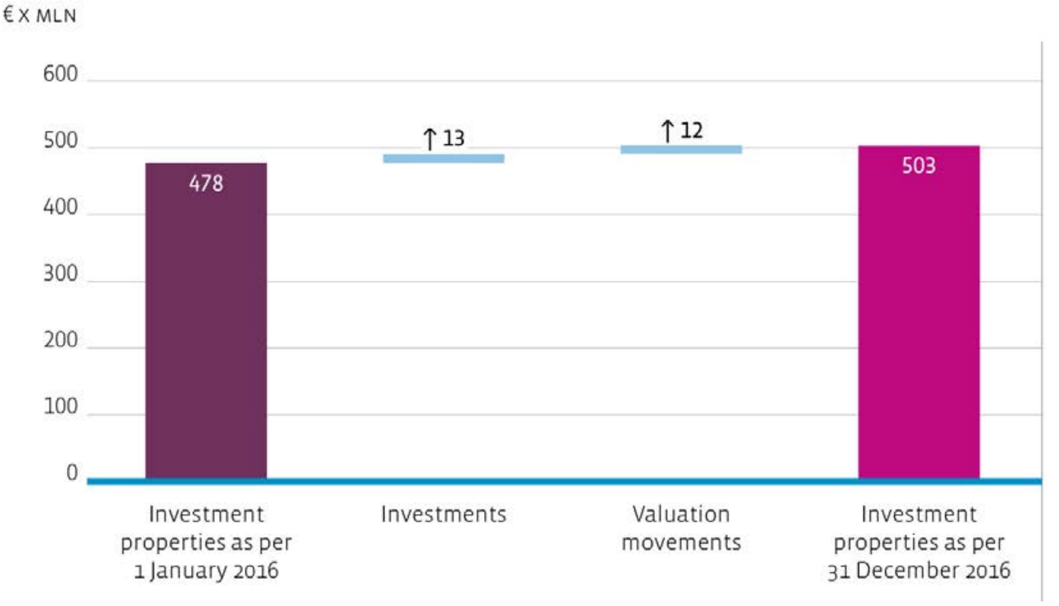
Result (€ X thousand)	2016	2015
Net result	30,506	4,034
Total Expense Ratio (TER)	0.55%	0.58%
Real Estate Expense Ratio (REER)	2.66%	2.93%

Fund return



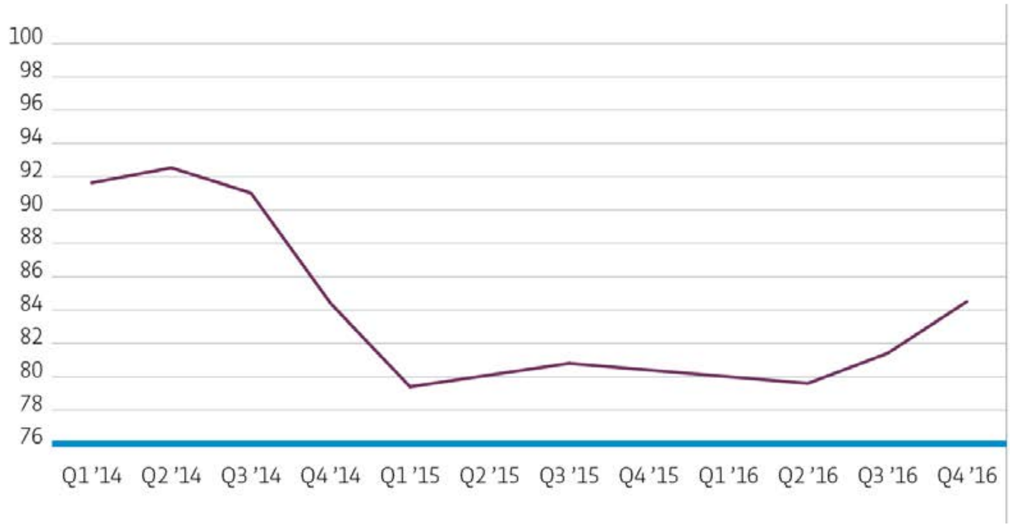
Property performance (all properties)

Portfolio movements



Financial occupancy rate

PERCENTAGE



Portfolio figures	2016	2015
Investment property	458,762	478,197
Investment property under construction	44,645	-
Gross initial yield	6.7%	6.4%
Total number of properties	16	16
Average monthly rent per square metre (in €)	183	178
Financial occupancy rate (average)	81.3%	80.1%
Sustainability (A, B or C label)	73.0%	66.6%

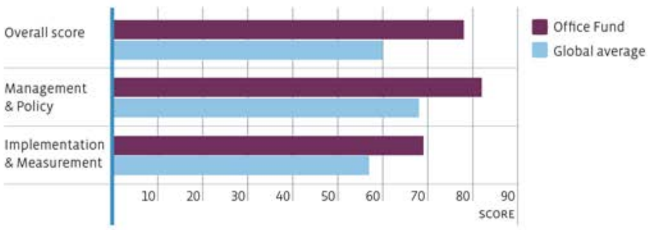
CSR key data

Fund sustainability performance

GRESB Green Star status

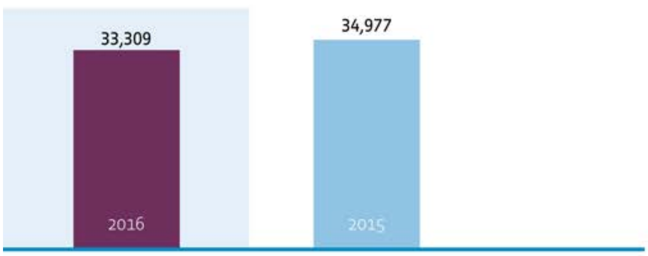
The Fund's performance in the GRESB benchmark

Global Real Estate Sustainability Benchmark 2016

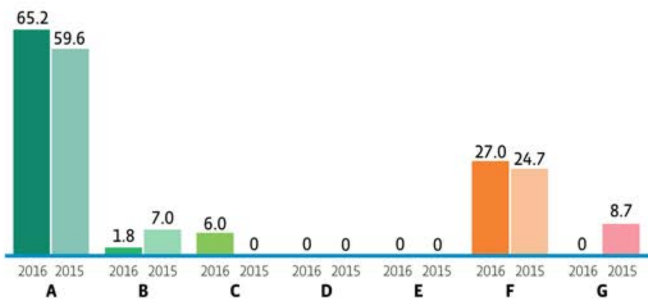


Energy consumption

Energy consumption (like-for-like, MWH)

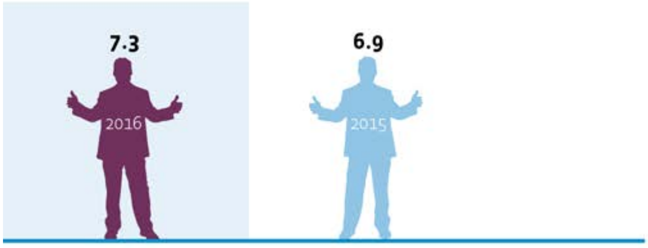


Investment property by labelled floor space (m²) in %

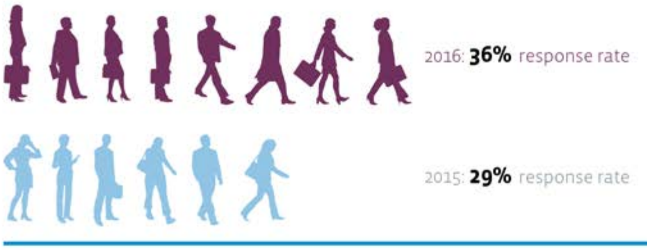


Tenant engagement

Satisfaction scores tenant engagement survey



Participant rate tenant engagement survey



Sustainability highlights

- GRESB Green Star classification for third successive year and GRESB 5-star rating (top 20% worldwide)
- Succesful pilot Energy Navigator identifed estimated energy savings of 25-30%
- Six office buildings given Breeam-NL In-Use certification in 2016
- WTC The Hague the only multi-tenant office building in the Netherlands with a BREEAM-NL In-Use EXCELLENT certificate on both Asset and Building Management

Key facts

- 73.0% of assets awarded a green energy label (A,B or C label)
- Average energy index of the portfolio is 1.12 (label B)
- Energy consumption fell by 4.8%

Key information over five years

All amounts in € thousands unless otherwise stated

	2016	2015	2014	2013	2012
Statement of financial position					
Total assets	536,257	567,043	579,982	477,308	509,516
Total shareholders' equity	525,988	554,723	565,113	469,201	501,187
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	73.18	88.22	129.43	136.91	150.2
Net earnings (in €)	118.22	15.06	3.01	(6.29)	3.42
Net asset value IFRS (in €, at year-end)	2,084.17	2,038.11	2,113.01	2341.19	2505.94
Net asset value INREV (in €, at year-end)	2,101.63	2,059.70	2,140.47	2341.69	2506.94
Result					
Net result	30,506	4,034	612	(1,260)	683
Total Expense Ratio (TER)	0.55%	0.58%	0.54%	0.58%	0.54%
Real Estate Expense Ratio (REER)	2.66%	2.93%	2.25%	1.70%	1.69%
Fund return					
Income return	3.6%	4.2%	5.7%	5.6%	5.9%
Capital growth	1.9%	(3.7)%	(5.6)%	(5.9)%	(5.8)%
Total Fund return	5.5%	0.5%	0.1%	(0.3)%	0.1%
Portfolio figures					
Investment property	458,762	478,197	553,353	445,979	473,249
Investment property under construction	44,645	-	6,201	-	-
Gross initial yield	6.7%	6.4%	8.2%	7.9%	7.6%
Total number of properties	16	16	30	25	25
Average monthly rent per square metre (in €)	183	178	169	180	182
Financial occupancy rate (average)	81.3%	80.1%	89.9%	90.4%	91.4%
Sustainability (A, B or C label)	73.0%	66.6%	85.5%	79.9%	85.5%
Property performance (all properties)					
Direct property return	4.5%	4.9%	6.6%	6.7%	6.8%
Indirect property return	2.4%	(3.4)%	(5.3)%	(6.1)%	(5.8)%
Total property return	7.0%	1.4%	1.3%	0.7%	1.0%
IPD Property Index office real estate (all properties)					
Direct return IPD Property Index	5.5%	6.0%	6.7%	6.8%	6.5%
Indirect return IPD Property Index	4.0%	(2.2)%	(3.5)%	(9.4)%	(8.5)%
Total return IPD Property index	9.7%	3.7%	3.0%	(3.3)%	(2.5)%

The Office Fund at a glance

In 2016, the Bouwinvest Dutch Institutional Office Fund continued its optimisation strategy, completing a number of upgrades and initiating new redevelopments. The Fund also acquired the Hourglass office building in Amsterdam Zuidas business district, increasing the proportion of assets in Amsterdam, the Netherlands' leading office location. The Fund's intensified focus on multi-use office buildings in prime locations in core regions puts it in an excellent position to provide stable and predictable income returns.

Fund characteristics

- 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 Office 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 office real estate sector, with experts in acquisition and divestment, property revitalisation and letting.

Our vision of the Dutch office market

Widespread construction before the last major financial crisis left the Dutch office market with an oversupply of office space. Despite a marked pick-up in demand for office space in both 2015 and 2016, supply remains substantial, with vacant space of around 6.9 million m² lfa, or approximately 13% of total office space. However, this is only part of the story, as the polarisation on the office market has continued. The G4 cities of the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) have benefited the most from the recovery in demand, while the oversupply is still growing outside these cities and in other parts of the country with less favourable economic and demographic outlooks. On top of this, occupier demand for traditional Dutch office space is generally low, as both established and new companies look to create more flexible working environments. Thanks to the above trends, multifunctional, easily accessible, sustainable offices in prime locations in the big cities remain highly sought after. We believe that multi-functional environments, combining flexible working spaces, business networking opportunities, meeting places and leisure facilities will continue to meet today's and tomorrow's office requirements.

Optimisation strategy

The Office Fund aims to optimise its portfolio through targeted acquisitions and the revitalisation of assets.

The Fund's strategy has proven itself over the past years and continues focusing on:

- **Core regions and A-locations**
- **Multifunctional locations with excellent transport links**
- **Multi-tenant assets**
- **Enhancement of core assets**
- **Improving occupancy rates**

The office portfolio at a glance

Portfolio characteristics

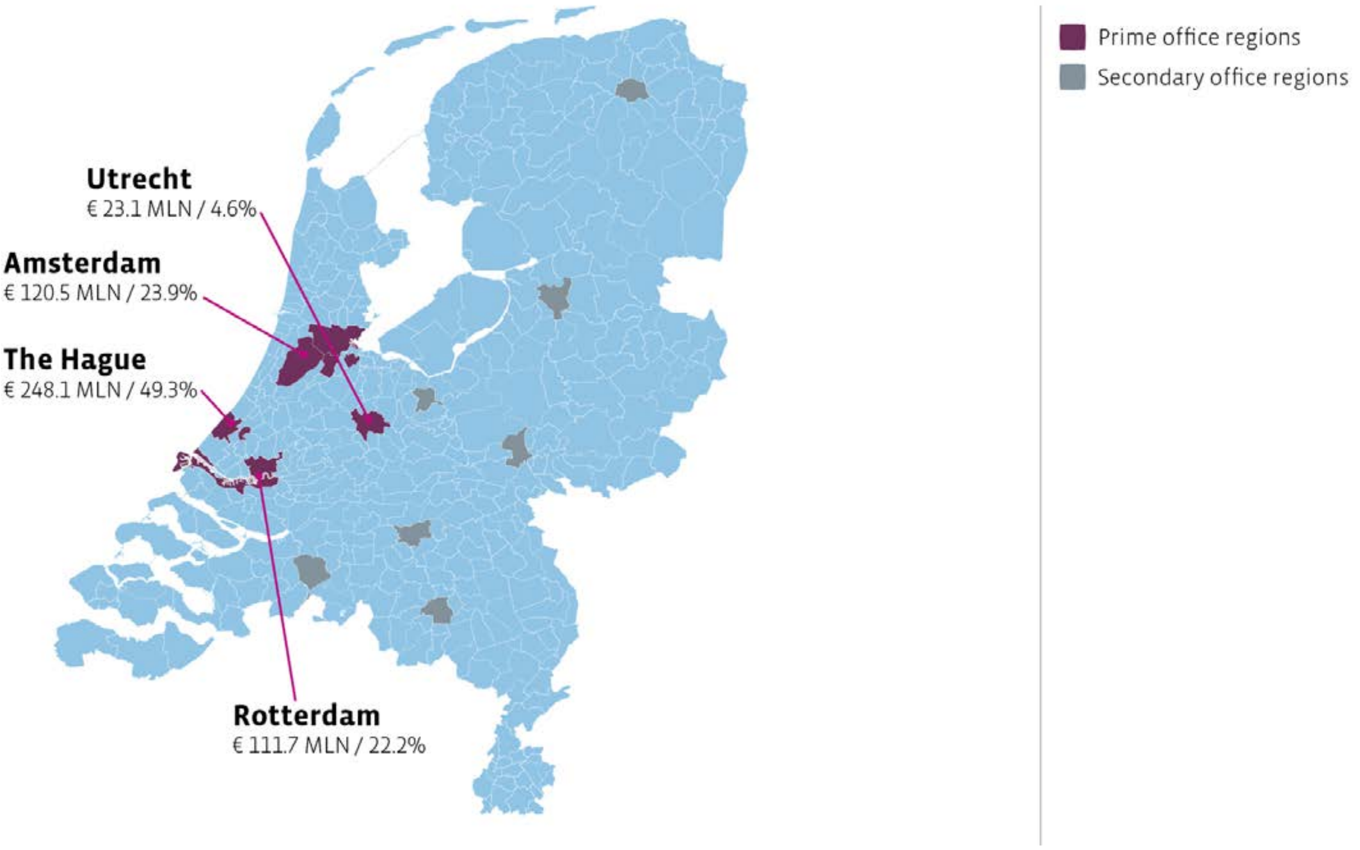
- 16 Dutch office properties at year-end 2016 (€ 503 million, 213,186 m²)
- All investments in primary core regions: Amsterdam, Rotterdam, The Hague and Utrecht
- Focus on multi-tenant assets
- Most sustainable multi-tenant office building in The Netherlands; WTC The Hague
- GRESB Green Star

Core region policy

The Fund has four primary core regions closely correlated to the trends towards urbanisation and a knowledge-based economy. Primary core regions are Amsterdam, Rotterdam, The Hague and Utrecht. The remaining nine regions are considered secondary.

The target is to have 80% of the total portfolio value invested in properties in these core regions. This currently stands at 100%.

The Office Fund's core regions based on market value



Major segment

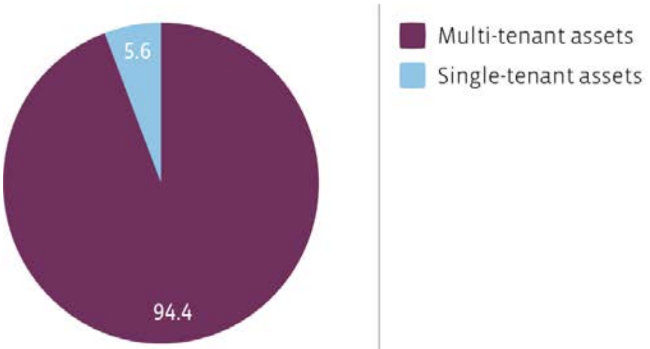
Multi-tenant assets

A diverse office population enhances a building's image as a natural, inspiring meeting place. To reinforce the dynamic character of such work and meeting spaces, it is important to offer additional facilities in or in the immediate vicinity of the building. These can include catering establishments, shops, childcare facilities and other amenities, plus varied networking spaces.

Users vary by sector, culture and nationality, but also in their requirements for office space. A flexible lay-out is essential to accommodate the workforce of a large corporate head office, as well as smaller satellite offices. Active asset management also enables the Fund to respond quickly to the changing and evolving needs of its varied tenant base.

Portfolio composition by single vs multi-tenant based on market value

PERCENTAGE



Selection of principal properties

Existing portfolio

WTC
The Hague

WTC
Rotterdam

CentreCourt
The Hague

Olympic Stadium
Amsterdam

De Lairessestraat
Amsterdam

Valina
Amsterdam

Maasparc
Rotterdam

Nieuwe Vaart
Utrecht

Valeriusplein
Amsterdam

Portfolio pipeline

Hourglass
Amsterdam

The Olympic 1931
Amsterdam

The Olympic 1962
Amsterdam

Message from the chairman

Dear stakeholders,

Last year was an exciting year for the Office Fund, as we saw our strategy paying off and made our first acquisition of a new-to-build office building in many years. We have stepped up the optimisation of our portfolio over the past three years, and in 2015 disposed of a lot of office buildings we no longer considered core. Since then we have focused our efforts on acquiring and redeveloping what we believe is the future of the office sector – multi-tenant and multi-use buildings in locations that include other facilities and offer excellent transport links.

Our acquisition of the Hourglass building in Amsterdam's Zuidas business district, which combines offices and a hotel, is a perfect example of this strategy and it will be an outstanding addition to the Office Fund portfolio - and the Hotel Fund - when it is completed in 2020. And that ability to divide this asset across our funds put us in a very competitive position, as most investors are looking to acquire an office or a hotel, but seldom both together. But what I find most pleasing is that this was a real joint effort, involving a lot of hard work from people right across the organisation. The Hourglass acquisition is also a testament to our confidence in the Dutch office market, especially in multi-functional and multi-tenant assets in prime locations.

While all our office assets were already in the top four cities – Amsterdam, Rotterdam, Utrecht and The Hague – the acquisition of Hourglass will give us a much better spread and reduce our overweight position in The Hague. Not to mention that fact we will have a prime asset one of the country's fastest growing and most popular business districts. We have already signed a lease for 15,000 m^2 in the Hourglass with leading Dutch law firm Loyens & Loeff. We are seeing signs of clear recovery at prime locations. The fact that we added a third investor to the Office Fund shows that others share our faith in this market.

Of course, last year we also continued to optimise and upgrade our portfolio of office properties. We completed the renovation of the plaza section of WTC The Hague and saw an immediate uptick in new leases. We continued the renovations in WTC Rotterdam, initiated a number of projects and assessed plans to improve the WTC-concept. The Fund also kicked off the exciting redevelopment of the former Citroën buildings in Amsterdam, now called The Olympic 1931 and The Olympic 1962, with delivery currently scheduled for the first quarter of 2018. We have already signed leases with the first two tenants for this asset.

Despite the fact that last year was something of a transition year and the fact that a large part of the portfolio is still under construction or in redevelopment, we still recorded a solid return of 6% in 2016 and I am confident we will be able to meet our long-term goal of average annual returns of 7%. While our occupancy is still low at around 80%, again due to the fact that we have a lot of properties being redeveloped, we expect this to increase to at least 90% in the years ahead. The continued economic recovery and upsurge in business confidence will continue to increase demand for office space in the right locations. Office complexes able to meet the flexibility demands of the New World of Work concept are proving very popular. And that is exactly what we have been focusing on for the last few years.

Of course, tenants are becoming ever more demanding on the sustainability front and we have invested a great deal and will continue to invest in making our office assets as sustainable and environment-friendly as possible. And it is paying off, as we saw last year in our Nieuwe Vaart office complex in Utrecht. We teamed up with our non-profit tenants to draw up plans for a truly sustainable building in line with their very strict environmental standards. And they in turn helped us to recruit like-minded organisations as tenants, as a result of which Nieuwe Vaart was practically fully let by the end of last year. This once again proves that actively working with our tenants, as well as other players such as local councils and sector organisations, is the way forward in the office sector and the best way to create a truly sustainable portfolio.

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 Office Investments

S.F. (Bas) Jochims (1977, Dutch)

Bas Jochims has been Head of Dutch Office Investments since 2008. He is responsible for the performance of the assets of the Bouwinvest Dutch Institutional Office Fund. He joined Bouwinvest in 2005 as Asset Manager. He has sixteen years' experience in real estate asset management. Bas gained his office real estate experience with Dynamis ABC Offices, where he worked as an Account Manager and was responsible for the total property management in the greater Amsterdam and The Hague areas.

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 with economic growth of over 2% actually outpaced earlier projections. This economic growth was driven by rising business confidence and the resultant 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 this 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 the current 2.9 million to 3.3 million by 2025.

Trends and developments in the office market

Large differences between regions and locations

The highest demand for office space is concentrated in regions with employment growth well above the national average. These are the so-called core regions, which are defined by the Fund based on a healthy economic and demographic outlook. Amsterdam, Utrecht, Rotterdam and The Hague, all located in the Randstad conurbation, are the most important cities in the core regions. As the ageing population will also affect employment, this will exacerbate the regional differences in the office market. The core regions will be less affected by this demographic trend. In these regions, continuous availability of employment opportunities will lead to a steady inflow of young people, especially in the cities in the Randstad conurbation. Trends such as car sharing and the expected rise of automated (driverless) vehicles will increase the polarisation, as employees will demand an efficient, multi-functional work environment when they decide to head to the office. Cities are best-equipped to provide these kinds of dense live-work-play environments.

Flexible use of office workplaces in multifunctional areas

An increasing number of people work from various operating bases rather than one fixed workplace. This shift remains one of the main trends in the Dutch office market. The main drivers of this trend are improved IT facilities, the desire for cost cutting and increased traffic congestion. As a result, demand is growing for office space located in urban areas, near public transport facilities. These urban areas are multifunctional and give office occupiers and employees direct and efficient access to retail, food and leisure, and by doing so improving the work environment. Furthermore, multi-tenant office space is increasingly popular, as tenants are looking for smaller office spaces throughout the Randstad, offering various operating bases for their employees. This 'flexible use of office workplaces' is expected to remain a major trend in the Netherlands. So the demand for multi-tenant office space located in urban areas is set to grow in the coming years. An additional benefit of multi-tenant office areas is that they are less sensitive to economic fluctuations. On top of this, long-term rental contracts and annual indexation at inflation level lead to strong cash flows for investors.

Multifunctional and multimodal locations more popular
The focus of end-users on multifunctional and multimodal accessible locations is leading to an increasing differentiation in the office market. While demand for desirable locations is remaining stable or improving, another group of locations is gradually losing tenants. This polarisation is expected to continue for the foreseeable future. However, there are encouraging signs that calls to convert existing office real estate for other purposes, like residential, are being heard by both local authorities and developers. This and the growing shortage of accommodation for one and two-person households and students could help to drive this trend and reduce overall vacancy rates in on the office market in the medium term.

Innovation
Now that the office market is recovering, various new initiatives are being developed in response to trends such as the shared economy, pay-by-use, technological opportunities and the blurring lines between working and living environments. Business Centres with multiple concepts are rapidly entering the market and new technologies are ensuring easy and quick communication and data collection.

Auxiliary services are indispensable to make and keep assets attractive for tenants. Cooperation with existing platforms and the development of new ones will provide efficient and targeted channels of distribution. In terms of office space, a wide range of solutions to accommodate tenants as effectively and conveniently is required. Full Business Centres that are part of an overall building concept will be put in place for this purpose. Modern work stations and work environments need to match the needs of related target groups. In addition, more and more tenants are choosing to share facilities such as conference rooms and company restaurants. A user-friendly system to book and pay these services will make properties more attractive to tenants. Apps with the functionality to handle these services will provide support. We believe we will see an increase of the number of platforms used to offer facilities and services available in buildings.

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 office 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 € 5.4 billion was invested in office real estate, which is 17% higher than the total office investments in 2015. 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. The continuing interest of both Dutch and international investors is quickly pushing up prices. Supported by the economic recovery across the country, also prices of secondary locations are expected to increase. 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 with 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.

Dutch office yields at attractive levels

After several lean years, in which the Dutch office market has underperformed the other real estate sectors in the Netherlands, total returns are now improving. Due to an extended period of depreciations the total return in the Dutch office market has averaged a mere 0.8% over the past five years. The price correction, on the other hand, has now increased yields for Dutch office property to attractive levels, particularly when compared to fixed-rate investments. Dutch and foreign investors have acted on these investment opportunities. Investment momentum is also increasing towards continental Europe, including the Dutch markets. This will continue to attract both national and international investors into the office market and is expected to lead to lower yields and higher prices in the near future.

Sustainability remains top priority

At fund, asset and workplace level, sustainability remains top of mind. Investors are increasingly focused on GRESB performance when monitoring or selecting real estate funds. And GRESB monitoring goes beyond environmental impact, to incorporate governmental and social issues, and these are essential to all stakeholders. Monitoring energy consumption is becoming more and more standard thanks to newly developed and improved tools. Different facilities within walking distance to offices provide an attractive live-work-play environment that employees demand. Social factors are also paramount. Office space should be a custom 'fit' for each occupier, stimulating interaction and knowledge spill to boost creativity and innovation. Employees should remain healthy and feel at home in their office.

Healthier outlook for central locations in big cities

Historically, offices located in the centres of big cities have shown the highest average positive growth in value. Over the coming decade, those offices are also expected to deliver above-average performance, with an improved supply/demand ratio, especially as these tend to match trends such as the growing demand for multi-user, flexible and sustainable office spaces in multifunctional environments.

The Fund's optimisation strategy

The Fund's strategy is to optimise its portfolio through targeted acquisitions and continuous enhancement of core assets.

The Fund's strategy focuses on office properties that currently generate predictable and stable returns and will continue to do so in the future, taking into account the trends and development in the office market. In addition to this, the Fund's strategy is focused on active asset management to optimise the portfolio and keep it as future-proof as possible. Based on the market trends and developments described, the Fund's strategy focuses on:

- **Core regions and property in A locations**. At least 80% will be invested in defined core regions. The Fund has a specific focus on the four big cities (Amsterdam, Rotterdam, The Hague and Utrecht) and a preference for inner city areas.
- **Multifunctional locations**. Good retail, residential and leisure facilities play a major role in the appeal of (business) meeting places. Locations where a widely diverse group of people come together form a good basis for an inspiring working environment. The blending of culture, education, sport and work makes a positive contribution to this environment.
- **Multi-tenant assets**. This type of exploitation may reduce the volatility of revaluations and could increase the control of asset management risks, thanks to multiple lease agreements with different expiry dates and debtors.
- **Enhancement of core assets**. Every asset needs a distinctive character to outperform. Good accessibility, technical condition and parking spaces are no longer sufficient. To create a special building proposition, the focus will be on increasing comfort for users and providing an attractive environment that is seen as an appealing (business) meeting place. An office may be special, for instance, because of full service concepts devised to provide tenants with a high level of service or due to the building's history.
- **Sustainability**. The Fund aims a BREEAM Good rating for every asset.
- **Occupancy rate**. Close relationships with tenants enables the Fund to propose lease extensions at the right time. Partnerships with property managers and (local) real estate agents are important. New lettings may also result from close cooperation between (local) government organisations, foreign investment agencies etc. Maintaining and expanding our networks is an ongoing activity. Sometimes, property upgrades are necessary to support or improve a competitive proposition. These always take sustainability into account.

Strategic actions in 2016

- Acquisition of Hourglass in Amsterdam's Zuidas business district
- Start of upgrade of The Olympic 1931 and The Olympic 1962 (Amsterdam)
- Re-opening of WTC The Hague after upgrade of entrance area
- Successful clustering of like-minded CSR-parties in Nieuwe Vaart (Utrecht), including a renovation, new lettings and improvement of sustainability
- BREEAM In Use quick scans and certifications
- Renovation office spaces in WTC Rotterdam
- Continued active asset management approach led to extended leases with major tenants

Portfolio developments 2016 in perspective

Portfolio composition at year-end 2016:

- 16 properties, all in the G4
- 213,186 m^2 of lettable floor space
- Total value investment property € 503 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 the core regions	100.0% in core regions	Compliant
≥ 90% of investments invested in low or medium risk categories	100.0% 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 are two investment properties exceeding 15% (*)	N/A
< 10% invested in non-core office properties	7.9% concerns non-core office properties (2 public parking assets)	Compliant
No investments that will have a material adverse effect on the Fund's Diversification Guidelines.	There have been no investments in 2015 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 porfolio 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 Office Development, a wholly owned subsidiary of the Fund	All (re)development activities are undertaken by and for the risk and account of Bouwinvest Office 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 Office 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 Office 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 total value of investment property in the Fund is € 503 million, so the restriction is not yet applicable.

Investments, divestments and redevelopments

In 2016, the Fund acquired the Hourglass office development project in Amsterdam's Zuidas business district, which once completed, will constitute a major optimisation of the Fund's portfolio. In the same period, the Fund invested a total of € 14 million in redevelopments, renovations and sustainability upgrades.

Acquisitions

The Hourglass building consists of 22,000 m² of multi-tenant office space, 15,000 m² of which will be leased to top Dutch law firm Loyens & Loeff, together with 700 m² of space for retail and catering units and 145 parking spaces. Loyens & Loeff has several options to expand their leased spaces. Seller, Sax Vastgoed (Maarssen Groep and Brouwershoff) have provided a lease guarantee for the remaining spaces. Hourglass also includes a 115-room extended stay hotel and restaurant open to the public. The hotel will be let to international operator PREM Group, which will cater to the office tenants in the Hourglass and meet the growing demand from the many Dutch and international companies based in the Zuidas business district with its Premier Suites living environment concept. The Hotel section of the Hourglass building will be added to Bouwinvest's Hotel Fund portfolio.

Divestments

The Fund made no divestments in the year under review.

Redevelopments

In 2016 the Fund kicked off the redevelopment of the former Citroën buildings in Amsterdam, which have been renamed The Olympic 1931 and The Olympic 1962. Based on a decision about the total investment in May, selected architects Rijnboutt and Biermann Henket have proceeded with their designs and applied for two building permits. Meanwhile, Lokhorst Bouw en Ontwikkeling has been assigned as buidling contractor. As the Fund has received the building permits, real execution of construction works has already started. Delivery is currently scheduled for he first quarter of 2018.

In addition to redevelopments, various other projects involved investments in property upgrades, including improvement of sustainability. This so called capital expenditure was mainly related to the modernisation of several high rise office floors in WTC Rotterdam, an improved entrance for WTC The Hague and asset optimisations for Nieuwe Vaart in Utrecht to facilitate a "caring is sharing" concept, which was developed in close cooperation with a cluster of like minded organisations with a strong CSR policy.

Optimising the risk-return profile

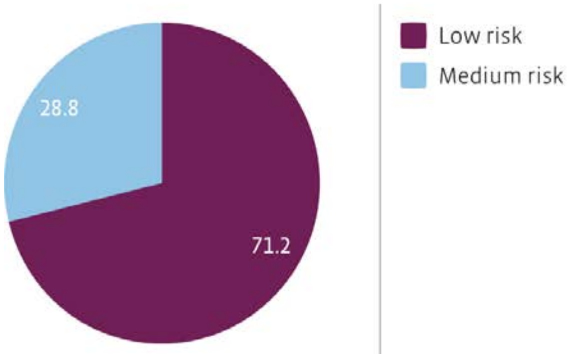
In terms of risk diversification, at least 90% of the investments must be low or medium risk.

The actual risk allocation as at year-end 2016 is shown in the figure below. Every year, all properties are assessed separately. In 2016, the Fund was classified as 100% low to medium risk and as such was consistent with the framework of the Fund conditions.

As of 2017 a new risk questionnaire will be applied and will cause a shift in the portfolio composition. Future investments related to the WTC Rotterdam, The Olympic 1931 and 1962 and Hourglass in Amsterdam will further lower the risk profile of the Fund.

Portfolio composition by risk category based on market value

PERCENTAGE



Portfolio diversification

Focus on central locations in core regions

To identify the most attractive municipalities for office investments, the Fund takes into account indicators such as:

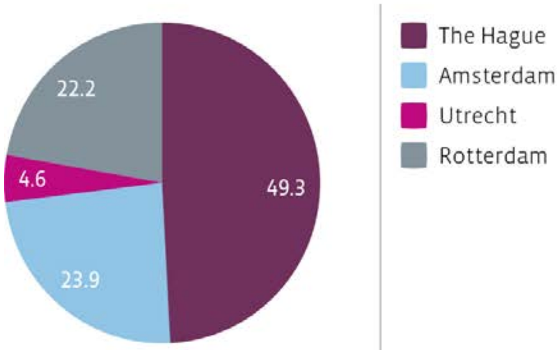
- Population growth
- Employment opportunities
- Development in stock
- Vacancy rates
- Volatility of value development

At year-end 2016, 100% of the Fund's assets were located in the four prime office regions; Amsterdam, Rotterdam, The Hague and Utrecht.

Both the acquisition of Hourglass in Amsterdam in 2016, once completed, and the redevelopment of The Olympics will improve diversification, reducing the share of especially the portfolio in The Hague in particular and increasing the proportion of assets in the capital city.

Portfolio composition by core region based on market value

PERCENTAGE



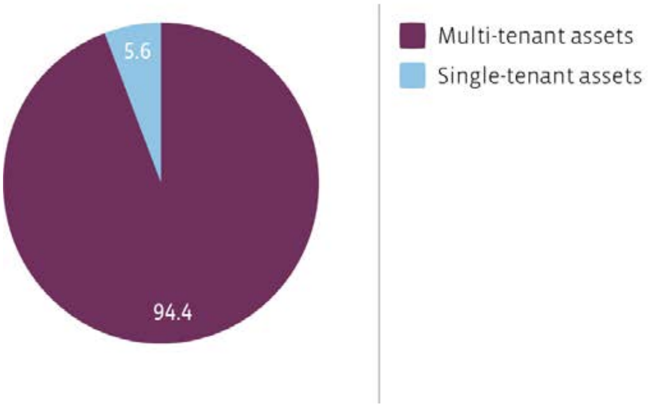
Focus on multi-tenant, multifunctional, multimodal office concepts

Multiple lease agreements reduce the volatility of revaluations and help increase the control of asset management risks. Furthermore, the Fund focuses on locations that attract a widely diverse group of people and offer a mix of culture, education, sport and work facilities.

The share of multi-tenant assets in the portfolio increased to 94.4% in 2016 (94.2% in 2015).

Portfolio composition by single vs multi-tenant based on market value

PERCENTAGE

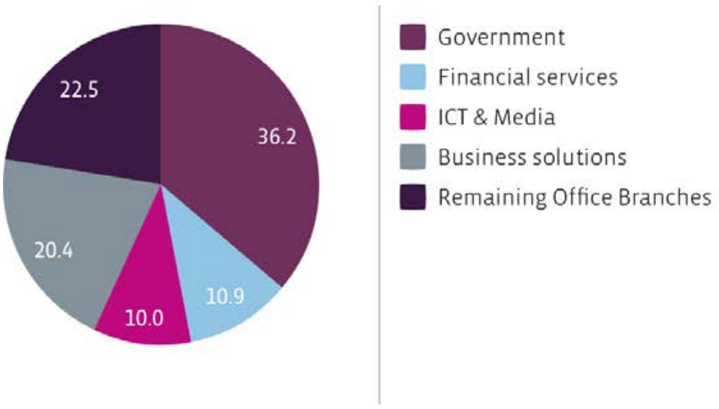


Tenant mix

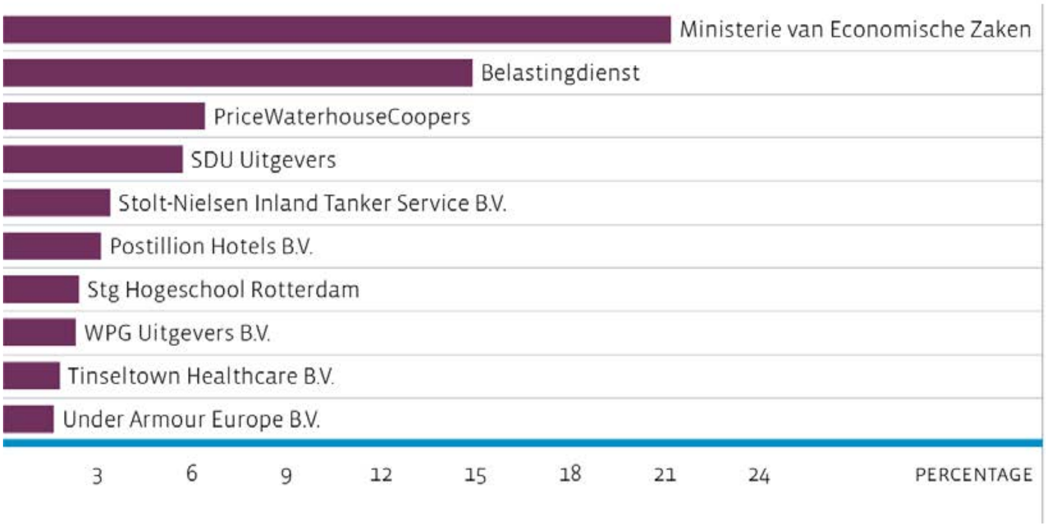
Most of the Fund's tenants are considered to have a low debtor's risk. The top ten tenants account for a total of 62.8% (2015: 62.4%) of the passing rent. The Fund negotiated leases with a number of new and existing tenants in 2016, closing leases for 15,509m² of office space and annual rent of € 2.9 million. We maintain close relationships with all tenants to ensure satisfied customers.

Portfolio composition by tenant sector as a percentage of rental income

PERCENTAGE



The Office Fund's top 10 tenants



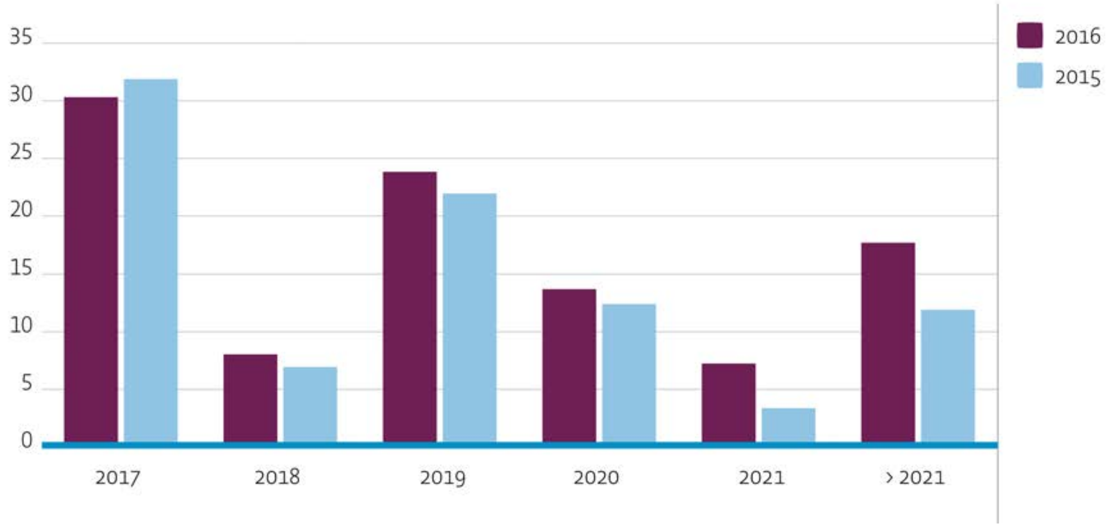
Active asset management – building value

The Fund devotes a great deal of attention to improve occupancy levels by developing close relationships with tenants and property managers. Thanks to its excellent customer focus, knowledge, experience and a broad network, the Fund is able to respond (pro-actively) to users' changing requirements for office space. Because of this pro-active approach, in-house expertise and a focus on sustainable partnerships with public and private parties, the Fund is able to add value to its assets. The Fund frequently acquires and transforms previously underperforming assets into high-quality office complexes that meet the needs of today's – and tomorrow's – office tenants.

Expiry dates

Expiry dates as a percentage of rental income

PERCENTAGE



The relatively high percentage of expiry dates in 2018 and 2019 is a result of the potential termination of leases with two large tenants. The average remaining lease term stood at 2.8 years, 0.4 less than the 3.2 years at year-end 2015.

Close relationships with tenants enable the Fund to propose lease extensions at the right time. However, lease endings are taken into account and the Fund anticipates this to attract new tenants.

WTC The Hague

WTC The Hague is a prime example of an office building of the future. Based in a multifunctional location, offering flexible office concepts and services to a variety of large and smaller businesses, WTC The Hague is a frontrunner in its region.

In 2016, the Fund completed several measures to further optimise WTC The Hague, including the upgrade of the central entrance area, making it a more pleasant and dynamic business meeting place and improving the image and positioning of the building as a whole. The upgrade has created a single entrance to the WTC, with all the facilities and services arranged around that entrance. The changes made included:

- the service desk is now the central point where the hostess greets visitors and users of the building;
- the Coffee Company has been relocated, which has created a direct entrance from the street side. This has increased the visibility of the facilities in the area and attracts greater numbers of visitors;
- the realisation of an 'AH to go' store, something that was high on the list of tenants' wishes. The store is accessible both from the lobby and from the Beatrixlaan;
- the realisation of bar-restaurant Mondano. This is now the place for a business lunch or dinner, while Mondano Kitchen offers an excellent alternative to companies' own canteens;
- the fitness area has been relocated so it is visible and accessible directly from the lobby;
- the lobby has been linked up to the Fund's thermal energy storage system.

Last year, the WTC International Business Club once again teamed up with several partners such as the WestHolland Foreign Investment Agency (WFIA), International Community Platform (ICP) and The Hague city council to organise a number of networking and business promotion events.

Last but not least, WTC The Hague was awarded a BREEAM In-Use EXCELLENT certificate for both Asset and Building Management levels. This makes WTC THe Hague the most sustainable multi-tenant office building in The Netherlands.

The Olympic 1931 and 1962

In 2016, the Fund kicked off the upgrade of the former Citroën buildings, which have been renamed The Olympic 1931 and The Olympic 1962. Delivery is currently scheduled for Q1 2018. Parallel to the realisation of the redevelopment, the Fund instigated various leasing activities. A branding strategy and house style has been developed and various marketing tools were produced. The Fund also took the initiative to draw up a document outlining the ambitions for the area, which will form the basis for a continued cooperation with the Amsterdam city council and other stakeholders in efforts to improve the public spaces around the buildings. Suitable events and amenities, together with area promotion activities, will ultimately help make the area more attractive and increase familiarity with the name: 'The Olympic Amsterdam'. The launch of this process was accompanied by a large-scale media event, marking both the launch of the new names and the announcement of the redevelopment plans.

The leasing activities have so far resulted in provisional lease agreements with Pon Holdings for the entire The Olympic 1931 building (around 7,000 m² lfa) and with Under Armour Europe, which is planning to set up their European head office in The Olympic 1962 (around 5,000 m² lfa). We have also established a preference for a catering operator and concept on the basis of pitches from a number of catering firms. We also expect to find tenants for the remaining square meterage - around 5,000 m² lfa office space and 1,000 m² lfa basement space – before the completion of the project.

WTC Rotterdam

Following the reorganisation of the property management for the WTC in Rotterdam and the selection of a number of new partners to realise improvements to the building in 2015, the Fund drew up concrete plans and initiated a number of projects last year. The changes to the building include an upgrade for the main entrance, Café Staal, the lobby, the access to the lifts, the Business Center, the walls of various conference rooms, including the Rotterdam Hall, the addition of flexible (retail) units and a skybar on the 23rd floor.

Finally, assessment of the feasibility to transform some of the office spaces into hotel rooms is still ongoing. The Fund also sees this change in functionality as a positive move since it would constitute a long-term solution for the vacant office space and because hotel facilities are a good fit with the WTC concept.

New leases and lease renewals

Active asset management has led to a total of new and renewed leases of 15,509 m² and an annual rent of € 2.9 million in 2016. In many cases, new leases were a result of investments in refurbishments executed in advance to attract new tenants.

The CSR cluster headed by Oikocredit and Max Havelaar in the Nieuwe Vaart office building in Utrecht continued to expand in 2016. The Fund signed new leases for a total of 3,214 m². The agreements include the realisation of a "caring is sharing" concept, in which the tenants share various facilities and services. These include the realisation of a shared restaurant, plus conference spaces and small office units that are available for flexible rental. The Fund and the tenants joined forces to improve the sustainability of the asset.

Following the renovation of the central entrance area of the WTC The Hague, the Fund signed new leases for a total of 3,631 m² of office space. New tenants include Sprangers Van den Ende accountants and legal advisors, SENS Real Estate, Task Force Healthcare, Tymlez BV, Women in Cybersecurity, Dong Dao, CTE Techno, Briddge, Edge Consultants, and Simplify Now. Raffemet Commodities and Staffing Associates extended their tenancy agreement.

Ongoing measures at WTC Rotterdam resulted in several new and renewed leases in 2016 to a total of 2,315 m².

The former Citroën buildings, The Olympic 1931 and The Olympic 1962, will be classified as under construction during the remodelling and refit. The Fund has negotiated two leases for all of one building and a large part of the second and expects this office complex to be fully let upon completion of the upgrade, which is planned for the beginning of 2018.

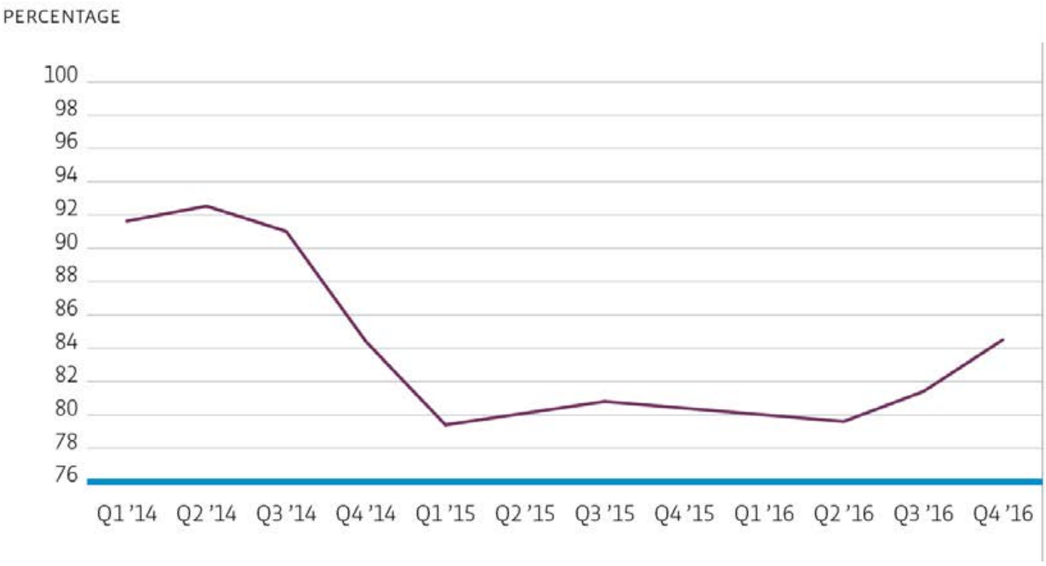
New and renewed leases include:

- Pon Holdings in The Olympic 1931 (Amsterdam)
- Compare Group in Nieuwe Vaart (Utrecht)
- Coöperatie van verenigingen van leraren e.a. onderwijspers in Nieuwe Vaart (Utrecht)
- Infi Utrecht in Nieuwe Vaart (Utrecht)
- Young Capital in Nieuwe Vaart (Utrecht)
- Stichting Duurzaam Energie Kantoor in Nieuwe Vaart (Utrecht)
- Stichting Nationaal Jeugd Fonds Jantje Beton in Nieuwe Vaart (Utrecht)

Financial occupancy

Financial occupancy rate

The acquisitions at the end of 2014 of WTC Rotterdam and The Olympics (former Citroën buildings) in Amsterdam have led to a decrease in the occupancy rate of the Fund. Parallel to the redevelopment of The Olympics, the Fund's letting activitities are aimed to achieving 100% occupancy for these assets as of Q2 2018, which is the current planning for their completion. Capital expenditure for WTC Rotterdam and WTC The Hague will also support new lettings. Meanwhile, the occupancy rate of Nieuwe Vaart has already benefited from investments, which was the main reason for an increase of the occupancy rate at the end of 2016.

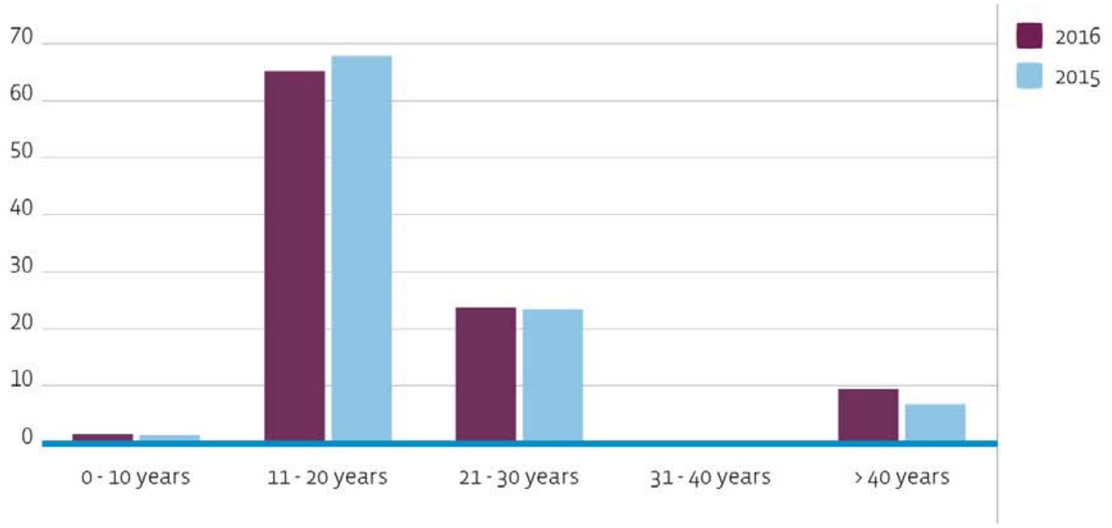


Asset optimisation

Although the buildings in the Fund's portfolio are relatively young, the major part is now more than 10 years old. The lay-out of these buildings therefore generally needs to be updated and modernised to keep the building lettable in today's market. The Fund has upgraded a number of empty spaces prior to closing new lease contacts. The renovation and upgrades of the WTC in Rotterdam and the former Citroën buildings in Amsterdam, together with the completed upgrade of the WTC The Hague are perfect examples of this approach. As mentioned elsewhere, the improved sustainability of Nieuwe Vaart (formerly Arthur van Schendelstraat) office building in Utrecht led to a number of new leases with non-profit companies in the CSR sector.

Portfolio composition by age based on market value

PERCENTAGE



More important than age is the asset's distinctive character, its location and return prognosis. Following the 2014 acquisition of four existing buildings, two of which have a listed status based their rich history and architecture, led to an increase in the average age of the portfolio. However, last year's acquisition of the new-build, mixed-use Hourglass building in Amsterdam will reduce the average age of the portfolio from 2019 onwards.

Investments in sustainability also increase the chances of new leases or lease extensions, as demand for sustainable offices is growing. These investments can also cut housing expenses, which gives office buildings a competitive edge in terms of pricing.

Area promotion

As part of our ongoing drive to forge sustainable partnerships with various stakeholders, Bouwinvest has always been involved in numerous area organisations, such as the Olympic Stadium area in Amsterdam and the New Centre project in The Hague. Bouwinvest teamed up with The Hague city council and a number other companies to found the Green Business Club Beatrixkwartier. The aim of the club is the promotion of The Hague as an attractive city and the sustainable development of the Beatrixkwartier district. The idea is to improve facilities and amenities, which will include initiatives on both social and environmental fronts.

Bouwinvest is working closely with local authorities and other public and private parties on the development of the area around Amsterdam's Olympic Stadium, recently dubbed 'The Olympic Amsterdam'. This project will give the area – where Bouwinvest has also invested in homes, shops, the Olympic Stadium and an underground parking garage – a whole new impetus, creating a lively area where people live, work, play sports and relax.

Financial performance in 2016

Total return

The Fund realised a total fund retun of 5.5% (2015: 0.5%), consisting of a 3.6% income return (2015: 4.2%) and a 1.9% capital growth (2015: -3.7%). The total return in Euro's grew to € 30.5 million in 2016, from € 4.0 million in 2015. The main cause of the difference in total return between the two years is the improvement in capital growth in 2016.

The Fund's NAV declined to € 526 million from € 555 in 2015, a decline of € 29 million. The main cause of the NAV decline is the repayment of share premium (€ 50 million) in 2016.

Income return

The Fund realised an income return of 3.6% in 2016, 0.6 %-points less than in 2015.

The gross rentail income for 2016 was less than 2015 (-17%), mainly due to the large sale of investment properties at the end of 2015. The net property operating expenses were about equal for both years, resulting in a higher OpEx-ratio in 2016, compared to 2015. The main drivers of the relative increase in the property operating expenses are the executed maintenance and the letting and lease renewal fees in 2016. Also the lack of rental income for The Olympics in Amsterdam due to preparations for the redevelopment, contributed to the decrease in income return in 2016, compared to 2015.

The secured rent until 2019 (three-year horizon) at year-end 2016 was 35% of the 2016 gross rental income (year-end 2015: 52%). The decrease in the secured rent is mainly caused by a relatively high concentration of lease expirations in 2017 and 2019. The high concentration of lease expirations in 2017 is due to a potential ending of a lease at Centre Court in The Hague, whereby the closing of a one year lease extension is foreseen for Q1 2017, which will result in a shift in the peak of expiry dates to 2018. In accordance with the market conditions, the like-for-like rent decreased -2% (2015: -11%).

The average financial occupancy rate has increased slightly, to 81.3% in 2016 from 80.1% in 2015. The rise of the occupancy rate is mainly a result of new lettings for Nieuwe Vaart (Utrecht) to several organisations that form a cluster based on their strong CSR policies.

Capital growth

The Fund realised a capital growth of 1.9% in 2016, 5.6%-point more than in 2015.

The values of investment property tended to shift upwards in 2016, primarily a result of an improved office real estate investment market. However, for some assets a decrease in value was realised, due to the anticipation of possible lease endings.

Not only investment properties have increased in value, but also the investement under construction, The Olympics in Amsterdam, contributed to an overall capital growth of the Fund's portfolio.

Property performance

The total property return for 2016 came in at 7.0% (2015: 1.4%), consisting of a 4.5% direct property return (2015: 4.9%) and a 2.4% indirect property return (2015: -3.4%). The Fund underperformed the total property return IPD Property Index (all properties) in 2016 of 9.7%.

The five-year average outperformance of the IPD Property Index is mainly the result of outperformances in 2012 and 2013. The optimisation of the Fund in recent years included acquisitions, which added substantial vacancy to the portfolio. Decreased direct returns affected the performance of the Fund to such an extent that outperformance was not feasible. New investments, including Hourglass and the redevelopment of The Olympics in Amsterdam, position the Fund again for a return to outperformance in the future.

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 threated 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 Funds 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 € 22.5 million in freely available cash and € 5.0 million in a 30-day deposit as at 31 December 2016. During 2016 the cash position decreased with € 59.3 million, as compared to year-end 2015, mainly as a result of the repayment of share premium (€ 50 million) in 2016.

During 2016, The Fund paid € 19.2 million as dividend to the shareholders. At the end of 2016, one capital call was executed at a total amount of € 10 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 minimalize 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 € 73.18 per share for 2016 (2015: € 88.22 per share), 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, 79.2% was paid out in 2016, with the final quarterly instalment paid out in March 2017. 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 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 proposes to pay out 100% of said distributable profit. The Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2016.

Due to the status of the Fund as a FII, Bouwinvest Office Development B.V. and Bouwinvest Dutch Institutional Office Fund Services B.V. were established in 2016.

AIFMD

Bouwinvest is the fund manager of the Office Fund. Since 2014, Bouwinvest has an AIFMD licence. Under the licence, Intertrust Depositary Services B.V. acts as independent depositary of the Fund for the benefit of the investors and performs all depositary functions and duties pursuant to AIFMD regulations.

Outlook

Economy may boost demand for office space

The recovery of the Dutch economy firmed up in 2016 and according to forecasts is set to book steady growth of 1.5% to 2% in the years ahead. On top of this, unemployment continues to fall and consumer confidence is returning to pre-crisis levels. All of these trends are likely to have a positive impact on business activity and growth, which will in turn further increase quantitative demand for office space in the best locations in the main cities of the Netherlands. We do expect to see a continuation of the polarisation in the office market in 2017 and beyond, as secondary locations suffer the most from the growing surplus in office space. On a brighter note, we are seeing an increasing willingness in both the public and private sectors to consider the conversion of surplus office space to other uses, such as residential accommodation or hotels. This may help to reduce office vacancies in the long term.

Building value

Pressure on the investment market has already led to a decrease of yields, especially in Amsterdam. A continuing rise of office real estate prices is expected to continue to rise in 2017, although at a lower rate than in 2016. Since some yields in Amsterdam are sometimes below the lowest level of 2007, investments in other Dutch cities could become more attractive for investors. While private equity buyers have entered the market in recent years, new foreign investors may enter the office real estate investment market in the coming years. Several Asian investors have already concluded a number of major transactions.

Pipeline projects such as Hourglass and The Olympics in Amsterdam will benefit from these developments. They ensure the growth of the Fund for the next few years. But the Fund is also aiming for new acquisitions with a focus on Amsterdam and Utrecht to further diversify the Fund's regional exposure.

Rental growth on the horizon

At the same time, the occupier market is improving. Once again this is most visible in Amsterdam, where occupancy rates are rising quickly, scarcity has returned in the best locations and rent levels are increasing. Assets do require modern standards to take advantage of these developments. This is why the Fund will continue to enhance its core assets. An investment plan for WTC Rotterdam will improve the asset's attractiveness through the creation of new functions and facilities, such as sport and food and beverage, improved accessibility and modern interior design. Advanced technology enables the Fund to support its tenants by providing customer aimed and user-friendly services. But it is not just innovations within the assets that are important. The Fund also recognises the need to cooperate with and develop (new) platforms so it can offer facilities and services available in buildings to new and existing tenants.

The motto for The Olympic Amsterdam is “Aim higher”. The challenge is to create a vibrant new part of Amsterdam, where a community of tenants, visitors and residents work, play and live. In addition to the planning and leasing of units in the assets to tenants in a variety is business sectors, the Fund is also actively cooperating with the Amsterdam city council and other stakeholders to improve public areas. Completion is foreseen for early 2018, so the majority of the redevelopment will take place in 2017.

The Fund aims high for every asset. Active asset management will lead to a wide range of activities with the ultimate goal of increasing occupancy rates. This will enable the Fund to realise sustainable outperformance.

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 grated 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 organization and real estate investments and is part of the role we want to play in ackling 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
Comfort
Productivity
Health
Safety

Planet
Energy
Materials
Water
Waste

Profit
Facilities
Flexibility
Accessibility
Attractiveness

Our sustainablility 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 a stable return and improve overall performance
2. **Building value**; we want to create added value for 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 Office Fund's sustainability strategy is focused on increasing the sustainability performance and attractiveness of its office assets. Not only does this boost the long-term performance of the Office Fund's assets, it also increases the total value of the Fund's property portfolio and creates financial and social value for all stakeholders.

Building value

Bouwinvest considers investments in sustainability from a business perspective. Energy-efficiency measures improve the competitive position of the Fund's office properties and add value for our stakeholders, both investors and tenants. However, Bouwinvest's sustainability strategy extends beyond energy use to the social aspects of sustainability, such as investments to upgrade local public amenities, health and safety and create a pleasant working environment where people can also meet and enjoy various leisure activities.

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, BREEAM InUse, Energy Panel	Create transaparency on current performance and reduce operating cost; improve quality of assets
Tenants	DUO label, Green Leases, Energy Panel	Increase sustainability awareness among tenants, with a focus on energy use; cooperation with tenants: education and awareness
Property managers	Contracts, meetings, Energy Panel	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

The Office Fund conducts an annual tenant satisfaction survey, which provides insight into the satisfaction of tenants and highlights potential improvements. The overall score was 7.3 in 2016 (2015: 6.9).

Additional actions to improve the participation of tenants, such as personal reminders, have led to an increase of the response in 2016 compared to 2015. A higher reponse is also a result of new and committed tenants of Nieuwe Vaart in Utrecht. Tenants of smaller office units have again showed the lowest participation. The response would be 48% if this survey would exclude tenants of units < 100 m^2. Almost all scores for both asset and management sections have increased on a portfolio level. Scores for WTC Rotterdam especially increased for the management. Higher future grades on the asset section are expected based on prepared investments. As in every year, an action plan shall be developed with the property managers to improve results. Some lower scores are related to single tenant assets. These require a personal approach to clients in any case to set targeted improvements.

Following the launch of so-called 'green leases' in 2013, the Fund continued to incorporate sustainability clauses in lease proposals in 2016. The aim of these leases is to increase and enhance the information exchange between Bouwinvest and its tenants with the aim of improving environmental performance. In 2016, the Fund prepared several green leases to sign in 2017.

Sustainable partnerships: Nieuwe Vaart CSR cluster

The Nieuwe Vaart case is a perfect example of creating value by cooperating with tenants. The Office Fund worked very closely with fair trade organisation Max Havelaar and micro-credit provider Oikocredit on the renovation and refitting of the Arthur van Schendelstraat 550 office building in Utrecht, now renamed Nieuwe Vaart, with the aim of creating truly sustainable office suites. Max Havelaar and Oikocredit wanted their office to be a clear extension of the culture, working environment and identity. Thanks to a major upgrade and refit, which included the installation of 487 solar panels, a wide range of energy efficiency measures and the use of sustainable materials for the renovation, the Fund has obtained a BREAAM-NL In-Use certificate 'GOOD' score for this asset.

Following the upgrade, Bouwinvest joined forces with Max Havelaar and Oikocredit to attract organisations in the non-profit sector. A joint presentation to like-minded organisations on the goals of this new CSR cluster in a truly sustainable building with shared facilities, generated a great deal of enthusiasm. This led to a number of new leases. After delivery of spaces to Dutch CSR sector organization MVO Nederland, the 11,000-m² building is now fully let. The Office Fund also signed a Letter of Intent with restaurant operator The Colour Kitchen for shared company canteen facilities. The Colour Kitchen offers training and employment opportunities to people with disabilities, making it a perfect match for the Nieuwe Vaart CSR cluster.

Managing the supply chain

Bouwinvest has Service Level Agreements with its property managers, who are assessed each quarter on topics related to administrative management, technical management (including sustainability), commercial management and tenant satisfaction.

The Office 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.

Partnerships with local government agencies

The Olympic 1931 and 1962 in Amsterdam

These two former Citroën buildings, designed by Dutch architect Jan Wils, once housed the Citroën head office. In 2016, the buildings we're renamed The Olympic 1931 and The Olympic 1962 (in reference to the years in which they were built). The two buildings are in a very culturally significant location, right next door to the city's 1928 Olympic Stadium at the southern entry to Amsterdam, the Stadionplein. In 2016, Bouwinvest unveiled a plan to upgrade these iconic buildings as part of the development of the area around the Olympic Stadium, under the name The Olympic Amsterdam, with the aim of making it one of the capital city's top locations for living, working and leisure activities.

At the same time, Bouwinvest took the initiative to draw up a document outlining our ambitions, which will form the basis for our continued cooperation with the Amsterdam city council and other stakeholders in efforts to improve the public spaces around the buildings. Suitable events and amenities, together with an area promotion, will ultimately contribute to making the area more attractive and increase familiarity with the name: 'The Olympic Amsterdam'. The launch of this process was accompanied by a large-scale media event, marking both the launch of the new names and the announcement of the upgrade plans.

This project will add the final touch to the total development of Amsterdam's Stadionplein, giving the southern entry to the city the cachet it deserves. This acquisition is fully in line with the Bouwinvest Office Fund strategy, with its focus on multi-functional and easy accessible A-locations.

Environmental performance

Focus on material topics

The focus of the Office Fund's sustainability strategy is on reducing the environmental impact of the office 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. The Fund actively cooperates with existing tenants and potential tenants on initiatives to optimise comfort and energy efficiency. Teamwork is also executed with external property managers to provide comfortable, safe and convenient office and public spaces in assets.

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 consumption. The Fund reports on energy consumption (electricity, heating and gas: the energy components) for multi-tenant assets which translates to greenhouse gas emissions.

The Fund has set clear targets for the period 2016-2018:
- 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

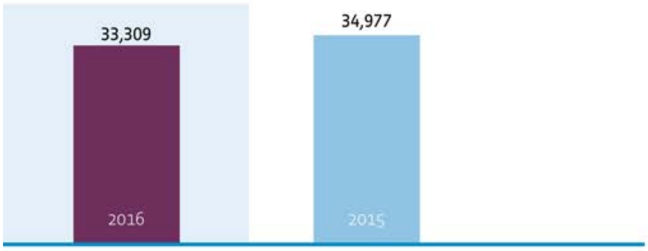
In 2016, the Fund managed to cut energy consumption by 4.8% (2015: 6.1%) contributing to a total cut in energy consumption of 12.0% in the period 2012-2016 on a like for like basis.

The Fund has been actively tracking water consumption in multi-tenant assets since 2012. Data is provided by the property manager and is based on invoices and manual visual readings. The Fund tracked waste management for its entire managed real estate portfolio in 2016. The focus is on those assets which the Fund is responsible for and can influence the waste handled on site and mostly involves multi-tenant office assets. No waste is sent directly to landfill.

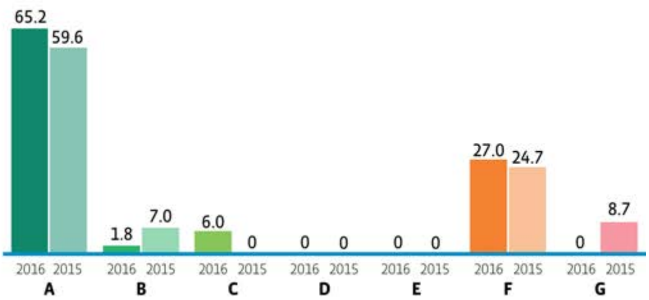
The Fund's ambition to increase the coverage and therefore the transparency of its environmental impact according to INREV sustainability guidelines is reflected in the summary of key CSR data. For more detailed information please see the CSR performance indicators at the end of this annual report.

Energy consumption in offices

Energy consumption (like-for-like, MWH)



Investment property by labelled floor space (m²) in %



Energy management

Although we take a broad view of sustainability, the environmental focus of our sustainability strategy has been on enhancing the energy efficiency of the properties in the portfolio and cutting service costs.

The Fund has performed energy assessments for all the assets in its portfolio and these have all been assigned energy labels. The distribution of energy labels will improve the coming years as a result of ongoing renovations and refitting of the 2014 acquisitions. The energy efficiency measures introduced during the upgrade of the former Citroën Buildings (The Olympic 1931 and The Olympic 1962), such as heat and cold storage (WKO), the installation of LED lighting systems combined with presence detectors and solar panels, will improve the energy label significantly. Improvement of energy efficiency wil continue for all assets, especially for currently underperforming assets. With an average energy index of 1.12 and label B, the Fund is ahead of future legislation requiring office buildings to have a minimum energy label C.

Energy Navigator

In 2016, the Office Fund conducted a successful pilot with the Energy Navigator, a web-based tool that provides rapid insight into the energy performance of an office building and potential cost-saving measures. The tool divides the energy label into an asset and a unique operational label; a building with an efficiently A label can have an operational use that is more in line with a less efficient G label. The Energy Navigator provides an easy way to find and resolve energy wastage. It also enables early detection of deviations, which can help put an office building back on track to meet energy performance targets.

For WTC The Hague the Energy Navigator detected potential energy savings of € 2.72/m², totalling more than € 200.000,- of average energy savings a year (25-30% of the energy invoicel) and 2.168 million kg CO_2 savings. A project will start in 2017 to realise these potential savings.

One unique feature of the Energy Navigator is that it is operated remotely, eliminating the need for visual inspections and extensive on-site studies. The Energy Navigator measures the amount of electricity, gas and heat/cold which moves through the main meters. The values are set off against meteorological data and the building's characteristics. Data on energy use at the main meter level helps identify opportunities for savings without any need to enter the building itself. Smart adaptations in the building, installations and user behaviour can then be combined to realise savings on energy consumption that can run as high as 20-40% of total consumption. The increase in comfort for users of the building is an added bonus. The Fund is investigating the possibility of more widespread application of the Energy Navigator in 2017.

BREEAM-NL: getting buildings ready for the future

Sustainability is no longer a feature in the current market. It is a given. Because BREEAM-NL only measures the criteria that go beyond legislative requirements, it provides certainty that a project exceeds average market standards. The BREEAM rating implicitly also reflects the exposure to regulatory and environmental risks: the better the BREEAM rating, the lower the risk.

The BREEAM-NL In-Use EXCELLENT certificate for the WTC The Hague was an acceptional achievement in 2016. With a BREEAM-NL In-Use Excellent score (****) at both Asset and Building Management level, WTC The Hague is the most sustainable multi-tenant office building in the Netherlands. It is a tribute to our efforts over the past years to make our buildings more sustainable. It shows we are on the right track with our sustainability ambitions.

In 2016, all office spaces in the portfolio, except for the listed part of WTC Rotterdam, were given a BREEAM in-Use Quick Scan (75% of the Fund). We subsequently launched certification processes for six assets with the long-term objective of a minimum BREEAM-NL In-Use score of Good at Asset level. BREEAM-NL In-Use assesses the sustainability performance of existing buildings on three levels: Asset, Building Management and Occupier Management

At the moment, 80% of the target is BREEAM certified. But BREEAM certification is just the starting point for improving the quality of our portfolio. The performance of each property can now be tracked and it ensures that we do what is needed to future-proof them. The following step is to continue to improve the actual performance, for instance by reducing our energy use and carbon emissions, as well as improving the health and safety in our assets.

Asset	City	BREEAM-NL In-Use Asset Score	BREEAM-NL In-Use Building Management Score
Nieuwe Vaart (Arthur van Schendelstraat 500)	Utrecht	Good	N/A
Nieuwe Vaart (Arthur van Schendelstraat 550)	Utrecht	Good	N/A
Nieuwe Vaart (Arthur van Schendelstraat 600)	Utrecht	Good	N/A
WTC Den Haag	Den Haag	Excellent	Excellent
Centre Court	Den Haag	Very Good	Good
WTC Rotterdam	Rotterdam	Good	N/A

Benchmarking

The Fund has been closely monitoring the electricity use at its office properties via smart meters since 2011. An energy dashboard on a dedicated website measures and shows the electricity consumption on a fifteen-minute basis, enabling the Fund, property managers and tenants to monitor energy use and costs.

Each quarter, we compare energy use in quarterly benchmarking reports, giving us a clear overview of the energy use per building. This gives us insight into various user profiles and enables us to introduce energy-saving measures and record the actual improvements due to these measures.

Benchmarking based on the Global Real Estate Sustainability Benchmark (GRESB) gives the Office Fund greater insight into the opportunities to improve the sustainability performance measured at Fund level. In 2016, the Office Fund participated for the fifth time in the GRESB assessment and improved its score.

The Fund is one of the best performing office funds in the Netherlands: a Green Star for the third successive year, 2nd in its peer group and a ranking in the top 20% (GRESB 5-star rating) worldwide of 759 participating entities.

Corporate governance

Bouwinvest Dutch Institutional Office Fund N.V. (the Office Fund) was established in 2010. Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW, the pension fund for the construction industry) is the Office Fund's anchor investor. In 2015, Bouwinvest welcomed one new investor to its Office Fund. 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 Office 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

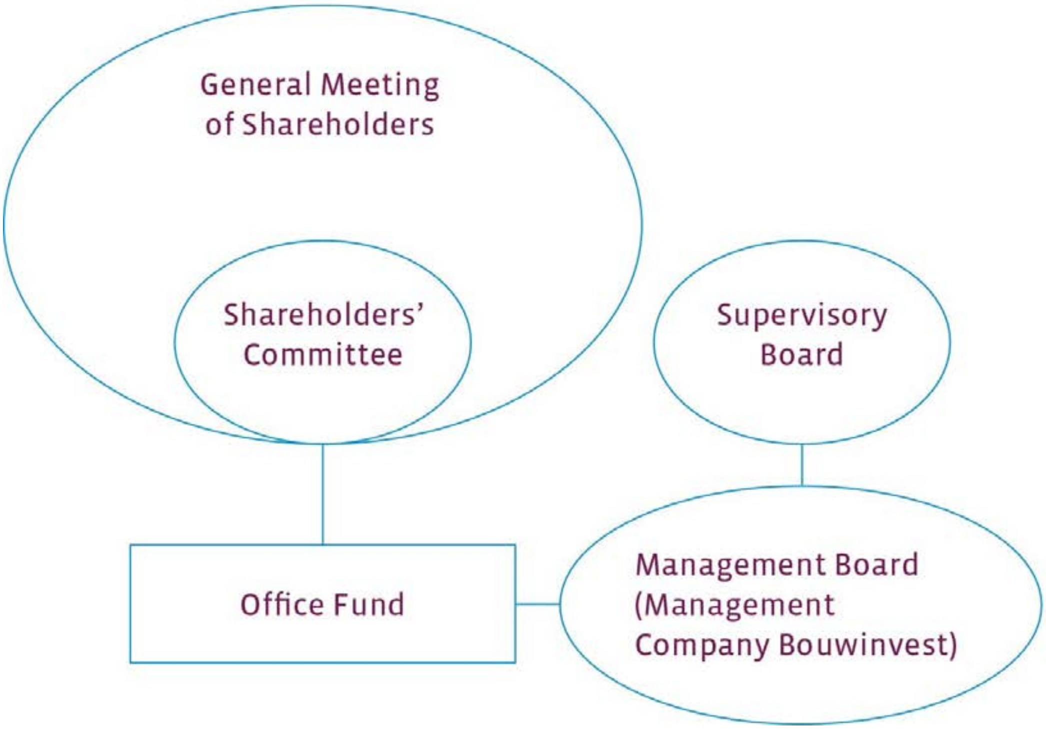
- Best-in-class system for valuation of assets
- '4-eyes-principle' on all real estate investments
- Transparency and integrity in daily business conduct
- Code of conduct
- Shareholder communications

Structure of the Fund

The Office 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 Office Development B.V. and Bouwinvest Dutch Institutional Office 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 Office Development B.V. performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Office Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

Fund governance structure



Shareholders' Committee

The Office Fund can establish a 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. The Shareholders' Committee was established in March 2016.

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 Office Fund.

General Meeting of Shareholders

Shareholders of the Office 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 Office 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 Office 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.

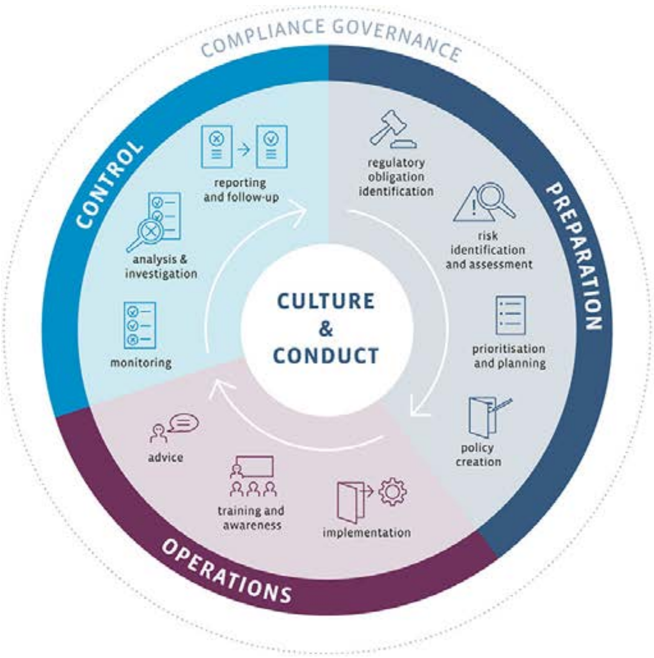
Code of Conduct

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.

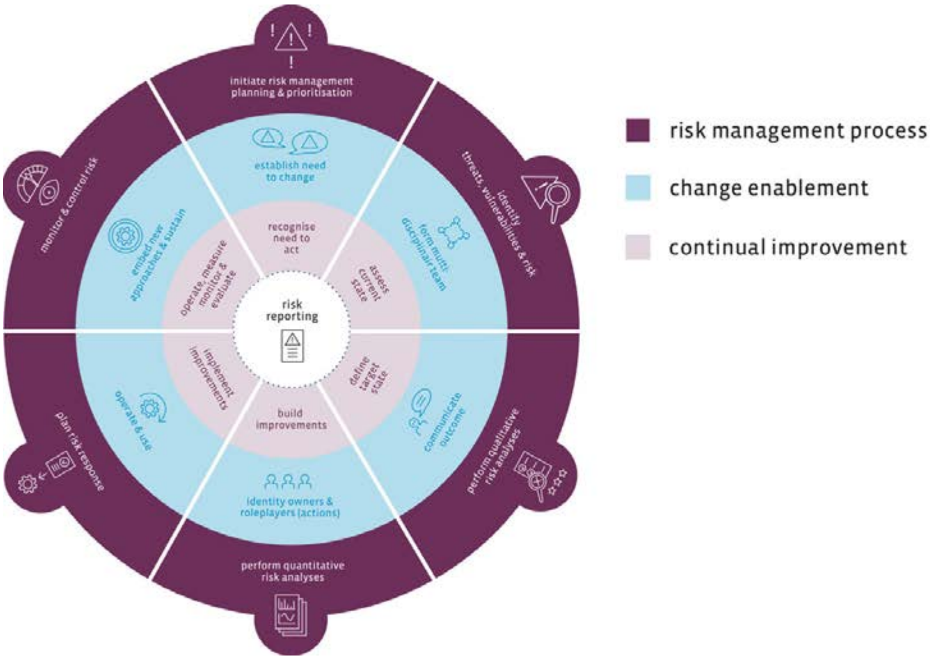
External auditor

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

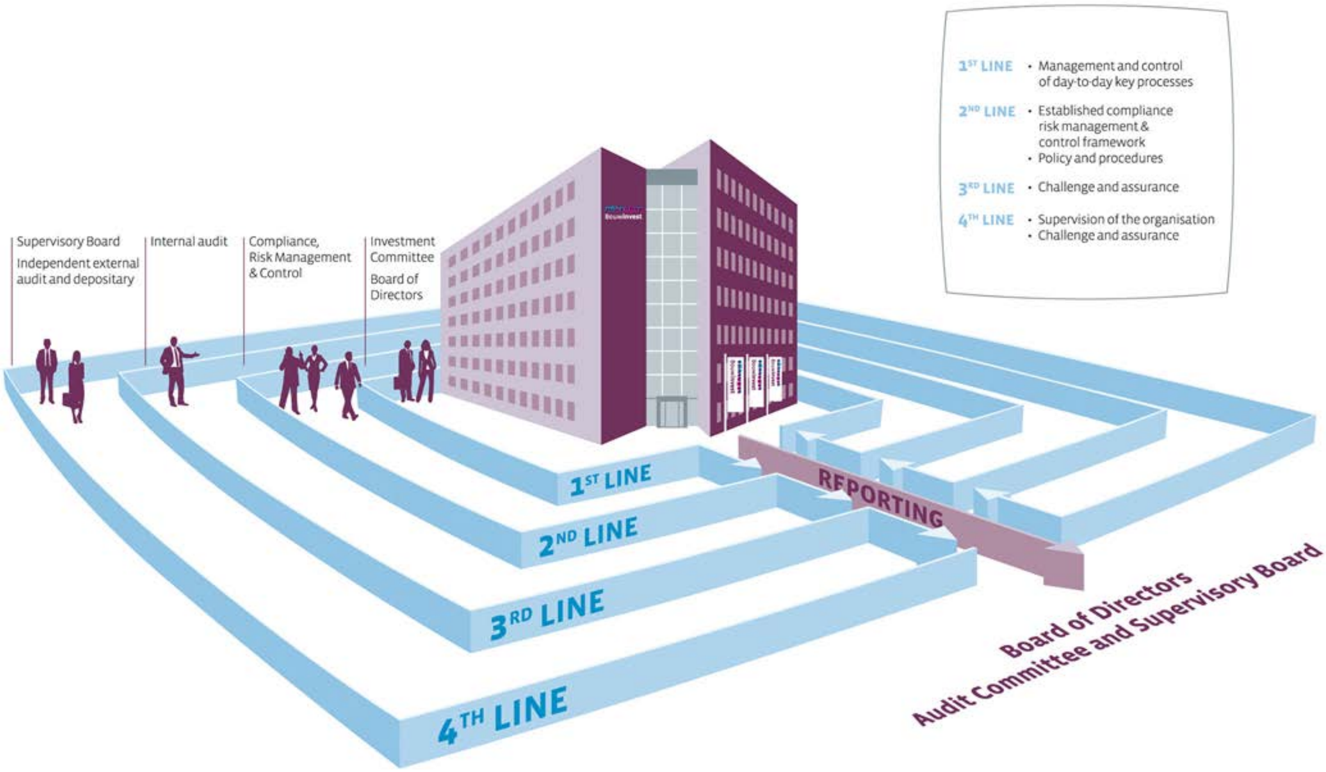
Risk management and compliance are independent functions within Bouwinvest. Their role is to identify, assess, advise on, monitor and report on financial, operational and compliance risks faced by the Fund. In 2016, Bouwinvest continued to refine and enhance its risk and compliance capabilities. It also 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 Office 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 Fund's quarterly 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 Office 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 Office 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 appraiser 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 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
- Regional Mix
- Multi-tenant mix
- 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.

Regional mix
Regional and geographic development can be of important influence on future market conditions. Bouwinvest is constantly researching the dynamics in regional population growth and economic development. The Fund is focusing its investment activities based on this research while trying to spread its investments geographically to avoid volatility that may be caused by regional concentration. The regional mix KRI focuses on the ability of the Fund to attain the regional distribution it is aiming for.

Multi-tenant mix
Based on analysis and investment beliefs the Office Fund has specific strategic goals regarding the type of assets it aims to own. More specifically the Fund is focusing its asset management on leasing out properties to multiple smaller tenants instead of to large single tenants. The Multi-tenant mix KRI focuses on the ability of the Fund to attain the tenant mix 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 Office 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 Office 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	2016	2015	2015
Gross rental income	6	34,740		41,999	
Service charge income	6	5,998		7,814	
Other income		1,793		704	
Revenues			**42,531**		**50,517**
Service charge expenses		(7,371)		(10,601)	
Property operating expenses	7	(13,325)		(13,063)	
			(20,696)		**(23,664)**
Net rental income			**21,835**		**26,853**
Result on disposal of investment property			**-**		**535**
Positive fair value adjustment investment property	12	12,683		8,664	
Negative fair value adjustment investment property	12	(8,766)		(29,275)	
Fair value adjustments on investment property under construction	13	7,714		477	
Net valuation gain (loss) on investment property			**11,631**		**(20,134)**
Administrative expenses	8		(2,883)		(3,221)
Result before finance result			**30,583**		**4,033**
Finance result	9	(68)		1	
Net finance result			**(68)**		**1**
Result before tax			**30,515**		**4,034**
Income taxes	10		(9)		-
Result for the year			**30,506**		**4,034**
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			**30,506**		**4,034**
Net result attributable to shareholders			30,506		4,034
Total comprehensive income attributable to shareholders			**30,506**		**4,034**
Distributable result	19		18,884		23,633
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	458,762	478,197
Investment property under construction	13	44,645	-
		503,407	**478,197**
Current assets			
Trade and other current receivables	14	5,327	2,078
Cash and cash equivalents	15	27,523	86,768
		32,850	**88,846**
Total assets		**536,257**	**567,043**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		252,373	272,175
Share premium		251,858	277,334
Revaluation reserve		17,273	5,214
Retained earnings		(26,022)	(4,034)
Net result for the year		30,506	4,034
Total equity	16	**525,988**	**554,723**
Current liabilities			
Trade and other payables	17	10,269	12,320
Total liabilities		**10,269**	**12,320**
Total equity and liabilities		**536,257**	**567,043**

Consolidated statement of changes in equity

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

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**
Comprehensive income						
Net result	-	-	-	-	30,506	30,506
Total comprehensive income	**-**	**-**	**-**	**-**	**30,506**	**30,506**
Other movements						
Issued shares	4,700	5,300	-	-	-	10,000
Redemption of shares	(24,502)	(25,498)	-	-	-	(50,000)
Appropriation of result	-	-	-	4,034	(4,034)	-
Dividends paid	-	(5,278)	-	(13,963)	-	(19,241)
Movement revaluation reserve	-	-	12,059	(12,059)	-	-
Total other movements	**(19,802)**	**(25,476)**	**12,059**	**(21,988)**	**(4,034)**	**(59,241)**
Balance at 31 December 2016	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**

* See explanation dividend restrictions Note 16[on page 62] .

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2015	**267,445**	**292,063**	**5,605**	**(612)**	**612**	**565,113**
Comprehensive income						
Net result	-	-	-	-	4,034	4,034
Total comprehensive income	**-**	**-**	**-**	**-**	**4,034**	**4,034**
Other movements						
Issued shares	4,730	5,270	-	-	-	10,000
Appropriation of result	-	-	-	612	(612)	-
Dividends paid	-	(19,999)	-	(4,425)	-	(24,424)
Movement revaluation reserve	-	-	(391)	391	-	-
Total other movements	**4,730**	**(14,729)**	**(391)**	**(3,422)**	**(612)**	**(14,424)**
Balance at 31 December 2015	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**

* See explanation dividend restrictions Note 16[on page 62] .

Consolidated statement of cash flows

All amounts in € thousands

	Note	2016	2015
Operating activities			
Net result		30,506	4,034
Adjustments for:			
Valuation movements		(11,631)	20,134
Result on disposal of investment property		-	(535)
Net finance result		68	(1)
Movements in working capital		(5,756)	(1,487)
Cash flow generated from operating activities		**13,187**	**22,145**
Interest paid		(68)	-
Interest received		-	1
Cash flow from operating activities		**13,119**	**22,146**
Investment activities			
Proceeds from sale of investment property		-	70,024
Payments of investment property	12	(10,723)	(8,103)
Payments of investment property under construction	13	(2,400)	(1,479)
Cash flow from investment activities		**(13,123)**	**60,442**
Finance activities			
Proceeds from the issue of share capital		10,000	10,000
Redemption of shares		(50,000)	-
Dividends paid		(19,241)	(24,424)
Cash flow from finance activities		**(59,241)**	**(14,424)**
Net increase/(decrease) in cash and cash equivalents		(59,245)	68,164
Cash and cash equivalents at beginning of year		86,768	18,604
Cash and cash equivalents at end of year	15	**27,523**	**86,768**

Notes to the consolidated financial statements

All amounts in € thousands unless otherwise stated.

1 General information

The Office Fund (Chamber of Commerce number 34366457) 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 office real estate in the Netherlands. The anchor shareholder is Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (97.8%). Bouwinvest, manager of the Fund, is a minority shareholder.

The Fund owns two taxable subsidiaries, Bouwinvest Office Development B.V. and Bouwinvest Dutch Institutional Office 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 Office Development B.V. performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Office 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 Office Development B.V., Bouwinvest 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 Investmenty 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.

2.2 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 Office 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 with respect to granted lease incentives is 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 other, 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 Office Fund but via external parties or within Bouwinvest Office Development B.V. or Bouwinvest 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 Office 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 profit or loss, 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 profit or loss, 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 recognised initially 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 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. Lease incentives granted by the Fund to its tenants are recognised as an integral part of the total rental income. The lease incentives are included in the investment property. Incentives to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease, together with any further term for which the tenant has the option to continue the lease, when at the inception of the lease it is reasonably certain that the tenant will exercise this option.

Premiums received to terminate leases 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.

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 place.

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 lessees	267	202
Other financial assets	5,060	1,876
Cash and cash equivalents (Note 15)	27,523	86,768

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.

Of the other financial assets, € 1.4 million (2015: € 0.5 million) relate to reclaimable VAT.

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

	2016	2015
Trade and other current receivables		
Neither past due nor impaired	5,117	1,449
Total neither past due nor impaired	**5,117**	**1,449**
Past due but not impaired		
Less than 30 days overdue	394	473
30 to 90 days overdue	-	-
Total past due but not impaired	**394**	**473**
Individually determined to be impaired (gross)		
30 days to 90 days overdue	325	43
More than 90 days overdue	1	344
Total individually determined to be impaired (gross)	**326**	**387**
Less: impairment provision	(510)	(231)
Total trade and other current receivables, net of provision for impairment	**5,327**	**2,078**

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 presented 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	451	4,876	-	5,327
Liabilities				
Tenant deposits	-	-	817	817
Trade payables	1,515	-	-	1,515
Other financial liabilities	6,241	1,687	9	7,937

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	473	1,605	-	2,078
Liabilities				
Tenant deposits	-	-	847	847
Trade payables	1,909	-	-	1,909
Other financial liabilities	7,834	1,730	-	9,564

As the amount of contractual undiscounted cash flows related to bank borrowings and debentures and other loans is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date. That is, the actual spot interest rates effective as of 31 December 2016, and 31 December 2015, are used to determine the related undiscounted cash flows.

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	5,327	5,327	2,078	2,078
Cash and cash equivalents (level 1)	15	27,523	27,523	86,768	86,768
Financial liabilities measured at amortised cost and other payables (level 2)	17	(10,269)	(10,269)	(12,320)	(12,320)
		22,581	**22,581**	**76,526**	**76,526**

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. 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.

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 terms in order to cover the full period of existing leases. The DCF analyses are based on calculations of the future rental revenue in accordance with the terms in existing leases, and estimations of the rental values when the lease 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 Core regions

A spread by core regions is applied in the analysis of the valuation of the investment property portfolio. Amsterdam, Rotterdam, The Hague and Utrecht are considered prime office regions in 2016. Secondary core regions are: Amersfoort, Amstelveen, Arnhem, Breda, Eindhoven, Groningen, Haarlemmermeer, 's-Hertogenbosch and Zwolle. The Fund is currently active in four of these 13 regions, namely Amsterdam, Rotterdam, Utrecht and The Hague.

The valuation of the completed investment properties per core region for the year ended 31 December, is as follows:

Property valuation as at 31 December	2016	2015
Region		
Amsterdam	75,878	102,826
Rotterdam	111,679	108,677
Utrecht	23,148	17,809
The Hague	248,057	248,885
Non-core regions	-	-
Total	**458,762**	**478,197**

6 Gross rental income and service charge income

	2016	2015
Theoretical rent	45,381	56,213
Incentives	(2,324)	(3,222)
Vacancies	(8,317)	(10,992)
Total gross rental income	**34,740**	**41,999**

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

	2016	2015
First year	30,725	30,273
Second to fifth year	55,282	64,128
More than five years	5,588	12,089

Service charge income represents € 6.0 million (2015: € 7.8 million) income receivable from tenants for the services utilities, caretakers, etc. when the Fund acts as principal.

7 Property operating expenses

	2016	2015
Taxes	1,591	1,691
Insurance	80	211
Maintenance	3,530	3,640
Valuation fees	55	102
Property management fees	904	1,247
Letting and lease renewal fees	3,288	2,603
Other operating expenses	3,602	3,257
Addition to provision for bad debts	275	312
Total property operating expenses	**13,325**	**13,063**

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

8 Administrative expenses

	2016	2015
Management fee Bouwinvest	2,685	3,077
Audit fees	24	29
Other administrative expenses	150	99
Legal fees	11	3
Other Fund expenses	13	13
Total administrative expenses	**2,883**	**3,221**

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	(68)	1
Total finance result	**(68)**	**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.

Office Development is the taxable subsidiary that carries out development activities for the Office Fund.
The profit before tax of Office Development is € 46,000 and therefore the income tax amount to € 9,000.

In December 2016 the Fund established a taxable subsidiary, Bouwinvest Dutch Institutional Office 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 Office Fund met the requirements of an FII in 2016. The effective tax rate was 0% (2015: 0%).

11 Employee benefits expense

The Office Fund has no employees.

12 Investment property

		2016		2015
At the beginning of the year		**473,688**		**547,528**
Transfer from investment property under construction		-		8,157
Investments		10,723		8,103
Transfers to investment property under construction		(34,531)		-
Disposals		-		(69,489)
Net gain (loss) from fair value adjustments on investment properties (like for like)	3,917		(23,037)	
Net gain (loss) from fair value adjustments on investment properties	-		2,426	
In profit or loss		**3,917**		**(20,611)**
In other comprehensive income		-		-
Transfers out of level 3		-		-
Total investment property (level 3)		**453,797**		**473,688**
Lease incentives		4,965		4,509
At the end of the year		**458,762**		**478,197**

The Fund's investment properties are valued by external valuation experts on a quarterly basis.

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.

The lease incentives granted are included in the total fair value of investment properties. For the year 2016 the amount of lease incentives is € 4.5 million (2015: € 4.5 million).

Investments	2016	2015
Amsterdam	1,390	9,963
Rotterdam	3,223	1,154
Utrecht	1,583	2,455
The Hague	4,527	2,683
Non-core regions	-	5
Total investments	**10,723**	**16,260**

Disposals	2016	2015
Amsterdam	-	(6,889)
Rotterdam	-	(9,258)
Utrecht	-	(7,182)
The Hague	-	-
Non-core regions	-	(46,160)
Total disposals	**-**	**(69,489)**

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

2016	Amsterdam	Rotterdam	Utrecht	The Hague	Total
Current average rent (€/m²)	205	163	153	193	183
Current average rent (€/PP)	2,005	3,441	1,060	1,485	1,974
Estimated rental value (€/m²)	234	164	161	181	181
Estimated rental value (€/PP)	1,990	3,922	1,400	1,444	2,049
Gross initial yield	6.0%	6.0%	6.0%	7.3%	6.7%
Net initial yield	5.6%	3.8%	1.0%	5.2%	4.7%
Current vacancy rate (LFA m²)	4.4%	27.5%	21.5%	14.8%	17.8%
Current vacancy rate (PP)	74.8%	55.6%	13.5%	28.4%	45.8%
Current vacancy rate (financial)	3.2%	24.1%	44.1%	14.3%	16.6%
Long-term growth rental rate	2.2%	1.8%	2.2%	2.0%	2.0%
Average 10-year inflation rate (IPD Nederland)					1.0%

2015	Amsterdam	Rotterdam	Utrecht	The Hague	Total
Current average rent (€/m²)	148	165	171	198	178
Current average rent (€/PP)	1,983	3,720	1,226	1,719	2,138
Estimated rental value (€/m²)	154	163	166	185	172
Estimated rental value (€/PP)	1,971	4,143	1,400	1,754	2,233
Gross initial yield	4.3%	6.4%	3.6%	7.5%	6.4%
Net initial yield	2.4%	6.0%	(0.1)%	5.4%	4.6%
Current vacancy rate (LFA m²)	47.3%	26.1%	69.6%	13.3%	26.2%
Current vacancy rate (PP)	80.3%	56.9%	47.7%	19.4%	44.8%
Current vacancy rate (financial)	22.2%	18.4%	67.9%	15.3%	19.7%
Long-term growth rental rate	1.6%	1.8%	0.6%	1.4%	1.5%
Average 10-year inflation rate (IPD Nederland)					1.5%

The valuation of the investment properties takes into account a rent-free period/rental incentives ranging from 1 to 12 months after occupation.

The net valuation gain (loss) for the year included a positive fair value adjustment of € 12,683 (2015: € 8,664) relating to investment properties that are measured at fair value at the end of the reporting period.

As at 31 December 2016, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 3.0 million (2015: € 3.2 million).

Direct operating expenses recognised in profit or loss include € 0.2 million (2015: € 0.9 million) relating to vacant investment property. Investment property includes buildings held under finance leases of which the carrying amount is nil (2015: nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 4.7% (2015: 4.6%). 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 23.0% lower (2015: 23.2% lower). In this situation, the Fund’s shareholders’ equity would have been € 112 million lower (2015: € 119 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	(22,938)	22,938	(23,910)	23,910

	2016		2015	
Change net initial yield	– 25 bps	+ 25 bps	– 25 bps	+ 25 bps
Value of the investment property change	25,834	(23,219)	27,454	(24,626)

13 Investment property under construction

	2016	2015
At the beginning of the year	**-**	**6,201**
Transfer from investment property	34,531	-
Investments	2,400	1,479
Net gain (loss) from fair value adjustments on investment property under construction	7,714	477
In profit or loss	**7,714**	**477**
In other comprehensive income	-	-
Transfer to investment property	-	(8,157)
Transfers out of level 3	-	-
At the end of the year	**44,645**	**-**

	2016	2015
Investment property under construction at fair value	44,645	-
Investment property under construction at amortised cost	-	-
As at 31 December	**44,645**	**-**

Investment property is not (re)developed within the Office Fund but via external parties or within Bouwinvest Office Development B.V. or Bouwinvest Development B.V. As at 31 December 2016 the investment property under construction relates to The Olympic 1931 and The Olympic 1962 (Amsterdam).

The net valuation gain (loss) for the year included a positive fair value adjustment of € 7,714 (2015: € 477) relating to investment property under construction that is measured at fair value at the end of the reporting period.

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

The specifications of transfers from investments and also the transfers to investment property are set out below.

Investments	2016	2015
Amsterdam	2,400	1,479
Total investments	**2,400**	**1,479**

The specifications of transfers from investments and also the transfers to investment property are set out below.

	2016	2015
Gross initial yield	5.3%	N/A
Net initial yield	4.8%	N/A
Long-term vacancy rate	0.0%	N/A
Inflation rate	1.0%	N/A
Estimated average percentage of completion	N/A	N/A
Current average rent (€/m²)	317	N/A
Construction costs (€ per m²)	2,167	N/A

14 Trade and other current receivables

	2016	2015
Trade receivables	267	202
Reclaimable VAT	1,404	543
Group companies Bouwinvest	465	427
Other receivables	3,191	906
Balance as at 31 December	**5,327**	**2,078**

15 Cash and cash equivalents

	2016	2015
Bank deposits	5,000	77,000
Bank balances	22,523	9,768
Balance as at 31 December	**27,523**	**86,768**

The bank balances of € 22.5 million are freely available to the Fund as at 31 December 2016. In order to minimalise the costs of the negative interest rate on the bank balances, during 2016 the Fund used 30-day bank deposits. The bank deposits of € 5.0 million have a 30-day notice period.

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

For 2016, before appropriation of result

Attributable to owners of the Fund

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**
Comprehensive income						
Net result	-	-	-	-	30,506	30,506
Total comprehensive income	**-**	**-**	**-**	**-**	**30,506**	**30,506**
Other movements						
Issued shares	4,700	5,300	-	-	-	10,000
Redemption of shares	(24,502)	(25,498)	-	-	-	(50,000)
Appropriation of result	-	-	-	4,034	(4,034)	-
Dividends paid	-	(5,278)	-	(13,963)	-	(19,241)
Movement revaluation reserve	-	-	12,059	(12,059)	-	-
Total other movements	**(19,802)**	**(25,476)**	**12,059**	**(21,988)**	**(4,034)**	**(59,241)**
Balance at 31 December 2016	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**

* See explanation dividend restrictions in this Note.

For 2015, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2015	**267,445**	**292,063**	**5,605**	**(612)**	**612**	**565,113**
Comprehensive income						
Net result	-	-	-	-	4,034	4,034
Total comprehensive income	**-**	**-**	**-**	**-**	**4,034**	**4,034**
Other movements						
Issued shares	4,730	5,270	-	-	-	10,000
Appropriation of result	-	-	-	612	(612)	-
Dividends paid	-	(19,999)	-	(4,425)	-	(24,424)
Movement revaluation reserve	-	-	(391)	391	-	-
Total other movements	**4,730**	**(14,729)**	**(391)**	**(3,422)**	**(612)**	**(14,424)**
Balance at 31 December 2015	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Office 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	**272,175**	**272,175**	**277,334**	**549,509**
Issued shared	4,700	4,700	5,300	10,000
Redemption of shares	(24,502)	(24,502)	(25,498)	(50,000)
Dividends paid	-	-	(5,278)	(5,278)
Balance at 31 December 2016	**252,373**	**252,373**	**251,858**	**504,231**
Opening balance at 1 January 2015	**267,445**	**267,445**	**292,063**	**559,508**
Issued shared	4,730	4,730	5,270	10,000
Dividends paid	-	-	(19,999)	(19,999)
Balance at 31 December 2015	**272,175**	**272,175**	**277,334**	**549,509**

Issued capital

The authorised capital comprises 1 million shares, each with a nominal value of € 1,000. As at 31 December 2016, in total 252,373 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	1,515	1,909
Rent invoiced in advance	6,241	7,834
Tenant deposits	817	847
Taxes	9	-
Other payables	1,687	1,730
Balance as at 31 December	**10,269**	**12,320**

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	30,506	4,034
Weighted average number of ordinary shares	258,054	267,886
Basic earnings per share (€ per share)	118.22	15.06

The Office 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, € 19.2 million (2015: € 24.4 million) was paid as dividend. The payment of a dividend over 2016 of € 73.18 (2015: € 88.22) per share as at year-end 2016, amounting to a total dividend of € 18.9 million (2015: € 23.6 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 had unprovisioned contractual obligations for future repairs and maintenance of € 3.0 million (2015: € 3.2 million). The total future commitments as at 31 December 2016 amounted to € 159 million (2015: € 5.4 million). The commitments relates to the acquisition of Hourglass (Amsterdam) and the redevelopment of The Olympics (Amsterdam).

	2017	2018	>2019
Investment commitments	63	66	30
	63	**66**	**30**

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.

21 Related parties

The Office Fund's subsidiairies and members of the Supervisory Board and Board of Directors of Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) and the other entities under mangement by Bouwinvest, qualify as related parties of the Office Fund. The Fund paid Bouwinvest a € 2.7 million (2015: € 3.1 million) fee in 2016. 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 of Bouwinvest.

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

Bouwinvest Development B.V. (re)develops part of the investment property for the Fund. In 2016, € 1.1 million (2015: € 2.4 million) was paid to Bouwinvest Development B.V. with regard to the projects The Olympic 1931 and The Olympic 1962 (Amsterdam).

22 Management fee

Bouwinvest is the manager and Statutory Director of the Fund. The management fee paid for the year 2016 amounted to € 2.7 million (2015: € 3.1 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 Office Fund.

	2016	2015
Audit of the financial statements	24	23
Other audit engagements	-	6
Tax advisory services	-	-
Other non-audit services	-	-
Total fees	**24**	**29**

24 Subsequent events

As of January 2017, a new investor committed for a total of € 25 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		458,762	478,197
Investment property under construction		44,645	-
Financial assets	3	1,039	-
		504,446	**478,197**
Current assets			
Trade and other current receivables		5,270	2,078
Cash and cash equivalents		26,521	86,768
		31,791	**88,846**
Total assets		**536,237**	**567,043**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		252,373	272,175
Share premium		251,858	277,334
Revaluation reserve		17,273	5,214
Retained earnings		(26,022)	(4,034)
Net result for the year		30,506	4,034
Total equity		**525,988**	**554,723**
Current liabilities			
Trade and other payables		10,249	12,320
Total liabilities		**10,249**	**12,320**
Total equity and liabilities		**536,237**	**567,043**

Company profit and loss account

All amounts in € thousands, unless otherwise stated

	2016	2015
Profit of participation interests after taxes	37	-
Other income and expenses after taxes	30,469	4,034
Result for the year	**30,506**	**4,034**

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 Office Fund N.V. (the Office 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-only 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	37	-
As per 31 December	**1,039**	**-**

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

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

Bouwinvest Office Development B.V. redevelops investment properties for Bouwinvest Dutch Institutional Office Fund N.V. As at 31 December 2016, The Olympic 1931 and The Olympic 1962 were being redeveloped.

4 Equity attributable to shareholders of Bouwinvest Dutch Institutional Office 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	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**
Comprehensive income						
Net result	-	-	-	-	30,506	30,506
Total comprehensive income	**-**	**-**	**-**	**-**	**30,506**	**30,506**
Other movements						
Issued shares	4,700	5,300	-	-	-	10,000
Redemption of shares	(24,502)	(25,498)	-	-	-	(50,000)
Appropriation of result	-	-	-	4,034	(4,034)	-
Dividends paid	-	(5,278)	-	(13,963)	-	(19,241)
Movement revaluation reserve	-	-	12,059	(12,059)	-	-
Total other movements	**(19,802)**	**(25,476)**	**12,059**	**(21,988)**	**(4,034)**	**(59,241)**
Balance at 31 December 2016	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**

* See explanation dividend restrictions in this Note.

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2015	**267,445**	**292,063**	**5,605**	**(612)**	**612**	**565,113**
Comprehensive income						
Net result	-	-	-	-	4,034	4,034
Total comprehensive income	**-**	**-**	**-**	**-**	**4,034**	**4,034**
Other movements						
Issued shares	4,730	5,270	-	-	-	10,000
Appropriation of result	-	-	-	612	(612)	-
Dividends paid	-	(19,999)	-	(4,425)	-	(24,424)
Movement revaluation reserve	-	-	(391)	391	-	-
Total other movements	**4,730**	**(14,729)**	**(391)**	**(3,422)**	**(612)**	**(14,424)**
Balance at 31 December 2015	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Office 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.

Issued capital

The authorised capital comprises 1 million shares, each with a nominal value of € 1,000. As at 31 December 2016, in total 252,373 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 Office Fund. A dividend of € 88.22 (in cash) per share has been paid. The result for 2015, amounting to € 4.0 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 € 73.18 (in cash) per share be paid for 2016. Of the result for 2016 amounting to € 30.5 million, € 30.5 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Office 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 new 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 Office 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 Office 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 Office 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 Office 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:

- The consolidated statement of financial position as at 31 December 2016.
- The following statements for 2016: the consolidated statements of comprehensive income, changes in equity and cash flows.
- 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 Office 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 € 5.2 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	€ 5.2 million
Basis for group materiality level	1% of total equity
Threshold for reporting misstatements	€ 260 thousand

We agreed with the Board of Directors that misstatements in excess of € 260 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 Office 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 Office 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
Valuation of investment property	
The valuation of investment property contains an 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.	We have obtained an understanding of the key controls, including the involvement of the external valuation experts by management, surrounding the valuation process. 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.
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).	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. We have additionally engaged internal property experts to review a selection of the property. We have performed an additional test on the reliability of the estimation by comparing the valuation with the revenues effectively realized upon sale.

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 goverance 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 Office 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
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests 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
4	Revaluation to fair value of self-constructed or developed investment property	X	X	N/A	N/A
5	Revaluation to fair value of investment property held for sale	X	X	N/A	N/A
6	Revaluation to fair value of property that is leased to tenants under a finance 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
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV 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		Total 2016	Per share 2016	Total 2015	Per share 2015
	NAV as per the financial statements	**525,988**	**2,084.17**	**554,723**	**2,038.11**
	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	**525,988**	**2,084.17**	**554,723**	**2,038.11**
	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	4,406	17.46	5,876	21.59
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	**530,394**	**2,101.63**	**560,599**	**2,059.70**
	Number of shares issued	252,373		272,175	
	Number of shares issued taking dilution effect into account	252,373		272,175	
	Weighted average INREV NAV	538,456		572,645	
	Weigthed average INREV GAV	549,937		587,045	
	Total Expense Ratio (NAV)	0.55%		0.58%	
	Total Expense Ratio (GAV)	0.53%		0.57%	
	Real Estate Expense Ratio (GAV)	2.66%		2.93%	

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, so 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 for 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 including using bid-ask spreads for issue premium or redemption discounts on the NAV calculated on the basis of set percentages, the capitalisation and amortisation of such costs over different time periods or, indeed, not taking into account such costs at all in the calculation of the vehicle NAV. 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 2015, 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	5,876
Acquisition costs 2016	-
Amortisation acquisition costs in 2016	(1,470)
Adjustment NAV (excluding tax)	**4,406**

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 Office Fund N.V.

Report on the INREV adjustments

Our Opinion

We have audited the accompanying INREV adjustments 2016 of Bouwinvest Dutch Institutional Office 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 75 up to and including page 81.

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 Office 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 75 up to and including page 81.

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

The Office Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code, incorporated under the laws of the Netherlands, 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. 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

The Office Fund has three shareholders at year-end 2016. As of January 2017, a new investor commited for a total of € 25 million.

Name shareholder	Number of shares at year-end 2016
Shareholder A	246,789
Shareholder B	4,730
Shareholder C	854
Total	**252,373**

Dividend

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

The Board of Directors proposes to pay a dividend of € 73.18 per share for 2016 (2015: € 88.22), 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, 79.2% was paid out during 2016. The fourth instalment was paid on 7 March 2017. The remainder 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, € 15.19 per share
30 August 2016	Payment interim dividend second quarter 2016, € 24.04 per share
8 December 2016	Payment interim dividend third quarter 2016, € 19.62 per share
7 March 2017	Payment interim dividend fourth quarter 2016, € 12.76 per share
12 April 2017	Annual General Meeting of Shareholders
25 April 2017	Payment of final dividend 2016, € 3.19 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	717	742
New tenants	164	136
Green Leases	2	2
DUO Labels (GRI-CRESS: CRE8)	5	5
Response rate (GRI: PR5)	36%	29%
Satisfaction scores (GRI: PR5)	7.3	6.9

INREV Sustainability performance measures	Units	2016	2015
Energy consumption			
Total electricity consumption (GRI: EN4)	MWh	16,978	17,385
Total gas consumption (GRI: EN3)	MWh	4,298	5,176
Total district heating and cooling (GRI: EN4)	MWh	12,033	12,416
Total energy consumption from all sources (GRI: EN4)	MWh	33,309	34,977

		2016	2015
Carbon emissions (GHG)			
Total direct GHG emissions (GRI: EN15) Scope 1	tonnes CO_2e	803	967
Total indirect GHG emissions (GRI: EN16) Scope 2	tonnes CO_2e	6,757	6,919
Total GHG emissions (GRI: EN16) Scope 1 and 2	tonnes CO_2e	7,560	7,886
Total GHG emissions after compensation	tonnes CO_2e	803	967

		2016	2015
Water consumption			
Total water consumption (GRI:EN8)	m^3	70,291	69,171

		2016	2015
Waste management			
Total waste collected (GRI: EN22)	tonnes	508	401
Recycling rate		35	98

		2016	2015
INREV Sustainability intensity measures			
Building energy intensity (GRI-CRESS: CRE1)	$kWh/m^2/year$	194.3	204.0
Greenhouse gas intensity from building energy (GRI-CRESS: CRE3)	kg $CO2e/m^2/year$	44.1	46.0
Building water intensity (GRI-CRESS: CRE2)	$m^3/m^2/year$	0.455	0.448

	2016	2015
Certificates		
EPC labels coverage (GRI-CRESS: CRE8)	100.0%	100.0%
Green certificates (A,B or C label)	73.0%	66.7%
Average energy index	1.12	1.25
Green Building Certificates (BREEAM and GPR) (GRI-CRESS: CRE8)	6	N/A
Global Real Estate Sustainability Benchmark (GRESB) Overall Score (GRI-CRESS: CRE8)	78	76

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

Bouwinvest
La Guardiaweg 4
1043 DG, Amsterdam
The Netherlands

External auditor
Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
The Netherlands

Depositary
Intertrust Depositary Services B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

Tax adviser
KPMG Meijburg & Co
Laan van Langerhuize 9
1186 DS Amstelveen
The Netherlands

Legal adviser and Fund notary
DLA Piper Nederland B.V.
Amstelveenseweg 638
1081 JJ Amsterdam
The Netherlands

Real estate notary
De Brauw Blackstone Westbroek
Claude Debussylaan 80
1082 MD Amsterdam
The Netherlands

Valuers
Colliers International
Buitenveldertselaan 5
1082 VA Amsterdam
The Netherlands

Cushman & Wakefield
Strawinskylaan 3125
1077 ZX Amsterdam
The Netherlands

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 m²)	No. of parking units	Year of construction /renovation	Land ownership	Core region	Theoretical gross annual rent as per 31 December 2016	Financial occupancy rate (average)
AMSTERDAM	De Lairesse	3,522	57	1998	Freehold	Amsterdam	1,064	87.5%
AMSTERDAM	Valeriusplein	918	-	1917	Leasehold	Amsterdam	284	100.0%
AMSTERDAM	Olympisch Stadion (Offices)	13,391	-	1999	Freehold	Amsterdam	2,543	96.9%
AMSTERDAM	Olympisch Stadion (Parking)	125	850	2001	Freehold	Amsterdam	1,636	100.0%
AMSTERDAM	The Olympic 1931 *	6,358	20	1931	Leasehold	Amsterdam	N/A	N/A
AMSTERDAM	The Olympic 1962 *	12,095	47	1962	Leasehold	Amsterdam	N/A	N/A
AMSTERDAM	Valina	3,716	14	2015	Leasehold	Amsterdam	768	100.0%
ROTTERDAM	Maasparc	6,357	30	2000	Freehold	Rotterdam	1,122	100.0%
ROTTERDAM	WTC Rotterdam (Offices)	51,380	-	1987	Freehold	Rotterdam	8,329	68.0%
ROTTERDAM	WTC Rotterdam (Parking P1 / P2)	-	240	1987	Freehold	Rotterdam	537	79.8%
ROTTERDAM	WTC Rotterdam (Parking Leeuwenstraat)	-	340	1987	Freehold	Rotterdam	1,525	100.0%
THE HAGUE	Centre Court (Offices)	39,755	-	2002	Freehold	The Hague	8,022	100.0%
THE HAGUE	Centre Court (Parking)	-	670	2002	Freehold	The Hague	1,093	92.1%
THE HAGUE	WTC The Hague / Prinsenhof (Offices)	63,376	-	2004	Freehold	The Hague	12,013	75.3%
THE HAGUE	WTC The Hague / Prinsenhof (Parking)	584	1,008	2004	Freehold	The Hague	1,399	93.9%
UTRECHT	Nieuwe Vaart	11,609	111	1992	Freehold	Utrecht	1,894	71.7%
Total		**213,186**	**3,387**				**42,229**	**81.3%**

* Investment property under construction

Bouwinvest