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Keyfigures

**NET RESULT 2012**

€ (972) million

Net result core activities € (156) million

**MALE/FEMALE RATIO**

58/42%

**TOTAL EQUITY**

€ 3.4 billion

---

**NET RESULT**

In € millions

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<thead>
<tr>
<th>Year</th>
<th>Value</th>
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<tr>
<td>2008</td>
<td>500</td>
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<td>2009</td>
<td>0</td>
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<td>2010</td>
<td>-500</td>
</tr>
<tr>
<td>2011</td>
<td>-1,000</td>
</tr>
<tr>
<td>2012</td>
<td>-1,500</td>
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**SOLVENCY INSURANCE ACTIVITIES**

In %

- Regulatory solvency Insurance activities
- Regulatory solvency Life
- Regulatory solvency Non-Life

---

**TOTAL EQUITY SNS REAAL**

In € millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
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<tbody>
<tr>
<td>2008</td>
<td>4k</td>
</tr>
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<td>2009</td>
<td>2k</td>
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<tr>
<td>2010</td>
<td>2k</td>
</tr>
<tr>
<td>2011</td>
<td>4k</td>
</tr>
<tr>
<td>2012</td>
<td>0k</td>
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**SOLVENCY LEVELS BANKING ACTIVITIES**

In %

- BIS-ratio
- Tier 1 ratio
- Core Tier 1 ratio
Key figures SNS REAAL

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<tr>
<td>Result</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>SNS Retail Bank</td>
<td>88</td>
<td>257</td>
<td>162</td>
<td>120</td>
<td>116</td>
</tr>
<tr>
<td>REAAL Life</td>
<td>72</td>
<td>247</td>
<td>208</td>
<td>49</td>
<td>(473)</td>
</tr>
<tr>
<td>REAAL Non-Life</td>
<td>(84)</td>
<td>32</td>
<td>16</td>
<td>54</td>
<td>26</td>
</tr>
<tr>
<td>REAAL Other</td>
<td>(15)</td>
<td>1</td>
<td>17</td>
<td>11</td>
<td>(32)</td>
</tr>
<tr>
<td>REAAL</td>
<td>(27)</td>
<td>280</td>
<td>206</td>
<td>92</td>
<td>(479)</td>
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<tr>
<td>Zwitserleven</td>
<td>(120)</td>
<td>(87)</td>
<td>36</td>
<td>104</td>
<td>(71)</td>
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<tr>
<td>Group activities</td>
<td>(100)</td>
<td>(93)</td>
<td>(71)</td>
<td>(80)</td>
<td>(98)</td>
</tr>
<tr>
<td>SNS REAAL Core activities</td>
<td>(159)</td>
<td>357</td>
<td>333</td>
<td>236</td>
<td>(532)</td>
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<tr>
<td>Property Finance</td>
<td>(813)</td>
<td>(243)</td>
<td>(593)</td>
<td>(219)</td>
<td>28</td>
</tr>
<tr>
<td>SNS REAAL</td>
<td>(972)</td>
<td>114</td>
<td>(260)</td>
<td>17</td>
<td>(504)</td>
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<tr>
<td>Total income</td>
<td>7,354</td>
<td>6,119</td>
<td>7,068</td>
<td>8,497</td>
<td>5,137</td>
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<tr>
<td>Total expenses</td>
<td>8,520</td>
<td>5,954</td>
<td>7,384</td>
<td>8,446</td>
<td>5,865</td>
</tr>
<tr>
<td>Result before tax</td>
<td>(1,166)</td>
<td>165</td>
<td>(316)</td>
<td>51</td>
<td>(728)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(198)</td>
<td>50</td>
<td>(57)</td>
<td>29</td>
<td>(208)</td>
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<tr>
<td>Net result discontinued operations and minority interests</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>(16)</td>
</tr>
<tr>
<td>Netto resultaat over de periode</td>
<td>(972)</td>
<td>114</td>
<td>(260)</td>
<td>17</td>
<td>(504)</td>
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Balance Sheet

<p>| | | | | |</p>
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<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Total assets</td>
<td>133,641</td>
<td>131,836</td>
<td>127,713</td>
<td>128,900</td>
</tr>
<tr>
<td>Investments</td>
<td>34,175</td>
<td>31,435</td>
<td>31,001</td>
<td>31,166</td>
</tr>
<tr>
<td>Investments for account of policyholders</td>
<td>13,227</td>
<td>12,420</td>
<td>12,637</td>
<td>12,038</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>64,334</td>
<td>67,552</td>
<td>69,117</td>
<td>70,457</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,352</td>
<td>5,090</td>
<td>4,719</td>
<td>5,062</td>
</tr>
<tr>
<td>Savings</td>
<td>32,815</td>
<td>30,341</td>
<td>27,397</td>
<td>24,435</td>
</tr>
<tr>
<td>Insurance contracts</td>
<td>41,769</td>
<td>38,827</td>
<td>38,814</td>
<td>38,030</td>
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Ratios

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<tr>
<td>Double Leverage</td>
<td>127.4%</td>
<td>115.1%</td>
<td>115.4%</td>
<td>113.1%</td>
</tr>
<tr>
<td>Number of internal employees (FTE)</td>
<td>6,724</td>
<td>6,928</td>
<td>7,113</td>
<td>7,520</td>
</tr>
<tr>
<td>Absenteism</td>
<td>4.3%</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Paper consumption (kg/FTE)</td>
<td>159</td>
<td>210</td>
<td>198</td>
<td>210</td>
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Banking activities

<p>| | | | | |</p>
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</thead>
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<tr>
<td>Efficiency ratio SNS Bank</td>
<td>57.4%</td>
<td>49.9%</td>
<td>57.8%</td>
<td>57.0%</td>
</tr>
<tr>
<td>Core Tier 1 ratio</td>
<td>6.1%</td>
<td>9.2%</td>
<td>8.1%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Tier 1 ratio</td>
<td>7.7%</td>
<td>12.2%</td>
<td>10.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>BIS ratio</td>
<td>9.3%</td>
<td>14.4%</td>
<td>16.7%</td>
<td>13.9%</td>
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Insurance activities

<p>| | | | | |</p>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating cost/premium ratio REAAL</td>
<td>11.9%</td>
<td>11.5%</td>
<td>12.2%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Operating cost/premium ratio Zwitserleven</td>
<td>14.5%</td>
<td>15.2%</td>
<td>15.4%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Regulatory solvency Insurance activities</td>
<td>176%</td>
<td>203%</td>
<td>195%</td>
<td>230%</td>
</tr>
<tr>
<td>Regulatory solvency SRLEV</td>
<td>211%</td>
<td>223%</td>
<td>205%</td>
<td>246%</td>
</tr>
<tr>
<td>Regulatory solvency Non-Life</td>
<td>490%</td>
<td>464%</td>
<td>398%</td>
<td>379%</td>
</tr>
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</table>

As of 1 January 2012, the business units SNS Retail Bank and Property Finance have been regrouped. The business segment SNS SME has been reallocated over the business segments Property Finance and SNS Retail Bank. Comparative figures are regrouped accordingly.

With effect from 1 January 2012, internal and external acquisition costs are no longer deferred, but charged directly to the results. Comparative figures have been adjusted accordingly.

Core Tier 1 ratio, Tier 1 ratio and BIS ratio are calculated based on Basel II, taking into account the 80% floor of Basel I.

The restated 2011 and half-year 2012 MCVNB is calculated with the internal pricing rate, the 2012 full year MCVNB is calculated with the ECB AAA interest rate curve including the Ultimate Forward Rate (UFR).

Regulatory solvency figures at the end of June and the end of December 2012 are calculated based on the adjusted method for extrapolating the interest rate curve using an Ultimate Forward Rate (UFR). The inclusion of Tier 2 debt is capped at 50% of required capital for perpetual Tier 2 debt and at 25% for Tier 2 debt with a definitive maturity (formerly 100% of both types of Tier 2 debt had been included at Insurance activities level). Comparative figures have not been adjusted.

Regulatory solvency figures Life are in comparison with previous publications replaced by Regulatory solvency figures SRLEV, the legal entity. This is excluding Proteq, which was included in the figures of Life.
1 Foreword

The period that now lies behind us leaves us with mixed feelings. For, 2012 was a year of contrast for SNS REAAL. In the first six months, the focus was still on the execution of our strategic priorities. The second half of the year however, SNS REAAL entered into an intensive period of close cooperation with the Dutch Central Bank (DNB) and the Ministry of Finance to arrive at a comprehensive solution for the credit risks of the Property Finance real estate finance portfolio and the capital base of SNS REAAL. In the end, on 1 February 2013, the Dutch Minister of Finance, after consultation with DNB, decided to nationalise SNS REAAL and expropriate the shareholders of SNS REAAL and the subordinated creditors of SNS REAAL and SNS Bank. The shareholdings of the Foundation SNS REAAL were also expropriated. This was a drastic decision, with far-reaching consequences for society, for our customers and for our shareholders and subordinated creditors. We feel that going forward modesty is a key word for us.

In this report we look back on the year that preceded the nationalisation of SNS REAAL. Much of what has happened in 2012 has meanwhile been caught up by the consequences of this nationalisation. A lot has changed for SNS REAAL. Still, we think it is relevant to report on last year’s developments. We are, of course, also aware of our responsibility in finding an answer to the question of how the Dutch tax payer will ultimately be compensated for its support of SNS REAAL and how SNS REAAL can, in turn, make its contribution to society.

LOOKING BACK

SNS REAAL started 2012 with the continued execution of its strategic priorities: ‘fixing the foundations’ and ‘building for the future’. The first strategic priority, ‘fixing the foundations’, implied the continued run-off of Property Finance’s real estate finance portfolio, while at the same time working on the strengthening of our capital base. Under ‘building for the future’ we grouped our efforts to win, help and retain customers in a cost-efficient manner.

In 2012, we succeeded in reducing the commitments of the real estate finance portfolio of Property Finance by €1.7 billion, representing an 18% decline compared to year-end 2011. In the first half of 2012 this was still accompanied by a strengthening capital base of SNS Bank as a whole, as measured by the core Tier 1 ratio. The run-off of the real estate finance portfolio could, however, not prevent that increasing impairments and losses at Property Finance led to a substantial deterioration of the capital base of SNS Bank in the second half year of 2012.

In spite of all the turbulence, our core activities remained focussed on the needs and interests of our customers. We found ways to more adequately measure the needs and satisfaction levels of our clients. We reduced the diversity of products, made improvements to existing products, and simplified product specifications. We also introduced new products that meet higher corporate responsibility standards. With the (re)introduction of the so-called Zilvervloot Sparen savings account at SNS Bank and RegioBank we promoted the value of saving money among tens of thousands of children and adolescents. Another example is SNS Bank’s promotion of ‘Bouwsparen’ (a sustainable form of home financing, whereby saving precedes borrowing) in response to the public and political discussion regarding the Dutch housing market.

In 2012, operating expenses of our core activities increased marginally, with 1%. However, adjusted for one-off items, we succeeded in further reducing our cost base, by 3%, through employing staff more efficiently, standardisation and alignment of IT systems and sharper procurement.

In the second half of 2012, market conditions worsened considerably. Rising unemployment levels, combined with more stringent lending assessment conditions for mortgages, resulted in a weakening housing market. Moreover, the implementation of more prudent risk-assessment models at SNS Bank led to higher risk-weights for retail mortgages. Commercial real estate markets also worsened and losses at Property Finance subsequently increased, putting pressure on the core Tier 1 ratio of SNS Bank. Moreover, interest rates in the core euro zone countries fell to historically low levels, negatively impacting our Insurance activities. It became increasingly clear that we would be unable to repay the capital support, obtained from the Dutch State at the end of 2008, before year-end 2013 without creating an unacceptable capital shortage. Although we had explored and discussed alternative scenarios at earlier stages, this meant that it became more and more urgent to find a comprehensive solution to reinforce SNS REAAL’s capital base, and for Property Finance’s real estate finance portfolio. Also, in May 2012, DNB had prescribed SNS REAAL to continue its efforts to
strengthen its capital base and to run off the non-core portfolio of Property Finance. Thus, in July 2012, we informed financial markets that SNS REAAL was examining different scenarios. This examination was done in consultation with DNB, the Ministry of Finance and our external auditor. We reviewed a broad range of scenarios aimed at the strengthening and simplification of the capital base, as well as strategic restructuring scenarios, including the sale of parts of the company. In the process, the interests of all stakeholders were continuously taken into account.

As the second half of 2012 progressed, the urgency to find a comprehensive solution increased. In November 2012, SNS REAAL restated that its previously announced review of strategic restructuring and capital enhancement and simplification measures was ongoing. In response to public speculation on the future of SNS REAAL, retail savings balances became more volatile, although on balance they were flat in the second half year. In January 2013 however, the outflow of savings increased.

SNS REAAL ended the year 2012 with a net loss of €972 million. This included a net loss of Property Finance of €813 million, driven by sharply higher impairments.

In January 2013, SNS REAAL again informed financial markets that its efforts were still focused on finding a comprehensive solution, including a reduction of credit losses at Property Finance. It was also explained that in all scenario’s estimates of parties concerned on future losses at Property Finance played an important role. In the same month, DNB concluded in the so-called SREP (Supervisory Review and Evaluation Process) letter, that SNS Bank had a capital deficit. DNB requested a remedy for this deficit by 31 January, or to ensure through a plan to be submitted by the same date that this deficit would be remedied in the short term. Following months of intensive cooperation with all parties involved, SNS REAAL submitted a public-private proposal to DNB on 31 January 2013. In the media, this proposal was called the CVC scenario. This scenario included a capital injection by private parties, giving current shareholders the possibility to participate, burden-sharing by shareholders and subordinated creditors, and a contribution from the Dutch State in the form of a conversion of capital support provided in 2008, a capital injection and a guarantee for the funding of the Property Finance real estate finance portfolio following the separation of this portfolio from SNS REAAL. However, the Minister of Finance considered that the Dutch State had to make a disproportionately large contribution and the viability and financing were not ensured. Consequently, it was concluded that this scenario offered insufficient certainty to remedy the capital deficit of SNS Bank in the short term. Based on this conclusion, the Minister of Finance nationalised SNS REAAL on 1 February 2013, expropriating the shareholders of SNS REAAL as well as the subordinate creditors of SNS REAAL and SNS Bank.

CORE ACTIVITIES IN 2012

The capital position and earnings development of the Insurance activities did not play a role in the decision to nationalise SNS REAAL. However, being a 100% subsidiary of SNS REAAL, they were also nationalised.

Continued difficult market circumstances, increased competition and margin pressure led to a substantial amount of one-off items, mainly in the form of goodwill impairments at REAAL Life and REAAL Non-Life in 2012. We also impaired the brand name of Zwitserleven and took a partial impairment of VOBA. Combined, the impairments of intangible assets at the Insurance activities amounted to €493 million net. The total impact of one-off items, including an additional provisioning for the unit-linked policies settlement, was €549 million negative in 2012, resulting in a net loss for the Insurance activities of €147 million. However, as intangible assets are not included in solvency capital, the impairments did not affect the solvency ratios of the Insurance activities.

At the end of 2012, the capital position of the Insurance activities had declined to 176%, mainly due to lower interest rates, higher capital requirements and increased longevity. Net profit excluding one-off items of the Insurance activities increased with 42% to €402 million, mainly driven by capital gains on bonds. Net profit excluding one-off of Life insurance items increased with 48% to €391 million. Net profit before one-off items of Non-Life insurance decreased with 19% to €26 million. Underlying results of the Insurance activities (excluding both one-off items and the impact of the investment portfolio and hedges) were lower but remained profitable in 2012.
SNS Retail Bank posted a sharply lower profit excluding one-off items of €124 million in 2012, in part due to lower gains on the buy-back of own debt and higher impairments on loans, reflecting the weak housing market and rising unemployment rates in the Netherlands. One-off items of €36 million, mainly consisting of a restructuring charge, limited net profit to €88 million. The efficiency ratio increased from 50% in 2011 to 57% in 2012, due mainly to the lower buy-back results, pressure on commission income and the restructuring charge.

Although as a result of the media attention for SNS REAAL the inflow and outflow of retail savings balances became more volatile in the second half of 2012, retail savings did in fact increase by €2.5 billion for the full year.

In all, the core activities reported a 2012 net loss of €159 million. Adjusted for one-off items, net profit of the core activities was €443 million, compared to €485 million in 2011.

NATIONALISATION
The nationalisation encompasses the recapitalisation of SNS REAAL and SNS Bank, as well as the isolation of the Property Finance real estate finance portfolio in a separate asset management organisation. This will take place through the transfer of Property Finance. The recapitalisation consists of a €2.2 billion capital injection by the Dutch State and the expropriation of shares of SNS REAAL and subordinated debt totalling €1 billion of SNS REAAL and SNS Bank. Moreover, the Dutch State provided a bridge loan to SNS REAAL of €1.1 billion to redeem senior debt and internal loans.

The transfer of Property Finance to a separate asset management organisation involves €8.5 billion of gross real estate loans and €0.5 billion of property assets as per 30 June 2012 (€8.3 billion total net exposure after the deduction of loan loss provisions). The bulk of this (over 75%) relates to the Netherlands. As part of the transfer, a write-off of €2.8 billion is required on the total assets of Property Finance as per 30 June 2012. This €2.8 billion write-off has been determined by the Dutch State. Therefore, in addition to the €0.8 billion of impairments at Property Finance in the second half of 2012, an additional provision of €2.0 billion is taken in the first quarter of 2013. After the additional provisioning, the net exposure of the real estate finance portfolio will amount to €5 billion. SNS Bank will continue the funding of, this portfolio, also after the intended transfer. The Dutch State intends to provide a guarantee of approximately €5 billion for the funding of Property Finance. As soon as the guarantee has been obtained, combined with the transfer, SNS Bank will not bear the credit risk on an equivalent amount of funding. Consequently it will not carry the related risk-weighted assets in its capital ratios anymore. In addition, the Dutch State intends to capitalise the asset management organisation.

The above-described structure concerning Property Finance (the separation, the guarantee on the funding and the capitalisation of the asset management organisation) is subject to the approval of the European Commission.

Taking into account the impact of all the nationalisation measures, the pro forma core Tier 1 ratio of SNS Bank and the pro forma double leverage of SNS REAAL show a strong improvement. The pro forma core Tier 1 ratio of SNS Bank improves to 14.9%, compared to 6.1% at year-end 2012. Pro forma double leverage of SNS REAAL is reduced to 105%, equating to a nominal leverage of €0.2 billion (year-end 2012: 127%). The regulatory solvency of the Insurance activities is not affected by the nationalisation. At the end of 2012, it stood at 176%.

OUTLOOK
For the first quarter of 2013, the core activities of SNS REAAL reported a net profit of €170 million, including a one-off positive impact from nationalisation measures of €71 million. Adjusted for one-off items and nationalisation measures, net profit of the core activities for the first quarter was €99 million, compared to €103 million for the first quarter of 2012. SNS Retail Bank had a good start of the year, earnings of the Insurance activities remained behind.

Property Finance reported a net loss of €1.8 billion for the first quarter of 2013, due to a €1.8 billion net impact of the €2 billion provision for the real estate finance portfolio. With this provision, the net exposure has been brought in line with the transfer value as determined by the Dutch State and communicated in a letter from the Dutch Minister of Finance to Parliament.
Due to the considerable first quarter loss at Property Finance, SNS REAAL will also report a loss for the year 2013 as a whole. In spite of a further weakening of the Dutch housing market, we expect SNS Retail Bank to continue to report satisfactory results in the coming quarters. We expect the market environment at the Insurance activities to remain difficult. As a result, earnings and solvency at the Insurance activities will likely remain under pressure in the quarters ahead.

At the end of the first quarter of 2013, the factual core Tier 1 ratio of SNS Bank had improved to 11.5%, due mainly to the impact of the nationalisation measures that had already been executed in this quarter. The remaining difference between the factual and the (higher) pro forma core Tier 1 ratio of SNS Bank is mainly due to the impact on risk-weighted assets of SNS Bank related to the intended transfer of Property Finance.

On 22 February 2013, the European Commission (EC) granted temporary approval for the rescue aid by the Dutch State to SNS REAAL, with the exception of the Property Finance measures for which approval was not requested. The EC’s temporary approval is conditional on the presentation by the Dutch Ministry of Finance of a restructuring plan within six months from that date and covers all aid measures, including the intended Property Finance aid measures. The EC will take a final decision on the rescue aid on the basis of this plan. The restructuring plan will be drawn up in close consultation between the Ministry of Finance and SNS REAAL. Recognizing market trends and SNS REAAL’s specific characteristics, this plan will provide the framework for SNS REAAL’s future. We intend to provide more clarity on this plan in the course of the year.

The legal and financial implementation of the (consequences) of the nationalisation and the preparations for the isolation of the Property Finance portfolio are important steps towards a return of stabilisation for SNS REAAL. We will also work on the financial disentanglement of the holding company, bank and insurer, in line with the contents of the letter from the Dutch Minister of Finance to Parliament after the nationalisation.

RESPONSIBILITY
The nationalisation of SNS REAAL has far-reaching consequences for society, for our shareholders and subordinated creditors, our customers and our organisation, including our staff. We have a responsibility to these parties. Even though this responsibility varies per group, SNS REAAL will give meaning to this responsibility to the best of its ability. By pursuing transparency, simplicity and sustainability, or, in other words: by conducting business in a responsible way, in the broadest sense of the word. With our mission of Simplicity in finance and our core value of CARE!, we continue to strive to represent the interests of society, our customers, each other and the result as best as we can.

In this effort, SNS REAAL will take its responsibility to restore confidence in its own organisation and contribute to restoring confidence in the financial services industry as a whole. The starting point in this endeavour is the integrity and professionalism of our employees. During 2012, doubts have arisen about the integrity of some of our employees at Property Finance. We deeply regret the integrity issues. We do not tolerate norm-exceeding behaviour and, therefore, took corrective measures and started investigations. This integrity incident does, however, mean that we must work even harder to prove that society and our (prospective) customers can entrust us with their financial future. Moreover, putting customers’ interests first should always be paramount in our products, services and processes.

As Executive Board, we are convinced there is room in the Dutch financial services sector for a player that supports the Dutch economy with a human touch, offers transparent, simple and fairly priced products, is clear and realistic about expected returns and that delivers on promises. In its 200 years of history, SNS REAAL has taken its responsibility in our society. We will strive to continue to do so, especially in the new reality in which we find ourselves. Simplicity, transparency and sustainability remain paramount in this effort.

Gerard van Olphen
2 Nationalisation of SNS REAAL

2.1 Nationalisation

In January 2013, De Nederlandsche Bank (DNB) informed SNS REAAL of its conclusion that SNS Bank’s capital base was inadequate to guarantee controlled coverage of the company’s current and possible future risks. SNS Bank was obliged to present DNB with a final solution by 31 January 2013. DNB required a solution that would provide sufficient assurance of success and supplement the capital deficit in the short term. In DNB’s opinion SNS REAAL’s proposal offered insufficient certainty that said capital deficit could be supplemented in the short term. DNB subsequently informed the Ministry of Finance that it no longer considered it justified that SNS Bank should continue to carry out its banking operations.

On 1 February 2013 the Minister of Finance decreed on the basis of Articles 6:2 and 6:4 of the Financial Supervision Act to expropriate:

- all issued shares in the share capital of SNS REAAL NV
- all Stichting Beheer SNS REAAL core Tier 1 capital securities issued by SNS REAAL NV (Stichting securities)
- all subordinated bonds of SNS REAAL NV and SNS Bank NV
- subordinated private debts of SNS REAAL NV and SNS Bank NV

In arriving at his decision the Minister set out that he is of the opinion that the stability of the financial system had been placed at serious and imminent risk due to the situation in which SNS REAAL found itself prior to 1 February 2013. SNS REAAL is aware that the decision to expropriate has a profound impact on society, customers, investors and employees.

All shares, Stichting securities and subordinated bonds have been expropriated for the benefit of the Dutch State. The expropriation of subordinated private debts has been effected by expropriating the corresponding debts relating to passive capital components of SNS REAAL NV and SNS Bank for the benefit of Stichting Afwikkeling Onderhandse Schulden SNS REAAL (Private Debt Settlement Foundation SNS REAAL). In the decree the Minister indicated that the capital components of the subordinated private debts had been expropriated on behalf of a separate entity (Foundation) in order to avoid these debts being transferred to the Dutch State. The Foundation is responsible for handling the settlement of these matters (most likely by filing for bankruptcy, according to the decree). In line with urgent provisions under Article 6:1 of the Financial Supervision Act, SNS REAAL has been appointed as sole director of the Foundation. The nationalisation has no direct implications for the Insurance activities of SNS REAAL. Exception is the promulgation by the European Commission for a provisional acquisition ban and the temporary ban to make interest payments on hybrid instruments issued by the insurer (see further explanation on next page).

The decree concerning expropriation came into effect at 08.30 hrs on 1 February 2013. At this moment the expropriated securities and capital components were legally transferred, respectively, to the Dutch State and to the Private Debt Settlement Foundation SNS REAAL.

The directors Ronald Latenstein (CEO) and Ference Lamp (CFRO) and the Chairman of the Supervisory Board, Rob Zwartendijk, resigned from their positions on 1 February 2013. As of 4 February, the following directors, nominated and appointed by the Dutch State, entered office: Gerard van Olphen as Chairman of the Executive Board and Maurice Oostendorp as CFRO.

For the time being, the Vice Chairman of the Supervisory Board, Piero Overmars, has taken on the role of Chairman of the Supervisory Board.

In addition to the aforementioned expropriation of the shares, securities, subordinated bonds and private debts, the Minister also decided on the following measures. The financial impact of these measures is explained in section 2.2 Pro forma figures.
• Transferring Property Finance to a separate asset management organisation in combination with a State guarantee of around €5 billion on the temporary loan that SNS Bank will provide to this asset management organisation.
• The conversion of core Tier 1 securities issued to the State and the Stichting Beheer into share premium on ordinary shares SNS REAAL.
• The expropriation and conversion into equity of subordinated debt of SNS Bank NV and SNS REAAL NV.
• A paid-in share premium of €2.2 billion by the Dutch State in SNS REAAL, €1.9 billion of which has subsequently been passed through as share premium to SNS Bank.
• A bridge loan of €1.1 billion.
• A release of around €5.5 billion in risk-weighted assets as a result of the transfer of Property Finance activities to a new, to be established asset management organisation.
• SNS Bank’s contribution to the Resolution levy imposed by the Minister.

In a decision taken on 22 February 2013 the European Commission provisionally approved the capital injection of €2.2 billion in SNS REAAL, €1.9 million of which SNS REAAL will pass through to SNS Bank, and a bridge loan from the Dutch State to SNS REAAL of €1.1 billion. The approval remains valid until the European Commission is in a position to make a final decision based on a restructuring plan that the Ministry of Finance is required to have presented on 22 August 2013 at the latest. Under the terms of the decision on 22 February 2013 SNS REAAL is prohibited from making any acquisitions (‘acquisition ban’) and from making payments based on hybrid instruments (‘hybrid debt call and coupon ban’) until the final decision has been made. In anticipation of the final decision, the Ministry of Finance is also considering requesting permission from the European Commission for the demerger of Property Finance, as discussed below in section 2.2.1.6., as the European Commission has not (yet) given provisional approval for this demerger.

The objective of the restructuring plan to be presented to the European Commission by the Ministry of Finance is to restore the financial stability of SNS REAAL and to prevent a future recurrence. It is possible that, after having reviewed the restructuring plan, the European Commission may decide that, as a consequence of State aid, additional measures and/or sanctions are required to counteract unintended distortions in competition. These possible measures and/or sanctions may have an impact on the future strategic positioning of SNS REAAL. The following sections elaborate on specific aspects of the nationalisation.

2.1.1 Council of State
A considerable number of interested parties lodged appeals against the decision with the Administrative Jurisdiction Division of the Dutch Council of State. On 25 February 2013 the Council of State declared the appeals to be largely unfounded and allowed the expropriation legally in expropriating the securities and capital components this was not the case concerning the related obligations or liabilities of SNS REAAL NV and SNS Bank in respect of expropriated parties insofar as these obligations or liabilities concerned the (former) ownership of the securities referred to. Therefore, any such claims can still be made against SNS REAAL NV and/or SNS Bank NV respectively.

2.1.2 Enterprise Court
The holders of the securities and capital components, mentioned above, have a right to compensation at the level of their actual value. The level of compensation is to be established by the Enterprise Court of the Amsterdam Court of Appeal. The Minister’s current offer is compensation of €0. The Minister’s petition to set compensation at €0 is under consideration by the Enterprise Court. In the event that the Enterprise Court rules that compensation is due, this will be paid by the Dutch State. This therefore has no consequences for either SNS REAAL NV or SNS Bank NV.
2.1.3 Legal procedures

It is possible that the original holders of the expropriated securities and capital components may initiate legal proceedings to seek compensation for damages. Currently, it is impossible to make any estimate of the chances that possible legal proceedings may result in liability or the level of financial impact on SNS REAAL NV. For this reason, no provisions have been made in respect of possible legal actions by holders concerning the expropriated securities and capital components. As the outcomes of possible legal proceedings can not be predicted, it is not possible to rule out that a negative outcome may have a tangible negative financial impact on SNS REAAL NV.

2.1.4 Participation certificates

Among the subordinated debts of SNS Bank expropriated by the State are so-called third series participation certificates. The Minister has requested the new management to conduct a fact-finding exercise to ascertain whether there have been irregularities in the offer of and/or advice concerning these certificates in the past, and, if required, for the management to draw up a proposal for compensating those affected. SNS REAAL is currently investigating this matter with the aim of clarifying the situation for holders of participation certificates during the second quarter of 2013.

2.2 Pro forma figures

This section explores the financial implications of the nationalisation of SNS REAAL. The following pro forma balance sheet provides an insight into the most important financial effects of the nationalisation and the implementation of certain additional steps announced by the Minister in a letter addressed to the Chairman of the House of Representatives of the Dutch Parliament on 1 February 2013. The pro forma balance sheet has been prepared based solely on announced events or actions that influenced the balance as of 31 December 2012 in order to illustrate the overall impact of subsequent steps in the nationalisation. The steps reflected in the pro forma balance sheet do not in all cases represent historic actual transactions. A number of steps are yet to be implemented. Actual performance may therefore differ, for instance as a result of the European Commission response to the restructuring plan, which may influence the presented pro forma figures. The following factors are set out by column in the pro forma balance sheet and are further explained in the following sections:

• The write-off of the real estate finance portfolio to the value as determined by the Minister upon transfer of Property Finance to an asset management organisation. The loss on the real estate finance portfolio on separation is € 2.8 billion compared to the book value of June 2012 (refer to section 2.2.1.1). Of this amount, € 776 million is recognised in the second half of 2012. For the remaining loss, a provision of € 2.0 billion has been made in the first quarter of 2013. This provision will lead to a decrease in the risk-weighted assets of SNS Bank as per 1 February 2013, after which the remaining risk-weighted assets will be released at the external transfer of the portfolio (refer to 2.2.1.6).
• The core Tier 1 securities issued to the State and the Stichting Beheer SNS REAAL are deposited as share premium on ordinary shares in SNS REAAL.
• The expropriation of and conversion into equity of the subordinated debt of SNS Bank NV and SNS REAAL NV and incorporation into equity of the results from the reduction of derivatives relating to the expropriated items.
• A paid-in share premium of € 2.2 billion by the Dutch State in SNS REAAL, € 1.9 billion of which has passed through as share premium to SNS Bank.
• A bridge loan of € 1.1 billion.
• The release of around € 5.5 billion in risk-weighted assets by transferring the activities of Property Finance to a new, to be established asset management organisation in combination with the government guarantee of around € 5 billion for the temporary loan that SNS Bank will provide to this asset management organisation.
• The contribution by SNS Bank to the Resolution levy imposed by the Minister.
• An estimation of the deferred tax asset resulting from the impairments of Property Finance and the conversion into equity of subordinated debts.
2.2.1 Pro forma consolidated balance sheet SNS REAAL

Table 1: Pro Forma balance SNS REAAL after nationalisation

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31-12-2012</th>
<th>PF held for sale</th>
<th>Balance after PF at held for sale</th>
<th>Changes in the capital structure</th>
<th>Expropriation</th>
<th>Bridge loan</th>
<th>Demerging Resolution levy</th>
<th>Pro Forma Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>34,175</td>
<td>-</td>
<td>34,175</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-34,175</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>1,338</td>
<td>233</td>
<td>1,571</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,563</td>
</tr>
<tr>
<td>Property projects</td>
<td>416</td>
<td>(118)</td>
<td>298</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(298)</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>64,334</td>
<td>(1,906)</td>
<td>62,426</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,699)</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>2,313</td>
<td>-</td>
<td>2,313</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,930</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7,654</td>
<td>-</td>
<td>7,654</td>
<td>-</td>
<td>-</td>
<td>2,200</td>
<td>615 (24)</td>
<td>-10,445</td>
</tr>
<tr>
<td>Other assets</td>
<td>23,411</td>
<td>-</td>
<td>23,411</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-23,202</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>133,641</td>
<td>(1,791)</td>
<td>131,850</td>
<td>-</td>
<td>2,200</td>
<td>615 (308)</td>
<td>-</td>
<td>-134,357</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>2,363</td>
<td>(1,791)</td>
<td>572</td>
<td>987</td>
<td>1,058</td>
<td>2,200</td>
<td>-</td>
<td>70 (4,747)</td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
<td>987</td>
<td>-</td>
<td>987 (987)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minority interests</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>3,352</td>
<td>(1,791)</td>
<td>1,561</td>
<td>1,058</td>
<td>2,200</td>
<td>-</td>
<td>(70) (4,749)</td>
<td></td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>1,744</td>
<td>-</td>
<td>1,744</td>
<td>-</td>
<td>(1,163)</td>
<td>-</td>
<td>-</td>
<td>581</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>22,212</td>
<td>-</td>
<td>22,212</td>
<td>-</td>
<td>-</td>
<td>(465)</td>
<td>-</td>
<td>-21,727</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>106,333</td>
<td>-</td>
<td>106,333</td>
<td>-</td>
<td>105</td>
<td>1,100</td>
<td>(308)</td>
<td>70 107,300</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>133,641</td>
<td>(1,791)</td>
<td>131,850</td>
<td>-</td>
<td>2,200</td>
<td>615 (308)</td>
<td>-</td>
<td>-134,357</td>
</tr>
<tr>
<td>Double Leverage SNS REAAL (€)</td>
<td>918</td>
<td>(373)</td>
<td>545</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>245</td>
</tr>
<tr>
<td>Double Leverage SNS REAAL (%)</td>
<td>127%</td>
<td>-</td>
<td>127 (93)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>105%</td>
</tr>
<tr>
<td>Core Tier 1 ratio SNS Bank</td>
<td>6.1%</td>
<td>(2.9%)</td>
<td>6.1 (4.9)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14.9%</td>
</tr>
<tr>
<td>RWA SNS Bank</td>
<td>20,592</td>
<td>(2,024)</td>
<td>18,568</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,487)</td>
<td>13,081</td>
</tr>
</tbody>
</table>

2.2.1.1 Property Finance at held for sale

The pro forma balance sheet shows the impact of the intended transfer of Property Finance to the asset management organisation. Property Finance is to be separated at a value considerably lower than its book value. Around €2.8 billion of the total assets of Property Finance are to be written off compared to the book value as of 30 June 2012. The Minister of Finance decided on this write-down. The pro forma figures recognise a gross figure for the write-down of Property Finance amounting to €2.024 billion (€1,791 million net). The figure is derived from the total write-down of €2.8 billion, compared to the book value at 30 June 2012, minus the sum of €776 million in impairment charges taken in the second half of 2012. Part of the write-down is tax deductible (refer to section 2.2.1.8.2 for an explanation). The explanation that accompanied the decision to nationalise the company indicated that Property Finance’s property projects have a value of around €185 million and €265 million. The pro forma balance sheet therefore includes an impairment charge on the value of property projects to an average value of €225 million, analogous to the total write-down on Property Finance as a whole based on the average outcome. The portfolio of property projects has increased as a result of foreclosures in the second half of 2012. The average transfer value, taking into account this increase is €298 million as of 31 December 2012. It is estimated that the write-off recognised in the pro forma balance sheet of €2.024 is for around €1,906 million attributable to the property finance loans provided by Property Finance and for around €118 million on property projects. In respect of the write-off shown in the pro forma balance sheet a provision has been charged to the result for the first quarter of 2013 because the ministerial decision has effectively created an obligation to transfer Property Finance at the value set.

In the valuation of the real estate loan portfolio of Property Finance, there are considerable differences between the transfer value at split off from SNS REAAL, the fair value recognised in section 27.1 and the balance sheet valuation as per 31 December 2012.
The balance sheet valuation of the property finance loans is €6,605 million and has, in accordance with accounting rules, an amortised cost basis. Provisions are only made for this after a downward adjustment of the expected cash flows resulting from an actual loss event on the balance sheet date. This means that the provisions relate only to the items that have been determined to be in default as a result of these events and on which a loss has been incurred. To determine the amount of the provision, the expected cash flows are discounted against the original effective interest rate of the item in question. Thus, discounting the cash flows takes place at an interest rate agreed with the customer at the time the loan was taken out. Losses arising from expected future developments or events no matter how likely are not recognised (expected loss).

The fair value of the property finance loans is recognised in the financial statements in section 27.1. The preparation in section 27.1 applies only to the fair value of financial instruments and therefore does include the fair value of the property finance loans, but not the property projects. The fair value is based on the market price, defined as the price established between knowledgeable, willing parties in an arm’s length transaction (no forced transactions). At this time there is no active market for real estate financing and reference prices (derived from comparable transactions) are therefore not available. Management has ruled that the outcome of the internal study into the expected shortfall of the loans is the best estimate for the fair value. This study is based on the run-off strategy used by Property Finance based on value maximisation without time pressure on the run-off. Reference transactions perceptible in the market are taken into account as much as possible in the valuation. Unlike the balance sheet valuation, the study took into account the expected losses on items that were not (yet) in default on 31 December 2012. The discount rate at which the cash flows were discounted also includes surcharges based on the market rate on top of the original effective interest rate to express the increased risk compared to the origination date. Three scenarios (positive, neutral and negative) were calculated for the benefit of the internal study into the value of the portfolio. The outcome based on the neutral scenario has been recognised as fair value.

The transfer price at which the real estate finance portfolio will be split off is based on the decision by the Minister subsequent to a study commissioned by him.

2.2.1.2 Changes in the capital structure

2.2.1.2.1 B shares
An amendment to the Articles of Association of SNS REAAL came into effect on 4 February 2013 whereby the B shares that were expropriated from Stichting Beheer SNS REAAL by the Dutch State on 1 February were converted into 6 ordinary shares. The number of ordinary shares has therefore increased from 287,619,867 to 287,619,873.

2.2.1.2.2 Core Tier 1 capital securities
The Stichting securities that were issued in 2008 have been expropriated. The core Tier 1 securities which SNS REAAL issued to the Dutch State in 2008 (€565 million) and to the Stichting Securities (€435 million, book value of €422 million at 31 December 2012 as a result of loss absorption) have been deposited as share premium on ordinary shares in SNS REAAL. The Minister’s letter to Parliament states that converting the core Tier 1 securities has affected the EMU balance by €0.8 billion. This takes into account financial penalties associated with SNS REAAL’s repayment. SNS REAAL has not recognised these future penalties as a liability in its balance.
2.2.1.3 Expropriation of subordinated bonds and private debts

2.2.1.3.1 Subordinated bonds

The Dutch State injected the expropriated subordinated bonds into SNS REAAL in the form of a share premium, with economic effect from 1 February 2013. Subsequently, with economic effect on the same date, SNS REAAL transferred the expropriated subordinated bonds issued by SNS Bank to SNS Bank in the form of a share premium. The debt instruments shall terminate pursuant to amalgamation, including all ensuing payment obligations to the State. The financial reporting follows accordingly. The value of the expropriated subordinated bonds has been incorporated as equity, for the most part not subject to taxation. The results arising from unwinding hedges relating to the expropriated items, has been incorporated as equity, as a taxable result.

2.2.1.3.2 Subordinated private debts

Subordinated private debts have been expropriated. The passive capital components of SNS REAAL and SNS Bank corresponding to these debts have also been expropriated on behalf of Stichting Afwikkeling Onderhandse Schulden SNS REAAL. The subsequent release in the balance sheet has been added to the equity as a taxable result.

The pro forma balance sheet does not take into account the increase in interest on the expropriated subordinated loans over the period between 31 December 2012 and 25 February 2013 being the date on which the Council of State came to the conclusion that the capital components were lawfully expropriated. The tax effects arising from the expropriation of the subordinated private debts has been taken into account.

Although SNS REAAL has been appointed director of the Stichting Afwikkeling Onderhandse schulden SNS REAAL, it is for the time being assumed that, in view of the limited directors’ liability risk, this Foundation is not consolidated in the financial results of SNS REAAL. This is because the only aim of the Foundation is to execute the objective of the Dutch State to reinforce the capital position of SNS REAAL and SNS Bank with the expropriation.

2.2.1.4 Capital injection of € 2.2 billion

In his letter to the Second Chamber of Parliament, the Minister explained that SNS REAAL requires a capital injection totalling € 2.2 billion, comprising € 1.9 billion for SNS Bank en € 300 million for SNS REAAL NV. A € 2.2 billion paid-in share premium to SNS REAAL NV was made on 11 March 2013. SNS REAAL paid-in the sum of € 1.9 billion as a share premium into SNS Bank on the same day.

2.2.1.5 Bridge loan from the State to SNS REAAL of € 1.1 billion

In his letter to the Second Chamber of Parliament, the Minister indicates DNB expects that SNS REAAL, as a result of the expropriation, will for some time experience difficulties in attracting external funding. To offset this, the State has provided SNS REAAL with a bridge loan of € 1.1 billion. This sum was received on 4 March 2013. This loan has been used to redeem € 485 million of external debt and € 615 million of internally draw down loans.

2.2.1.6 Demerging Property Finance

The Minister’s letter to Parliament announces the intention of Property Finance being transferred in a separate asset management organisation. The Minister has indicated that to ensure the credibility of this solution it is necessary for asset management organisation to function entirely independently of SNS REAAL, both financially and operationally. In addition, the Minister has stated that DNB foresees that establishing the asset management organisation will require € 0.5 billion in equity for operational costs at inception and as a buffer for unexpected developments. This would be injected by the State. The receipt of € 0.5 billion in equity is not included in the pro forma balance sheet because the asset management organisation is no longer part of SNS REAAL. The Minister has also stated that the State has the intention to provide a guarantee for the financing of the asset management organisation of around € 5 billion. Initially, the funding of the asset management organisation will largely continue to be provided by SNS Bank so that SNS Bank retains a share of the credit risk of the portfolio.
A State guarantee will subsequently cover the risk for this amount. The aim is to gradually replace this financing with that from third parties. The preparations for establishing the asset management organisation are underway.

The table below outlines the effect of demerging Property Finance from SNS REAAL’s and SNS Bank’s financial results. The first column shows the balance of the Property Finance segment. This corresponds to the balance of the legal entity SNS Property Finance BV. In the second column the effects of reclassification and settlements of balance sheet items between group components are included as well as the reversal of eliminations. The largest elimination item for the purpose of consolidation is the offset of the intercompany debt of Property Finance against SNS Bank’s intercompany claim. The column ‘PF Held for Sale’ shows the loss booked on the transfer of Property Finance’s portfolio as outlined in section 2.2.1.1. The deferred tax asset as a result of the split off is recognised by the entity SNS Bank, part of the fiscal unity SNS REAAL. Within the fiscal unity SNS REAAL the deferred tax asset can be offset against future gains. The write down on the portfolio results in the entity Property Finance displaying strongly negative equity. Prior to the separation of Property Finance the negative net asset value will be strengthened, and the intercompany funding provided to Property Finance will be written off. The column ‘Demerging PF’ shows that after demerging there is an amount of nearly €5.0 billion for the item ‘Loans and advances to banks’. This is the outstanding loan provided by SNS Bank to Property Finance after demerging. The total amount Property Finance needs for funding after demerging is around €5.1 billion. The difference is caused by the loans that Property Finance has at other banks (€170 million) which are presented under the column ‘Loans and advances to banks’.

Table 1B: Explanation column demerging PF

<table>
<thead>
<tr>
<th>Assets</th>
<th>Segment PF 31-12-2012</th>
<th>Reclassification</th>
<th>PF Held for sale</th>
<th>Strengthening Equity PF</th>
<th>Demerging PF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td>Property projects</td>
<td>(416)</td>
<td>-</td>
<td>118</td>
<td>-</td>
<td>(298)</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(6,605)</td>
<td>-</td>
<td>1,906</td>
<td>-</td>
<td>(4,699)</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>(10)</td>
<td>7,376</td>
<td>-</td>
<td>(2,436)</td>
<td>4,930</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(203)</td>
<td>179</td>
<td>-</td>
<td>-</td>
<td>(24)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(608)</td>
<td>399</td>
<td>-</td>
<td>-</td>
<td>(209)</td>
</tr>
<tr>
<td>Total assets</td>
<td>(7,850)</td>
<td>7,954</td>
<td>2,024</td>
<td>(2,436)</td>
<td>(308)</td>
</tr>
</tbody>
</table>

Equity and liabilities

| Shareholders’ equity                | 412                   | -                | 2,024            | (2,436)                | -            |
| Total equity                        | 412                   | -                | 2,024            | (2,436)                | -            |
| Participation certificates and subordinated debt | -               | -                | -                | -                      | -            |
| Debt certificates                   | -                     | -                | -                | -                      | -            |
| Amounts due to banks               | (8,124)               | 7,954            | -                | -                      | (170)        |
| Other liabilities                  | (138)                 | -                | -                | -                      | (138)        |
| Total equity and liabilities       | (7,850)               | 7,954            | 2,024            | (2,436)                | (308)        |

2.2.1.7 Contribution to Resolution levy

The Minister has requested all banks for a contribution in the form of a one-off Resolution levy. SNS Bank’s contribution is estimated to be €70 million and is included under Other liabilities. It is anticipated that this will fall due in 2014 and will be charged against the results in that year.
2.2.1.8 Impact corporation tax

Measures to be implemented in relation to nationalisation have an influence on the level of corporation tax to be received and paid. Quantification of the impact on the tax position, as presented in the pro forma balance sheet, is based on certain provisional assumptions which are explained in the sections below. The overall impact will be determined in consultation with the Dutch tax authority. The management of SNS REAAL believes that the assumptions are correct estimates that adequately reflect the risks and uncertainties.

2.2.1.8.1 Tax claim due to loss on Property Finance

It is estimated that € 934 million of the (gross) write-down on Property Finance of € 2,024 million (refer to explanation in section 2.2.1.1) is tax deductible. The deferred tax asset of € 233 million arising from this (25% x € 934 million) is included in its entirety in the pro forma balance, based on the presumption of there being adequate future taxable profits to realize the associated deferred tax asset. In concluding this, account has been taken of assumptions about future profits as well as uncertainties concerning the future composition of the tax group of SNS REAAL.

2.2.1.8.2 Tax impact on expropriation of subordinated debts

It is estimated that the capital gains resulting from the expropriated subordinated bonds will largely not be subject to corporation tax. The calculated profit to be processed in 2013 arising from expropriated subordinated loans is fully subject to corporation tax. Taking into account provisions, the taxable profit on the settlement of hedges related to the expropriated bonds there is a net increase in equity of € 1,058 million.
2.2.2 Pro forma balance sheet SNS Bank

The pro forma balance sheet below provides insight into the effects of the nationalisation on SNS Bank. For an explanation of the effects please refer to the explanation on the pro forma balance sheet of SNS REAAL in section 2.2.1. The adjustments made when preparing the pro forma figures of SNS Bank deviate in a number of respects.

- SNS Bank has issued no core Tier 1 securities to the Dutch State and the adjustment of the capital structure through conversion of the core Tier 1 securities is not applicable at SNS Bank.
- The expropriation of the subordinated debts only relates to the debts that were issued by SNS Bank.
- €1.9 billion of the capital injection by the Dutch State in SNS REAAL of €2.2 billion has been passed through to SNS Bank.

Table 2: Pro Forma balance SNS Bank after nationalisation

<table>
<thead>
<tr>
<th>In € millions</th>
<th>1-1-2013</th>
<th>PF held for sale</th>
<th>Balance after sale</th>
<th>Expropriation of subordinated debts</th>
<th>Capital Demerging PF injection</th>
<th>Resolution levy</th>
<th>Pro Forma Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>337</td>
<td>233</td>
<td>570</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
<td>- 562</td>
</tr>
<tr>
<td>Property projects</td>
<td>416</td>
<td>(118)</td>
<td>298</td>
<td>-</td>
<td>-</td>
<td>(288)</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>61,784</td>
<td>(1,906)</td>
<td>59,878</td>
<td>-</td>
<td>(4,699)</td>
<td>-</td>
<td>55,179</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,927</td>
<td>-</td>
<td>1,927</td>
<td>-</td>
<td>4,930</td>
<td>-</td>
<td>6,857</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,933</td>
<td>-</td>
<td>6,933</td>
<td>-</td>
<td>1,900</td>
<td>(24)</td>
<td>8,809</td>
</tr>
<tr>
<td>Other assets</td>
<td>9,918</td>
<td>9,918</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(209)</td>
<td>- 9,709</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>81,315</td>
<td>(1,791)</td>
<td>79,524</td>
<td>-</td>
<td>1,900</td>
<td>(308)</td>
<td>81,116</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>1,311</td>
<td>(1,791)</td>
<td>(480)</td>
<td>691</td>
<td>1,900</td>
<td>-</td>
<td>(70)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,311</td>
<td>(1,791)</td>
<td>(480)</td>
<td>691</td>
<td>1,900</td>
<td>-</td>
<td>(70)</td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>820</td>
<td>820</td>
<td>(780)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>79,184</td>
<td>79,184</td>
<td>89</td>
<td>-</td>
<td>(308)</td>
<td>70</td>
<td>79,035</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>81,315</td>
<td>(1,791)</td>
<td>79,524</td>
<td>-</td>
<td>1,900</td>
<td>(308)</td>
<td>81,116</td>
</tr>
<tr>
<td><strong>Core Tier 1 ratio</strong></td>
<td>6.1%</td>
<td>(2.9%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14.9%</td>
</tr>
<tr>
<td><strong>RWA SNS Bank</strong></td>
<td>20,592</td>
<td>(2,024)</td>
<td>18,568</td>
<td>(5,487)</td>
<td></td>
<td></td>
<td>13,081</td>
</tr>
</tbody>
</table>

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2.2.3 Pro forma company balance sheet SNS REAAL

The pro forma balance sheet below provides insight into the effects of the nationalisation on SNS REAAL. For the explanation to the effects please refer to the explanation to the pro forma balance sheet of SNS REAAL (consolidated) in section 2.2.1. The adjustments when preparing the preparation of the pro forma figures of SNS REAAL deviate on a number of respects.

- The charge arising from the write-down at the split off of Property Finance as well as the costs for the Resolution levy will be born by SNS Bank. In the pro forma company balance sheet, these items are recognised in the results from subsidiaries.
- The result of €685 million at subsidiaries following expropriation of subordinated securities relates to the conversion into equity of the expropriated subordinated securities issued by SNS Bank.
- The reduction in assets of the expropriated subordinated securities in the amount of €391 million only relates to the subordinated bonds issued by SNS REAAL.
- Of the €2.2 billion capital injection by the Dutch State in SNS REAAL, €1.9 billion has been passed through to SNS Bank.

Table 3: Pro Forma company balance SNS REAAL after nationalisation

<table>
<thead>
<tr>
<th></th>
<th>31-12-2012</th>
<th>PF held for sale</th>
<th>Balance after PF at held for sale</th>
<th>Changes in Expropriation of Capital</th>
<th>Bridge loan Resolution levy</th>
<th>Pro Forma Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>4,268</td>
<td>(1,791)</td>
<td>2,477</td>
<td>-</td>
<td>685</td>
<td>1,900</td>
</tr>
<tr>
<td>Other assets</td>
<td>963</td>
<td>-</td>
<td>963</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5,231</td>
<td>(1,791)</td>
<td>3,440</td>
<td>-</td>
<td>685</td>
<td>2,200</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>2,363</td>
<td>(1,791)</td>
<td>572</td>
<td>987</td>
<td>1,058</td>
<td>2,200</td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
<td>987</td>
<td>-</td>
<td>987 (987)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>391</td>
<td>-</td>
<td>391</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Capital base</strong></td>
<td>3,741</td>
<td>(1,791)</td>
<td>1,950</td>
<td>-</td>
<td>667</td>
<td>2,200</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>421</td>
<td>-</td>
<td>421</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other debts to subsidiaries</td>
<td>825</td>
<td>-</td>
<td>825</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>244</td>
<td>-</td>
<td>244</td>
<td>-</td>
<td>18</td>
<td>1,100</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>5,231</td>
<td>(1,791)</td>
<td>3,440</td>
<td>-</td>
<td>685</td>
<td>2,200</td>
</tr>
<tr>
<td>Double Leverage SNS REAAL (euro)</td>
<td>918</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Double Leverage SNS REAAL (%)</td>
<td>127%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3 Profile and brands

SNS REAAL is an innovative service provider in the field of banking and insurance. With a balanced range of brands, SNS REAAL focuses primarily on the Dutch savings and investment, mortgage, insurance and pension markets. Our customers comprise primarily private individuals and small and medium-sized enterprises (SMEs). We are convinced there is room in the Dutch financial service sector for a player that supports the Dutch economy with a human touch, offers transparent, simple and fairly-priced products, is clear and realistic about expected returns and delivers on promises. In its 200 years of history, SNS REAAL has distinguished itself by modesty, but by taking its responsibility at the same. SNS REAAL will strive to continue to do so, even now that we have been nationalised. Simplicity, transparency and sustainability are paramount in this endeavour. We give shape to this by means of Simplicity in finance and CARE!

SNS REAAL has a balance sheet total of €134 billion and 6,724 employees (FTEs), making it a relevant player in the Dutch market. SNS REAAL has its headquarters in Utrecht.

3.1 General

3.1.1 Rooted in society

SNS REAAL is strongly rooted in Dutch society. SNS REAAL dates back 200 years when the first savings banks with a public utility function were founded. Shortly after this, the trade unions founded insurance companies Concordia and de Centrale, which later merged into REAAL. SNS REAAL was preceded by many regional savings banks.

3.1.2 Simplicity in finance

SNS REAAL aims to make banking business simple, understandable and transparent. We do this by actively engaging our customers in developing our products and services. But also with the assistance of committed employees, who believe in these products and services.

3.1.3 Customer focus

We work hard to earn our customers, who encompass both private individuals and business customers. By providing a sound service, we favour an optimal relationship with each and every customer - a service that is accessible and fairly priced. Every SNS REAAL brand gives shape to this in its own way. We ultimately aim for sustainable relationships with our customers but also with society.

3.2 Our brands

There is no such thing as the average customer. Everyone has different desires, needs and preferences. And we want to serve our customers in the way that suits them best. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them. Each brand has its own way of working, image, mentality and products, from savings and investments through to insurance. For example, customers of SNS Bank can visit one of our more than 200 shops; ASN Bank is the sustainable bank, Proteq Dier & Zorg enables customers to choose the best insurance cover for their pet, while RegioBank works with personal advisors.
3.2.1 SNS Bank

SNS Bank was founded in 1817 with a view to increasing people’s financial independence. This assignment and challenge are just as relevant today as they were back then. As a broad, accessible bank for consumers and the small business market, we allow our customers to choose for themselves how they manage their banking business: via the website, over the telephone, with a financial advisor at home or at one of the 200 SNS Shops or via the mobile channel. Products: payments, savings, mortgages, insurance, loans, investments and bank savings. www.snsbank.nl

3.2.2 REAAL

REAAL believes that financial services can be improved upon and puts all its efforts into helping its customers to get ahead. Putting the interests of the customer first, our service is personal, clear and equal, whether you are buying a house, running a business or managing your financial future. We work with financial advisors who guarantee objective advice. Products: savings, investments, insurance (individual life, non-life and disability). www.reaal.nl

3.2.3 Zwitserleven

Zwitserleven has been the leading Dutch pension provider since 1901. Zwitserleven looks after the pension capital of 765,000 people and applies its knowledge and expertise to give its customers a responsible future. By thinking ahead now, Zwitserleven aims to enable its customers to enjoy an unconcerned retirement and to experience the Zwitserleven Feeling. Product: pension insurance. www.zwitserleven.nl

3.2.4 RegioBank

RegioBank is the SNS REAAL regional bank formula to which some 535 independent advisors are affiliated. RegioBank is the local bank without the fuss or hassle. With great personal attention, a sense of service and a full range of banking products all under one roof. Products: mortgages, savings, payments, loans and investments. www.regiobank.nl

3.2.5 ASN Bank

ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for 50 years. Money is invested in projects and companies that respect people, animals and the environment. ASN Bank aims to demonstrate that sustainable banking goes perfectly hand-in-hand with competitive results. Products: savings, payments, investments and asset management. www.asn.nl
3.2.6 BLG Wonen

BLG Wonen is a financial service provider whose aim is to allow its customers to live as comfortable as possible. Carefree home ownership makes you feel at home. Now and in the future. We achieve this by making our customers' living wishes come true via transparent services and professional, personal advice from the best independent advisors. Products: mortgages, savings and insurance. www.blg.nl

3.2.7 Proteq Dier & Zorg

Proteq Dier & Zorg is the largest provider of accident and health insurance for cats and dogs in the Netherlands. And with good reason. For example, customers choose the type of insurance cover that best suits their pet, while supplementary coverage provides even greater security. Product: accident and health insurance for dogs and cats. www.proteqdierenzorg.nl

3.2.8 Zelf.nl

Zelf.nl is intent on keeping costs as low as possible. It therefore shuns costly commercials and has just one simple office. And with Zelf.nl, you arrange your own insurance. Quickly and easily. Products: non-life and funeral insurance. www.zelf.nl

3.2.9 Route Mobiel

Route Mobiel, an initiative by Proteq, offers roadside assistance for motorists through an efficient organisation and an extensive network of roadside assistance services in the Netherlands and more than 40 other European countries. Route Mobiel also provides supplementary car and travel insurance which fits seamlessly with its roadside assistance cover. Products: road assistance services, car and travel insurance. www.routemobiel.nl

3.3 Group activities

3.3.1 SNS Asset management

SNS Asset Management is the responsible asset manager of SNS REAAL and external parties. It manages and administers investments of SNS Bank, REAAL and Zwitserleven and the investment funds of SNS Bank, ASN Bank and Zwitserleven. In addition to assessing financial performance, SNS Asset Management also reviews investment policy in social, environmental and administrative terms. Products: asset management for institutional investors. www.snsassetmanagement.nl
4 The SNS REAAL share

On 1 February 2013, as part of the nationalisation of SNS REAAL, all the ordinary shares, B-shares and the core Tier 1 capital securities in the capital of SNS REAAL and of all subordinated debt on the part of both SNS REAAL and SNS Bank were expropriated.

4.1 Shares and stock market listing

SNS REAAL's share capital comprised ordinary shares and B-shares. Up until 1 February 2013, the B-shares were held by Stichting Beheer SNS REAAL (the Foundation). In addition, there are two types of core Tier 1 capital securities which are held by the Dutch State (the State) and by the Foundation. These also form part of the equity. You will find more information on the consequences of the nationalisation for the core Tier 1 securities in chapter 2 Nationalisation.

The listing of SNS REAAL ordinary shares on the NYSE Euronext Amsterdam was suspended indefinitely with effect from 1 February 2013 as a result of the nationalisation. Since 2007, the share has formed part of the Amsterdam Midkap Index. The ticker symbol is SR NA and the ISIN code is NL0000390706. On 7 February 2013, the SNS REAAL share was withdrawn from the Amsterdam Midkap Index. Subsequently, the listing of the ordinary share SNS REAAL on the NYSE Euronext Amsterdam lapsed on 27 March 2013.

4.2 Number of shares and core Tier 1 capital securities remains unchanged in 2012.

The number of shares outstanding, B-shares and core Tier 1 capital securities remained unchanged in 2012. At the end of 2012, capital support from the State amounted to €565 million and from the Foundation €435 million. Since the capital support from the Foundation is 'loss absorbing', the balance sheet value of this capital support was lower at the end of 2012, namely €422 million.

Table 4: Overview of outstanding shares and core Tier 1 capital securities at year-end 2012

<table>
<thead>
<tr>
<th>Number of securities</th>
<th>Nominal value</th>
<th>Issue price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>287,619,867</td>
<td>1.63</td>
</tr>
<tr>
<td>B-shares</td>
<td>6</td>
<td>1.63</td>
</tr>
<tr>
<td>Core Tier 1 capital securities Stichting Beheer SNS REAAL</td>
<td>4,350,000</td>
<td>96.93</td>
</tr>
<tr>
<td>Core Tier 1 capital securities Dutch State</td>
<td>107,619,045</td>
<td>1.63</td>
</tr>
</tbody>
</table>

4.3 End of 2012: majority of shares held by the Foundation and institutional investors

At the end of 2012, the Foundation held 50.00001% of the ordinary shares in SNS REAAL. As far as we are aware, on 31 December 2012 there was, in addition to the Foundation, one other shareholder who held a (potential) interest of 5% or more on the basis of the Dutch Financial Supervision Act (Wft). BNP Paribas Investment Partners SA reported a capital interest of 4.27% as per 23 November 2012 and a voting right of 5.18%, including voting rights on the basis of proxies.
### 4.4 Price movements 2012

The share price development for SNS REAAL shares was determined primarily by increased losses in real estate financing activities, the impact of the capital markets on the solvency of the Insurance activities, the impending inability to repurchase the remaining core Tier 1 capital securities from the State and the associated strategic reorientation. At the end of 2012, the share price was € 1.03 or 39% lower than the share price at the end of 2011 (€ 1.69). The average trading volume in SNS REAAL shares increased by 22.6% compared with 2011.

The closing price on 31 January 2013, the last day of trading in SNS REAAL shares, was € 0.84.

**SHARE PRICE DEVELOPMENT SNS REAAL**

![Share price chart](chart.png)

- **Share price in euros**
- **Volume in € millions**

- **Share price**
- **Volume**
4.5 Key figures per ordinary share 2012

Table 5: Key figures per ordinary share

<table>
<thead>
<tr>
<th>In €</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest closing price</td>
<td>2.26</td>
<td>4.20</td>
<td>4.99</td>
</tr>
<tr>
<td>Lowest closing price</td>
<td>0.92</td>
<td>1.35</td>
<td>3.01</td>
</tr>
<tr>
<td>Closing price at year-end</td>
<td>1.03</td>
<td>1.69</td>
<td>3.19</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>(3.00)</td>
<td>0.37</td>
<td>(0.83)</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Market capitalisation at year-end (in € millions)</td>
<td>296</td>
<td>486</td>
<td>918</td>
</tr>
<tr>
<td>Average daily trading volume (in shares)</td>
<td>2,147,450</td>
<td>1,751,992</td>
<td>1,342,596</td>
</tr>
<tr>
<td>Total number of shares outstanding at year-end</td>
<td>287,619,867</td>
<td>287,619,867</td>
<td>287,619,867</td>
</tr>
</tbody>
</table>

4.6 No dividend for 2012

In view of the net loss, the Executive Board has resolved, with the approval of the Supervisory Board, to pass over the dividend for 2012.
4.7 Key dates in 2013

Table 6: Important dates 2012

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 June</td>
<td>General Meeting of Shareholders</td>
</tr>
<tr>
<td>15 August</td>
<td>Publication half-year results 2013 (before opening hours)</td>
</tr>
<tr>
<td>7 November</td>
<td>Trading update third quarter 2013 (before opening hours)</td>
</tr>
<tr>
<td>14 November</td>
<td>Investor Day 2013</td>
</tr>
<tr>
<td>13 February 2014</td>
<td>Publication of 2013 results</td>
</tr>
</tbody>
</table>

4.8 Investor Relations

To a company such as SNS REAAL, optimum transparency and consistency in its financial communications is of paramount importance. We continue to publish as if we have listed shares. The Investor Relations section of the SNS REAAL website includes all public information on our performance, strategy and activities. In addition, members of the Executive Board regularly give presentations to analysts, investors and other interested parties. These are webcast live on this website and the webcasts can also be consulted afterwards. 15 November 2012 saw the sixth annual Investor Day, when members of the Executive Board gave presentations on strategy, market performance, market developments and financial objectives. SNS REAAL also maintains contacts with investors and analysts via one-on-one meetings, presentations and conference calls. Only information already available in the public domain is provided during these meetings.
Gerard van Olphen, chairman of the Executive Board

Gerard van Olphen (1962) has been Chairman of the Executive Board since February 2013. In addition, he is responsible for the Group staff departments Group Audit, Corporate Communications, Compliance, Security & Operational Risk Management, Corporate Strategy and Human Resources. More on Gerard van Olphen.

Maurice Oostendorp, CFRO

Maurice Oostendorp (1956) has been Chief Financial and Risk Officer of the Executive Board since February 2013. Additionally, he is responsible for Property Finance and the Group staff departments Group Risk Management, Investor Relations, Group Finance, Fiscal Affairs and Insurance Treasury & Investment Management. More on Maurice Oostendorp.
Dick Okhuijsen, COO

Dick Okhuijsen (1965) has been member of the Executive Board since December 2009. As Chief Operations Officer he focuses on the business units SNS Bank, REAAL, Zwitserleven and SNS Asset Management. More on Dick Okhuijsen.

Wim Henk Steenpoorte, CTO

Wim Henk Steenpoorte (1964) has been a member of the Executive Board since September 2011 and in his capacity as Chief Technology Officer, will focus on IT & Change. In addition to this, he will be responsible for Legal Affairs and Facility Management. More on Wim Henk Steenpoorte.
6 Strategy

SNS REAAL’s mission is Simplicity in finance. We achieve this through the responsible provision of services that are simple, accessible and reliable. We aim to offer our customers the insight, overall picture and perspective to enable them to make the right decisions, whether they involve choices with major or minor financial implications.

6.1 Mission, core value and responsibility

Our mission Simplicity in finance is in keeping with the origins of our company, which is now nearly 200 years ago. Even then, transparency, simplicity and solidarity were the pillars for our operations. We care about the fundamentals in people’s lives, such as living, education, a buffer for unexpected expenses, compensation in the event of losses and sufficient pension provisions. We endeavour to ensure this with our mission of Simplicity in finance.

We also wish to operate responsibly for all our stakeholders and in fact our core value CARE! represents the responsibility we want to take for our customers, for one another and for society.

6.2 Corporate responsibility

Dutch financial institutions are subject to an extensive system of laws and regulations safeguarding the quality and security of financial products and services. Proper compliance with those laws and regulations is something that comes naturally to SNS REAAL. Corporate responsibility (CR) goes beyond this. On the basis of our conviction, our own responsibility and in consultation with our stakeholders, we aim to add sustainable value by means of:

- Responsible service
  We place our customers’ interests first in developing, improving and providing our products and services. ‘Responsible’ also means that we account for (potential) positive and negative impacts on people and the environment of our everyday work. We endeavour to create a chain of responsibility within financial services, in which our business units primarily focus on:
  - offering useful and valuable products and services with limited risks, based on simplicity and convenience;
  - using customer experiences and complaints to help us to improve, i.e. based on engagement with customers and other stakeholders;
  - enable customers to make responsible choices by providing comprehensible product information and/or appropriate advice;
  - measure and improve customer satisfaction;
  - responsible lending and responsible investment of customers’ funds and our own funds;
  - with systematic assessment of customer interests and customer integrity as a starting point

We believe that responsible services help us win more customers, as well as enabling us to be more commercially successful, but also that they are ultimately better for our customers and for society of which we are all part. Our practical approach to providing services responsibly ties in well with our strategic pillar Winning, helping and retaining our customers.

SNS REAAL endeavours to achieve a more responsible balance. A significant portion of that balance sheet, more than € 47 billion, consists of customer investments and our own investments. By making conscious choices and exclusions, we aim to make a difference. SNS Asset Management implements this investment policy. This way, we aim to make a visible contribution to a society that faces great problems such as climate change, pollution and raw materials shortages through a more sustainable investment and distribution chain.

Personal leadership of our employees, inspired by our mission and core value, is crucial for the further development of responsible service provision. That, too, is something we are continually working on.

- Responsible organisation
  Providing responsible services and working on customer interests and satisfaction is not possible without consistent attention for our own staff. That is why we want to be a committed employer whom our employees enjoy working for. We want to offer a healthy work-life balance and reward them in a responsible way and we want to encourage
our employees to take responsibility for their own work and their career, their development and demonstrating involvement in the community.

- Sustainable chain and environment

As a large company, SNS REAAL forms part of many product and service chains. As a major buyer, we exert influence to make the supply chain more sustainable in co-operation with our partners – think of our suppliers. We do this by focussing on the responsible use of energy, accommodation, waste disposal and mobility.

A steering committee, consisting of two members of the Executive Board, the management boards of SNS Bank, REAAL and Zwitserleven and a number of Group staff departments, is responsible for carrying out CR. This steering committee, led by the Chairman of the Executive Board, met on five occasions in 2012 and topics of discussion included progress in the business units and the further development of Group-wide issues such as our stakeholder engagement and performance indicators.

SNS REAAL regularly assesses its policy and results against the opinions of its stakeholders. In 2012, we performed a materiality analysis, also known as a stakeholders' consultation. The outcomes of this have improved our ability to (more extensively) discuss precisely those topics that are of importance to our stakeholders and to further improve CR. Main topics that emerged included: financial reporting, involvement in the community, product responsibility, chain responsibility, customer satisfaction, stakeholder engagement, ethics and integrity and our role as an employer.

SNS REAAL has fully integrated the report on CR into its annual report. The report also provides additional information in accordance with the standards of the Global Reporting Initiative (GRI). Within set frameworks, our business units are themselves responsible for achieving results. For that reason, details of our CR performance can mainly be found in chapters 10 to 14. Our ambitions in the field of CR are included at the end of this chapter with our other ambitions.

The further improvement of CR also includes the further improvement of our reporting. Our integrated CR report for 2011 scored 162 of the 200 available points on the Transparency Benchmark of the Dutch Ministry of Economic Affairs, Agriculture and Innovation, compared with 126 points the year before. This brought SNS REAAL into the top 50 of the 300 companies assessed in the Netherlands.

6.3 Strategy

This summer, the Dutch Ministry of Finance will present a restructuring plan for SNS REAAL to the European Commission. This plan will be drawn up in close consultation with the Ministry and SNS REAAL. The European Commission will assess this. Together with the financial forecasts, this will be the framework within which SNS REAAL can develop itself. In view of the situation, it is not possible to provide more information on possible new strategic objectives at this time. We will get more clarity on this in the course of this year.

6.3.1 Market position

SNS REAAL focuses its activities on the Dutch market for mortgages, savings and investments, insurance and pensions. Our customers are primary private individuals and small & medium-sized enterprises (SMEs). With respect to pensions, SNS REAAL also focuses on larger companies. We want to distinguish ourselves with:

- Multiple brands, allowing us to offer our customers the most suitable products through their preferred brand and distribution channel.
- Placing the customer and the customer’s interests first by developing and offering simple and accessible products combined with high-quality service and advice.
- Strong market positions based on simple, useful products with an attractive price/quality ratio.
- A simple and cost-efficient organisation.
6.3.2 Strategic priorities 2012
SNS REAAL formulated four strategic priorities: Phasing out the property finance loan portfolio, Strong capital management, Winning, helping and retaining customers, and Reducing the cost base.

6.3.2.1 Phasing out Property Finance loan portfolio
Up to the moment of nationalisation, SNS REAAL focused on phasing out Property Finance’s loan portfolio. However, as a result of the nationalisation, Property Finance will be placed in a separate real estate management organisation as soon as possible. This real estate management organisation will operate financially and operationally on an entirely independent basis and will therefore no longer be part of SNS REAAL. SNS Bank will provide the initial funding for this real estate management organisation, but the State will guarantee this loan. Refer to chapter 2 Nationalisation for further information.

6.3.2.2 Capital management
The capital and liquidity objectives for 2012 were:

- A regulatory solvency ratio for the Insurance activities of at least 175%.
- A core Tier 1 ratio for the banking activities of 10%.
- A loan-to-deposit ratio of between 125% and 150% over time.
- A double leverage for SNS REAAL of 115% at the maximum.

As part of nationalisation on 1 February 2013, the shares issued by SNS REAAL, the subordinated debts of SNS Bank and SNS REAAL and the core Tier 1 capital securities of Stichting Beheer SNS REAAL (the Foundation) were expropriated and SNS REAAL and SNS Bank were recapitalised. Refer to chapter 2 Nationalisation. The capital ratios of SNS Bank improved considerably as a result of this, as did the double leverage. The risk profile of SNS Bank will improve further if Property Finance is transferred to a separate real estate management organisation.

Despite the strongly improved capital position, we will continue to give priority to further strengthening financial buffers and capital ratios, both for protection against volatility in the financial markets as well as against a potential impact on the results of our core markets due to the economic downturn.

New capital and liquidity objectives will be determined after the completion of the strategic reorientation.

6.3.2.3 Helping, winning and retaining customers
By helping, winning and retaining customers, we will increase our brands’ vitality and the scale of our activities to a level that safeguards the implementation of our mission ‘Simplicity in finance’, also in the long term. We aim to provide our customers with useful and valuable products through their preferred distribution channel and brand. A range of brands and channels enable us to increase our effectiveness in sales and marketing and to access our overall target group more easily. Shared IT resources, production and service centres within the Group and staff departments also promote efficiency.

In order to win, help and retain our customers, we are paying greater attention to customer interests and customer satisfaction. We achieve this by means of:

- Continuous dialogue with our customers, allowing us to continuously improve our services;
- Measuring customer satisfaction more effectively;
- Improving customer interaction and service levels;
- Providing transparent and relevant products and appropriate advice.

Customers can easily determine if a product suits their needs either by themselves or with the help of a financial advisor.
In order to win, help and retain our customers, we also strive to ensure the sustainable growth of our brands. We are achieving this by means of:

- **New, simple and useful products.**
  Transparent product features and rates are essential. These are achieved by listening attentively to our customers and involving them in the product development process. Before launching new products, we make carefully assessment of customer value, return and risk. We also aim to guarantee the provision of reliable and appropriate advice, including that provided by our distribution partners. This is how we are working to create long-term added value for our customers.

- **Multi-brand strategy.**
  We serve our customers with brands that vary broadly from one another. Each brand is geared towards its own target group. The brands are linked to one another via the Group and benefit from shared product development, processes and systems. This enables the brands to make the most effective contribution towards the overall performance of SNS REAAL.

- **Winning new customers.**
  This requires clear brand positioning and targeted marketing and sales efforts.

- **Retaining customers and offering them a wider range of products and services.**
  This requires a high level of service, knowledge of individual customer behaviour and timely notification of (potentially) relevant products.

### 6.3.2.4 Reducing the cost base

Structural cost reduction is necessary for reasons including the following: the increasing demand for cheap, simple products, new market entrants, such as Pension Premium Institutions, increased market transparency and higher capital and liquidity requirements.

It is our aim to further reduce the operating costs. In doing so, the loss of jobs cannot be ruled out. We will achieve this through greater efficiency in all Core activities, including lean programmes. In addition, we will reduce costs by hiring less external staff, reducing the number of office locations and structurally adjusting the terms and conditions of employment to the social requirements of today.

### 6.3.3 Strategies of the business units

In implementing SNS REAAL’s strategy, the business units SNS Bank, REAAL and Zwitserleven make their own choices regarding the best possible products and services. These choices are based on our mission Simplicity in finance. For the strategies of the business units refer to [SNS Retail Bank](#), REAAL and [Zwitserleven](#).

The Group activities, including SNS Asset Management and the Group staff departments, are activities of the holding. Group activities are primarily geared towards supporting the business units.

### 6.4 Initiatives Corporate Responsibility

SNS REAAL aims to set the standard when it comes to corporate responsibility (CR) in the Dutch financial services market. In 2013, SNS REAAL will dedicate itself to:

- Integration of CR in the entire business operations, that is to say in the management objectives and KPIs of our own brands and Group staff departments.
- Continue to improve the quality (simplicity, convenience) of our products, so that our customers are in an even better position to make the choices that are most suited for their options and objectives;
- Continue to improve the sustainability of the distribution chain, also by expanding our contacts with stakeholders as customers and distribution partners to (jointly) achieve improvements with our partners also by more effectively guaranteeing the quality of advice provided by intermediaries with whom we co-operate.
Stichting Geldinzicht, a new societal initiative of SNS REAAL to increase people's financial self-reliance, particularly by means of education. This foundation gears its activities towards people between the ages of 25 and 55 who are only just managing to make ends meet each month.

6.4.1 More emphasis on measurable results

We want to place greater emphasis on assessing employees on measurable results. We are using key performance indicators (KPIs) in the areas of finance, commercial activities and CR.

Primary financial KPIs include: net profit, value creation (Value New Business, VNB), efficiency ratios, solvency ratios, core Tier 1 ratio, liquidity ratios and double leverage.

Primary commercial KPIs include: market shares, customer satisfaction (Net Promoter Score) to test if customers’ interests are put first. To place more structural and broad emphasis on CR, we developed a pilot set of management objectives in 2012, to be integrated into our management reports in 2013. They include:

* simplification of the information provision concerning our products and services (responsible service provision), in accordance with GRI indicator FS15; the number of product terms with simplified information based on simple language is at least 80%.

* the percentage of employees who have completed the Integrity E-learning module (responsible organisation), in accordance with GRI-indicator SO2/3; the percentage of employees who have completed the Integrity E-learning module is at least 80%.

* the percentage and number of companies in the portfolio with whom we engage with regard to environmental and social aspects (personal leadership), in accordance with GRI indicator FS10; the number of stakeholders whom we engage with on social aspects and the environment is at least ten per relevant business unit or Group staff department.

* the total direct and indirect emission of greenhouse gases by weight (environmental sustainability chain), in accordance with GRI indicator EN16; the total direct and indirect emission of greenhouse gases by weight per FTE is reduced by at least 3% for energy consumption in offices, by at least 2% for commuting and business travel, and by at least 2% for the external data centres and IT equipment of SNS REAAL.
7 Strategy update

SNS REAAL formulated four strategic priorities for 2012. In 2012, we structurally worked toward the execution of this strategy. This chapter covers the progress we made in 2012.

In 2012, SNS REAAL aimed to strengthen its foundation with the priorities of Phasing out Property Finance and a Strong capital management. We are building for the future with the priorities of Winning, helping and retaining customers and Reducing the cost base. We are doing this in a way that we believe is responsible, which we will explain in relation to each business unit in chapters 10 to 14.

7.1 Phasing out Property Finance

The phase-out of Property Finance was continued in 2012, despite the extremely difficult circumstances. The phase-out of the portfolio resulted in a reduction of the total commitments (gross loans including undrawn commitments) of €9.6 billion to €8.0 billion (-18%) at the end of 2012. The risk-weighted assets were also significantly reduced. Refer to chapter 11 Property Finance for further details.

It is our intention to place Property Finance in a separate real estate management organisation whose operations and finances are separate from SNS REAAL. Refer to chapter 2 Nationalisation of SNS REAAL for further information.

7.2 Strategic restructuring and capital restructuring

On 22 February 2013, the European Commission (EC) decided to give temporary approval for the capital injection of €2.2 billion in SNS REAAL, for SNS REAAL to downstream part of this capital, i.e. €1.9 billion, to SNS Bank and for the bridge loan of €1.1 billion by the State to SNS REAAL. The approval is valid until the EC takes a final decision based on the restructuring plan to be presented by the Ministry of Finance on August 22, 2013 at the latest. The decision on 22 February 2013 stipulates, inter alia, that until the moment of the EC’s final decision, SNS REAAL is not to conduct any acquisitions (‘acquisition ban’) and payments on hybrid instruments (‘hybrid debt call and coupon ban’). Ahead of the final decision, the Ministry of Finance is considering to request temporary approval from the EC to separate Property Finance from SNS REAAL as referred to in 2.2.1.6, as the EC has not (yet) been asked for temporary approval for this separation.

For the capital restructuring, reference is made to chapter 2 Nationalisation.

7.3 Winning, helping and retaining customers

In 2012, turmoil in the financial markets continued. Apart from this, SNS REAAL had to deal with a great deal of negative publicity, especially due to the uncertainty surrounding Property Finance. This meant that, after an increase in savings deposits in 2012, a material part of the savings at SNS REAAL was withdrawn in 2013. Customer satisfaction, nevertheless, remained stable at the 2011 level, supported by new initiatives taken in 2012.

Winning, helping and retaining customers ensures that our brands are full of vitality and provides us with the economies of scale and cost base that enable us to ensure the execution of our mission, also in the longer term. It is always our objective to:

• improve our services, with the meaning of customers’ interests for our brands in mind, which we do in consultation with our customers;
• achieve greater customer satisfaction;
• create sustainable growth of our brands.

SNS REAAL Annual Report 2012
7.3.1 Customers’ interests and satisfaction

In our view, putting customers’ interests first is about orientation towards the customer. This seems obvious, but is not always so. When weighing interests between our various stakeholders, customers and their interests are always key. It is not about doing everything the customer wants. It is about giving substance to the actual needs of the customer in an appropriate and responsible way. In order to do so, we need to embed this in our working methods and procedures and pay steady attention to this. Our brands systematically assess customers’ interests in all new products and product adjustments. On the basis of a group-wide standards framework within the scope of the Product Approval and Review Process (PARP), products are assessed against so-called CUSC criteria: cost-efficient, usefulness, secure and comprehensible. Customers’ interests also formed a guiding principle in the many improvements carried out by SNS Bank, REAAL and Zwitserleven in the service they provided to customers. SNS Bank improved its online support for self-managed products via interactive calculation modules and Q&A sections. REAAL and Zwitserleven intensified the online communication with holders of unit-linked insurance policies, to enable them to make responsible decisions regarding their current or expiring insurance. Many initiatives were geared towards making information more accessible, for instance by simplifying product terms and conditions and use of language, as well as by referring customers to intermediaries for advice and providing support in this regard. These improvements make it easier for customers to choose the products that are appropriate to their situation and their objectives. We want to emphasise customers’ interest even further by addressing this point more clearly in the assessment of our employees.

Putting customers’ interests first is for us and also for the Netherlands Authority for the Financial Markets (AFM) a key objective. Criteria of the AFM closely correspond with SNS REAAL’s mission, core value and vision with regard to corporate responsibility (CR). The AFM and the Executive Board discussed SNS REAAL’s stance on the issue of putting customers’ interests first to gain an insight into the background situation and to enable a better comparison of the various market players.

Despite the considerable challenges in relation to the capital position and the issues concerning Property Finance, SNS REAAL has made progress in some important aspects in the view of the AFM, namely as a result of:

- devoting explicit attention to CR and the aim to become the most customer-friendly financial services provider in the Netherlands by 2015 by putting customers’ interests first;
- greater coordination and consistency between the various initiatives geared towards putting customers’ interests first;
- A self-critical stance adopted by the Executive Board, which has been expressed by acknowledging that the level of ambition with regard to putting customers’ interests first was initially too low and by a proactive attitude, evidenced by the active efforts to act upon recommendations of the AFM.

The areas for attention that the investigations of the AFM specifically highlighted were: sharing best practices across the entire group more often, strict implementation of procedures and making greater use of modern technology to prevent anticipated disappointment among customers.

Improved and more focused measurement

All brands give shape to such recommendations and invested in systems and/or procedures to gather, analyse and utilise customer data more effectively. This information is essential in order to continue to improve the service and customer satisfaction. Our management places emphasis on this subject by using instruments such as the KBC dashboard.

SNS REAAL’s retail brands are using the NPS method (Net Promotor Score) to measure customer satisfaction. This method is used to measure the number of customers who feel so positive about a brand that they would recommend it to family and friends. From this figure we deduct the number of customers who would advise family and friends against the brand. Uniform NPS statistics, based on a representative sample, are gathered twice a year by an external agency.

Customer satisfaction in the entire financial services sector has come under increased pressure in recent years as a
result of the developments relating to the financial crisis. Among all surveyed Dutch banks and insurers, a limited number had a positive NPS score in 2012, including ASN Bank. Statistics also show that customers who recently had contact with the brand, via the helpdesk for instance, were on average more satisfied than other customers. Measurements at the business units confirmed this outcome. The brands therefore strive to intensify customer interaction, also by means of various forms for dialogue such as panel discussions.

SNS Bank’s NPS score fell slightly from -33 at year-end 2011 to -35 at year-end 2012. The explanation for this is mainly attributable to the publicity around Property Finance. This also affected the SNS Bank brand.

ASN Bank’s score went from +33 at year-end 2011 to +22 at year-end 2012.

RegioBank’s score went from -18 at year-end 2011 to -9 at year-end 2012.

The NPS for REAAL as a whole went down from -44 at year-end 2011 to -51 at year-end 2012. The NPS of customers with a REAAL life insurance remained constant at -53 compared to the 2011 survey. Customers value regular contact, but that contact should, however, be relevant. And customers want to be found important. The NPS of customers with a REAAL non-life insurance rose slightly the past six months, but not significantly, from -35 to -31. The overall satisfaction about REAAL among these customers remained stable.

Zwitserleven’s NPS score went from -47 at year-end 2011 to -41 at year-end 2012 among pension scheme participants. The NPS of employers, another important target group for Zwitserleven, rose from -28 to -15.

In 2012, SNS Bank, REAAL and Zwitserleven expanded their customer satisfaction surveys by conducting them more often and in more sub-areas.

**Learning from the client dialogues**

SNS REAAL brands use a variety of media and/or events to enter into dialogue with their customers. SNS Bank used the SNS Community to improve products and product information. The number of ways to provide feedback via web pages, Twitter and Facebook increased significantly. A wide range of fundamental and current topics were discussed with SNS Bank’s **Customer Council**, which meets four times a year. ASN Bank is making a discussion platform called ‘For tomorrow’s world’ available to customers and interested parties. **ASN Bank** also involved its customers in some sustainability initiatives by means of various events. RegioBank advisors placed considerable emphasis on personal interaction and maintaining and developing their local network.

REAAL organised interviews and chat sessions with customers on a variety of topics. So-called **Voice of the customer sessions** featured discussions on topics including unit-linked insurance policies and the triangular relationship between REAAL, the customer and the intermediary. Zwitserleven involves its customers specifically in the development of products and services by conducting surveys and holding discussion and information evenings with employees. In 2012, Zwitserleven also started building up a **community**.

**Improving customer contact and service levels**

In 2012, statistics showed that most service levels of our brands had improved. **SNS Bank** refined its systems in order to record and analyse feedback, queries and complaints from customers even more effectively. The level of contactability of SNS Customer Service was 89%. The number of complaints fell by 21%.

Based both on systematic analysis of customer interaction and personal input from employees, **REAAL** took new improvement measures that made the organisation more customer-focused and efficient. It was partly thanks to these improvements that REAAL received the Customer-Oriented Insurance Quality Mark, the requirements for which had been tightened. **Zwitserleven** improved its customer service by training employees of the employee desk and by recording and analysing interaction with employees and director-shareholders. The complaint registration system was also improved, as a result of which the number of registered complaints increased, despite the improvements.
Simple, relevant products and appropriate advice

Offering simple products is the mission for all our business units. However, simplification is a process that takes time, and it is often problematic or not possible to apply to products already sold. We also use the feedback from our customers for the benefit of the Product Approval Process of existing and new products when developing new simple products and services. The most important improvements achieved in 2012 were:

- further simplification of SNS Bank’s range of savings products;
- simplification and reduction of terms and conditions associated with non-life insurance policies provided by REAAL, making it easier to take out products; and automating and speeding up the application process;
- converting the numerous old disability insurance products provided by REAAL for the self-employed into simpler modern versions;
- abrogation of the budget disability insurance product provided by REAAL, which included the exception of psychological therapy;
- reducing the number of products for active sale and further reducing the number of old products and systems at Zwitserleven.

All brands also paid attention to simplifying and clarifying product information, making it easier for customers to make responsible choices. REAAL and Zwitserleven offer customers comprehensive information on the content and implementation of the compensation scheme for unit-linked insurance policies and unit-linked pension plans. Customers are also given tips as to the best way of dealing with unit-linked insurance policies and unit-linked pension plans that are still running.

7.3.2 Sustainable growth of our brands

Multi-brand strategy

SNS REAAL distinguishes itself in the Dutch market through its multi-brand strategy. This allows us to respond to new market developments efficiently and effectively. We manage performance using common indicators, minimise brand overlap and take direct advantage of market opportunities. This strategy also enables us to gain a more detailed understanding of the needs and perception of our customers, as a result of which they feel more comfortable with their brand.

In 2012, the positioning of brands in relation to one another was further refined, so that they better complement one another in the market of potential customers. The total customer coverage is thus extended whilst the overlap is reduced. The differences between the brands focus on three main aspects: personal values, social status and the level of financial self-reliance.

SNS REAAL creates value with its multi-brand strategy aimed at well-defined target groups in three ways: by expanding more rapidly than would be the case with a single brand, by means of more effective and therefore cheaper marketing and by means of price differentiation. In 2012, this strategy made a significant contribution to the (profitable) growth in savings and in the strong growth of sales of REAAL insurance products via SNS Bank.
Winning new customers

The total number of customers of our retail banking brands fell by more than 64,500 customers to over 3 million. However, the total savings deposits entrusted to us rose and the market share in savings increased from 10.0% to 10.3%. Each brand developed its own tailor-made commercial initiatives to optimally reach their target group. SNS Bank restrained itself in the sale of its own new mortgages due to the deterioration to solvency as a result of the losses of Property Finance in the property finance loan portfolio. Consequently, the market share in new mortgages decreased from 5.7% to 2.0%. Sales of third-party mortgages rose strongly, however, from 8% in 2011 to 29% in 2012, which meant we were able to welcome many new customers.

REAAL won many new customers mainly for term life insurance. Zwitserleven won a limited number of new SME and large corporation customers due to difficult conditions in the pensions market.

Retaining clients and offering a broader range of products

SNS Bank further expanded the range of third-party mortgages, improving its position in the market of first-home buyers. The retention rate of existing mortgages was high. The fall in new sales had a limited effect on the size of the total mortgage portfolio, which fell from € 52.8 billion to € 50.6 billion (-4.3%). Sales of insurance from REAAL through SNS Bank increased sharply.

REAAL successfully carried out tests in order to improve the retention of customers with life insurance products. Retention more than doubled in some tests. The tests are expanded.

In 2012, we were once again able to take advantage of the growing bank savings market. REAAL, SNS Bank and RegioBank cooperate closely in the field of product development and distribution. Bank savings deposits entrusted to us rose by 85% to € 2.4 billion. Pressure on pricing increased in the pensions market. The customer retention rate remained high, but did fall compared with 2011.

Successful new products

The introduction of the Zilvervloot Sparen, a savings account for children aged 0-18, was a major success. Since its launch in September, more than 32,000 accounts were opened at SNS Bank and RegioBank. The interest-bearing current account attracted many new customers. SNS Bank was the first major bank to introduce such an account at the end of 2011.

7.4 Reducing the cost base

Reducing the cost base of our organisation contributes towards improving the company's competitiveness and capital position.

The total adjusted operating expenses decreased from € 1,060 million to € 1,024 million (-3%) compared to 2011. An important factor was a reduction in the average number of FTEs from 7,002 to 6,827 (-2.5%). The reduction at SNS Retail Bank amounted to € 11 million, at REAAL € 12 million, Zwitserleven € 6 million, Group activities € 4 million and Property Finance € 3 million. Programmes to increase efficiency in the administration systems of REAAL and SNS Bank also significantly contributed towards the reduction. SNS Bank also benefited from the run off and closure of old SNS branches, the opening of cost-efficient SNS shops and further automation of transaction processes. REAAL implemented many customer-oriented process improvements that in most cases also immediately resulted in savings. Zwitserleven continued its programme to improve and reduce processes and systems and to harmonise its products.

Other important contributions to the cost reductions were cost synergy through the harmonisation and standardisation of IT systems, tightened procurement and adjustment of the terms of employment.

Investments made by SNS REAAL were mainly aimed at further cost base improvements in the coming years, but also at long-term ICT solutions. The main investments in 2012 were:
The New World of Work (NWW); more than 1,300 employees switched to NWW.
A new platform for the administration of non-life insurance policies was successfully put into production.
At Zwitserleven a new platform has been developed that is ready for testing.
For SNS Bank (and the other banking brands) a migration took place to a modern platform making it future proof.

7.5 Realisation of ambitions

7.5.1 Net result
In November 2011, SNS REAAL abandoned its medium-term profit target due to the situation in the financial markets, deteriorating economic outlooks, stagnating or falling sales volumes and greatly changing laws and regulations. A substantial loss of €972 million was reported for 2012. However, it continues to be our objective to be an organisation that will return to a healthy level of profitability.

7.5.2 Capital and liquidity ratios

Table 7: Capital and liquidity ratios

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<thead>
<tr>
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<th>2012</th>
<th>Target 2012</th>
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<tbody>
<tr>
<td>Regulatory solvency Insurance activities</td>
<td>176%</td>
<td>&gt;175%</td>
</tr>
<tr>
<td>Core Tier 1 ratio banking activities</td>
<td>6.1%</td>
<td>&gt;10%</td>
</tr>
<tr>
<td>Loan-to-deposit-ratio</td>
<td>142%</td>
<td>between 100% and 125%</td>
</tr>
<tr>
<td>Double Leverage SNS REAAL</td>
<td>127.2%</td>
<td>115%</td>
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Solvency of the insurance activities amounted to 176% compared to 203% at the end of 2011. A decline of 19% was due to an increase in required capital mainly related to a change of the solvency requirements for a part of the separate accounts and due to the downward shift of the yield curve which led to both an increase of the liabilities as well as an increase of required capital. Furthermore, solvency mainly declined due to narrowing of credit spreads of French sovereign debts which resulted in a stronger increase of the liabilities than the investment portfolio, because the liabilities are valued by using the ECB AAA + UFR, in which French sovereign debts represent a greater share than in the investment portfolio. Finally, solvency decreased due to a dividend upstream by REAAL Non-Life to SNS REAAL in the first half of 2012 and due to the impact of model and parameter changes mainly related to mortality. Underlying results partly offset the negative impact on solvency.

The use of the new interest rate curve had a 20%-point positive impact on solvency. However, at Insurance holding level this impact was almost wholly offset by a more restrictive treatment of Tier 2 debt included in solvency capital (-19%).

In the regulatory solvency ratio of SRLEV, the legal entity comprising most of the life insurance operations, the inclusion of Tier 2 debt was already capped. Solvency of SRLEV declined from 223% at year-end 2011 to 211% at year-end 2012. SNS Bank NV publishes its solvency ratios using the risk-weighted assets as calculated under Basel II, taking in account the Basel I 80% Floor rules. In the second half of 2012 the implementation of more stringent risk assessment models for loans in combination with a deteriorating credit risk environment led to an increase in the level of risk-weighted assets under Basel II, which surpassed the level of Basel I with an 80% floor. As a consequence, solvency ratios are since then calculated using Basel II risk-weighted assets, whereas for previous periods Basel I with an 80% floor was used. Basel II risk-weighted assets increased from €19.2 billion at year-end 2011 to €20.6 billion. The use of more stringent risk assessment models for retail mortgages led to an increase of €3.5 billion in Basel II risk-weighted assets, which were also impacted by the redemption of debt securities issued under securitisation programmes. This was partly compensated by the decline of the total exposure at Property Finance. Due to the net loss at SNS Bank NV and the increase in risk-weighted assets, the core Tier 1 ratio dropped from 9.2% at the end of 2011 to 6.1%, which was below the internal and the DNB requirements.
As a result of the increase in savings balances and the decrease in loans and advances to customers, the loan-to-deposit ratio of the Banking activities improved from 159% at year-end 2011 to 142%. Excluding Property Finance, the pro forma loan-to-deposit amounted to 126%.

Group double leverage increased from 115% to 127%, mainly as a result of the net loss of the holding company and due to decreased equity of subsidiaries. Compared to year-end 2011, nominal leverage increased by € 147 million to € 918 million.

7.5.3 Structural cost reductions
At year-end 2012, the total operational cost savings were € 185 million compared with the adjusted cost level of 2008. Costs fell by 15% in four years. The number of FTEs fell by 811 (-11%) between the end of 2008 and the end of 2012. The total operational costs were adjusted for restructuring costs, the share of SNS Retail Bank in the deposit guarantee scheme and consultancy costs related to the reorientation and the phase-out of the Property Finance portfolio.

7.5.4 Corporate responsibility update
In 2012, corporate responsibility (CR) was more effectively integrated into the governance structure, including management and audit, of the business units. In addition to the financial and other criteria, the CR criteria form part of the employees’ performance and appraisal cycle. The retail brands focused sharply on customers’ interests, which resulted in a great deal of improvements in the service provided to customers and communication with them. We also made progress in making the investment chain more sustainable. Our demands with regard to CR will be discussed in detail in chapters 10 through 14.

7.5.5 Performance management
SNS REAAL wants to enhance management performance-based management by means of quantifiable results. Four new CR performance indicators were developed in 2012 that will be effective from 2013. At SNS Bank, REAAL and Zwitserleven management based on customer satisfaction was enhanced. The number of measurement moments and measurement areas was increased.

For capital and liquidity ratios, refer to 7.5.2. For other realised financial ratio’s, refer to key figures. For market shares refer to 7.5.4. For customer satisfaction scores, refer to 7.3.1. For employee satisfaction and absenteeism, refer to 17.8.
8 Outlook 2013

The Netherlands and the rest of the eurozone are faced with a ongoing recession. Although the euro crisis seems to be under control, the scarcity in the capital market is persisting and there is great uncertainty and risk of volatility in the financial markets. Corporate financials are retaining ample liquidity and capital because of precaution and more strict requirements. With regard to capital, these markets are still not entirely open, other than for cash. The Dutch housing market remains weak and the number of mortgage holders experiencing payment difficulties is steadily increasing. Unemployment is rising and the number of bankruptcies is increasing. These conditions are placing profitability in our sector under even greater pressure.

8.1 Financial markets in 2013

8.1.1 General explanation

Stimulus measures for the global economy will primarily need to come from the United States of America, China and other emerging markets. It seems likely that growth in the USA will continue, despite new taxation measures being introduced by the federal government. The delay in the growth of the Chinese economy seems to have passed and the demand for products from Europe, particularly Germany, will probably pick up. The eurozone is still dealing with the burden of the recovery of government finances, the necessary shrinking of the financial sector and loss absorption due to the depreciation of collateral and increasing risk of default (unemployment and bankruptcy). The permanent threat of crisis has diminished however, due to the willingness of the ECB to purchase government bonds without limit at sharply rising interest rates, but under conditions. The pressure upon southern European countries is likely to ease somewhat. The mild recession being experienced in the Netherlands and in many other European countries will continue in 2013.

8.1.2 Interest rates low, risk surcharges volatile

In February 2013, the ECB lowered its growth forecast for the eurozone to zero and kept its most important interest rates at the same low level. Due to the low growth forecast, the ECB will possibly keep the interest rate low. The low inflation forecast makes it possible for the ECB to apply a stimulus policy. The interest rate spreads of southern European countries in particular have recently fallen sharply. However, due to the continuing poor economic conditions, the risk of increasing credit spreads remains, which could cause a repetition of the sovereign debt turmoil in the eurozone.

8.2 Impact of laws and regulations

New laws and regulations give rise to higher costs in the financial sector, in relation to maintaining capital, risk management, internal organisation, resolution levy and/or taxation. A bank tax entered into force from October 2012 and this cost SNS REAAL €10 million in 2012. The Dutch Ministry of Finance and De Nederlandsche Bank (the Dutch Central Bank – DNB) are working to establish a fund to finance the deposit guarantee scheme, into which banks must deposit funds in advance. The capital requirements and the timing of Basel III and Solvency II are still creating a great deal of uncertainty, but are indicating higher costs, including for lending activities. The plans include a reduction of the Tier 1 leverage ratios and much more stringent capital requirements in the resell of securitised mortgage loans. Securitisation is an important source of funding for mortgage lending by Dutch banks under favourable financial market conditions.

A mandatory bankers’ oath applies to board members and supervisory board members since January 2013. This may be extended to other positions. SNS REAAL is supportive of the underlying idea that this will help employees to feel able to call their managers to account over (alleged) unethical conduct. A discussion of ethical issues in our sector contributes towards the continued efforts to develop a modern, customer-oriented and socially desirable corporate culture.
8.3 Changes in the distribution landscape

Laws and regulations combined with social trends have also had an impact on the distribution landscape in the financial services sector. The most important changes are outlined below.

8.3.1 Fixed advisors’ fees
From January 2013, a ban on commissions will apply to complex financial products. Instead of this commission, the advisory body (bank, insurer, or intermediary) will receive a fee based on an agreement with the customer. The separation between product price and advisors’ fee creates greater transparency in the total cost price for the customer. Even so, all parties, the provider, advisor and customer, need to get used to the new situation. Advisors are able to use different advice models and different types of rates. The price of advisory services will also often depend on the information that customers are able to gather and contribute themselves. In this respect, the market for complex products will therefore not become transparent immediately as far as consumers are concerned. Furthermore, many consumers will try to save on costs by purchasing a complex product without seeking advice, which can result in the wrong choices being made. Self-managed products are gaining ground. The regulatory requirements imposed on advisory services providers are being tightened. As a result of these developments, combined with falling volumes, the number of intermediaries will fall sharply, particularly in the field of pensions, life insurance and bank savings.

In the new market conditions, providers of both products and advisory services will need to adopt a flexible and very precise approach in anticipating the opportunities and limitations of the different distribution channels. SNS REAAL is in a favourable position in this regard due to:

- an in-house banking distribution and advisory channel for a large portion of the complex insurance products;
- the multi-brand strategy with a mix of direct and indirect distribution channels, a variety of service models and brands that make it possible to provide different direct sales offers and product advice combinations;
- SNS Bank being the only bank in the Netherlands to sell third-party mortgages and provide independent mortgage advice.

The implications of the ban on commissions are greater for REAAL than for the other brands as the intermediary channel is REAAL’s only distribution channel. REAAL aims to assist its customers in getting to grips with the new market situation, including by further improving and expanding the customer service and interaction with customers. It will profile itself more emphatically as a directing party in the triangle between REAAL, customer and intermediary and aims for better guarantees of the quality of the advice provided by intermediaries.

8.3.2 Increase in direct sales of simple products
The trend in which consumers are increasingly purchasing products without the intervention of an intermediary has already existed for a long time in relation to simple products, such as savings and non-life insurance for private individuals. This trend is continuing. Gathering information and comparing products oneself has become easier as a result of the improvement and expansion of websites. SNS REAAL is responding effectively to this development with its multi-brand strategy and diversification of distribution channels.
8.3.3 Tax benefits on bank savings

Until 2008, only life insurers were permitted to offer products for wealth creation with tax incentives. However, since the introduction of bank savings in 2008, the consumer has alternatives available via the banks. Bank savings products have grown strongly since then, at the expense of more complex life insurance products that combined asset growth with guarantees and/or insurance policies. Bank savings products are often combined with life insurance products, such as term insurance policies and immediate annuities. SNS REAAL is well positioned in this market with its combination of banking and insurance activities. The tax advantage of bank savings has been restricted with effect from 2013. Although growth will decline, this market will continue to have a healthy growth potential for the time being.

8.3.4 Ban on the distribution fee for investment funds

The Dutch Ministry of Finance intends to put a ban on the distribution fee paid by investment fund providers to distribution partners by 2014. The current fee model includes the possibility that investment advice from distributors is (partly) based on financial gain and therefore takes less account of customers’ interests. Financial institutions must therefore develop a new earnings model for distribution of investment funds. SNS Bank is already leading the way in this development in 2013. In February 2013, SNS Bank introduced five new profile funds without a distribution fee. The risk profiles vary widely from very defensive to very offensive investments. The distribution fees no longer form part of the so-called Total Expense Ratio (TER) of the investment funds, but are charged to the customer separately.

8.4 Product markets in 2013

SNS REAAL primarily anticipates growth in the (bank) savings market. Under the influence of the weak economy and new regulations, the other markets will see no or negligible growth and some markets are expected to contract (further).

Mortgage market remains weak
Further growth (bank) savings
Life insurance market declines
Non-life and disability insurance relatively stable
Pensions market remains under pressure

8.4.1 Mortgage market will remain weak

The Ministry of Finance will restrict the tax deductibility of interest of new and existing residential mortgages over the coming years by 0.5% per year from a maximum of 52% to a maximum of 42%. Furthermore, from 2013 interest on a new mortgage is only tax deductible if it is an annuity mortgage, whereby a portion is repaid each year. The temporary cut in transfer tax to 2% will become permanent. Interest payments on a debt remaining after selling a property for less than the mortgage value will remain tax-deductible for 10 years. These measures will actually result in higher monthly costs for first-home buyers. The housing agreement reached in February 2013 between the government and an ad hoc coalition in the Second Chamber of Dutch Parliament resulted in partial set-off against the monthly costs for first-home buyers and better flow through of the residential property market. Even so, we expect persistent stagnation and lower prices in the housing market in 2013. However, in the longer term, the measures may contribute towards improving the health of the housing market and reducing excessive debts amongst Dutch consumers.

The number of mortgage holders with payment arrears will further increase. The reasons for this may be: lower income (due to unemployment, for example), double mortgage payments when the old property remains unsold, and/or a residual part of the debt, a mortgage value that is higher than the price realised when the house is sold (foreclosure). Losses on loans are therefore expected to increase. These losses will need to be controlled through the high percentage of mortgages guaranteed under the National Mortgage Guarantee scheme and the vigilant and proactive management of mortgages with payment arrears.
The focus of SNS Bank lies on retaining the existing portfolio and assisting existing customers. SNS Bank is also providing impartial advice for new mortgages and is selling both its own mortgages and those of third parties. The margin on mortgages remains at a healthy level.

**8.4.2 Continued growth of (bank) savings**

The uncertain economic situation encourages the inclination to save, but shrinking incomes in many households will restrict the total growth of the savings market. However, maturing unit-linked insurance policies will provide a positive stimulus, particularly for the bank savings market. These will continue to grow, although at a decreasing pace compared with previous years. As a bancassurer with a robust distribution network, we are able to consolidate our strong market position in the bank savings market. The willingness of private individuals to invest was limited over the past few years. This situation is not yet expected to change in 2013.

**8.4.3 Market for life insurance policies shrinking**

The total market for individual life insurance policies is shrinking systematically due to the maturity of unit-linked insurance policies that were concluded many years ago. The market has also suffered in recent years from the decline in sales of new mortgages, which often require additional insurance policies. We expect the decline to continue in 2013. We foresee further growth in modern wealth creation products, such as bank savings. These products are simple and can be tailored to the customer in combination with term life insurance policies.

Sales in 2013 of term life insurance policies will be affected by the introduction of the ban on commissions. We expect that consumers will be more likely to attempt to conclude their own term life insurance policies, without intervention by an intermediary. Price comparison websites will help them to do this and forms one of the reasons that prices remain under pressure. REAAL aims to remain competitive and is focusing on continuing to improve efficiency in the process from quotation to policy issue. REAAL is also primarily focusing its activities on bank savings, expanding distribution via SNS Bank and RegioBank and continuing to reduce the costs of administration and management of the existing life insurance portfolio.

**8.4.4 Non-life and disability insurance relatively stable**

We expect to see a relatively stable development in the non-life insurance market in 2013. In the retail non-life insurance sector, the shift to the direct channel is persisting. The sharp rise in insurance premium tax from 9% to 21% is likely to drive down sales. REAAL improved its product range at the start of 2013 with the introduction of the Goed Geregeld Pakket (a full-coverage insurance package) for retail customers. SNS Bank is also increasingly playing a role in new sales.

The market for occupational disability insurance has good potential to grow over the long term due to the increasing number of self-employed entrepreneurs and the increasing risk awareness of entrepreneurs in general. In 2013, we expect that growth will stagnate as a result of the weak economy and pressurised turnover of the self-employed. REAAL aims to make disability insurance accessible to more people and will improve accessibility in various ways in 2013.

**8.4.5 Pensions market under pressure**

We expect to see the pension market declining slightly in 2013. The growth in premium income will be adversely affected by the new fiscal restrictions on pension accrual, increasing levels of unemployment, increasing bankruptcy rates and limited salary increases. The long-term interest rate is expected to remain low in 2013 and as a result the insurance liabilities will remain at a high level, whilst solvency and profitability of pension insurers will remain under pressure.
Zwitserleven is developing many initiatives to further increase its competitiveness, including:

- the introduction of a Pension Premium Institution, which will give companies a cost-efficient means of building up pension for their employees, in which the technical insurance risks are not covered;
- the introduction of savings products and the expansion of service concepts for employers;
- cost reductions by standardising systems and processes and managing cost prices more effectively, including by splitting composite products and services;
- continued improvement of the service, primarily for employees and director-shareholders, and increasing the ways in which we ensure corporate responsibility via the entire service.
- the facilitation of the migration of ‘defined benefit’ to ‘benefit contribution’ schemes, which will make pensions more sustainable and affordable.

8.5 Outlook SNS REAAL

For the first quarter of 2013, the core activities of SNS REAAL reported a net profit of €170 million, including a one-off positive impact from nationalisation measures of €71 million. Adjusted for one-off items and nationalisation measures, net profit of the core activities for the first quarter was €99 million, compared to €103 million for the first quarter of 2012. SNS Retail Bank had a good start of the year, earnings of the Insurance activities remained behind.

Property Finance reported a net loss of €1.8 billion for the first quarter of 2013, due to a €1.8 billion net impact of the €2 billion write-down of the real estate finance portfolio. With this write-down the net exposure has been brought in line with the held for sale valuation as determined by the Dutch State.

Due to the considerable first quarter loss at Property Finance, SNS REAAL will also report a loss for the year 2013 as a whole. In spite of a further weakening of the Dutch housing market, we expect SNS Retail Bank to continue to report satisfactory results in the coming quarters. We expect the market environment at the Insurance activities to remain difficult. As a result, earnings and solvency at the Insurance activities will likely remain under pressure in the quarters ahead.
9 Financial outlines

9.1 Result

9.1.1 Changes in segmentation

In 2012 SNS REAAL took further steps to enhance its capital position and reduce its risk profile. In view of this, SNS Bank decided to withdraw from the commercial property finance market for SME's in the second half of 2012. As a result SNS SME's loan portfolio will be phased out. The core real estate finance portfolio, part of the total loan portfolio, will be phased out under the direction and responsibility of Property Finance. This announcement was made in the trading update for the third quarter 2012.

SNS SME's other activities (the SME mortgage and savings portfolio) will be continued and transferred to SNS Retail Bank. The SME mortgage portfolio of €1.3 billion and SME savings of €2.9 billion have been combined with those of SNS Retail Bank. Comparative figures for 2011 have been adjusted accordingly. As a result of this transfer, the reporting segment SNS SME will cease to exist.

The change in segmentation is in alignment with the new business activities decision model and also creates more transparency in respect of the net result from SNS REAAL's continued activities in the future, and results relating to the phase out (and isolation) of the Property Finance portfolio in a separate asset management organisation in 2013.

9.1.2 Results 2012 compared to 2011

For the year 2012, SNS REAAL reported a net loss of €972 million, compared to a net profit of €114 million for the year 2011. This negative result was mainly driven by a significant loss at Property Finance of €813 million. Excluding Property Finance, the core activities of SNS REAAL posted a net loss of €159 million compared to a €357 million net profit for the year 2011. Adjusting for the impact of one-off items, the net profit of the core activities amounted to €443 million compared to €485 million for the year 2011, which had included a net gain of €84 million from a lower Tier 2 exchange transaction at SNS Retail Bank. Both 2011 and 2012 were positively impacted by a substantial amount of realised gains on bonds at the Insurance activities.

SNS Retail Bank’s net profit decreased sharply. The main factors behind this decrease were the absence of a gain from a lower Tier 2 exchange transaction, sharply higher loan impairments, restructuring charges and lower commission income. Furthermore, the 2012 result included a charge for the new banking tax.

At REAAL, net profit was sharply lower due to one-off items, mainly consisting of impairments of goodwill, and a lower underlying result at both REAAL Life and Non-Life. At REAAL Life the underlying profit was down mainly due to lower direct investment income and an impairment on property for own use, while at REAAL Non-Life the underlying result was negatively impacted by high claims ratios at fire and marine.

Zwitserleven posted a net loss due to an impairment of its brand name and a partial impairment of the Value of Business Acquired (VOBA). The 2011 net result had been negatively impacted by a goodwill impairment. Zwitserleven’s underlying profit showed a strong decline due to lower technical results and lower direct investment income.

At Property Finance, the net loss increased sharply, driven by sharply higher impairments on loans and property projects reflecting the further weakening of real estate markets and an impairment of the remaining goodwill. Impairment charges on loans and property projects based on incurred losses increased from €284 million in 2011 to €941 million, of which €776 million occurred in the second half of 2012 (including €654 million in the fourth quarter).
9.2 Impact of one-off items

Table 8: Impact of one-off items on SNS REAAL’s net result

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<tr>
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<th>2012</th>
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<tr>
<td>Net result SNS Retail Bank</td>
<td>88</td>
<td>258</td>
</tr>
<tr>
<td>Net result REAAL</td>
<td>(27)</td>
<td>280</td>
</tr>
<tr>
<td>Net result Zwitserleven</td>
<td>(120)</td>
<td>(87)</td>
</tr>
<tr>
<td>Net result Group activities</td>
<td>(100)</td>
<td>(94)</td>
</tr>
<tr>
<td><strong>Total net result SNS REAAL Core activities</strong></td>
<td>(159)</td>
<td>357</td>
</tr>
<tr>
<td>Net result Property Finance</td>
<td>(813)</td>
<td>(243)</td>
</tr>
<tr>
<td><strong>Total net result for the period SNS REAAL</strong></td>
<td>(972)</td>
<td>114</td>
</tr>
<tr>
<td>Impact of one-off items SNS Retail Bank</td>
<td>(36)</td>
<td>(20)</td>
</tr>
<tr>
<td>Impact of one-off items REAAL</td>
<td>(325)</td>
<td>18</td>
</tr>
<tr>
<td>Impact of one-off items Zwitserleven</td>
<td>(224)</td>
<td>(107)</td>
</tr>
<tr>
<td>Impact of one-off items Group activities</td>
<td>(17)</td>
<td>(19)</td>
</tr>
<tr>
<td>Impact of one-off items Property Finance</td>
<td>(47)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total one-off items</strong></td>
<td>(649)</td>
<td>(128)</td>
</tr>
<tr>
<td>Adjusted net result SNS Retail Bank</td>
<td>124</td>
<td>278</td>
</tr>
<tr>
<td>Adjusted net result REAAL</td>
<td>298</td>
<td>262</td>
</tr>
<tr>
<td>Adjusted net result Zwitserleven</td>
<td>104</td>
<td>20</td>
</tr>
<tr>
<td>Adjusted net result Group activities</td>
<td>(83)</td>
<td>(75)</td>
</tr>
<tr>
<td><strong>Total adjusted net result SNS REAAL Core activities</strong></td>
<td>443</td>
<td>485</td>
</tr>
<tr>
<td>Adjusted net result Property Finance</td>
<td>(766)</td>
<td>(243)</td>
</tr>
<tr>
<td><strong>Total adjusted net result SNS REAAL</strong></td>
<td>(323)</td>
<td>242</td>
</tr>
</tbody>
</table>

One-off items in 2012 amounted to €649 million negative of which €634 million were recognised in the second half of the year.

At SNS Retail Bank, the net impact of one-off items amounted to €36 million negative. Of this, €9 million consisted of a loss on the exchange of Greek government bonds in the first half year. In the second half, the net impact of one-off items was €27 million negative, consisting of a restructuring charge of SNS Retail Bank which was announced at the Investor Day on 15 November 2012. The restructuring charge was taken for plans which aim to deliver a reduction of approximately 200 FTEs by the end of 2014 (-8%) and further improve operational efficiency.

At REAAL, the net impact of one-off items amounted to €325 million negative. This consisted mainly of an impairment of the entire goodwill at REAAL Non-life of €110 million net and a partial impairment of the goodwill at REAAL Life of €141 million net. The goodwill impairments were driven by the increased competition and the ongoing difficult market circumstances in the Life and Non-Life market. Furthermore, there was a charge of €18 million net consisting of an impairment of REAAL Life’s distribution network in the light of legislation changes related to commission fees for Independent Financial Advisors (customer agreed remuneration). Finally, an additional €56 million net charge was taken for the unit linked policies settlement reached in 2008. The additional provision is based on the experience built up with the calculations of the compensation amounts for the various products under the settlement.

At Zwitserleven, the net impact of one-off items was €224 million negative, fully related to the impairment of the brand name and a partial impairment of VOBA. The impairment of the Zwitserleven brand name of €95 million net was driven by difficult circumstances in the pensions market as evidenced by the continued low interest environment, longer life expectancy, expected higher future capital requirements and the increased competition due to new entrants with low cost profile, creating pressure on prices and margins. In addition, the lower risk profile of the investment portfolio implies lower future investment income. The partial impairment of €129 million net of the VOBA related to the shortfall of the IFRS liability adequacy test (LAT). This LAT compares the market value and the IFRS carrying amount of insurance liabilities and related assets. The use of the ECB AAA + UFR curve and the general decline of interest rates in 2012 led to an IFRS LAT shortfall in the insurance liabilities of €1,619 million net. By using shadow accounting, the positive fair value...
reserve of the related fixed-income portfolio was used to increase the IFRS carrying amount of the insurance liabilities by € 1,986 million. However, the fair value reserve of the related fixed-income portfolio could not fully compensate the entire LAT shortfall. The remaining shortfall of € 129 million net was charged to the income statement as a partial impairment of the VOBA.

At Group activities, the net impact of one-off items amounted to € 17 million negative, consisting of an impairment charge on the shareholding in Van Lanschot NV.

At Property Finance, the net impact of one-off items of € 47 million negative consisted of an impairment of the remaining goodwill from the acquisition of Property Finance in 2006 as a result of the repositioning of SNS SME and the integration of the former core portfolio into Property Finance and its subsequent run off objective.

One-off items in 2011 of € 128 million negative had consisted of an impairment of goodwill at Zwitserleven of € 107 million, an impairment of Greek government bonds of € 20 million net at SNS Retail Bank and an impairment of the shareholding in Van Lanschot NV of € 19 million at Group activities. These one-off items were partly compensated by a net gain at REAAL Other of € 18 million from the sale of REAAL Reassurantie S.A, a small reinsurance subsidiary.

9.3 Operating expenses

Table 9: Total operating expenses SNS REAAL

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating expenses SNS REAAL Core activities</td>
<td>1,032</td>
<td>1,018</td>
<td>1%</td>
</tr>
<tr>
<td>Total operating expenses Property Finance</td>
<td>116</td>
<td>106</td>
<td>9%</td>
</tr>
<tr>
<td>Total operating expenses SNS REAAL</td>
<td>1,148</td>
<td>1,124</td>
<td>2%</td>
</tr>
</tbody>
</table>

Adjustments

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring charges</td>
<td>56</td>
<td>9</td>
</tr>
<tr>
<td>SNS Retail Bank’s share in savings guarantee scheme</td>
<td>(15)</td>
<td>(1)</td>
</tr>
<tr>
<td>Expenses related to winding down portfolio Property Finance</td>
<td>67</td>
<td>56</td>
</tr>
<tr>
<td>Expenses related to the strategic restructuring</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>124</td>
<td>64</td>
</tr>
<tr>
<td>Total adjusted operating expenses SNS REAAL Core activities</td>
<td>981</td>
<td>1,014</td>
</tr>
<tr>
<td>Total adjusted operating expenses Property Finance</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Total adjusted operating expenses SNS REAAL</td>
<td>1,024</td>
<td>1,060</td>
</tr>
</tbody>
</table>

Total operating expenses in 2012 increased by € 24 million (+2%), influenced by one-off expenses. These included restructuring charges of € 56 million gross, mainly consisting of € 37 million costs at SNS Retail Bank related to efficiency plans and expenses related to several lean and efficiency initiatives at REAAL (€ 4 million), Zwitserleven (€ 4 million), Group activities (€ 5 million) and Property Finance (€ 6 million). Other one-off expenses were related to the costs of strategic restructuring plans at Group activities (€ 16 million) and to the winding down of the portfolio at Property Finance (€ 67 million). These one-off expenses were partly compensated by a release of € 15 million related to the final calculations of SNS Retail Bank’s share in the savings guarantee scheme for DSB Bank and Icesave.

Total adjusted operating expenses decreased by € 36 million (-3%), supported by a decrease in the number of internal staff by 203 FTEs to 6,724 (-3%). All business units contributed to the decrease: SNS Retail Bank (- € 11 million), REAAL (- € 12 million), Zwitserleven (- € 6 million), Group activities (- € 4 million) and Property Finance (- € 3 million).

By the end of 2012, compared to the 2008 level, adjusted operating expenses have been reduced by € 185 million (-15%). SNS REAAL will strive for a further reduction of costs driven by ongoing efficiency programmes and a structural moderation of collective labour agreements.
9.4 Underlying result Insurance activities

**Table 10: Underlying results Insurance activities**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>REAAL</th>
<th>2012</th>
<th>2011</th>
<th>Zwitserleven</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result for the period</td>
<td>(27)</td>
<td>280</td>
<td>(120)</td>
<td>(87)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains, losses and impairments on equity portfolio</td>
<td>16</td>
<td>(20)</td>
<td>6</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains, losses and impairments on fixed-income securities</td>
<td>75</td>
<td>36</td>
<td>114</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>79</td>
<td>114</td>
<td>(60)</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in insurance contracts due to movements of fair value items</td>
<td>(20)</td>
<td>(33)</td>
<td>14</td>
<td>(59)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net impact investment portfolio and hedges</td>
<td>150</td>
<td>97</td>
<td>74</td>
<td>(26)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of one-off items</td>
<td>(325)</td>
<td>18</td>
<td>(224)</td>
<td>(107)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net result excluding impact of one-off items and impact of investment portfolio and hedges</td>
<td>148</td>
<td>165</td>
<td>30</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation VOBA and other intangible assets</td>
<td>(48)</td>
<td>(53)</td>
<td>(16)</td>
<td>(18)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying net results</td>
<td>196</td>
<td>218</td>
<td>46</td>
<td>64</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of 1 January 2012 the definition of underlying result has been adjusted. The share in results of associates is included in Gains, losses and impairments on equity portfolio and unrealised results of fixed-income securities at fair value through profit and loss and of investment properties are included in Gains, losses and impairments on fixed-income securities. Comparative figures have been adjusted accordingly.

9.4.1 REAAL

In 2012 REAAL’s net result declined sharply by € 307 million to € 27 million negative driven by the negative impact of one-off items. The total net impact from gains, losses and impairments on the investment portfolio and hedges increased to € 150 million positive (2011: € 97 million positive) driven by higher realised gains on bonds and equities and lower impairments on equities, partly offset by the impact of shadow accounting, included in the line ‘Changes in insurance contracts due to movements of fair value items’. The result on financial instruments was substantial, although lower than in 2011, with both years positively impacted by high gains on interest rate derivatives due to the strong decline in interest rates.

REAAL’s underlying result of € 196 million was € 22 million lower. At REAAL Life the decline was due to lower direct investment income and an impairment charge on property for own use. At REAAL Non-Life the underlying result was considerably lower due to a higher claims ratio, most notably in fire and marine.

9.4.2 Zwitserleven

In 2012 Zwitserleven’s net result declined by € 33 million to € 120 million negative, more than wholly due to one-off items of € 224 million net, consisting of impairments on intangible assets (2011: € 107 million negative). The total net impact from gains, losses and impairments on the investment portfolio and hedges was € 74 million positive (2011: € 26 million negative) driven by sharply higher realised gains on bonds and a sharply lower addition to provisions for interest rate guarantees. This was partly offset by lower results on financial instruments, mainly consisting of negative unrealised results on derivatives used for hedging interest rate risk and inflation.

Zwitserleven’s underlying result of € 46 million was € 18 million lower. The decline was mainly driven by lower direct investment income due to derisking measures and lower technical results partly compensated by lower operating expenses.
SNS Retail Bank developments

10.1 SNS Retail Bank strategy

SNS Retail Bank brands want to help people to be financially fit and aim to achieve this with simple and accessible products, a customer-friendly, efficient and robust organisation and sound services. Our core value CARE! and our Manifesto encourage employees to put customers' interests first when providing financial services. The main themes in SNS Retail Bank Manifesto are:

- Sustainability: our contribution to society
- Utility: our value for the customer
- People to people: our view on banking
- Financial self-reliance: our key objective in providing financial services

SNS Retail Bank’s Manifesto describes the connection between the brands of ASN Bank, RegioBank, BLG Wonen and SNS Bank. From a number of common values, the different brands focus on specific target audiences. In this way, SNS Retail bank gives substance to the multi-brand strategy.

The four brands of SNS Retail Bank mainly serve individual clients and self-employed persons in the Netherlands. The brands differ from one another in terms of primary target audience, product range, distribution channels and brand experience, but at the same time they enjoy efficiency benefits by using shared service centres, IT and facilities and staff services. This multi-brand strategy allows us to remain close to our customers. Each brand gives shape to this in its own way:

- SNS Bank is the broad and accessible consumer brand for banking and insurance products for people who want to manage their banking business in a modern way. SNS Bank serves its customers with service, advice and sales via snsbank.nl, mobile phone, SNS Customer Service, SNS Shops and financial advisors.
- ASN Bank is the brand for sustainable savings, investments and payments. Services are provided via the Internet, over the telephone and by mail. ASN Bank focuses primarily on private individuals, but also accepts social organisations and companies as customers provided they operate in accordance with the ASN Bank principles of corporate social responsibility.
- RegioBank is the bank formula for independent advisors outside the major cities, with a focus on local and personal service without fuss.
- BLG Wonen is the brand for the independent advisor who gives broad house and home-related financial advice to clients.

In 2012, it was decided to transfer the small SME mortgages and business insurance, savings and payments of SNS SME to SNS Retail Bank. The remaining SNS SME loans were transferred to the activities of Property Finance that are to be run off.
10.2 SNS Retail Bank financial developments

Table 11: SNS Retail Bank

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result Net interest income</td>
<td>702</td>
<td>675</td>
<td>4%</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>54</td>
<td>86</td>
<td>(37%)</td>
</tr>
<tr>
<td>Investment income</td>
<td>23</td>
<td>45</td>
<td>(49%)</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>47</td>
<td>128</td>
<td>(63%)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>9</td>
<td>2</td>
<td>350%</td>
</tr>
<tr>
<td>Total income</td>
<td>835</td>
<td>936</td>
<td>(11%)</td>
</tr>
<tr>
<td>Impairment charges to loans and advances</td>
<td>224</td>
<td>95</td>
<td>136%</td>
</tr>
<tr>
<td>Other impairment charges</td>
<td>4</td>
<td>31</td>
<td>(87%)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>479</td>
<td>467</td>
<td>3%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>715</td>
<td>593</td>
<td>21%</td>
</tr>
<tr>
<td>Result before tax</td>
<td>120</td>
<td>343</td>
<td>(65%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>31</td>
<td>86</td>
<td>(64%)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>1</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>88</td>
<td>257</td>
<td>(66%)</td>
</tr>
<tr>
<td>One-off items</td>
<td>(38)</td>
<td>(20)</td>
<td>(80%)</td>
</tr>
<tr>
<td>Adjusted net result for the period</td>
<td>124</td>
<td>277</td>
<td>(55%)</td>
</tr>
<tr>
<td>Efficiency ratio</td>
<td>57.4%</td>
<td>49.9%</td>
<td></td>
</tr>
<tr>
<td>Impairment charges to loans and advances as a % of gross outstanding loans to customers</td>
<td>0.40%</td>
<td>0.17%</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets Basel II</td>
<td>13,081</td>
<td>9,460</td>
<td>38%</td>
</tr>
<tr>
<td>Savings</td>
<td>32,815</td>
<td>30,342</td>
<td>8%</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>55,179</td>
<td>55,919</td>
<td>(1%)</td>
</tr>
</tbody>
</table>

10.2.1 Results 2012 compared to 2011

SNS Retail Bank continued to focus on its commercial performance in 2012. Retail savings balances grew by € 2.5 billion (+ 8%) despite ongoing news flow in the media related to the future of SNS REAAL in the second half of 2012. Overall customer satisfaction levels improved or remained stable. ASN Bank continued to have one of the highest customer satisfaction levels in the industry and won the ‘Most client friendly bank of The Netherlands’ award. SNS Bank’s and RegioBank’s new savings account “Zilvervloot”, launched in September 2012, attracted 32 thousand customers. BLG Wonen (formerly BLG Hypotheken), has been repositioned as a complete financial services provider for home-owners, whereas the focus was previously solely on mortgages. The repositioning of RegioBank has been completed and its increased presence in smaller communities continues to pay off and is reflected in increasing customer satisfaction.

SNS Retail Bank has developed plans to further improve the efficiency of its operations. The implementation should result in a reduction of approximately 200 FTEs by the end of 2014.

Despite SNS Retail Bank’s commercial achievements, net profit decreased by 66% to € 88 million. The 2012 result included a net loss of € 9 million on the exchange of Greek government bonds and restructuring charges of € 27 million net related to the repositioning of SNS Retail Bank. The 2011 results had been impacted by an impairment on Greek government bonds of € 20 million net. Adjusted for these one-off items net profit fell by € 153 million. This was due to the to the absence of a net gain of € 84 million from a lower Tier 2 exchange transaction in 2011 and higher loan impairments, lower commission income and charges related to the new banking tax in 2012.
10.3 Income
Net interest income showed a modest increase of € 27 million (+4%) driven by higher interest income from mortgages. SNS Retail Bank’s residential mortgage portfolio decreased to € 49.4 billion (year-end 2011: € 51.4 billion), due to redemptions in combination with limited sales of new mortgages. Redemptions were slightly lower compared to 2011. SNS Retail Bank’s market share in new mortgages of 2.1% was down compared to 2011 (5.8%), due to the focus on the reduction of risk-weighted assets. However, despite the reduction of the mortgage portfolio, total risk-weighted assets under Basel II increased by € 3.6 billion to € 13.1 billion due to the implementation of more prudent risk assessment models (Internal Rating Based approach) for loans in combination with a deteriorating credit risk environment and due to the redemption of debt securities issued under securitisation programmes. As a result of the sharp increase, risk-weighted assets under Basel II surpassed the level of Basel I with an 80% floor.

Retail savings balances increased by € 2.5 billion to € 32.8 billion (+8%), including bank saving balances, which grew by € 1.1 billion to € 2.4 billion (+85%). SNS Bank, ASN Bank and RegioBank all contributed to the increase in savings balances. SNS Retail Bank’s market share in savings increased to 10.3% (year-end 2011: 10.0%). However, SME savings included in ‘Other amounts due to customers’, were significant lower at € 2.9 billion compared to year-end 2011 (€ 3.6 billion), due to the media attention for SNS REAAL and the increased liquidity needs at our customers. The loan-to-deposit ratio of SNS Retail Bank improved to 126% from 137% at year-end 2011.

Net fee and commission income was € 32 million lower, mainly driven by the transfer of SNS Beleggingsfondsen Beheer BV from SNS Retail Bank to Group activities as per 1 January 2012, increased fees paid on securitisation transactions following credit rating downgrades and lower asset management transactions and fees. Furthermore, insurance fees on mortgage-related products were lower.

Investment income decreased by € 22 million mainly due to a loss of € 13 million gross on the exchange of Greek government bonds and lower trading results on fixed income investments.

The result on financial instruments decreased sharply by € 81 million, due to a decline in buy-back results on own funding paper to € 49 million compared to € 156 million in 2011 (which included a gain on a lower Tier 2 exchange transaction of € 112 million gross). This was partly compensated by higher fair value movements of the DBV mortgage portfolio, which had adversely impacted the 2011 result.

10.4 Expenses
Total operating expenses increased by € 12 million. This included a restructuring charge of € 37 million pre-tax related to the plans to further improve the efficiency of operations, including a more centralised use of office facilities. The higher expenses were partly compensated by a release of € 15 million related to the final calculations of SNS Retail Bank’s share in the savings guarantee scheme for DSB Bank and Icesave. Costs in 2011 had included a release of € 1 million.

Adjusted for these items, total operating expenses decreased by € 11 million (-2%) driven by a reduction in the number of staff following completion of the repositioning programme in 2011.

The efficiency ratio increased from 49.9% in 2011 to 57.4% due to lower income in the absence of the gain on the Tier 2 exchange in 2011 and the above mentioned one-off expenses. Adjusted for these items, the efficiency ratio improved from 56.8% to 54.7% because of lower operating expenses.

Impairment charges to loans and advances increased by € 129 million to € 224 million. This equates to 40 basis points of gross outstanding loans compared to 17 basis points in 2011. Both retail and SME loans contributed to this increase. Impairment charges to retail loans increased by € 99 million to € 181 million. This equates to 33 basis points of gross outstanding loans compared to 15 basis points in 2011 (residential mortgages: 31 basis points compared to 14 basis points in 2011). Impairment charges in 2012 included an amount of € 11 million due to the default of one major debtor and € 40 million related to the implementation of more stringent risk assessment models. Impairment charges in 2011 had included a charge of € 22 million related to increased prudence in credit risk models to reflect the market environment. Excluding the impact of the default of one major debtor and the impact of risk models, impairment charges
Increased by €70 million. This increase reflects the weakening economic situation in the Netherlands and lower recovery amounts on mortgages as a result of pressure on housing prices.

Impairment charges to SME loans increased by €30 million to €43 million driven by the weakening economic situation and lower recovery amounts as a result of pressure on prices of collateral.

Other impairment charges of €4 million consisted of impairments on tangible fixed assets compared to impairments of €31 million in 2011 related to Greek government bonds (€27 million) and tangible fixed assets.

Other expenses of €8 million consisted of SNS Retail Bank’s share in the 2012 full year charge for the new banking tax (in total €10 million of which the remainder has been included in the result of Property Finance).

### 10.5 Credit risk

Housing prices continued to decrease in 2012. The price index of existing home sales fell 6.3% year-on-year and the number of homes sold was down again, by approximately 3%. The weak housing market lengthens the recovery period of loans in default and limits recovery amounts.

Rising unemployment and declining disposable incomes are important drivers for the development of loans in arrears. Loans in arrears increased from €2.0 billion at year-end 2011 to €2.2 billion. As a percentage of gross loans they rose from 3.56% to 3.94%. Under current market circumstances, SNS Retail Bank proactively contacts mortgage clients with higher risk mortgages, for instance due to high Loan to Values and provide information and tips to avoid consecutive missed payments, if necessary in combination with a personal budget coach.

The quality of new mortgage inflows is, however, improving thanks to stricter standards and an increase in mortgages covered by the Dutch Mortgage Guarantee Scheme (NHG). At SNS Bank, 72% of the mortgage production of new clients in 2012 was covered by the NHG. Of the total mortgage portfolio, 20% is now covered by NHG. At the end of 2012 the weighted average indexed Loan-to-Foreclosure-Value (LtFV) of the retail mortgages stood at 99% compared to 93% at year-end 2011.

For the year 2013 the outlook remains very challenging. Macroeconomic indicators suggest that economic activity in the Netherlands will remain subdued. Consumers’ purchasing power is expected to decrease further, while unemployment is set to increase. We expect the conditions in the housing market to remain weak and therefore loan impairments to be at historically high levels.

At SNS Retail Bank, we expect risk-weighted assets to increase due to the future redemption of debt securities issued under securitisation programmes. Furthermore, the further implementation of more stringent risk assessment models for retail mortgages could have an upward impact on risk-weighted assets.

### 10.6 Organisation and distribution

#### 10.6.1 Customer focus and efficiency

The SNS Retail Bank brands and shared service centres implemented various improvements with a view to customer interest and efficiency. These two aspects are inextricably linked because only with an efficient organisation can the bank brands offer a good price/quality ratio to its customers. All bank brands contributed to cost savings, in part through further development of the shared services centres, IT and product development. One example of central product development was the platform for mobile payments which was made available to SNS Bank customers at the end of 2012. ASN Bank and RegioBank are to follow at the start of 2013.

Although SNS Retail Bank welcomed many new customers in 2012, the number of unique customers showed a decrease of 64,500 (2%). This was because customers with just a salary savings account left. The fiscally attractive salary savings scheme was abolished in 2012. Moreover, the publications on the developments at Property Finance affected the number of people with savings accounts.
10.6.2 SNS Bank: close to the customer both online and offline

SNS Bank continued to invest in developing the provision of services and the brand: the objective is greater simplicity and convenience for people who want to manage their banking business in a contemporary way. That is why SNS Bank is expanding the number of SNS Shops in the Netherlands to better help and advice its new and existing customers in a personal way in line with its strategy.

Apart from personal contact via the telephone and in SNS Shops, SNS Bank also seeks interaction and engagement with its customers in a targeted manner via the Internet. It has become easier for customers to respond online to how they experience SNS Bank’s services. In 2012, customers on average provided feedback via the website 31,000 times per month. In addition, open feedback was given on average well over 2,500 times per month, including tips on how to improve the website. We also notice that our customers increasingly make use of the SNS Community and of Twitter and Facebook. In many cases, the webcare team is able to respond to questions and discussions within a matter of minutes. There was a sharp increase in the number of customers responding via online channels. For actual improvement actions, refer to Listening better to your customers, better customer service.

In order to increase the accessibility of its services, the SNS Bank website also offers aids to customers with a visual impairment, such as a ‘talking digipass’. In 2012, SNS Bank was the only bank in the Netherlands to retain the zero threshold title from the ‘Stichting Waarmerk Drempelvrij’, the Dutch foundation that provides quality labels for accessible websites for people with a disability. Customers who are not yet familiar with online banking can attend a course for SNS online banking in an SNS Shop nearby.

Added products strengthen customer relationships

For many customers, simplicity in finance means having as many of your financial products as possible with just one bank and managing them via a single website. Therefore SNS Bank has further expanded its range of insurance products. Sales of new insurance policies rose significantly, by about 61%. SNS Bank aims to further strengthen the relationship with its customers by offering additional products such as the CZ Zorg-op-maat policy that was introduced in November. The CZ policy offers exclusive discounts and is only available to existing SNS Bank customers.

Handling money in a responsible way

Through its products and service, SNS Bank aims to make it easy for its customers to manage expenditure and income and to achieve their financial objectives, but that is not enough. People also need to have the personal knowledge, motivation and encouragement to be able to handle money sensibly. SNS Bank is actively promoting this in society. Every year, many employees from SNS Bank, RegioBank, ASN Bank, BLG Wonen and others devote themselves to explaining financial matters to children aged 6 to 12 during the national Money Smart Week. In total, employees of SNS REAAL delivered about 1,200 guest lectures, more than any other institution in our sector.

SNS Bank and SNS REAAL are among the initiators and partners of the Stay on Top of Your Spending Foundation (WWJB). WWJB focuses on increasing financial self-reliance among young people aged between 12 and 25. To this end, WWJB engages with young people, both offline and online. Key activities include interactive and target audience-focused workshops, support for schools with teaching materials and guest teachers as well as special events. Events organised by WWJB in 2012 included MoneySkills to test and improve financial skills, the 2nd Young People & Money Event and Edgie The Movie, a crowd-sourced film featuring Wouter Bos, who gets young people thinking about money and the dilemmas it brings. SNS Bank and SNS REAAL not only made a financial contribution in 2012, but also contributed by enabling their employees to give guest lectures and workshops. For more information, see the website of WWJB.

SNS Bank became involved in the social debate on the stagnating housing market and burden of debt that homeowners have built up and the risks that they are facing. According to a recent survey almost 70% would prefer to finance their home from their own savings as much as possible in order to minimise their mortgage expenses. At the same time, research revealed that only 3% are saving to purchase a home. SNS Bank therefore argued via various media in favour
of a system of bouwsparen (home savings) based on the German Bauspar system. To make this initiative happen, the government and other parties involved in the housing market need to take action. Saving rather than borrowing needs to be (fiscally) encouraged. On 31 October 2012, SNS Bank organised a symposium on bouwsparen for politicians, the government, regulatory bodies, the construction sector, banks, insurance companies and interest groups such as FNV Young (a trade union), the Dutch Association of Estate Agents and the Dutch National Homeowners Association.

With the reintroduction of Zilvervloot Sparen in September 2012, SNS Bank and RegioBank aim to encourage the habit of saving among children. This objective, in the form of an educational role and in accordance with the Manifesto, is more important than immediately realising returns for SNS Bank and RegioBank. Through Zilvervloot Sparen, parents and grandparents also have a positive involvement in their (grand) childrens’ habit of saving.

Listening better to your customers, better customer service

SNS Bank refined its systems to further improve the recording and analysis of customer responses, enquiries and complaints, among other things through more interaction on the website. As a result of these analyses, a lot of improvements were made. In addition, customer satisfaction was measured more frequently and across more sub-areas. The availability of SNS Customer Service was 89%.

In July, SNS Customer Service abolished the system of phone key selection for customers telephoning the bank. Customers are now connected to an employee immediately. Employees were trained in advance to be able to answer the majority of questions in a single call. Calls need to be transferred far less frequently than previously. Waiting times for customers have not increased as a result.

The total number of complaints declined significantly, by approximately 21%. For SNS Bank, this is evidence that products have become simpler and easier to understand and that service delivery has improved. Of all the complaints, 25% for example related to customer care and service, 16% to service delivery and 13% to the cashier function. SNS Bank also improved the complaints handling itself. This was done by focusing more on directly finding a suitable solution with more authority for the staff member to solve the complaint and to prevent new complaints, instead of finding out who was wrong or right.

The SNS Customer Council acts as a sounding board for the Management Board of SNS Bank. The council is made up of some 20 customers who meet at least four times a year with the members of the SNS Bank Management Board for an open dialogue on numerous topics. Agenda items in 2012 included: the SNS Participation Certificates, marketing campaigns, the role of the SNS Shops in relation to customer service, advice and the Internet, the role of SNS Bank in getting the housing market back on track and SNS Bank’s brand identity.

The number of members of the SNS Community rose from approximately 900 members at the end of 2011 to approximately 1,500 at the end of 2012. Members actively think along about improvements of services such as the development process of the mobile app for instance when user tests, research results and discussions had a real influence on the final design of the mobile app. Tips about the revised My SNS Investment environment, the new functionality where a balance deficit is automatically topped up and the method of providing information about changes in interest on savings helped SNS Bank to implement improvements too. Also, the idea for the service card that was introduced in 2012 originated from the SNS Community. Following criticism from the SNS Community regarding the rate of interest on the SNS Jeugdspaarrugkening (savings account for youngsters), which was below the rate for adults, the two interest rates were brought in line.

SNS Bank also used the responses, questions and complaints from customers via other channels, in particular SNS Customer Service and the web pages, to make improvements. Other improvements implemented in 2012 included:

- the elimination of the charge for a replacement card
- the keuzedeposito retail savings account is now terminated by definition rather than extended on the expiry date
- reduced response time for mortgage applications and a range of improvements with respect to extensions and changes of the mortgage
• less frequent submission of costly certificates of inheritance by surviving relatives and easier submission of changes.

**Customer satisfaction**

SNS Bank intensified its control of customer satisfaction by measuring more frequently and across more sub-areas. In addition to the Net Promoter Score (NPS), SNS Bank also measures customer assessments in report scores. Once a customer had given a score, SNS Bank’s advisors, sales advisors and employees of SNS Customer Service started in 2012 to randomly call back these customers. This gives the employee in question insight into why the score was given. The outcome of this conversation with the customer is recorded, discussed with the manager and used to make improvements. Nevertheless, customer satisfaction of SNS Bank, based on the NPS, fell from -33 at the end of 2011 to -35 at the end of 2012, a limited deterioration.

**10.6.3 ASN Bank: number of customers increases to 588,000**

The number of ASN Bank customers rose from 575,000 to 588,000 (+2%), although the growth was driven down by the outflow of customers who only had a salary savings account. Years of consistent sustainability policy, product policy, customer service and marketing ensure a strong brand reputation and a high level of customer satisfaction. ASN Bank attaches great value to engagement with its customers and other stakeholders with respect to its mission and issues of sustainability. ASN Bank is keen to ensure that these discussions with customers are more concerned with this issue than with quality of the service. That simply has to be good. According to research conducted by MarketResponse, ASN Bank was again very successful in doing so. As in 2011, ASN Bank was acclaimed most customer-friendly bank in the Netherlands. In addition, ASN Bank was again a frontrunner in responsible banking according to the Fair Bank Guide. The number of employees (FTEs) increased by approximately 10% due to the increase in the number of customers and in the expansion of sustainable credit management.

**Engagement supports policy and strengthens loyalty**

ASN Bank’s investment policy is of great importance in performing its mission. The principles of this are set out in issue papers. These are updated not just in the light of new scientific publications, but also via crowd sourcing among customers, NGOs and other stakeholders. The Climate issue paper concept is ready and will be approved by the management board in 2013. On the Ethical Investment Day organised by the ASN Bank in December, the issue of climate change was also the main topic. In addition to presentations by the Management Board and external experts as well as discussions, the day also provided scope for relaxation around this topic. ASN Bank also organises involvement in sustainability via the online platform Voor de Wereld van Morgen (For Tomorrow’s World). This platform is open to both customers and other stakeholders. By the end of 2012, the number of members increased to 51,500. For many customers and for the Management Board, the Annual General Meeting of Shareholders of ASN Beleggingsfondsen (ASN Investment Funds) is an important platform to discuss the bank’s policy. The central topics in 2012 were the policy and changing regulations with respect to the ASN-Novib Microkredietfonds (ASN-Novib Micro Loans Fund).

If ASN Bank performs well, its social partners will benefit too. Contributions to them, including those of the ASN Foundation, amounted to € 2.6 million, i.e. 7.4% (2011: 4.0%) of the net profit.
Customer satisfaction

When it comes to service, customers have high expectations of ASN Bank. Especially the initial experience of new customers is, therefore, of key importance. ASN Bank attaches great value to the Net Promoter Score, because customers who are so positive that they will recommend the bank to other people will make a bigger contribution to the bank’s growth than a large group that is only reasonably positive. ASN Bank is one of the few Dutch banks to get a positive rating on customer satisfaction based on the NPS method. Nevertheless, it fell from 34 at year-end 2011 to 22 at year-end 2012. The most likely explanation for this is the negative attention in the media for SNS REAAL and the financing of homes via SNS Bank.

10.6.4 RegioBank: exploit opportunities ignored by other banks

The number of RegioBank customers rose from 511,000 to 530,000 (+4%). At the same time, the number of branches remained more or less stable at 535. Because a lot of other banks are withdrawing from less densely populated regions, RegioBank is serving a growing need for local bank branches offering a personal service and a cashier function. RegioBank has a flexible and low cost structure. Advisors may also broker products from other providers, but savings and payment products are exclusively RegioBank products.

RegioBank is continuing to further strengthen its position as a local bank in the region. In addition to national radio advertising, there were radio ads in Friesian and in seven regional dialects across the Netherlands. The campaigns were well received and made a direct contribution to the growth in the number of customers and the number of sales. RegioBank has good growth potential. Advisors learned how to turn potential customers into actual customers and how to better discuss banking products with their customers. Organised mutual contact between advisors was increased, allowing them to learn more from one another.

Customer satisfaction

Customer satisfaction at RegioBank, based on the NPS measurement method, increased from -18 at the end of 2011 to -9 at the end of 2012. Customers are particularly satisfied with the personal approach, commitment and customer care. Areas for improvement according to customers were communication and the website. Satisfaction among advisors with respect to the RegioBank formula and organisation rose from 75% at the end of 2011 to 87% at the end of 2012.

10.6.5 BLG Wonen: theme brand with new growth opportunities

BLG Wonen started with the transformation from mortgage advice to house and home-related advice in 2012. That is why BLG Hypotheken became BLG Wonen in 2012. This gave the brand for intermediaries a new positioning which will be further developed in the years ahead. BLG Wonen currently offers three types of products: home loans, home savings and home insurance. At the end of 2012, bank savings were also added to the portfolio. BLG Wonen was present at home and lifestyle events to raise awareness of its home and housing-related services which will be further expanded in the years ahead. BLG Wonen will start customer satisfaction research in 2013 using the NPS method of measurement.

10.6.6 Testing customer interest

The products and services offered by the SNS Retail Bank brands constantly evolve due to changes in customer needs and changes in laws and regulations. In 2012, the brands also tested all their products for new sales using the Group-wide SNS REAAL standards. They measured whether customers’ interests are sufficiently put first in accordance with the following criteria: cost-effectiveness, usefulness, security and clarity. The brands also carry out tests to find out if marketing and product communication comply with all internal and external regulations.
Awards
Once again, our retail bank brands won several awards in areas such as customer service, best retail bank website, most flexible current account, best sustainable investment funds and best travel insurance. See GRI 2.10 for an overview.

Commercial developments per product group

Savings and payments
Further market share growth
The total Dutch savings market, including bank savings, increased from € 306 billion to € 324 billion (+5.9%). SNS Retail Bank’s market share again grew and increased from 10.0% to 10.3%. At the end of 2012, the total savings amounted to € 32.8 billion. This further limited the bank’s funding dependence on the capital market. Especially in the first half of 2012, savings deposits increased. In the second half of the year, reports about the increased losses in the real estate loan portfolio and speculation on the future of SNS REAAL had a negative impact on growth.

SNS Bank’s range of savings products has been further simplified. SNS Bank restricted the number of on demand savings products to two: Internetsparen (online saving) for unlimited deposits and Maxisparen for a monthly deposit. Other types with a higher interest rate for a minimum deposit plus a bonus after temporarily not making any withdrawals were abolished.

The introduction of the Zilvervloot Sparen was a great success. From the start of September, around 32,000 accounts were opened at SNS Bank and RegioBank. With Zilvervloot Sparen, both banks are restoring this very popular type of savings for children and young people that dates back to the second half of the last century. At the time, the government offered a maximum premium of 10% on completion of the total saving period. Now, SNS Bank and RegioBank do this. Because they believe it is important that children learn to save. Money can be paid in from birth through to the age of 18, and you can start saving any time up to the age of 16. The maximum deposit is € 600 per annum and the interest payment at year-end 2012 was 2.3%. For each full year of saving, savers receive a premium of 1% on the amount paid in, up to a maximum of 10%.

At the end of 2011, SNS Bank was the first major bank to introduce the current account with interest. It attracted a lot of new customers. A new service is the SNS Servicepas (service card) which allows customers whose bank card has been broken, stolen or lost can temporarily withdraw cash or make payments. SNS Bank is the only bank in the Netherlands offering this service. SNS Bank introduced a functionality whereby a balance deficit can automatically topped up from the savings account on a weekly basis if the customer wishes. The customer can also choose to be alerted when the account is in the red in which case he could possibly take action himself.

Successful savings campaign for ASN Bank and Bio Vakantieoord
ASN Bank contributed approximately 30% to total net growth of the savings deposits within the retail banking brands by growing the number of customers. In spring, ASN Bank introduced an exceptionally successful marketing savings campaign for Bio Vakantieoord. This institution aims to offer disabled children and their parents a wonderful, care-free holiday. ASN Bank donated € 5 for every customer that opened an ASN Ideaalsparen account and for every customer that paid at least € 1,500 in savings into this account. This resulted in a donation from ASN Bank of € 323,785. Part of the money goes towards energy efficient buildings and part towards providing more facilities for the guests.
Spaar-op-Maat and Zilvervloot Sparen popular at RegioBank

ASN Retail Bank contributed approximately 24% to total net growth of the savings deposits of SNS Retail Bank, in part due to a growing number of customers. As with SNS Bank, introduction of Zilvervloot Sparen savings account for children was a great success. This also contributed to a positive brand experience, customer loyalty and additional sales opportunities. In addition to personal contact, many RegioBank customers also value the cashier function at the branches. Approximately 80% of the branches have a cashier function. In 2012 once again, the RegioBank savings products scored well in various surveys, such as various highest scores during the year for the Spaar-op-MaatVrij savings account in the Dutch Consumers' Association Money Guide.

Sustained growth in bank savings

Bank savings increased by €1.3 billion to €2.4 billion. The figures do not include bank savings for mortgage redemptions. Bank savings products are simple, transparent products with relatively low risks and low costs, which allow our customers to benefit from fiscal exemptions to the maximum. This explains their growing popularity. Sales of pension-related and severance pay products increased by about 67% in 2012. All the bank savings products within SNS REAAL are on the balance sheets of SNS Bank or RegioBank.

10.7.2 Mortgages

Mortgage portfolio remains stable

The market volume for new residential mortgages in the Netherlands fell again, from €66 billion in 2011 to €47 billion in 2012. The number of mortgage transactions dropped by approximately 19.7% to 200,000 and the average transaction volume was down by around 11%. The change in fiscal regulations for mortgage deductions that entered into force in 2013 brought a short-term revival in sales at the end of the year.

The total mortgage portfolio of SNS Bank, RegioBank and BLG Wonen, amounting to €50.6 billion, fell only slightly by 4%, due to a high retention rate. The new mortgages market share fell sharply, from 5.7% in 2011 to 2.0% in 2012. First of all because SNS Bank increased its focus on selling third-party mortgages, which fits in with the aim of strengthening the distribution function and developing independent mortgage advice as a paid service. And secondly because SNS Bank implemented a conservative policy with respect to its own new mortgages in order to limit the capital requirement, due the bank’s solvency that came under pressure following the losses on Property Finance’s real estate loans portfolio.

Expert advice, taking into account customers’ individual interests, is essential in providing responsible financial services. At the end of 2011, SNS Bank was the first bank in the Netherlands to introduce a fixed fee for advisory services. With effect from 2013, this applies to all complex financial products. SNS Bank is the only bank in the Netherlands to offer its customers a choice of different brands depending on the mortgage advice given. SNS Bank also brokers mortgages from other providers such as Delta Lloyd and Aegon. In 2012, Syntrus Achmea was added to the product range. As a result, SNS Bank strengthened its position in the market for mortgages with a National Mortgage Guarantee (NMG). The share of new third-party mortgages as part of total sales rose from 8% in 2011 to 29% in 2012. As a result, the total distribution share fell by only 2.8%.

The further deterioration of the housing market, coupled with rising unemployment, left more people facing financial difficulties. The number of people in arrears increased and the level of the impairments rose too. The number of impairments rose sharply from €40 million in 2011 to €98 million in 2012. The number of mortgages in arrears rose by 9.3%. A high proportion of new mortgages are covered by the National Mortgage Guarantee (NMG). In 2012, this proportion was 48.8%.
Preventing problems and helping to solve problems

At the end of 2012, SNS Bank and RegioBank set up a new service called ‘Special Attention’, to prevent customers from having potential payment problems. Based on customer profiles, SNS Bank and RegioBank contact high-risk customers because their mortgage costs are forming too big a part of their disposable income, such as customers with a high LTV (loan-to-value) mortgage or in arrears. In addition, customers whose fixed interest period was about to expire were informed of the risk of rising interest rates from 2013. RegioBank draw customers attention to the risks of (maintaining) too high a mortgage via the Oplossing voor uw Aflossing (Resolve your redemption) campaign. RegioBank points its customers to various options to secure redemption, for example via an annuity mortgage, a linear mortgage or via bank savings. The best solution varies from customer to customer. Following the initiative, 2% of the customers redeemed (part of) their mortgage.

The Special Credits department focuses on customers who want to pay their mortgage, but are no longer able to do so. Account managers try to help and offer solutions. SNS Bank is keen to differentiate between people with a poor payment attitude and people who act entirely in good faith. SNS Bank account managers visit customers in their homes, find out more about the financial situation, make suggestions for reducing expenditure and/or increasing income and then seek to find a solution together with the customer. Such a solution is always more beneficial for both parties than the forced sale of the house at an auction. The number of forced sales was 988 in 2012 compared with 906 in 2011.

10.7.3 Investments

Customers’ appetite for investments remained low due to the weak economic environment and volatility on the financial markets. The preference for saving increased. Expiring unit-linked insurance policies and investment-linked mortgages also played a part in this. Nevertheless, the total assets under management in the SNS investment funds increased to €5.1 billion (+8.1%), mainly due to gains on bonds and next to that to gains on shares.

Enabling customers to make responsible choices

SNS Bank strives for a well-ordered range of investment opportunities and helps customers to make their own choices that best suit their needs as well as their knowledge and experience. Customers can test which form of investment best suits them via the website. Subsequently, they gain insight in the various options and cost structures per investment method.

At SNS Bank, customers can invest independently via SNS Fundcoach or SNS Zelf Beleggen. SNS Fundcoach offers a choice of around three hundred large international and specialist investment fund providers. Via SNS Zelf Beleggen, customers invest in stocks, bonds, options and a limited number of investment funds. The number of transactions via SNS Zelf Beleggen fell slightly.

Responsible investments and responsible performance

SNS investment funds are actively managed funds. This means that they do not automatically track the index for the sectors in which they invest. SNS Asset Management (SNS AM), the manager of the SNS Investment Funds, thus aims to achieve two key objectives:

• by adhering to our Fundamental Investment Principles, we exclude non-sustainable investments. That is to say, we do not invest in companies that violate the so-called ESG (Environment, Social, Governance) criteria and, therefore, do not sufficiently respect SNS AM’s principles in the area of human rights, the environment and corporate governance;
• a better average performance than so-called index funds, justifying the slightly higher costs for active management.

SNS Bank sets out the social and environmental aspects of its investment policy on its website. SNS Bank also demonstrates on its website to what extent its investment funds comply with the ESG criteria: 100%, 100-85%, 85-65% or less than 65%. The ESG criteria cannot be 100% guaranteed for every fund given that SNS AM purchases part of its
investment management from third parties. SNS Bank publishes a quarterly report on its website regarding excluded companies and active shareholdings. In 2012, the reports – also within the scope of putting customers' interests first - were better tailored to meet private interested parties by making them more compact and by publishing them in Dutch for the first time.

The Fair Bank Guide raised the scores of SNS Bank and RegioBank compared to the previous year due to tightening of the policy for investments for own account and business funding in the areas of climate and biodiversity. This led to improvements in the scores for nature, health, transparency and the forestry industry. The Fair Bank Guide compares the eleven largest providers of individual current and savings accounts in the Dutch market. It looks at the banks' own investments and funding as well as the asset management for customers.

SNS investment funds performed well in 2012, with high absolute returns for stock, bond and mixed funds. Particularly in the second half of the year, following calming statements made by the president of the ECB, equity markets rose and capital market interest rates decreased sharply, causing the prices of bond fund to rise. Of the sixteen funds, thirteen funds - more than 80% - achieved a return of 10% or more. For example, SNS Euro Mixfonds, the largest of them, with invested assets of € 1.9 billion, achieved a return of 15.6% based on intrinsic value and net of costs. The funds also performed well compared to relevant benchmarks. Of the sixteen funds, twelve funds - or 75% - performed better than the benchmark on the basis of intrinsic value net of costs. Thus, SNS Euro Share Fund outperformed the benchmark by 2.5%. Research agency Morningstar gives investment funds a rating based on stars for their yield-to-risk ratio. SNS investment funds scored well at this rating scale at year-end:

- three funds with the maximum of five stars;
- seven funds with four stars;
- four funds with three stars;
- one fund with two stars.

The SNS High Dividend Equity Fund did not get a rating. This is because of the specific regional weight of this fund (60% Europe versus 40% US) and the hedging of all currencies against the euro. The risk-return characteristics of this fund are therefore not comparable to that of the benchmark.

SNS Participation Certificates

On 1 February, the Minister of Finance decided to nationalise SNS REAAL and to expropriate, inter alia, the third series of SNS Participation Certificates. The first possible maturity date of this series was 23 June 2013. The Council of State subsequently determined inter alia that the nationalisation and expropriation of the third series of SNS Participation Certificates irrevocably remains in force. The Enterprise Chamber of the Amsterdam Court is currently dealing with a lawsuit to determine the compensation amount. The State proposed € 0 as compensation amount for the SNS Participation Certificates.

The Minister of Finance has requested SNS Bank to investigate if the bank may have acted or advised improperly with respect to the certificates in the past and, if necessary, to make a compensation proposal. Further to the Minister's request, SNS Bank gives preferential treatment to this investigation. SNS Bank aims to provide more clarity on 23 June 2013 at the latest. This is the first date on which SNS Bank could have redeemed the third series of SNS Participation Certificates. The Minister has requested the Netherlands Authority for the Financial Markets (AFM) to monitor the investigation. SNS Bank will provide more information as soon as possible.
**ASN Bank specialist in sustainable investments**

Interest in the ASN investment funds remained more or less stable. The outflow was around 0.5%. ASN Bank’s criteria for sustainable investments go a step beyond the criteria of SNS Bank, REAAL and Zwitserleven. ASN Bank sets out the exclusion and inclusion criteria on its website. The bank also makes every effort to encourage responsible investment in general, in part through the Groenberaad Banken, the Association of Investors for Sustainable Development, the United Nations Environment Programme Finance Initiative (UNEP FI) and the Carbon Disclosure Project. In 2012, ASN Bank remained one of the frontrunners in the Fair Banking Guide’s assessment.

ASN Bank measures the carbon dioxide emissions from companies in which its investment funds invest. ASN Bank measures the effectiveness of its climate policy by calculating the carbon dioxide emissions of the equity funds. In 2012, ASN Bank developed a new calculation method. This method no longer starts from the relative, but from the absolute carbon dioxide emissions. Because ASN Bank calculates the average absolute carbon dioxide emissions per fund, it measures the real impact of its investments on the earth’s carrying capacity. After the formal adjustment of the investment policy, ASN Bank will implement this calculation method of the carbon dioxide emissions in 2013.

**Exclude but still exercise influence**

Sustainable investment has its dilemmas. Should you invest in companies that do not (fully) adhere to responsible principles so that you can aim for improvements through a voting policy and engagement? Or should you exclude these companies from your investments, preferably together with other parties, and try to enforce changes via the media or political lobbying? Both methods can prove successful. ASN Bank opts for exclusions more frequently than other banks. Thus, ASN Bank paid attention to Philips in its portfolio. Philips had an interest in DutchAero which is involved in the production of the Joint Strike Fighter. ASN Bank excludes all companies that are involved in arms production, via trade or distribution. ASN Bank repeatedly put across its point of view at shareholders’ meetings via the Dutch Association of Investors for Sustainable Development. Philips reduced its share in DutchAero by 20% in the beginning of 2012. Philips now forms part of the ASN Bank investment universe.

**More ASN Bank loans for companies**

In 2012, Dutch banks, in line with the majority of European banks, adopted a defensive loan policy with regard to the economic crisis, the poorly accessible capital market and the increasing requirements for buffer capital. Bucking this trend, ASN Bank was able to increase its sustainable loans for project development in 2012. The number of new loans rose from € 138 million in 2011 to € 174 million (+26%). Of this, € 110 million was loaned directly by ASN Bank and € 64 million was loaned via the ASN Groenprojectenfonds, ASN Green Projects Fund in which private customers can invest. The total ASN Bank loan portfolio for project development thus increased from € 287 million to € 366 million (+ 27.5%) at the end of 2012. ASN Bank tests projects for loans against the sustainability criteria of human rights, climate and biodiversity. Large projects are also tested against the international Equator Principles. In addition to the loans, a further € 219 million was invested in private loans and € 89 million in corporate bonds.

**Direct loans ASN Bank (€ 110 million)**

- Wind energy: 45%
- Solar energy: 34%
- Sustainable construction: 15%
- Decentralised energy supply: 12%
- Other: 2%
ASN Bank also invests in affordable housing via NMG mortgages or private mortgages with comparable features. These mortgages give people on a moderate income the chance to live pleasantly.

ASN Bank believes that people in the sustainable society of the future want to live in good, affordable, energy-efficient homes. Although ASN Bank seeks to invest in mortgages for energy-efficient homes that are built with sustainable materials, in practice this is not yet possible on a large scale. ASN, therefore, places emphasis on the social aspect: ASN Bank primarily invests in mortgages for people with lower and middle income. As with all investments, ASN Bank continuously strives to make its investments in residential mortgages more sustainable. To this, ASN Bank will give further substance in the coming years in the context of its long-term objective for the climate. Along with SNS Bank, BLG Wonen and RegioBank, ASN Bank is working on a policy document in which all aspects of a social, sustainable housing policy is further elaborated on.

In 2012, €250 million in new loans was extended for these mortgages. At the end of 2012, approximately €4.5 billion was outstanding in loans for mortgages. According to ASN Bank risk standards, the value of the mortgages for the entire mortgage portfolio may not exceed 110% of the foreclosure value. At the end of 2012, this percentage was 77.9%.

The investment arm of ASN Bank became manager of the Energy Fund Overijssel. This fund aims to invest €250 million in energy savings and new energy over the next years. It enables entrepreneurs to invest in sustainable energy such as biomass, solar and geothermal through loans, participations and guarantees and provides information to help them along the way. This objective fits in well with ASN Bank's mission to encourage sustainability in society. ASN Bank collaborates on this assignment with Royal HaskoningDHV and Start Green Venture Capital which contribute technical knowledge and management of the shareholders’ equity.

Positive profit contribution SNS Securities

Although profit contribution from SNS Securities declined due to the challenging market environment, it remained positive. SNS Securities retained its strong position and achieved growth in the corporate bonds market. SNS Securities also provides individual asset management and investments with advice for assets from €250,000. This market came under severe pressure. On 19 December 2012, SNS Securities signed a letter of intent to sell its private banking activities to Bank ten Cate & Cie in the second half of 2013.

Other activities of SNS Securities are securities services (shares, bonds and derivatives) for national and international professional investors and support to SMEs and larger businesses with respect to private and public capital market transactions. The securities research carried out by SNS Securities focuses in particular on the Dutch small and midcap funds. The macro-economic research is also used for risk management purposes within SNS REAAL.
### Developments Property Finance

#### 11.1 Financial developments

**Table 12: Property Finance**

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<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
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<tbody>
<tr>
<td><strong>Result</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net interest income</td>
<td>98</td>
<td>123</td>
<td>(20%)</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>(12)</td>
<td>(36)</td>
<td>67%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>(2)</td>
<td>(9)</td>
<td>78%</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>84</td>
<td>78</td>
<td>8%</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>941</td>
<td>284</td>
<td>231%</td>
</tr>
<tr>
<td>Impairment charges goodwill</td>
<td>47</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>116</td>
<td>106</td>
<td>9%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
<td>-</td>
<td>4</td>
<td>(100%)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,105</td>
<td>394</td>
<td>180%</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td>(1,021)</td>
<td>(316)</td>
<td>(223%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(208)</td>
<td>(73)</td>
<td>(185%)</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>(813)</td>
<td>(243)</td>
<td>(235%)</td>
</tr>
<tr>
<td>One-off items</td>
<td>(47)</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Adjusted net result for the period</strong></td>
<td>(766)</td>
<td>(243)</td>
<td>(215%)</td>
</tr>
<tr>
<td>Impairment charges as a % of average gross outstandings</td>
<td>10.27%</td>
<td>2.50%</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets Basel II</td>
<td>7,511</td>
<td>9,724</td>
<td>(23%)</td>
</tr>
<tr>
<td><strong>Total exposure</strong></td>
<td>7,031</td>
<td>9,413</td>
<td>(25%)</td>
</tr>
<tr>
<td>Property projects</td>
<td>416</td>
<td>512</td>
<td>(19%)</td>
</tr>
</tbody>
</table>

#### 11.2 Results 2012 compared to 2011

The net loss of Property Finance increased sharply to € 813 million, mainly driven by sharply higher loan impairments, reflecting the further weakening of real estate markets and an impairment of the remaining goodwill. Impairment charges increased to € 941 million, of which € 772 million occurred in the second half of 2012. Furthermore, net interest income was lower, operating expenses were up and the effective tax rate was lower due to non tax-deductable losses on some international loans.

#### 11.3 Income

Net interest income declined by € 25 million (-20%) due to the run off of the loan portfolio. The lower loan portfolio also entailed lower interest-related fee and commission income included in net interest income.

The result on financial instruments of € 12 million negative improved with € 24 million compared to 2011 due to lower discounts on the sale of performing loans, reflecting the slowdown to sell non-default loans to third parties.

Other operating income amounted to € 2 million negative compared to € 9 million negative in 2011, due to a narrowing loss on participations, following the sale of a North American property project in 2011.
11.4 Expenses


Impairment charges on the Dutch portfolio rose to € 569 million compared to € 156 million in 2011, due to the weakening of Dutch real estate markets. Impairment charges on the international portfolio increased to € 372 million from € 128 million in 2011 mainly driven by higher impairment charges on loans and property projects in Spain and France.

Impairment charges on Property Finance's portfolio increased substantially compared to 2011 and also in the second half compared to the first half of 2012. This was the result of several developments.

First of all, it became increasingly clear that the economic recovery was taking longer than expected. At the end of 2012 and early 2013, several influential parties subsequently adjusted their expectations further downward. This was also clearly reflected in the further deterioration in the outlook on the real estate markets, including the Dutch market. Due to this and to the lack of reference transactions, appraisers have become more cautious. In addition, in some countries, including the Netherlands and Spain, the refinancing market shrank further or is now practically closed.

In the valuation of the portfolio with the estimation of future cash flows, transactions are used which can be observed in the market and which are to a certain extent comparable. Due to the increasing lack of liquidity in current markets, appraisers had difficulty to test a large part of the portfolio against recent relevant comparable market transactions. This meant that the assumptions and estimates made by Property Finance in the valuation of loans were exposed to significant uncertainties, greater than under normal market conditions, resulting in a broader bandwidth for the valuations.

All this was reflected in a perceptible decline in the pace of the run-off, in lower estimates of expected future cash flows and, in some cases, in a necessary adjustment to the exit strategy.

As a result of the aforementioned developments the number of loans in default increased during the second half of 2012 and consequently, provisions were made.

Moreover, the collateral of the total portfolio was reappraised during the year, including a major part of the portfolio that was in default during the third and fourth quarter of 2012. On top of these valuations, based on the developments in the real estate markets, an additional reassessment was executed of the valuations of a number of (critical) property projects at the end of the fourth quarter and in the beginning of 2013.

Finally, due to the postponement of the publication date of SNS REAAL’s Annual Report 2012 subsequent to the nationalisation, events have – more than in previous years – taken place after the balance sheet date. Thus, pursuant to the regular review process in 2013, we received more updated appraisals resulting in a lower valuation compared to the original balance sheet valuation, due to the previously outlined unfavourable economic developments and further declining real estate markets. This lower valuation as per 31 December 2012, resulting from new insights of the updated appraisals in 2013, also affected the level of loan impairments.

Goodwill impairments of € 47 million related to the remaining goodwill from the acquisition of Property Finance in 2006 and reflected the repositioning of SNS SME, the integration of the former core portfolio into Property Finance and the subsequent objective to run it off.

Operating expenses increased by € 10 million to € 116 million due to higher legal and advisory costs related to the run off of the loan portfolio and higher restructuring charges.
## 11.5 Portfolio development

### Table 13: Breakdown Property Finance portfolio

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total portfolio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments</td>
<td>7,880</td>
<td>9,626</td>
</tr>
<tr>
<td>Undrawn commitments</td>
<td>48</td>
<td>88</td>
</tr>
<tr>
<td>Outstanding loan portfolio (gross)</td>
<td>7,832</td>
<td>9,538</td>
</tr>
<tr>
<td>Loan provision</td>
<td>1,217</td>
<td>637</td>
</tr>
<tr>
<td>Outstanding loan portfolio</td>
<td>6,615</td>
<td>8,901</td>
</tr>
<tr>
<td>Property projects</td>
<td>416</td>
<td>512</td>
</tr>
<tr>
<td><strong>Total exposure</strong></td>
<td>7,031</td>
<td>9,413</td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>2,649</td>
<td>1,769</td>
</tr>
<tr>
<td>Non-performing loans as % of loans outstanding</td>
<td>33.8%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Coverage ratio</td>
<td>45.9%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Average loan-to-value (LtV)</td>
<td>100.9%</td>
<td>88.6%</td>
</tr>
</tbody>
</table>

**Dutch portfolio**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>6,348</td>
<td>7,469</td>
</tr>
<tr>
<td>Undrawn commitments</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Outstanding loan portfolio (gross)</td>
<td>6,282</td>
<td>7,408</td>
</tr>
<tr>
<td>Loan provision</td>
<td>867</td>
<td>366</td>
</tr>
<tr>
<td>Outstanding loan portfolio</td>
<td>5,415</td>
<td>7,042</td>
</tr>
<tr>
<td>Property projects</td>
<td>106</td>
<td>36</td>
</tr>
<tr>
<td><strong>Total exposure</strong></td>
<td>5,521</td>
<td>7,078</td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>1,899</td>
<td>1,171</td>
</tr>
<tr>
<td>Non-performing loans as % of loans outstanding</td>
<td>30.2%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Coverage ratio</td>
<td>45.7%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Average loan-to-value (LtV)</td>
<td>101.3%</td>
<td>87.0%</td>
</tr>
</tbody>
</table>

**International portfolio**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>1,532</td>
<td>2,157</td>
</tr>
<tr>
<td>Undrawn commitments</td>
<td>(18)</td>
<td>27</td>
</tr>
<tr>
<td>Outstanding loan portfolio (gross)</td>
<td>1,550</td>
<td>2,130</td>
</tr>
<tr>
<td>Loan provision</td>
<td>350</td>
<td>271</td>
</tr>
<tr>
<td>Outstanding loan portfolio</td>
<td>1,200</td>
<td>1,859</td>
</tr>
<tr>
<td>Property projects</td>
<td>310</td>
<td>476</td>
</tr>
<tr>
<td><strong>Total exposure</strong></td>
<td>1,510</td>
<td>2,335</td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>750</td>
<td>598</td>
</tr>
<tr>
<td>Non-performing loans as % of loans outstanding</td>
<td>48.4%</td>
<td>28.1%</td>
</tr>
<tr>
<td>Coverage ratio</td>
<td>46.7%</td>
<td>45.3%</td>
</tr>
<tr>
<td>Average loan-to-value (LtV)</td>
<td>99.4%</td>
<td>94.4%</td>
</tr>
</tbody>
</table>

**Breakdown international portfolio (geographical)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>333</td>
<td>592</td>
</tr>
<tr>
<td>Spain</td>
<td>198</td>
<td>403</td>
</tr>
<tr>
<td>France</td>
<td>145</td>
<td>206</td>
</tr>
<tr>
<td>Other Europe</td>
<td>634</td>
<td>703</td>
</tr>
<tr>
<td>North America</td>
<td>200</td>
<td>431</td>
</tr>
<tr>
<td><strong>Total exposure</strong></td>
<td>1,510</td>
<td>2,335</td>
</tr>
</tbody>
</table>
11.5.1 Total portfolio
Total net exposure declined by € 2.4 billion to € 7.0 billion (-25%) compared to year-end 2011. This decline was due to impairment charges of € 0.9 billion and transactions (sales, redemptions) of € 1.5 billion. Total commitments declined by € 1.7 billion to € 7.9 billion (-18%).

Non-performing loans increased by more than € 0.9 billion to € 2.6 billion. The new inflow, of which 69% related to Dutch loans, was partly offset by the sale of non-performing loans and the foreclosure and reclassification to property projects. Total non-performing loans as a percentage of gross loans increased from 19% to 34%.

Total loan provisions increased by € 580 million to € 1,217 million due to additions, partly offset by the reduction of the loan portfolio and the foreclosure and reclassification of non-performing loans to property projects. The coverage ratio increased from 36.0% to 45.9%. The average LTV of the total loan portfolio increased from 88.6% at year-end 2011 to 100.9%.

Property projects (real estate projects where Property Finance has taken control) decreased from € 512 million to € 416 million mainly due to impairments. Foreclosures in 2012 consisted of two domestic projects and two projects in Spain.

11.5.2 Dutch portfolio
The total Dutch net exposure declined by € 1.5 billion to € 5.5 billion compared to year-end 2011 (-22%), mainly through impairments and redemptions. Total commitments declined from € 7.5 billion to € 6.3 billion (-15%).

Non-performing Dutch loans increased sharply by € 728 million due mainly to new inflows reflecting the further weakening of domestic real estate markets. Total non-performing loans as a percentage of gross loans outstanding increased from 16% to 30%. The coverage ratio increased from 31% to 46%. The average LTV of the Dutch portfolio increased sharply from 87.0% to 101.3%. Net of provisions, the average LTV of the Dutch portfolio amounted to 87.0% (year-end 2011: 82.7%).

11.5.3 International portfolio
The total international net exposure declined from € 2.3 billion at year-end 2011 to € 1.5 billion (-36%). The exposure was reduced through redemptions, the sale of loans, movements in foreign exchange rates and impairments.

Total commitments declined from € 2.2 billion to € 1.5 billion (-29%). Non-performing international loans increased strongly from € 0.6 million to € 0.8 billion. New inflow of non-performing loans related to Spain, Italy, Germany and France. The outflow mainly related to North America and Germany. As a percentage of gross loans outstanding, non-performing loans increased from 28% to 48%.

In North America the coverage ratio increased from 54% to 74% due to a decline in non-performing loans resulting from partial redemptions. The coverage ratio in Europe increased from 38% to 41%. The average LTV of the international portfolio increased from 94.4% to 99.4%. Net of provisions, the average LTV of the international portfolio amounted to 77.3% (year-end 2011: 82.4%).
11.6 Restructuring following nationalisation

As part of the restructuring, after the transfer of SNS SME core portfolio, and following the nationalisation of SNS REAAL, the total real estate finance portfolio and activities of Property Finance will be transferred to a separate asset management organisation outside SNS REAAL. This transfer entails a €2.8 billion gross write-off of the total assets compared to the book value at 30 June 2012. The additional write-off takes into account the €772 million incurred losses which already had been provisioned for in the second half of 2012 and €4 million discounts on loans sold and thus will amount €2,024 million (pre-tax). This write-off has become effective in the first quarter of 2013 by taking a provision. SNS Bank will continue the funding of this portfolio, also after the intended transfer. The Dutch State intends to provide a guarantee of approximately €5 billion for the funding of Property Finance. As soon as the guarantee has been obtained, combined with the transfer, SNS Bank will not bear the credit risk on an equivalent amount of funding. Consequently it will not carry the related risk-weighted assets in its capital ratios anymore. SNS Bank will strive to gradually replace this funding by third-party funding.


12 Developments REAAL

Table 14: Net result REAAL

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>REAAL Life</td>
<td>72</td>
<td>247</td>
<td>(71%)</td>
</tr>
<tr>
<td>REAAL Non-life</td>
<td>(84)</td>
<td>32</td>
<td>(363%)</td>
</tr>
<tr>
<td>REAAL Other</td>
<td>(15)</td>
<td>1</td>
<td>(1600%)</td>
</tr>
<tr>
<td><strong>REAAL</strong></td>
<td>(27)</td>
<td>280</td>
<td>(110%)</td>
</tr>
</tbody>
</table>

12.1 Strategy of REAAL

REAAL’s profession is to know and bear customer risks. As an insurer, REAAL wants to remove customers’ concerns about income continuity and calamities. REAAL achieves this with simple, clear and efficient services. Inspired by its core value CARE! REAAL employees strive for continuous improvement in customer focus and efficiency with simpler and more accessible products and result-oriented projects in which employees propose organisational improvements themselves.

REAAL develops and distributes individual life insurance, non-life insurance and disability insurance policies, as well as bank savings products. REAAL focuses mainly on consumers who wish to be advised on financial matters. Customers may obtain advice from intermediaries who work together with REAAL. REAAL aims for sustainable, intensive cooperation with intermediaries and continually works on a proper safeguarding of the quality of advice. Zelf.nl is the brand for consumers who wish to take care of their financial affairs themselves.

REAAL wants to develop itself towards an efficient and appreciated service organisation, putting the customers’ interests first. Based on its contacts with customers, REAAL always seeks to continually improve its services to customers and intermediaries. The central point of customer contact, REAAL Customer Service, plays an important part in this respect.

12.2 Commercial developments and organisation

12.2.1 Life: focus on term life insurance and bank savings products

REAAL offers its customers a transparent and complete range of life insurance products. The risk insurance policies and bank savings products complement each other. REAAL leads the market in terms of life insurance products. New sales declined, in part because of the crisis in the residential market. In December 2012, REAAL made its term insurance products free of commission and gender-neutral.

REAAL benefited from the strong growth in demand for bank savings products. Sales were up by more than 100%. REAAL’s bank savings products are life annuity products to accumulate and return capital and to postpone returns on capital. Developed jointly with SNS Bank, these products have low costs and simple terms and conditions.

REAAL sells part of its risk and asset growth products in combination with mortgages, which are purchased from third parties. In view of the residential market crisis, REAAL intensified its focus on the sale of term insurance to customers who took out their mortgage loans somewhere else. In addition, new methods to improve customer retention were successful. In the life annuity-related test, retention almost doubled in 2012. The tests will be expanded.
12.2.2 Unit-linked insurance policies

In 2012 REAAL made significant progress in executing the compensation scheme for customers who had purchased unit-linked insurance policies in the past. In addition, REAAL offered these customers additional services and options at a customised website for terminating their policies before maturity and/or exchanging their policy for products with better terms and conditions.

In 2010, REAAL started executing the compensation scheme with compensation on the expiry date, switching to time-weighted compensation in the middle of 2012. Until the end of 2012, REAAL calculated the compensation earned thus far for almost half of all (former) policyholders and deposited those amounts into the policies. In the period until the expiry date of the insurance, REAAL annually deposits a fixed amount into the policy. In the first quarter of 2013, REAAL informed more than 95% of its customers on the compensation. The compensation scheme applies to customers of REAAL, SNS Bank, Zwitserleven and all their legal predecessors. Our brands sold over one million individual unit-linked insurance policies.

REAAL improved its communication and services regarding these unit-linked insurance policies to provide more assistance to customers. REAAL informed its customers by letter of an Insurance Check which is available to them on REAAL’s website. The website gives customers clear information about their current products, including compensation, and all relevant options and alternatives. At year-end 2012, REAAL had written to 60% of its customers. The other customers will be contacted in the first half of 2013. REAAL improved the accessibility of information, also by means of videos and animation. For example Seada van den Herik, REAAL’s Director of Life, Mortgages and Banking, tells customers in video messages what they can do to possibly improve their position. Approximately 16% of the customers receiving a letter from REAAL used the Insurance Check in 2012. Despite REAAL’s efforts to lower the thresholds, it proved difficult to convince customers to take action, even though it relates to their own financial future. This is also experienced by other insurers. In 2013, REAAL will introduce new initiatives to try and move its customers into action. REAAL set up a special information desk for all questions regarding unit-linked insurance, allowing customer requests to be dealt with as best as we can.

REAAL draws customers’ attention to the importance of good advice and assists and supports intermediaries to serve customers well. When a customer no longer has a consultant or prefers a different consultant, REAAL reimburses the consultancy costs up to an amount of € 150. Customers who want to switch to a different product pay no costs for terminating the unit-linked insurance. A change of product or fund switch does not involve any costs either.

Especially for customers with a current policy, REAAL introduced a new, alternative endowment insurance product. This product is transparent and has no leverage and depletion effect. Customers can choose from five investment mixes with each its own risk profile. Based on an investment mix meter, customers decide which investment mix is most suitable for them, for example the lifecycle variety, in which the risk of investments decreases during the term of the policy.

Executing the compensation scheme and the additional policy for service and product improvement is a very substantial project. The numerous acquisitions in the past created a broad range of products, which were also included in diverse administration systems. REAAL gives key priority to executing this scheme. In 2012, approximately 150 FTEs per annum were deployed for this purpose. This work not only involves calculating and depositing sums of money. REAAL wants to make it as easy as possible for every customer to understand their current products and subsequently choose the best solution. REAAL has completely stopped the sale of new unit-linked insurance products.
12.2.3 Disability insurance

With its disability insurance products, REAAL focuses on self-employed persons and highly educated professionals in paid employment. After years of growth, the disability insurance market contracted sharply in 2012 due to the weak economy, which particularly made self-employed individuals cautious. At REAAL, new disability insurance sales showed a limited decline, but the market share grew slightly to 8.7% at year-end 2012, compared with 8.4% at year-end 2011. Anticipating the ban on commissions for complex products in 2013, REAAL already discontinued the portfolio commission to intermediaries in 2012.

REAAL distinguishes itself in the disability insurance market with its prevention programme called REAAL Lijfwacht. This programme consists of services aimed at preventing disability. Disability has a major impact on the lives of entrepreneurs who become disabled and could also pose a threat to the future existence of their business. REAAL Lijfwacht offers services aimed at keeping the entrepreneur healthy and at preventing or limiting problems.

Preventive care is important for everyone

REAAL supports customers with specialist employees, the information desk and a network of specialist service providers. The initiative for support may come from both REAAL and the customer. REAAL Lijfwacht is available for coaching 24/7. In 2012, the programme was further enhanced and more tailored to the target groups. Interest increased particularly for services rendering immediate results to customers, such as requests for assistance at the information desk, waiting list mediation, contributions to medical procedures that are not fully refunded in the Netherlands, ergonomic advice and psychological guidance. Interest did not increase for long-term prevention by means of healthy living. That is why REAAL is setting up test projects in order to improve disability prevention in this way too. Healthy living and early detection of factors that could harm a person’s health are in everyone’s interests: customers, REAAL and society. Disability prevention can be a major contributor to controlling healthcare costs in the Netherlands as well as to long-term employability up to (rising) retirement age.

Participation in prevention services showed a strong increase after communications. REAAL publishes a Lijfwacht magazine and gives information to intermediaries via the REAAL College and various information sessions. Targeted mailings are sent via partnering service providers.

REAAL sets great store by customers being able to properly assess whether a product will live up to its purpose. It is for this reason that REAAL withdrew its disability insurance policy with limited cover from the market in April 2012. This product did not cover psychological assistance. The portfolio is now exclusively managed.

Simple products, clear information

In 2012, REAAL introduced new, updated product varieties for self-employed individuals. That meant to all these customers: more clarity about product components, fewer and sometimes better terms and conditions and simpler language. No one was worse off. All accompanying information, including the website, was amended. REAAL is enjoying the benefits of saving costs on policy administration. It is REAAL’s goal to also convert the other customers’ products into up-to-date product varieties by the end of 2013.

12.2.4 Multi-brand strategy successful in difficult non-life market

The size of the non-life market remained stable. Margins continued to be under pressure, particularly in the retail market. The market share in non-life, including direct distribution, showed limited growth from 4.3% to 4.5%. The limited growth was mainly attributable to the strong increase of sales to private individuals through SNS Bank. New sales of non-life insurance policies through SNS Bank rose by 86%. Currently selling 44% of REAAL’s individual non-life insurance policies, SNS Bank has good potential for further growth. Hereby REAAL and SNS Bank have demonstrated the strength of SNS REAAL’s multi-brand strategy. New sales via Zelf.nl, REAAL’s own direct channel, were under pressure. The insurance for dogs and cats (Proteq Dier & Zorg) is a product that moves along with the economy. Due to the difficult economic situation, people consider more thoroughly whether to insure a certain risk or not. This affected the Dier & Zorg product as more and more owners of dogs and cats decided not to insure the medical risk. In addition, in the summer of
2012, a change was implemented in the build-up of the car rate. The introduction of a new car rate temporarily resulted in a lower production following the necessary optimisation of the various sales channels.

There were no striking shifts among the various product groups. At the end of 2011, the Dutch Central Bank called on insurers to make car insurance more profitable. This did result in various price increases, but also in many changes to insurers’ terms and conditions. This did little to improve transparency in the market. The effects of changes to prices and terms and conditions for REAAL were still unclear at the beginning of 2013, in part due to after effects that will only become visible in 2013.

In January 2013, REAAL introduced a new Goed Geregeld Pakket for the non-life market, aimed at private individuals and self-employed persons. To customers, the new products entail greater simplicity, convenience and security about cover and no additional policy costs or surcharges for payment in instalments. The terms and conditions were extended and improved as to their substance and the number of options was reduced so that customers are left with fewer difficult choices and can fill out the application form more quickly. Home insurance, for example, no longer requires complicated calculations of the home content. Underinsurance is no longer possible. The language used in the terms and conditions was simplified. The fully automated process from application to policy creation is faster than before, as is the process of paying benefits following a claim.

12.2.5 Providing customers with clear information
REAAL applies three key objectives to providing customers with clear information:

- Clear products, structured according to a fixed and recognisable framework, that clarify what a product can and cannot do for the customer.
- Clear product information based on SNS REAAL’s style guide, aligning REAAL’s style with the manner of communication by the other brands.
- Good contactability of Customer Service via a central telephone number and answering as many questions of customers as possible in one call.

REAAL frequently measures these three aspects, which are partly based on assessments by customers and customer panels. In 2012, REAAL made preparations to achieve its objective that at least 50% of the assessments from customer panels is positive about the translation of customers’ interests into permanent information material, such as new brochures and quotation models.

12.2.6 Customer service and customer contact

Aiming for long-term customer value
REAAL’s service organisation is undergoing considerable changes. These changes were initiated as far back as 2011, when a central REAAL Customer Service opened its doors. Customer Service primarily provides for good accessibility. Customer questions can be answered better and faster. In addition, customers find the direct contact with REAAL a positive experience, which greatly contributes to customer retention. REAAL has more than one million customers with products they purchased some time ago. Customers who are satisfied about the way in which REAAL assists them will be more inclined than other customers to keep their products and/or buy new ones.

Furthermore, via REAAL Customer Service, REAAL obtains a lot of valuable information from customers to continually improve services, products and processes. The point of departure for every change to the process chain is long-term customer value, and not for instance the capacity available at that time. That leads to other questions on the shop floor. How many employees are needed to process the new customer requests within the maximum lead time? How do we organise that and how do we safeguard quality, with the right understanding of the customer’s situation? REAAL expects This personal input by employees and the systematic analysis of customer interaction jointly rendered many improvement measures at practically all departments in 2012, including:
• smarter work processes, reduction of forms to be completed by customers, product changes and a strong reduction of lead times in the event of adjustments;
• better explanation of products and working methods on the website;
• proactive customer approach, including an increased offering of alternatives when a customer is not satisfied with a product;
• passing on customer contacts and information to intermediaries to better enable them to provide good-quality advice and improve sales.

Nevertheless, between 2011 and 2012, the average claims processing time for correspondence on ongoing claims increased, from 10 to 30 working days on average for car insurance and from 12 to 19 working days on average for home insurance.
Between 2011 and 2012, the average claims processing time for the handling of new claims also increased, from 1 to 3 working days on average for car insurance and from 3 to 9 days for home insurance.
The processing time for the surrender of a life insurance averaged 9 working days in 2011, compared to 10 working days in 2012.
However, in the last quarter of 2012, the claims processing time improved to 13 working days on average for new claims for home insurance and 3 working days on average for new car claims.
In the last quarter, the processing time for life insurance improved to 7 days on average.
The shorter claims processing times often lead to an improvement of customer satisfaction in the relevant subareas.

Engagement with customers and other stakeholders
REAAL engages with its stakeholders in various ways. The discussions are used to intensify the focus on customers’ interests, further improve the quality of products and services and, ultimately, to become more successful commercially.
Besides REAAL Customer Service, REAAL mainly receives feedback from customers via ‘Voice of the Customer’ sessions, customer panels and the NPS customer satisfaction surveys. REAAL also uses the feedback from the Netherlands Authority for the Financial Markets and the Customer-Focused Insurance Quality Label to this end.

REAAL has been organising ‘Voice of the Customer’ sessions since 2011. During these sessions, 15 customers headed by a chairman engage with 15 managers and other REAAL employees. Customers are asked open and specific questions about REAAL and its services. These questions result in lively discussions. A report and a video compilation is made of every session, which are distributed within the organisation. In 2012, two sessions were held: one about contacts with REAAL Customer Service and one about the execution of the unit-linked insurance compensation scheme.

Preparations for statutory ban on commissions in 2013
As from 2013, a ban on commissions applies with regard to complex products, forcing intermediaries to charge their customers a separate consultancy fee upon sale. Based on the Dutch Financial Supervision Act, complex products include mortgages, pension insurance, life insurance and income insurance, including disability insurance for entrepreneurs and funeral insurance. Many intermediaries already allowed customers to choose in 2012. These options and the different payment models applied by intermediaries based on service and price sometimes led to confusion among consumers. To create order and clarity in this area, REAAL asked customers via panels about their opinion of the upcoming legislation in 2012 and asked intermediaries during a workshop about their position in the chain. In this context, REAAL also actively engaged with Adfiz, an interest organisation for intermediaries, about the consequences of the new legislation and the impact on the commission paid.
Customer satisfaction
Customer satisfaction and service levels improved in practically all areas involving interaction with customers, but not for REAAL as a whole. Thus, the NPS score of REAAL Customer Service improved from -11 to -8 in 2012. At the end of December, the NPS score for handling non-life claims, after a slight drop in the spring, was back at 36, the same level as at the start of 2012. The average customer satisfaction mark remained stable at 7.6. The NPS scores for disability insurance and other non-life products exceed those for life and banking products. Each department has its own improvement plan, in part based on their NPS scores.

The general NPS fell from -44 at year-end 2011 to -51 at year-end 2012. This figure is measured among all customers, including those who have never had any contact with REAAL. Among customers who did have contact with REAAL, average satisfaction was higher. In part for that reason, REAAL will continue the expansion of customer contact and the further improvement of communication by telephone.

12.2.7 REAAL retains Customer-focused Insurance Quality Label
For the third year in a row, REAAL retained the Customer-focused Insurance Quality Label ("Keurmerk Klantgericht Verzekeren"), which is awarded by Dutch Insurers Assessment Foundation. This quality label warrants the continuous quality of services and customer focus, but does not concern the substance and level of insurance premiums. The foundation periodically checks all the insurance companies that bear the quality label. In 2012, the requirements for the quality label became even stricter. The stricter requirements related to such aspects as understandable language (including in web texts and emails), clear information (customers’ interests first in all written communications), follow-up periods, complaint reporting, processing of bodily injury claims, external assessment of legal assistance insurance quality system, fraud control, contact by telephone and email, customer satisfaction and quality policy. The minimum score on committed maximum follow-up periods for customer applications was raised from 80% to 90%, in accordance with the requirements of the Customer-focused Insurance Quality Label.

The quality label requirements include an up-to-date report about the product approval process and recent product reassessments. The Netherlands Authority for the Financial Markets tests all products of insurers in active sales against the following criteria: cost-efficiency, usefulness, reliability and understandability. REAAL itself then checks again whether these products still meet the criteria at least once every three years. In addition, REAAL reassesses products when internal or external factors change, for example as a result of legislative amendments. It also verifies whether its marketing and product communication with customers meets all in-house and external regulations. This approval and reassessment process is applied to all products and all brands of SNS REAAL.

12.2.8 Contributions to society
REAAL contributed to the national Money Smart Week ("Nationale Week van het Geld"), aimed at the financial education of children. A total of around 70 employees gave 87 lectures at primary schools.

REAAL staff collected € 10,500 in a so-called overtime marathon for Stichting Alpe d’Huzes, whose objective is to facilitate and inspire people with cancer to live an optimally good, happy and healthy life with cancer. REAAL doubled the amount. Another overtime day revolved around the theme of SNS REAAL’s core value CARE! about each other and was for the benefit of SNS REAAL’s Mutual Aid Fund. This fund provides financial support to employees who, without any fault of their own, are confronted with substantial costs due to illness. REAAL doubled this sum of more than € 39,000, too.

REAAL sponsors a chair at the Earth and Life Sciences faculty of the Free University for research into water management risks and insurance. The period runs from July 2007 to July 2013. The contribution in 2012 was approximately € 50,000.
12.2.9 Customer-focused and efficient organisation

A number of the many customer-focused process improvements required one-off investments, but most improvements yielded cost benefits right away. In addition, REAAL saved costs through the central product development in the context of SNS REAAL’s multi-brand strategy. In 2012, REAAL devoted much capacity to executing the unit-linked insurance compensation scheme. As a result, the focus on the rationalisation of the life insurance portfolio was reduced. REAAL made limited progress here. The rationalisation process will be intensified in 2013.

REAAL’s total operating costs fell from € 317 million in 2011 to € 308 million in 2012.

12.2.10 Responsible investment of premiums received

REAAL manages the funds it receives from its customers for insurance premiums in a responsible manner. This was revealed again by a survey into responsible investment by insurers conducted by VBDO, the Association of Investors for Sustainable Development, at the end of 2012. Outperformed only by Zwitserleven, REAAL took second place among the 30 Dutch insurers that were assessed in the survey. In 2010 and 2011, REAAL took top position. The responsible management of the investments of REAAL and its customers is performed by SNS Asset Management.

12.3 Financial developments at REAAL Life

Table 15: REAAL Life

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Result</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular life premiums</td>
<td>1,218</td>
<td>1,306</td>
<td>(7%)</td>
</tr>
<tr>
<td>Single life premiums</td>
<td>218</td>
<td>381</td>
<td>(43%)</td>
</tr>
<tr>
<td><strong>Premium income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinsurance premiums</td>
<td>151</td>
<td>187</td>
<td>(19%)</td>
</tr>
<tr>
<td><strong>Net premium income</strong></td>
<td>1,285</td>
<td>1,500</td>
<td>(14%)</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>52</td>
<td>49</td>
<td>6%</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>10</td>
<td>(2)</td>
<td>600%</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,047</td>
<td>1,011</td>
<td>4%</td>
</tr>
<tr>
<td>Investment income for account of policyholders</td>
<td>694</td>
<td>(241)</td>
<td>388%</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>93</td>
<td>155</td>
<td>(40%)</td>
</tr>
<tr>
<td>Income invested collateral securities lending</td>
<td>4</td>
<td>2</td>
<td>700%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>-</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>3,185</td>
<td>2,477</td>
<td>29%</td>
</tr>
<tr>
<td>Technical claims and benefits</td>
<td>2,479</td>
<td>1,697</td>
<td>46%</td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>76</td>
<td>51</td>
<td>49%</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>228</td>
<td>35</td>
<td>551%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>160</td>
<td>160</td>
<td>0%</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>126</td>
<td>210</td>
<td>(40%)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>3,069</td>
<td>2,153</td>
<td>43%</td>
</tr>
<tr>
<td>Result before tax</td>
<td>116</td>
<td>324</td>
<td>(64%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>41</td>
<td>76</td>
<td>(46%)</td>
</tr>
<tr>
<td>Minority interest</td>
<td>3</td>
<td>1</td>
<td>200%</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>72</td>
<td>247</td>
<td>(71%)</td>
</tr>
<tr>
<td>One-off items</td>
<td>(215)</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Adjusted net result for the period</strong></td>
<td>287</td>
<td>247</td>
<td>16%</td>
</tr>
</tbody>
</table>

Operating cost/premium ratio 9.2% 8.4%

New annual premium equivalent Life 41 91 (55%)
12.3.1 Result 2012 compared to 2011

REAAL Life posted a sharply lower net profit of € 72 million mainly due to a partial impairment of the goodwill at REAAL Life of € 141 million net (€ 162 million pre-tax). The goodwill impairment was driven by the increased competition and ongoing difficult market circumstances in the Life market. Furthermore, there was an impairment of € 18 million net (€ 24 million pre-tax) related to REAAL Life’s distribution network in the light of changes in legislation concerning commission fees for Independent Financial Advisors (customer agreed remuneration). Finally, there was an additional € 56 million net charge (€ 75 million pre-tax) related to the unit-linked policies settlement reached in 2008.

Adjusted for one-off items, REAAL Life’s net result increased significantly to € 287 million. This was more than wholly due to the total net impact from realised gains, losses and impairments on the investment portfolio and hedges which increased sharply to € 142 million as higher realised gains on bonds and equities more than offset a lower contribution from interest rate derivatives.

The underlying net profit of REAAL Life showed a marked decrease to € 183 million driven by lower direct investment income due to de-risking measures and an impairment on property for own use.

Table 16: Underlying result REAAL Life

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result for the period</td>
<td>72</td>
<td>247</td>
<td>(71%)</td>
</tr>
<tr>
<td>Gains, losses and impairments on equity portfolio</td>
<td>18</td>
<td>(20)</td>
<td>190%</td>
</tr>
<tr>
<td>Gains, losses and impairments on fixed-income securities</td>
<td>65</td>
<td>32</td>
<td>103%</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>79</td>
<td>114</td>
<td>(31%)</td>
</tr>
<tr>
<td>Changes in insurance contracts due to movements of fair value items</td>
<td>(20)</td>
<td>(33)</td>
<td>39%</td>
</tr>
<tr>
<td>Total net impact investment portfolio and hedges</td>
<td>142</td>
<td>93</td>
<td>53%</td>
</tr>
<tr>
<td>Impact of one-off items</td>
<td>(215)</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Net result excluding impact of one-off items and impact of investment portfolio and hedges</td>
<td>145</td>
<td>154</td>
<td>(6%)</td>
</tr>
<tr>
<td>Amortisation VOBA and other intangible assets</td>
<td>(38)</td>
<td>(43)</td>
<td>12%</td>
</tr>
<tr>
<td>Underlying net result REAAL Life</td>
<td>183</td>
<td>197</td>
<td>(7%)</td>
</tr>
</tbody>
</table>

As of 1 January 2012 the definition of underlying result has been adjusted. The share in results of associates is included in Gains, losses and impairments on equity portfolio and unrealised results of fixed-income securities at fair value through profit and loss and of investment properties are included in Gains, losses and impairments on fixed-income securities. Comparative figures have been adjusted accordingly.

Results on equity hedges are included in gains/losses on equity portfolio instead of result on financial instruments.

Changes in insurance contracts due to movements of fair value items includes releases/additions to provisions for interest rate guarantees in unit-linked portfolio and separate accounts and the impact of shadow accounting.

Gains, losses and impairments on equities were € 18 million positive compared to € 20 million negative in 2011. The increase was due to higher gains and lower impairments, partly offset by lower results on equity options. Gains, losses and impairments on fixed-income securities increased to € 65 million positive compared to € 32 million in 2011.

Decreasing interest rates in 2012 led to substantial net gains on interest rate derivatives. As a consequence, the result on financial instruments was € 79 million positive. In 2011, decreasing interest rates had led to an even higher net result on financial instruments of € 114 million.

Changes in insurance contracts due to movements of fair value items, mainly consisting of the net impact of shadow accounting, amounted to € 20 million negative (2011: € 33 million negative).

One-off items in 2012 consisted of the net impact of impairments of goodwill and the distribution network and the charge related to the investment-based life insurance policies settlement.
12.4 Income

Regular life premiums of REAAL Life showed a limited decline. In a shrinking Dutch market, the market share of new individual regular premiums was below the level of 2011 (21.8%) but at 18.2% it remained high, in particular in the term life insurance market where REAAL retained its market position.

There was a considerable decrease in single life premiums due to the continued focus on protecting profitability, and the market share in this segment fell to 5.5% from 8.8% in 2011. As a consequence, New Annual Premium Equivalent (NAPE) more than halved to € 41 million.

The implementation of the agreement on cost loadings of investment-based life insurance policies is underway. In the second quarter of 2012, REAAL started informing holders of investment-based life insurance policies about their personal situation and the possibilities to switch to another product, a process in which it actively supports customers. At this stage, REAAL has informed about 95% of its policyholders about the compensation amount they are entitled to. The additional provision of € 75 million pre-tax is based on the experience built up with the calculations of the compensation amounts for the various products under the settlement.

Reinsurance premiums paid were lower, driven mainly by a decrease in the portfolio that is proportionally reinsured, due to expirations and lower single life premiums.

Table 17: Breakdown Investment income for own account REAAL Life

<table>
<thead>
<tr>
<th>Gross amounts in € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment income</td>
<td>1,047</td>
<td>1,011</td>
<td>4%</td>
</tr>
<tr>
<td>Realised gains/losses on equities</td>
<td>41</td>
<td>11</td>
<td>273%</td>
</tr>
<tr>
<td>Realised gains/losses on fixed income securities</td>
<td>107</td>
<td>59</td>
<td>81%</td>
</tr>
<tr>
<td>Other realised gains/losses</td>
<td>5</td>
<td>1</td>
<td>400%</td>
</tr>
<tr>
<td>Total realised gains/losses</td>
<td>153</td>
<td>71</td>
<td>115%</td>
</tr>
<tr>
<td>Unrealised gains/losses</td>
<td>(15)</td>
<td>(16)</td>
<td>6%</td>
</tr>
<tr>
<td>Direct investment income</td>
<td>909</td>
<td>956</td>
<td>(5%)</td>
</tr>
</tbody>
</table>

Total investment income for own account showed a limited increase as higher realised gains on fixed-income securities and equities more than compensated for lower direct investment income following de-risking measures (reduced exposure to peripheral European sovereigns) and lower reinvestment yields.

Investment income for account of policyholders was sharply higher, due mainly to positive revaluations of fixed-income securities following the decrease in interest rates. In 2011, investment income for account of policyholders had been negatively impacted by lower equity markets.

12.5 Expenses

Technical claims and benefits increased, driven by higher charges for account of policyholders corresponding to the increased investment income for account of policyholders. Furthermore, technical claims and benefits included an additional charge related to the unit linked policies settlement of € 75 million pre-tax. On the other hand the decrease in premium income led to lower technical claims and benefits.

Acquisition costs for insurance operations increased mainly due to lower recoverable costs allocated to a reinsurance transaction.
Table 18: Breakdown impairment charges REAAL Life

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment charges on equities</td>
<td>17</td>
<td>38</td>
<td>(55%)</td>
</tr>
<tr>
<td>Impairment charges in fixed income securities</td>
<td>9</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Impairment charges of intangible assets</td>
<td>186</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other impairment charges</td>
<td>16</td>
<td>(3)</td>
<td>633%</td>
</tr>
<tr>
<td>Total impairment charges</td>
<td>228</td>
<td>35</td>
<td>551%</td>
</tr>
</tbody>
</table>

Impairment charges were high in 2012 due to impairments on intangible assets regarding goodwill (€ 162 million pre-tax) and the distribution network (€ 24 million pre-tax).

Compared to 2011, impairment charges on equities decreased. Impairment charges on fixed-income securities and impairments on property for own use, included in other impairment charges, increased.

Operating expenses were in line with 2011 as cost reduction measures were offset by higher costs related to the implementation of the agreement on cost loadings of investment-based life insurance policies. However, the fall in premium income and the shift from capital growth to term life products led to an increase of the operating cost/premium ratio from 8.4% to 9.2%.

Other interest expenses fell by € 84 million, with € 70 million of the decrease due to a reinsurance transaction. The lower interest expenses due to the reinsurance contract were compensated by other items related to the reinsurance transaction (lower reinsurance premiums, higher technical claims and benefits and higher acquisition costs), with a net negative effect on the result of € 7 million (2011: € 7 million negative). Furthermore, interest expenses decreased due to lower short term funding costs of repos.

12.6 Financial developments at REAAL Non-Life

Table 19: REAAL Non-Life

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Life premiums</td>
<td>819</td>
<td>848</td>
<td>(3%)</td>
</tr>
<tr>
<td>Reinsurance premiums</td>
<td>66</td>
<td>54</td>
<td>22%</td>
</tr>
<tr>
<td>Net premium income</td>
<td>753</td>
<td>794</td>
<td>(5%)</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Investment income</td>
<td>67</td>
<td>66</td>
<td>2%</td>
</tr>
<tr>
<td>Total income</td>
<td>822</td>
<td>862</td>
<td>(5%)</td>
</tr>
<tr>
<td>Technical claims and benefits</td>
<td>473</td>
<td>490</td>
<td>(3%)</td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>180</td>
<td>192</td>
<td>(6%)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>110</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>128</td>
<td>130</td>
<td>(2%)</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>7</td>
<td>9</td>
<td>(22%)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Total expenses</td>
<td>898</td>
<td>821</td>
<td>9%</td>
</tr>
<tr>
<td>Result before tax</td>
<td>(76)</td>
<td>41</td>
<td>(285%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>8</td>
<td>9</td>
<td>(11%)</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>(64)</td>
<td>32</td>
<td>(383%)</td>
</tr>
<tr>
<td>One-off items</td>
<td>(110)</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Adjusted net result for the period</td>
<td>26</td>
<td>32</td>
<td>(19%)</td>
</tr>
<tr>
<td>Combined ratio Non-Life operations</td>
<td>97.3%</td>
<td>96.2%</td>
<td></td>
</tr>
<tr>
<td>Claims ratio</td>
<td>59.5%</td>
<td>57.8%</td>
<td></td>
</tr>
</tbody>
</table>
### 12.6.1 Results 2012 compared to 2011

REAAL Non-Life posted a net loss of €84 million compared to a €32 million net profit for 2011. The loss was due to a goodwill impairment of €110 million net (€110 million pre-tax), driven by the increased competition and the ongoing difficult market circumstances in the Non-Life market.

Adjusted for this one-off item, net profit decreased with €6 million to €26 million. This decrease was driven by a €13 million lower underlying result due to higher claims, most notably in fire and marine, partly compensated by a €7 million higher net impact from gains, losses and impairments on the investment portfolio and hedges. The underlying result in both 2012 and 2011 has been positively impacted by a release of provisions for unearned premiums and acquisition costs held for authorised agents of €11 million and €12 million net respectively.

#### Table 20: Underlying result REAAL Non-Life

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result for the period</td>
<td>(84)</td>
<td>32</td>
</tr>
<tr>
<td>Gains, losses and impairments on fixed-income securities</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Total net impact investment portfolio and hedges</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Impact of one-off items</td>
<td>(110)</td>
<td>-</td>
</tr>
<tr>
<td>Net result excluding impact of one-off items and impact of investment portfolio and hedges</td>
<td>16</td>
<td>29</td>
</tr>
<tr>
<td>Amortisation intangible assets</td>
<td>(6)</td>
<td>(6)</td>
</tr>
<tr>
<td>Underlying net result</td>
<td>22</td>
<td>35</td>
</tr>
</tbody>
</table>

In 2012, gains, losses and impairments on fixed-income securities had a positive impact of €10 million, while in 2011 this was €3 million, mainly due to realised gains on bonds.

One-off items in 2012 consisted of the goodwill impairment mentioned above.

### 12.7 Income

In a competitive non-life market, REAAL Non-Life’s gross premium income decreased modestly. In both 2011 and 2012, premium income was positively impacted by a release of the provision for premiums for authorised agents. In 2011 SNS REAAL had changed the calculation of the provision for these unearned underwriting premiums, adopting a more accurate method which takes into account the fact that in recent years policyholders have switched more and more to payments on a monthly or quarterly basis instead of annual payments. As a result, in 2011 an amount of €16 million was released to the pre-tax result (€24 million in premium income partly offset by €8 million in acquisition costs). During 2012, the information provided by authorised agents improved, enabling more accurate estimates. Consequently, an additional amount of €14 million was released to the pre-tax result (€19 million in premium income partly offset by €5 million in acquisition costs).

Disability insurance premiums declined by 7% to €98 million due to lapses in the portfolio and represented 12% of total Non-Life premiums. Furthermore, premium income decreased in the branches marine, motor and accident due to termination of some major contracts.

Reinsurance premiums increased by €12 million. In 2011 premiums had been exceptionally low as a result of good results of reinsurers due to fewer large claims in that year and positive run-off results from 2010.
### Table 21: Breakdown Investment income REAAL Non-Life

<table>
<thead>
<tr>
<th>Gross amounts in € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment income</td>
<td>67</td>
<td>66</td>
</tr>
<tr>
<td>Realised gains/losses on equities</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Realised gains/losses on fixed income securities</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td><strong>Realised gains</strong></td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Direct investment income</td>
<td>52</td>
<td>61</td>
</tr>
</tbody>
</table>

Direct investment income consists of interest, dividend and rental income.

Total investment income showed a modest increase, due to higher realised gains on fixed-income securities. However, direct investment income decreased due to a smaller investment portfolio following a dividend payment to the Group and the redemption of an intercompany loan.

### 12.8 Expenses

Technical claims increased due to higher claims in fire and marine partly offset by an improvement in motor. The overall claims ratio increased to 59.5% (2011: 57.8%).

The acquisition expense ratio decreased slightly to 23.3% compared to 24.2% in 2011. Acquisition costs were limitedly down due to the lower premium level and also because REAAL Non-Life offered intermediaries the choice for non-commission fee-based arrangements for the sale of disability insurance products, ahead of the implementation of the prohibition of commission fees on complex products in 2013. This was partly offset by a release of accrued acquisition costs as part of the release of the provision for unearned premiums and acquisition costs.

Impairment charges were high due to an impairment charge on goodwill (€110 million pre-tax).

Operating expenses were marginally lower due to cost reduction measures. The operating cost/premium ratio of 14.5% increased slightly compared to 2011 (14.3%) because of a relatively strong fall in premium income. Due to this and the higher claims ratio, the combined ratio increased to 97.3% (2011: 96.2%).

### 12.9 REAAL Other

The Other activities of REAAL comprise the activities not directly managed by REAAL Life or REAAL Non-Life and holding activities. The net result of €15 million negative was €16 million lower compared to 2011 due to the absence of a €18 million gain from the sale of the subsidiary ‘REAAL Reassurantie S.A.’ (REAAL’s reinsurance company) and an impairment of an associate company in 2012. The underlying net result of REAAL Other was €9 million negative compared to €14 million negative for 2011.
13 Developments Zwitserleven

13.1 Strategy

Zwitserleven feels responsible for the future of people and in particular for the future of its customers and their employees. Zwitserleven’s customers are managing director/owners, small and medium-sized enterprises (SME) and large corporations. Zwitserleven offers its customers ‘The advantage of thinking ahead’, but urges its customers to think about their own future too. For, if you do, you will be able to enjoy the well-known Zwitserleven Feeling now and later on in life.

Zwitserleven wants to stand out in the pensions market with understandable and accessible products and excellent service. Inspired by SNS REAAL’s core value of CARE! and mission of Simplicity in finance, Zwitserleven employees put the interests of customers and society first in their daily work and new initiatives. The multi-brand strategy of SNS REAAL gives Zwitserleven the space to give substance to our own Group strategy that is relevant for the pension products. Zwitserleven thus gives meaning to its responsibility for the future of the people by means of four sustainability principles, i.e.: My conscience, Together you & I, Transparent & Good, and Free & Secure. Zwitserleven is at the heart of society and has an eye for people and the environment.

Zwitserleven adapts its organisation, products, services and customer service to the rapidly changing market environment. This means that Zwitserleven primarily focuses on:

- simple and transparent products, inter alia by splitting complex products and providing customers and their employees realistic expectations about the costs and benefits of products;
- multiple distribution based on close co-operation with customer advisors and the development of direct sales and advice;
- added value through excellent service and communication, additional services and recognisable social responsibility;
- significant cost savings through enhanced process and systems efficiency.

Through its activities, Zwitserleven strives to contribute to the financial self-reliance of our customers and a greater practical sustainability impact, also by actively engaging with its stakeholders, including customers, advisors, regulators and the media. Zwitserleven only invests its customers’ pension contributions in companies that pass our ESG criteria (Environmental, Social and Governance).
13.2 Financial developments

Table 22: Zwitserleven

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>Mutation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular life premiums</td>
<td>865</td>
<td>820</td>
<td>5%</td>
</tr>
<tr>
<td>Single life premiums</td>
<td>335</td>
<td>341</td>
<td>(2%)</td>
</tr>
<tr>
<td>Premium income</td>
<td>1,200</td>
<td>1,161</td>
<td>3%</td>
</tr>
<tr>
<td>Reinsurance premiums</td>
<td>6</td>
<td>5</td>
<td>20%</td>
</tr>
<tr>
<td>Net premium income</td>
<td>1,194</td>
<td>1,156</td>
<td>3%</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>13</td>
<td>14</td>
<td>(7%)</td>
</tr>
<tr>
<td>Investment income</td>
<td>482</td>
<td>359</td>
<td>34%</td>
</tr>
<tr>
<td>Investment income for account of policyholders</td>
<td>817</td>
<td>202</td>
<td>304%</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>(80)</td>
<td>28</td>
<td>(386%)</td>
</tr>
<tr>
<td>Income invested collateral securities lending</td>
<td>1</td>
<td>2</td>
<td>(50%)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total income</td>
<td>2,427</td>
<td>1,761</td>
<td>38%</td>
</tr>
<tr>
<td>Technical claims and benefits</td>
<td>2,272</td>
<td>1,527</td>
<td>49%</td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>15</td>
<td>19</td>
<td>(21%)</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>134</td>
<td>145</td>
<td>(8%)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>137</td>
<td>139</td>
<td>(1%)</td>
</tr>
<tr>
<td>Interest expense securities lending</td>
<td>-</td>
<td>1</td>
<td>(100%)</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>29</td>
<td>37</td>
<td>(22%)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>2,587</td>
<td>1,868</td>
<td>38%</td>
</tr>
<tr>
<td>Result before tax</td>
<td>(160)</td>
<td>(107)</td>
<td>(50%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(40)</td>
<td>(20)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>(120)</td>
<td>(87)</td>
<td>(38%)</td>
</tr>
<tr>
<td>One-off items</td>
<td>(224)</td>
<td>(107)</td>
<td>(109%)</td>
</tr>
<tr>
<td>Adjusted net result for the period</td>
<td>104</td>
<td>20</td>
<td>420%</td>
</tr>
<tr>
<td>Operating cost/premium ratio</td>
<td>14.5%</td>
<td>15.2%</td>
<td></td>
</tr>
<tr>
<td>New annual premium equivalent Life</td>
<td>269</td>
<td>285</td>
<td>(6%)</td>
</tr>
</tbody>
</table>

13.2.1 Result 2012 compared to 2011

Zwitserleven posted a net loss of €120 million wholly due to an impairment of the brand name of €95 million net and a partial impairment of the value of business acquired (VOBA), included in the technical results, of €129 million net.

Although the Zwitserleven brand name is highly recognized in the market, the impairment test no longer supports its capitalisation. The full impairment of the brand name of €95 million net (€126 million pre-tax) is related to difficult circumstances in the pensions market as evidenced by the continued low interest environment, longer life expectancy, expected higher future capital requirements and the increased competition due to new entrants with a low cost profile, creating pressure on prices and margins. In addition, the lower risk profile of the investment portfolio implies lower future investment income.

The partial impairment of the VOBA is related to the shortfall in the IFRS liability adequacy test (LAT). This LAT compares the market value and the IFRS carrying amount of the insurance liabilities and related assets. The use of the ECB AAA + UFR curve and the general decline of interest rates in 2012 led to an IFRS LAT shortfall in the insurance liabilities of €1,619 million net. By using shadow accounting, the positive fair value reserve of the related fixed-income portfolio was used to increase the IFRS carrying amount of the insurance liabilities by €1,986 million. However, the fair value reserve of the related fixed-income portfolio could not fully compensate the entire shortfall. The remaining shortfall of €129 million net (€172 million pre-tax) was charged to the income statement as a partial impairment of VOBA.

Adjusted for these one-off items, Zwitserleven’s net result increased sharply due to the higher total net impact of the
investment portfolio and hedges. The positive impact of realised gains on bonds and equities and a lower addition to provisions for interest rate guarantees was only partly offset by lower results on financial instruments.

The underlying net profit of Zwitserleven declined with 28% to € 46 million driven by lower direct investment income due to de-risking measures and lower technical results, partly compensated by lower operating expenses.

Table 23: Underlying result Zwitserleven

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result for the period</td>
<td>(120)</td>
<td>(87)</td>
<td>(38%)</td>
</tr>
<tr>
<td>Gains, losses and impairments on equity portfolio</td>
<td>6</td>
<td>3</td>
<td>100%</td>
</tr>
<tr>
<td>Gains, losses and impairments on fixed-income securities</td>
<td>114</td>
<td>9</td>
<td>1167%</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>(60)</td>
<td>21</td>
<td>(386%)</td>
</tr>
<tr>
<td>Changes in insurance contracts due to movements of fair value items</td>
<td>14</td>
<td>(59)</td>
<td>124%</td>
</tr>
<tr>
<td>Total net impact investment portfolio and hedges</td>
<td>74</td>
<td>(26)</td>
<td>385%</td>
</tr>
<tr>
<td>Impact of one-off items</td>
<td>(224)</td>
<td>(107)</td>
<td>(109%)</td>
</tr>
<tr>
<td>Net result excluding impact of one-off items and impact of investment portfolio and hedges</td>
<td>30</td>
<td>46</td>
<td>(35%)</td>
</tr>
<tr>
<td>Amortisation VOBA and other intangible assets</td>
<td>(16)</td>
<td>(18)</td>
<td>11%</td>
</tr>
<tr>
<td>Underlying net result</td>
<td>46</td>
<td>64</td>
<td>(28%)</td>
</tr>
</tbody>
</table>

As of 1 January 2012 the definition of underlying result has been adjusted. The share in results of associates is included in Gains, losses and impairments on equity portfolio and unrealised results of fixed-income securities at fair value through profit and loss and of investment properties are included in Gains, losses and impairments on fixed-income securities. Comparative figures have been adjusted accordingly.

Results on equity hedges are included in realised gains/losses on equity portfolio instead of result on financial instruments.

Changes in insurance contracts due to movements of fair value items include releases of/additions to provisions for interest rate guarantees in unit-linked portfolio and separate accounts, the impact of shadow accounting and the impact of the hedging of inflation risks.

Gains, losses and impairments on bonds were € 114 million positive compared to € 9 million positive in 2011. In order to lengthen the duration of the fixed-income portfolio, short-duration fixed-income securities were sold and long duration fixed-income securities were purchased, leading to realised gains. The improved matching of maturities of the fixed-income portfolio and associated insurance liabilities has reduced the sensitivity to changes in interest rates.

The loss on financial instruments of € 60 million net was mainly due to unrealised losses on derivatives used for hedging interest rate risks (€ 38 million) and inflation (€ 17 million).

Changes in insurance contracts due to movements of fair value items amounted to € 14 million positive. This consisted of the net impact of additions to provisions for interest rate guarantees related to separate accounts due to the low interest environment (€ 7 million negative, compared to € 74 million negative in 2011), the net impact of shadow accounting (€ 14 million positive compared to € 19 million positive in 2011) and lower technical expenses due to the impact of inflation (€ 7 million positive, compared to € 4 million negative in 2011).

13.3 Income

Regular pension premium income showed a limited increase due to the more disciplined pricing of premiums in which the low level of interest rates and longevity risk were included. There was also an increase in the number of policyholders from existing insurance contracts. Market share of new regular premium income decreased from 23.5% at year-end 2011 to 10.9% at year-end 2012. Single pension premium income showed a marginal decrease. As a consequence, total premium income was only modestly higher and New Annual Premium Equivalent (NAPE) was lower at € 269 million.

Zwitserleven is one of the first insurance companies to subscribe to the recently launched Principles for Sustainable Insurance (PSI) of the United Nations, underpinning its aim to embed sustainability in the heart of its business.
Table 24: Breakdown Investment income for own account Zwitserleven

<table>
<thead>
<tr>
<th>Gross amounts in € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment income</td>
<td>482</td>
<td>359</td>
<td>34%</td>
</tr>
<tr>
<td>Realised gains/losses on equities</td>
<td>15</td>
<td>7</td>
<td>(114%)</td>
</tr>
<tr>
<td>Realised gains/losses on fixed income securities</td>
<td>151</td>
<td>22</td>
<td>586%</td>
</tr>
<tr>
<td>Other realised gains/losses</td>
<td>(1)</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Realised gains/losses</td>
<td>165</td>
<td>29</td>
<td>469%</td>
</tr>
<tr>
<td>Unrealised gains/losses</td>
<td>2</td>
<td>(2)</td>
<td>200%</td>
</tr>
<tr>
<td>Direct investment income</td>
<td>315</td>
<td>332</td>
<td>(5%)</td>
</tr>
</tbody>
</table>

Direct investment income consists of interest, dividend and rental income.

Total investment income for own account was up considerably due mainly to higher realised gains on fixed-income securities. Direct investment income was somewhat lower due to de-risking measures and a lower dividend income.

Investment income for risk of policyholders was sharply higher, due mainly to positive revaluations of fixed-income securities following the decrease in interest rates, while in 2011 it was negatively impacted by lower equity markets and widened credit spreads.

13.4 Expenses

Technical expenses increased due to higher additions to the reserve for compensation of investment based policies and due to lower results on disability insurance and due to the partial impairment of the VOBA for an amount of € 172 million.

Acquisition costs for insurance operations decreased strongly because Zwitserleven switched to non-commission fee-based arrangements for the sale and extension of pension contracts, ahead of the implementation of the government decision to prohibit commission fees on complex products as per January 2013.

Table 25: Breakdown Impairment charges Zwitserleven

<table>
<thead>
<tr>
<th>Gross amounts in € millions</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment charges of equities</td>
<td>7</td>
<td>2</td>
<td>250%</td>
</tr>
<tr>
<td>Impairment charges of fixed income securities</td>
<td>-</td>
<td>8</td>
<td>(100%)</td>
</tr>
<tr>
<td>Impairment charges of intangible assets</td>
<td>126</td>
<td>131</td>
<td>(4%)</td>
</tr>
<tr>
<td>Other impairment charges</td>
<td>1</td>
<td>4</td>
<td>(75%)</td>
</tr>
<tr>
<td>Total impairment charges</td>
<td>134</td>
<td>145</td>
<td>(8%)</td>
</tr>
</tbody>
</table>

Impairment charges were high in both 2012 and 2011 due to impairment charges on intangible assets, consisting of the brand name (€ 126 million pre-tax) in 2012 and an impairment charge on goodwill (€ 131 million pre-tax) in 2011. Impairment charges on equities increased compared to 2011, while no impairments on fixed-income securities were necessary in contrast to last year.

Operating expenses decreased marginally to € 137 million and included € 4 million of restructuring charges. This decrease is the result of a substantial decrease in external FTE and the positive impact of cost reduction programmes.

Other interest expenses decreased strongly due to lower funding costs for the retail mortgage portfolio acquired at the end of 2010.
13.5 Commercial developments and organisation

13.5.1 Pension market in flux and under pressure
In 2012, the pension market was under substantial pressure. The low long-term interest rate, a higher life expectancy, rising unemployment and continued legal uncertainty were the main causes. The low interest rate increased both the values of insurance liabilities and the bond portfolio. On balance, this caused pressure on the solvency of insurers. Like other insurers, Zwitserleven subsequently had to increase its premiums, particularly for the average and final pay defined benefit plans, which have a high percentage of guaranteed accrual. Hedging against investment risk on every euro to be paid in the distant future became more expensive. Higher life expectancy has led to higher costs. Zwitserleven expects these higher costs to ultimately lead to further premium increases.

In 2012, the pensions market was in flux, for the most part as a result of the preparations for the ban on commissions that went into effect in 2013 and the tightened competency requirements for new advisors. Existing advisors also have to meet these new requirements from 2014. As a consequence, the number of advisors declined and will continue to decline in the next few years. Zwitserleven anticipated to these developments by transferring contracts that no longer have an advisor assigned to them to Zwitserleven Pension Services (ZPS), thus offering SME employers continuity of service. For explanations, refer to 13.5.2. Customised and quality of service.

There was an increasing demand for low-priced products. This benefitted providers of products without guarantees, such as Premium Pension Institutions (PPI). SNS REAAL’s low credit rating had a detrimental effect on the confidence in Zwitserleven’s business continuity in the wholesale market. Nevertheless, total sales of regular premiums and single premiums rose slightly by 2%. Zwitserleven’s market share in new regular premiums fell from 23.5% over 2011 to approximately 10.9% over 2012.

13.5.2 Customised and quality of service
The low interest rate and rising life expectancy causes pension accrual to become much more expensive, in particular the guaranteed accrual. 55% of the Zwitserleven portfolio has a guaranteed accrual. As a result of the low interest and rising life expectancy, employers want pension costs to be predictable. Increasingly more often, therefore, they opt for a basic pension scheme at a relatively low level. At the same time, the employer usually offers employees the opportunity to save voluntarily to supplement their pension. Zwitserleven finds it essential that employees get a clear and realistic picture of their pension accrual. Only then can they make an informed choice about supplementing their pension.

The popular Zwitserleven Exclusief Pensioen responds well to the need for transparency. The employer undertakes to pay a defined contribution that is entirely intended for the employee’s pension. The employee therefore knows precisely where he stands. After deduction of the purchase costs, 99.5% of the premium is invested, less fund management fees (TER) of average 0.06% in 2012. The costs of life and disability insurance and administration costs are settled separately by the employer, making them transparent to the employer. Zwitserleven supports schemes like these because they are in the employee’s interest.

In 2012, Zwitserleven split its services to benefit from the scale and expertise of partners in order to improve the quality and/or to reduce the costs. The basic customer service for employers was separated from some other services, such as changing the pension scheme, extra pension communication with employees or extra (financial) information for the employer, his advisor or his accountant. These separate services each have a fair price. The more you use one of these services, the more you pay. Splitting products and services means more transparency and flexibility for employers. Cost price and sales price per component must, however, be consistent, making profitable products cheaper and loss-making products more expensive. This is at the expense of solidarity between customers with profitable and unprofitable products, but Zwitserleven considers transparency and customer choice and efficiency and cost advantages more important.
Testing customers' interests

Zwitserleven fine-tuned its HorizonBeleggen (Lifecycle Investing) model that is part of the defined contribution pensions. Based on age and years left until retirement, Zwitserleven invests the premiums received in a mix of shares, real estate and corporate and government bonds. The risk profile of this mix will automatically be reduced as the retirement date approaches. We are always looking for an optimal balance between achieving returns on investments and managing investment risks. An external organisation concluded that we can thus offer a higher pension and more security at the same costs in comparison with the defined contribution pensions based on a fixed investment mix. This investment model outperforms the benchmark for pension products.

Zwitserleven’s pension products constantly evolve as a result of changes in laws and regulations and customer and employee requirements. Once again in 2012, Zwitserleven tested all its products for compatibility with SNS REAAL’s Group-wide standards. We examined if the products focus sufficiently on our customers’ interests. In the survey, we used the following criteria: cost efficiency, usefulness, security and understandability.

Ensuring higher quality of advice

In March 2012, Zwitserleven set up Pension Services, a service that focuses on direct sales and advice. The reason for this is the tightening of the quality requirements for pension advisors by regulators. The Financial Markets Authority introduced a separate pension advice licence. Advisors had to apply and were required to register for a Dutch Financial Supervision Act Pension Course. Advisors who did not (timely) meet the requirements, were forced to transfer their portfolio to another advisor or returned them to the relevant pension insurer. This had a big impact on the pension advisory market. Approximately 1,800 advisors, 43% of the total number of advisors, discontinued their advisory services in 2012. Some 1,000 portfolios were returned to Zwitserleven, which gave employers the opportunity to propose another independent advisor or switch to Zwitserleven’s Pension Services. By the end of 2012, 228 employers had chosen to do the latter.

Zwitserleven Pension Services focuses on SME and sees the development of direct sales and advice as an important strategic addition. Direct interaction with customers provides important information that could benefit all activities and contributes to increased customer satisfaction. Zwitserleven can offer an acceptable and competitive price in combination with expert advice.

Explanation of pension overview in personal video

Research shows that many Dutch people have a lack of understanding of their pension arrangements. This can and must be changed of course. After all, only well-informed people can make responsible decisions about their financial future. It is for this reason that Zwitserleven introduced a personal pension video for employees in 2012. They were the first pension insurer to do so. In this video, the employee’s pension situation is explained in a simple way. Click here www.Zwitserleven.nl/upovoorbeeld to view an example (in Dutch only). In the video, the actual amounts, corresponding with the Uniform Pension Overview (UPO), are described and explained. By the end of 2012, well over 25,000 people had viewed their personal video. This means that more than 16% of the employees made an effort to go into their financial future.

Director-shareholders are not covered by the Pension Act. Pension insurers are therefore under no obligation to send them an annual UPO. Therefore, at year-end 2012, Zwitserleven began sending director-shareholders a UPO in addition to their annual value statement because we consider it important that this group is well informed too. Director-shareholders pension products often have long maturities. Previous yield estimates may, therefore, no longer be met. By keeping them well-informed in a timely manner, they can respond to the situation and adjust their policies if they wish to improve their pension.
13.5.3 Compensation unit-linked pension policies
Zwitserleven made great progress with the execution of the compensation scheme for unit-linked pension policies. Some 400,000 policies had to be recalculated. By the end of 2012, approximately half of all (former) policyholders were informed if, and to what extent, they qualified for compensation. The other 50% will be informed in the first six months of 2013. Within two months of notification of the compensation, Zwitserleven will add the amount to the value of the policy. We expect 15% to 20% of the 400,000 policyholders to be eligible for compensation. Because of the many acquisitions in the past, it is a great deal of work to convert all policy data into one IT system that calculates the compensation. The average compensation amount per (former) policyholder is a few hundred euros. At year-end 2012, the provision for compensation for pension contracts with a defined contribution plan amounted to €35 million (2011: €33 million). In 2012 this provision was increased by €12 million (2011: €5 million) from the life insurance charges for expected future compensation charges. In 2012, part of the portfolio was compensated and nearly €10 million of this provision was used.

13.5.4 Socially responsible investing
Zwitserleven wants to invest their customers’ contributions in a responsible way, with an eye for the impacts on human rights and the environment. On behalf of Zwitserleven, SNS Asset Management (SNS AM) invests 99.7% in companies that comply with established ESG criteria. The investments in the Zwitserleven Wereld Aandelenfonds do not (yet) comply with these criteria. Zwitserleven provides its customers with a report on the execution of its investment policy on quarterly basis. The reports contain summaries of voting behaviour and engagement activities with companies on the impact of their business conduct on human rights and the environment.

The annual survey of the Dutch Association of Investors for Sustainable Development (VBDO) indicates that Zwitserleven has the most socially responsible investment policy of all Dutch insurers in 2012, making it the most sustainable insurer in the Netherlands according to the criteria of the VBDO study. REAAL came second. This survey goes into the policy, implementation and transparency of the investments. Zwitserleven has the Eurosif quality mark for its transparency and socially conscious investment policy since 2011. The objective of this European organisation is to encourage sustainable business conduct in the financial services industry.

13.5.5 Customer integrity
With respect to customer integrity, Zwitserleven adheres to the Group-wide code of conduct (the Code) and ensures strict compliance with this Code. SNS REAAL employs a customer control process involving customer research, customer acceptance and customer and transaction monitoring. Zwitserleven also takes the industry in which the employer operates into consideration. If that particular industry might present a higher risk, Zwitserleven will conduct more in-depth research and inform the Compliance department. Advisors are also acquainted with the Code. In 2012, we conducted investigations into a number of customers. We refused one customer because research showed that this particular customer was involved in an environmental offence in an African country.

13.5.6 Responsible marketing communication
Economic reality and changes in the pensions market will have a negative impact on the costs and volume of the (guaranteed) pension accrual over the next few years. From the perspective of corporate responsibility, Zwitserleven wants to be transparent in its communication on this, so that customers and employers can make responsible choices themselves. This is in line with SNS REAAL’s mission of Simplicity in finance. This also assumes that we stay close to the customer in terms of our communication, no longer use exotic images as reference, but set a feasible and sustainable (pension) target in the Netherlands. To achieve the objectives of responsible communication, new process steps have been included in the Product Approval & Review Process (PARP), in which our communication is assessed against the cost-efficiency, usefulness, security and understandability criteria of the AFM (Netherlands Authority for the Financial Markets). Whether a particular communication expression is actually understandable or not is not determined by us, but by a customer panel that decides if something is understandable or not.
13.5.7 Customer service and customer interaction

Enhanced customer service
In the past few years, Employee Desk staff attended intensive training courses to provide better customer service. Our employees enhanced their performance through asking better questions, a more personal approach, calling customers back personally and making promises they can meet. These improvements were reflected in higher customer satisfaction ratings in 2012.

Zwitserleven expanded its relationship management for corporate clients to include SME clients. Personal interaction makes it easier to strengthen relationships and increase customer satisfaction.

Solving and learning from complaints
Zwitserleven improved the registration and analysis of interaction with employers, employees and Director-shareholders and customer advisors. All interactions are now registered and analysed to allow us to implement specific improvements. Moreover, any expression of dissatisfaction is registered as a complaint. Despite this change in registration, the number of registered complaints fell from 1,589 to 1,495 (-6%) in 2012. About three quarters of the complaints came from employees, the remainder from advisors and employers.

Complaints included administration errors, not keeping agreements, returns on investments, lack of clarity in financial communication and mutations. Customers who are dissatisfied with a product or service can submit a complaint through their relationship manager or send a complaint letter to management. The number of complaints sent directly to management fell from 244 to 174. The majority came from employees, but complaints also came from advisors, the Kifid (Dutch Financial Services Complaints Institute) and the Ombudsman. Zwitserleven considers each complaint as an opportunity to learn and improve. The good thing about this, obviously undesirable, rise in complaints is that advisors, employers and employees find it easier to contact Zwitserleven when they are dissatisfied.

Based on an analysis of the complaints and customer satisfaction surveys in 2011 and 2012, Zwitserleven implemented improvements, such as:

- approaching employers and director-shareholders on our own initiative to offer and request relevant pension information;
- starting to call director-shareholders after sending a new policy to check whether the information is clear;
- updating postal and email addresses more frequently;
- calling back customers with the oldest call/question first to explain the reason for the administrative delay;
- speeding up and simplifying the value transfer process when switching to another pension insurer;
- using simpler language for correspondence and limiting the number of questions on forms.

Engaging customers and their employees
There are several ways in which Zwitserleven engages with customers and their employees. This information is used to align our products and services to even better to the needs and wants of customers and employees. Zwitserleven organised several events in 2012:

- A number of evening sessions for employees who are due to retire soon. In these sessions we provided information on all aspects of the transition to retirement and the benefits.
- Pension Podium, an event for customers and their employees at three locations across the country at which information and entertainment, such as a cabaret show on pensions, were combined. Zwitserleven invested around 200 man hours and €60,000 in this event.
- A number of on-site UPO days (as a paid service) to provide extensive information to employees on the Uniform Pension Overview and all relevant pension aspects.
Zwitserleven also purposely involves its customers in the development of products and services, notably by means of surveys and discussion and information sessions in the evenings with employees. In 2012, Zwitserleven started customer panels with the aim to improve communication and started building up an online community.

**Customer satisfaction**

Overall satisfaction of our customers’ employees, i.e. the participants rose relatively from -47 at year-end 2011 to -41 at year-end 2012 on the basis of the Net Promoter Score (NPS) survey method. The NPS scores showed relative improvements in all areas, with the exception of the already high score for corporate clients, which decreased slightly to +6.8. The NPS scores for SME rose relatively, from a score of -38.5 to -24.9 and those for director-shareholders improved relatively even more strongly, from -46.6 to -7.6. So, the improvements based on the analysis of the interactions in 2011 and 2012 showed improvements compared to last year, but in absolute terms, there are still some challenges. That is why Zwitserleven is still not satisfied and aims at further improvements of the NPS scores by continuing to focus on the customers’ interests in the further development of its services.

**13.5.8 Engagement with other stakeholders**

Zwitserleven wants to encourage a wider sense of responsible behaviour in the area of pensions. To this end, Zwitserleven maintains several partnerships and engages stakeholders with whom we create sustainable value, that is to say with whom we work on financial self-reliance of the Dutch people.

In co-operation with Zwitserleven and PGGM, the Stichting Weet Wat Je Besteedt (Stay on Top of Your Spending Foundation) is working on increasing the perception of retirement among young people. Young people have little perception of retirement. The approach, by, with and for young people, is focused on continuous education and development to support them. This means that learning material is developed in co-operation with young people. This material can then be used in lessons by (guest) lecturers. In the preliminary phase, Zwitserleven provides two professionals for half a day per week for the duration of six months. The guest lectures comprise some 30 lectures given by the Zwitserleven colleagues. This allows us to host guest lectures for the next school year and so increase the pension perception among young people. The ambition is to make pensions a standard part of the curriculum of young people in 5 years’ time.

Zwitserleven also intensified cooperation with Hogiaf, a federation of local Turkish-Dutch employers’ organisations with some 5000 affiliated companies. Hogiaf aims to keep its member better informed about the possibilities to secure an old-age pension. Zwitserleven contributes to this aim by providing pension education.

Zwitserleven also sponsored the Accenture professional award for the most sustainable innovation, in part to get ideas regarding sustainability itself. The entries of the Green tulip are used as inspiration for our own plans in the field of communication and co-creation. We thus invest more in digital communication and lasting partnerships with customers and partners.

**13.5.9 Contributing to society**

Making a contribution to society is the basis for the annual volunteer activities of our own staff. Each year, Zwitserleven employees are permitted to dedicate one day of their working time to volunteer activities. Through the Caring with Compassion project, we organised a fun or functional day out for twelve institutions in and around Amstelveen, where Zwitserleven is located. Two so-called ambassadors organised the activities for each of these institutions that are mainly involved in the provision of child, medical and social care. In 2012, 201 employees participated in these activities, which is 31% of our staff. Together, they spent some 2,300 man hours on volunteer work, including the ambassadors’ hours. In addition to these man hours, Zwitserleven spent €29,000 on these activities.

Zwitserleven also contributed to the national Money Smart Week. In total, 59 employees gave 89 lessons at primary schools. In these lessons children were made more aware of the value of money and got tips to better cope with money.

From 2013, Zwitserleven will organise its social commitment around the theme Samen voor later (Working together
towards a better retirement). This involves encouraging financial independence in a broader sense, such as micro pensions in developing countries and financial education.

13.5.10 Continuation of corporate responsibility development

In 2012, Zwitserleven took a clear stand towards corporate responsibility. Under the heading of Our Responsibility, an elaboration of SNS REAAL’s core value CARE!, Zwitserleven started encouraging its employees to make the difference in products, services and Zwitserleven’s role in society themselves.

Many people have an insufficient understanding of pensions as pension products are complex. This makes it difficult to make choices and take the necessary action. Zwitserleven wants to change this, especially through personal leadership of its staff. In 2012, Zwitserleven’s management and some employees entered into intensive discussions with customers, social institutions and their own staff to find out what lives in society and to get ideas to give substance to the responsibility for the future of people. Through workshops, Zwitserleven departments - each from their own discipline - got insight into how they could give substance to that responsibility and how they could provide better customer service. In this process of change, Zwitserleven is guided by four sustainability principles, which were established in consultation with customers and employees:

- My conscience: Zwitserleven takes responsibility for its customers and is at the heart of society.
- Together you & I: Zwitserleven works with and for its customers and their employees to create a bond and to make the difference.
- Transparent & Good: Zwitserleven feels responsible for the pension of its policyholders and their understanding of pensions.
- Free & Secure: Zwitserleven believes policyholders should be able to depend on their pension, so that they can give meaning to their own future.

Zwitserleven believes that Our Responsibility and the accompanying principles will help to further improve customer satisfaction and further develop corporate social responsibility.

In June 2012, at the start of the Rio +20 climate convention in Rio de Janeiro, Zwitserleven signed the United Nation’s Principles for Sustainable Insurance, thus committing itself to sustainability criteria in its decisions. Besides financial matters, Zwitserleven undertakes to take into account the impact on society and the environment. Zwitserleven also undertakes to actively promote this policy and collaborate with partners to make the chain of services and products more sustainable. Signing the principles means that Zwitserleven is to submit a progress report to the UN at least once a year. We received positive customer feedback on this step.

13.5.11 Customer-oriented and efficient organisation

In recent years, Zwitserleven invested in a new IT platform, considerably reducing the number of old systems. Due to mergers with AXA, Winterthur and DBV, we were using many different systems. Also, REAAL and Zwitserleven exchanged some portfolios. By transferring information to a couple of large systems, we were able to shut down 41 systems in 2012. We will continue to reduce the number of systems in 2013, resulting in significant cost savings.

In 2012, Zwitserleven completed several projects to make the organisation more customer-oriented and efficient, especially with respect to customer services. Improved customer service and lower costs appear a challenging combination, but in 2012 Zwitserleven succeeded in achieving just that. Some examples are the digital pension overview, linking our systems to industry-wide terms of employment portals and the new e-magazine Straks (Later) for our customers’ employees. Customer satisfaction rose and the operational costs decreased from € 139 million in 2011 to € 137 million in 2012.
14 Developments Group activities

Group activities comprise the business units and Group staff activities for which the Executive Board has direct management responsibility and whose income and expenses are not recognised in any of the other business units. SNS REAAL Invest and SNS Asset Management are also part of the Group activities, as is SNS Beleggingsfondsen Beheer (from January 2012). The costs of the Group staff departments that are jointly incurred are passed on based on the services rendered. Where this is not feasible, they are proportionally allocated to the business units. The costs of the Board of Directors and other specific holding costs are not allocated to business units.

14.1 Financial developments

The net result from Group activities fell €7 million to €100 million negative. The impact of one-off items amounted to €17 million negative compared to €19 million negative in 2011, in both periods consisting of impairment charges on the stake in Van Lanschot NV.

Adjusted for the impact of one-off items the net result decreased by €9 million. This was mainly due to lower income from loans downstreamed to the insurance activities, following the refinancing of subordinated debt at the insurance operating entity level in 2011 and higher operating expenses related to the strategic restructuring.

14.2 SNS Asset Management

14.2.1 Strategy and activities

SNS Asset Management’s primary task is the responsible management and administration of the investments of REAAL, Zwitserleven and ASN Bank for own account and the investment funds of SNS Bank, ASN Bank and Zwitserleven. In addition, SNS Asset Management conducts responsible investment management for external institutional customers, such as pension funds and insurers, charities and religious institutions. SNS Asset Management performs all these activities with a focus on achieving the investment targets for its customers by delivering sustainable performance, service and advice.

SNS Asset Management bases its management on comprehensive company analyses. In addition to return and risk criteria, SNS Asset Management also applies ESG criteria when selecting investments. ESG stands for Environmental, Social and Governance. That means that aspects such as human rights, child labour, forced labour, corruption, environmental pollution, arms and generally accepted ethical principles are explicitly included in the investment policy. This policy is based on the Fundamental Investment Principles of SNS Asset Management, for which international treaties, conventions and best practices are the basic principles. In addition, SNS Asset Management wants to influence the policies of companies in which it invests. Through active shareholdership, by means of voting policies and engagement on controversial topics, SNS Asset Management aims to deliver optimum financial and social value for customers and other stakeholders.

SNS Asset Management outsources a minor part of its investment management (approximately 5%) to specialist third-party managers. In its choices, SNS Asset Management also considers responsible investment criteria. Where necessary, these are negotiated with the third-party manager.

As a specialist responsible investment manager, SNS Asset Management offers its external institutional customers two fund types:

- responsible index funds based on ESG criteria and active shareholdership;
- impact investing, aimed at improving access to financial services for SMEs and micro businesses in emerging economies. The objective is to deliver competitive returns combined with measurable social development.
14.2.2 Organisation and policy for responsible investment

SNS Asset Management’s total assets under management rose from €42.6 billion to €45.9 billion (+7.7%).

Breakdown managed assets SNS Asset Management 2012

88% Represented assets managed on behalf of the SNS REAAL brands: REAAL, Zwitserleven, SNS Bank, the SNS Investment Funds, ASN Bank and the ASN Investment Funds. Especially the increase in the fixed-income portfolio’s value contributed to asset growth. The growth was limited due to the expiration of unit-linked insurance contracts and unit-linked mortgages.

Service-driven and robust organisation

SNS Asset Management improved the service to its internal customers, for instance by setting up a customer advice centre and an operations office. Through its operations office, SNS Asset Management offers system and operating support in major change projects, such as the implementation of amendments to laws and regulations with which the insurer and investment funds are faced. The customer advice centre plays an active role in ensuring efficient capital management at REAAL and Zwitserleven. SNS Asset Management therefore improved its services in order to better align them with the asset mix of investments for own account, also in view of regulatory changes ensuing from Basel III and Solvency II.

SNS Asset Management improved the structure of processes in order to take the organisation’s efficiency and robustness to a higher level. The improvement was demonstrated by the grant of an ISAE 3402 type II quality certificate. This certificate also indicates that material risks are sufficiently covered by control measures.

Making the investment chain more sustainable

Research, voting policy and engagement are crucial in putting responsible investment principles into practice. The investment universe consists of around 2,000 shares and bonds, primarily from the world’s developed regions. At year-end 2012, 37 companies were excluded following ESG-based research. These are companies that clearly violate SNS Asset Management’s Fundamental Principles and where improvement is not possible or expected.

SNS Asset Management also applies ESG criteria to investments in government bonds. Countries are assessed with instruments of supranational organisations such as the World Economic Forum or the United Nations. On account of the strong focus on the eurozone, the restrictions have limited impact on the actual investment policy.
Exercising influence by voting policy

SNS Asset Management opts for a cautious policy in the exclusion of companies. Many companies are more sensitive to criticism from a committed shareholder than from an outsider. That is why SNS Asset Management opts for engagement wherever possible when a company breaches social standards to some extent. Provided, of course, that the company shows its willingness to accept criticism and make changes. For reasons of effectiveness, such engagement processes are often in co-operation with other investors.

In 2012, SMS Asset Management casted votes at general and extraordinary shareholders’ meetings of around 2,000 companies. Management proposals that are put to the vote are reviewed in terms of corporate governance guidelines. Where possible, SNS Asset Management has incorporated environmental and social criteria in these guidelines, so that SNS Asset Management’s Fundamental Investment Principles are also part of the voting policy. The voting policy is based on international guidelines for best practice, as provided by the prestigious International Corporate Governance Network and specific national Codes. If any shortcomings are detected, SNS Asset Management uses the opportunity to vote against a management proposal or to support an alternative shareholder resolution. Topics relatively often put to the vote in 2012 included research into corporate ethics, executive remuneration, independent supervision and participation of women in senior management. Two examples:

HSBC, the British bank, presented a remuneration report with a €9.1 million remuneration package for the chairman of the Executive Board. Various groups of shareholders, including SNS Asset Management, and trade unions criticised this proposal. The bank had recently cut 2,000 jobs in the United Kingdom as part of a global cost-cutting programme. SNS Asset Management voted against the remuneration report because it found the performance targets to lack ambition and the bonus of more than €2.7 million for the chairman of the Executive Board too high, in part because the share price lost 25% of its value in 2011. Unfortunately, 90% of the votes cast were in favour of the management proposal.

At Siemens in Germany, a group of shareholders put a proposal to the vote for including quota for the number of women employed at board level in the articles of association. Companies in Europe, among them Siemens, are clearly ahead of the rest of the world. At Siemens, no less than 20% of the supervisory board members were women, markedly more than the average of 15.6% at the thirty largest German companies. Moreover, the company itself indicated that it wants to further increase the number of women on the Executive Board. SNS Asset Management did not support this motion, which was not passed. SNS Asset Management finds it more meaningful to give companies that are on the right track enough time to appoint more women in senior positions.

Proactive engagement

SNS Asset Management focuses on a limited number of companies so as to be effective in its efforts of constructive engagement. These companies mainly operate in the extractive industries (especially oil, gas and mining) and in the forestry and paper and food and beverage industries. These industries represent the greatest social controversies and risks. At the end of 2012, SNS Asset Management had initiated engagement with 24 companies. A dialogue can be conducted through individual conversations with a company’s senior management, including relevant experts and/or members of the Executive Board and the Supervisory Board, or through forums of various collaborating shareholders. Confidentiality is a key condition for many companies in order to be successful. In the dialogue, any proposed or effected voting conduct can often be used to strengthen a position.

Since 2012, SNS Asset Management has a proactive engagement policy in these areas. This means that SNS Asset Management prefers to engage with companies on ESG principles even before situations of conflict may arise that could harm the interests of shareholders or others. Two examples:
SNS Asset Management joined a coalition of investors representing total assets under management of US$ 1,620 billion. This coalition entered into dialogue with the authorities of Canada and Alberta to make them aware of the importance to better monitor oil sands mining operations and independent supervision thereof. This type of oil extraction is more harmful to the environment than conventional oil extraction. Environmental groups frequently criticise this method. Moreover, the environmental risks could create financial risks for investors in the long run. The authorities of Canada and Alberta have now taken measures to curb environmental risks.

To verify whether human rights are sufficiently protected, SNS Asset Management talked with a mining company about its policy and procedures when consulting with indigenous communities. The company gave explanations of its plans to close mines and of water management. The company is making progress in some locations. SNS Asset Management expects to be able to continue the dialogue about activities in other locations.

SNS Asset Management also engaged with the Fair Bank Guide about practices often described as ‘land theft’. Western companies sometimes buy large areas of fertile land in less developed regions of the world. This could come at the expense of the indigenous – largely poor – population. SNS Asset Management has meanwhile explicitly included ‘land theft’ in its ESG policy, thus involving this topic in the selection of and dialogues with companies as from 2013.

SNS Asset Management provides quarterly updates of its investment policy that contain information on exclusions, recent voting conduct, dialogues and real-life examples, to SNS Bank, ASN Bank and Zwitserleven, which publish these reports on their websites. The reports may differ from one another because of specific tailoring to target groups and/or deviating investment policies.

SNS Asset Management encourages small innovative companies

Since 2012, SNS Asset Management has modified its strategy for the SNS Europa Aandelenfonds (SNS Europe Equity fund) to increase the chances of smaller, innovative companies to be included in its investment universe. Previously, SNS Asset Management selected around 200 companies for its investment universe based on research; the 40% most sustainable companies of the 500 companies that are part of the benchmark. SNS Asset Management now also considers smaller, innovative companies that post good financial results but only just fail to meet the required ESG criteria. This is mainly due to inadequate reporting rather than lagging performance. By entering into dialogue with these companies, SNS Asset Management wants to encourage them to raise their ESG standard. If progress is made, SNS Asset Management may invest in these innovative companies. By now, some of these have already been added to the universe, but none had yet been included in the portfolio at the end of 2012.

Guidelines and conventions

As from 2006, SNS Asset Management endorses the guidelines of the Principles for Responsible Investment (PRI) initiative, which are supported by the United Nations. The 850 affiliated financial organisations endorse that environmental, social and governance factors affect investment policies and that it is important to integrate these factors in the investment process. In the most recent comparative survey of 345 asset managers worldwide in 2011, SNS Asset Management was among the top 25% in all areas, an excellent score. The individual scores of SNS Asset Management were better than the average of other Dutch financial institutions.

Refer to GRI chapter 4.12 for an overview of all declarations that SNS REAAL and its business units have signed in respect of corporate responsibility.

Refer to GRI chapter 4.13 for an overview of key memberships and contacts with corporate responsibility stakeholders.
14.2.3 Asset management for external customers

The assets under management (AUM) of the Responsible Index funds for external customers increased from € 1,014 million to € 1,076 million in 2012 (+6.2%). AUM in impact investing increased from € 327 million to € 387 million (+18.2%).

The Responsible Index funds are also available for investments for own account by REAAL and Zwitserleven. Moreover, REAAL has made a Responsible Index fund available for customers who wish to switch to a cheaper fund as part of their unit-linked insurance. These funds are subject to the same ESG policy and the same active shareholdership as the investment funds of the retail brands.

The AUM of the microfinance funds mainly grew due to fully invested second microfinance fund. In addition, the volume of these two funds increased due to an increase in the value of equity participations and interest income on the funds’ outstanding loans. Both funds achieved positive returns in 2012. Microfinance funds were regularly covered in the news in 2012, partly due to interest rate levels. SNS Asset Management curbs these risks by pursuing a selective country policy and on-site supervision by external supervisors.

In addition to its activities in the area of microfinance, SNS Asset Management teamed up with FMO – an investment bank focusing on developing countries in which the Dutch State has a majority interest – to develop a new impact fund in 2012. This fund is aimed at expanding the financial services rendered to small and medium-sized enterprises in emerging markets.

14.3 Sustainable supply chain and the environment

As a large employer, SNS REAAL is part of numerous product and service chains. As a consumer of energy and raw materials, a purchaser of goods and a user and manager of real estate, we wish to minimise all harmful impacts on people and planet, and make a positive impact wherever possible. We aim to make the supply chain more sustainable by joining efforts with buyers and suppliers. At the same time, we aim to further reduce the costs of accommodation and the purchase of products and services.

The New World of Work (NWW) is primarily aimed at increasing productivity and striking a better work-life balance of our staff, but also strongly contributes to cutting costs and adding sustainability. Partly due to the NWW, the average floor space per FTE, excluding SNS Shops, was reduced from 16 m² at year-end 2009 to 11 m² at year-end 2012, and will be reduced even further in the years ahead. The operating expenses for office space decreased from € 42 million at year-end 2011 to € 38 million at year-end 2012, and will also decrease further. This gain is partly mitigated by higher IT costs.

In 2012, the ISO-14001 environmental certification of the office in Alkmaar was expanded to the offices in Utrecht, Den Bosch, Arnhem and Zoetermeer. In order to retain this certification, SNS REAAL must introduce new improvements every year.

14.3.1 Reduced energy consumption and use of raw materials, carbon emissions and waste volumes

In 2012, we consumed 27 GJ of energy per FTE, compared to 30 GJ in 2011. This represents a drop of 10%. Absolute electricity usage was down 12% and gas usage was down 13% as a result of energy awareness and energy monitoring. Paper consumption per FTE dropped sharply by 24%, water consumption per FTE remained constant and waste volumes per FTE dropped by 8.8%. In 2012, 71% of our office waste was suitable for recycling, compared to 74% in 2011. Refer to GRI 6.1 EN1 table. With the introduction of the NWW, part of the reductions achieved at SNS REAAL is mitigated by an increase in employee home energy consumption.

SNS REAAL pursues active energy and carbon dioxide policies. In 2012, SNS REAAL’s office buildings consumed 12% less energy compared to 2011. This is well above the reduction target of 3% compared to 2010. In the external data
centres, which typically use a lot of energy, consumption was down by 37%. This significant decrease was the result of the reducing of the size of the datacenters. Carbon emissions based on kilometres driven fell by 2%. With this performance, SNS REAAL is well within the limits of the MJA-3 energy covenant agreed with the government. When renovations to office buildings are carried out, after relocation or otherwise, much attention is paid to using more sustainable materials and installations. One example is ASN Bank’s relocation to a larger building in The Hague in 2012. This outdated office building had been vacant for some time. After making it more sustainable, the building was upgraded from energy label ‘G’ to energy label ‘B’. After completion of a new energy installation, it will obtain an ‘A’ label. Only second-hand office furniture and sustainable materials were used to furnish the office. Another example is REAAL’s new office in Alkmaar, which is being built according to the BREEAM guidelines. BREEAM stands for Building Research Establishment Environmental Assessment Method and is an assessment method to determine a building’s sustainability performance.

14.3.2 Sustainable purchasing
SNS REAAL took new steps to make buying product and service more sustainable. In 69% of all new contracts concluded in 2012, a sustainability statement was signed. In the category of Facilities Management, the sustainability statement was included in all new contracts. In 2012, we worked towards the 100% purchase of FSC-only certified paper. Only the Marketing & Communication department did not yet use FSC-only certified paper (4.7% of the total paper consumption). In 2013, we will purchase 100% FSC-only certified paper for this department too. Furthermore, more stringent standards applied for new lease cars with respect to maximum CO2 emissions. At year-end 2012, the maximum emission was 155 grams for petrol cars and 145 grams for diesel cars. SNS REAAL aims to tighten these standards annually and arrive at 130 grams for all lease cars in 2015.

In the other categories of primary process, professional services, HRM and marketing & communication, the percentage of sustainability statements was well over 75% at year-end 2012. In the category of ICT, the score was 44%. In 2012, SNS REAAL started preparations to promote sustainable purchasing in these categories as well. At year-end 2012, SNS REAAL organised a round table conference with eight major suppliers from all purchasing categories to exchange know-how and ideas about sustainability improvements.

Conclusions of the meeting, at which suppliers emphasised the importance of ethical conduct: were:

- Use a sustainability statement mainly as an engagement tool and involve your suppliers in applying sustainability within your organisation;
- Be alert to mutual interests and look for collaboration; work on building true partnerships in which you get to know each other.

Where possible, we seek to align our sustainability criteria with the ESG criteria that SNS Asset Management uses for its asset management. SNS REAAL continuously weighs sustainability in its selection process. If a supplier offering the best value for money cannot sign a sustainability statement, SNS REAAL engages with that supplier after concluding the contract in order to improve sustainability. If this proves unsuccessful, the collaboration is terminated.
15 Risk and capital management

The capital risks of SNS Bank were a major source of concern as early as 2011, as the EBA stress test showed that SNS Bank had a capital shortfall. By mid-2012 the capital ratio was strengthened mainly by reducing the risk-weighted assets and a capital contribution. Causing concern, however, were the underlying driving factors of falling capital ratios, i.e. the value changes at Property Finance in particular and higher capital requirements. As the risks in SNS REAAL’s property finance portfolio were found to increase so much during 2012, it could only be concluded that, without additional measures, the solvency might not be improved sufficiently to meet the (internal) capital standards for the bank and the Group in the medium term in combination with the planned repayment of the state support. That is why it was decided to proceed to strategic reorientation, as communicated in July 2012. Various scenarios were examined looking for a reinforcement of the capital base.

In the second half of 2012, SNS Bank was forced to take substantially higher impairments on property loans and real estate projects in the balance sheet. Several factors contributed to this situation. Firstly, the macro-economic situation worsened. But there was mainly a matter of deterioration of the real estate market to which the Dutch real estate markets were no exception. These deteriorating conditions were reflected in increasing caution on the part of appraisers, which was also partly due to the lack of reference transactions. On top of this, in some countries, including the Netherlands and Spain, the refinancing market continued to shrink or was virtually closed. For the real estate portfolio, all this translates in a perceptible decline in the run-off pace, in lower estimates of the expected future cash flows and, in a number of cases, in a necessary adjustment of the adopted exit strategy. Following the aforementioned developments, we saw the number of loans in default rising further in the second half of the year, forcing us to make provisions for more items.

Property Finance has conducted a thorough examination of its property loan portfolio with the assisted by an external party. It assessed for each property what the potential losses could be for the years to come. This assessment took into account the country or region, the type of real estate and the condition of the relevant real estate. These analyses learned that the potential losses were higher than previously assumed. This resulted in an increase in impairments. Also for residential mortgages impairment losses increased. The decrease in value of houses are mainly based on statistical models. Recent developments are used to rebuild these models. The new models project, under the same circumstances significantly, higher losses.

Due to these developments, the financial position of SNS REAAL in 2012 weakened. The core Tier 1 ratio decreased from 9.2% in 2011 to 6.1% ultimo 2012, and thus below the limit required by DNB and under the internal standard of at least 9%. The Double Leverage of the Group increased from 114% to 127%, and thus well above the internal limit of up to 115%. The necessity to come up with a comprehensive solution increased.

By the end of 2012, SNS REAAL was frequently in the media. This ultimately resulted in the outflow of savings and deposits from SNS Bank. In January 2013 the negative publicity further intensified. The increasing outflow of savings and deposits resulting from this was reason to activate SNS Bank’s Liquidity Contingency Plan in January 2013. The relatively high liquidity buffers of SNS Bank and the proper functioning of this plan proved to be adequate for cushioning the liquidity outflow in January.

At the end of 2012, SNS Bank concluded in its Internal Capital Adequacy Assessment Process (ICAAP) that it would have insufficient capital in time if it did not take any additional measures. If negative economic developments were to continue, it would be unlikely that SNS REAAL would be able to repay the State aid in time (no later than year-end 2013) just like that. In the years to come, the capital ratio of the company would come under even more pressure and the – hitherto - rising capitalisation would not improve further.

De Nederlandsche Bank (DNB) informed SNS REAAL through its Supervisory Review and Evaluation Process (SREP) of its presumption that the risks in the real estate loan portfolio were more material than previously assumed by SNS REAAL and that an increase in the core capital in the short term is needed. As, in DNB’s view, SNS REAAL was not able to meet the requirements set for this purpose within good time, DNB informed the Ministry of Finance that DNB no longer deemed it justifiable for SNS Bank to continue its banking activities. The Ministry of Finance subsequently decided on 1 February 2013 to nationalise SNS REAAL as described in Chapter 2.
15.1 Risk management in exceptional circumstances

In 2012 and in January 2013, SNS REAAL’s risk management was strongly driven by the exceptional circumstances facing the company:

- In the second half of 2012, SNS REAAL was frequently in the media, which resulted in uncertainty and speculations about SNS REAAL’s survival. In the same period, SNS Bank amongst other improved the eligibility of its asset portfolio. As from mid-January 2013 until the moment of SNS REAAL’s nationalisation on 1 February, there was an increased outflow of savings and deposits. The liquidity buffers of SNS Bank (year-end 2012 € 11.5 billion) proved adequate to cushion the outflow in January 2013.
- Property Finance’s losses were larger than expected and increased in the course of the year.
- The housing market again showed weak volumes and weak price development in 2012. The chances of payment defaults and losses in the event of foreclosure increased, which was reason for SNS Bank to intensify its arrears management in the course of the year. The combination of the deteriorating credit risk environment and the introduction of stricter risk assessment models for loans in this market, resulted in an increase in risk-weighted assets under Basel II, putting further pressure on the capital ratios.
- The market risk of investments in European government bonds remained high in 2012. As of September 2012, tensions in the bond market slightly diminished as a result of the ECB’s statements that the euro was to be defended ‘at any cost’. This had its effect on the valuation of bonds, and thus on the volatility of the solvency.
- The management of the balance sheet of the Insurance activities required the necessary attention in 2012 as well. The long-term interest rates experienced a strong drop towards June, which put pressure on the solvency ratio for many insurers. In mid-2012, DNB therefore introduced a new yield curve for the valuation of liabilities, based on an Ultimate Forward Rate (UFR). This had a positive effect on the legal solvency. As a result, it was also necessary to reconsider the insurer’s balance sheet management. The duration of the assets had to be shortened in order to limit the sensitivity of solvency to interest rate fluctuations.
- A further decrease in the solvency of the Insurance activities. The solvency of the insurer is currently strongly determined by the following uncertainties: longevity risk, interest rate risk, credit spread movements and possibly increased cost loads due to declining volumes in the market. In view of the already limited buffers to cushion solvency shocks, the solvency risk of the Insurance activities is material.

The nationalisation of SNS REAAL put a halt to the outflow of savings and deposits, reinforced the capital base of the bank and the Group and placed the risk associated with the financing of commercial property outside the company. SNS REAAL now has the possibility to shift its focus back to its core activities and to further reinforce its capital base.

15.2 Key financial risks for SNS REAAL

The nationalisation removed the liquidity risk and the risks associated with the financing of commercial property. Currently, the key financial risks for SNS REAAL are:

- Continued stagnation and declines in value in the housing market due for instance to rising unemployment, uncertainties with regard to economic developments including house prices and uncertainties as to additional political measures with respect to the housing market. The amended government policy of February 2013 removes some uncertainty, such as on the mortgage interest tax relief, but house prices could fall further, which is negative for the losses in the event of foreclosure and thus for the credit losses on SNS Bank’s (residential) mortgage portfolio.
- Persistent risks surrounding the euro, including the risk of partial payment default by a European member state. Both the bank and the insurer have a considerable portfolio of government bonds, the value of which may come under pressure.
- Due to the economic recession, the risks of claims and of customers coming to face financial problems have increased, with potentially negative consequences for profitability.
- Exposure to interest rate differences between European countries and between different fixed-income instruments,
which mainly manifests itself in potential volatility of the market value of fixed-income investments and the solvency of the Insurance activities.

- Due to the low market rate, guarantees issued in the portfolio of Zwitserleven became relevant, causing an increase in investment risk.
- As a result of the new yield curve (UFR) introduced by DNB for the valuation of insurance obligations for solvency purposes, a balance must be found between stabilising the value of the equity and the status of the solvency.
- Negative impact on the Insurance activities’ capital position due to higher life expectancies.
- Amended regulatory rules in the financial sector and uncertainty as to how fast those rules will be implemented. This makes it difficult to control the balance sheet and profitability.
- The arguments given in the appeal before the Council of State give rise to the conclusion that the owners of the expropriated securities and assets are considering to begin legal procedures against SNS REAAL to claim damages.
- The European Committee has provisionally approved the rescue aid from the State. For this rescue aid and the other elements set out in the letter to the Dutch House of Representatives (Kamerbrief), approval will be requested in the restructuring plan that is to be presented no later than 22 August.

For more information see Risk management financial risks Banking activities and Risk management financial risks Insurance activities.

## 15.3 Capitalisation

### 15.3.1 Capitalisation Banking activities

Increasing losses on real estate were obviously the main determinant of the deteriorating capital ratios. The deteriorating capital ratios were reinforced by a number of developments in the retail activities. These were driven by the developments in the Dutch mortgage market. House prices fell, unemployment rose and arrears and foreclosures increased. As a result, the probability of default (PD) increased, as did the expected losses in case of default (LGD). Hence, the expected losses and the risk-weighted assets (RWA) increased. The introduction of a new, but also more conservative internal model for mortgages reinforced all this. The increase in RWA of the internal mortgages model significantly contributed to the 80% floor of Basel I no longer being the determinant for the capital ratios, but the capital requirements under Basel II.

### 15.3.2 Capitalisation Insurance activities

Solvency of the Insurance activities amounted to 176% compared to 203% at the end of 2011. A decline of 19% was due to an increase in required capital mainly related to a change of the solvency requirements of a part of the separate accounts and due to the downward shift of the yield curve which led to an increase of the liabilities and thus also to an increase of required capital. Furthermore, solvency mainly declined due to the narrowing of credit spreads of French sovereign debts which resulted in a more strongly increase of the liabilities than the investment portfolio, because the liabilities are valuated by using the ECB AAA + UFR, in which French sovereign debts represent a greater share than in the investment portfolio. Finally, solvency decreased due to a dividend upstream by REAAL Non-Life to SNS REAAL in the first half of 2012 and due to the impact of model and parameter changes mainly related to mortality. Underlying results partly offset the negative impact on solvency.

The use of the new interest rate curve had a 20% positive impact on solvency. However, at Insurance holding level this impact was almost wholly offset by a more restrictive stance on Tier 2 debt included in solvency capital (-19%).


15.3.3 Strategic reorientation
As the year progressed, the dialogue between the Supervisory Board and the Executive Board on the nature, extent and possible solutions of the capital shortfall that was gradually becoming more evident intensified. This subject was discussed in several Supervisory Board meetings.

15.3.4 Pro forma capitalisation
The pro forma capitalisation of SNS REAAL and SNS Bank has improved after the nationalisation. The pro forma core Tier 1 ratio of SNS Bank, by the end of 2012 is 14.9%, and the pro forma double leverage of SNS REAAL is 105%. This includes the already completed and currently intended aid measures. The statutory solvency of the insurance activities (176%) does not change as a result of the nationalisation.

The pro forma solvency ratios take into account all known effects ensuing from the nationalisation, including subsequent effects, such as:

- The write-off of the real estate portfolio to the values as determined by the Minister by transfer of Property Finance to a real estate management organisation. The loss on the real estate portfolio on separation is € 2.8 billion compared to the book value of June 2012 (refer to section 2.2.1.1). Of this amount, € 776 million is recognised in the second half of 2012. For the remaining loss, a provision of € 2.0 billion has been made in the first quarter of 2013. This provision will lead to a decrease in the risk-weighted assets of SNS Bank as per 1 February 2013, after which the remaining risk-weighted assets will be released at the external transfer of the portfolio (refer to 2.2.1.6).
- The core Tier 1 securities issued to the State and the Stichting Beheer SNS REAAL are deposited as share premium on ordinary shares in SNS REAAL.
- The expropriation of and conversion into equity of the subordinated debt of SNS Bank NV and SNS REAAL NV and incorporation into the assets of the results from the reduction of derivatives relating to the expropriated items.
- A paid-in share premium of € 2.2 billion by the Dutch State in SNS REAAL, € 1.9 billion of which has passed through as share premium to SNS Bank.
- A bridge loan of € 1.1 billion.
- The release of around € 5.5 billion in risk-weighted assets by transferring the activities of Property Finance to a new, to be established real estate management organisation in combination with the government guarantee of around € 5 billion for the temporary loan that SNS Bank will provide to this real estate management organisation.
- The contribution by SNS Bank to the Resolution levy imposed by the Minister.
- An estimation of the deferred tax asset resulting from the impairments of Property Finance and the conversion into equity of subordinated debts.

SNS REAAL aims at a further reduction of the double leverage and a strong solvency of both the bank and the insurer in light of the further implementation of Basel III and Solvency II, respectively.

15.4 Liquidity
Given the uncertainty and negative publicity about SNS Bank, SNS Bank did maintain a high liquidity position in 2012 too. At year-end 2012, this liquidity position was € 11.5 billion. By the end of 2012, SNS REAAL was frequently in the news. Confidence among consumers and in the financial markets in a solution to reinforce the capital base of SNS REAAL dwindled. This ultimately resulted in an increased outflow of savings and deposits in January 2013, which was the reason to activate SNS Bank’s Liquidity Contingency Plan. The relatively high liquidity buffers of SNS Bank and the proper functioning of this plan proved adequate to cushion the outflow of liquidity in January 2013 (see section 26.7.2 Liquidity risk policy and 26.7.3 ILAAP).

After the nationalisation of SNS Bank, the outflow of savings and deposits came to a halt. However, SNS Bank still maintains a high liquidity position, as – on the one hand – the situation on the (interbank) money and capital markets has not yet normalised and – on the other hand – regulatory bodies are expected to require higher liquidity buffers in the
future (as announced in the Basel III regulations).

In 2012, the double leverage increased at Group level in absolute terms. SNS REAAL financed this double leverage partly internally from its insurance activities and partly on the capital market. A significant part of the externally funded double leverage had to be refinanced in March 2013. However, external refinancing of this debt was surrounded with considerable uncertainties. There was no permission to expand the internal loan. This was a large part of the overall problem at SNS REAAL.

After the nationalisation, the Dutch State provided a bridging loan of €1.1 billion to SNS REAAL, with which the Group’s outstanding debt was largely refinanced. After the nationalisation, the pro forma double leverage was strongly reduced in absolute terms to €248 million (from €918 million).

15.5 Management of non-financial risks

The financial crisis and the subsequent public debate about the financial sector made it clear that culture and conduct are essential for restoring confidence in the financial sector. SNS REAAL puts customers’ interests first in its mission, core values and strategy. Also for that reason, measures were taken in 2012 to further improve the control of non-financial risks. The basis for this control is complying with laws and regulations and internal rules and maintaining and promoting integrity in the corporate culture. SNS REAAL has a Code of Conduct and a set of measures in place to guarantee integrity in the conduct of its business. Signals indicating a violation of this integrity are investigated.

Developments in the management of non-financial risks

Major new developments in the management of non-financial risks were the following:

- The Group Risk Committee (GRC), set up in 2011, met periodically in 2012. The GRC sets SNS REAAL’s policy frameworks for both financial risks and non-financial risks and supervises their implementation.
- The results of the integrity assessment in 2011 led to various improvements in 2012. In addition, a number of integrity-related issues were included in the employee survey. The results of this survey form the basis for improvement plans.
- In 2012, a risk appetite dashboard for non-financial risks was introduced. It gives the management insight into the extent to which business is conducted within the limits of the risk appetite.
- SNS REAAL was increasingly faced with threats of cybercrime. SNS REAAL is closely monitoring these developments and takes appropriate measures where necessary.

For more information see Risk management non-financial risks in the financial statements.

15.5.1 Property Finance

During the financial year reasonable suspicion of irregularities was obtained in respect of invoices and expense reimbursement claims regarding the hiring of third parties and cooperation with third parties in Property Finance. This has partly occurred at management and supervisory functions on projects.

Currently these signals, which indicate irregularities, are under further investigation. Concrete evidence of irregularities will lead to claims. These claims are inherently uncertain and, therefore, do not lead to recognition of a receivable in the balance sheet or to a disclosure of a contingent asset at this time.

We have implemented several measures to prevent reoccurrence of these irregularities. Inter alia, the employees potentially involved no longer work for Property Finance. If applicable, our relationships with third parties associated with these individuals have been terminated. In addition, a number of managers and employees of Property Finance have been suspended pending the investigation. Furthermore, suspicion of criminal offenses arising from the conduct of these employees are reported to the authorities. The continuation of our investigation of potential irregularities is one of the measures taken by SNS REAAL in response to the signs of potential irregularities.
In addition to the investigations carried out by SNS REAAL there is an investigation by the criminal authorities. To the extent possible and allowable under Dutch law, SNS REAAL cooperates with the criminal authorities. It is possible that at the completion of investigations, matters arise that could affect the valuation of assets and liabilities.

Finally, with respect to a limited number of loans, irregularities are suspected which took place before 2010. These files are currently being investigated with the assistance of a third party.

15.6 New regulations and their implementation

15.6.1 New regulations for Banking activities
The negotiations in Europe on the implementation of the Capital Requirements Directive IV, or the CRD IV, had not yet been completed by the end of 2012. CRD IV is a European directive for the implementation of the Basel III regulations published in 2011 aimed at reinforcing the capital and liquidity of banks and investment firms. DNB voiced the expectation that CRD IV and the corresponding CRR Regulation will take effect on 1 January 2014 at the earliest. SNS Bank is anticipating the new capital and liquidity requirements ensuing from them or taking effect in the near future.

15.6.2 Basel III migration plan
In May 2012, SNS REAAL updated its Basel III migration plan, which included a base case scenario. According to the Basel III standards, SNS Bank met all the liquidity and solvency requirements in time in this base case scenario. The plan also included the consequences of several negative scenarios, such as a further deteriorating real estate market, and possible measures to tackle these consequences.

As explained above, at year-end 2012, the conclusion of the Internal Capital Adequacy Assessment Process (ICAAP) was that SNS Bank would not meet the capitalisation requirements in the stress scenario used.

15.6.3 Preparations by Insurance activities for the introduction of Solvency II
In all probability, the date on which the new Solvency II regulations will enter into effect for the European insurance sector will be further postponed. Initially, Solvency II was to enter into force on 1 January 2014. SNS REAAL will continue its preparations for Solvency II at the same pace. Having already implemented various elements, SNS REAAL aims to finalise the other preparations in 2013 and 2014, without prejudice to any further amendments to the Solvency II Accord. SNS REAAL will use any additional time ensuing from a further postponement of the introduction to further embed the implementation and reinforce the benefits of these regulations for the organisation. The data quality and the management information systems, for example, still need significant improvement in the years to come.

15.7 Developments in the risk management organisation
The SNS REAAL risk management organisation aims at strengthening the Group policy and the frameworks within which risk policy is defined. Continuous improvement of quality and efficiency of risk management are the central theme here.

In addition, the developments on financial markets and the economic recession require a dynamic risk management organisation. The cultural shift in the financial sector requires, among other things, a stronger focus on putting the interests of clients first, combined with the development of corporate responsibility.
An analysis of the risk management organisation resulted in a number of fundamental improvements, better safeguarding the clear definition of risk frameworks and decision-making processes. The main developments in 2012 were as follows:

- Introduction of improved Risk Governance
- Review (update) of the Risk Management policies pursued within SNS REAAL
- The proposed split off of the Risk Management activities of Property Finance and those of SNS Retail Bank resulting in a separate department Risk Management Property Finance as per 1 January 2013.

For more information, see the paragraph Risk Management organisation.
16 Funding and credit ratings

The risk surcharges in the capital market decreased in the second half of 2012, but SNS REAAL’s accessibility remained limited and the lack of capital in the European banking sector persisted. In 2012, it was difficult for SNS REAAL to get access to the funding market. A few public funding deals were testimony to the market’s confidence in SNS Bank. SNS Bank limited its dependence on the capital market with further growth of savings deposits. SNS Bank’s liquidity position remained high in 2012.

16.1 Public funding strategy

Our public funding strategy is aimed at funding the activities of SNS REAAL, REAAL and SNS Bank at competitive levels, i.e. at minimal cost while limiting risks. This strategy is based on two pillars. The first pillar comprises measures to ensure sufficient and prompt liquidity. In this manner we can avoid the risk that, at a late stage, we will need to obtain money at unfavourable conditions. The second pillar is the diversification in terms of funding instruments, types of investors and geographic areas. For example, SNS Bank can opt for the most suitable instrument, depending on the varying market conditions, capital requirements and the qualifications demanded by De Nederlandsche Bank (Dutch Central Bank). Our customers’ savings play an increasingly important role in the total funding, which enables us to limit our dependence on the public money and capital markets and improve the loan-to-deposit ratio. This ratio showed limited improvement from 159% at year-end 2011 to 142% at year-end 2012.

16.2 Funding transactions in 2012

The total liquidity position, including the cash balance, of the Banking activities remained high in 2012. The liquidity position at year-end 2012 was €11.5 billion, compared to €11.1 billion at year-end 2011.

In the first half of 2012, the capital markets continued to be under pressure. SNS Bank’s main funding sources were the increase in retail savings deposits and the participation in an LTRO tranche, a three-year loan, in February. An LTRO (long-term refinancing operation) is a facility with a low variable interest rate, i.e. in practice 1% or less, which the ECB used to provide commercial banks with up to approximately a quarter of the refinancing volume required.

In the second half of 2012, confidence in the capital markets improved following the ECB’s announcement that, subject to national governments requesting aid, it would buy up government bonds without limitation, if the risk surcharges should reach unacceptable levels. This calmed down the markets and the risk surcharges decreased. In this improved climate, SNS Bank successfully placed five-year covered bonds with a value of €1 billion in August. The bonds were well over-subscribed, and the risk surcharge of 115 basis points over mid-swaps was considerably better than the average risk surcharge in 2011. The covered bonds, priced at 99.995 percent, have a coupon of 2.125%. At year-end 2012, the covered bonds, listed on Euronext Amsterdam and the Luxembourg Stock Exchange, had an AA+ rating from Fitch and an Aa2 rating from Moody’s. At the end of January 2013, just before the nationalisation and the accompanying improvement of the capital position, Moody’s downgraded SNS Bank’s rating, as a result of which the rating of the covered bonds was downgraded to A1. It is expected that, as long as this rating does not improve, it will not be possible to issue any.

In September, SNS Bank placed securitisations at the amount of €883 million within the framework of its Hermes XVIII securitisation programme. One tranche of €211 million in Class A3 and with a maturity of approximately five years was placed with a few institutional investors. The two other tranches, one of €192 million in Class A1 and with a maturity of approximately two years and one of €480 million in Class A2 and with a maturity of approximately five years, were well over-subscribed. The placement improved both SNS Bank’s liquidity position and repayment profile.

The lower risk surcharges in the second half of 2012 improved the marketability of SNS Bank securities. The risk surcharges of the subordinated bonds, covered bonds and Residential Mortgage Backed Securities (RMBS) declined. The indicative risk surcharges for five-year covered bonds, for example, decreased from 140 basis points at year-end 2011 to 90 basis points at year-end 2012, and those for five-year RMBS from 175 basis points at year-end 2011 to 120 basis points at year-end 2012.
All of SNS Bank’s issues in 2012 were benchmark bonds. Issues of liquid benchmark bonds contribute to a broadening of the investor base. Benchmark bonds can be traded on the stock exchanges in Europe. Their liquid nature makes it more attractive, for institutional investors as well, to invest in SNS Bank bonds.

In 2012, SNS REAAL Group carried out two transactions. The first was an increase of an already existing EURO loan with a coupon of 4.125% that expired in March 2013. The transaction was carried out in March 2012: the original outstanding € 300 million was increased by € 250 million to a total of € 550 million. In addition, SNS REAAL Group carried out a transaction in Norwegian kroner (NOK) at the amount of NOK 500 million. The value in euros is around € 67 million. The transaction expires in October 2015 and has a coupon of 5.50%. The revenues of this issue are converted into euros and the currency risk is fully hedged. With both of these external financing transactions, intercompany loans are further reduced.

16.3 Private placements
There were a limited number of private placements of debt securities in 2012. SNS Bank has two commercial paper programmes, one European programme and one French programme, each with a maximum amount of € 4 billion. Commercial paper has a maturity of one to 12 months. SNS Bank does not want to be dependent on short-term money programmes. In 2012, as well, only very limited use was made of these programmes. The amount outstanding on the European programme was approximately € 70 million at year-end 2012, and the funding via the French programme amounted to approximately € 380 million.

16.4 Credit ratings
In 2012, the credit ratings of many European financial institutions continued to be under severe pressure. The pressure on SNS Bank’s credit ratings in 2012 mainly related to the impact of the deteriorating property market on its capital position. The relatively low ratings led to relatively high funding costs. At the same time, from a European perspective confidence in SNS Bank remained high, also because of its classification as one of the four systemically important banks of the Netherlands by the Dutch Central Bank. This was also evident from successful public funding transactions.

When assigning credit ratings to subsidiaries, rating agencies will take into account the mutual intertwining of the banking and insurance activities within a financial group. As a result, the credit ratings of the Insurance activities of SNS REAAL were also under pressure in 2012, albeit to a lesser extent than those of the Banking activities.

On 15 February 2012, Moody’s placed all ratings of SNS REAAL and its subsidiaries ‘under review for possible downgrade’. The reason was an extensive review of the ratings of a number of European banks because of deteriorating macroeconomic factors, higher funding costs and pressure on profitability. On 1 March 2012, Standard & Poor’s lowered all ratings of SNS REAAL and its subsidiaries by one notch, while at the same time replacing the ‘negative outlook’ by a ‘stable outlook’. As a result, the ratings of SNS REAAL and REAAL Verzekeringen were BBB and the ratings of SNS Bank, SRLEV and REAAL Schadeverzekeringen were BBB+. The reasons for the downgrade were weakened prospects regarding the economic outlook and their negative impact on SNS Bank and, to a lesser extent, the Insurance activities.

On 8 March 2012, Fitch lowered SNS Bank’s viability rating from bbb+ to bbb-. This rating does not take into account any support by the State or the Insurance activities of SNS REAAL. On 15 June 2012, Moody’s lowered the ratings of SNS REAAL, SNS Bank, SRLEV and REAAL Schadeverzekeringen by one notch, within the framework of the general review of ratings for European banks that had been previously announced. The outlook for the ratings was increased to ‘stable’. As a result, the rating of SNS REAAL was Baa3, the rating of SNS Bank Baa2, and the ratings of SRLEV and REAAL Schadeverzekeringen Baa1. Compared to SNS Bank’s downgrade by at most four notches as indicated by Moody’s on 15 February 2012, the downgrade remained limited. On 26 June 2012, Fitch reconfirmed the long-term ratings of SNS REAAL, SNS Bank, SRLEV and REAAL Schadeverzekeringen.

The announcement on 13 July 2012 of SNS REAAL’s strategic reorientation, in connection with the rising impairments on loans at Property Finance, put the credit ratings under further pressure in the second half of 2012. On 16 July, Fitch placed the ratings of SRLEV and REAAL Schadeverzekeringen at Rating Watch Evolving, and on 18 July, it placed SNS REAAL’s rating and SNS Bank’s viability rating at Rating Watch Negative. Fitch reconfirmed SNS Bank’s rating at
a floor level of BBB+ because of the AAA- rating of the Dutch State and the assumption that the State will intervene in case of emergency. On 20 July 2012, S&P placed the ratings of REAAL Verzekeringen, SRLEV and REAAL Schadeverzekeringen at CreditWatch ‘developing’, and the ratings of SNS REAAL and SNS Bank at a ‘negative outlook’. In response to the strategic reorientation, Moody’s announced on 2 August 2012 that it would leave all ratings and the outlook unchanged.

On 9 October 2012, Fitch reconfirmed SNS Bank’s rating once again at BBB+ with a ‘stable outlook’. It lowered SNS Bank’s viability rating by two notches from bb+ to bb, and the Rating Watch Negative for SNS Bank’s viability rating was lifted. Fitch’s reason for lowering the viability rating was the increased risks in the property loan portfolio. The Rating Watch Negative for SNS REAAL and the Rating Watch Evolving for SRLEV and REAAL Schadeverzekeringen remained in place.

On 16 November 2012, S&P lowered all ratings of SNS REAAL by one notch, resulting in a BBB- rating for SNS REAAL and REAAL Verzekeringen and a BBB rating for SNS Bank, SRLEV and REAAL Schadeverzekeringen. The main reason was S&P’s downward qualification of the economic risk for the entire Dutch banking sector. SNS Bank’s stand-alone credit profile (SACP) was lowered to bb+.

On 21 November 2012, Moody’s placed all ratings of SNS REAAL at ‘Review for Downgrade’ and lowered the stand-alone bank financial strength rating (BFSR) of SNS Bank from D+ to E+. Moody’s reason was the quickly deteriorating Dutch commercial property market, which was likely to result in further losses at Property Finance. In addition, Moody’s believed that chances had increased that SNS REAAL would have to obtain external support in order to protect SNS Bank’s solvency from possible losses at Property Finance.

Due to the rating actions in 2012, SNS Bank’s stand-alone ratings have deteriorated to ‘non-investment grade’ at all three rating agencies. As credit ratings of subordinated debt securities are mostly derived from the stand-alone ratings, these were also under considerable pressure, particularly in the second half of 2012. However, the higher stand-alone credit ratings of the Insurance activities and the likelihood of State aid in the event of an emergency supported the counterparty credit ratings of SNS Bank to a level of barely ‘investment grade’.

On 29 January 2013, S&P placed the ratings of SNS REAAL and SNS Bank on ‘CreditWatch negative’. On 31 January 2013, Moody’s downgraded the BFSR of SNS Bank to E and lowered all ratings one notch.

On 4 February 2013, in response to the nationalisation, Moody’s placed all ratings on a ‘review for downgrade’. On 5 February 2013, also in response to the nationalisation, S&P raised the CreditWatch for SNS REAAL and SNS Bank from ‘negative’ to ‘developing’ and that of the Insurance activities from ‘developing’ to ‘positive’. The SACP of SNS Bank was lowered from bb+ to ccc+, but because of the State aid the credit rating of SNS Bank remained unchanged at BBB. Also on 5 February 2013, Fitch raised the ‘rating watch negative’ on SNS Bank and SNS REAAL to ‘rating watch evolving’. The viability rating of SNS Bank was lowered by Fitch from bb to f, but SNS Bank’s rating remained unchanged at BBB+. On 29 March 2013, S&P lowered the SACP of the Insurance activities from a to bb and decided to disconnect the ratings of SNS Bank and the Insurance activities. On 7 May 2013, the ratings for SRLEV and REAAL Non-Life were raised by S&P from BBB to A- and that for REAAL from BBB- to BBB+, all with a ‘negative outlook’. 
The current ratings and the latest reports from Standard & Poor’s, Moody’s and Fitch can be consulted on and downloaded from the Investors section of the SNS REAAL website. The table below presents the ratings as at 31 December 2012.

**Table 26: Credit ratings as per 31 December 2012**

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<th>S&amp;P</th>
<th>Moody’s</th>
<th>Fitch</th>
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<td><strong>Long-term</strong></td>
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<td>SNS REAAL</td>
<td>BBB- (negative)</td>
<td>Baa3 (review for downgrade)</td>
<td>BBB+ (RWN)</td>
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<td>SNS Bank</td>
<td>BBB (negative)</td>
<td>Baa2 (review for downgrade)</td>
<td>BBB+ (stable)</td>
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<td>REAAL</td>
<td>BBB- (CWD)</td>
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<td>SRLEV</td>
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<td>Baa1 (review for downgrade)</td>
<td>A- (RWE)</td>
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</tbody>
</table>
17 Our people

SNS REAAL is a genuine ‘people company’. It is only thanks to our employees’ dedication that we can build long-term relationships with our customers as they establish and maintain customer contacts. We want our employees to find satisfaction in their jobs. We encourage their development and expansion and want to offer them a good work-life balance and responsible remuneration. Even in very challenging market conditions, such as in 2012. We continued to invest in employees through education, training courses and the New World of Work (flexible working). The average employee satisfaction remained relatively high with a score of 7.3. The Executive Board greatly appreciates the commitment and performance employees have demonstrated despite the major developments at SNS REAAL.

17.1 Personal leadership

It is our people who carry out our mission Simplicity in finance. They give meaning to corporate responsibility, inspired by our core value CARE!. We, therefore, consider it of great importance that our staff is professional, committed and motivated. We expect personal leadership from them when executing and giving meaning to their own work. SNS REAAL started a transition process to create more room for personal leadership within the organisation. Our HR instruments, such as training, education and performance evaluations support us in this effort. Personal leadership is essential to make corporate responsibility, in which we put our customers’ interests first, a daily reality. It means that people act from personal motivation to provide customers with the best possible service and thus contribute to SNS REAAL’s overall result. Each employee is responsible for his own professionalism. This demands a modern leadership style from management. They must enable employees to make use of their full potential through support, feedback and discussions. REAAL is already working this way as part of the so-called Darwin programme. This is what we call: the inverted pyramid.

More freedom means more responsibility and more accountability with regard to personal commitment and performance. What has been achieved and what not? What went well and what can be improved? With dialogues like these, we create a culture of continuous improvement in our organisation.

In the past two years, SNS REAAL has gained positive experience with personal leadership in projects to put customers’
interests first and to make the organisation more efficient. For more information on our progress in this respect, see SNS Bank, REAAL and Zwitserleven. From 2013, personal leadership will be incorporated in change programmes for parts of the organisation. We expect supportive leadership from our managers. Their primary role is to offer support instead of control and direction. Only then can employees show and develop their own personal leadership. Managers will be supported where required.

17.1.1 Integrity: compliance with internal and external rules and regulations
SNS REAAL not only expects professionalism on the job, but also with regard to compliance with internal and external rules and regulations. We have a special online training course on integrity for new employees. For other SNS REAAL employees, we completed a programme in which we used special issues and news items in internal media, online training and workshops emphasising themes such as putting customers’ interests first, dealing with confidential information and conflicts of interest. Our rules for standards of conduct are defined in our ‘Common sense, clear conscience’ code of conduct. Our employees are well aware of this code, as was proved once more in the 2012 employee survey. SNS REAAL regularly brings this code of conduct to the attention by means of e-learning programmes, (online) workshops, presentations and publications. SNS REAAL has a contact centre for incidents where employees can report suspected violations of rules, such as fraud, inappropriate behaviour and conflicts of interest. Despite all these efforts, it is possible that incidents occur that are not acceptable. We then take strict action. Following investigations into potential conflicts of interest that started in 2012, a number of employees from Property Finance were forced to leave or were suspended. The investigation is continued in 2013.

17.1.2 CARE!
Our core value CARE! gives guidance to our behaviour. By means of CARE! SNS REAAL makes an appeal to its employees to consciously connect to: our customers, each other, the result and society. We emphasise the importance of CARE! for society by means of the CARE! Fund, which provides financial support to employees who dedicate themselves to a good cause. There is a site on SNS REAAL’s intranet that matches supply and demand of volunteer work.

17.1.3 Responsible employer
Being a responsible employer is much more than encouraging personal leadership and maintaining integrity. It also means offering competitive terms of employment, employability programmes, training and personal development opportunities, diversity and a good work-life balance. For the latter, the New World of Work (NWW) is an important tool.

17.2 Attractive employer
The New World of Work (NWW) stimulates personal leadership. In the NWW employees are required to be in charge of organising their own work. Employees clearly focus on results, carry out part of their work at home and use modern media to communicate with their colleagues. The number of employees that switched to the NWW rose from more than 2,000 at the end of 2011 to over 3,200 at the end of 2012. The objective of the NWW is to achieve a higher level of employee satisfaction as well as higher productivity. Investment costs, in particular the refurbishment of offices and the purchase of technical equipment, will be recovered by more economical and effective operations. We will considerably save on office space costs and the burden on the environment will be reduced.
17.2.1 Employee satisfaction level remains high

Every year SNS REAAL conducts an employee survey to gather feedback. In 2012, 84% of the employees participated in the survey. The high response is a sign of their great commitment to the company. The employee satisfaction score fell from 7.5 to 7.3, mainly due to the impact of market conditions and reorganisations that cause uncertainties with regard to jobs and positions. The level of satisfaction with regard to work, colleagues and management remained high. A lot of employees find SNS REAAL sufficiently large and diverse to offer different challenges though small enough to visibly contribute to the company as a whole on an individual level.

In answer to the question what makes SNS REAAL an attractive employer, the most common answer was the New World of Work. In 2012, the terms of employment were an important issue for SNS REAAL’s management in internal discussions and in consultations with the trade unions. The survey showed that developments in the financial services industry and the challenges SNS REAAL faces, caused high work pressure for some departments and individuals, but at the same time provided unique learning experiences in challenging projects. SNS REAAL’s mission, Simplicity in finance, and its implementation with a strong focus on the customers’ interests, has a motivating effect on many employees. “What you do, does make a difference”, one employee commented. Employees also indicated points for improvement. Among the most frequently mentioned were clarity and certainty on the future and terms of employment. Improved co-operation between the various departments and business units was another. As a result of the different office locations, employees sometimes have trouble finding each other, despite the NWW facilities.

17.2.2 High scores in surveys

In January 2012, magazine Intermediair and the agency SatisAction published a survey on flexible working conditions among 11,000 highly-qualified employees of seventy (medium) large Dutch companies and organisations. SNS REAAL ranked eighth in the Top 40, the highest score in the financial services industry. SNS REAAL also scored well in the LOF survey. LOF is a platform for employers and employees with multiple ambitions, i.e. the combination of work, family life and society. In October 2012, LOF published a study into the best employers for working parents. SNS REAAL is in the Top 10 (which had no ranking), with high scores in the following categories: female leadership and balance, support from the direct manager and flexible work schedules.

17.2.3 Promoting diversity

SNS REAAL wants to reflect our diverse society in the composition of its workforce. The diversity policy is based on equal opportunities for all. When recruiting employees, we focus on the qualities, motives and abilities of a potential employee and not on gender or origin. For working parents, the NWW offers many benefits to combine work and family life. It is our objective to increase the number of women in senior positions. In 2012, several female directors participated in the international Professional Boards Forum, where female high potentials can meet with directors of companies and organisations. Besides expanding the network, propagating the diversity policy for SNS REAAL was a reason to participate. The percentage of women in senior management positions rose from 16% at the end of 2011 to 18% at the end of 2012. The percentage of women in the entire organisation remained stable at 42%.

On 1 January 2013, the Management and Supervision Act (Wet Bestuur en Toezicht) entered into force. The act requires, inter alia, that at least 30% of the Executive Board and Supervisory Board members must be female and at least 30% must be male. This also applies to management boards and supervisory boards of other major entities in the SNS REAAL Group. SNS REAAL does not as yet comply with this requirement regarding balanced representation as the act has only recently entered into force. In 2012, one reappointment was made in the Executive Board and one in the Supervisory Board. Of these reappointments one was male and one was female.

In 2013, two members of the Executive Board and the Chairman of the Supervisory Board resigned upon the nationalisation. The Dutch State - as sole shareholder in SNS REAAL – appointed two new Executive Board members, both male. In addition to the information on diversity described in this section, SNS REAAL is investigating how balanced representation can be realised in the future. Additional information will be presented in the annual report 2013.
The desired diversity also means that we want to recruit more people with disabilities. Despite the reorganisations, SNS REAAL hired nine Wajong youngsters in 2012, including a tax specialist in the Fiscal Affairs Department. To get started, nothing more but a dedicated parking space, an adapted keyboard and an extra high desk were required. Wajong stands for the Employment support Act for Young Disabled Persons. Its objective is to support people with disabilities in finding and retaining paid work. Wajong youngsters are usually very motivated to work. Although we offer suitable coaching, we do not create jobs especially for them.

### 17.3 Sustainable employability

By sustainable employability we mean how productive, motivated and healthy employees want to and can stay to work inside and/or outside SNS REAAL. Sustainable employability is important for every employee. Big changes are currently taking place in the financial services industry. Customers demand simpler products, better service and a better price-performance ratio. This calls for an enhanced customer focus and greater efficiency. Our employees have a responsibility to maintain their employability in these changing circumstances. This means keeping up to date and broadening their (professional) knowledge as well as their skills and behaviour. SNS REAAL’s multi-brand policy offers additional career development opportunities. Employees who move between brands, share their knowledge with new colleagues and develop themselves accordingly.

HR has several tools to increase employees’ employability. The Performance and Competency Assessment, a performance management cycle, for instance is directed at the employee’s current performance as well as at his employability and career opportunities in the future. If necessary, a Personal Development Plan can be drawn up, or (external) career counselling called in. The e-assessments, our training courses and the Talent Development and Management Development programmes too, fit into this policy. With a tool for integral personnel planning, managers can map out the impact of internal and external developments on their staffing. This allows them to attune the number of employees and their knowhow and competencies in time to future needs. For instance, by planning training programmes in a timely manner.

#### 17.3.1 Health policy

To be able to continue working (properly), one has to stay healthy. SNS REAAL wants managers to talk with employees when they suspect this person’s health is hindering his normal personal and professional functioning. HR provides tools to conduct these talks. SNS REAAL pays a great deal of attention on prevention, including compensation for a fitness programme and a bicycle programme. Many employees use the Prevention Compass, a triennial health check. SNS REAAL’s intranet has a medical site that includes information on prevention, the company medical physician process, a healthy workplace set-up and the procedures for sick leave. SNS REAAL co-operates with a licensed occupational health service and has developed a health and safety plan to limit work-related illnesses, such as RSI or stress in co-operation with the Central Works Council (CWC). Job stress can have many different causes. In case of work-related stress in a department or of an employee, the manager can appeal to an HR advisor. This HR advisor, together with the occupational health service, discusses the problem to make it manageable and work on a personal solution.

For employees who cannot return to their former job as a consequence of a sustained illness resulting in disability, HR provides reintegration assistance for a position inside or outside SNS REAAL. In 2012, SNS REAAL commenced collaboration with two reintegration agencies that help employees find a reintegration position outside the company.

The **absenteeism rate fell** marginally in 2012. The development of absenteeism is in line with that of the industry. Only a small part of the absenteeism is work-related.
17.3.2 From work to work

Throughout the organisation there were many projects to work in a more customer-oriented and efficient way. In addition, reorganisations were carried out, with a strong impact on staff and positions at all levels of the organisation. The overall number of employees (FTEs) on the payroll of SNS REAAL fell by 203, including attrition, from 6,928 to 6,725 (-2.9%). Occasionally, the nature of the job changed so much that employees had to reapply for their job. HR offers workshops and guidelines to support managers and employees in dealing with reorganisations.

SNS REAAL reached agreement with the trade unions on a new Social Plan for the period from 1 January 2013 to 1 August 2014. Employees who lose their job due to a reorganisation will be assisted in their search for a new job inside or outside the organisation for a period of nine months. For those who do not succeed in finding a job within SNS REAAL, there is a financial severance scheme. In 2012, SNS REAAL set up Flexforce, an internal staffing agency, for SNS Retail Bank. Flexforce plays a central role in filling temporary positions. Regular staff of SNS REAAL uses its knowledge of our systems and processes in business units and at locations where it is most needed. SNS REAAL can thus offer its own employees perspective and reduce the deployment of external staff. We also want to reduce the number of external employees by means of using the Pluspool. The Pluspool is an internal employment agency for reassignment candidates from the age of 58 and can provide a solution if these candidates do not succeed in finding a new job within the reassignment period.

In 2012, the inflow rate of reassignment candidates rose by 108 and the outflow rate amounted to 130. From the latter category, 29% found another job within SNS REAAL and 10% outside the company. 58% left at the end of the reassignment period with a severance payments.

17.4 Training and development

We offer our employees many opportunities to develop themselves both professionally and personally, thus improving their performance and employability both inside and outside the organisation. By means of new working methods and by developing, exchanging and preserving knowhow, we create added value for our customers. It also improves our competitiveness. HR supports employees with a wide variety of vocational training courses, the Performance and Competency Appraisal Cycle, generic training courses, traineeships and Talent Development and Management Development programmes.

17.4.1 CARE for each other, learn from each other

Adequate information on career and personal development opportunities is essential. Our career events offer CV checking services, job vacancy information and workshops on topics such as personal branding, social media and managing your own career. SNS REAAL also has a community of internal coaches who enable employees to get acquainted with coaching in an accessible way. Employees with financial positions receive a quarterly career bulletin informing them about vacancies and colleagues who switched jobs.

Colleagues, managers in particular, play an important role in our staff’s personal development. How do you evaluate a customer service call? How do you give each other constructive feedback after something did not go well? And how can you learn from your own and other people’s mistakes? A good manager does not hesitate to discuss his own customer service call that did not go well with his staff as he and others can learn from it. This is what we call CARE! for each other. And if we learn something from it, it also means CARE! for the customer and CARE! for the result. In practice, discussing errors may lead to problems or conflicts. In this case, a development advisor or an internal or external coach may then be consulted, or employees can call upon a professional internal or external mediator.
17.4.2 Attracting and developing talent

In order to attract talent, SNS REAAL organises workshops and gives guest lectures at colleges and universities and SNS REAAL offices. Approximately five times a year, we invite students to our headquarters for lunch sessions to talk about our traineeships. We also co-operate with educational institutions with regard to content-related matters. In 2012, the IT training programmes of Hogeschool Inholland in Haarlem, Alkmaar and Diemen concluded an agreement with SNS REAAL to give ICT education a quality boost on the basis of the organisation of the financial services that we provide. This enables them to give more meaning to new specialisations and remain up-to-date with developments in the industry.

SNS REAAL offers ample opportunities for trainees. In 2012, we organised several events, among them, for the first time, an introduction day. These events are organised for and by trainees, so they can get to know each other and SNS REAAL well. Additional activities for trainees include speed dates and workshops. Many students found the workshop by one of our recruiters on the do’s and don’ts in a selection procedure particularly interesting.

SNS REAAL has two types of traineeships for new talent, i.e. the management traineeship and the financial traineeship. For the management traineeship we recruit graduates with the capabilities to grow at least into key positions. They receive a broad training and personal guidance from a mentor from the Top 100 managers of SNS REAAL. Trainees have a lot of freedom in choosing assignments at our different brands. The management traineeship is a development programme that lasts three years. The trainee swaps jobs at least four times between the business units. After that, the trainee can make a well-balanced decision about which job suits him best. Financial trainees enter into a two-year training programme to become a financial specialist. In 2012, six new management trainees and six financial trainees started their training at SNS REAAL.

We selected 48 talented managers and specialists for the Talent Development (TD) programme in 2012. The TD programme is designed for managers and specialists who perform exceptionally well and have growth potential. The talent pool now has more than 400 employees. Experience shows that, on average, these employees switch jobs more frequently and that the outflow rate is lower. The programme therefore contributes to an important objective: developing, binding and retaining talented employees. In addition, from the start of 2012 there is a Talent Community, a platform on our intranet for those who want to get the most out of themselves. The Management Development (MD) programme focuses on managers in senior management positions, also with the aim to stimulate switching jobs. In 2012, 18 MD candidates participated in the programme, which has been developed in collaboration with Nyenrode Business University. Particular attention was paid to personal leadership.

For employees outside special programmes, a training budget is available. This budget was 3% of the gross salaries, thus remaining at the 2011 level.

17.4.3 Professional skills

Our customers rely on professional and qualified staff, so that we can put their interests first. Since 2007, the Financial Supervision Act (Wft) imposes legal rules for professional qualifications. These qualification requirements are regularly reinforced. SNS REAAL assists staff as much as possible to pass their exams, tests and modules. With the idea, however, that each employee is primarily responsible for his own development. The precondition is that the legal requirements for professional qualifications are met.
17.5 Future-proof terms of employment

SNS REAAL aims for future-proof terms of employment that are appropriate for the current economic and social situation, the modified business model and the future of our company and employees. Prior to the negotiations on the Collective Labour Agreement (collective agreement) with the trade unions in 2012, SNS REAAL took stock of its employees’ views on the issue. They did so by means of an employee survey and engagement sessions throughout the country. Members of the Executive Board entered into dialogue with employees to hear their views on adjustments in the terms of employment. Employees indicated they were prepared to adjust the terms and conditions of employment, but they were, inter alia, apprehensive about intervention in the fixed salary and annual bonus (13th-month pay). 49% of the employees understood that the cost reductions on total costs of SNS REAAL are partly to be realised by cost savings on employment terms. These responses were brought forward in the consultations on the new collective agreement with the unions and the CWC. An important result, directed at wage moderation, was that it was agreed that during the term of the new collective agreement, from 1 June 2012 to 1 January 2014, there will be no collective agreement increases on the fixed income. Just as in 2011, the performance bonus for 2012 was reduced to an average allowance of 1.55% of the annual salary.

During the duration of the collective agreement we will develop a new pension scheme that will be effective on 1 January 2014. The principles of the scheme are that it is future-proof and in line with legal adjustments and the prevailing market. In the same period, we will also discuss our salary system and any other remuneration elements guided by the question whether the remuneration is still appropriate to the changing market conditions and changes SNS REAAL is going through.

17.5.1 Remuneration policy

The remuneration policy of SNS REAAL takes all stakeholders’ interests into account, i.e. customers, employees, shareholders and society. We want to attract and retain talented employees without creating a so-called “golden cage”.

For the Executive Board and senior management, SNS REAAL has a moderate remuneration policy. The policy was not adjusted in 2012. We refer you to chapter 18 Report of the Supervisory Board for the Remuneration Report.

In the second quarter of 2012, SNS REAAL concluded an agreement with the trade unions on a new variable moderated remuneration scheme for the external sales force of Zwitserleven and REAAL of which Putting customers’ interests first (KBC) is an explicit part of the remuneration criteria.

17.6 SNS REAAL Pension Fund

Based on the market interest rate, the coverage ratio of the SNS REAAL Pension Fund amounted to 111.9% on 31 December 2012 against a required coverage ratio of 110.5%. The increased life expectancy is taken into account in the calculation of the coverage ratio. It is laid down in the indexation rules that indexation is only possible with a coverage ratio of at least 115%. On 31 October 2012 (reference date for the indexation decision), the coverage ratio stood at 114.4%; just a little too low to grant (partial) indexation. The pension fund’s Management Board decided not to increase the pensions on 1 January 2013. If the coverage ratio is calculated on the basis of the yield curve introduced by the Dutch Central Bank (DNB) in September, the coverage ratio at the end of December 2012 was 117.6%. This percentage is important in order to be able to compare the coverage ratio with other pension funds.

SNS REAAL Pension Fund’s asset manager is SNS Asset Management, which invests according to responsible Environmental, Social and Governance (ESG) criteria.
In November 2012, the Dutch pension magazine NPN (Netherlands Pension and Investment News) - published by the Financial Times - chose SNS REAAL Pension Fund to be the winner in the 'best practice governance policy' category, in which 17 pension funds were nominated. The pension fund has adapted the responsibilities that befit a CDC (Corporate Defined Contribution) scheme. Under this scheme, a large part of the risk is for account of the participants. The NPN jury praises the fact that the employer has only limited influence on the board. The board consists of five employee representatives and only one employer representative and the chairman has no connection with SNS REAAL.

17.7 Employee participation

The CWC represents employees’ interests at Group level on matters that affect multiple business units. Works Councils deal with matters that relate to the business unit for which they were set up, i.e. Group Staff Departments, IT&C, Property Finance, SNS Bank, REAAL and Zwitserleven. Each of these six Works Councils is represented in the CWC.

For the first time this year, SNS REAAL’s CWC was involved in talks on a new collective labour agreement and Social Plan. We chose not to use the traditional negotiation model in talks with the trade unions, but a so-called co-creation model involving the CWC as well. In this approach, all parties involved identified which interests were relevant for them. These interests served as starting point and criterion to give substance to further talks. This type of negotiation suited us and we will continue to use it in 2013.

The focus of the change trajectories in 2012 was on the development of the IT&C organisation up to 2015, on the reorganisation of SNS Bank’s retail and SME activities, the mortgage activities and Property Finance’s rundown organisation as well as on the innovation of products based on our Simplicity in finance mission. Moreover, the CWC played an important role in the process of exploring the future possibilities of our company up to and including the nationalisation on 1 February 2013. The CWC frequently monitored the change processes in co-operation with the various Works Councils. The CWC was also dedicated to achieving social and just solutions for customers and employees, all within the scope of the Dutch Works Councils Act.

17.8 Number of employees (FTEs) drops to 6,724 (-2.9%)

In 2012, the outflow rate of employees was lower than in 2011. However, as the outflow rate was higher than the inflow rate of new employees, the workforce shrank. Approximately half of the outflow was the result of reorganisations, which took place in almost every part of the organisation. In terms of percentage, the male-female ratio was unchanged, but the proportion of female managers decreased slightly. We continued to invest in employee training, training costs per FTE remained almost unchanged. Absence through illness fell slightly. The response to the employee survey was almost as high as the previous year.

Table 27 contains some key figures that provide insight into personnel developments.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
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</thead>
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<tr>
<td>Average number (FTEs)</td>
<td>6,827</td>
<td>7,002</td>
<td>7,301</td>
<td>7,530</td>
</tr>
<tr>
<td>Number of FTEs at year-end</td>
<td>6,724</td>
<td>6,928</td>
<td>7,113</td>
<td>7,520</td>
</tr>
<tr>
<td>Male/female ratio</td>
<td>58% / 42%</td>
<td>58% / 42%</td>
<td>58% / 42%</td>
<td>58% / 42%</td>
</tr>
<tr>
<td>Female managers</td>
<td>22%</td>
<td>25%</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>Full-time/part-time ratio</td>
<td>71% / 29%</td>
<td>71% / 29%</td>
<td>72% / 28%</td>
<td>70% / 30%</td>
</tr>
<tr>
<td>Temporary contract</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>12%</td>
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<tr>
<td>Training costs (in € per FTE)</td>
<td>1,521</td>
<td>1,554</td>
<td>1,393</td>
<td>1,559</td>
</tr>
<tr>
<td>Absenteeism</td>
<td>4.3%</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Response employee survey</td>
<td>84%</td>
<td>85%</td>
<td>74%</td>
<td>75%</td>
</tr>
<tr>
<td>Inflow</td>
<td>6.1%</td>
<td>7.4%</td>
<td>6.8%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Outflow</td>
<td>8.3%</td>
<td>8.8%</td>
<td>11.1%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>
18 **Report of the Supervisory Board**

2012 was an exceptional year for SNS REAAL. Due to the difficult macro-economic and financial environment, it proved difficult to free up capital to strengthen the solvency of its Banking and Insurance activities in line with increased capital requirements and to repay the capital support from the Dutch State. It became clearer that SNS REAAL would not be able to repay the capital support from the Dutch State, which SNS REAAL had received at the end of 2008, before the end of 2013, without creating a capital shortage. This increased the need to find an all inclusive solution for strengthening the capital position of SNS REAAL and the portfolio of Property Finance. For this reason, in the summer of 2012, SNS REAAL announced that it was exploring a broad range of scenarios for both strategic restructuring and the enhancement and simplification of its capital base. The objective was to find a comprehensive solution for the Property Finance portfolio and the capital position of SNS REAAL. It has by now become clear that the efforts of all parties involved could not prevent that the Dutch Minister of Finance found himself forced to nationalise SNS REAAL.

18.1 **Themes**

18.1.1 **Main topics and discussions**

In 2012, the Supervisory Board focused its attention on two main themes: supporting, advising and supervising the Executive Board in exploring the scenarios aimed at finding a comprehensive solution for the Property Finance portfolio and the capital position of SNS REAAL and monitoring the development of these scenarios by the Executive Board on the one hand and the regular operations of SNS REAAL on the other. In view of the urgency and strategic importance, the Supervisory Board spent most of its time on the first theme in 2012.

Major subjects were the capital position of SNS REAAL, Property Finance, risk management and risk appetite, the earnings model of SNS REAAL, including cost reduction, the changing regulatory environment, such as Solvency II and Basel III, the large number of projects, the pension system change, the actuarial rate of interest for (pension) insurers and pension funds, the real estate market, good customer service and the optimisation of putting the customer and the customer’s interests first. Most of these themes are also included in the management letters of both the external and internal auditor.

**Vision on the financial sector**

The persistent negative financial and economic developments have a great impact on the world in which financial institutions operate. Customers, investors, legislators, regulators and other stakeholders make higher demands on the way in which financial institutions engage in activities. Despite the specific situation in which SNS REAAL finds itself, the Supervisory Board and the Executive Board are constantly aware that SNS REAAL must continue to adapt itself to the fundamentally changed vision on the financial services sector. Unfortunately, the financial sector did not succeed in restoring politician’s and civil society’s trust. Despite the positive developments that have visibly and demonstrably occurred, the sector does not seem to succeed in convincing politicians and society and this will not be achieved with a few actions. This requires corporate social responsibility in the broadest sense of the word. By pursuing its mission, core values and strategy, as well as by complying with the Banking Code and the Insurance Code, SNS REAAL tries to assume its responsibility and to contribute towards restoring trust in and to improve the functioning of the Dutch financial services sector. Key in this process is to be constantly aware of and give substance to putting the customer and the customer’s interests first. In various places in this annual report is described how SNS REAAL gives meaning to this responsibility, for instance in the report on the compliance with the Banking Code and the Insurance Code.
Impact of the financial crisis

In 2012 too, the European debt crisis and changing laws and regulations left their mark on the economy and the financial services sector. There was speculation about the collapse of the euro and not only financial institutions, but national states too, were faced with downgrades by rating agencies. The Netherlands too, experienced slower economic growth, rising unemployment rates and a continued deteriorating real estate market, making it necessary to make considerable spending cuts. The Netherlands was also faced with early elections for the House of Representatives. Moreover, pressure from legislators and regulators remained unabatedly high and politicians’ and society’s view of the financial sector remained unabatedly critical. The Supervisory Board paid full attention to the way in which SNS REAAL should respond to these circumstances and how it should anticipate on future developments. Regular attention was paid to the pressure this was causing on the organisation and its employees.

As a result of these circumstances, it has proven difficult for SNS REAAL not only to free up capital to strengthen the solvency of its Banking and Insurance activities in line with the increasing capital requirements, but also to repay the capital support from the Dutch State. For that reason, SNS REAAL, in the summer of 2012, announced to explore a broad range of scenarios, focused on both strategic restructuring and the strengthening and simplification of its capital base. The aim was to find a comprehensive solution for the Property Finance portfolio and the capital position of SNS REAAL. In this, the aspiration has been to find solutions in which the interests of all stakeholders of SNS REAAL, including her shareholders, were acted upon in the best way possible. At the same time, the Property Finance phase-out was continued, obviously adversely influenced by the deteriorating real estate market.

The Supervisory Board was closely involved in this process and advised and critically evaluated the Executive Board regarding their activities. Among other things, the Supervisory Board has set up a special committee out of its members, which closely monitored this process and prepare the decision-making of the Supervisory Board (see below). In doing so, the Supervisory Board constantly ensured that the interests of all SNS REAAL stakeholders were weighed and considered. The Supervisory Board was supported by external financial and external legal advisors in this process.

18.1.2 Performance of the Supervisory Board

The Supervisory Board annually evaluates its own performance and triennially, this is done by an external agency. In 2012, an external evaluation was conducted. From this evaluation emerged that the Supervisory Board is satisfied with the team, the composition of the Executive Board and of the Supervisory Board as well as the mutual co-operation. The Supervisory Board Committee (refer to Co-operation with management below) installed in 2012 was also appreciated. The discussions are open and critical and despite the workload and time pressure resulting from the situation in which SNS REAAL found itself, there was room for good and extensive discussions. The size of the Board is still considered large.

An Act, introducing a suitability test for members of supervisory bodies, came into force in July 2012. All members of supervisory bodies of the four major banks and insurers in the Netherlands were required to conduct the suitability test before 1 January 2013. All Supervisory Board members of SNS REAAL were tested in 2012 by DNB and AFM and found suitable.
**18.1.3 Co-operation**

**Co-operation with committees**

Working relations between the Supervisory Board and its committees in 2012 were good, which is also confirmed in the triennial external evaluation of the functioning of the Supervisory Board. Overlapping memberships and meeting documents on the Audit Committee and Risk Committee remain a point of special attention.

**Co-operation with the Executive Board**

The Supervisory Board monitors and advises the Executive Board by taking a critical stance where necessary, giving advice where required and giving support where possible. In view of the specific situation in which SNS REAAL found itself in 2012, it was even more important that the Supervisory Board performed its role well. This makes demands on the quality and intensity of the co-operation between the Supervisory Board and the Executive Board and requires an effort by all parties involved.

The frequency of meetings increased considerably in 2012, as did the flow of information. The need and necessity of very frequent interaction between the Supervisory Board and the Executive Board as a result of the situation of SNS REAAL in 2012 and the intensification of the meeting frequency on this subject, has made the Supervisory Board decide to set up a Supervisory Board Committee consisting of former Chairman, Rob Zwartendijk, the Vice President, Piero Overmars and Jan Nijssen. This Committee spoke weekly and if necessary more frequently (in the closing phase almost daily) with the Executive Board on the developments around the strategic reorientation. The outcome of these meetings where then, at short notice, fed back to the entire Supervisory Board. On behalf of the Supervisory Board, this Committee was also regularly in direct contact with the Dutch Ministry of Finance, DNB and other stakeholders. This was in addition to the meetings the Executive Board already had with these parties. In the context of the discussions on the strategic reorientation, the Supervisory Board also sought advice from independent financial and legal advisors.

The Supervisory Board believes that the Executive Board in its entirety, but its individual members too, have shown special commitment and engagement in 2012. The Executive Board is a well-oiled team that has demonstrated to co-operate well under high pressure and in exceptional circumstances and to challenge each other at the same time. They are all well able to take individual responsibilities arising from their specific focus areas and they support each other where necessary.

**Co-operation with external experts**

External expertise is indispensible for the Supervisory Board to properly perform its supervisory duties. Hence, the regular contact between the Audit and Risk Committees with the external auditor and actuary. Moreover, the Remuneration Committee sought advice from HR and external legal advisors when identifying the effect of bills on Management and Supervision and Ban on Bonuses for state-supported institutions.

SNS REAAL appointed its external auditor, KPMG Accountants NV, for an indefinite period. With the coming into force of the Act on the accounting profession, a change of the external auditor will in time be mandatory. SNS REAAL will prepare itself for this change in time. In the past, SNS REAAL was already cautious in engaging KPMG for advisory services. With the introduction of a legal obligation to separate audit and advisory services, this policy will be adapted where required.

In 2011 a real estate advisory committee was installed consisting of external real estate experts. This committee advised the Executive Board and the management board of Property Finance on the strategy adopted and provided them with reflection. In early 2012, the committee reported its findings to the Supervisory Board. These findings did not give rise to further actions.
18.1.4 Personnel

The Supervisory Board and the Remuneration Committee frequently discussed the HR policy and the personnel of SNS REAAL. In addition, the Supervisory Board supports the Executive Board where possible in maintaining good working relations with the works councils and trade unions. Some Supervisory Board members were in regular contact with the Central Works Council.

On top of the troublesome economical, political and social climate that was already noticeable in 2011, 2012 was once more a tough time for employees in the financial services sector. The continuing difficult conditions on the financial markets, the resulting cost reductions, ongoing regulatory changes, increasingly active regulators and the regular – mostly negative – media attention for the financial sector once again had an impact on the performance pressure and workload in the financial services sector in 2012. Besides, there is pressure on employment in the financial sector. Given the position of SNS REAAL in particular, there were two more factors employees had to deal with. The Executive Board, with support from the Supervisory Board, is of the opinion that the conditions of employment in the financial sector need to be adjusted. Thus, the Executive Board entered into discussion with SNS REAAL employees on this issue as well as with the Central Works Council and trade unions. By the end of 2012, this led to a new collective labour agreement and a new social plan. We may look back on these accomplishments with satisfaction. Good working relations with and a constructive attitude by the Central Works Council, have greatly contributed to this achievement. Also, from July 2012, SNS REAAL got almost constant attention from the media and, at a later stage, also from politicians. This made great demands on SNS REAAL’s staff and even more on Property Finance’s staff, not in the least because it often involved speculations about the strategic reorientation, about which SNS REAAL’s management could not, at that time, provide any further details.

Despite these circumstances, the open and direct culture at SNS REAAL remained intact. The new collective labour agreement and the new social plan are proof of this. Apart from this, employee satisfaction in 2012 remained virtually stable despite the circumstances. The Supervisory Board greatly appreciates the commitment of SNS REAAL’s employees. Despite the drastic developments SNS REAAL and its staff went through, employees have constantly given their all and expressed confidence in the management. The Supervisory Board is confident that employees will continue to do their very best to give meaning to the responsibility that rests upon SNS REAAL under inspiration of SNS REAAL’s core value of CARE!

18.2 Composition of the Supervisory Board

The composition of the Supervisory Board did not change in 2012. At the Annual General Meeting of Shareholders on 25 April 2012, Herna Verhagen was reappointed for a term of four years with the reinforced right of recommendation of the Central Works Council. For more information on the composition of the Supervisory Board and its members in 2012 refer to chapter 19. On 1 February 2013, Rob Zwartendijk resigned from the Supervisory Board at the time of the nationalisation. As Vice-Chairman, Piero Overmars temporarily fulfils the role of Chairman.

18.3 Composition of the Executive Board

The composition of the Executive Board did not change in 2012. Ference Lamp was reappointed CFRO of SNS REAAL for a term of four years at the close of the Annual General Meeting of Shareholders on 25 April 2012. For more information on the composition and the division of responsibilities of the Executive Board and its members in 2012, refer to chapter 19. On 1 February 2013, Ronald Latenstein and Ference Lamp resigned from the Executive Board at the time of the nationalisation. On 4 February, the Dutch State appointed Gerard van Olphen and Maurice Oostendorp as Chairman of the Executive Board and CFRO of SNS REAAL respectively.
18.4 Meetings of the Supervisory Board

18.4.1 Main topics

In 2012, the Supervisory Board met sixteen times: in February, March, April (twice), May, June, July, August, September (twice), October, November (three times) and December (three times). In 2012, Robert Jan van de Kraats was absent five times, Jos Nijhuis four times, Jan Nijssen three times, Herna Verhagen twice and Piero Overmars and Ludo Wijngaarden once. Usually, absent members of the Supervisory Board gave their input on topics for consideration to the Chairman of the Supervisory Board beforehand, or to the entire Supervisory Board. The following is an overview of the main topics that were discussed per month.

February

- Update regular meetings with regulators, including suitability test Supervisory Board members.
- Status per business unit (REAAL, SNS Bank, inclusief Property Finance, Zwitserleven) and IT&C.
- Annual results and press release annual results 2011.
- Preparation strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
- Key performance indicators Executive Board 2012.
- Action items evaluation performance Supervisory Board.
- Agenda Annual General Meeting of Shareholders.
- Composition Risk Committee and Remuneration Committee.
- Change in accounting principles in relation to Deferred Acquisition Costs (DAC).
- Feedback on meetings of the Audit Committee, the Remuneration Committee and the Risk Committee.
- Performance Executive Board and its individual members.

March

- Update regular meetings with regulators, including suitability test Supervisory Board members.
- Update Zwitserleven.
- Developments Property Finance and report by the Real Estate Advisory Board.
- External auditor’s report on financial statements 2011.
- Annual financial reports 2011 SNS REAAL, SNS Bank and REAAL.
- Developments and process monitoring report for European Commission.
- Preparation strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
- Bill Ban on bonuses for state-supported institutions.
- Variable remuneration senior management.
- Feedback on meetings of the Audit Committee, the Nomination Committee and the Remuneration Committee.

April (two meetings)

- Update regular meetings with regulators, including suitability test Supervisory Board members.
- Preparation collective labour agreement negotiations.
- Preparation strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
- Preparations possible downgrade by Moody’s.
- Feedback on meetings of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee.
- Feedback Annual General Meeting of Shareholders.
• Composition Executive Board.
• Composition Supervisory Board.
• Financial statements 2011 SRLEV.

May
• Update regular meetings with regulators, including suitability test Supervisory Board members.
• Status per business unit (REAAL, SNS Bank, including Property Finance, Zwitserleven), SNS Asset Management and IT&C.
• Formula management.
• Q1 figures and reception of these results.
• Annual forecast 2012.
• Preparation strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
• Feedback on meetings of the Audit Committee and the Remuneration Committee.

June
• Update on regular meetings with regulators, including suitability test Supervisory Board members.
• Preparation strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
• Feedback on meetings of the Remuneration Committee and the Risk Committee.

July
• Update strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).

August
• Status per business unit (REAAL, SNS Bank, including Property Finance, Zwitserleven) and IT&C.
• Half-year results and press release interim financial report.
• Update strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
• Feedback on meetings of the Audit Committee, the Remuneration Committee and the Risk Committee.

September (two meetings, one of which was a strategy session)
• Collective labour agreement consultations.
• Update strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
• Brand portfolio management – price differentiation and marketing efficiency.
• Feedback on meetings of the Audit Committee, the Remuneration Committee and the Risk Committee.
October

- Update strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).

November (three meetings)

- Collective labour agreement consultations.
- External evaluation functioning Supervisory Board.
- Status per business unit (REAAL, SNS Bank, Zwitserleven) and IT&C.
- Putting customers’ interests first.
- Q3 figures and reception of these results.
- Discussing outcomes of analysis property financing portfolio Property Finance (separate meeting with the management of Property Finance).
- Update strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
- Feedback on meetings of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee.

December (three meetings)

- Update on regular meetings with regulators.
- Status per business unit (REAAL, SNS Bank, including Property Finance, Zwitserleven) and IT&C.
- Update strategic reorientation (scenario analyses focused on both strategic reorientation and strengthening and simplification of SNS REAAL’s capital position).
- Continuity letter by the external auditor, KPMG.
- Feedback on meetings of the Audit Committee, the Remuneration Committee and the Risk Committee.

18.4.2 Presence of the Executive Board

In principle, the Supervisory Board meets in the presence of the members of the Executive Board and the Company Secretary. Part of the meeting in February 2012 was conducted without the Executive Board. During that part of the meeting, the Supervisory Board discussed the performance of the Executive Board and its individual members and its own performance. In addition to this, part of the Supervisory Board meetings in September and November were conducted in the presence of only the CEO. During that part of the meeting, the composition of the Executive Board was discussed and the possible consequences of the strategic reorientation for the Executive Board and the Supervisory Board.

18.4.3 Presence of the external auditor

The external auditor is present at all Audit Committee meetings and at least once a year at a meeting of the Risk Committee. The external auditor has a standing invitation to attend meetings of the Supervisory Board. In 2012, the external accountant did not attend any plenary meetings of the Supervisory Board.
18.5 Committee meetings
The Supervisory Board has four committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee

Below is a description of the duties of the various committees. More details on the composition of the committees and the regulations of each committee are available on www.snsreaal.nl.

Every committee prepares the decision-making of the Supervisory Board in respect of the duties assigned to it and reports to the Supervisory Board.

18.5.1 Audit Committee (AC)
The composition of the AC did not change in 2012. Apart from the Company Secretary, all meetings were attended by CEO, the CFRO, the Group Audit Director, the CFO Group Finance and the external auditor. The external actuary was also present at one meeting. In 2012, the AC convened seven times.

In 2012, the AC discussed and assessed in particular the structure and operation of SNS REAAL’s financial reporting and the corresponding audits, the financial and audit reports, fiscal issues, the progress and reporting on corporate social responsibility, the reports and activities of the external auditor and the external actuary, including the continuity letter by the external accountant, the closing process and the fiscal audit framework at Property Finance, Solvency II, the annual plan, the mandate of the external auditor and Group Audit and the management letter. The AC discussed the integrity issues at Property Finance several times. In the evaluation of the functioning of the AC, the agenda planning and individual overlap between the AC and the Risk Committee were discussed. Although the division of duties is clear, members feel there is too much overlap between the meeting documents of the two committees.

18.5.2 Nomination Committee (NC)
The composition of the NC did not change in 2012. Besides the Company Secretary, committee meetings were attended by the CEO and the HR Director. In 2012, the committee convened twice.

The NC focuses on the selection and appointment of members of the Executive Board and management boards of the business units and is involved in the succession planning of key managers within SNS REAAL. It also prepares the nomination of new members for the Supervisory Board. In 2012, the NC was engaged in the reappointment of the CFRO of SNS REAAL, the selection of the new CCO and COO of REAAL and the CFO of Property Finance, and in the management development structure of the Top 100. Follow-up scenarios for the various strategic scenarios were also discussed. On behalf of the Supervisory Board, the NC monitored and secured the continuity of the management.

18.5.3 Remuneration Committee (RemunCo)
In 2012, Jaap Lagerweij joined the RemunCo and took over the role of chairman from Hema Verhagen. Apart from the Company Secretary, meetings were attended by the CEO and the HR Director and with some regularity the CFRO. In 2012, the committee convened seven times.

The RemunCo has the task of preparing the decision-making with regard to the remuneration policy applicable to the Executive Board members and senior management and with regard to the principles of the remuneration policy for all other SNS REAAL personnel. In addition, the RemunCo paid attention to the implications of the bill on a Ban on bonuses for state-supported institutions and the bill on Management and Supervision. More details on the main principles of the remuneration policy, including the accountability thereof, are described in the Remuneration Report.
18.5.4 Risk Committee (RC)

In 2012, Jan Nijssen joined the RC and Jaap Lagerweij stepped down from the RC. Apart from the members of the RC, the meetings were attended by the Company Secretary, the CEO, the CFRO, the Group Audit Director, the Group Risk Management Director and the Director of Compliance, Security & Operational Risk Management. The external auditor attends part of the meeting at least once a year. The committee convened seven times in 2012.

The RC is primarily engaged in preparing and monitoring the financial and non-financial risk policies and the operation of the risk management organisation. In 2012, the RC paid attention to the risk appetite, the investment policy of SNS REAAL, the risk aspects of the remuneration policy and integrity issues. Apart from this, more specific attention is paid to the current and future capital requirement of SNS REAAL and the Separate Accounts at Zwitserleven, the ratings of the various business units of SNS REAAL, the capital and funding market, the credit risk (including the mortgage portfolio and real estate financing portfolio of Property Finance), the human resources risk, and the integrity issues at Property Finance. In the evaluation of the performance of the RC, special attention was paid to the individual overlap between the AC and the RC. Although the division of duties is clear, members feel there is too much overlap between the meeting documents of the two committees.

18.6 Financial statements and dividend

On 6 June 2013, SNS REAAL published its annual results 2012. These results, including the financial statements 2012, were discussed prior to the publication in several meetings of the AC and the Supervisory Board. KPMG, the external auditor, issued an unqualified auditor’s report for the financial statements. The financial statements will be presented to the Annual General Meeting of Shareholders.

In view of the reported result, SNS REAAL will refrain from distributing a dividend for 2012.

18.7 Remuneration report

The remuneration report deals with the remuneration of the members of the Executive Board and the Supervisory Board of SNS REAAL NV. For information on the remuneration policy of SNS REAAL in a broader sense, we refer to the section about Corporate Governance on the website.

The current remuneration policy was adopted in 2011 and entered into force on 1 January 2011. This policy was adopted at the Extraordinary General Meeting of Shareholders of 13 September 2011. The remuneration policy implemented as from 1 January 2011 remained unchanged in 2012. Due to the nationalisation of SNS REAAL on 1 February 2013, the Dutch State has become SNS REAAL’s sole shareholder as from 1 February 2013. In line with the agreements made with the Dutch State in this regard, amendments will be made to the remuneration policy applicable to the Executive Board in 2013 (see section 18.7.4).

Section 18.7.1 reports on the remuneration policy that was applicable to the Executive Board in 2012. Section 18.7.2 contains a summary of the actual remuneration in 2012 of the members of the Executive Board. Section 18.7.3 contains an overview of the remuneration to the Supervisory Board in 2012. Section 18.7.4 briefly discusses the changes after 31 December 2012 following the nationalisation as per 1 February 2013.
18.7.1 Remuneration policy of the Executive Board

SNS REAAL has a governance framework which includes the assignment of duties and responsibilities in relation to the remuneration policy of SNS REAAL. Parties concerned are the Supervisory Board, the Remuneration Committee, the Risk Committee, the Executive Board and all audit departments within SNS REAAL.

The Remuneration Committee of the Supervisory Board is responsible for the remuneration policy for the Executive Board. The Supervisory Board approves policy proposals and submits these proposals to the shareholders. The Remuneration Committee prepares its proposals independently and with due care. The Committee is assisted in this process by independent remuneration experts and the Human Resources (HR), Group Risk Management (GRM), Compliance, Security & Operational Risk Management (CS&O), Group Audit (GA) and Group Finance (GF) departments. During the preparation of the policy proposals, scenario analyses are performed of the possible outcomes of the variable remuneration and their effect on the overall remuneration of the members of the Executive Board.

The Supervisory Board discusses the remuneration policy of the Company from a risk management perspective once a year.

Every year the Supervisory Board evaluates the set-up and operation of the remuneration policy, and is responsible for the execution and evaluation of the remuneration policy of the Executive Board. GA performs independent research into the set-up and execution of the remuneration policy periodically.

The remuneration policy complies with the relevant legal requirements, the Dutch Corporate Governance Code, the Banking Code, the Insurance Code, Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 (Regeling Beheerst Beloningsbeleid Wft 2011) and the law which prohibits institutions to pay bonuses when given state support (Wet bonusverbod staatsgesteunde instellingen).

Basic principles of the remuneration policy

The basic principles of the remuneration policy that apply to all business units of SNS REAAL are also applicable to the remuneration policy of the Executive Board.

- The remuneration policy is characterised by its consideration of all of the Company’s stakeholders, including customers, employees, shareholders and society.
- The policy should contribute to the realisation of the strategy and long-term interests of SNS REAAL.
- There is an appropriate ratio between the fixed and variable remuneration.
- The remuneration is transparent and in line with signals that reach SNS REAAL from the outside world.
- The policy is compliant with current laws and regulations.
- The remuneration matches the risk profile of SNS REAAL and the risk profile of the relevant person holding the position.
- The policy is in accordance with and contributes to sound and effective risk management and does not encourage taking more risks than acceptable to the Company.
- The total remuneration package does justice to the requested output of the relevant person holding the position.
- The purpose of the policy is to attract and retain good people, taking SNS REAAL’s specific position into account.
- The policy is as consistent as possible for the entire Group to encourage the exchange and movement of staff to other positions.

As a result of the applicability of the law that prohibits institutions to pay bonuses when given state support (Wet bonusverbod staatsgesteunde instellingen), the Executive Board does not receive any variable remuneration.
Remuneration benchmark

Every two years, the Remuneration Committee assesses the competitiveness of the Executive Board’s remuneration against remuneration levels of a benchmark group consisting of (listed) Dutch financial institutions, as well as a group of medium-sized (AMX listed) Dutch non-financial companies. This benchmark was last conducted in October 2012.

The total remuneration policy (fixed and variable) for the Executive Board is well below the median of similar positions at Dutch medium-sized financial and other, (listed) non-financial.

Remuneration components

The remuneration of the Executive Board members consists of the following components: the fixed annual income, the variable remuneration and a pension contribution. There is no variable remuneration due to the law that prohibits to pay bonuses when given state support (Wet bonusverbod staatsgesteunde instellingen). Based on these remuneration components, the remuneration policy will be explained in more detail.

Fixed annual income

Just as in previous years, the fixed annual income did not change in 2012. The 1% increase under the Collective Labour Agreement (CLA) as from 1 January 2012 was cancelled for the members of the Executive Board.

The total fixed annual income of the chairman of the Executive Board in 2012 is € 570,000. For the other members of the Executive Board, the total fixed annual income is € 468,000. The table presenting the remuneration of the members of the Executive Board presents higher amounts because the social security contributions are added to the fixed annual income.

Variable remuneration

The remuneration policy has been drawn up such that the amount and calculation method of the variable remuneration cannot lead to undesirable incentives and inappropriate behaviour.

The variable remuneration is made up of a direct component and a deferred component. The initial granting of variable remuneration is based on annual targets. Both the direct and deferred components are distributed half in cash and half in SNS REAAL shares.

The direct component, distribution of which is based on a one-year performance period, is 60% of the total variable remuneration. Half of this is paid in cash immediately after the one-year performance period. The other half is distributed in SNS REAAL shares and is also transferred immediately after the one-year performance period (shares vest at that time). Subsequently, a three-year retention period applies to the shares. After this period, the SNS REAAL shares will be released to the member of the Executive Board.

The deferred and conditional component is 40% of the total variable remuneration. Unconditional grant depends on the (ex post) assessment by the Supervisory Board of the performance after the relevant performance period.

After unconditional grant, half of the amount is paid in cash, three years after the one-year performance period has lapsed. The other half is distributed in shares, five years after the one-year performance period has lapsed. Members of the Executive Board obtain ownership of these shares immediately after the five-year deferral period. In view of the extended deferral period (five years), no retention period is applied. It is considered part of the deferral period.

The relationship between remuneration and performance

The variable remuneration for each member of the Executive Board is based on both the performance of SNS REAAL and each member’s individual performance. Prior to the performance period, the Supervisory Board establishes clear, challenging and measurable Key Performance Indicators (KPIs). Guidelines have been drawn up for the KPIs. Audit departments check the KPIs prior to the performance period (ex ante risk analysis) and report the outcomes to the Remuneration Committee, after which adjustments can be made.

KPIs are derived from the long-term strategic goals of SNS REAAL and have due regard for the desired risk profile.
SNS REAAL focuses on risk management with an emphasis on compliance and measures that take risks and the costs of capital and liquidity into account.

When KPIs are determined, all of SNS REAAL’s stakeholders, such as customers, employees, shareholders, the Dutch State (as long as the capital support has not been repaid) and society, are considered, where relevant and possible.

KPIs are divided into financial performance indicators and non-financial performance indicators. Financial indicators include the gross result, solvency and absolute costs. Important non-financial performance indicators include customer interest, employee satisfaction and solving operational risk and compliance issues.

For members of the Executive Board, at least 30% of the performance indicators should have a non-financial character.

Achieving the KPIs is a condition for variable remuneration to be granted.

**Determination of the variable remuneration**

The Supervisory Board determines the level of the variable remuneration to be granted based on the weight of the KPI and the performance achieved per KPI. There are certain preconditions for awarding variable remuneration, such as a minimum solvency level.

If the targets are fully met (at target), the variable remuneration is 50% of the gross fixed annual income for both the chairman and the other members of the Executive Board.

In case of outstanding performance (targets are exceeded by far), the variable remuneration may be set at a maximum of 100% of the gross fixed annual income.

Payment of part of the variable remuneration is deferred and is dependent on developments in the deferral period. Audit departments perform ex post risk analyses to map these developments in the deferral period.

The Supervisory Board is authorised to adjust the variable remuneration of the members of the Executive Board downwards if the granting or payment of the remuneration would lead to unfair or unintended outcomes (the so-called ‘test of reasonableness’).

The Supervisory Board has the authority to adjust any variable remuneration that was granted or paid based on incorrect (financial) data or inappropriate actions downwards and recover such remuneration (the so-called ‘claw back’).

Entitlement to the variable remuneration lapses upon termination of the employment agreement during the performance period.

If in any year SNS REAAL makes a loss, the Executive Board is not awarded any variable remuneration for that year. As long as SNS REAAL receives capital support from the Dutch State, it exercises great restraint in awarding variable remuneration. This means that there is no variable remuneration for 2012 (just as in previous years), nor will any be paid to the Executive Board. This is also in line with the Dutch Act on the Limitation of Liability of DNB and AFM and the Ban on Bonuses for Companies Supported by the State (‘Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen’), which entered into effect on 1 July 2012.

**Pension**

The members of the Executive Board participate in the same pension scheme as all SNS REAAL employees. Thus, the members of the Executive Board also pay the 4.5% member’s contribution to be paid on the pensionable remuneration in accordance with the SNS REAAL Collective Labour Agreement (CLA).

Under the CLA, the variable remuneration is part of pensionable income. In case of the Executive Board, this is capped at the level of the ‘at target’ remuneration.

**Other**

SNS REAAL took out three insurance policies for the members of the Executive Board: WIA insurance, disability insurance and mortality risk insurance. The corresponding premiums are paid for by SNS
REAAL.
In the table presenting the remuneration of the members of the Executive Board, these premiums are part of the ‘Pension and other’ component.

The employment agreements of the Executive Board members establish that the notice period at termination by SNS REAAL is 12 months and at termination by the member of the Executive Board six months.

Based on the Budget Agreement 2013 Tax Measures (Implementation) Act (‘Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013’), SNS REAAL pays a one-off ‘crisis tax levy’ of 16% in 2013 on the salaries it paid its employees in 2012, to the extent that the salary per employee was more than €150,000.

In the table presenting the remuneration of the members of the Executive Board, the crisis levy is stated in a separate column.

18.7.2 Remuneration of the Executive Board in 2012
Remuneration of current Executive Board members
Table 28 provides an overview of the total remuneration paid to each member of the Executive Board.

<table>
<thead>
<tr>
<th>Table 28: Gross remuneration of the Executive Board 2012</th>
<th>Fixed salary</th>
<th>Pension and other</th>
<th>Variable remuneration</th>
<th>Total</th>
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</thead>
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<td>R.R. Latenstein</td>
<td>581</td>
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<td>M.W.J. Hinssen</td>
<td>-</td>
<td>338</td>
<td>-</td>
<td>76</td>
</tr>
<tr>
<td>Total Executive Board excluding crisisheffing</td>
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<td>406</td>
</tr>
<tr>
<td>Crisisheffing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Executive Board</td>
<td>2,014</td>
<td>2,010</td>
<td>406</td>
<td>406</td>
</tr>
</tbody>
</table>

Fixed salary including holiday allowance, 13th month, a contribution to a medical scheme and social security. The fixed remuneration of Mr Latenstein an Mr Lamp also includes gross expenses. The increase in fixed remuneration is caused by an increase in social security contributions. Pension includes premium WIA, premium disability insurance and life insurance premium. Mr. Steenpoorte is joined by September 15, 2011 as a member of the Board of Directors. Mr Hinssen resigned on 15 September 2011 as a member of the Board of Directors. For the remuneration of Mr. Hinssen after September 15, 2011 see below under “Remuneration former Executive Board member”.

No variable remuneration is paid to the members of the Executive Board for 2012.

Remuneration former Executive Board member
Mr Hinssen resigned as Executive Board member as from 15 September 2011.

After his retirement from the Executive Board, Mr Hinssen remained employed at SNS REAAL until 31 December 2012. In that period, he performed consultancy activities, at the same conditions of employment, including a payment upon termination of employment at the initiative of SNS REAAL.

Mr Hinssen’s total remuneration was €1,122,000 in 2012: €479,000 of fixed salary, €107,000 of pension and risk insurance premiums, €478,000 payment upon termination of employment and €58,000 of crisis levy.

Total remuneration of current and former Executive Board members in 2012
The total remuneration of current and former Executive Board members in 2012 (including payment upon termination of employment for former Executive Board member Mr Hinssen) was €3,763,000 (2011: €2,586,000).
Share ownership

In the past (2006 and 2007) 19,927 shares were granted to Mr Latenstein pursuant to the bonus scheme applicable at the time (LTB). In 2012, 17,380 shares were released. The remaining 2,547 shares were to be released in 2013. Due to the nationalisation, this right has lapsed. The market value of these 2,547 shares at the moment of allocation (13 December 2007) amounted to € 39,000, and at the date of vesting (28 April 2010) € 11,000.

No shares were granted after 2007. The LTB scheme was cancelled as per 1 January 2010. The remuneration policy implemented on 1 January 2011 provides for a partial payment of the variable remuneration in the form of shares. Since this policy was implemented, however, no variable remuneration and no shares have been granted.

Loans

The table below provides an overview of the loans granted to members of the Executive Board that were outstanding on 31 December 2012. It concerns a residential mortgage loan to Mr Steenpoorte. This loan was provided in the course of ordinary business and under terms and conditions that also apply to other members of staff.

Table 29: Loans to members of the executive board

<table>
<thead>
<tr>
<th>In € thousands</th>
<th>Outstanding as at 31 December</th>
<th>Average interest rate</th>
<th>Redemptions on mortgages</th>
</tr>
</thead>
<tbody>
<tr>
<td>W.H. Steenpoorte</td>
<td>1,183</td>
<td>1,193</td>
<td>4.2%</td>
</tr>
<tr>
<td>Total</td>
<td>1,183</td>
<td>1,193</td>
<td></td>
</tr>
</tbody>
</table>

18.7.3 Remuneration of the Supervisory Board in 2012

The fixed annual remuneration is € 30,000 for each Supervisory Board member, € 35,000 for the vice-chairman and € 45,000 for the chairman of the Supervisory Board.

The annual remuneration for membership of the Risk Committee, the Nomination Committee and the Remuneration Committee is € 3,250, and € 7,000 for the Audit Committee.

Members of the Supervisory Board receive a fixed annual expense allowance of € 1,617, whilst the chairman of the Supervisory Board receives a fixed annual expense allowance of € 2,156.

The Supervisory Board members do not hold any shares in SNS REAAL NV.
In 2012 no loans were granted to members of the Supervisory Board and at 31 December 2012 no loans were outstanding to members of the Supervisory Board.

The table below provides an overview of the total remuneration of the individual members of the Supervisory Board.
Table 30: Gross remuneration of the Supervisory Board

<table>
<thead>
<tr>
<th>Name</th>
<th>As Supervisory Board member</th>
<th>As member of a committee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Zwartendijk</td>
<td>45</td>
<td>45</td>
<td>12</td>
</tr>
<tr>
<td>P. S. Overmars</td>
<td>35</td>
<td>33</td>
<td>12</td>
</tr>
<tr>
<td>C. Insinger</td>
<td>30</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>R.J. van de Kraats</td>
<td>30</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>J.E. Lagerweij</td>
<td>30</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>J. A. Nijhuis</td>
<td>30</td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td>J.A. Nijssen (from 13-09-2011)</td>
<td>30</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>H.W.P.M.A. Verhagen</td>
<td>30</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>L. Wijngaarden</td>
<td>30</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>H.M. van de Kar (until 20-4-2011)</td>
<td>-</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>H. Muller (until 20-4-2011)</td>
<td>-</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>290</td>
<td>287</td>
<td>89</td>
</tr>
</tbody>
</table>

Mr Van de Kar and Mr Muller resigned from the Supervisory Board per 20 April 2011

18.7.4 Subsequent events after 31 December 2012 following the nationalisation on 1 February 2013

Changes in the remuneration policy

Due to the nationalisation of SNS REAAL on 1 February 2013, the Dutch State became SNS REAAL’s sole shareholder on that date. In line with the agreements made with the Dutch State in this regard, amendments will be made to the remuneration policy applicable to the Executive Board in 2013.

Within this framework, the Dutch State decided as follows on 4 February 2013:

- The total fixed gross salary of the chairman of the Executive Board is € 550,000 per annum.
- The total fixed salary of the other members of the Executive Board does not exceed 80% of the total fixed salary of the chairman of the Executive Board.
- In case of termination of employment at the initiative of SNS REAAL, the members of the Executive Board will receive a fee of one time the total fixed salary per annum.
- In addition, the Dutch State explicitly emphasised that, in accordance with the Dutch Act on the Limitation of Liability of DNB and AFM and the Ban on Bonuses for Companies Supported by the State, the members of the Executive Board are not entitled to variable remuneration as long as SNS REAAL falls within the scope of this Act. This incidentally also applied before the nationalisation.

Resignation members of the Executive Board

Per the date of resignation from the Executive Board on 1 February 2013, the remuneration of Ronald Latenstein and Ference Lamp ceased. No severance pay or other reimbursements were awarded after 1 February 2013.

18.8 Closing words

The Supervisory Board explicitly wishes to express its gratitude and appreciation to all employees of SNS REAAL, in particular for their engagement and commitment. Great demands have been made on them over these last months, both inside and outside the office. This has not always been easy for all parties concerned. Despite these developments and the persistent negative sentiment towards the financial services industry, SNS REAAL employees continue to dedicate themselves to SNS REAAL with a great deal of enthusiasm. The Supervisory Board realises fully well that this is not self-evident and wishes to express its gratitude for this.

An exceptional effort was also demanded of SNS REAAL’s management. Nevertheless, working relations with the Supervisory Board were good. For this too, the Supervisory Board wishes to express its gratitude.
Finally, the Supervisory Board wishes to express its thanks for the unyielding commitment and dedication with which Rob Zwartendijk, Ronald Latenstein and Ference Lamp have devoted themselves to SNS REAAL these past months, and before that too. The Supervisory Board regrets their departure, but respects their choice.

Utrecht, 4 June 2013
On behalf of the Supervisory Board
Piero Overmars, Acting Chairman
19 Corporate governance
This chapter contains information about a range of topics in the field of corporate governance

19.1 The Executive Board

19.1.1 Composition and duties
The Executive Board of SNS REAAL comprises the following members on the date of publication of the annual report:

- Gerard van Olphen (Chairman)
- Maurice Oostendorp (CFRO)
- Dick Okhuijsen (COO)
- Wim Henk Steenpoorte (CTO)

The Executive Board’s responsibilities include drawing up and implementing Group-wide objectives, the corporate strategy on sales and distribution and the subsequent development of results, compliance policy, risk management policy, corporate communication, the IT policy and the Human Resource policy of SNS REAAL.

The Executive Board takes decisions by a majority of votes. The rules for the formal aspects of the Executive Board’s functioning are laid down in a Regulation, which also contains the segregation of duties between the members. The Regulation has been approved by the Supervisory Board. The members of the Executive Board have declared that they agree to the contents of the Regulation and will comply with the rules in the Regulation. The Articles of Association and the Regulation contain a list of resolutions that are subject to the approval of the Supervisory Board and the General Meeting of Shareholders.

The Management Committee of SNS REAAL comprises the members of the Executive Board, the chairmen of the management boards of SNS Bank, REAAL, Zwitserleven and SNS Asset Management as well as the HR Director of SNS REAAL.
19.1.2 Responsibilities, curricula vitae and additional positions

Gerard van Olphen
Gerard van Olphen (1962) has been Chairman of the Executive Board since 4 February 2013. He is also responsible for the Group staff departments Group Audit, Corporate Communication, Compliance, Security and Operational Risk Management (CS&O), Corporate Strategy and Human Resource.

Before Gerard van Olphen joined SNS REAAL, he held various positions at Achmea, including that of CFRO and member of the Executive Board. Gerard van Olphen was previously employed at REAAL, from 2000-2001 as CFO of the SNS REAAL Group and chairman of the Managing Board of REAAL Verzekeringen.

Maurice Oostendorp
Maurice Oostendorp (1956) has been Chief Financial and Risk Officer on the Executive Board since 4 February 2013. In addition, he is responsible for Property Finance and the Group staff departments Group Risk Management, Investor Relations, Group Finance, Fiscal Affairs and Insurance Treasury & Investment Management.

Before Maurice Oostendorp joined SNS REAAL, he held various positions at Coöperatie VGZ and ABN AMRO, including that of Chief Financial Officer and member of the Executive Board at Coöperatie VGZ and Director General Group Finance at ABN AMRO.

Additional positions: Vice Chairman of the Central Committee for Statistics (and Chairman of the Audit Committee) of the Dutch Government Central Bureau of Statistics. Member of the Supervisory Board at NWB Bank. Member of the Advisory Board Women in Financial Services. Member of the Board of Inspiration NIBE-SVV.

Dick Okhuijzen
Dick Okhuijzen (1965) has been a member of the Executive Board since December 2009 and, in his capacity as Chief Operations Officer, focuses on the business operations of SNS Bank, REAAL, Zwitserleven and SNS Asset Management.

Before Dick Okhuijzen joined SNS REAAL, he held several positions at Nationale Nederlanden and ING Group, including that of CEO of ING Life Insurance in Japan.

Additional positions: member of the Board of the Dutch Bankers’ Association (Nederlandse Vereniging van Banken), member of the Board of Stichting Management Studies and member of the Board of Stichting Geldinzicht.

Wim Henk Steenpoorte
Wim Henk Steenpoorte (1964) has been a member of the Executive Board since September 2011 and, in his capacity as Chief Technology Officer, focuses on IT & Change. In addition, he is responsible for the Group staff departments Facility Management and Legal Affairs.

Wim Henk Steenpoorte joined SNS REAAL in 2000. He was a member of the management team of REAAL since 2006, followed by his appointment as chairman of the Board of REAAL in 2009. Before joining SNS REAAL, Wim Henk Steenpoorte was ICT manager at Ogilvy Netherlands and held various positions in the insurance industry at predecessors in title of REAAL.

Additional positions: chairman of the Supervisory Board at Meetingpoint B.V. and member of the Supervisory Board at the Dutch Associated Insurance Companies Netherlands NV (VAN), Member Supervisory Committee SIVI.
19.2 The Supervisory Board

19.2.1 Composition, appointment and duties
The Supervisory Board of SNS REAAL comprises the following members on the date of publication of this annual report:

- Piero Overmars (Chairman)
- Charlotte Insinger
- Robert Jan van de Kraats
- Jaap Lagerweij
- Jos Nijhuis
- Jan Nijssen
- Herna Verhagen (Vice Chairman)
- Ludo Wijngaarden

A member of the Supervisory Board is appointed for a fixed period of four years. Reappointment only takes place after careful consideration and at most twice, each time for a term of four years. On the reappointment of Supervisory Board members, due consideration is given to the profile of the Supervisory Board, the performance of the individual concerned and the length of tenure.

The Supervisory Board meets at least six times a year according to a schedule to be drawn up annually. The Supervisory Board takes decisions by a majority of votes. The Supervisory Board has established a Regulation to further specify and complement a number of provisions in the Articles of Association. This Regulation includes additional powers. All members of the Supervisory Board have declared that they agree to the contents of the Regulation and will comply with the rules included in said Regulation. SNS REAAL is what is known as a two-tier company. This means that, in 2012, the Supervisory Board carried all powers allocated to the Supervisory Board of a two-tier company under the Dutch Civil Code, as the authority to appoint members of the Executive Board. After the nationalisation, the Articles of Association of SNS REAAL NV were amended, such that, inter alia, the Supervisory Board’s authority to appoint the members of the Executive Board has lapsed. We refer to the contents of the current Articles of Association as posted on our website.

On 11 December 2008, SNS REAAL issued core Tier 1 capital securities to the Dutch State in exchange for financial support. In 2012, arrangements related to this issuance came into force and were laid down in an agreement between SNS REAAL and the Dutch State. Under said agreement, the latter acquired the right to nominate two members for the Supervisory Board. The Dutch State exercised that right. Thus, Charlotte Insinger and Ludo Wijngaarden were appointed members of the Supervisory Board at the Annual General Meeting of Shareholders (AGM) on 15 April 2009. These Supervisory Board members had the authority to approve essential decisions, including the issue, acquisition and disposal of SNS REAAL shares, a significant acquisition or participation by SNS REAAL in the share capital of another company, major investments, proposals to amend the Articles of Association, and an amendment to SNS REAAL’s remuneration policy. For the consequences of the nationalisation of SNS REAAL for the core Tier 1 securities, please refer to chapter 2 Nationalisation.

The Supervisory Board has set up four committees that, on 31 December 2012, comprised the following members:

- the Audit Committee. This committee consists of Robert Jan van de Kraats (Chairman), Charlotte Insinger, Jos Nijhuis, Piero Overmars and Ludo Wijngaarden.
- the Nomination Committee. This committee consists of Rob Zwartendijk (Chairman), Jaap Lagerweij en Herna Verhagen.
- the Remuneration Committee. This committee consists of Jaap Lagerweij (Chairman), Herna Verhagen, Ludo Wijngaarden en Rob Zwartendijk.
- the Risk Committee. This committee consists of Piero Overmars (Chairman), Charlotte Insinger, Robert-Jan van de Kraats, Jaap Nijssen and Rob Zwartendijk.
As described in chapter 2, Rob Zwartendijk resigned on 1 February 2013. The composition of the above-mentioned committees has therefore changed and is now as follows:

- the Audit Committee. This committee consists of Robert Jan van de Kraats (Chairman), Charlotte Insinger, Jos Nijhuis, Piero Overmars and Ludo Wijngaarden.
- the Nomination Committee. This committee consists of Herna Verhagen (Chairman), Charlotte Insinger and Piero Overmars.
- the Remuneration Committee. This committee consists of Jaap Lagerweij (Chairman), Piero Overmars, Henna Verhagen and Ludo Wijngaarden.
- the Risk Committee. This committee consists of Piero Overmars (Chairman), Charlotte Insinger, Robert-Jan van de Kraats and, Jaap Nijssen.

The Supervisory Boards of SNS Bank NV, REAAL NV and SRLEV NV comprise the same individuals as the Supervisory Board of SNS REAAL.

19.2.2 Curricula vitae, terms of office and additional positions

**Piero Overmars**

Piero Overmars (1964) is Chairman of the Nyenrode Foundation (this Foundation is the owner of Nyenrode Business University), member of the Supervisory Board of Aronsohn Raadgevende Ingenieurs and member of the Supervisory Board of Van Dijk Educatie and the Supervisory Board of the AMC (Amsterdam Medical Centre). From 1989 to 2007, Overmars held various positions at ABN AMRO Bank, both in the Netherlands and abroad, before he became a member of the Executive Board of ABN AMRO in 2006.

Overmars was appointed member of the Supervisory Board for the first time on 7 October 2010. He will resign no later than at the first AGM after 7 October 2014.

**Charlotte Insinger**

Charlotte Insinger (1965) is an independent management consultant. Insinger is partner at Nieuwe Commissaris Consult, member of the Supervisory Board of the Vesteda Group, member of the Supervisory Council of the Koninklijke Diergaarde Blijdorp Foundation, member of the Board of the Doping Autoriteit, member of the Advisory Council of Between Us, member of the Supervisory Committee of Rijnland Zorggroep and member of the Supervisory Council of the Luchtverkeersleiding Nederland. Before that, she worked for the Erasmus MC, the Robeco Group and Shell.

Insinger was appointed member of the Supervisory Board for the first time on 15 April 2009 on nomination of the Dutch State. She will resign no later than at the first AGM after 15 April 2013.

**Robert Jan van de Kraats**

Robert Jan van de Kraats (1960) is Vice Chairman of the Executive Board and CFO of Randstad Holding N.V. In addition to Finance, M&A and Investor Relations, Van de Kraats is also responsible for a number of subsidiaries in various countries. He is a former member of the Executive Board and CFO of NCM Holding N.V.

Van de Kraats was appointed member of the Supervisory Board for the first time on 12 October 2006. He will resign no later than at the first AGM after 20 April 2015.
Jaap Lagerweij
Jaap Lagerweij (1947) is Director and partner at Gwynt. Until 1 January 2010, Lagerweij was Managing Director of the Sperwer Group and a member of the Board of Superunie, a purchasing organisation for a large number of Dutch supermarket organisations. Lagerweij is a member of the Supervisory Boards of the Nederlandse Staatsloterij, Rituals, Coolcat Fashion, HG International, Beerensgroep. In addition to these supervisory board memberships, Lagerweij is member/chairman of a number of advisory councils, as well as supervisory board member/advisor of two family businesses.

Lagerweij was appointed member of the Supervisory Board for the first time on 12 October 2006. He will resign no later than at the first AGM after 20 April 2015.

Jos Nijhuis
Jos Nijhuis (1957) is President of Schiphol Group. Before that, he was Chairman of the Executive Board of PriceWaterhouseCoopers. Nijhuis is a member of the Supervisory Board of the Muziektheater Amsterdam and Non-executive Board member of Aeroports de Paris.

Nijhuis was appointed member of the Supervisory Board for the first time on 15 April 2009. He will resign no later than at the first AGM after 15 April 2013.

Jan Nijssen
Jan Nijssen (1953) is partner and shareholder at Montae (independent pension consultants). From 1978 to 2005 Jan Nijssen held several positions at Nationale Nederlanden and ING Group both in the Netherlands and abroad. In 1997, he became a member of the Board of ING Nederland, in 2000 member of the Board of ING Europe and in 2004 CEO of Central Europe ING Insurance & Pensions. Nijssen is also Chairman of the Supervisory Council of Enviu and member of the Internal Supervision Committee of the Shell Pension Fund.

Nijssen was appointed member of the Supervisory Board for the first time on 13 September 2011. He will resign no later than at the first AGM after 13 September 2015.

Herna Verhagen
Herna Verhagen (1966) is Chairman of the Board of PostNL. She is former Managing Director of Group HR at TNT and former Sales Director of TNT Post. Herna Verhagen is a member of the Supervisory Board of Nutreco and member of the daily management of VNO-NCW.

Verhagen was appointed Supervisory Board member for the first time on 12 June 2008. She will resign no later than at the first AGM after 25 April 2016.

Ludo Wijngaarden
Ludo Wijngaarden (1947) was Chairman of the Board of Nationale Nederlanden and member of the Board of ING Nederland until 2008. Before that, he was the Chairman of the Board of Postbank and the ING Retail division. Until October 2008, he was Chairman of the Dutch Association of Insurers (Verbond van Verzekeraars), member of the Board of VNO-NCW and member of the Bank Council of De Nederlandsche Bank. Wijngaarden is Chairman of the Supervisory Board of Oasen, Chairman of the Supervisory Board of LTP, member of the Supervisory Board of the residential building cooperative Rochdale, member of the Executive Board of DAK, member of the Advisory Council of College Bescherming Persoonsgegevens and member of the Advisory Council of Oracle Nederland.

Wijngaarden was appointed member of the Supervisory Board for the first time on 15 April 2009 on nomination of the Dutch State. He will resign no later than at the first AGM after 15 April 2013.
19.3 Rules regarding the appointment and dismissal of Executive Board and Supervisory Board members

Pursuant to the Decree on Article 10 of the Takeover Directive, the annual report should disclose information on the rules governing the appointment and dismissal of the members of the Executive Board and Supervisory Board. This Decree was applicable to SNS REAAL up to the nationalisation of SNS REAAL. In this section, therefore, we set out the rules as they applied up to the nationalisation.

Members of the Executive Board are, pursuant to Book 2, section 162 of the Dutch Civil Code, appointed by the Supervisory Board. Each member of the Executive Board can be suspended or dismissed by the Supervisory Board at any time, provided it cannot dismiss a member of the Executive Board without consulting the General Meeting of Shareholders (GMS) on the dismissal.

Members of the Supervisory Board are appointed by the GMS on nomination of the Supervisory Board. Both the GMS and the Works Council may recommend persons to the Supervisory Board for nomination for positions on the Supervisory Board. If the reinforced right of recommendation applies to the vacancy, the Supervisory Board shall make this known as well. The aforementioned reinforced right of recommendation is applicable to one-third of the number of Supervisory Board members. Following this, the Supervisory Board nominates a person on the recommendation of the Works Council, unless the Supervisory Board objects to this nomination on the grounds that it either expects the nominated person to be unsuitable to act as a member of the Supervisory Board or that the Supervisory Board would not be properly composed if the appointment was made according to the recommendation. If the Supervisory Board has objections to the nomination by the Works Council for said reasons, the Supervisory Board will consult with the Works Council as soon as possible. If the Supervisory Board fails to reach an agreement with the Works Council on the nomination, the Enterprise Section of the Amsterdam Court of Appeal will issue a ruling. The GMS may reject the recommendation by an absolute majority of votes, representing at least one-third of the issued share capital. If at least one-third of the share capital is not represented at the meeting, a new meeting will be convened, in which the nomination may be rejected by an absolute majority of votes. If the nomination is then rejected, the Supervisory Board will make a new recommendation in accordance with the above-mentioned procedure. If the GMS does not appoint the nominated person and does not resolve to reject the nomination, the Supervisory Board will appoint the nominated person.

A member of the Supervisory Board can only be dismissed by the Enterprise Section of the Amsterdam Court of Appeal for neglecting his duties, other serious considerations or a drastic change in circumstances due to which SNS REAAL can no longer reasonably be expected to retain the Supervisory Board member. A Supervisory Board member may be suspended by the Supervisory Board. The GMS may pass a motion of no confidence in the Supervisory Board by an absolute majority of votes, representing at least one-third of the issued share capital. If at least one-third of the issued share capital was not represented at the meeting, a new meeting may be convened at which the GMS, by an absolute majority of votes, may pass the motion of no confidence in the Supervisory Board, irrespective of the portion of capital represented at that meeting. This motion will result in the immediate dismissal of the entire Supervisory Board. If a motion of no confidence has been passed, the Executive Board will request the Enterprise Section of the Amsterdam Court of Appeal to temporarily appoint one or more Supervisory Board members without delay.

After the nationalisation, the Articles of Association of SNS REAAL NV were amended, as a result of which the aforementioned rules were also amended. We refer to the contents of the current Articles of Association as they are posted on our website.
19.4 Shareholders, shares and core Tier 1 capital securities

19.4.1 Information on shareholders of SNS REAAL

Up to the nationalisation, Stichting Beheer SNS REAAL (the Foundation) held 50.00001% of the shares in SNS REAAL. To the best of our knowledge, only the following shareholder reported to hold a (potential) interest of 5% or more as mentioned in the Dutch Financial Supervision Act (Wft), other than the Foundation, as at 31 December 2012:

a. BNP Paribas Investment Partners SA, an interest of 4.27% and a voting right of 5.18% as at 23 November 2012.

Up to the nationalisation, all ordinary shares of SNS REAAL were listed on the Euronext NYSE in Amsterdam. There were no special controlling rights attached to the ordinary SNS REAAL shares. SNS REAAL set no restrictions on the transfer of the ordinary shares. The Articles of Association of SNS REAAL contain no share transfer restriction clause for the ordinary shares and there was no agreement between the Company and any shareholder that might result in the restriction of the transfer of shares.

On 28 April 2008, SNS REAAL issued 6 B shares to the Foundation, regarding the acquisition of Zwitserleven. The B shares were not listed, no special voting rights were attached and the holders of the share were not entitled to any accrued or future profit reserve. The B shares entitle the holder to a dividend that depends on the dividend distributed on ordinary shares, such that the dividend yield of the B shares will amount to ninety percent (90%) of the dividend yield of the ordinary shares. The B shares were not freely transferable. They could only be transferred with the prior consent of the Executive Board upon approval by the Supervisory Board.

As a consequence of the nationalisation the Dutch State is sole shareholder of SNS REAAL as per 1 February 2013.

19.4.2 Securities issued to the Stichting Beheer SNS REAAL and the Dutch State

On 11 December 2008, SNS REAAL issued two types of securities. The Foundation received 5,000,000 securities, each with a nominal value of €100.00, for a total amount of €500 million. The Dutch State received 142,857,140 securities, each with a nominal value of €1.63, at an issue price of €5.25, for an aggregated amount of €750 million.

On 30 November 2009, SNS REAAL repurchased securities in the amount of €250 million, of which amount €65 million had been issued to the Foundation and €185 million to the Dutch State.

For the consequences of the nationalisation for the core Tier 1 securities, we refer to chapter 2 Nationalisation.
Various codes

Corporate Governance Code
The Corporate Governance Code (the Code) is applicable to all Dutch listed companies. Following the nationalisation, the Code is formally no longer applicable to SNS REAAL NV. However, SNS REAAL will continue to strive for compliance with the principles and best practice provisions as much as possible. Thus, in its Annual Report, SNS REAAL will report on the compliance with the principles and best practice provisions of the Code intended for the Executive Board or the Supervisory Board of SNS REAAL NV. In this annual report, we report on the compliance with the Code in 2012. The full text of the Code is available on www.commissiecorporategovernance.nl.

Deviation from best practice provision II.1.1
The first deviation from the Code relates to best practice provision II.1.1: ‘A member of the Executive Board is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.’ Ronald Latenstein was appointed for an indefinite period in line with the statutory provisions prevailing at the time of his appointment, before the Code was established. In connection with the nationalisation, Ronald Latenstein resigned on 1 February 2013. Present members of the Executive Board (Gerard van Olphen, Maurice Oostendorp, Dick Okhuijsen and Wim Henk Steenpoorte) have been appointed for a maximum period of four years, naturally with the possibility of being reappointed.

Deviation from best practice provision III.5.11
The second deviation from the Code relates to best practice provision III.5.11: ‘The Remuneration Committee will not be chaired by the Chairman of the Supervisory Board, nor by a former member of the Executive Board of the Company, nor by a Supervisory Board member who is a member of the Executive Board of another listed company.’ Herna Verhagen was already Chairman of the Remuneration Committee when she became an Executive Board member of a listed company following PostNL’s flotation. A chairmanship change at that stage was undesirable in view of the phase the remuneration policy’s amendment proposals were in. Herna Verhagen stepped down as Chairman immediately after the closure of the General Meeting of Shareholders of 25 April 2012 and Jaap Lagerweij was appointed Chairman of the Remuneration Committee.

Deviation from best practice provision IV.1.5
The third deviation from the Code relates to best practice provision IV.1.5: ‘A resolution to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.’ Partly in connection with the issue of six B shares in the capital of SNS REAAL to the Foundation in order to finance the acquisition of Zwieteringen, SNS REAAL’s Articles of Association were amended on 28 April 2008. As a result of this amendment to the Articles of Association, SNS REAAL’s authorised capital was increased by six B shares and the provisions in the Articles of Association pertaining to profits, losses and dividend were changed. The Articles of Association as per 28 April 2008 provide, inter alia, that as a result of the adoption of the financial statements, the freely distributable profits, to the extent that there are no Losses to be Cleared and after reservation of the Ordinary Reservation Amount (both as defined in the Articles of Association), will be distributed to the holders of ordinary shares and holders of B shares in accordance with the proportions stipulated in the Articles of Association. Accordingly, it followed from the Articles of Association that, upon adoption of the financial statements, the dividend was declared and, moreover, was distributable.

Due to the nationalisation, the Articles of Association were amended and there will be no deviation from best practice provision IV.1.5.
19.5.2 Banking Code and Insurance Code

Mission, core value and strategy of SNS REAAL emphasise Banking Code and Insurance Code principles

The mission, core value and strategy of SNS REAAL confirm the principles of the Banking Code and Insurance Code (jointly referred to as the Codes).

Contributions to restoring trust in the financial sector

The Codes are aimed towards restoring trust in and improving the functioning of the financial services industry. This is obviously also an objective of SNS REAAL. SNS REAAL does this by following these Codes and its mission, core value and strategy. SNS REAAL continually undertakes initiatives to restore trust in the financial services industry and to improve the functioning of the industry. Also in 2012.

SNS REAAL adopts Codes before coming into force

The Banking Code is applicable to all of SNS REAAL’s Banking activities and came into force on 1 January 2010. The Insurance Code applies to all of SNS REAAL’s Insurance activities and came into force on 1 January 2011. Even before these dates, in 2009, SNS REAAL started applying the Codes. From that moment on, SNS REAAL aimed at applying the Codes to all its activities.

SNS REAAL almost completely complies with the Codes now. SNS REAAL and its employees carefully monitor compliance with the Codes and try to further improve them, in line with the execution of SNS REAAL’s mission Simplicity in finance and its core value CARE!.

SNS REAAL applies Codes to all activities

Right from the start, SNS REAAL applied the Codes to all of its activities almost completely, without making a distinction between Banking and Insurance activities. Some examples are:

- SNS REAAL’s mission Simplicity in finance puts its customers and its customers’ best interests first in accordance with the Codes.
- The remuneration policy of the Executive Board and senior management complies with the Codes and the applicable laws and regulations.
- The Executive Board and senior management of SNS REAAL signed the moral-ethical statement in February 2010 and recently pledged the so-called Bankers’ oath, pursuant to the new regulations. The principles included in this statement provide all SNS REAAL personnel with an ethical framework to guide them in their conduct.
- SNS REAAL has a programme for continuous education in accordance with the principles of the Codes.
- The Product Approval Process has been implemented in all relevant business units in accordance with the Codes and audits are carried out in these business units each year.
- The risk management organisation of the entire SNS REAAL Group is compliant with the principles of the Codes and evolves continually. Chapter 15 discusses relevant developments in the field of risk management.
- The internal audit function is organised at Group level, is compliant with the Codes and evolves continually.
Application of the Codes in practice
On its website, SNS REAAL provides an up-to-date overview of the manner in which SNS REAAL and its business units implement and apply the recommendations of the Codes.

Compliance with the Code
SNS REAAL almost complies with the Codes. Due to the circumstances, the Supervisory Board did not comply with the Codes at some points in 2012:

- Recommendation 2.1.8: as a result of the focus on finding an all comprehensive solution for Property Finance’s portfolio and the capital position of SNS REAAL, the Supervisory Board did not completely comply with obligation of permanent education.
- Recommendation 2.1.9: as a result of the external evaluation of the functioning of the Supervisory Board in combination with the focus on finding an all comprehensive solution for Property Finance’s portfolio and the capital position of SNS REAAL, the Supervisory Board did not evaluate the effectiveness of the permanent education.

Besides, in order to comply with the Regulation on Controlled Remuneration Policies pursuant to the Financial Supervision Act (Regeling Beheerst Beloningsbeleid Wft 2011) a number of employees have to sign for their remuneration policy but have not yet done this, although the policy is fully adopted and implemented.

At the level of the entities of the most important subsidiaries of SNS REAAL, further improvements to the compliance with the Codes is possible. For instance with respect to the evaluation of the supervisory boards of these entities (recommendation 2.1.10), the establishment of the directors’ compliance with the professional requirements of DNB (recommendation 3.1.4), the maximisation of severance pay of several directors (recommendation 6.3.2) as a result of existing contractual arrangements, and setting up an audit and risk committee for the supervisory boards of these entities.

Putting customers’ interests first
The Codes’ recommendations aimed at the culture of the activities, such as putting customers first and carefully considering the interests of all SNS REAAL’s stakeholders concerned (section 3.2 of the Codes) are abstractly formulated. Implementation and compliance with these recommendations can therefore - by definition – only be objectively verified to a limited extent.

SNS REAAL is convinced that these recommendations are embedded in the culture of all of its business units and receive constant attention from senior management and employees of SNS REAAL. One of the elements of SNS REAAL’s strategy is putting customers and customers’ interests first, which is embedded in the mission Simplicity in finance and the core value CARE!. Due care is exercised to consider the interests of all of SNS REAAL’s stakeholders. Putting customers first is part of employees’ performance appraisal and of the product approval process for existing and new products. Business units are required to report to the Executive Board on the way in which they put the customer first. The implementation of these recommendations from the Codes is discussed in more detail in other sections of this Annual Report:

- Our brands
- Corporate Responsibility
- Market positioning
- Attracting, helping and retaining customers
- Corporate responsibility
- Winning, helping and retaining customers
- Strategy SNS Retail Bank
- Organisation and distribution
Continuing education en competence Supervisory Board, Executive Board and senior management

In 2012, members of the Supervisory Board, Executive Board and management teams of the business units attended several training courses in line with the recommended topics in the Codes. Together with the HR Department, the Company Secretary organises a range of in-house training courses with internal and external speakers. Some examples of topics addressed in the continuing education programme are internal auditing, cybercrime, dealing with regulatory bodies, fiscal developments, ethical conduct and governance, economic capital, remuneration policies, embedded value and Solvency II and putting customers' interests first. HR keeps an attendance record of the internal and external training courses attended by aforementioned officers.

The know-how of the members of the Executive Board and management teams of the business units is part of their performance appraisal.

19.6 Management statements

The members of the Executive Board state the following:

19.6.1 In-control statement

The Executive Board of SNS REAAL declares to have reasonable assurance that the material risks facing SNS REAAL have been described. This is based on the risk management organisation as described in the chapter Risk Management and Organisation. The effectiveness of essential control measures is regularly reviewed. SNS REAAL has a structured internal Statement on Internal Control (SIC) process with the accompanying evaluation by senior management. For the entire SNS REAAL Group, the following material risks have been identified for which risk mitigating actions have been or will be taken:

- The execution of the decision to nationalise SNS REAAL has profound implications for the organisation and is complex because of the change process. The intended separation of Property Finance and the consequences of the expected European Committee decision on the nationalisation are some examples.
- Deficiencies in the internal control at Property Finance have become more clearly visible, due to the difficult real estate market conditions and the pressure to reduce risk-weighted assets. These deficiencies pertain to, inter alia, the quality of loan files, hiring of external staff and the management of companies in which recovered collateral is managed. Apart from this, the outcome of the annual integrity survey, performed for the entire Group, was negative for this business unit. On the back of increased concern about potential conflicts of interest based on this survey and other studies, SNS REAAL started a thorough internal investigation in late 2012. This investigation will continue into 2013 and has resulted in various measures as well reporting of our suspicion of criminal offenses to the criminal authorities. Apart from the internal investigation, criminal authorities are also conducting an investigation. The outcome of the investigations, internal control deficiencies noted and remediating actions taken, have been discussed in the relevant governance committees. With respect to Property Finance’s internal controls, further risk mitigating measures were taken in 2012 and will be taken in 2013 to prevent reoccurrence. Effectiveness of these measures will be measured.
- Civil society is increasingly facing the threat of cybercrime. SNS REAAL closely follows these developments and takes appropriate measures where necessary.
- Media respond almost instantly to developments in the financial sector. The exposure in the (social) media has sharply increased, the ongoing fraud investigation at Property Finance attracting particular attention. Negative
media attention damages the image of SNS REAAL’s brands.

- The execution of the compensation schemes for unit-linked insurance policies and unit-linked pensions due to insufficient cost transparency in the past.
- In 2012, SNS REAAL expanded its product management process with a periodic review of its products. In line with our mission of Simplicity in Finance and due to changing laws and regulations and the changing public opinion, we continue to focus on our product portfolio and the creation of lasting value for our customers.
- The appeal to the loyalty of SNS REAAL employees has increased as a result of the need for more sustainable terms and conditions of employment, reduced job security and the many organisational changes.

19.6.2 Control over financial reporting

The financial reporting management and control systems are an integral part of SNS REAAL’s overall risk management and control systems. Key elements in respect of the control over its financial reporting are:

- The Financial Committee, which is responsible for setting policy frameworks as well as the organisation of financial and actuarial administrations and processes.
- The business units and Group staff departments that are responsible for the execution of the work, and thus for an accurate and faithful recording of the transactions and the reporting thereon.
- A system of financial key controls within the financial accounting and reporting departments in order to monitor the proper functioning of financial reporting management and control systems.
- The Financial Committee’s assessment of financial accountability partly based on the key controls’ results. After approval by the Executive Board, the findings of the financial reporting process, together with the financial accountability, are discussed in the Audit Committee.
- The review of the functioning of these systems by the internal and external auditors. The external auditor reports thereon insofar as it relates to the audit of the financial statements. The findings are discussed with the Financial Committee, the Executive Board and the Audit Committee.

We believe that the measures taken lead to an adequate control over the financial reporting process.

19.6.3 Transparency statement

The members of the Executive Board state the following: “SNS REAAL prepares the consolidated and company financial statements 2012 of SNS REAAL NV in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU) and with Title 9 Book 2 of the Dutch Civil Code and, to the best of our knowledge, they give a true and fair view of the assets, liabilities, size and composition of equity, financial position as per 31 December 2012 and the financial result of the Group and its consolidated companies. The annual report gives, to the best of our knowledge, a true and fair view of the position as per the balance sheet date and the development and performance of the business during the financial year. The principal risks SNS REAAL NV faces are described in the Annual Report.”

Utrecht, 4 June 2013

Gerard van Olphen, Chairman of the Executive Board
Maurice Oostendrop CFRO
Wim Henk Steenpoorte CTO
Dick Okhuijsen COO
20 Consolidated financial statements

20.1 Consolidated balance sheet

Consolidated balance sheet
Before result appropriation and in € millions

<table>
<thead>
<tr>
<th>Notes</th>
<th>31-12-2012</th>
<th>31-12-2011</th>
</tr>
</thead>
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<tr>
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<td>7,654</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>133,641</td>
</tr>
</tbody>
</table>

| Equity and liabilities | | |
| Share capital | 469 | 469 |
| Other reserves | 2,866 | 3,527 |
| Retained earnings | (972) | 114 |
| Shareholders’ equity | 15 | 2,363 | 4,110 |
| Equity attributable to security holders | 15 | 967 | 979 |
| Minority interests | 2 | 1 |
| Total equity | | 3,352 | 5,090 |
| Participation certificates and subordinated debt | 16 | 1,744 | 2,129 |
| Debt certificates | 17 | 22,212 | 27,429 |
| Insurance contracts | 18 | 41,769 | 38,827 |
| Provision for employee benefits | 19 | 438 | 440 |
| Other provisions | 20 | 129 | 86 |
| Securities lending liabilities | 7 | - | 120 |
| Derivatives | 8 | 3,643 | 3,618 |
| Deferred tax liabilities | 9 | 1,219 | 1,038 |
| Savings | 21 | 32,815 | 30,341 |
| Other amounts due to customers | 22 | 10,963 | 12,142 |
| Amounts due to banks | 23 | 11,639 | 7,245 |
| Corporate income tax | 1 | 177 |
| Other liabilities | 24 | 3,697 | 3,154 |
| Total equity and liabilities | | 133,641 | 131,836 |

The references next to the balance sheet items relate to the notes to the consolidated balance sheet starting from paragraph 30.1

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.

Pro forma figures
This section explores the financial implications of the nationalisation of SNS REAAL. The following pro forma balance sheet provides an insight into the most important financial effects of the nationalisation and the implementation of certain additional steps announced by the Minister in a letter addressed to the Chairman of the House of Representatives of the Dutch Parliament on 1 February 2013. The pro forma balance sheet has been prepared based
solely on announced events or actions that influenced the balance as of 31 December 2012 in order to illustrate the
overall impact of subsequent steps in the nationalisation. The steps reflected in the pro forma balance sheet do not in all
cases represent historic actual transactions. A number of steps are yet to be implemented. Actual performance may
therefore differ, for instance as a result of the European Commission response to the restructuring plan, which may
influence the presented pro forma figures. The following factors are set out by column in the pro forma balance sheet and
are further explained in the following sections:

- The write-off of the real estate finance portfolio to the value as determined by the Minister upon transfer of Property
  Finance to an asset management organisation. The loss on the real estate finance portfolio on separation is € 2.8
billion compared to the book value of June 2012 (refer to section 2.2.1.1). Of this amount, € 776 million is
  recognised in the second half of 2012. For the remaining loss, a provision of € 2.0 billion has been made in the first
  quarter of 2013. This provision will lead to a decrease in the risk-weighted assets of SNS Bank as per 1 February
  2013, after which the remaining risk-weighted assets will be released at the external transfer of the portfolio (refer to
  2.2.1.6).
- The core Tier 1 securities issued to the State and the Stichting Beheer SNS REAAL are deposited as share
  premium on ordinary shares in SNS REAAL.
- The expropriation of and conversion into equity of the subordinated debt of SNS Bank NV and SNS REAAL NV and
  incorporation into equity of the results from the reduction of derivatives relating to the expropriated items.
- A paid-in share premium of € 2.2 billion by the Dutch State in SNS REAAL, € 1.9 billion of which has passed
  through as share premium to SNS Bank.
- A bridge loan of € 1.1 billion.
- The release of around € 5.5 billion in risk-weighted assets by transferring the activities of Property Finance to a
  new, to be established asset management organisation in combination with the government guarantee of around €
  5 billion for the temporary loan that SNS Bank will provide to this asset management organisation.
- The contribution by SNS Bank to the Resolution levy imposed by the Minister.
- An estimation of the deferred tax asset resulting from the impairments of Property Finance and the conversion into
  equity of subordinated debts.
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<tr>
<th>Assets</th>
<th>31-12-2012</th>
<th>PF held for sale</th>
<th>Balance after PF at held for sale</th>
<th>Changes in the capital structure subordinated debts</th>
<th>Expropriation of capital injection of</th>
<th>Bridge loan</th>
<th>Demerging Resolution PF levy</th>
<th>Pro Forma Balance</th>
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<td>(972)</td>
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<td>-</td>
<td>(70)</td>
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<td>72</td>
<td>-</td>
<td>(8)</td>
<td>-</td>
</tr>
<tr>
<td>Savings</td>
<td>32,815</td>
<td>-</td>
<td>32,815</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32,815</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>10,983</td>
<td>-</td>
<td>10,983</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,983</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>11,639</td>
<td>-</td>
<td>11,639</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(170)</td>
<td>-</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,697</td>
<td>-</td>
<td>3,697</td>
<td>-</td>
<td>(20)</td>
<td>-</td>
<td>1,100</td>
<td>(121)</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>133,641</td>
<td>(1,791)</td>
<td>131,850</td>
<td>-</td>
<td>-</td>
<td>2,200</td>
<td>615</td>
<td>(308)</td>
</tr>
</tbody>
</table>
**20.1.1 Property Finance at held for sale**

The pro forma balance sheet shows the impact of the intended transfer of Property Finance to the asset management organisation. Property Finance is to be separated at a value considerably lower than its book value. Around €2.8 billion of the total assets of Property Finance are to be written off compared to the book value as of 30 June 2012. The Minister of Finance decided on this write-down. The pro forma figures recognise a gross figure for the write-down of Property Finance amounting to €2,024 million (€1,791 million net). The figure is derived from the total write-down of €2.8 billion, compared to the book value at 30 June 2012, minus the sum of €776 million in impairment charges taken in the second half of 2012. Part of the write-down is tax deductible (refer to section 2.2.1.8.2 for an explanation). The explanation that accompanied the decision to nationalise the company indicated that Property Finance’s property projects have a value of between €185 and €265 million. The pro forma balance sheet therefore includes an impairment charge on the value of property projects to an average value of €225 million, analogous to the total write-down on Property Finance as a whole based on the average outcome. The portfolio of property projects has increased as a result of foreclosures in the second half of 2012. The average transfer value, taking into account this increase is €298 million as of 31 December 2012. It is estimated that the write-off recognised in the pro forma balance sheet of €2,024 is for around €1,906 million attributable to the property finance loans provided by Property Finance and for around €118 million on property projects. In respect of the write-off shown in the pro forma balance sheet a provision has been charged to the result for the first quarter of 2013 because the ministerial decision has effectively created an obligation to transfer Property Finance at the value set.

In the valuation of the real estate loan portfolio of Property Finance, there are considerable differences between the transfer value at split off from SNS REAAL, the fair value recognised in section 27.1 and the balance sheet valuation as per 31 December 2012.

The balance sheet valuation of the property finance loans is €6,605 million and has, in accordance with accounting rules, an amortised cost basis. Provisions are only made for this after a downward adjustment of the expected cash flows resulting from an actual loss event on the balance sheet date. This means that the provisions relate only to the items that have been determined to be in default as a result of these events and on which a loss has been incurred. To determine the amount of the provision, the expected cash flows are discounted against the original effective interest rate of the item in question. Thus, discounting the cash flows takes place at an interest rate agreed with the customer at the time the loan was taken out. Losses arising from expected future developments or events no matter how likely are not recognised (expected loss).

The fair value of the property finance loans is recognised in the financial statements in section 27.1. The preparation in section 27.1 applies only to the fair value of financial instruments and therefore does include the fair value of the property finance loans, but not the property projects. The fair value is based on the market price, defined as the price established between knowledgeable, willing parties in an arm’s length transaction (no forced transactions). At this time there is no active market for real estate financing and reference prices (derived from comparable transactions) are therefore not available. Management has ruled that the outcome of the internal study into the expected shortfall of the loans is the best estimate for the fair value. This study is based on the run-off strategy used by Property Finance based on value maximisation without time pressure on the run-off. Reference transactions perceptible in the market are taken into account as much as possible in the valuation. Unlike the balance sheet valuation, the study took into account the expected losses on items that were not (yet) in default on 31 December 2012. The discount rate at which the cash flows were discounted also includes surcharges based on the market rate on top of the original effective interest rate to express the increased risk compared to the origination date. Three scenarios (positive, neutral and negative) were calculated for the benefit of the internal study into the value of the portfolio. The outcome based on the neutral scenario has been recognised as fair value.

The transfer price at which the real estate finance portfolio will be split off is based on the decision by the Minister subsequent to a study commissioned by him.
20.1.2 Changes in the capital structure

20.1.2.1 B shares
An amendment to the Articles of Association of SNS REAAL came into effect on 4 February 2013 whereby the B shares that were expropriated from Stichting Beheer SNS REAAL by the Dutch State on 1 February were converted into 6 ordinary shares. The number of ordinary shares has therefore increased from 287,619,867 to 287,619,873.

20.1.2.2 Core Tier 1 capital securities
The Stichting securities that were issued in 2008 have been expropriated. The core Tier 1 securities which SNS REAAL issued to the Dutch State in 2008 (€ 565 million) and to the Stichting Securities (€ 435 million, book value of € 422 million at 31 December 2012 as a result of loss absorption) have been deposited as share premium on ordinary shares in SNS REAAL. The Minister’s letter to Parliament states that converting the core Tier 1 securities has affected the EMU balance by € 0.8 billion. This takes into account financial penalties associated with SNS REAAL’s repayment. SNS REAAL has not recognised these future penalties as a liability in its balance.

20.1.3 Expropriation subordinated bonds and private debt

20.1.3.1 Subordinated bonds
The Dutch State injected the expropriated subordinated bonds into SNS REAAL in the form of a share premium, with economic effect from 1 February 2013. Subsequently, with economic effect on the same date, SNS REAAL transferred the expropriated subordinated bonds issued by SNS Bank to SNS Bank in the form of a share premium. The debt instruments shall terminate pursuant to amalgamation, including all ensuing payment obligations to the State. The financial reporting follows accordingly. The value of the expropriated subordinated bonds has been incorporated as equity, for the most part not subject to taxation. The results arising from inwinding hedges relating to the expropriated items, has been incorporated as equity, as a taxable result.

20.1.3.2 Subordinated private debts
Subordinated private debts have been expropriated. The passive capital components of SNS REAAL and SNS Bank corresponding to these debts have also been expropriated on behalf of Stichting Afwikkeling Onderhandse Schulden SNS REAAL. The subsequent release in the balance sheet has been added to the equity as a taxable result.

The pro forma balance sheet does not take into account the increase in interest on the expropriated subordinated loans over the period between 31 December 2012 and 25 February 2013 being the date on which the Council of State came to the conclusion that the capital components were lawfully expropriated. The tax effects arising from the expropriation of the subordinated private debts has been taken into account.

Although SNS REAAL has been appointed director of the Stichting Afwikkeling Onderhandse schulden SNS REAAL, it is for the time being assumed that, in view of the limited directors’ liability risk, this Foundation is not consolidated in the financial results of SNS REAAL. This is because the only aim of the Foundation is to execute the objective of the Dutch State to reinforce the capital position of SNS REAAL and SNS Bank with the expropriation.
20.1.4 Capital injection of € 2.2 billion
In his letter to the Second Chamber of Parliament, the Minister explained that SNS REAAL requires a capital injection totalling € 2.2 billion, comprising € 1.9 billion for SNS Bank and € 300 million for SNS REAAL NV. A € 2.2 billion paid-in share premium to SNS REAAL NV was made on 11 March 2013. SNS REAAL paid-in the sum of € 1.9 billion as a share premium into SNS Bank on the same day.

20.1.5 Bridge loan from the State to SNS REAAL of € 1.1 billion
In his letter to the Second Chamber of Parliament, the Minister indicates DNB expects that SNS REAAL, as a result of the expropriation, will for some time experience difficulties in attracting external funding. To offset this, the State has provided SNS REAAL with a bridge loan of € 1.1 billion. This sum was received on 4 March 2013. This loan has been used to redeem € 485 million of external debt and € 615 million of internally draw down loans.

20.1.6 Demerging Property Finance
The Minister’s letter to Parliament announces the intention of Property Finance being transferred in a separate asset management organisation. The Minister has indicated that to ensure the credibility of this solution it is necessary for asset management organisation to function entirely independently of SNS REAAL, both financially and operationally. In addition, the Minister has stated that DNB foresees that establishing the asset management organisation will require € 0.5 billion in equity for operational costs at inception and as a buffer for unexpected developments. This would be injected by the State. The receipt of € 0.5 billion in equity is not included in the pro forma balance sheet because the asset management organisation is no longer part of SNS REAAL. The Minister has also stated that the State has the intention to provide a guarantee for the financing of the asset management organisation of around € 5 billion. Initially, the funding of the asset management organisation will largely continue to be provided by SNS Bank so that SNS Bank retains a share of the credit risk of the portfolio.

A State guarantee will subsequently cover the risk for this amount. The aim is to gradually replace this financing with that from third parties. The preparations for establishing the asset management organisation are underway.

The table below outlines the effect of demerging Property Finance from SNS REAAL’s and SNS Bank’s financial results. The first column shows the balance of the Property Finance segment. This corresponds to the balance of the legal entity SNS Property Finance BV. In the second column the effects of reclassification and settlements of balance sheet items between group components are included as well as the reversal of eliminations. The largest elimination item for the purpose of consolidation is the offset of the intercompany debt of Property Finance against SNS Bank’s intercompany claim. The column ‘PF Held for Sale’ shows the loss booked on the transfer of Property Finance’s portfolio as outlined in section 2.2.1.1. The deferred tax asset as a result of the split off is recognised by the entity SNS Bank, part of the fiscal unity SNS REAAL. Within the fiscal unity SNS REAAL the deferred tax asset can be offset against future gains. The write down on the portfolio results in the entity Property Finance displaying strongly negative equity. Prior to the seperation of Property Finance the negative net asset value will be strenghtened, and the intercompany funding provided to Property Finance will be written off. The column “Demerging PF” shows that after demerging there is an amount of nearly € 5.0 billion for the item 'Loans and advances to banks'. This is the outstanding loan provided by SNS Bank to Property Finance after demerging. The total amount Property Finance needs for funding after demerging is around € 5.1 billion. The difference is caused by the loans that Property Finance has at other banks (€ 170 million) which are presented under the column 'Loans and advances to banks'.
Table 1B: Explanation column demerging PF

<table>
<thead>
<tr>
<th>Segment PF 31-12-2012</th>
<th>Reclassification</th>
<th>PF Held for sale</th>
<th>Strengthening Equity PF</th>
<th>Demerging PF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td>Property projects</td>
<td>(416)</td>
<td>-</td>
<td>118</td>
<td>(298)</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(6,605)</td>
<td>-</td>
<td>1,906</td>
<td>(4,699)</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>(10)</td>
<td>7,376</td>
<td>-</td>
<td>(2,436)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(203)</td>
<td>179</td>
<td>-</td>
<td>(24)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(608)</td>
<td>399</td>
<td>-</td>
<td>(209)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>(7,850)</td>
<td>7,954</td>
<td>2,024</td>
<td>(2,436)</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>412</td>
<td>-</td>
<td>2,024</td>
<td>(2,436)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>412</td>
<td>-</td>
<td>2,024</td>
<td>(2,436)</td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>(8,124)</td>
<td>7,954</td>
<td>-</td>
<td>(170)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(138)</td>
<td>-</td>
<td>-</td>
<td>(138)</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>(7,850)</td>
<td>7,954</td>
<td>2,024</td>
<td>(2,436)</td>
</tr>
</tbody>
</table>

20.1.7 Contribution to Resolution levy
The Minister has requested all banks for a contribution in the form of a one-off Resolution levy. SNS Bank’s contribution is estimated to be €70 million and is included under Other liabilities. It is anticipated that this will fall due in 2014 and will be charged against the results in that year.

20.1.8 Impact corporation tax
Measures to be implemented in relation to nationalisation have an influence on the level of corporation tax to be received and paid. Quantification of the impact on the tax position, as presented in the pro forma balance sheet, is based on certain provisional assumptions which are explained in the sections below. The overall impact will be determined in consultation with the Dutch tax authority. The management of SNS REAAL believes that the assumptions are correct estimates that adequately reflect the risks and uncertainties.

20.1.8.1 Tax claim due to loss on Property Finance
It is estimated that €934 million of the (gross) write-down on Property Finance of €2,024 million (refer to explanation in section 2.2.1.1) is tax deductible. The deferred tax asset of €233 million arising from this (25% x €934 million) is included in its entirety in the pro forma balance, based on the presumption of there being adequate future taxable profits to realize the associated deferred tax asset. In concluding this, account has been taken of assumptions about future profits as well as uncertainties concerning the future composition of the tax group of SNS REAAL.

20.1.8.2 Tax impact on expropriation of subordinated debts
It is estimated that the capital gains resulting from the expropriated subordinated bonds will largely not be subject to corporation tax. The calculated profit to be processed in 2013 arising from expropriated subordinated loans is fully subject to corporation tax. Taking into account provisions, the taxable profit on the settlement of hedges related to the expropriated bonds there is a net increase in equity of €1,058 million.
## 20.2 Consolidated income statement

### Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>28</td>
<td>2,536</td>
<td>2,753</td>
</tr>
<tr>
<td>Interest expense</td>
<td></td>
<td>1,648</td>
<td>1,866</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>28</td>
<td>888</td>
<td>887</td>
</tr>
<tr>
<td>Premium income</td>
<td></td>
<td>3,455</td>
<td>3,696</td>
</tr>
<tr>
<td>Reinsurance premiums</td>
<td></td>
<td>223</td>
<td>246</td>
</tr>
<tr>
<td><strong>Net premium income</strong></td>
<td>29</td>
<td>3,232</td>
<td>3,450</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td></td>
<td>205</td>
<td>217</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td></td>
<td>65</td>
<td>58</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>30</td>
<td>140</td>
<td>159</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>31</td>
<td>11</td>
<td>(2)</td>
</tr>
<tr>
<td>Investment income</td>
<td>32</td>
<td>1,520</td>
<td>1,375</td>
</tr>
<tr>
<td>Investment income for account of policyholders</td>
<td>33</td>
<td>1,510</td>
<td>(40)</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>34</td>
<td>48</td>
<td>275</td>
</tr>
<tr>
<td>Income invested collateral securities lending</td>
<td>35</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Other operating income</td>
<td>36</td>
<td>-</td>
<td>(3)</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
<td>36</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td></td>
<td>7,354</td>
<td>6,119</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical claims and benefits</td>
<td>37</td>
<td>2,958</td>
<td>2,624</td>
</tr>
<tr>
<td>Charges for account of policyholders</td>
<td>38</td>
<td>2,266</td>
<td>1,090</td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>39</td>
<td>268</td>
<td>257</td>
</tr>
<tr>
<td>Staff costs</td>
<td>40</td>
<td>769</td>
<td>758</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>41</td>
<td>69</td>
<td>75</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>42</td>
<td>1,709</td>
<td>615</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>42</td>
<td>1,709</td>
<td>615</td>
</tr>
<tr>
<td>Interest expense securities lending</td>
<td>43</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>44</td>
<td>161</td>
<td>243</td>
</tr>
<tr>
<td>Other expenses</td>
<td>44</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td></td>
<td>8,520</td>
<td>5,854</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td></td>
<td>(1,166)</td>
<td>165</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>45</td>
<td>(198)</td>
<td>50</td>
</tr>
<tr>
<td><strong>Net result continued operations</strong></td>
<td></td>
<td>(968)</td>
<td>115</td>
</tr>
<tr>
<td><strong>Net result discontinued operations</strong></td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td></td>
<td>(968)</td>
<td>115</td>
</tr>
</tbody>
</table>

### Attribution:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result attributable to shareholders</td>
<td>(863)</td>
<td>107</td>
</tr>
<tr>
<td>Net result attributable to security holders</td>
<td>(109)</td>
<td>7</td>
</tr>
<tr>
<td><strong>Net result attributable to shareholders and security holders</strong></td>
<td>(972)</td>
<td>114</td>
</tr>
<tr>
<td>Net result attributable to minority interests</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>(968)</td>
<td>115</td>
</tr>
</tbody>
</table>

The references next to the income statement items relate to the notes to the consolidated income statement starting from paragraph 30.28

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
### Earning per share / security

<table>
<thead>
<tr>
<th>Earnings per ordinary share</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per ordinary share from continued operations</td>
<td>46</td>
<td>(3.00)</td>
<td>0.37</td>
</tr>
<tr>
<td>Earnings per ordinary share from discontinued operations</td>
<td>46</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings per ordinary share</td>
<td>46</td>
<td>(3.00)</td>
<td>0.37</td>
</tr>
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</table>

### Earnings per B share

<table>
<thead>
<tr>
<th>Earnings per B share</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per B share from continued operations</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings per B share from discontinued operations</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings per B share</td>
<td></td>
<td>-</td>
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</tr>
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</table>

### Earnings per security issued to Stichting Beheer SNS REAAL

<table>
<thead>
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<th>Earnings per security issued to Stichting Beheer SNS REAAL from continued operations</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per security issued to Stichting Beheer SNS REAAL from discontinued operations</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings per security issued to Stichting Beheer SNS REAAL</td>
<td>46</td>
<td>(25.08)</td>
<td>1.74</td>
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</table>

### Earnings per security issued to the Dutch State

<table>
<thead>
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<th>Earnings per security issued to the Dutch State from continued operations</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per security issued to the Dutch State from discontinued operations</td>
<td></td>
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<td>-</td>
</tr>
<tr>
<td>Earnings per security issued to the Dutch State</td>
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<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Diluted earnings per ordinary share

<table>
<thead>
<tr>
<th>Diluted earnings per ordinary share from continued operations</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per ordinary share from discontinued operations</td>
<td>46</td>
<td>(3.00)</td>
<td>0.27</td>
</tr>
<tr>
<td>Diluted earnings per ordinary share</td>
<td>46</td>
<td>(3.00)</td>
<td>0.27</td>
</tr>
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</table>

### Diluted earnings per B share

<table>
<thead>
<tr>
<th>Diluted earnings per B share from continued operations</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per B share from discontinued operations</td>
<td></td>
<td>-</td>
<td>-</td>
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<td>Diluted earnings per B share</td>
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The references next to the income statement items relate to the notes to the consolidated income statement starting from paragraph 30.28.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
### 20.3 Consolidated statement of comprehensive income

#### Consolidated statement of comprehensive income

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<th>2011</th>
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#### Attribution:

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### 20.4 Consolidated statement of changes in equity

#### Consolidated statement of changes in equity 2012

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<th>Sum revaluation reserves</th>
<th>Sum other reserves</th>
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The share capital issued and share premium reserve comprises ordinary shares and B-shares.
## Statement of revaluation reserves and other reserves 2012

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<th>Revaluation property and equipment</th>
<th>Cash flow hedge reserve</th>
<th>Fair value reserve</th>
<th>Sum revaluation reserves</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Sum other reserves</th>
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<td>Transactions with shareholders and securityholders</td>
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For more information, please refer to paragraph 19.4 Shareholders, shares and core Tier 1 capital securities in the chapter on Corporate Governance.

SNS REAAL NV declared not to distribute dividend for the year 2012.

For more information on the statement of changes in equity please refer to the statement of changes in equity in paragraph 21.5.7 Equity of the accounting principles for the consolidated financial statements.
## Consolidated statement of changes in equity 2011

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<tr>
<th>In € millions</th>
<th>Issued share capital</th>
<th>Share premium reserve</th>
<th>Sum revaluation reserves</th>
<th>Sum other reserves</th>
<th>Equity attributable to shareholders</th>
<th>Securities capital</th>
<th>Minority interests</th>
<th>Group Equity</th>
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### Statement of revaluation reserves and other reserves 2011

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<td>-</td>
<td>-</td>
<td>(214)</td>
<td>(214)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other movements</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Amounts charged directly to total equity</strong></td>
<td></td>
<td>(2)</td>
<td>73</td>
<td>550</td>
<td>621</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Net result 2011</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Total result 2011</td>
<td></td>
<td>(2)</td>
<td>73</td>
<td>550</td>
<td>621</td>
<td>1</td>
<td>114</td>
<td>115</td>
</tr>
<tr>
<td>Transactions with shareholders and securityholders</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total changes in equity 2011</td>
<td></td>
<td>(2)</td>
<td>73</td>
<td>550</td>
<td>621</td>
<td>(238)</td>
<td>374</td>
<td>136</td>
</tr>
<tr>
<td>Adjusted balance as at 31 December 2011</td>
<td></td>
<td>46</td>
<td>162</td>
<td>857</td>
<td>1,065</td>
<td>1,099</td>
<td>114</td>
<td>1,213</td>
</tr>
</tbody>
</table>
## 20.5 Consolidated cash flow statement

### Consolidated cash flow statement

**In € millions**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before taxation</td>
<td>(1,166)</td>
<td>165</td>
</tr>
<tr>
<td>Net result discontinued operations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>308</td>
<td>270</td>
</tr>
<tr>
<td>Changes in technical provisions own risk</td>
<td>2,509</td>
<td>(2,727)</td>
</tr>
<tr>
<td>Changes in other provisions</td>
<td>(461)</td>
<td>51</td>
</tr>
<tr>
<td>Impairment charges / (reversals)</td>
<td>1,709</td>
<td>615</td>
</tr>
<tr>
<td>Unrealised results on investments through profit or loss</td>
<td>(145)</td>
<td>(8)</td>
</tr>
<tr>
<td>Retained share in the result of associates</td>
<td>(8)</td>
<td>2</td>
</tr>
<tr>
<td>Tax (paid) / received</td>
<td>(8)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Change in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in loans and advances to customers</td>
<td>2,059</td>
<td>4,440</td>
</tr>
<tr>
<td>Change in loans and advances to banks</td>
<td>4,252</td>
<td>575</td>
</tr>
<tr>
<td>Change in savings</td>
<td>2,474</td>
<td>2,944</td>
</tr>
<tr>
<td>Change in trading portfolio</td>
<td>(589)</td>
<td>51</td>
</tr>
<tr>
<td>Change in other operating activities</td>
<td>(3,232)</td>
<td>(1,477)</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>7,702</td>
<td>4,900</td>
</tr>
</tbody>
</table>

**Cash flow from investment activities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of property and equipment</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>Sale of investments in associates</td>
<td>1</td>
<td>121</td>
</tr>
<tr>
<td>Sale of investment property</td>
<td>32</td>
<td>195</td>
</tr>
<tr>
<td>Sale and redemption of investments and derivatives</td>
<td>17,519</td>
<td>20,621</td>
</tr>
<tr>
<td>Purchase of intangible fixed assets</td>
<td>(18)</td>
<td>(107)</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(33)</td>
<td>(63)</td>
</tr>
<tr>
<td>Purchase of investments in associates</td>
<td>(1)</td>
<td>(6)</td>
</tr>
<tr>
<td>Purchase of investment property</td>
<td>(11)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of investments and derivatives</td>
<td>(17,153)</td>
<td>(19,942)</td>
</tr>
<tr>
<td><strong>Net cash flow from investment activities</strong></td>
<td>345</td>
<td>838</td>
</tr>
</tbody>
</table>

**Cash flow from finance activities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of subordinated loans</td>
<td>49</td>
<td>540</td>
</tr>
<tr>
<td>Issues of debt certificates</td>
<td>4,870</td>
<td>1,556</td>
</tr>
<tr>
<td>Redemption of subordinated loans</td>
<td>(513)</td>
<td>(934)</td>
</tr>
<tr>
<td>Redemption of debt certificates</td>
<td>(10,308)</td>
<td>(6,055)</td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>(5,902)</td>
<td>(4,893)</td>
</tr>
<tr>
<td>Cash and cash equivalents as at 1 January</td>
<td>5,509</td>
<td>4,671</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held</td>
<td>-</td>
<td>(7)</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>2,145</td>
<td>845</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 31 December</strong></td>
<td>7,654</td>
<td>5,509</td>
</tr>
</tbody>
</table>

**Additional disclosure with regard to cash flows from operating activities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income received</td>
<td>3,658</td>
<td>3,885</td>
</tr>
<tr>
<td>Dividends received</td>
<td>143</td>
<td>163</td>
</tr>
<tr>
<td>Interest paid</td>
<td>2,010</td>
<td>1,998</td>
</tr>
</tbody>
</table>

*Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.*
21 Accounting principles for the consolidated financial statements

21.1 Adoption of the financial statements
The consolidated financial statements of SNS REAAL NV for the year ended on 31 December 2012 were authorised for publication by the Executive Board following their approval by the Supervisory Board on 4 June 2013. The financial statements will be submitted to the General Meeting of Shareholders for adoption on 11 June 2013. As of 1 February 2013, the Dutch State is the sole shareholder of SNS REAAL NV.

21.2 General information
SNS REAAL NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SNS REAAL NV’s registered office is located at Croeselaan 1, 3521 BJ Utrecht. SNS REAAL NV is the parent company of SNS Bank NV, REAAL NV, SNS REAAL Invest NV, SNS Asset Management NV and their subsidiaries (referred to as ‘SNS REAAL’). The consolidated financial statements of SNS REAAL comprise the accounts of all the companies controlled by SNS REAAL and the interest of SNS REAAL in associated companies and entities.

Stichting Beheer SNS REAAL had a 50.00001% interest in SNS REAAL as at 31 December 2012. See paragraph 30.27 for more information on subsequent events and paragraph 2.2 for pro forma figures.

The main accounting principles used in the preparation of the consolidated financial statements and the company financial statements are set out in this section.

In 2012, SNS REAAL and its subsidiary SNS Bank had a vulnerable capital position. In the second half of the year, SNS REAAL worked closely together with, among others, the Dutch Central Bank (DNB), the Ministry of Finance and advisors to reach a comprehensive solution for the capital position and portfolio of Property Finance. This vulnerable capital position eventually led to the nationalisation of SNS REAAL on 1 February 2013, making the Dutch State the sole shareholder of SNS REAAL. After the nationalisation, the Minister has announced follow-up steps to enforce the capital position of SNS REAAL and to isolate the portfolio of Property Finance in a letter addressed to the Chairman of the States General Second Chamber. The nationalisation and follow-up steps are further explained in chapter 2 Nationalisation of SNS REAAL. Based on the before mentioned events and the decision announced by the Minister of Finance, the annual accounts are prepared on a going concern basis.

21.3 Basis of preparation

21.3.1 Statement of IFRS compliance
SNS REAAL prepares the annual accounts in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, SNS REAAL prepares its company financial statements (see also paragraph 31.3 Principles for the preparation of the company financial statements for the application of section 2:402 of the Netherlands Civil Code) in accordance with the same accounting principles as those used for the consolidated financial statements.
21.3.2 Changes in published Standards and Interpretations effective in 2012

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2012, the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee respectively, became mandatory, and are adopted by the EU. Unless stated otherwise, the changes will have no material effect on the consolidated financial statements of SNS REAAL.

- Amendment to IFRS 1 First time adoption – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters.
- Amendment to IFRS 7 Financial Instruments Disclosures – Transfers of Financial Assets.

21.3.3 Interpretations of existing standards or amendments to standards, not yet effective in 2012

The following new standards, amendments to existing standards and interpretations, published prior to 1 January 2013 and effective for accounting periods beginning on or after 1 January 2013, were not early adopted by SNS REAAL.

- IFRS 9 Financial Instruments.
- IFRS 10 Consolidated Financial Statements.
- IFRS 11 Joint Arrangements.
- IFRS 12 Disclosures of Interests in Other Entities.
- IFRS 13 Fair Value Measurement.
- IAS 27 Separate Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures.
- Amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards – ‘Government Loans’.
- Amendment to IAS 1 Presentation of Financial Statements – ‘Presentation of Items of Other Comprehensive Income’.
- Amendment to IAS 19 Employee Benefits.
- Improvements to IFRSs 2011.

Notes to the main changes:

IFRS 9 Financial Instruments, classification and measurement, will be effective 1 January 2015. This IFRS is phase 1 of a complete revision of IAS 39 Financial Instruments. The new standard has not yet been adopted by the EU. Expectations are that the standard will affect the classification and measurement of financial assets and liabilities. Its full impact will not become clear until this IASB project has been completed in full, and published.

IFRS 10 Consolidated Financial Statements, effective for accounting periods beginning on or after 1 January 2014, introduces a single recognition model for all entities, based on control, regardless of the type of entity consolidated. This new requirement is still being analysed, but based on the first results SNS REAAL does not expect a significant impact on the consolidated financial statements when this new standard enters into force in 2014.
IAS 19 Employee Benefits. In June 2011 the amendment to IAS 19 Employee Benefits was published, and has, meanwhile, been adopted by the EU.

SNS REAAL will apply this amendment as from the accounting period 2013. Since the major part of the SNS REAAL staff participates in the defined contribution plan (Pension Fund SNS REAAL) the amendment will have a relatively limited effect on SNS REAAL’s shareholders’ equity and the result. The financial reporting principles of this defined contribution plan do not change.

The main changes for SNS REAAL’s defined benefit pension plans, having almost only so-called dormant participants and retired members, are:

- The corridor method will be eliminated. Actuarial results, which are the result of expected outcomes, the discount rate and actual realisation, will be recognised directly in shareholders’ equity (Other Comprehensive Income) and can no longer be deferred via the corridor method. At year-end 2012, on balance an amount of € 103 million (at year-end 2011: € 75 million) of deferred losses was included in the corridor.
- Future administrative costs will no longer be included in IAS 19 Employee Benefits. From now on, the annual administrative costs will be recognised directly as pension costs in the result. The liability for administrative costs is € 19 million at year-end 2012 (€ 18 million at year-end 2011).
- The return on qualifying pension investments will be determined in a different way from now on. As from 2013, this return will be equated with the interest rate by which the employee benefits are increased. Up to and including 2012, an estimated return on these investments was recognised.

In accordance with this amendment € 89 million will be transferred from shareholders’ equity to the provision for employee benefits in the beginning of accounting period 2013. The comparative figures of the year 2012 will also be adjusted. In addition € 61 million will be recognised retrospectively in shareholders’ equity and the provision for employee benefits effective 1 January 2012. The calculations include the effect of asset ceiling of mutual fund investments. The effect on the income statement will remain limited.
21.3.4 Changes in principles, estimates and presentation

21.3.4.1 Changes in principles
Deferred acquisition costs insurance activities

Economic and social circumstances have changed and new legislation prohibits payment of commission to intermediaries as of 1 January 2013. Demand for unit-linked products has declined and products with low cost structures are being introduced to the market. This has an impact on the business model of Insurance activities. By taking the acquisition costs directly to the income statement instead of spreading these costs over the premium payment period, transparency of the financial statements is enhanced.

SNS REAAL therefore implemented a change in accounting treatment with effect from 1 January 2012, whereby internal and external acquisition costs are no longer deferred, but instead charged directly to the income statement.

As a result of the change, the restated group net result for 2011 increased by € 27 million, of which € 23 million relates to REAAL and € 4 million to Zwitserleven. The restated group equity end 2011 decreased by € 338 million.

The effect of the change on the net group result 2012 is an increase of € 18 million, of which € 15 million relates to REAAL and € 3 million to Zwitserleven. The effect on group equity end 2012 is a decrease of € 286 million.

| Reported balance sheet Insurance activities by segment 31 December 2011 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
|                          | Zwitserleven    | REAAL Life      | REAAL Non-life  | REAAL Other     |
| **Assets**               |                 |                 |                 |                 |
| Intangible assets        | 519             | 1,275           | 213             | 2               |
| Deferred tax assets      | 136             | 137             | 3               | 6               |
| **Total assets**         | 17,569          | 35,135          | 2,618           | 1,554           |
| **Equity and liabilities** |                 |                 |                 |                 |
| Shareholders' equity     | 1,802           | 2,616           | 731             | (1,171)         |
| Equity attributable to security holders | 17           | 41              | -               | 342             |
| Minority interests       | -               | 2               | -               | -               |
| **Total equity**         | 1,819           | 2,659           | 731             | (829)           |
| **Total equity and liabilities** | 17,569        | 35,135          | 2,618           | 1,554           |

| Adjusted balance sheet Insurance activities by segment 31 December 2011 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
|                          | Zwitserleven    | REAAL Life      | REAAL Non-life  | REAAL Other     |
| **Assets**               |                 |                 |                 |                 |
| Intangible assets        | 398             | 959             | 199             | 2               |
| Deferred tax assets      | 166             | 216             | 3               | 10              |
| **Total assets**         | 17,478          | 34,898          | 2,604           | 1,558           |
| **Equity and liabilities** |                 |                 |                 |                 |
| Shareholders' equity     | 1,711           | 2,379           | 721             | (1,171)         |
| Equity attributable to security holders | 17           | 41              | -               | 342             |
| Minority interests       | -               | 2               | -               | -               |
| **Total equity**         | 1,728           | 2,422           | 721             | (829)           |
| **Total equity and liabilities** | 17,478        | 34,898          | 2,604           | 1,558           |
### Reported income statement Insurance activities by segment 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Zwitserleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total income</strong></td>
<td>1,761</td>
<td>2,477</td>
<td>862</td>
<td>47</td>
<td>(26)</td>
<td>5,121</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>26</td>
<td>89</td>
<td>192</td>
<td>(1)</td>
<td>-</td>
<td>306</td>
</tr>
<tr>
<td>Staff costs</td>
<td>49</td>
<td>53</td>
<td>55</td>
<td>21</td>
<td>-</td>
<td>178</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>26</td>
<td>40</td>
<td>17</td>
<td>1</td>
<td>-</td>
<td>84</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>62</td>
<td>62</td>
<td>56</td>
<td>6</td>
<td>-</td>
<td>186</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,873</td>
<td>2,186</td>
<td>819</td>
<td>52</td>
<td>(26)</td>
<td>4,904</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td>(112)</td>
<td>291</td>
<td>43</td>
<td>(5)</td>
<td>-</td>
<td>217</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(21)</td>
<td>67</td>
<td>10</td>
<td>(6)</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td><strong>Net result continued operations</strong></td>
<td>(91)</td>
<td>224</td>
<td>33</td>
<td>1</td>
<td>-</td>
<td>167</td>
</tr>
<tr>
<td><strong>Net result discontinued operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>(91)</td>
<td>224</td>
<td>33</td>
<td>1</td>
<td>-</td>
<td>167</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net result attributable to shareholder and securityholder</strong></td>
<td>(91)</td>
<td>223</td>
<td>33</td>
<td>1</td>
<td>-</td>
<td>166</td>
</tr>
</tbody>
</table>

The consequences with regard to the non-capitalisation of the acquisition costs for the Group-segmented balance sheet and income statement are described in paragraph 21.3.4.3 Changes in presentation.

### Adjusted income statement Insurance activities by segment 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Zwitserleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total income</strong></td>
<td>1,761</td>
<td>2,477</td>
<td>862</td>
<td>47</td>
<td>(26)</td>
<td>5,121</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>19</td>
<td>51</td>
<td>192</td>
<td>(1)</td>
<td>-</td>
<td>261</td>
</tr>
<tr>
<td>Staff costs</td>
<td>71</td>
<td>70</td>
<td>59</td>
<td>21</td>
<td>-</td>
<td>221</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>6</td>
<td>18</td>
<td>13</td>
<td>1</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>62</td>
<td>72</td>
<td>58</td>
<td>6</td>
<td>-</td>
<td>198</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,868</td>
<td>2,153</td>
<td>821</td>
<td>52</td>
<td>(26)</td>
<td>4,868</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td>(107)</td>
<td>324</td>
<td>41</td>
<td>(5)</td>
<td>-</td>
<td>253</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(20)</td>
<td>78</td>
<td>9</td>
<td>(6)</td>
<td>-</td>
<td>59</td>
</tr>
<tr>
<td><strong>Net result continued operations</strong></td>
<td>(87)</td>
<td>248</td>
<td>32</td>
<td>1</td>
<td>-</td>
<td>194</td>
</tr>
<tr>
<td><strong>Net result discontinued operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>(87)</td>
<td>248</td>
<td>32</td>
<td>1</td>
<td>-</td>
<td>194</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net result attributable to shareholder and securityholder</strong></td>
<td>(87)</td>
<td>247</td>
<td>32</td>
<td>1</td>
<td>-</td>
<td>193</td>
</tr>
</tbody>
</table>

21.3.4.2 Changes in estimates

**Interest rate curve IFRS liability adequacy test**

In the past year, research has taken place into the way interest rate curves are used for liability adequacy tests. On 2 July 2012, the Dutch Central Bank decided to adjust the extrapolation methodology of the yield curve used in the calculation of regulatory solvency, based on the Smith-Wilson methodology, and to use an Ultimate Forward Rate. The annual forward rates as from year 20 in this method converge over a period of 40 years to an UFR of 4.2%. As from year 60 the forward rate remains equal to the UFR (4.2%).

The methodology results in a more stable yield curve for longer maturities, thereby ensuring less fluctuation in the solvency positions of insurers. In doing so, the Dutch Central Bank anticipates on Solvency II regulation for insurance companies.
The adequacy of the insurance technical provisions in the annual accounts is tested every reporting period by means of the IFRS liability adequacy test (IFRS LAT). With effect of 1 January 2012 the yield curve used in the LAT test is the same as the yield curve used for calculating regulatory solvency. As of 2012 this is the ECB AAA interest curve including the Ultimate Forward Rate (UFR). The use of this curve negatively impacted the surplus value shown in the IFRS LAT with € 0.6 billion relative to the ECB All Government curve as of 1 January 2012.

For more information about accounting of shortfalls in the liability adequacy, see paragraph 30.1 Intangible assets.

A decline in the interest rate curve may have a negative impact on the income statement of the Insurance activities, if an increase in the value of the insurance liabilities cannot be fully compensated by a positive fair value reserve and cash flow hedge reserve movement of the fixed-income portfolio.

Interest rate curve pension obligations own personnel

SNS REAAL has some defined benefit plans relating to (former) employees of acquisitions. The estimated future cashflows of these pension liabilities are discounted with a yield curve derived from the current market interest rate on high quality corporate bonds. The currency and term of the corporate bonds shall be consistent with the currency and estimated term of the pension obligations.

Up to and including 2011 SNS REAAL used an external yield curve which was derived from a basket of corporate bonds. The composition of the basket was changed in 2012 in such a way that it contained insufficient bonds with long maturities, and thus inconsistent with the long-term pension obligations.

In 2012 SNS REAAL therefore decided to switch to a different external, commonly used yield curve, which is also based on a composition of high quality corporate bonds, but whose term is consistent with the estimated term of the pension liabilities.

Using the new yield curve, the corridor at year-end 2012 is € 103 million negative (2011: € 126 million positive). The corridor under the former yield curve amounted to € 75 million negative at year-end 2011. Because the effect of this change in yield curve is part of the actuarial results that are included in the corridor, it has no effect on result or equity for the reporting years 2012 and 2011.

As per 1 January 2013 the amount of the corridor will be part of equity as of that same date. This is the result of the initial application of the EU endorsed amendment to IAS 19 (see paragraph 21.3.3).

Risk assessment model on residential mortgages

During 2012, SNS REAAL subjected its existing risk assessment model on residential mortgages and bridge loans to a regular revision. A revised definition of default is used in the new model, as well as a connection to the market developments through the use of more recent data and an improved credit risk database. The PD, LGD and best estimate LGD are recalibrated. The introduction of the new model and recalibration of the parameters led to an additional increase of provisions on residential mortgages with € 40 million in 2012.

21.3.4.3 Changes in presentation

In 2012 SNS REAAL took further steps to enhance its capital position and reduce its risk profile. In view of this, SNS Bank decided in the second half of 2012 to withdraw from the commercial property finance market for SME’s. As a result SNS SME’s loan portfolio will be phased out. The Core real estate finance portfolio, part of the total loan portfolio, will be phased out under the direction and responsibility of Property Finance. This announcement was made in the trading update of the third quarter 2012.
SNS SME’s other activities (the SME mortgage and savings portfolio) will be continued and transferred to the SNS Retail Bank business unit. As a result of this transfer, SNS SME will cease to exist. The change in segmentation is in alignment with the new business activities decision model and also creates more transparency for users of the financial statements in respect of the net result from SNS REAAL’s continued activities in the future, and results relating to the phase out (and separation) of the Property Finance portfolio in a separate asset management organisation in 2013.

The accompanying statements present the impact of the aforementioned changes in the segmented balance sheet as at 31 December 2011 and the segmented income statement for 2011 of the Banking activities.

As a result of the new segmentation, the name of the primary segment SNS Bank has been changed to SNS Retail Bank.

Reported balance sheet Banking activities by segment 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>SNS Retail Bank</th>
<th>SNS SME</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>106</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>153</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>88</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>90</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>1</td>
<td>16</td>
<td>-</td>
<td>17</td>
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<tr>
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<tr>
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<td>4,106</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,106</td>
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<tr>
<td>Derivatives</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>3,321</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>218</td>
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<td>-</td>
<td>225</td>
</tr>
<tr>
<td>Property projects</td>
<td>-</td>
<td>7</td>
<td>505</td>
<td>-</td>
<td>512</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
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<td>5,656</td>
<td>4,784</td>
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<td>64,791</td>
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<tr>
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<td>-</td>
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<td>307</td>
<td>(3,218)</td>
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<td>223</td>
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<td>Assets held for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>79,550</td>
<td>11,603</td>
<td>5,855</td>
<td>(15,760)</td>
<td>81,248</td>
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<tr>
<td><strong>Equity and liabilities</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
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<td>510</td>
<td>185</td>
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<td>1,699</td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
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<td>-</td>
<td>-</td>
<td>156</td>
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<td>Minority interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total equity</strong></td>
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<td>510</td>
<td>185</td>
<td>-</td>
<td>1,855</td>
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<td>616</td>
<td>-</td>
<td>-</td>
<td>1,121</td>
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<td>-</td>
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<td>-</td>
<td>27,361</td>
</tr>
<tr>
<td>Other provisions</td>
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<td>-</td>
<td>-</td>
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<td>Deferred tax liabilities</td>
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<td>5</td>
<td>-</td>
<td>303</td>
</tr>
<tr>
<td>Savings</td>
<td>30,342</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30,342</td>
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<tr>
<td>Other amounts due to customers</td>
<td>6,407</td>
<td>3,628</td>
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<td>-</td>
<td>10,215</td>
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<tr>
<td>Amounts due to banks</td>
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<td>6,670</td>
<td>5,402</td>
<td>(12,530)</td>
<td>4,716</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>(12)</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>4,669</td>
<td>162</td>
<td>81</td>
<td>(3,218)</td>
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</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>79,550</td>
<td>11,603</td>
<td>5,855</td>
<td>(15,760)</td>
<td>81,248</td>
</tr>
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</table>
### Adjusted balance sheet Banking activities by segment 31 December 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>106</td>
<td>47</td>
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<td>153</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>88</td>
<td>2</td>
<td>-</td>
<td>90</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>17</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Investment properties</td>
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<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Investments</td>
<td>4,106</td>
<td>-</td>
<td>-</td>
<td>4,106</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,321</td>
<td>-</td>
<td>-</td>
<td>3,321</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>218</td>
<td>7</td>
<td>-</td>
<td>225</td>
</tr>
<tr>
<td>Property projects</td>
<td>-</td>
<td>512</td>
<td>-</td>
<td>512</td>
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<tr>
<td>Loans and advances to customers*</td>
<td>55,919</td>
<td>8,890</td>
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<td>64,809</td>
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<tr>
<td>Loans and advances to banks</td>
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<td>11</td>
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<td>1,681</td>
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<tr>
<td>Corporate income tax</td>
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<td>13</td>
<td>-</td>
<td>125</td>
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<tr>
<td>Other assets*</td>
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<tr>
<td>Cash and cash equivalents</td>
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<tr>
<td>Assets held for sale</td>
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<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>81,088</td>
<td>10,251</td>
<td>(10,091)</td>
<td>81,248</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>1,298</td>
<td>401</td>
<td>-</td>
<td>1,699</td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
<td>156</td>
<td>-</td>
<td>-</td>
<td>156</td>
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<tr>
<td>Minority interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
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<td>401</td>
<td>-</td>
<td>1,855</td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>1,121</td>
<td>-</td>
<td>-</td>
<td>1,121</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>27,361</td>
<td>-</td>
<td>-</td>
<td>27,361</td>
</tr>
<tr>
<td>Other provisions</td>
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<tr>
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<td>-</td>
<td>-</td>
<td>3,606</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>296</td>
<td>7</td>
<td>-</td>
<td>303</td>
</tr>
<tr>
<td>Savings</td>
<td>30,342</td>
<td>-</td>
<td>-</td>
<td>30,342</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>10,035</td>
<td>180</td>
<td>-</td>
<td>10,215</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>5,174</td>
<td>9,529</td>
<td>(9,987)</td>
<td>4,716</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,669</td>
<td>129</td>
<td>(104)</td>
<td>1,694</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>81,088</td>
<td>10,251</td>
<td>(10,091)</td>
<td>81,248</td>
</tr>
</tbody>
</table>

* There has been a shift of €18 million from the other assets to loans and advances to customers.
### Reported income statement Banking activities by segment 2011

<table>
<thead>
<tr>
<th>Income</th>
<th>SNS Retail Bank</th>
<th>SNS SME</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>2,474</td>
<td>470</td>
<td>211</td>
<td>(399)</td>
<td>2,756</td>
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<tr>
<td>Interest expense</td>
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<td>326</td>
<td>158</td>
<td>(399)</td>
<td>1,958</td>
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<tr>
<td><strong>Net interest income</strong></td>
<td>601</td>
<td>144</td>
<td>53</td>
<td>-</td>
<td>798</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>132</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>139</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>53</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>79</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>86</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Investment income</td>
<td>45</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Result on financial instruments</td>
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<td>(6)</td>
<td>(30)</td>
<td>-</td>
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</tr>
<tr>
<td>Other operating income</td>
<td>2</td>
<td>-</td>
<td>(8)</td>
<td>-</td>
<td>(6)</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>855</td>
<td>145</td>
<td>10</td>
<td>-</td>
<td>1,010</td>
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</table>

### Expenses

<table>
<thead>
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<th>Expenses</th>
<th>SNS Retail Bank</th>
<th>SNS SME</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>201</td>
<td>27</td>
<td>30</td>
<td>-</td>
<td>258</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>29</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Other operating expenses</td>
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<td>21</td>
<td>51</td>
<td>-</td>
<td>285</td>
</tr>
<tr>
<td>Impairment charges</td>
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<td>46</td>
<td>251</td>
<td>-</td>
<td>410</td>
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<td><strong>Total expenses</strong></td>
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<td>94</td>
<td>333</td>
<td>-</td>
<td>983</td>
</tr>
<tr>
<td>Result before tax</td>
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<td>51</td>
<td>(323)</td>
<td>-</td>
<td>27</td>
</tr>
<tr>
<td>Taxation</td>
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<td>13</td>
<td>(75)</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td><strong>Net result continued operations</strong></td>
<td>224</td>
<td>38</td>
<td>(248)</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td><strong>Net result discontinued operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>224</td>
<td>38</td>
<td>(248)</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Minority interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result attributable to shareholders and securityholders</strong></td>
<td>224</td>
<td>38</td>
<td>(248)</td>
<td>-</td>
<td>14</td>
</tr>
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</table>
### Adjusted income statement Banking activities by segment 2011

<table>
<thead>
<tr>
<th></th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>2,648</td>
<td>417</td>
<td>(309)</td>
<td>2,756</td>
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<tr>
<td>Interest expense</td>
<td>1,973</td>
<td>294</td>
<td>(309)</td>
<td>1,958</td>
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<tr>
<td><strong>Net interest income</strong></td>
<td>675</td>
<td>123</td>
<td>-</td>
<td>798</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td></td>
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</tr>
<tr>
<td>Fee and commission expense</td>
<td>139</td>
<td>-</td>
<td>-</td>
<td>139</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td></td>
<td></td>
<td></td>
<td>86</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Investment income</td>
<td>45</td>
<td>-</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>128</td>
<td>(36)</td>
<td>-</td>
<td>92</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2</td>
<td>(8)</td>
<td>-</td>
<td>(6)</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
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<td>-</td>
<td>(4)</td>
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<tr>
<td><strong>Expenses</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>215</td>
<td>43</td>
<td>-</td>
<td>258</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>29</td>
<td>1</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>223</td>
<td>62</td>
<td>-</td>
<td>285</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>126</td>
<td>284</td>
<td>-</td>
<td>410</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>593</td>
<td>390</td>
<td>-</td>
<td>983</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td>343</td>
<td>(316)</td>
<td>-</td>
<td>27</td>
</tr>
<tr>
<td>Taxation</td>
<td>86</td>
<td>(73)</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td><strong>Net result continued operations</strong></td>
<td></td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td><strong>Net result discontinued operations</strong></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>257</td>
<td>(243)</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Minority interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result attributable to shareholders and securityholders</strong></td>
<td>257</td>
<td>(243)</td>
<td>-</td>
<td>14</td>
</tr>
</tbody>
</table>

### 21.3.5 Accounting principles used in the preparation of the financial statements

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements. All group entities have applied the accounting principles consistently.

#### 21.3.5.1 Accounting principles applied to balance sheet items

In preparing the financial statements, the accounting principles ‘fair value’, ‘amortised cost’ and ‘historic cost’ are used.

Fair value is used for land and buildings in own use and investment property, part of the loans and advances to customers, investments classified at fair value through profit or loss, investments classified as available for sale, invested collateral securities lending, derivatives and for investments and liabilities on behalf of policyholders.

All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities measured at amortised cost that are part of a fair value hedge is restated to reflect the change in fair value that is attributable to the hedged risk.

Non-financial assets and liabilities are generally measured at historical cost. Except for the cash flow information, the financial statements have been prepared on an accrual basis.
21.3.5.2 Functional currency and reporting currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional currency of SNS REAAL. All financial data presented in euros are rounded off to the nearest million, unless stated otherwise. Counts are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

21.3.6 Main accounting principles, estimates and assumptions

21.3.6.1 The use of estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires SNS REAAL to make estimates and assumptions based on complex and subjective opinions and estimates. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. Hereby, management judges situations on the basis of available information and financial data which could potentially alter in the future. Although these estimates are made to the best of the management’s knowledge, actual results may differ from the estimates and the use of other propositions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting principles involving the use of estimates concern the methods for determining the provisions for insurance contracts, determining the provisions for bad debts, determining the net realisable value of property projects, determining the fair value of assets and liabilities and determining impairments.

For detailed information and disclosure of the accounting estimates and assumptions we refer to the next paragraphs and the notes to the financial statements items.

21.3.6.2 Provision for insurance contracts

The provision for insurance contracts is determined on the basis of a sufficiently conservative prospective actuarial method taking into account all future benefit payments and premiums to be received, to the extent applicable. The calculation deviates from using a prospective method if the nature of the relevant type of life insurance does not allow the application of this method.

Actual payments and the timing of payments depend on factors such as social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, and, for life insurance contracts, assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, is also taken into account for some risk products. The assumptions used in the valuation of life insurance policies at the balance sheet date are based on the calculation principles set at the time of the issue of the policy. Using different assumptions for these factors than have been used in preparing these accounts could have a significant effect on the technical provisions and related expenses for insurance contracts.

Most policies have a fixed discount rate, which is 3% for contracts issued after 1999 and a maximum of 4% for contracts prior to this time. For offset mortgages and other guaranteed products, the rate of return guaranteed in the contract is used. The actuarial interest for these products equals the investment return achieved on the corresponding investments.
**IFRS liability adequacy test on Insurance liabilities**

The insurance liabilities reported at the balance sheet date are valued using premium calculation principles for interest and mortality (life insurance contracts) or historically observed claim development patterns (non-life insurance). A combination of both methods is used in relation to the disability insurance contracts. The adequacy of the provisions is tested periodically during the reporting period by means of the IFRS liability adequacy test.

**IFRS liability adequacy test life insurance**

*The test*

In accordance with IFRS an IFRS liability adequacy test is performed to establish whether the balance sheet provision, including the effects of shadow accounting, less the Value of Business Acquired (VOBA) is adequate, based on actual assumptions, to meet the commitments to the policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments of mortality, disability, the behaviour of policyholders, claims handling and management costs. Valuation of the future expected profit sharing and the time value of embedded options and guarantees is included in these cash flows. The estimate is increased by a risk margin. The Cost of Capital method is used in calculating the risk margin. Finally the cash flows are discounted using the risk free interest rate term structure. If the thus calculated provision turns out to be higher than the book value of the technical provision present in the balance sheet increased with differences in the valuation of investments (to the extent they are not recognised at fair value), a shortfall exists.

**Recognition of a shortfall in the IFRS liability adequacy test**

Should the outcome of the IFRS test indicate a shortfall, an assessment is made if a shadow loss exists (see hereafter). After recognition of a shadow loss, a remaining shortfall will be charged to the results by first impairing the VOBA (recognised as a technical claim) and then, if VOBA is impaired in full, an addition to the insurance technical provision.

If the VOBA is fully impaired, and a shortfall is recognised directly in the result, a positive outcome of the test in a successive reporting period is credited to the income statement to the level where the value of the provision equals the balance sheet technical provision (including shadow accounting provisions).

**Shadow loss**

Insofar the shortfall of the technical provision in the IFRS test is related to an increase in the provision as a result of an interest rate decrease, the necessary addition to the technical provision, through shadow loss accounting, is charged to the fair value reserve and cash flow reserve. The fair value reserve is only charged, insofar it is related to the fixed income investments related to the technical insurance liabilities. A shortfall resulting from other technical assumptions is not recognised through a shadow loss. A positive outcome of the test in a successive reporting period results in a credit to the fair value reserve of a shadow loss amount previously recognised in the technical provision, in the amount of the surplus. The fair value reserve cannot be negative. Refer to 3.2 for more information on the effects of shadow (loss) accounting.

**Test level and frequency**

This IFRS liability adequacy test is performed and recognised every reporting period for the entire life insurance portfolio to determine whether the reported technical provision, based on the most current assumptions, is still adequate.

**Assumptions used**

The following current assumptions were used in performing the IFRS liability adequacy test as at 31 December 2012:

- Discount rate: ECB (European Central Bank) AAA government curve including the UFR (the Dutch Central Bank curve).
• Profit allocation in accordance with applicable profit sharing arrangements.
• Cost allocation and distribution of efficiency advantages based on internal assessment.
• Projected mortality data for the entire population (CBS statistics Netherlands data from 2011) adjusted for experience in the company’s portfolio based on internal research.
• Lapse and early surrender data based on internal research.
• Inflation derived from market data.
• Salary increases in collective labour agreements in accordance with the inflation assumption.
• Cost of Capital of 4%.

Mortality tables are used in the test on the provision for insurance contracts. These tables contain historical information (data) on mortality. SNS REAAL uses what is referred to as the AG2012 model of the Dutch Actuarial Society. The model that is used by SNS REAAL to forecast the mortality development has been updated to the mortality observations as taken by CBS up to and until 2011. Till 2011, so-called PLT-models of the Verbond van Verzekeraars were used.

The mortality rates used in the projection of the liabilities is the probability according to the population mortality rate multiplied by a portfolio factor. The portfolio factor measures the difference between population mortality and mortality in the insurance portfolio. Within the framework set by SNS REAAL, this factor is individually determined for each business unit and is also dependent on product characteristics, gender, and elapsed time/age. This portfolio factor is revised annually based on internal research and the mortality rates of the latest CBS observations.

**Liability adequacy test non-life insurance**

A test is carried out twice a year to establish the adequacy of the provisions for non-life insurance policies. This test is performed on the provision for non-life claims, the provision for unearned premiums and the provision for claims-handling expenses.

The test first determines a best estimate, followed by a risk margin. The best estimate serves as a realistic estimate of future claim payments, claim-handling expenses and future expenses arising from insurance contracts. The cash flows of the disability insurance policies are discounted using the ECB AAA interest curve including the UFR. The risk margin is based on the cost of capital method.

The test is performed on individual portfolios. The classification in portfolios (by use of branches and distribution channels) has been carried out in such a manner that the portfolios can be considered homogenous as far as risk is concerned.

The test takes into account the effects that the reserve policy for case provisions has on the amount of the claims provision and the possibility of inadequacy of premiums. The adequacy of the technical provisions for the entire non-life portfolio is assessed by combining these various test elements. Any shortfall is charged directly to the income statement.

**21.3.6.3 Provision for bad debts**

As far as the loans and advances with or without mortgage collateral are concerned, a provision for impairment is made if there are objective indications that SNS REAAL will not be able to collect all the amounts in accordance with the original contract. For loans and advances that are individually significant, the provision made equals the difference between the book value and the recoverable value. The recoverable value equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans and advances.

The criteria for impairment are applied to the entire loan portfolio. Homogenous groups of loans and advances with smaller amounts per individual loan or advance (and corresponding credit risk), such as mortgages and consumer credit, are tested collectively for impairment. The same applies to smaller business loans managed in a portfolio. The provision with respect to the collective approach is calculated using models, including risk-rating models for homogenous pools of consumer and SME loans. The loss factors developed using these models are based on historical loss data of SNS REAAL.
REAAL, and are adjusted according to current information that, in the opinion of the management, can affect the recoverability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred in the loan portfolio (IBNR: incurred but not reported). Mortgages and mortgage-backed property finance losses are estimated on the basis of historical loss patterns of loans and advances that carry similar risk characteristics as the loans and advances held in the portfolio. Losses on non-mortgage backed property finance and other loans and advances are estimated on the basis of historic loss patterns and the creditworthiness of the borrowers. Both estimates take into account the current economic climate in which the borrowers operate.

If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the income statement. When a loan is uncollectable, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the income statement.

21.3.6.4 Net realisable value of property projects

Property projects are valued at the lower of cost or net realisable value (NRV). NRV is the estimated sales price less sales costs, in which the projected revenues and costs (including the estimated sales price at the end of the exit period) are discounted at the weighted average cost of capital (WACC) of SNS Bank NV.

The estimated sales price at the exit date in the future is determined based on projections of the rental income, price per square meter, construction costs, interest costs and expected market returns on exit date and is based on valuations provided by professional external appraisers.

21.3.6.5 Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is determined on the basis of list prices where available. Such list prices are primarily derived from trade prices for listed instruments. If trade prices are not available, market prices from independent market traders or other experts are used. Financial assets are recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased considerably or the market is inactive, the range of the prices from different sources can be large to one and the same investment. Selecting the most appropriate price valuation requires sound judgement. Using a different price may lead to a materially different valuation.

For some financial assets and liabilities, no prices are available. The fair value of these financial assets and liabilities is determined with valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methods. Input in the models is as far as possible based on observable market data. All valuation methods used are assessed and approved in-house according to internal governance procedures.

21.3.6.6 Impairment charges of intangible assets and investments in financial instruments

Intangible assets

An asset is subject to impairment if its book value exceeds the realisable value from continued use (value in use) or sale of the asset. The realisable value of assets not classified at fair value through profit or loss is estimated if there are indications of impairment of the asset. Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.
Goodwill
Goodwill created with the acquisition of subsidiaries, associated companies and joint ventures is allocated to cash-generating units. The book value of the cash-generating unit (CGU) (including goodwill) is compared to the calculated recoverable value, determined on the basis of value in use. If the recoverable value is lower than the book value, the difference will be recognised as impairment in the income statement. Assumptions used in these goodwill impairment tests:

- The value in use is determined for every CGU individually.
- The value in use is based on the business plans of the CGU concerned.
- The discount rate is determined on the business plans of the CGU concerned.
- The discount rate is determined on the capital asset pricing model, in which the beta is calculated on the basis of a group of comparable companies. This reference group is determined individually per CGU.

Value of Business Acquired (VOBA)
The VOBA is tested simultaneously using the IFRS liability adequacy test for insurance contracts. If, on the balance sheet date, the book value of the VOBA is higher than the difference between the book value of the provision for insurance contracts and the test provision (best estimate market value provision for insurance contracts plus a risk margin), the shortfall will be charged to the results by first impairing the VOBA (recognised as a technical claim) and then, if necessary, an addition to the insurance technical provision.

Software and other intangible assets
On each reporting date, the capitalised costs for software, distribution channels and client portfolios are reviewed for indications of possible impairments.

The Zwitserleven brand name is tested for impairment once every year. The recoverable value is determined by a value in use calculation. The key assumptions used herein are the discount rate and the royalty rate.

Reversal of impairments on intangible assets
Except for goodwill and VOBA, impairment losses on intangible assets are reversed if there is proof that a change to the estimates of the realisable value occurred after the impairment loss was recognised. The reversal is included under ‘impairment charges’ in the income statement. The book value after reversal can never exceed the amount before recognition of the impairment loss.

Financial assets
Each reporting date, SNS REAAL assesses whether there are objective indications of impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the income statement under ‘impairment charges’. With investments available for sale, any positive revaluation reserve of shareholders’ equity is first deducted.

Investments in debt securities
Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there are objective indications of financial problems with the counterparty, dwindling markets for the product of the counterparty or other indications. This test comprises both quantitative and qualitative considerations. Debt securities are assessed on aspects including expected credit losses and credit losses already incurred (for example due to default), market data on credit losses and other evidence of the issuer of the instrument’s inability to meet its payment commitments.
Equity investments
An investment in equity instruments (an investment in shares), it is considered to have been subject to impairment if its book value exceeds the recoverable value for an extended period, which means that the fair value:

- decreased 25% or more below cost, or
- has been below cost for 9 months or more.

The fair value of investments in the form of unlisted shares is determined according to the following criteria, depending on the availability of data:

a The price of the most recent transaction as an indication.
b Current fair values of other, similar investments (in entities).
c Using valuation methods that use market data as much as possible, and that are in accordance with accepted economic methods.

Reversal of impairments on debt securities and equity investments
If the amount of the impairment decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised, the previously recorded impairment loss is reversed in the income statement. This does not apply to investments in shares, where an increase in value is always recognised through shareholders’ equity.

21.4 Accounting principles used for consolidation

21.4.1 Subsidiaries
Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which SNS REAAL has the power to determine the financial and operating policies, whether directly or indirectly, are consolidated. This is the case if more than half of the voting rights may be exercised, or if SNS REAAL has control in any other manner.

Subsidiaries are fully consolidated from the date on which control is transferred to SNS REAAL. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated, with SNS REAAL accounting principles being applied. The interests of third parties are separately included in the consolidated balance sheet and income statement.

21.4.2 Special Purpose Entities (SPEs)
SNS REAAL has securitised mortgage receivables in SPEs. With these transactions, the economic ownership of the mortgage loans is transferred to separate entities. SNS REAAL does not have any direct or indirect interests in these entities.

SNS REAAL fully consolidates these SPEs in its financial statements if, on the basis of the economic reality of the relationship between SNS REAAL and the SPE, SNS REAAL controls the SPE, or if SNS REAAL retains the majority of the risks and rewards.
21.4.3 Associated companies and joint ventures

Investments in associated companies (associates) are entities in which SNS REAAL generally has between 20% and 50% of the voting power, or over which SNS REAAL can exercise significant influence on the operational and financial policies, but she has no control.

Joint ventures are entities over which SNS REAAL has joint control, which control is laid down in an agreement, and strategic decisions on the financial and operational policies are taken unanimously.

The consolidated financial statements include SNS REAAL’s share in the total results of associates and joint ventures, from the date that SNS REAAL acquires significant influence to the date that significant influence ceases. The result is accounted for using the equity method, after adjusting the result to comply with SNS REAAL’s accounting principles, if needed.

Upon recognition, associates and joint ventures are initially accounted for at the cost price (including the transaction costs) and subsequently according to the equity method. The item also includes goodwill paid upon acquisition less accumulated impairment losses, where applicable.

Under the equity method, the share of SNS REAAL in the result of associates and joint ventures is recognised in the income statement under ‘share in the result of associates’. The share of SNS REAAL in changes in the reserves of associates or joint ventures is recognised directly in shareholders’ equity (change in share of associates in other comprehensive income).

If the book value of the associate falls to zero, no further losses are accounted for, unless SNS REAAL has entered into commitments or made payments on its behalf.

Associates and joint ventures held for sale are classified as ‘held for sale’. These associates and joint ventures are measured at the lower of the book value or the sales price less sales costs. The result on the sale of an investment in an associate or joint venture is presented in the income statement as a total amount, consisting of the sales price less the transaction costs and the book value of the associate.

21.4.4 Elimination of group transactions

Intra-group transactions, intra-group balances and unrealised gains arising from intra-group transactions were eliminated in the preparation of the consolidated financial statements.

Unrealised gains on transactions between SNS REAAL and its associates and joint ventures are eliminated to the extent of SNS REAAL’s interest in these investments.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

21.4.5 Foreign currencies

Upon initial recognition, transactions in foreign currencies are converted into euros at the exchange rate at the transaction date. Monetary balance sheet items denominated in foreign currencies are translated into euros at the exchange rate applicable on the reporting date. Exchange rate differences from these transactions and from converting monetary balance sheet items expressed in foreign currency are recorded in the income statement under ‘investment income’ or ‘result on financial instruments’, depending on the balance sheet item to which they relate.
The exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to the income statement, are accounted for as part of these changes in the value of the asset in question. Exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to shareholders’ equity, are incorporated in shareholders’ equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

21.4.6 Accounting based on transaction date and settlement date

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised on the transaction date, in other words, the date on which SNS REAAL commits itself to buy or sell the asset or liability. All other purchases or sales are recorded as forward transactions until they are settled.

21.4.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. If these conditions are not fulfilled, amounts will not be offset.

21.4.8 Discontinued operations or assets held for sale

Assets and liabilities that are part of operations to be discontinued and assets held for sale, of which it is highly probable that, on balance sheet date, the discontinuation or sale is within 12 months, are recognised at the lower of the book value and fair value less expected sales costs.

Property projects of Property Finance held for sale are measured at the lower of cost or net realisable value. Financial instruments held for sale follow the measurement of the instrument.

21.4.9 Information by segment

The five primary business segments of SNS REAAL are clearly distinctive organisational components, and carry out activities that generate income and expenses. It encompasses also the operational segment Group Activities that primarily performs transactions and activities with and on behalf of other parts of SNS REAAL. The Management Committee defines the performance targets and authorises and monitors the budgets that have been prepared by these business units. The management of each business unit defines the policy of that business unit, in accordance with the strategy and the performance targets as formulated by the Management Committee. The business segments are:

- SNS Retail Bank
- Property Finance
- Zwitserleven
- REAAL
- Group Activities

The segment REAAL has three subsegments, REAAL Life, REAAL Non-life and REAAL Other. More information on the different segments can be found in the paragraph 22.1 Information by segment.

With effect from January 2011, SNS REAAL changed its presentation of the segment information to align this to the way management assesses the segments’ performance. In case of one-off, Group-directed intercompany transactions, the necessary corrections and eliminations in the consolidated results are incorporated directly in the segment in question. Formerly, these corrections were made in the eliminations column.
21.4.10 Insurance contracts

Insurance contracts are contracts that bear significant insurance risks. These contracts can also involve investment risks. SNS REAAL has insurance contracts for Life and Non-Life. For detailed information reference is made to paragraph 21.5.10 Insurance contracts and the Notes to the consolidated financial statements.

21.5 Specific balance sheet principles

21.5.1 Intangible assets

21.5.1.1 Goodwill

Acquisitions are accounted for according to the purchase method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and SNS REAAL’s interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible asset. Any negative goodwill is recognised directly in the income statement.

If the provisionally determined fair value of acquired assets or liabilities is adjusted within a year of the acquisition date, the adjustment is recognised as an adjustment charged to goodwill. Adjustments that occur after a period of one year are recognised in the income statement. Adjustments to the purchase price that are contingent on future events and insofar these are not already included in the purchase price, are included in the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if there are indications of impairment (see paragraph 21.3.6.6 Impairment charges of intangible assets and investments in financial instruments).

21.5.1.2 Software

Costs that are directly related to the development of identifiable software products that SNS REAAL controls, and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible assets. The direct costs comprise external costs and staff costs directly attributable to software development. All the other costs associated with the development or maintenance of computer software are included as an expense in the period during which they are incurred.

The capitalised development costs for computer software are amortised on a straight-line basis over the useful life, with a maximum of five years. Every reporting date an assessment is carried out for possible impairments.

21.5.1.3 Value of Business Acquired (VOBA)

VOBA is the net present value of estimated future cash flows from current insurance contracts of a business or insurance portfolio acquired as at the acquisition date and represents the difference between the fair value and the book value on SNS REAAL principles of the insurance portfolios acquired.

SNS REAAL amortises the VOBA on the basis of the established release pattern of the value of the actuarial calculated surplus value at the date of purchase of the book value of the underlying portfolios at the acquisition date. The amortisation charge is thus in line with the release of this surplus value from the book value of the underlying portfolios.

At each balance sheet date, an IFRS liability adequacy test is performed on the book value of the insurance contracts, after deduction of the capitalised VOBA. For a more detailed explanation on this please refer to paragraph 21.3.6.2 Provision for insurance contracts and 21.3.6.6 Impairment changes of intangible assets and investments in financial instruments.
21.5.1.4 Other intangible assets

The other intangible assets include assets with a definite and an indefinite useful life, such as distribution channels, trademarks, client portfolios and core deposits stemming from acquisitions. The assets with a definite useful life are either amortised in accordance with the straight-line method over their useful life or on the basis of the profit flows from the underlying portfolios, in general between five and fifteen years. If objective indications so require, an impairment test will be performed. The assets with an indefinite useful life are not amortised. These intangible fixed assets are assessed for impairment at each balance sheet date.

21.5.2 Property and equipment

21.5.2.1 Land and buildings in own use

Property in own use primarily comprises offices (land and buildings) and is measured at fair value (revaluation model) based on appraisals, less depreciation of buildings and any accumulated impairment losses. Once a year, at least one-third of the properties in own use are appraised by external, independent appraisers. If there are indications that the buildings’ fair value is considerably different from their book value, additional appraisals may be performed.

Property in own use is valued at fair value on an unlet or (partially) let basis, depending on the situation. In determining the market value, use is made of observable prices of recent transactions.

Increase in the fair value exceeding the cost price is added to the revaluation reserve in shareholders’ equity, less deferred taxes. Positive revaluations, insofar as these result in the reversal of earlier write-downs on the same asset, are credited to the income statement. Decreases in the fair value, insofar as these result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. All other decreases in the fair value are accounted for in the income statement.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years, taking into account the possible residual value. Land is not depreciated. Regular impairment tests are carried out on land and buildings.

Repairs and maintenance expenses are recognised under ‘other operating expenses’ the moment the expense is incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of land and buildings in own use in relation to their original use are capitalised and then amortised.

Upon the sale of a property, the part of the revaluation reserve related to the sold property is transferred to ‘other reserves’.

21.5.2.2 IT equipment and other property and equipment

All other property and equipment included in this item are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses.

The cost price comprises the expenses directly attributable to the acquisition of the asset and is depreciated on a straight-line basis over the useful life, taking into account any residual value. The estimated useful life can vary from three to ten years.

Regular impairment tests are performed on the other property and equipment. If the book value of the tangible asset exceeds the realisable value, it is written down to the realisable value.

Repairs and maintenance expenses are recognised under ‘other operating expenses’ the moment the expense is incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other tangible fixed assets in relation to their original use are capitalised and then amortised.
Results on the sale of property and equipment are defined as the balance of the realisable value less transaction costs and the book value. These results are recognised as part of ‘other operating income’.

21.5.3 Investment properties

Investment properties, comprising retail and office properties, houses and land, are held to generate long-term rental income or capital appreciation or both. If property is held partly as investment property and partly for own use, the property is included under property and equipment, unless the part in own use is less than 20% of the total number of square metres.

Investment properties are measured at fair value, including the transaction costs, upon initial recognition. Property investments are treated as long-term investments and measured at fair value, being the value of the property in a (partial) let state. The fair value is based on the appraisals performed every year by independent external appraisers with sufficient expertise and experience in property locations and categories. These appraisals are, as far is possible, partly based on recent market transactions. The valuation of the fair value of investment properties depends on, inter alia, the (expected) market rentable value, rent incentives, discount rate and expected vacancy, as well as the location, quality, age and marketability of the relevant property. Changes in the fair value of investment property are recognised in the income statement in paragraph 30.32 under Investment income.

21.5.4 Financial assets

SNS REAAL classifies its financial instruments in one of the following categories: (1) loans and receivables, (2) available for sale and (3) at fair value through profit or loss. The category depends on the purpose for which the financial assets were acquired. The management decides in which category they will be placed.

Upon initial recognition, financial instruments are measured at fair value including transaction costs, with the exception of the category ‘at fair value through profit or loss’, where transaction costs are taken directly to the income statement. The fair value of financial assets is based on listed bid prices or derived from cash flow models.

The categories are explained in more detail in the following section.

21.5.4.1 Investments

Loans and receivables (amortised cost)
The category loans and receivables comprises unlisted investments with a fixed term and the saving components of endowment mortgages that the insurance company has concluded. The loans and receivables are measured at amortised cost using the effective interest method, less a provision for impairment if necessary.

Available for sale (fair value through other comprehensive income)
Investments that do not meet the criteria defined by management for ‘loans and receivables’ or ‘fair value through profit or loss’ are classified as available for sale.

After initial recognition, investments available for sale are restated at fair value in the balance sheet. Unrealised gains and losses resulting from fair value adjustments of these investments are recognised in other comprehensive income (shareholders’ equity), taking account of deferred taxes.

When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as ‘investment income’. SNS REAAL uses the average cost method to determine the results.
**Fair value through profit or loss**

An investment is classified at fair value through profit or loss if it is held for trading purposes (‘held for trading’) or if it was designated as such upon initial recognition (‘designated’). Investments are only designated as valued at fair value through profit or loss if:

a. This eliminates or considerably limits an inconsistency in valuation or recognition that would otherwise arise; or
b. SNS REAAL manages and assesses the investments on the basis of fair value.

The investments are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the income statement under ‘investment income’.

Interest income earned on securities is recognised as interest income under ‘interest income’ at the Banking activities and under ‘investment income’ at the Insurance activities. Dividend received is recorded under investment income.

**21.5.4.2 Investments for account of policyholders (fair value through profit or loss)**

Investments on behalf of policyholders are classified as measured at fair value through profit or loss. They are designated as such, as the corresponding financial liabilities are also measured at fair value (see paragraph 21.5.10.3 Life insurance contracts on behalf of policyholders). Amounts due by policyholders in this context are recognised in the income statement as ‘premium income’. Adjustments in the value of investments and results on the sale of investments are recorded in the income statement under ‘investment income for account of policyholders’.

**21.5.4.3 Invested collateral securities lending (fair value through other comprehensive income)**

SNS REAAL has programmes in which financial assets are pledged, and collateral is obtained which is sometimes invested by SNS REAAL. These investments are not freely available. The investments can only be used to redeem the collateral provided by the borrower in connection with the lending and borrowing transaction. The obligation to repay the collateral provided in cash is included in the balance sheet under paragraph 21.5.13.1 Securities lending liabilities. These investments are classified as available for sale and are treated as such.

**21.5.4.4 Derivatives**

**General**

Derivatives are derivative financial instruments and are measured at fair value upon entering into the contract. The fair value of publicly traded Derivatives is based on listed bid prices for assets held or liabilities to be issued, and listed offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a present value model or an option valuation model. SNS REAAL recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Adjustments in the fair value of derivatives that do not qualify for cash flow hedge accounting (see paragraph 27.2.2 Hedge accounting) are accounted for in the income statement under ‘result on financial instruments’.
Embedded derivatives
An embedded derivative is treated as a separate derivative if there is no close relationship between the economic characteristics and risks of the derivative and the host contract, if the host contract is not measured at fair value through profit or loss and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value, while changes in value are recognised in the income statement.

Hedge accounting
SNS REAAL uses derivatives as part of asset and liability management and risk management. These instruments are used for hedging interest rate and foreign currency risks, including the risks of future transactions. SNS REAAL can designate certain Derivatives as either:

a A hedge of the risk of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
b A hedge of the possible variability of future cash flows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is applied for derivatives that are thus designated and are in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

A hedge relationship is considered to be effective if SNS REAAL, at the inception of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position will be almost fully offset by adjustments in the fair value or cash flows of the hedging instrument, insofar as they are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125% of the expected outcome.

SNS REAAL ceases the hedge accounting relationship after a management decision to this end or as soon as it has been established that a derivative is no longer an effective hedging instrument, or when the derivative expires, is sold, terminated or exercised; when the hedged item expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

Fair value hedge accounting
Derivatives designated as a hedge of the fair value of recognised assets or of a firm commitment are stated as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedge are recognised directly in the income statement and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.
If the hedge no longer meets the conditions for hedge accounting, an adjustment in the book value of a hedged financial instrument is amortised and taken to the income statement during the expected residual term of the previously hedged financial instruments.

If the hedged item is no longer recognised, in other words, if it is sold or redeemed, the non-amortised fair value adjustment is taken directly to the income statement.

**Cash flow hedge accounting**

Derivatives can be designated as a hedge of the risk of variability of the future cash flows of a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as a cash flow hedge and that meet the conditions for cash flow hedge accounting are stated in the cash flow hedge reserve as a separate component of shareholders’ equity. The underlying measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the actual inclusion of an asset or a liability, the accumulated gains and losses that were previously taken to the cash flow hedge reserve are transferred to the income statement and classified as income or expense in the period during which the hedged transaction influences the result.

When determining the portion of the fair value adjustment of the hedging instrument that is included in the cash flow hedge reserve, the portion of the gain or loss on the hedging instrument that is considered an effective hedge of the cash flow risk is included in shareholders’ equity, while the ineffective portion is recognised in the income statement.

If the hedging instrument itself expires or is sold, terminated or exercised, or no longer satisfies the conditions for hedge accounting, the accumulated result that was included in the cash flow hedge reserve fully remains in the cash flow hedge reserve (OCI) until the expected transaction actually takes place.

If the transaction in question is no longer expected to take place, the accumulated result reported in OCI is directly taken to the income statement.

### 21.5.4.5 Loans and advances to customers

**Mortgages and mortgage-backed property finance**

These are defined as loans and advances to customers with mortgage collateral. These loans and advances are measured at amortised cost using the effective interest method. The conditions of loans and advances can change as a result of renegotiations or other reasons. If the net present value of the cash flows under the new conditions deviates from the net present value of the cash flows under the current terms and conditions, this is considered an indication for an impairment test. Loans and advances adjusted after renegotiations or otherwise adjusted are measured on the basis of the original effective interest rate before the terms and conditions were revised.

Several securitised mortgages with mortgage collateral, mortgages to be securitised and related Derivatives and liabilities are measured at fair value with changes through profit or loss. This relates to the mortgages of the Holland Homes MBS securitisation programme and mortgages held for trading. The fair value is determined on the basis of the current swap curve, plus a risk surcharge derived from the development of the mortgage rate in relation to the swap rate. Besides this, the probability of prepayment is also taken into account. Details of these mortgages are given in the notes.
Credit insurance
SNS REAAL has concluded credit insurance for the credit risk of part of the mortgage portfolio. As a result, impairment losses of the mortgage portfolio in question can be recovered from the issuer of the credit insurance. Impairment of mortgages and the amount receivable under the credit insurance are included under 'impairment charges/(reversals)' in the income statement.

Non-mortgage backed property finance and other loans and advances
This comprises loans and advances to business and retail clients without mortgage collateral. Loans and advances are measured at amortised cost on the basis of the effective interest method. If the conditions of loans and advances without mortgage collateral change, the resulting actions follow the same criteria as mortgages and mortgage-backed property finance.

Lease
SNS REAAL has entered (as lessor) into a number of financial lease agreements. These are agreements for which SNS REAAL has transferred almost all of the risks and benefits of the property to the lessee. The book value of the lease receivable is equal to the present value of the lease instalments, calculated on the basis of the implicit interest rate and, if applicable, any guaranteed residual value. This relates to property finance in the Netherlands provided by Property Finance.

Provisions for loans and advances to customers
As far as the loans and advances with or without mortgage collateral are concerned, a provision for impairment is made if there are objective indications that SNS REAAL will not be able to collect all the amounts due in accordance with the original contract. See also paragraph 21.3.6.3 Provision for bad debts.

21.5.4.6 Loans and advances to banks
These concern receivables to banks with a remaining maturity of one month or more, and not in the form of interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

21.5.4.7 Cash and cash equivalents
Cash and cash equivalents include the non-restricted and restricted demand deposits with the Dutch Central Bank, amounts held by the Insurance activities at other banks and advances from the Banking activities to credit institutions with a remaining maturity of less than one month. Restricted demand deposits that SNS Bank NV has with other credit institutions are included under loans and advances to banks. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

21.5.5 Taxes

21.5.5.1 Deferred tax assets
Deferred tax assets and liabilities are recognised for tax loss carry forwards and for temporary differences between the tax base of assets and liabilities and the book value. This is based on the tax rates applicable as at the balance sheet date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred taxes are measured at nominal value.
Deferred tax assets are only recognised if sufficient tax profits are expected to be realised in the near future to compensate these temporary differences. A provision for deferred taxes is made for temporary differences between the book value and the value for tax purposes of investments in group companies and associates, unless SNS REAAL can determine the time at which these temporary differences are realised or settled and if it is likely that these differences will not be realised or settled in the near future.

Deferred tax assets are assessed at the balance sheet date and if it is no longer likely that the related tax asset can be realised, the asset is reduced to the recoverable value.

The most significant temporary differences arise from the revaluation of property and equipment, certain financial assets and liabilities, including Derivatives contracts and the application of hedge accounting, provisions for pensions and other post-retirement employee plans, technical provisions, deductible losses carried forward and, as far as acquisitions are concerned, from the difference between (a) the fair value balance of the acquired assets and obligations entered into and (b) the book value.

Deferred taxes with respect to the revaluation of the aforementioned assets and liabilities of which value adjustments are recognised directly in shareholders’ equity are also charged or credited to shareholders’ equity and upon realisation included in the income statement together with the deferred value adjustments.

21.5.5.2 Deferred tax liabilities
Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. The treatment is in accordance with the previous section.

21.5.5.3 Corporate income tax
Corporate income tax relates to payable or recoverable tax on the taxable profit for the period under review, and taxes due from previous periods, if any. Current tax receivables and payables are measured at nominal value according to the tax rate applicable at the reporting date.

21.5.6 Other assets

21.5.6.1 Reinsurance contracts
Contracts entered into with reinsurance companies and by virtue of which SNS REAAL receives compensation for losses on insurance contracts SNS REAAL has issued are designated as ceded reinsurance contracts. Insurance contracts entered into where the contract holder is another insurance company are classified as incoming reinsurance contracts and are recognised as insurance contracts.

Reinsurance premiums, commissions, payments and technical provisions for reinsurance contracts are accounted for in the same way as the direct insurance policies that are reinsured. The share of reinsurance companies in the technical provisions and the benefits to which SNS REAAL is entitled by virtue of its reinsurance contracts are accounted for as a reinsurance asset. These assets comprise short-term receivables from reinsurance companies (presented under ‘other assets’), and long-term receivables (presented under ‘reinsurance contracts’). These receivables depend on the expected claims and benefits arising from the insurance contracts that SNS REAAL has reinsured. Deposit components of (re)insurance contracts that are within the scope of IFRS 4 Insurance Contracts will be recognised in the balance sheet under ‘insurance contracts’.

The amounts receivable from, and payable to, reinsurance companies are valued in accordance with the terms and conditions of each reinsurance contract. Reinsurance obligations relate primarily to premiums payable for reinsurance contracts. These premiums are recognised as an expense over the period in which they are due.

Reinsurance receivables are assessed for impairment at the reporting date.
21.5.6.2 Property projects
Property projects comprise property for which no specific sales agreement with a third party exists. Property projects comprises completed and not yet completed projects. These properties are stated at the lower of cost price and net realisable value (NRV). NRV is the estimated sales price less sales costs. If the NRV is lower than the book value, an impairment is recognised in the income statement. Reversals of impairments are also recognised in the income statement.

21.5.6.3 Other assets
Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. The net amount of advances and provisions in relation to the deposit guarantee scheme (DGS) is accounted for under other receivables. Accrued assets also include the accumulated interest on financial instruments measured at amortised cost, as well as other accruals, which item includes amounts receivable by SNS Bank NV from clients and the clearing house in respect of option positions.

21.5.7 Equity

21.5.7.1 Issued share capital and share premium reserve
The share capital comprises the issued and paid-up ordinary shares and B shares. The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary and B shares. Costs directly attributable to the issue of equity instruments are deducted net of tax from the share issue income.

The nationalisation has impact on the B shares. As of 1 February 2013, these are conversed into normal shares, in accordance with the Articles of Association.

21.5.7.2 Ordinary and B share dividend
Dividend for a financial year, which is payable after the balance sheet date, is disclosed in paragraph 34.1 Provision regarding profit or loss appropriation under Other information.

21.5.7.3 Revaluation reserve
Revaluations of property in own use (see paragraph 21.5.2.1 Land and buildings in own use) are included in the revaluation reserve.

21.5.7.4 Cash flow hedge reserve
The cash flow hedge reserve consists of the effective part of cumulative changes to the fair value of the Derivatives used in the context of the application of cash flow hedge accounting, net of taxes, providing the hedged transaction has not yet taken place; see paragraph 27.2.2 Hedge accounting.

21.5.7.5 Fair value reserve
Gains and losses as a result of changes in the fair value of assets that are classified as available for sale are taken to the fair value reserve, net of taxes. If the particular asset is sold or redeemed, in other words, the asset is no longer recognised, the corresponding cumulative result will be transferred from the fair value reserve to the income statement (see paragraph 21.5.4.1 Investments). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are stated in this reserve.
21.5.7.6 Other reserves
Other reserves mainly comprise SNS REAAL’s retained profits.

21.5.7.7 Securities capital and securities capital share premium reserve
The securities capital comprises the securities capital issued and paid up by the Dutch State and Stichting Beheer SNS REAAL. The securities capital share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued securities. Costs directly attributable to the issue of the securities capital are deducted net of tax from the share issue income of the securities.

The securities capital and its share premium reserve are part of the expropriation decree of the Dutch State. These are recognised under share premium reserve in the pro forma figures.

21.5.7.8 Securities dividend
The securities dividend amount for a financial year, which is payable after the balance sheet date, is disclosed in the paragraph 34.1 Provision regarding profit or loss appropriation.

21.5.8 Participation certificates, subordinated debt and final bonus account

21.5.8.1 Participation certificates
SNS Bank NV issues participation certificates to third parties. These certificates have an open-ended term, with SNS Bank NV maintaining the right to early redemption in full after 10 years. The amount of the dividend, in the form of a coupon rate, is fixed over a period of 10 years and equal to the CBS (Statistics Netherlands) return on 9-10 year Government bonds plus a mark-up. Participation certificates are initially measured at fair value, in other words, the issue income (the fair value of the received payment) net of transaction costs. Thereafter, they are measured at amortised cost, using the effective interest method. Benefit payments on participation certificates are recorded under ‘interest expense, Banking activities’.

The participation certificates are classified as debt capital in the financial statements.

The participation certificates are part of the expropriation decree of the Dutch State and are added to the share premium reserve in the pro forma figures.

21.5.8.2 Subordinated debt
The subordinated (bond) loans issued by SNS Bank NV, SRLEV NV and SNS REAAL NV are included under the subordinated debt. The Dutch Central Bank includes these loans as Tier 1 and/or Tier 2 capital for the solvency test at SNS Bank NV, and as Tier 2 capital at SRLEV NV. They are initially measured at fair value, in other words, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, they are measured at amortised cost, using the effective interest method.

The subordinated debt of SNS Bank NV and SNS REAAL NV are part of the expropriation decree of the Dutch State. In the pro forma balance sheet, the subordinated bonds are added to the share premium reserve. The subordinated loans are credited to the result on financial instruments (profit and loss account).
21.5.8.3 Final bonus account

The final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual policies that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to a final bonus is cancelled when the policy is surrendered. Entitlements to final bonuses not yet paid out are subordinated to all other debts. It is also stipulated that entitlement to a final bonus is cancelled if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements can or may no longer be complied with.

The final bonus account is determined actuarially based on the same accounting principles that are applied for the valuation of the profit additions, which form part of the provision for insurance contracts. In addition, the estimated probability of early termination of insurance contracts is taken into account.

Part of the final bonus account is converted annually, according to a fixed method, into an unconditional right of the policyholder and added to the provision for insurance contracts.

The obligations arising from the final bonus scheme are classified as debt capital in the financial statements. This item is part of the available regulatory capital in the solvency reports to the Dutch Central Bank of the Insurance activities.

21.5.9 Debt certificates

Outstanding debt certificates are measured at fair value upon initial recognition, in other words, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, they are measured at amortised cost, using the effective interest method.

After initial recognition a specific category of outstanding debt certificates (the securitised mortgages through Holland Homes transactions) remains measured at fair value, whereby subsequent value adjustments are accounted for in the income statement so that any inconsistency in the valuation is eliminated that would otherwise arise from the different valuation of assets and liabilities.

When SNS REAAL purchases its own debt securities, these debt certificates are derecognised.

21.5.10 Insurance contracts

21.5.10.1 Life insurance

Life insurance contracts can be separated into individual policies and group contracts. These contracts provide mostly long-term insurance for events that lead to a payment in cash, or of the counter value of investment units, upon maturity or death of the insured.

Life insurance in cash

SNS REAAL’s individual life insurance contracts in cash can be divided into the following product groups: offset mortgages, annuities, term insurance policies, savings policies, and funeral insurance policies. These contracts concern life insurance whereby the risk is borne by SNS REAAL.

In addition to non-profit sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights. Discretionary profit sharing schemes are connected to the contractual right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital.

The determination of the amount and timing of these additional benefits is at the discretion of SNS REAAL’s Executive Board. The profit-sharing obligations already granted are also included in the provision for insurance contracts.

In addition to discretionary profit sharing, there are also individual and group contracts with contractual profit sharing. These include profit-sharing based on a share of any surplus interest profits and profit sharing based on a share of any...
insurred profits. The already granted obligations of these are included in the provision for insurance contracts.

Unit linked life insurance

The claims from these insurance contracts are directly linked to the underlying investments. Given this link, the technical provisions held in respect of these policies move in line with movements in the value of these investments. The policyholder determines how SNS REAAL should invest the amount of any premiums paid after deduction of costs and risk premium. To this end, SNS REAAL has created separate investment funds.

The investment risk is borne by the unit linked policyholders. In addition to deciding how funds should be invested, policyholders are also free to alter the policy at any time depending upon their personal and/or financial situation. Within investment insurance, SNS REAAL issues guarantees on returns for a limited number of investment funds.

Group insurance contracts with segregated pools are recognised under unit linked group insurance contracts.

21.5.10.2 Life insurance policies for own account

An obligation to make future contractual payments is recognised as soon as the policy takes effect. The provision for life insurance policies for own account and risk consists of the discounted value of expected future benefits payments to policyholders or other beneficiaries, less future premiums (net premium method).

The assumptions used in the valuation of life insurance policies at the balance sheet date are based on the calculation principles set at the time of the issue of the policy. Furthermore, a periodic IFRS liability adequacy test is performed. For estimates, assumptions and an explanation of the test, please refer to 21.3.6.2 Provision for insurance contracts.

Particularly with regard to the pension portfolio, the provisions may become insufficient on this item due to the extended life expectancy of the insured persons. For this longevity risk, additional allocations were made to the provision in the past and provisions of acquired insurance companies have been maintained. Since 2008, in conjunction with the legal merger of different life entities and the increased possibility of compensation with short-life risk, the provisioning policy has been differently shaped, with no additions to the provision for longevity risks if the outcome of the IFRS liability adequacy test indicates that the total amount of the provisions is adequate.

Gross premiums include loadings to cover expenses. When the premiums are received or fall due, the amount of any expenses loading is released and is then available to cover actual expenses, including renewal expenses and acquisition costs. The provisions are net of capitalised interest rate rebates. These interest rate rebates are amortised on an actuarial basis.

A provision is maintained for the entitlement to a waiver of premium in the event of disability and for the no-claim disability annuities. This provision is based on a factor times the annual premium that applies for the disability risk. The level of the factor is determined, inter alia, based on IBNR techniques derived from empirical data for claim behaviour. The principles for valuation of disability cover that has entered into force, including the waiver of premium, are the same as the principles for the main insurance policy.

21.5.10.3 Life insurance contracts on behalf of policyholders

These contracts concern insurance policies where the investment risk is borne by the policyholders. The technical provisions for these insurance policies are set equal to the book value at the balance sheet date of the related underlying investments. As a result, these technical provisions are recorded at fair value through profit or loss. Transaction costs and commission are not included in the initial valuation but charged to the income statement as these transactions are concluded.

Interest rate guarantees have been issued with a number of unit linked insurance policies. This guarantee only applies at the maturity date of the insurance policy. Prior to maturity, the provision held for these policies is equal to at least the accumulated amount of premiums paid plus interest less any expense and mortality charge deductions, adjusted for
future lapses. If the income from investments is not sufficient to cover the obligations due to guaranteed returns, an additional provision is made and charged to the income statement.

21.5.10.4 Non-life insurance

Non-life insurance policies are insurance policies that provide cover that is not related to the life or death of the insured persons. These contracts generally provide cover for a relative short period. SNS REAAL’s non-life insurance contracts can be divided into the following product groups: accident and health, motor vehicles, fire, transport and other.

Payments made after the occurrence of a specified insured event are either fixed (e.g. in the event of disability) or linked to the scale of the economic loss suffered by the policyholder (in accordance with the indemnity principle).

The provision for unearned premiums reflects premiums related to the period of any unexpired cover as at the balance sheet date. The provision is equal to the unearned gross premiums, whereby the commission paid is deducted from the gross premium. The provision for unearned premiums is calculated separately for each insurance contract in proportion to the unexpired risk period, adjusted where necessary for variations in risk and claim frequencies over the term of the insurance contract.

The change in the provision for unearned premiums is recorded in the income statement in order to recognise income over the period of exposure to risk.

The provision for current risks is made to meet obligations stemming from:

- Claims and claims-handling expenses that may arise after the balance sheet date and which are covered by contracts issued prior to that date, insofar as the amount estimated in connection with this exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts.
- The premiums received, be they single or regular, for contracts where the underlying risk increases over time. This is particularly the case for disability insurance.

The provision for claims payable has been set aside to meet claims arising from the current and preceding years that have not yet been settled as at the reporting date. The provision is determined systematically on a claim by claim basis. In the case of disability claims, this provision is referred to as the ‘provision for regular payments’.

REAAL holds co-insurance contracts, mainly relating to the transport sector. In the calculation of the technical provision, all risks entered into as of the reporting date are accounted for, as are claims, both reported and unreported, incurred during the financial year. The expected balances for risks covered and losses incurred arising from transport insurance are determined on an underwriting-year basis.

The provision for claims incurred but not reported (IBNR provision) is intended for events that occurred prior to the reporting date but have not yet been reported as at that date. Upon measurement, projected subrogation amounts are deducted from this experience-based provision.

A separate provision for internal claims handling costs is formed as part of the provision for claims payable. This provision provides an estimate of the expenses involved in dealing with payments to be made in respect of claims arising from insured events that have already occurred.

Contrary to the Liability Adequacy Test – which uses actuarial analyses – the IBNR and claims handling costs provisions in the balance sheet are measured by reference to the book value of the previous month, adjusted (if needed) for large developments during the month. Twice a year these provisions are reassessed, based inter alia on business information as well as the actuarial analyses from the most recent Liability Adequacy Test.

In accordance with general practice in the industry, SNS REAAL does not discount the non-life provisions mentioned in this paragraph, with the exception of disability claims provisions. This also applies with regard to the provision for claims handling costs. Changes in estimates are reflected in the result in the period during which the estimates are adjusted.
21.5.10.5 Derivatives embedded in insurance contracts
SNS REAAL does not separately recognise Derivatives embedded in insurance contracts, like options to surrender insurance contracts at a fixed amount, or at a fixed amount and an interest rate, and thus closely linked to the basic insurance contract but recognises these under the host contract from which they stem. The embedded derivatives are measured as soon as the technical provision made for the host contract drops below the guaranteed minimum. The time value is not included in the measurement.

21.5.10.6 Profit sharing, bonuses and rebates
The present value of any profit sharing that has been awarded but not yet distributed is included under the provision for profit sharing, bonuses and rebates.

21.5.10.7 Shadow accounting
SNS REAAL has implemented shadow accounting in accordance with IFRS 4, and therefore ensures that SNS REAAL’s financial statements better reflect the economic matching of insurance assets and liabilities. Shadow accounting is applied on:

- Insurance contracts with profit sharing.
- Insurance contracts without profit sharing, in and insofar the current market interest rate is below the interest rate used in pricing the contract when it was entered into, seen at portfolio level.
- Certain interest related options and guarantees in insurance contracts on behalf of policyholders.

The assets on which shadow accounting is applied concern fixed income investments available for sale and interest derivatives.

Shadow accounting is applied on gains and losses on (derivative) assets that match insurance liabilities, regardless of whether these have or have not been realised and regardless of whether the unrealised gains and losses are recognised in the income statement or directly in the fair value reserve (shareholders’ equity).

The gains and losses on assets recognised in shareholders’ equity have a mirrored change as gains and losses in the insurance liabilities. The gains and losses on assets recognised in the income statement have a mirrored change in the gains and losses presented in the technical claims and benefits.

21.5.11 Employee benefits

21.5.11.1 Short-term remunerations for employees
Short-term remunerations for employees include, inter alia, salaries, short paid leave, profit sharing and bonus schemes. These short-term remunerations are accounted for in the income statement over the period in which the services are rendered. In the event that employees have not made use of their entitlements at the end of the period, a liability is formed for the nominal amount.
21.5.11.2 Pension benefits

SNS REAAL has different pension plans, most of which are collective defined contribution plans. A defined contribution plan is a pension plan in which fixed contributions are paid to a separate entity, such as the independent Stichting Pensioenfonds SNS REAAL (the pension fund). SNS REAAL has no legally enforceable or actual obligation to pay extra contributions if this fund has insufficient assets to make all the benefit payments.

The regular contributions in the defined contribution plans are considered to be net periodic costs for the year in which they are due, and are recognised as such in the staff costs. Employee contributions are deducted from the net periodic costs.

SNS REAAL also has a number of defined benefit pension plans relating to acquisitions. The pension rights of the employees of Property Finance and the pension rights of (former) employees continuing under the old acquired pension schemes of AXA, Winterthur, Zwitserleven, Zürich, NHL and DBV can be designated as defined benefit schemes. SNS REAAL’s net commitments arising from defined benefit pension plans are calculated separately for each plan by making an assessment of the pension entitlements that staff have accrued in exchange for their services during the reporting period and prior periods. These pension entitlements are discounted in order to determine the present value, and the fair value of the plan assets is deducted from this. The discount rate represents the return as at the balance sheet date of bonds with an AA credit rating whose maturities approach the term of SNS REAAL’s commitments. The present value of the pension entitlements for self-administered pension plans is included separately in the balance sheet. The investments related to these pension plans are recognised under ‘investments’.

The actuarial gains and losses arising from defined benefit pension plans, insofar as any non-recognised accumulated actuarial gains and losses exceed 10% of the higher of the present value of the defined benefit obligation, or the fair value of the plan assets, are recognised in the income statement for the average expected remaining period of services rendered of the employees participating in the plan. Other actuarial gains or losses are not included in the income statement.

When the calculation results in a positive balance for SNS REAAL, the asset is stated at an amount no higher than the balance of any non-recognised actuarial losses and past service pension charges and the present value of any future repayments by the fund or lower future premiums.

21.5.11.3 Other employee commitments

The other employee commitments refer mostly to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The size of the obligation is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, an obligation has been recognised for reimbursement of medical expenses.

To qualify for these benefits, the employment contract of the employee should normally have continued until the retirement age, and it should have lasted for a specified minimum period. A liability is taken for the estimated costs of these benefits during the term of employment using a method that corresponds with that used for defined benefit pension plans.
21.5.11.4 Share-based remunerations

SNS REAAL has a share based payment plan in which a number of employees of SNS REAAL and its group entities may participate. This share-based remuneration is denominated in SNS REAAL shares. When the share-based remuneration is settled in shares this results in an increase of shareholders’ equity. If the share-based remuneration is settled in cash, a liability is taken into account.

The costs of share-based remunerations are accounted for over the period in which the services are rendered for the part that is unconditionally granted. As for the part granted on the condition of continuation of employment during a number of years (the loyalty period) the cost are taken into account in the service period. If the employment is terminated before the end of the loyalty period and the entitlement to the remuneration expires, the cost already expensed are reversed to profit and loss.

The fair value of the share-based remuneration that will be settled in shares is determined on the grant date. The number of shares to be granted is adjusted on each balance sheet date.

The costs of the shares related to the share-based remuneration of staff of group entities are charged by SNS REAAL to these entities.

Because of the nationalisation, the Financial Supervision Act (Regeling Beheerst Beloningsbeleid Wft 2011) will be reassessed in 2013.

21.5.12 Other provisions

21.5.12.1 General

Provisions are made if there is a legally enforceable or present obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the size of the obligation can be made. Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recorded in the income statement.

In 2013, a constructiev obligation is formed in relation to the proposed separation of Property Finance in a separate asset management organisation. The pro forma figures include the constructive obligation.

21.5.12.2 Restructuring provision

The restructuring provision is a specific provision that consists of anticipated severance payments and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or actual obligation to make the payment arises. No provision is formed for costs or future operating losses stemming from continuing operations.

SNS REAAL recognises severance payments if SNS REAAL has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:

- The termination of the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- The payment of termination benefits as a result of an offer to encourage voluntary redundancy.

Benefits that are due after more than twelve months after the balance sheet date are discounted.
21.5.12.3 Legal provisions
SNS REAAL makes a provision for legal proceedings at the balance sheet date for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal costs and payments due during the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the balance sheet date, and a reliable estimate can be made of the obligation.

21.5.13 Financial liabilities

21.5.13.1 Securities lending liabilities
The requirement to repay the pledged collateral in cash (see paragraph 21.5.4.3 Invested collateral from securities lending) is recognised in the balance sheet as ‘securities lending liabilities’. These liabilities are stated at amortised cost.

21.5.13.2 Derivatives
See paragraph 21.5.4.4 Derivatives.

21.5.13.3 Savings, other amounts due to customers and amounts due to banks
Savings consists of balances on (bank)savings accounts, savings deposits and term deposits of retail clients.

Amounts due to customers represent unsubordinated debts to non-banks, other than in the form of debt certificates. This item mainly comprises demand deposits and cash, in addition to deposits regarding reinsurance contracts, premium deposits and mortgage deposits.

Amounts due to banks comprise unsubordinated debts to credit institutions. Bond loans to banks are recognised under ‘debt certificates’. Amounts due to banks include private loans, current accounts and outstanding repos.

Upon initial recognition, savings, amounts due to customers and amounts due to banks are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised under ‘interest expense, Banking activities’ in the income statement during the term of these savings and amounts owed.

21.5.14 Other liabilities
Other liabilities primarily consist of interest accrued on financial instruments that are stated at amortised cost. This item also includes creditors, other taxes and accrued liabilities, which item also includes amounts due by SNS Bank to clients and the clearing house in respect of option positions.

The accrued interest on subordinated debt is part of the expropriation decree. The accrued interest on subordinated bonds is credited to the shareholders’ equity in the pro forma balance sheet. The result on financial instruments in the pro forma profit and loss account include the accrued interest on subordinated loans.
21.6 Specific income statement accounting principles

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

A number of SNS REAAL’s corporate staff departments are shared. The costs of the corporate staff departments are charged to the segments on the basis of the services provided, or, if more appropriate, proportionally allocated to SNS REAAL’s subsidiaries. The costs of the Executive Board and other specific company costs are not allocated to SNS REAAL’s subsidiaries.

21.6.1 Income

Income represents the fair value of the services, after elimination of intra-group transactions within SNS REAAL. Income is recognised as described in the following paragraphs.

21.6.1.1 Interest income

The interest income comprises interest on monetary financial assets of the Banking activities attributable to the period. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price.

The effective interest method is based on the estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and the direct costs and income, such as the transaction costs charged, brokerage fees and discounts or premiums. If the risk of early redemption cannot be reliably determined, SNS REAAL calculates the cash flows over the full contractual term of the financial instruments.

Commitment fees, together with related direct costs, are deferred and recognised as an adjustment of the effective interest on a loan if it is likely that SNS REAAL will conclude a particular loan agreement. If the commitment expires without SNS REAAL providing the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment term.

Interest income on monetary financial assets that have been subject to impairment and written down to the estimated recoverable value or fair value is subsequently recognised on the basis of the interest rate used to determine the recoverable value by discounting the future cash flows.

21.6.1.2 Interest expenses

Interest expenses comprise the interest expenses arising from financial liabilities of the Banking activities. Interest on financial liabilities not classified at fair value through profit or loss is recognised using the effective interest method. Interest on financial liabilities that are classified at fair value through profit or loss is accounted for based on the nominal interest rates.

21.6.1.3 Premium income

The premium income from insurance contracts, excluding taxes and other charges, is divided into regular life (including pensions), single-premium life and non-life premiums.

Regular life premiums, single-premium contracts and limited-premium life insurance policies from life insurance contracts are recognised as income when payment by the policyholder falls due. Interest rate rebates and rate rebates are included in gross premium income and charged to technical claims and benefits during the amortisation period.

Premium income from non-life insurance contracts is recognised as income (earned premium) during the term of the contract in proportion to the elapsed insurance term, taking into account the movement in the provision for unearned premium. In general it concerns insurance contracts with a maximum term of twelve months.
21.6.1.4 Reinsurance premiums
This item represents the premiums on ceded reinsurance contracts. These are recognised as a charge to the income statement in proportion to the term of the contract.

21.6.1.5 Fee and commission income
Fee and commission income include income from securities transactions for clients, asset management, commission from the insurance operations and other related services offered by SNS REAAL. These are recognised in the reporting period in which the services are performed. Commission related to transactions in financial instruments for own account are incorporated in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

21.6.1.6 Fee and commission expenses
Commission and management fees due are included under ‘fee and commission expense’. These costs are recognised in the reporting period in which the services are provided.

21.6.1.7 Share in the result of associates
The share of SNS REAAL in the results of the associates is here accounted for. If the book value of the associated company falls to zero, no further losses are accounted for, unless SNS REAAL has entered into commitments or made payments on its behalf.

Where necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by SNS REAAL.

21.6.1.8 Investment income
The investment income consists of interest, dividend, rental income and revaluations.

Interest
The item interest comprises the interest income in respect of group activities and from investments of the Insurance activities.

Dividend
Dividend income is recognised in the income statement as soon as the entity’s right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividend.

Rental income
Rental income consists of the rental income from investment property and property projects. This rental income is recognised as income on a straight-line basis for the duration of the lease agreement.
**Revaluations**
Realised and unrealised increases and decreases in the value of investments in the category fair value through profit or loss are recognised here. The revaluations concern the difference between on the one hand the fair value at the end of the reporting period or net proceeds from the sale during the reporting period, and on the other hand the fair value at the beginning of the reporting period or the purchase price during the reporting period.

Realised revaluations of investments in the other categories are recognised here, being the difference between sales price and amortised cost.

**21.6.1.9 Investment income for account of policyholders**
This is the investment income on investments held on behalf of life insurance policyholders and which are measured at fair value. Increases and decreases in the value of investments are recognised in the income statement as ‘investment income for account of policyholders’. The dividend and interest on behalf of policyholders are also accounted for in this item.

**21.6.1.10 Result on financial instruments**
The result on Derivatives and other financial instruments is recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are taken directly to the income statement under ‘result on financial instruments’. However, if derivatives are eligible for hedge accounting, the recognition of a resulting gain or a resulting loss depends on the nature of the hedged item. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly under ‘result on financial instruments’.

This item also includes the profit or loss from the revaluation of the outstanding debt certificates, which are measured at fair value after initial recognition, with value adjustments taken in the income statement. In addition, buy-back results on own funding paper and results from the sale of full loans are accounted for under this item.

**21.6.1.11 Other operation income**
This comprises all the income that cannot be accounted for under other headings.

**21.6.2 Expenses**
Expenses are recognised in the income statement on the basis of a direct relationship between the costs incurred and the corresponding economic benefits. If future economic benefits are expected to be derived across different reporting periods, expenses are recognised in the income statement using a systematic method of allocation. Expenses are directly included in the income statement if they are not expected to generate any future economic benefits.

**21.6.2.1 Technical claims**
Net movements in technical provisions are recorded under this item. This includes mainly the addition of required interest and premium payments to cover future benefit payments, less payments due (life and non-life), developments in the portfolio, such as benefit payments and surrenders, the actuarial result on surrender, cancellation and mortality, and the VOBA amortisation costs.
21.6.2.2 Charges for account of policyholders

The changes in provisions for insurance contracts for the account and risk of policyholders are accounted for under this item (see paragraph 21.5.10.3 Life insurance contracts on behalf of policyholders). Payments to policyholders are also recorded under this item.

21.6.2.3 Acquisition costs for insurance activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract or the conclusion of a mortgage in combination with an insurance product, including brokerage fees, the costs of medical check-ups and administrative costs for administering new policies in the portfolio. The change in the provision for unearned premiums, insofar this change relates to the related paid commissions, is also accounted for under acquisition costs.

21.6.2.4 Impairment charges / reversals

This item includes downward revaluations of assets for which the book value exceeds the recoverable value. Intangible assets, property and equipment, associated companies, investments, property projects, receivables and other assets may be subject to impairment. As soon as impairment is identified, it is included in the income statement. The specific principles for impairment are explained in more detail in paragraph 21.5 Specific balance sheet principles under the applicable items.

21.6.2.5 Staff costs

These costs concern all costs that pertain to the personnel. This includes, inter alia, salaries, social security costs and pension costs.

21.6.2.6 Depreciation and amortisation of fixed assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets, with the exception of VOBA amortisation. The specific principles for depreciation and amortisation are explained in more detail in paragraph 21.5 Specific balance sheet principles under the applicable items.

21.6.2.7 Lease

The lease agreements that SNS REAAL (as a lessee) enters into are operational leases. The total amounts paid under the lease agreements are accounted for according to the straight-line method over the term of the agreement. Future commitments pursuant to operational lease contracts are recognised as contingent liabilities and commitments. This item includes the leased land and buildings in own use and the fleet.

21.6.2.8 Other operating expenses

This includes office, accommodation and other operating costs.

21.6.2.9 Other interest expenses

Other interest expenses comprises the interest expenses in respect of financial obligations arising from insurance operations and group operations. The interest expenses are recognised in the income statement under the effective interest method.
21.6.2.10 Other expenses
Other expenses comprises all the expenses that cannot be accounted for under other headings in the income statement. These expenses have no direct relation with the primary and secondary business operations, happen occasionally, and occur in a single financial year, or arise in a single financial year, and are amortised over multiple financial years.

21.7 Contingent liabilities and commitments
Contingent liabilities are liabilities not recognised in the balance sheet because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of SNS REAAL. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

21.8 Cash flow statement
The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in (consolidated) subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price.

In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.
22 Segmented financial statements

22.1 Information by segment
SNS REAAL is a Dutch financial services provider that focuses mainly on the Dutch retail and SME markets. The product range consists of three core product groups: mortgages and SME finance, asset management (savings and investments) and insurance (Life, Non-life, disability) and pensions. The services to private individuals and the SME clients are mostly rendered through the main brands SNS Bank, REAAL and Zwitserleven and through several distribution channels.

The business structure consists of five segments (SNS Retail Bank, Property Finance, REAAL, Zwitserleven and Group activities). Within the business unit REAAL the focus of REAAL Leven is on the life-portfolio. The business unit Zwitserleven focuses on the pension-portfolio.

For a segment, the same principles for valuation and determination of the result are used as set out in the accounting principles for the consolidated balance sheet and the income statement of SNS REAAL. For the settlement of transactions between business units, the prices are used that would ensue from regular market conditions (‘at arm’s length’), excluding the specific transactions referred to under paragraph 30.26 Related parties. Intercompany transactions involving portfolios and associates that classify as common control transactions are accounted for using book value accounting.

22.1.1 SNS Retail Bank
This segment offers banking products in the field of mortgages, asset growth and asset protection for the retail and SME markets. In addition to the label SNS Bank the segment SNS Retail Bank also comprises ASN Bank, RegioBank, BLG Hypotheiken and SNS Securities. Together with the segment Property Finance the segment SNS Retail Bank constitutes the legal entity SNS Bank NV.

The SNS SME segment that was set up on 1 January 2011 and comprised of the former SME activities of SNS Retail Bank and the core business of Property Finance has been split up again, and ceased to exist. As per 1 January 2012 the former SME activities of SNS Retail Bank have been included in the SNS Retail Bank segment and the core business Property Finance into the segment Property Finance. For more information see paragraph 21.3.4.3 Changes in presentation.
**22.1.2 Property Finance**
This segment consists of the former Property Finance international and Dutch property projects and property finance portfolio that will be phased out.

For more information see paragraph 21.3.4.3 Changes in presentation.

**22.1.3 Zwitserleven**
This segment offers specialised pension products aimed at future income. The clients of Zwitserleven are director-schareholders (DGA’s), SMEs and large companies.

**22.1.4 REAAL**
The segment REAAL has three subsegments: REAAL Life, REAAL Non-life and REAAL Other.

**22.1.4.1 REAAL Life**
This segment offers individual life insurance to the retail and SME markets. The segment includes REAAL Levensverzekeringen and Proteq Levensverzekeringen.

**22.1.4.2 REAAL Non-life**
This segment offers non-life insurance for property, mobility, bodily injury, invalidity and disability. This segment is formed by the units REAAL Schadeverzekeringen and, up to and including June, Proteq Schadeverzekeringen. On 2 July 2012 a legal merger took place between REAAL Schadeverzekeringen NV and its sister company Proteq Schadeverzekeringen NV. As a result of this legal merger, Proteq Schadeverzekeringen NV ceased to exist. The activities of Proteq Schadeverzekeringen NV are continued by REAAL Schadeverzekeringen NV under the trade names Proteq, Zelf.nl, Route Mobiel and Proteq Dier & Zorg.

**22.1.4.3 REAAL Other**
This segment includes the activities of REAAL which are managed separately from the segments REAAL Life and REAAL Non-life. These principally include activities of SNS Verzekeringen.

**22.1.5 Group activities**
Group activities include the business units that are managed directly by the Executive Board and whose income and expenses are not attributed to the other segments. The Group activities segment includes SNS REAAL Invest and SNS Asset Management. Effective 1 January 2012, SNS Beleggingsfondsen Beheer was transferred from SNS Retail Bank to Group activities.
## Balance sheet by segment

### Balance sheet by segment 31 December 2012

<table>
<thead>
<tr>
<th></th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>REAAL</th>
<th>Zwitserleven</th>
<th>Group Activities</th>
<th>Eliminations</th>
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<td>422</td>
<td>(919)</td>
<td>(1)</td>
<td>3,352</td>
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<td>11</td>
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<td>Derivatives</td>
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<td>-</td>
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### Balance sheet by segment 31 December 2011

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<th>Zwitserleven</th>
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<td>17,478</td>
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Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
# Income statement by segment

## Income statement by segment 2012

### In € millions

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<th>Activity</th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>REAAL</th>
<th>Zwitserleven</th>
<th>Group Eliminations</th>
<th>Total</th>
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<td>(972)</td>
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SNS REAAL Annual Report 2012
Income statement by segment 2011

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<th>REAAL</th>
<th>Zwitserlevens Group Activities</th>
<th>Eliminations</th>
<th>Total</th>
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<td>REAAL</td>
<td>11</td>
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<td>86</td>
<td>-</td>
<td>56</td>
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<td>(37)</td>
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<tr>
<td>Share in result of associates</td>
<td>SNS Retail Bank</td>
<td>-</td>
<td>-</td>
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<td>(242)</td>
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<td>(36)</td>
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<td>-</td>
<td>-</td>
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<td>(3)</td>
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<td>Acquisition costs for insurance operations</td>
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<td>Acquisition costs for insurance operations</td>
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<td>-</td>
<td>242</td>
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<td>-</td>
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<tr>
<td>Staff costs</td>
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<td>136</td>
<td>62</td>
<td>(169)</td>
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<td>-</td>
<td>224</td>
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<td>66</td>
</tr>
<tr>
<td>Other expenses</td>
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<td>-</td>
<td>-</td>
<td>224</td>
<td>37</td>
<td>66</td>
</tr>
<tr>
<td>Other expenses</td>
<td>REAAL</td>
<td>-</td>
<td>-</td>
<td>224</td>
<td>37</td>
<td>66</td>
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<td>(115)</td>
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<td>86</td>
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<td>79</td>
<td>(20)</td>
<td>(22)</td>
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<td><strong>Net result continued operations</strong></td>
<td></td>
<td>258</td>
<td>(243)</td>
<td>281</td>
<td>(87)</td>
<td>(93)</td>
</tr>
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<td><strong>Net result discontinued operations</strong></td>
<td></td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td></td>
<td>258</td>
<td>(243)</td>
<td>281</td>
<td>(87)</td>
<td>(93)</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
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<td>-</td>
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</tr>
<tr>
<td><strong>Net result attributable to shareholders and securityholders</strong></td>
<td></td>
<td>258</td>
<td>(243)</td>
<td>280</td>
<td>(87)</td>
<td>(93)</td>
</tr>
</tbody>
</table>

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
### 22.4 Balance sheet Banking activities by segment

Balance sheet Banking activities by segment 31 December 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
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<tr>
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<td>-</td>
<td>98</td>
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<td>Property and equipment</td>
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<td>-</td>
<td>71</td>
</tr>
<tr>
<td>Investments in associates</td>
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<td>-</td>
<td>3</td>
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<td>Investments</td>
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<td>-</td>
<td>5,302</td>
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<td>-</td>
<td>3,617</td>
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<tr>
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<td>337</td>
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<tr>
<td>Property projects</td>
<td>-</td>
<td>416</td>
<td>-</td>
<td>416</td>
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<tr>
<td>Loans and advances to customers</td>
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<td>6,605</td>
<td>-</td>
<td>61,784</td>
</tr>
<tr>
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<td>1,927</td>
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<tr>
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<td>3</td>
<td>-</td>
<td>128</td>
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<tr>
<td>Other assets</td>
<td>498</td>
<td>600</td>
<td>(399)</td>
<td>699</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
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<td>203</td>
<td>(179)</td>
<td>6,933</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>81,993</td>
<td>7,850</td>
<td>(8,528)</td>
<td>81,315</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
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<td>(412)</td>
<td>-</td>
<td>1,311</td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minority interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,723</td>
<td>(412)</td>
<td>-</td>
<td>1,311</td>
</tr>
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<td>Participation certificates and subordinated debt</td>
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<td>-</td>
<td>820</td>
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<td>-</td>
<td>21,990</td>
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<td>Other provisions</td>
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<td>-</td>
<td>82</td>
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<td>-</td>
<td>-</td>
<td>3,599</td>
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<td>303</td>
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<tr>
<td>Savings</td>
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<td>-</td>
<td>-</td>
<td>32,815</td>
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<tr>
<td>Other amounts due to customers</td>
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<td>-</td>
<td>9,529</td>
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<tr>
<td>Amounts due to banks</td>
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<td>8,686</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
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<td>(399)</td>
<td>2,180</td>
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<td>81,993</td>
<td>7,850</td>
<td>(8,528)</td>
<td>81,315</td>
</tr>
</tbody>
</table>
## Balance sheet Banking activities by segment 31 December 2011

*In € millions*

<table>
<thead>
<tr>
<th>Assets</th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
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<td>47</td>
<td>-</td>
<td>153</td>
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<tr>
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<td>2</td>
<td>-</td>
<td>90</td>
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<tr>
<td>Investments in associates</td>
<td>-</td>
<td>17</td>
<td>-</td>
<td>17</td>
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<td>Investment properties</td>
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<td>-</td>
<td>1</td>
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<tr>
<td>Investments</td>
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<td>-</td>
<td>-</td>
<td>4,106</td>
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<tr>
<td>Derivatives</td>
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<td>-</td>
<td>3,321</td>
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<td>-</td>
<td>225</td>
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<tr>
<td>Property projects</td>
<td>-</td>
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<td>-</td>
<td>512</td>
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<tr>
<td>Loans and advances to customers</td>
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<td>8,890</td>
<td>-</td>
<td>64,809</td>
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<td>11</td>
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<td>1,681</td>
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<tr>
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<td>13</td>
<td>-</td>
<td>125</td>
</tr>
<tr>
<td>Other assets</td>
<td>908</td>
<td>276</td>
<td>(104)</td>
<td>1,080</td>
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<td>5,128</td>
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<td>81,088</td>
<td>10,251</td>
<td>(10,091)</td>
<td>81,248</td>
</tr>
</tbody>
</table>

**Equity and liabilities**

| Shareholders’ equity        | 1,298          | 401              | -            | 1,699    |
| Equity attributable to security holders | 156          | -                | -            | 156      |
| Minority interests          | -              | -                | -            | -        |
| **Total equity**            | 1,454          | 401              | -            | 1,855    |
| Participation certificates and subordinated debt | 1,121        | -                | -            | 1,121    |
| Debt certificates           | 27,361         | -                | -            | 27,361   |
| Other provisions            | 30             | 5                | -            | 35       |
| Derivatives                 | 3,606          | -                | -            | 3,606    |
| Deferred tax liabilities    | 296            | 7                | -            | 303      |
| Savings                     | 30,342         | -                | -            | 30,342   |
| Other amounts due to customers | 10,035        | 180              | -            | 10,215   |
| Amounts due to banks        | 5,174          | 9,529            | (9,987)      | 4,716    |
| Corporate income tax        | -              | -                | -            | -        |
| Other liabilities           | 1,669          | 129              | (104)        | 1,694    |
| **Total equity and liabilities** | 81,088       | 10,251           | (10,091)     | 81,248   |

*Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.*
### Income statement Banking activities by segment

#### Income statement Banking activities by segment 2012

<table>
<thead>
<tr>
<th></th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>2,541</td>
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<td>(208)</td>
<td>1,741</td>
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<td>98</td>
<td>-</td>
<td>800</td>
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<td>Fee and commission income</td>
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<td>-</td>
<td>-</td>
<td>106</td>
</tr>
<tr>
<td>Fee and commission expense</td>
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<td>-</td>
<td>-</td>
<td>52</td>
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<tr>
<td><strong>Net fee and commission income</strong></td>
<td>54</td>
<td>-</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
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<td>Result on financial instruments</td>
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<td>Other operating income</td>
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<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>-</td>
<td>919</td>
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<tr>
<td><strong>Expenses</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>231</td>
<td>43</td>
<td>-</td>
<td>274</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>26</td>
<td>-</td>
<td>-</td>
<td>26</td>
</tr>
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<td>Other operating expenses</td>
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<td>73</td>
<td>-</td>
<td>295</td>
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<td>Impairment charges</td>
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<td>1,216</td>
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<td>-</td>
<td>9</td>
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<td>-</td>
<td>(901)</td>
</tr>
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<td>(208)</td>
<td>-</td>
<td>(177)</td>
</tr>
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<td>(813)</td>
<td>-</td>
<td>(724)</td>
</tr>
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<td><strong>Net result discontinued operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>89</td>
<td>(813)</td>
<td>-</td>
<td>(724)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
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<tr>
<td><strong>Net result attributable to shareholders and securityholders</strong></td>
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<td>(813)</td>
<td>-</td>
<td>(725)</td>
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</table>
### Income statement Banking activities by segment 2011

<table>
<thead>
<tr>
<th></th>
<th>SNS Retail Bank</th>
<th>Property Finance</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
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<td></td>
<td></td>
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</tr>
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<td>798</td>
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<td>139</td>
</tr>
<tr>
<td>Fee and commission expense</td>
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<td>-</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td>Net fee and commission income</td>
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<td>-</td>
<td>-</td>
<td>86</td>
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<tr>
<td>Share in result of associates</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Investment income</td>
<td>45</td>
<td>-</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>128</td>
<td>(36)</td>
<td>-</td>
<td>92</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2</td>
<td>(8)</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
<td>-</td>
<td>(4)</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>936</td>
<td>74</td>
<td>-</td>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
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<td>43</td>
<td>-</td>
<td>258</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>29</td>
<td>1</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Other operating expenses</td>
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<td>62</td>
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<td>285</td>
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<tr>
<td>Impairment charges</td>
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<td>284</td>
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<td>410</td>
</tr>
<tr>
<td>Other expenses</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>593</td>
<td>390</td>
<td>-</td>
<td>983</td>
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<td><strong>Result before tax</strong></td>
<td>343</td>
<td>(316)</td>
<td>-</td>
<td>27</td>
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<tr>
<td><strong>Net result continued operations</strong></td>
<td>257</td>
<td>(243)</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td><strong>Net result discontinued operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
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<td>(243)</td>
<td>-</td>
<td>14</td>
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<td>Minority interests</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net result attributable to shareholders and securityholders</strong></td>
<td>257</td>
<td>(243)</td>
<td>-</td>
<td>14</td>
</tr>
</tbody>
</table>

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
## 22.6 Balance sheet Insurance activities by segment

### Balance sheet Insurance activities by segment 31 December 2012

<table>
<thead>
<tr>
<th>Assets</th>
<th>In € millions</th>
<th>Zwitserleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>87</td>
<td>713</td>
<td>80</td>
<td>5</td>
<td>-</td>
<td>885</td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>29</td>
<td>95</td>
<td>-</td>
<td>30</td>
<td>-</td>
<td>154</td>
<td></td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>40</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>45</td>
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<td>Investment properties</td>
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<td>200</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>233</td>
<td></td>
</tr>
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<td>19,822</td>
<td>1,827</td>
<td>669</td>
<td>(665)</td>
<td>31,702</td>
<td></td>
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<td>5,764</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,265</td>
<td></td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>Derivatives</td>
<td>170</td>
<td>310</td>
<td>-</td>
<td>-</td>
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<td>480</td>
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<td>4</td>
<td>8</td>
<td>(46)</td>
<td>540</td>
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<td>3,019</td>
<td>164</td>
<td>-</td>
<td>-</td>
<td>3,185</td>
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<td>4</td>
<td>-</td>
<td>-</td>
<td>3,053</td>
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<td>Loans and advances to banks</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>452</td>
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<td>Corporate income tax</td>
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<td>63</td>
<td>1</td>
<td>136</td>
<td>(237)</td>
<td>-</td>
<td></td>
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<tr>
<td>Other assets</td>
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<td>1,338</td>
<td>411</td>
<td>309</td>
<td>(1,741)</td>
<td>504</td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>11</td>
<td>29</td>
<td>-</td>
<td>1,563</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>19,907</strong></td>
<td><strong>35,550</strong></td>
<td><strong>2,507</strong></td>
<td><strong>1,186</strong></td>
<td>(2,689)</td>
<td><strong>56,461</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th>In € millions</th>
<th>Zwitserleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity</td>
<td>422</td>
<td>2,762</td>
<td>624</td>
<td>(850)</td>
<td>-</td>
<td>2,958</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>422</strong></td>
<td><strong>2,765</strong></td>
<td><strong>624</strong></td>
<td><strong>(850)</strong></td>
<td>-</td>
<td><strong>2,961</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Participation certificates and subordinated debt | 222 | 726 | 86 | - | - | 1,034 |
| Debt certificates              | -   | -   | - | - | - | -     |
| Insurance contracts           | 16,669 | 24,177 | 1,256 | - | - | 42,102 |
| Provision for employee benefits | - | - | 9 | - | - | 9 |
| Other provisions              | 11  | 4   | - | 21 | - | 36 |
| Securities lending liabilities | -  | -   | - | - | - | -   |
| Derivatives                   | 22  | 16  | - | - | - | 38 |
| Deferred tax liabilities      | 289 | 607 | 59 | 7 | (46) | 916 |
| Other amounts due to customers | 384 | 3,867 | 28 | 651 | (665) | 4,075 |
| Amounts due to banks          | 1,080 | 1,914 | - | 751 | - | 3,745 |
| Corporate income tax          | -   | -   | - | 326 | (237) | 89 |
| Other liabilities             | 798 | 1,674 | 454 | 271 | (1,741) | 1,456 |
| **Total equity and liabilities** | **19,907** | **35,550** | **2,507** | **1,186** | (2,689) | **56,461** |
## Balance sheet Insurance activities by segment 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Zitelleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
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<td>959</td>
<td>199</td>
<td>2</td>
<td>-</td>
<td>1,558</td>
</tr>
<tr>
<td>Property and equipment</td>
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<td>107</td>
<td>-</td>
<td>32</td>
<td>-</td>
<td>171</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>33</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Investment properties</td>
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<td>225</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>255</td>
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<td>1,851</td>
<td>521</td>
<td>(785)</td>
<td>29,759</td>
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<td>5,644</td>
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<td>-</td>
<td>-</td>
<td>12,443</td>
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<td>117</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>117</td>
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<td>Derivatives</td>
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<td>-</td>
<td>-</td>
<td>572</td>
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<tr>
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<td>3</td>
<td>10</td>
<td>-</td>
<td>395</td>
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<td>176</td>
<td>-</td>
<td>-</td>
<td>3,426</td>
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<tr>
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<td>2,231</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>3,043</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
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<td>458</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>499</td>
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<tr>
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<td>18</td>
<td>53</td>
<td>1</td>
<td>142</td>
<td>-</td>
<td>214</td>
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<td>879</td>
<td>320</td>
<td>830</td>
<td>(1,733)</td>
<td>342</td>
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<tr>
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<td>45</td>
<td>13</td>
<td>-</td>
<td>1,188</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>17,478</td>
<td>34,898</td>
<td>2,604</td>
<td>1,558</td>
<td>(2,518)</td>
<td>54,020</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
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<td>2,379</td>
<td>721</td>
<td>(1,171)</td>
<td>-</td>
<td>3,640</td>
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<tr>
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<td>17</td>
<td>41</td>
<td>-</td>
<td>342</td>
<td>-</td>
<td>400</td>
</tr>
<tr>
<td>Minority interests</td>
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<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
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<td>2,422</td>
<td>721</td>
<td>(829)</td>
<td>-</td>
<td>4,042</td>
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<td>04</td>
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<td>-</td>
<td>1,002</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>-</td>
<td>(218)</td>
<td>38,827</td>
</tr>
<tr>
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<td>12</td>
<td>-</td>
<td>8</td>
<td>149</td>
<td>363</td>
</tr>
<tr>
<td>Other provisions</td>
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<td>8</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>39</td>
</tr>
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<td>Securities lending liabilities</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>120</td>
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<tr>
<td>Derivatives</td>
<td>38</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
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<td>46</td>
<td>7</td>
<td>-</td>
<td>735</td>
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<tr>
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<td>772</td>
<td>(785)</td>
<td>4,015</td>
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<td>626</td>
<td>-</td>
<td>3,154</td>
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<td>312</td>
</tr>
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<td>638</td>
<td>(1,664)</td>
<td>1,358</td>
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<td>17,478</td>
<td>34,898</td>
<td>2,604</td>
<td>1,558</td>
<td>(2,518)</td>
<td>54,020</td>
</tr>
</tbody>
</table>

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
## Income statement Insurance activities by segment

### Income statement Insurance activities by segment 2012

<table>
<thead>
<tr>
<th></th>
<th>Zwitserleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td></td>
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<td></td>
<td></td>
</tr>
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<td>1,436</td>
<td>819</td>
<td>-</td>
<td>-</td>
<td>3,455</td>
</tr>
<tr>
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<td>151</td>
<td>66</td>
<td>-</td>
<td>-</td>
<td>223</td>
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<tr>
<td><strong>Net premium income</strong></td>
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<td>1,285</td>
<td>753</td>
<td>-</td>
<td>-</td>
<td>3,232</td>
</tr>
<tr>
<td>Fee and commission income</td>
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<td>54</td>
<td>1</td>
<td>19</td>
<td>-</td>
<td>88</td>
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<td>-</td>
<td>13</td>
<td>-</td>
<td>16</td>
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<td>-</td>
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<td>1,596</td>
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<td>694</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>Income invested collateral securities lending</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Other operating income</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td><strong>Total income</strong></td>
<td>2,427</td>
<td>3,185</td>
<td>822</td>
<td>30</td>
<td>(24)</td>
<td>6,440</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>Technical claims and benefits</td>
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<td>473</td>
<td>-</td>
<td>-</td>
<td>2,956</td>
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<td>Charges for account of policyholders</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>2,266</td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
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<td>76</td>
<td>180</td>
<td>-</td>
<td>-</td>
<td>271</td>
</tr>
<tr>
<td>Staff costs</td>
<td>67</td>
<td>73</td>
<td>58</td>
<td>9</td>
<td>-</td>
<td>207</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>7</td>
<td>14</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>32</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>63</td>
<td>73</td>
<td>59</td>
<td>12</td>
<td>-</td>
<td>207</td>
</tr>
<tr>
<td>Impairment charges</td>
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<td>228</td>
<td>110</td>
<td>3</td>
<td>-</td>
<td>475</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>29</td>
<td>126</td>
<td>7</td>
<td>24</td>
<td>(24)</td>
<td>162</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,587</td>
<td>3,069</td>
<td>898</td>
<td>49</td>
<td>(24)</td>
<td>6,579</td>
</tr>
<tr>
<td>Result before tax</td>
<td>(160)</td>
<td>116</td>
<td>(76)</td>
<td>(19)</td>
<td>-</td>
<td>(139)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(40)</td>
<td>41</td>
<td>6</td>
<td>(4)</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Net result continued operations</td>
<td>(120)</td>
<td>75</td>
<td>(84)</td>
<td>(15)</td>
<td>-</td>
<td>(144)</td>
</tr>
<tr>
<td>Net result discontinued operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>(120)</td>
<td>75</td>
<td>(84)</td>
<td>(15)</td>
<td>-</td>
<td>(144)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Net result attributable to shareholder and securityholder</td>
<td>(120)</td>
<td>72</td>
<td>(84)</td>
<td>(15)</td>
<td>-</td>
<td>(147)</td>
</tr>
</tbody>
</table>
### Income statement Insurance activities by segment 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Zwitserleven</th>
<th>REAAL Life</th>
<th>REAAL Non-life</th>
<th>REAAL Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium income</td>
<td>1,161</td>
<td>1,687</td>
<td>848</td>
<td>-</td>
<td>-</td>
<td>3,696</td>
</tr>
<tr>
<td>Reinsurance premiums</td>
<td>5</td>
<td>187</td>
<td>54</td>
<td>-</td>
<td>-</td>
<td>246</td>
</tr>
<tr>
<td>Net premium income</td>
<td>1,156</td>
<td>1,500</td>
<td>794</td>
<td>-</td>
<td>-</td>
<td>3,450</td>
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<tr>
<td>Fee and commission income</td>
<td>15</td>
<td>56</td>
<td>1</td>
<td>18</td>
<td>-</td>
<td>90</td>
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<tr>
<td>Fee and commission expense</td>
<td>1</td>
<td>7</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>14</td>
<td>49</td>
<td>1</td>
<td>6</td>
<td>-</td>
<td>70</td>
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<td>Share in result of associates</td>
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<td>(2)</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Investment income</td>
<td>359</td>
<td>1,011</td>
<td>66</td>
<td>23</td>
<td>(26)</td>
<td>1,433</td>
</tr>
<tr>
<td>Investment income for account of policyholders</td>
<td>202</td>
<td>(241)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(39)</td>
</tr>
<tr>
<td>Result on financial instruments</td>
<td>28</td>
<td>155</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>183</td>
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<tr>
<td>Income invested collateral securities lending</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Other operating income</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Result assets and liabilities held for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>1,761</td>
<td>2,477</td>
<td>862</td>
<td>47</td>
<td>(26)</td>
<td>5,121</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical claims and benefits</td>
<td>604</td>
<td>1,530</td>
<td>490</td>
<td>-</td>
<td>-</td>
<td>2,624</td>
</tr>
<tr>
<td>Charges for account of policyholders</td>
<td>923</td>
<td>167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,090</td>
</tr>
<tr>
<td>Acquisition costs for insurance operations</td>
<td>19</td>
<td>51</td>
<td>192</td>
<td>(1)</td>
<td>-</td>
<td>261</td>
</tr>
<tr>
<td>Staff costs</td>
<td>71</td>
<td>70</td>
<td>59</td>
<td>21</td>
<td>-</td>
<td>221</td>
</tr>
<tr>
<td>Depreciation and amortisation of fixed assets</td>
<td>6</td>
<td>18</td>
<td>13</td>
<td>1</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>62</td>
<td>72</td>
<td>58</td>
<td>6</td>
<td>-</td>
<td>198</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>145</td>
<td>35</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>180</td>
</tr>
<tr>
<td>Interest expense securities lending</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>37</td>
<td>210</td>
<td>9</td>
<td>25</td>
<td>(26)</td>
<td>255</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,868</td>
<td>2,153</td>
<td>821</td>
<td>52</td>
<td>(26)</td>
<td>4,888</td>
</tr>
<tr>
<td><strong>Result before tax</strong></td>
<td>(107)</td>
<td>324</td>
<td>41</td>
<td>(5)</td>
<td>-</td>
<td>253</td>
</tr>
<tr>
<td>Taxation</td>
<td>(20)</td>
<td>76</td>
<td>9</td>
<td>(6)</td>
<td>-</td>
<td>59</td>
</tr>
<tr>
<td><strong>Net result continued operations</strong></td>
<td>(87)</td>
<td>248</td>
<td>32</td>
<td>1</td>
<td>-</td>
<td>194</td>
</tr>
<tr>
<td>Net result discontinued operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net result for the period</strong></td>
<td>(87)</td>
<td>248</td>
<td>32</td>
<td>1</td>
<td>-</td>
<td>194</td>
</tr>
<tr>
<td>Minority interests</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net result attributable to shareholder and securityholder</strong></td>
<td>(87)</td>
<td>247</td>
<td>32</td>
<td>1</td>
<td>-</td>
<td>193</td>
</tr>
</tbody>
</table>

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 21.3.4 Changes in principles, estimates and presentation for the consolidated financial statements.
23 Acquisitions and disposals

On 19 December 2012, SNS REAAL signed a memorandum of understanding to transfer the private Banking activities of SNS Securities to Bank ten Cate & Cie during the second half of 2013. The transaction is subject to a statement of no objection from the Dutch Central Bank (DNB). The transfer has no material impact on equity and result.
24 Risk management and organisation

24.1 Main developments risk profile

SNS REAAL’s commercial activities, such as offering accessible banking and insurance products, involve risks, whereby the exposure to proprietary trading, complex products or foreign currencies, is limited.

A summary of the developments on the risk profile and capital of SNS REAAL is presented below, and explained in further detail in the subsequent chapters.

Capital Management

The core Tier 1 ratio dropped from 9.2% at the end of 2011 to 6.1%, which was below the internal and Dutch Central Bank (DNB) requirements due to the net loss at SNS Bank NV and the increase in risk-weighted assets.

Solvency of the Insurance activities ended up at 176% compared to 203% at the end of 2011. Various factors and events cause this decline. The use of UFR in the new interest rate curve mid 2012 had a 20%-point positive impact on solvency. This impact was almost wholly offset by a more restrictive stance on subordinated debt included in solvency capital (-19%). A sharp decline of 19% was due to an increase in required capital mainly related to a change of the solvency requirements of a part of the separate accounts and due to the downward shift of the yield curve which led to an increase of the liabilities and thus also to an increase of required capital. Furthermore, solvency mainly declined due to the narrowing of credit spreads of French sovereign debts which resulted in a more strongly increase of the liabilities than the investments, because the liabilities are valued by using the ECB AAA + UFR yield curve, in which French sovereign debts represent a greater part than in the investments. Finally, solvency decreased due to a dividend upstream by REAAL Non-Life to SNS REAAL in the first half of 2012 and due to the impact of model and parameter changes mainly related to mortality.

Group double leverage increased from 115% to 127%, mainly as a result of the net loss of the holding company and due to decreased equity of subsidiaries.

A further explanation on capital management can be found in chapter 29 Capital management.

Balance sheet and Risk Management

Compared to year-end 2011, SNS REAAL’s balance sheet increased by €1.8 billion to €133.6 billion (+1%), driven by the participation in the second tranche of the LTRO facilities and higher savings balances which increased cash and cash equivalents.

Loans and advances to customers decreased by €3.2 billion driven by a €2.3 billion reduction at Property Finance due to redemptions, impairments and the sale of loans. Excluding Property Finance, loans and advances to customers decreased by €0.9 billion to €57.7 billion. SNS Bank’s residential mortgage portfolio decreased by €2.0 billion to €49.4 billion due to redemptions. Sales of new mortgages were limited. The decline in residential mortgages was partly compensated by an increase of other loans mainly due to higher cash loans to governments as part of liquidity management.

Market risk Banking activities

During 2012 interest rates over all terms dropped significantly. Volatilities in interest rates stayed at a high level.

An important metric to measure interest rate risk of the Banking activities is duration of equity. In order to maintain a low sensitivity to changes in interest rates, the duration of equity was held at low levels, between 1 and 4, during 2012. At year-end, the duration of equity was 3.7 (year-end 2011: 3.8).

Another metric used to manage interest rate risk is Value of Risk of the equity (VaR). The average VaR with a confidence level of 99% stood in 2012 at €180 million compared to an average of €210 million over 2011. At the end of 2012, the VaR stood at €176 million versus €227 million at year-end 2011.
Market risk Insurance activities
In 2012, the Insurance activities continued to reduce their exposure to interest rate risk mainly through the additional purchase of interest rate derivatives. Credit spread sensitivity was reduced through the sale of peripheral European and Austrian government bonds. Proceeds were re-invested in German and French government bonds. Although AAA government bonds are assumed to be risk free, the year 2012 has shown that even these bonds can be sensitive to perceptions of country-specific and Eurozone-related credit risk.

The Insurance activities use a Value at Risk (VaR) approach to manage interest rate risk and other ALM risks. The relative VaR, which takes into account all relevant market risks and is expressed as a percentage of the market value of equity increased from 25% at year-end 2011 to 32%, still well below the internal limit of 45%.

The solvency of the Insurance activities is sensitive to changes in interest rates, the shape of the yield curve, credit spreads and equity prices. The interest rate sensitivity changed during 2012, mainly due to a change in the discount curve (implementation of Ultimate Forward Rate as of 30 June 2012).

24.2 Risk management organisation
The SNS REAAL Business and Risk Governance focuses on improving the quality of risk management and achieving efficiency in risk control. The risk management system is aimed at further strengthening the policy and implementation in the business operations.

The risk management activities of the legal entities SNS Bank NV and REAAL NV are organised into the three relevant business units. For the bank this is SNS Retail Bank. For the insurer these are REAAL and Zwitserleven.

Until 31 December 2012, Risk Management Property Finance was part of Risk Management SNS Bank NV. As of 1 January 2013, Risk Management Property Finance is hierarchically structured under the CFO of Property Finance NV. For more information refer to 25.5 Credit risk Property Finance.
The management boards of the business units are responsible for achieving the commercial, operational and financial objectives by choosing the best possible products, services, product/market combinations, labelling and distribution.
channels. In this context, the business units operate within the frameworks established at Group level for risks including credit risk, insurance risk, integrity risk and operational risk. Asset & Liability Management is managed at Group level. The (risk) policy frameworks are established in the Group Risk Committee (GRC).

**Responsibility levels in risk management**

For the purposes of risk management, SNS REAAL distinguishes three responsibilities based on the ‘Three Lines of Defence’ model used as best practice in the financial sector. This distinction defines clear responsibilities and guarantees that risk management is a subject taken up by the entire organisation:

- **First line** is the line organisation, which is responsible for the risk and the management of the risk.
- **Second line** is formed by the risk management departments, which support the first line in identifying and monitoring risk positions and in respect of policy matters and have a monitoring role with regard to relevant risk positions and the quality of risk management.
- **Third line** is the independent internal auditor (the Group Audit department), which reviews the planning, the process and the performance of the risk organisation. In addition, Group Audit is responsible for conducting special internal audit work for the management teams of the business units and line management.

The responsibilities within the risk management organisation have been clearly defined, with the GRC being the highest risk management body reporting to the Executive Board and primarily setting frameworks. SNS REAAL’s Chief Financial Officer is also the Chief Risk Officer. Risk owners have been appointed within the Executive Board and the management boards of the three business units. These owners are each individually responsible for the formulation and execution of the risk policy for their designated areas of attention.

The risk principles used for the risk management structure, which aim at a consistent risk management approach, are formulated as follows:

- One shared Group-wide risk type classification.
- A pre-set risk tolerance (‘Risk Appetite’) for each identified risk type.
- Scenario analyses for stress situations and measures for emergency situations with regard to the key risks.
- Testing and validating the models that are used for risk management.
- Allocating risk owners to all identified risks.
- Monitoring and assessment of risks independently of commercial operations.

**24.3 Risk management committees**

SNS REAAL NV’s Executive Board and the statutory management boards of SNS Bank NV and REAAL NV have ultimate responsibility for the risk management within the Group, the Banking activities and the Insurance activities. The risk committees established within SNS REAAL have an operational role and, if necessary, they determine frameworks within the mandate from the GRC. The Supervisory Board has its own committees.

**Risk Committee**

The Risk Committee comprises at least three members of the Supervisory Board. This committee assesses, among other things, the profile of SNS REAAL’s financial and non-financial risks, in particular as to whether capital allocation, investment policy and liquidity requirements on the strategic level correspond with the approved risk appetite. In addition, the Risk Committee assesses the structure and operation of the risk management organisation, including supervision of compliance with the relevant laws and regulations and codes of conduct, as well as the use of information technology in risk control.
**Group Risk Committee (GRC)**
The Executive Board and the statutory management boards of the Banking and Insurance activities are represented in the GRC, which makes statutory decision-making possible. The GRC furthermore consists of the chairman of SNS Asset Management, the CFO of Group Finance, as well as the heads of risk control departments for financial and non-financial risks (Group Risk Management, Compliance, Security & Operational Risk Management and Group Audit). The latter risk control departments have an advisory role in the GRC.

The GRC defines the desired risk profile for financial and non-financial risks, and determines the risk appetite, risk policy frameworks and risk management framework for SNS REAAL and its business units. In addition, the GRC approves the liquidity plan and the capital plan.

**Other Risk Committees at Group level**
The Group committees have a mutually equal status in the risk committee structure. Their primary focus is on optimising risk and return within the defined frameworks. In their framework-formulating role, they ensure that the frameworks set by the GRC are enforced and are further elaborated where necessary. All committees have a clear reporting line and escalation line to the next higher risk committee, both for powers and for decisions.

In their operational role, the Group committees decide on matters concerning the Banking and Insurance activities, as well as on matters that go beyond the powers of the Banking activities or the Insurance activities.

At Group level, SNS REAAL also has the following ‘risk committees’:

- **Model Governance Committee (MGC)** to approve internal models;
- **Group Financial Committee (FinCo)** to manage the financial and actuarial administration, consolidation, processes and infrastructure, ensuing management information and internal/external financial reporting;
- **Group Asset & Liability Committee (ALCO Group)** to manage all financial risks. ALCO Bank and ALCO Insurance operate under the ALCO Group;
- **Group Counterparty & Credit Risk Committee (GCC)** to manage the credit risks, including the counterparty credit risks (policy) and to approve loans and revisions. The SNS Retail Bank Credit Risk Committee and the Property Finance Credit Risk Committee operate under the GCC;
- **Governance, Operational Risk & Compliance Committee (GORCC)** to manage the non-financial risks.

**Risk Committees at Business Unit level**
Local risk committees have been set up within the business units, which operate within the policy frameworks delegated by the Group committees, or which solely only have an advisory role. The risk committees at business unit level (BU level) are:

- **Product Market Pricing Committee (PMPC)** for the formal approval of products. There is one PMPC for each BU (SNS Retail Bank, REAAL and Zwitserleven) and, additionally, a PMPC for SNS Securities and SNS Asset Management. The PMPCs have a direct escalation line to the GRC;
- **Asset & Liability Committee Insurance (ALCO Insurance)** to manage financial risks in the balance sheet of the Insurance activities (excluding credit risk on customers);
- **Asset & Liability Committee Bank (ALCO Bank)** to manage the ALM risks in the balance sheet of the Banking activities;
- **Credit Risk Committee SNS Retail Bank (CC SNS Retail Bank)** to manage all forms of credit risks in the bank’s balance sheet (with the exception of credit risk on customers in Property Finance);
- **Credit Risk Committee Property Finance (CC PF)** to manage credit risks on Property Finance’s customers.

Parallel to these committees, there is the Actuarial Risk Committee (ARC), which is the advisory body for the Group and the business units REAAL and Zwitserleven. This committee gives advice on matters including the impact of parameters on rates and models, hedging and technical claims and benefits risks.
**Decision-making processes**

Decisions are taken by a majority of the votes present, subject to a quorum set in advance for the relevant committee. In the event of a tie, the chairman decides.

The highest-level risk officer present has a right of veto, and if this right is exercised, there is a clear escalation line to the next higher risk committee. Every member of the Group committees has an equal right to vote, and in addition to the voting right, a right to escalate the decision taken within the committee to a higher committee.

In the GRC, decisions can only be taken within the statutory powers allocated to the parties present.

**24.4 Risk management departments**

In order to promote efficiency and uniformity, the risk management departments advise on risk management and report on the risk profile. They act as shared service centres for the Banking and Insurance activities and, with regard to risks, they are responsible for modelling, measuring, monitoring, reporting and advice. They are not responsible for determining the policy, but have an advisory role in this area.

This advisory role entails a supporting role not only in setting up and implementing policy, but also in monitoring the quality of risk control.

At SNS REAAL the following departments are involved in risk management:

- Group Risk Management (GRM)
- Group Actuarial department and BU Actuarial departments
- Compliance, Security & Operational Risk Management (CS&O)
- Legal Affairs (LA)
- Risk Management SNS Retail Bank and Property Finance
- Insurance Treasury & Investment Management (IT&IM)
- Group Audit (GA)

**Group Risk Management (GRM)**

GRM supports SNS REAAL in taking on and monitoring responsible risks for the benefit of all stakeholders. GRM’s primary task is to carry out its second-line role based on the ‘Three Lines of Defence’ model used by SNS REAAL.

Within this context, GRM supports the Executive Board, the BU management boards and other stakeholders in:

- Formulating and monitoring the risk profile;
- Defining the frameworks within which the risk owners (can) operate;
- Identifying changing market conditions and regulations in the field of Risk Management that are relevant to the strategy and policy;
- Ensuring and controlling efficient risk management processes;
- Achieving coherence in SNS REAAL’s risk management organisation;
- Valuing the portfolios for steering structural value creation;
- Coordinating strategic projects related to the management of financial risks (including stress tests and the Basel III and Solvency II programmes);
- Model building;
- Model validation (including an escalation line to the CFRO).
**Group Actuarial department and BU Actuarial departments**

The actuarial duties are allocated across Group Actuarial department within GRM and the actuarial departments of REAAL and Zwitserleven. At consolidated level, Group Actuarial Risk Management defines the frameworks and monitors the insurance risks, while performing the central supervisory role for the actuarial domain. In addition, Group Actuarial Risk Management identifies, measures and reports (as well as advises) on insurance risks to the various stakeholders. In this context, the primary focus lies with the impact of insurance risks on the risk profile and the value standards (Value New Business, Embedded Value, etc.). At business unit level, these duties are entrusted to the actuarial departments of REAAL and Zwitserleven. Besides reporting, these duties are modelling and carrying out analyses, providing the business units with advice on technical claims and benefits risks and implementing adopted policies.

In addition, GRM gives direction to the areas of attention pertaining to Reinsurance and Economic Capital: drawing up policies and frameworks, modelling, implementing and monitoring/advising.

The Insurance activities manage their insurance risk using a system of procedures and criteria for product development and acceptance. Risks that do not fit the profile or risks that exceed pre-set limits – if accepted – are transferred to a reinsurance company as much as possible.

Committees in which representatives of the management boards of the Insurance activities and the financial and actuarial departments periodically monitor the portfolio’s development. For the Life Insurance activities, this includes monitoring developments in expenses, interest and turnover. For the Non-life Insurance activities, the developments of premiums and loss ratios are analysed by segment.

**Compliance, Security & Operational Risk Management (CS&O)**

CS&O advises the Executive Board and the management boards of the business units on the control of non-financial risks. These are the risks that are related to human behaviour and structuring business processes. The main duties of the department are providing recommendations for ethical and controlled business conduct, coordinating and promoting operational risk management, security risk management and integrity risk management, formulating policies, giving advice and support with regard to issues related to non-financial risks, providing courses & awareness programmes, monitoring and reporting in this respect. The scope of non-financial risks is divided into seven themes: employee, client, business process, product, information, risk control, and collaboration. These themes serve as guidance for the risk analyses to be performed and provide the structure for supervision and risk reporting.

**Legal Affairs**

Legal Affairs (LA) prepares policy and supports operational activities for risk management. The main responsibilities of the department in this area are:

- Identifying and advising on present (and future) legislation and regulations;
- Advising on products and product documentation;
- Handling (impending) legal disputes;
- Advising on cooperation agreements.

**Risk Management SNS Retail Bank and Property Finance**

Credit risk management is allocated to three separate and independent departments (Mortgage Service Centre, Special Credits department Service Centre and Risk Management). The strengthening of first line ALM and balance sheet management is continued in 2012. These activities will be incorporated into the Finance, Risk & Control department of SNS Bank in 2013. Also, in 2012 the separation of the Risk Management activities of Property Finance and SNS Retail Bank was continued. As a result, this led to a separate Risk Management Property Finance department, effective 1 January 2013.
The Mortgage Service Centre, Special Credits department, SNS Retail Bank Risk Management and Property Finance

Risk Management play an important role in the following tasks:

**Mortgages Service Centre:**

- Binding advice on residential mortgages;
- Administering and management of credit facilities and private collateral.

**Special Credits department Service Centre:**

- Manages loans in arrears and loans in default;
- Prepares reports on the operational management relating to credit risk.

**Risk Management SNS Retail Bank:**

- Advising on the credit risk policy;
- Independent analysis of and advice on credit proposals;
- Binding advice on commercial items;
- Administering and management of credit facilities and collateral;
- Performing the secretarial duties for the SNS Retail Bank Credit Committee;
- Serving as a voting member on the credit committee;
- Presents a proposal for the credit provision amount, which is to be approved by the management board.

**Risk Management Property Finance:**

Within Property Finance, a Restructuring & Recovery (R&R) department was set up, independent of Risk Management. R&R manages the default portfolio (this includes the management of the collateral and property projects of which Property Finance has taken effective control). The R&R department prepares the settlement and restructuring plan and presents a proposal on the amounts to be taken as an impairment provision, which is to be approved by the management board.

**Insurance Treasury & Investment Management (IT&IM)**

The duties and responsibilities of Insurance Treasury & Investment Management (IT&IM) are primarily aimed at investments for own account and risk of SNS REAAL’s Insurance activities. In the risk governance structure, IT&IM is the central point of contact of the operationally responsible investment managers. The director of IT&IM is a member of ALCO Insurance and ALCO Group.

The main responsibilities of IT&IM are:

- Drafting of the strategic investment policy of the Insurance activities of SNS REAAL;
- Operational control on the execution of the strategic investment policy through the asset managers;
- Responsible for investments outside the regular mandate, like mortgages and property;
- Supervision asset managers actions to check that they adhere to their mandates, and assessing their performance;
- Execution of the hedge policy in respect of balance management for the Insurance activities of SNS REAAL;
- Cashmanagement and other treasury activities;
- Monitoring security lending and repo activities in the insurance portfolios, the execution of which has been outsourced to professional and specialised parties;
- First line investment risk management.
Group Audit

Group Audit (GA) reports to the chairman of the Executive Board and also has a reporting line to the Audit Committee of the Supervisory Board. In this way, the department is able to perform its activities independently of the business units and the departments of SNS REAAL.

Group Audit primarily carries out its audits on behalf of the Executive Board based on a dynamic risk analysis. This risk analysis is in line with the Banking Code and the Insurance Code and has been discussed with the external auditor and the Dutch Central Bank. These audits focus on the internal risk management and control system, related processing procedures and (the reliability of) management information.

Group Audit is also responsible for carrying out the differentiated internal audit activities on behalf of the business units’ management boards and line management. These audits focus on the (permanent) effect of the control measures included in procedures. In addition, various types of audits are performed at the request of the management boards, including certification activities for external parties.
## 24.5 Risk classification

<table>
<thead>
<tr>
<th>Financial risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
</tr>
<tr>
<td>Liquidity risk</td>
</tr>
<tr>
<td>Market risk</td>
</tr>
<tr>
<td>Insurance risk</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-financial risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic risk</td>
</tr>
<tr>
<td>Integrity risk</td>
</tr>
<tr>
<td>Operational risk</td>
</tr>
</tbody>
</table>
24.6 Framework for business control

Taking risks is an integral part of doing business and demands a consistent and transparent assessment of opportunities and risks, aimed at growth and the continuity of the Company. The Executive Board of SNS REAAL has established frameworks for the management boards of the business units in order to properly managing such assessments. The most important frameworks are:

- The strategy and strategic risk analyses, to direct the activities of the business units and the organisation as a whole;
- The risk appetite and the ensuing risk profile, which sets limits for taking risks in order to manage risks with respect to the capital requirements and other laws and regulations applicable to SNS REAAL;
- The management structure, including the risk committees, to streamline management focus, to allocate duties and responsibilities, and to deal with new or external impulses (e.g. through takeovers and reorganisations);
- Traineeships, talent and management development programmes, to manage the quality of staff and appointments ("the right person in the right place");
- A remuneration structure that gives substance to the mission and the realisation of SNS REAAL's (long term) strategy;
- Processes set up for the purpose of managing the predictability of performance, the prevention of unforeseen losses and the reliability of information.

The management boards of the business units are responsible for day-to-day operations within these frameworks and each year draw up operational plans that are approved by the Executive Board.

The framework for business control sets out how responsibility is awarded within SNS REAAL and how this must be accounted for. This framework forms the basis for controlling the (risk) management processes.

The framework for business control thus offers a reasonable, but not an absolute guarantee that risks are excluded. It does not guarantee, for instance, that human error, the deliberate circumvention of control procedures by employees and third parties acting in concert, or the evasion of control mechanisms by management will not occur.

SNS REAAL has set up a procedure to determine biannually the extent to which the management boards of each business unit control essential risks. This particularly concerns the discussions between the layers of management on the risks in the business operations and the measures taken for the purpose of controlling these risks. Key input for this procedure are the periodic in-control statements per business unit. The outcome of this procedure contributes to the management statements that are included in the SNS REAAL Annual Report (see chapter 19.6 Management Statements).
In an in-control statement, the management boards and members of the Executive Board state, with due observance of changes to internal and external factors, whether they have identified the essential risks and corresponding control measures with a reasonable degree of certainty, which improvements have been made to the (risk) management procedures, whether the established control measures function adequately, whether the provision of information is sufficient and which aspects the relevant business unit intends to improve further. They also state whether they expect that the risk management system will continue to work adequately.

The Executive Board discusses the in-control statements and establishes whether additional measures need to be taken in order to curtail risks. The statements are also used to prepare the management statement for the annual report (see chapter 19.6 Management statements). The reports on the in-control statement are also submitted to the Audit Committee.
25 Financial risks Banking activities

25.1 Introduction
This chapter discusses the financial risks that occur within the Banking activities.

These financial risks mainly consist of credit risks, market risks, liquidity risks and capital risk.

The credit risks are discussed in the first five paragraphs. Paragraph 25.2 provides a comprehensive overview of the credit risk profile and credit risk management of the Banking activities. The credit risks of SNS Retail Bank and Property Finance are explained in the paragraph 25.4 and paragraph 25.5.

The market risk is discussed in paragraph 25.6, with a description of the definition and management of the market risk, as well as – in separate subsections – a description of the spread risk, currency risk, sensitivity test for interest rate risks and shares, effective interest rate of the Banking activities and, lastly, the market risk for the trading portfolio within the Banking activities.

The liquidity risk is discussed in paragraph 25.7, with a description of the definition and management of the liquidity risk, as well as a separate description of the Internal Liquidity Adequacy Assessment Process (ILAAP).

The capital risk is discussed in paragraph 29.5.

The former SME activities of SNS Retail Bank, previously presented in the SME segment, have been added to the SNS Retail Bank segment, for more information see paragraph 21.3.4.3 Changes in presentation.

25.2 Credit risk Banking activities - overview
Credit risk is the risk that a borrower and/or counterparty does not meet his financial or other contractual obligation. The credit risk is broken down into debtor risk, counterparty risk and transfer risk. The credit risk management within SNS Retail Bank’s business units is described in paragraph 25.4.

The Banking activities distinguish various categories of credit risk. The main categories are loans and advances to customers, loans and advances to banks, and investments. More than 92% of the loans and advances to customers are backed by mortgage collateral. The other non-mortgage-backed items are mainly loans and advances to banks and investments (primarily bonds). The investments in connection with the Company’s own liquidity management and held for trading are low-risk.

The loan portfolio of SNS Retail Bank focuses on the Dutch market. The market for owner-occupied residential property was weak in 2012, just as in 2011. Despite government measures, such as reduced property transfer tax, both the number of residential properties sold and the average price per residential property dropped. The number of transactions on the residential property market thus reached record lows and house prices fell for the fourth year in a row. The falling house prices and the stagnating residential property market led to longer foreclosure periods and larger losses on foreclosure.

The loan portfolio of Property Finance is mainly commercial real estate in the Nederlands. It is becoming increasingly clear that the economic recovery is taking longer than expected. This is also clearly reflected in the further deterioration in the outlook on the real estate markets, to which the Dutch real estate markets are no positive exception. As a result of the aforementioned developments the number of loans in default is increasing during the second half of 2012. Consequently, provisions were made.

The Banking activities’ overall credit exposure (before collateral and other credit enhancements) breaks down as follows:
The table below gives an indication of the credit risk of the Banking activities, based on the weighting percentages used in regular reporting to the Dutch Central Bank (DNB) under Basel II guidelines. The weighting percentages of items under the standardised method depend on the counterparty’s external credit rating. Generally, these percentages are 0% for loans and advances to or guaranteed by OECD governments, 20% for loans and advances to or guaranteed by OECD banks, 35% for loans entirely covered by mortgage collateral and 100% for the other loans and advances.

### Credit risk Banking activities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
<th>Total</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>5,302</td>
<td>4,106</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,302</td>
<td>4,108</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,617</td>
<td>3,321</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,617</td>
<td>3,321</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>55,535</td>
<td>56,151</td>
<td>7,822</td>
<td>9,527</td>
<td>-</td>
<td>63,357</td>
<td>65,678</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>9,867</td>
<td>11,200</td>
<td>10</td>
<td>11</td>
<td>(7,950)</td>
<td>(9,530)</td>
<td>1,927</td>
</tr>
<tr>
<td>Other assets, no lending operations</td>
<td>1,119</td>
<td>1,432</td>
<td>1,352</td>
<td>984</td>
<td>(399)</td>
<td>(104)</td>
<td>2,072</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,909</td>
<td>5,109</td>
<td>203</td>
<td>476</td>
<td>(179)</td>
<td>(457)</td>
<td>6,933</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>82,349</td>
<td>81,319</td>
<td>9,387</td>
<td>10,998</td>
<td>(8,528)</td>
<td>(10,091)</td>
<td>83,208</td>
</tr>
</tbody>
</table>

### Off-balance sheet commitments

| Liabilities from pledges and guarantees given | 20 | 35 | 115 | 142 | - | - | 135 | 177 |
| Liabilities from irrevocable facilities | 612 | 729 | 134 | 191 | - | - | 746 | 920 |
| **Total** | 82,981 | 82,083 | 9,636 | 11,331 | (8,528) | (10,091) | 84,089 | 83,323 |

As can be seen in the table above, the most important developments in comparison to last year relate to the items corporates, retail mortgages and securitisation positions. The decline of corporates by € 1,927 million to € 7,733 million at year-end 2012, is mainly caused by phasing out the Property Finance portfolio. The increase of retail mortgages by € 3,327 million to € 6,319 million in 2012 is the result of increased PD’s and LGD’s, caused by the deteriorating economic environment, and in 2012 a more conservative internal risk model for home mortgages was put into operation. Taking securitisations on own account led to the increased securitisation positions by € 267 million to € 1,030 million at the end of 2012. This includes the new securitisation Hermes XVIII.
25.3 Credit risk profile and credit risk management

The credit risk management of SNS Retail Bank runs via Risk Management SNS Bank. The arrears and defaults are managed by the Special Credits department Service Centre.

The default items of Property Finance (and items for which a potential default situation is plausible) are managed by the Restructuring and Recovery (R&R) department.

25.3.1 Credit risk profile and credit risk management SNS Retail Bank

The probability of default of a borrower (PD) is another major risk indicator. Here, an estimate is made of the probability that obligations will structurally not be met in the next year.

The table below shows the spread of the principal weighted PD risk classification of the outstanding retail mortgages (including securitised mortgages).

<table>
<thead>
<tr>
<th>Probability of Default %</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 1</td>
<td>74.7%</td>
<td>83.2%</td>
</tr>
<tr>
<td>&gt;1 - &lt;= 4</td>
<td>14.4%</td>
<td>5.3%</td>
</tr>
<tr>
<td>&gt;4 - &lt;= 7</td>
<td>4.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>&gt;7 - &lt;= 10</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>&gt;10 - &lt;= 13</td>
<td>0.0%</td>
<td>4.1%</td>
</tr>
<tr>
<td>&gt;13 - &lt;= 17</td>
<td>2.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>&gt;17 - &lt; 100</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>100</td>
<td>2.5%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

The change in PD risk classification is mainly caused by the use of new credit risk models for retail mortgages, which SNS Retail bank introduced in 2012.

The credit rating of SNS Retail Bank’s mortgage portfolio deteriorated in 2012 compared to the mortgage portfolio in 2011. This was the result of the weak economic growth, a difficult market for owner-occupied houses and falling prices on the housing market in the Netherlands. On the other hand, the quality of new inflow in the portfolio is improving thanks to stricter acceptance standards and a higher share of mortgages covered by the National Mortgage Guarantee.

Special Credits department SNS Retail Bank

An essential part of the risk policy is the timely deployment of Special Credits department Service Centre. The Special Credits department distinguishes between loans to private customers and loans to small and medium-sized enterprises (SME). The Special Credits department applies a uniform working method that is aimed at identifying items with risk exposure.

The control of payments in arrears by retail and SME clients has been almost completely automated. It compares the costs of monitoring the payments in arrears to the combination of the probability of default and the expected credit loss amount. Based on past experience, an estimate is made of the measures required, such as contacting the client by telephone, writing, visits or deploy of budget coaches. This estimation is supported by a computer model.

The file is handled by the Special Credits department if the client no longer meets his obligations, but also if it is unlikely that the debtor will be able to continue to meet his obligations.

In 2012, 207 foreclosure sales were made in respect of residential mortgages. The stagnation of the Dutch housing market resulted, in comparison to previous years, in a decline in the collateral values and corresponding decline of the
coverage ratio. Furthermore, SNS Retail Bank makes use of repayment arrangements for clients unable to meet mortgage payments in the short run.

In determining the amount of the provisions, account is taken of defaults and the experience that credit loss may also be caused by non-default accounts (IBNR).

The default rate of residential mortgages rose from 1.15% to 1.55% (based on numbers). The contamination rate of the portfolio increased from 1.93% in 2011 to 2.71% in 2012 (also based on numbers). Contamination rate is defined as arrears plus defaults.

25.3.2 Credit risk profile and credit risk management Property Finance

As previously mentioned, the Minister of Finance has announced that Property Finance intends to be separated from SNS REAAL into an asset management organisation. See for more information chapter 2 Nationalisation of SNS REAAL and paragraph 20.1.1 Property Finance on held for sale and subsequent paragraphs.

In 2012 the net exposure of Property Finance was reduced with € 2.4 billion, from € 9.4 billion to € 7.0 billion. This reduction is the result of regular redemptions in combination with the sale of loans, restructurings and impairments of the portfolio.

The development of the credit risk profile of Property Finance is continuously monitored. This is done on the basis of reports on payments in arrears and overdrafts, periodic reviews and portfolio analyses. In addition, “early warnings” meetings are taking place. At these meetings, early warning signals such as payments in arrears, renewals and possible inadequate interest coverage ratios will be discussed and decisions will be made on how to follow up on these signals.

Valuations

A valuation of the collateral is carried out at loan origination in order to determine the value of the collateral for the loans provided. In addition, the collateral value is evaluated during periodic loan revisions. A valuation guideline is part of Property Finance’s review policy. This guideline is in accordance with DNB guidelines on the appraisal of commercial real estate property. The collateral values of the loans in default are valued at least once a year, of which a major part of the portfolio is valued during the fourth quarter. The aim is to check the valuation of loans in default at the balance sheet date against current external appraisals. In addition, an annual valuation is made of the collateral of non-default loans exceeding € 10 million and of project loans. Smaller collateral are valued at least once every three years.

Furthermore, in 2012 Property Finance conducted an in depth analysis on nearly the entire portfolio, both the former Core as well the Non-core portfolio. The analysis was intended to map the current state of the portfolio and perform a scenario analysis for future developments (under a base, bear and optimistic scenario). The analysis is performed under supervision of management of Property Finance, where specialists of both Property Finance and Group Risk Management have been involved.

The results of the portfolio analysis are validated by an independent third party. Also, the results and insights into the current state of the portfolio in question are included in the ICAAP of SNS Bank.

Also, based on a letter from DNB dated 23 November 2012 to the Dutch Banking industry, stating that market conditions for commercial property changed significantly, additional risk-based analysis on the property values in the portfolio including, if necessary, an updated independent valuation was carried out.

The valuation of a property may be performed by an internal expert or by an external appraiser. For loans in default and loans exceeding € 10 million externally nationally renowned appraisers are deployed. The valuations are as much as possible carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standard. The other loans are valued also by internal appraisers. These internal appraisers are certified and operate independently. Received concept valuation reports are being audited and challenged before being finalised.
Defaults
Loans with an increased risk profile can be declared in default if there are indications to this effect. The default indicators used in this context include the customer’s payment record (arrears), the LTV of the loan, the customer’s financial position, the building progress, the lease or sale rate, the delivery on promises and (other) internal and external signals. The loans declared in default will be transferred to the Restructuring & Recovery (R&R) department.

Provisions
For the loans declared in default, a scenario analysis is drawn up at least once a year, in which an optimistic, a realistic and a pessimistic scenario is fleshed out. During so-called expert sessions both the chosen exit strategies as well as the results of the scenarios are assessed by Risk Management of SNS Bank. Should the development of the risks associated with the item under assessment give rise to it, a reassessment of the last scenario analysis will be performed. Loans are valued on the basis of the realistic scenario, using prognoses and discounting of future cash flows using the interest rate of the original loan, and the most recent (external) valuation report. If, according to the realistic scenario, the value of the loan is lower than the outstanding balance, a provision is recognised.

In 2012, as a result of the deteriorating market environment, scenario analysis was also performed upon the majority of the non-default loans.

The departments R&R, Loan provisions, Risk Management and Finance & Control are involved in the valuation of loans and property projects. The scenarios of loans in default for which a provision has already been taken are reassessed every quarter. R&R, Loan provisions and Risk Management departments are involved in this process. The scenario analysis and valuations based on these, including comments by Risk Management, are discussed in the Credit Committee Property Finance, adopted in Management Board meetings and then submitted to the Credit Committee for ratification.

Property projects
Due to the unfavourable developments on the Dutch and International real estate markets, it was necessary to recover collateral provided to Property Finance under a number of loans. As a result, Property Finance gained effective control over a few property projects, which have thus been included in Property Finance’s balance sheet.

The property on Property Finance’s balance sheet is valued at the lower of cost or net realisable value. The net realisable value is determined on the basis of the expected present value of the cash flows as estimated under the realistic exit scenario. In this respect, estimates are made with regard to completion costs, market rents, selling prices, selling speed and selling costs. The expected cash flows are tested against market data provided by external appraisers and other experts.

Impairments
The impairments on Property Finance’s default loans and property projects reflect the changes in the expectations regarding the cash flow profile of the underlying assets. Expected cash flows are driven by items such as rental income, price per square metre, construction costs, interest costs and recent valuation reports provided by professional appraisers.

In the estimation of future cash flows, transactions are used which can be observed in the market and which are comparable to the extent possible. Due to the increasing lack of liquidity in the market, it is very difficult for a large part of the portfolio to test against recent observed comparable market transactions. This means that the assumptions and estimates made by Property Finance in the valuation of loans are exposed to significantly larger uncertainties greater than under normal market conditions, which results in broader bandwidth for the valuations.
25.4 Credit risk SNS Retail Bank

25.4.1 Loans and advances to customers

In credit management, a distinction is made between credit management for individual customers and credit management on the portfolio level.

Loans to retail customers consisting of mortgage loans or consumer credit (included under ‘other’) are approved by authorised officers on the basis of acceptance standards and policy rules. The acceptance standards and policy rules are determined in the Product Market Pricing Committee. In special cases, a recommendation is issued to the management board of SNS Retail Bank, which then takes the final decision. Mortgage loan acceptance is processed centrally. The standards for acceptance of mortgage loans are the same for all labels of SNS Retail Bank, as this contributes to uniformity and efficiency. Acceptance score models support these processes.

Credit management for current retail customers takes place at customer level by actively monitoring and following up on payments in arrears and other signs. This process is supported by automated systems that categorise and prioritise customers with payments in arrears.

At the portfolio level, mortgage risks are managed by the ‘Portfolio Management Procedure’. The procedure consists of three components: rating, monitoring and intervention. Intervention can take place through pricing policy, the acceptance and management policies, specific (marketing) activities, product development and securitisations.

The securities provided by the collateral and possibly a National Mortgage Guarantee (NHG) are important risk indicators for managing the portfolio. The LtFV shows the level of collateralisation by taking the outstanding loan as a percentage of the foreclosure value of the collateral. A low percentage is considered favourable. If a loan is granted pursuant to NHG, there is additional security.
SNS Retail Bank's loans and advances to customers amounted to € 55 billion at year-end 2012, of which € 49 billion relates to residential mortgages. 15% of these residential mortgages are covered by the National Mortgage Guarantee. This percentage is excluding the securitised mortgages with a National Mortgage Guarantee.

In the table above, the securitised mortgage loans whose bonds were issued by securitisation entities and sold to investors have been included in ‘Securitised mortgages’. A bank can transfer the credit risk of loans and advances to third parties with the use of securitisations. The underlying mortgage loans of securitisation notes held for own account (€ 12.0 billion, 2011: € 9.0 billion) are included in ‘Securitised mortgages’.

The securitised mortgages were sold on the basis of what is known as a deferred purchase price. This means that, for most transactions, SNS Retail Bank has claims against the securitisation entity that will not be settled in full until the transaction is concluded. Some of the notes issued by the securitisation entity are E-notes, which are high-risk bonds. Stress tests have shown that the remaining credit risk for SNS Retail Bank manifests itself in the deferred purchase price and any unissued E-notes. SNS Retail Bank has placed all E-notes externally (€ 76 million of which was sold to the Insurance activities). The sum of the deferred purchase prices was nil as at the end of December 2012 (2011: € 6 million).

SNS Retail Bank is also the originator of a synthetic securitisation launched in 2004 with a first call date in March 2014. In this structure, SNS Retail Bank bought credit protection through a credit default swap (CDS) with respect to a reference portfolio of approximately € 319 million residential mortgages. The CDS counterparty is a triple A bank with a weight of 0%. This bank has in turn transferred the CDS credit risk to investors whereby the mezzanine portion of the risk is hedged by the issuance of credit-linked notes.
Loans and advances to customers SNS Retail Bank by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>51,237</td>
<td>53,032</td>
</tr>
<tr>
<td>Public sector</td>
<td>2,291</td>
<td>1,204</td>
</tr>
<tr>
<td>Service sector companies</td>
<td>819</td>
<td>663</td>
</tr>
<tr>
<td>Industry</td>
<td>195</td>
<td>205</td>
</tr>
<tr>
<td>Agriculture</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>Other commercial</td>
<td>608</td>
<td>779</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55,179</td>
<td>55,919</td>
</tr>
</tbody>
</table>

Loans and advances to customers SNS Retail Bank by region

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Netherlands</td>
<td>53,508</td>
<td>55,772</td>
</tr>
<tr>
<td>EMU</td>
<td>1,644</td>
<td>142</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55,179</td>
<td>55,919</td>
</tr>
</tbody>
</table>

With respect to the loans and advances to customers the information on arrears included in the table is the basis for determining the provision collectively. Every quarter, the Special Credits department proposes a provisions level to SNS Retail Bank's Credit Committee. SNS Retail Bank's CFRO ratifies this proposal.

Loans and advances to customers in arrears SNS Retail Bank

<table>
<thead>
<tr>
<th>Arrears</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>No arrears</td>
<td>53,346</td>
<td>54,151</td>
</tr>
<tr>
<td>&lt; 3 months</td>
<td>1,247</td>
<td>1,190</td>
</tr>
<tr>
<td>3 - 6 months</td>
<td>287</td>
<td>215</td>
</tr>
<tr>
<td>6 - 12 months</td>
<td>265</td>
<td>196</td>
</tr>
<tr>
<td>&gt; 1 year</td>
<td>390</td>
<td>399</td>
</tr>
<tr>
<td>Provision</td>
<td>(356)</td>
<td>(232)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55,179</td>
<td>55,919</td>
</tr>
</tbody>
</table>

Provisions loans and advances to customers SNS Retail Bank

<table>
<thead>
<tr>
<th>Loans and advances</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value non provisioned loans</td>
<td>53,346</td>
<td>54,151</td>
</tr>
<tr>
<td>Book value provisioned loans (gross value)</td>
<td>2,189</td>
<td>2,000</td>
</tr>
<tr>
<td>Specific provisions</td>
<td>(339)</td>
<td>(222)</td>
</tr>
<tr>
<td>IBNR provision</td>
<td>(17)</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total book value non provisioned and provisioned loans</strong></td>
<td>55,179</td>
<td>55,919</td>
</tr>
</tbody>
</table>
**Loan to Foreclosure Value (LtFV)**

The weighted average LtFV at year-end 2012 of SNS Retail Bank’s mortgage portfolio with the National Mortgage Guarantee was 99% (2011: 93%). The foreclosure value determined at the time of application is indexed with the Land Registry Office’s House Price Index. The Land Registry Office updates this index every month. The House Price Index is broken down into province and type of residence. Examples of residence types are apartments, terraced houses or end-of-terrace houses, semi-detached or detached houses. SNS Retail Bank follows this breakdown. From December 2011 to December 2012, the national index for all types of housing declined by 6.3%. The index’ development varies per region and residence type. Generally, no new valuation report is requested for existing residential mortgages.

A majority of the loans and advances to customers at SNS Retail Bank consists of mortgage loans where the existing mortgage collateral (partly) mitigates the credit risk on the loans. The table below shows the mortgage loans, divided into different LtFV classes. This creates insight into the volumes in which credit risk is completely mitigated by the existing mortgage collateral (LtFV ≤ 100%) and additionally the volumes where there is a collateral shortfall (LtFV > 100%). The LtFV classification is based on mortgage collateral; no account has been taken of other guarantees and accrued savings components.

### Breakdown loans and advances to customers SNS Retail Bank by LtFV buckets

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage loans</td>
<td>49,782</td>
<td>51,742</td>
</tr>
<tr>
<td>Other</td>
<td>5,397</td>
<td>4,177</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55,179</td>
<td>55,919</td>
</tr>
</tbody>
</table>

| Mortgage loans and advances to customers SNS Retail Bank by LtFV buckets |
|-----------------------------|-------|-------|
| NHG                         | 10,437| 10,095|
| LtFV <= 75%                 | 12,682| 15,177|
| LtFV >75 <=100%             | 9,139 | 9,583 |
| LtFV >100 <=125%            | 8,509 | 10,955|
| LtFV > 125%                 | 9,015 | 5,932 |
| **Total**                   | 49,782| 51,742|

### 25.4.2 Loans and advances to banks and derivatives

SNS Financial Markets enters into money and capital market transactions with various financial institutions as part of its treasury and funding activities.

Loans and advances to banks may ensue from lending operations in the form of deposits, as part of ordinary cash management transactions. Cash management also includes transactions qualifying as forward exchange transactions, which are also regarded as derivative transactions. It is policy to make forward exchange transaction contracts and other over-the-counter derivatives contracts with parties with whom an umbrella agreement has been concluded, known as an ISDA (International Swaps and Derivatives Association) Master Agreement and Credit Support Annex. Under the Credit Support Annex, securities are exchanged on the basis of frequent comparison of the value of outstanding transactions under the ISDA Master Agreement and the balance of already transferred securities under the Credit Support Annex, above a set limit if necessary. This can lead to the redeposit or deposit of additional collateral.

Interest rate derivatives are also used by SNS Bank to manage and/or limit SNS Bank’s interest rate risk. The maturity of these derivatives ranges from two to thirty years. The risk mitigation conditions that apply to such derivatives are the same as for short-term derivatives. A system of counterparty limits is also applied. This reduces the concentration risk. A small part of the derivatives has been concluded with Property Finance clients.
25.4.3 Investments

In response to the eurozone crisis the exposure to risks in investment portfolio was reduced by further reducing investments in government loans from peripheral countries during 2012. See tables below for more information.

Overview investments SNS Retail Bank 2012

<table>
<thead>
<tr>
<th>Fair value through profit or loss</th>
<th>Held for trading</th>
<th>Designated</th>
<th>Available for sale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares and similar investments</td>
<td>1</td>
<td>-</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Fixed income</td>
<td>847</td>
<td>103</td>
<td>4,340</td>
<td>5,290</td>
</tr>
<tr>
<td>Total</td>
<td>848</td>
<td>103</td>
<td>4,351</td>
<td>5,302</td>
</tr>
</tbody>
</table>

As a result of the high liquidity position, money is invested in liquid instruments from high rated counter parties on a short term base.

Overview investments SNS Retail Bank 2011

<table>
<thead>
<tr>
<th>Fair value through profit or loss</th>
<th>Held for trading</th>
<th>Designated</th>
<th>Available for sale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares and similar investments</td>
<td>7</td>
<td>-</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Fixed income</td>
<td>123</td>
<td>98</td>
<td>3,867</td>
<td>4,088</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>98</td>
<td>3,878</td>
<td>4,106</td>
</tr>
</tbody>
</table>

Breakdown fixed income investments (geography)

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>121</td>
<td>165</td>
</tr>
<tr>
<td>Greece</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>Italy</td>
<td>326</td>
<td>284</td>
</tr>
<tr>
<td>Spain</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Subtotal GIIPS</td>
<td>447</td>
<td>505</td>
</tr>
<tr>
<td>Germany</td>
<td>1,468</td>
<td>1,561</td>
</tr>
<tr>
<td>France</td>
<td>456</td>
<td>220</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>1,690</td>
<td>1,179</td>
</tr>
<tr>
<td>Austria</td>
<td>303</td>
<td>310</td>
</tr>
<tr>
<td>Belgium</td>
<td>241</td>
<td>164</td>
</tr>
<tr>
<td>Japan</td>
<td>528</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>157</td>
<td>149</td>
</tr>
<tr>
<td>Total</td>
<td>5,290</td>
<td>4,088</td>
</tr>
</tbody>
</table>
### Breakdown fixed income investments (industry)

<table>
<thead>
<tr>
<th></th>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>4,444</td>
<td>84%</td>
<td>3,522</td>
</tr>
<tr>
<td>Financials</td>
<td>352</td>
<td>7%</td>
<td>196</td>
</tr>
<tr>
<td>Mortgages</td>
<td>-</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td>Corporates</td>
<td>105</td>
<td>2%</td>
<td>28</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>211</td>
<td>4%</td>
<td>273</td>
</tr>
<tr>
<td>Other</td>
<td>178</td>
<td>3%</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>5,290</td>
<td>100%</td>
<td>4,088</td>
</tr>
</tbody>
</table>

### Breakdown fixed income investments (maturity)

<table>
<thead>
<tr>
<th></th>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3 Months</td>
<td>820</td>
<td>16%</td>
<td>82</td>
</tr>
<tr>
<td>&lt; 1 Year</td>
<td>683</td>
<td>13%</td>
<td>48</td>
</tr>
<tr>
<td>&lt; 3 Years</td>
<td>659</td>
<td>12%</td>
<td>1,236</td>
</tr>
<tr>
<td>&lt; 5 Years</td>
<td>455</td>
<td>9%</td>
<td>274</td>
</tr>
<tr>
<td>&lt; 10 Years</td>
<td>1,735</td>
<td>33%</td>
<td>1,505</td>
</tr>
<tr>
<td>&lt; 15 Years</td>
<td>99</td>
<td>2%</td>
<td>237</td>
</tr>
<tr>
<td>&gt; 15 Years</td>
<td>839</td>
<td>16%</td>
<td>706</td>
</tr>
<tr>
<td>No maturity</td>
<td>-</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>5,290</td>
<td>100%</td>
<td>4,088</td>
</tr>
</tbody>
</table>

### Breakdown fixed income investments (rating)

<table>
<thead>
<tr>
<th></th>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>2,522</td>
<td>48%</td>
<td>3,232</td>
</tr>
<tr>
<td>AA</td>
<td>1,279</td>
<td>24%</td>
<td>220</td>
</tr>
<tr>
<td>A</td>
<td>807</td>
<td>15%</td>
<td>376</td>
</tr>
<tr>
<td>BBB</td>
<td>662</td>
<td>13%</td>
<td>227</td>
</tr>
<tr>
<td>&lt; BBB</td>
<td>-</td>
<td>0%</td>
<td>26</td>
</tr>
<tr>
<td>Unrated</td>
<td>20</td>
<td>0%</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>5,290</td>
<td>100%</td>
<td>4,088</td>
</tr>
</tbody>
</table>
### Sovereign exposure fixed-income investment portfolio (geography)

<table>
<thead>
<tr>
<th>Country</th>
<th>2012 € millions</th>
<th>2011 € millions</th>
<th>2012 Nominal %</th>
<th>2011 Nominal %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>121</td>
<td>165</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Greece</td>
<td>-</td>
<td>26</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Italy</td>
<td>320</td>
<td>270</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Spain</td>
<td>-</td>
<td>29</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Subtotal GIIPS</td>
<td>441</td>
<td>490</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Germany</td>
<td>1,437</td>
<td>1,551</td>
<td>32%</td>
<td>44%</td>
</tr>
<tr>
<td>France</td>
<td>402</td>
<td>195</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>1,053</td>
<td>733</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Austria</td>
<td>302</td>
<td>310</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Belgium</td>
<td>236</td>
<td>164</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Japan</td>
<td>528</td>
<td>-</td>
<td>12%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>45</td>
<td>49</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>4,444</td>
<td>3,492</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Breakdown fixed income sovereign GIIPS (maturity)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3 Months</td>
<td>-</td>
<td>26</td>
<td>-</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 1 Year</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 3 Years</td>
<td>1</td>
<td>24</td>
<td>1</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5 Years</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 10 Years</td>
<td>82</td>
<td>130</td>
<td>78</td>
<td>153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 15 Years</td>
<td>43</td>
<td>45</td>
<td>40</td>
<td>61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 15 Years</td>
<td>314</td>
<td>265</td>
<td>310</td>
<td>332</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No maturity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>490</td>
<td>430</td>
<td>621</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
25.5 Credit risk Property Finance

While reading this paragraph, chapter 2 Nationalisation of SNS REAAL and paragraph 30.27 Subsequent events should be taken in consideration.

The total commitments decreased by € 1.7 billion from € 9.6 billion to € 7.9 billion (-18%). In 2012, the net exposure is reduced by € 2.4 billion (25%) to € 7.0 billion.

Breakdown portfolio Property Finance

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>7,880</td>
<td>9,626</td>
</tr>
<tr>
<td>Undrawn commitments</td>
<td>48</td>
<td>88</td>
</tr>
<tr>
<td>Outstanding loan portfolio (gross)</td>
<td>7,832</td>
<td>9,538</td>
</tr>
<tr>
<td>Loan provision</td>
<td>1,217</td>
<td>637</td>
</tr>
<tr>
<td>Outstanding loan portfolio</td>
<td>6,615</td>
<td>8,901</td>
</tr>
<tr>
<td>Property projects</td>
<td>416</td>
<td>512</td>
</tr>
<tr>
<td>Total exposure</td>
<td>7,031</td>
<td>9,413</td>
</tr>
</tbody>
</table>

In 2012, the reduction of net exposure and commitments was realised by a combination of regular redemptions, loan sales, restructuring and through foreclosure and the following transfer of loans to property projects.

Breakdown portfolio Property Finance by region

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Netherlands</td>
<td>5,521</td>
<td>7,078</td>
</tr>
<tr>
<td>Other Europe</td>
<td>1,310</td>
<td>1,904</td>
</tr>
<tr>
<td>North-America</td>
<td>200</td>
<td>431</td>
</tr>
<tr>
<td>Total</td>
<td>7,031</td>
<td>9,413</td>
</tr>
</tbody>
</table>

In absolute terms, the major part of the reduction by € 2.4 billion in 2012 relates to the Netherlands (€ 1.5 billion). Net exposure in North America is reduced by € 0.2 billion in 2012. As a result, the remaining value of this portfolio is only € 0.2 billion.

Impairments

The development of the credit risk profile of Property Finance is continuously monitored. In 2012 Property Finance conducted an in depth analysis of nearly the entire portfolio, both the former Core as well the Non-core portfolio. The analysis was intended to map the current state of the portfolio and perform a scenario analysis for future developments (under a base, bear and optimistic scenario). The results of the portfolio analysis are validated by an independent third party.
Impairment charges on Property Finance’s portfolio were substantially higher than in the first half of 2012 and 2011. This was the result of a number of developments.

First of all, it is becoming increasingly clear that the economic recovery is taking longer than expected. In late 2012 and early 2013, several influential parties subsequently adjusted their expectations further downwards. This is also clearly reflected in the further deterioration in the outlook on the real estate markets, to which Dutch real estate markets are no exception. Due to this, but also to the lack of reference transactions, we observed that appraisers have become more cautious. In addition, in some countries, including the Netherlands and Spain, the refinancing market shrank further or is now practically closed.

In the valuation of our portfolio with the estimation of future cash flows, transactions are used which can be observed in the market and which are comparable to the extent possible. Due to the increasing lack of liquidity in the current market, our appraisers have difficulty for a large part of the portfolio to test against recent observed comparable market transactions. This means that the assumptions and estimates made by Property Finance in the valuation of loans are exposed to significantly large uncertainties greater than under normal market conditions, which results in broader bandwidth for the valuations.

All this is reflected in a visible decline in the pace of the run-off, in lower estimates of expected future cash flows and, in some cases, in a necessary adjustment to the exit strategy.

Following said developments, we see a further increase in the number of loans in default in our portfolio in the second half of 2012 and, therefore, have to recognise provisions for additional default loans.

As a result of the aforementioned developments the number of loans in default is increasing during the second half of 2012. Consequently, provisions were recognised.

Moreover, is should be mentioned that the total portfolio’s collateral was reappraised during the year, of which major part of the portfolio in default during the third an fourth quarter. Op top of these valuations, based on the developments in the real estate markets, we have executed an additional reassessment of the valuations of property in the portfolio on a number of (critical) projects at the end of the fourth quarter and beginning 2013.

Finally, due to the postponement of the publication date of SNS REAAL’s Annual Report 2012 subsequent to the nationalisation, events have – more than in previous years – taken place after the balance sheet date. Thus, pursuant to the regular review process in 2013, we received more updated appraisals resulting in a lower valuation than the original balance sheet valuation due to the previously outlined ongoing unfavourable economic developments and further declining real estate markets. This lower valuation as per 31 December 2012 resulting progressive insights from the updated appraisals in 2013, has had a significant impact on the amount of the loan default provisions made.

---

**Impairments Property Finance**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Netherlands</td>
<td>537</td>
<td>159</td>
</tr>
<tr>
<td>Other Europe</td>
<td>172</td>
<td>17</td>
</tr>
<tr>
<td>North-America</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>718</td>
<td>196</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td>Other Europe</td>
<td>180</td>
<td>68</td>
</tr>
<tr>
<td>North-America</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td>Property projects</td>
<td>210</td>
<td>91</td>
</tr>
<tr>
<td>Goodwill</td>
<td>47</td>
<td>-</td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td>13</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>988</td>
<td>284</td>
</tr>
</tbody>
</table>
The impairments on loans represent the Netherlands for 73%, Other Europe for 25% and North America for 2%.

SNS Bank decided in the second half of 2012 to withdraw from the commercial property finance market for SME’s. In the future SNS Bank will focus on private individuals. As a result of this decision, SNS SME will cease to exist. The Core real estate finance portfolio will be phased out under the direction and responsibility of Property Finance. This decision resulted in an impairment of the remaining goodwill of Property Finance.

Impairments in associates and joint ventures in 2012 are caused by the impairments of five participating interests.

**Loans and advances Property Finance**

**Loans and advances Property Finance by security type**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages &lt; 75% of foreclosure value</td>
<td>100</td>
<td>368</td>
</tr>
<tr>
<td>Mortgages &gt; 75% of foreclosure value</td>
<td>1,181</td>
<td>1,263</td>
</tr>
<tr>
<td>Residential property in the Netherlands</td>
<td>1,281</td>
<td>1,631</td>
</tr>
<tr>
<td>Residential property outside of the Netherlands</td>
<td>480</td>
<td>836</td>
</tr>
<tr>
<td>Residential property outside of the Netherlands</td>
<td>480</td>
<td>836</td>
</tr>
<tr>
<td>Mortgage-backed loans</td>
<td>4,496</td>
<td>5,266</td>
</tr>
<tr>
<td>Other securities and unsecured loans</td>
<td>497</td>
<td>501</td>
</tr>
<tr>
<td>Non-residential property in the Netherlands</td>
<td>4,993</td>
<td>5,767</td>
</tr>
<tr>
<td>Mortgage-backed loans</td>
<td>1,056</td>
<td>1,282</td>
</tr>
<tr>
<td>Other collateral and unsecured loans</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Non-residential property outside of the Netherlands</td>
<td>1,078</td>
<td>1,304</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>7,832</td>
<td>9,538</td>
</tr>
<tr>
<td>Specific provisions</td>
<td>(1,214)</td>
<td>(625)</td>
</tr>
<tr>
<td>IBNR provision</td>
<td>(3)</td>
<td>(12)</td>
</tr>
<tr>
<td>Provisions for bad debt</td>
<td>(1,217)</td>
<td>(637)</td>
</tr>
<tr>
<td>Total</td>
<td>6,615</td>
<td>8,901</td>
</tr>
</tbody>
</table>

**Breakdown loans and advances Property Finance by assets**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential *</td>
<td>2,181</td>
<td>2,867</td>
</tr>
<tr>
<td>Offices</td>
<td>2,391</td>
<td>2,511</td>
</tr>
<tr>
<td>Retail</td>
<td>1,312</td>
<td>1,994</td>
</tr>
<tr>
<td>Industrial</td>
<td>911</td>
<td>1,119</td>
</tr>
<tr>
<td>Other</td>
<td>1,037</td>
<td>1,047</td>
</tr>
<tr>
<td>Gross outstanding loans</td>
<td>7,832</td>
<td>9,538</td>
</tr>
</tbody>
</table>

* Including leasing, and residential development

In 2012, the reduction of € 1.7 billion can be broken down into 40% residential property, 40% store property, 7% offices, 12% factories and 1% other.
Loan to value

The Loan-to-Value (LtV) of the loan portfolio was 100.9% as at year-end 2012 (2011: 88.6%). As at year-end 2012, the average LtV of the provisioned loans is 169.0% (2011: 139.2%). The LtV of the Dutch portfolio increased from 87% at year-end 2011 to 101.3% end of 2012. The LtV of the international portfolio increased to 99.4% at year-end 2012, from 94.4% at yearend 2011. In case the loans and advances of Property Finance are backed by mortgage collateral, this will (partly) mitigate credit risks.

The table below shows the gross loans, divided into different LtV buckets. This creates insight into the volumes in which credit risk is completely mitigated by the existing mortgage collateral (LtV ≤ 100%) and additionally the volumes where there is a collateral shortfall (LtV > 100%). The classification is based on mortgage collateral; no account has been taken of other guarantees.

Breakdown loans and advances Property Finance by LtV buckets

<table>
<thead>
<tr>
<th>LtV bucket</th>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances</td>
<td>7,832</td>
<td>118%</td>
<td>9,538</td>
</tr>
<tr>
<td>Provision loans and advances</td>
<td>(1,217)</td>
<td>(18%)</td>
<td>(637)</td>
</tr>
<tr>
<td>Total loans and advances</td>
<td>6,615</td>
<td>100%</td>
<td>8,901</td>
</tr>
</tbody>
</table>

Credit quality of loans

The table below breaks down the gross outstanding loans of Property Finance into non-default, non-provisioned default and provisioned default. The procedure for declaring loans in default is described in chapter 25.3.2 ‘Credit risk profile and credit risk management Property Finance’.

Defaults Property Finance

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Outstanding</th>
<th>Loan to Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Not in default</td>
<td>4,711</td>
<td>6,792</td>
</tr>
<tr>
<td>Default, not impaired</td>
<td>472</td>
<td>977</td>
</tr>
<tr>
<td>Default, impaired</td>
<td>2,649</td>
<td>1,769</td>
</tr>
<tr>
<td>Total in default</td>
<td>3,121</td>
<td>2,746</td>
</tr>
<tr>
<td>Total</td>
<td>7,832</td>
<td>9,538</td>
</tr>
</tbody>
</table>

The outstanding balance of the provisioned default loans was € 2,649 million as at year-end 2012 (2011: € 1,769). Expressed as a percentage of the total portfolio, the defaults rose from 28.8% to 39.8%.

The following table provides information on payments in arrears. The payment record of customers is one of the default indicators used by Property Finance. However, payment in arrears does not necessarily automatically result in default. Vice versa it is possible that loans without any arrears are nevertheless declared in default. This can occur mainly in project financing.
Arrears in loans and advances Property Finance

<table>
<thead>
<tr>
<th></th>
<th>Outstanding</th>
<th>2012</th>
<th>2011</th>
<th>Loan to Value</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>4,258</td>
<td>6,147</td>
<td>83.0%</td>
<td>79.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>925</td>
<td>1,622</td>
<td>85.8%</td>
<td>92.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impaired</td>
<td>2,649</td>
<td>1,769</td>
<td>169.0%</td>
<td>139.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,832</td>
<td>9,538</td>
<td>100.9%</td>
<td>88.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The decline in the non-provisioned, non-default loans in arrears of €697 million is mainly the result of a shift to provisioned loans (€858 million), arrears caught up (€317 million) and the realised phase out of these loans (€117 million). This is partly compensated by an inflow of new loans in arrear (€595 million).

Ageing analysis past due but not impaired loans and advances Property Finance

<table>
<thead>
<tr>
<th></th>
<th>Outstanding</th>
<th>2012</th>
<th>2011</th>
<th>Loan to Value</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30 days</td>
<td>334</td>
<td>336</td>
<td>82.6%</td>
<td>80.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 - 60 days</td>
<td>97</td>
<td>347</td>
<td>65.8%</td>
<td>103.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60 - 90 days</td>
<td>49</td>
<td>161</td>
<td>69.9%</td>
<td>72.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 90 days</td>
<td>445</td>
<td>778</td>
<td>97.8%</td>
<td>101.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>925</td>
<td>1,622</td>
<td>85.8%</td>
<td>92.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If there are payments in arrears, or is a collateral shortfall (the LtV exceeds 100%) or a combination of both, a thorough analysis may still lead to the decision that a specific provision is not necessary. Reasons for such a decision include:

- additional security is available, such as cross-collateral connections with loans with a collateral excess, or additional guarantees are available (limited recourse);
- sufficient cash flow is available, which can be used for interest and redemption to reduce the collateral shortfall;
- the collateral shortfall or arrears is /are mitigated by means of restructuring.

Provisioned loans and advances Property Finance 2012

<table>
<thead>
<tr>
<th></th>
<th>Netherlands</th>
<th>Other Europe</th>
<th>North-America</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value provisioned loans (gross value)</td>
<td>1,889</td>
<td>619</td>
<td>131</td>
<td>2,649</td>
</tr>
<tr>
<td>Provision</td>
<td>(867)</td>
<td>(253)</td>
<td>(97)</td>
<td>(1,217)</td>
</tr>
<tr>
<td>Book value provisioned loans (net value)</td>
<td>1,032</td>
<td>366</td>
<td>34</td>
<td>1,432</td>
</tr>
<tr>
<td>Coverage ratio</td>
<td>45.7%</td>
<td>40.9%</td>
<td>74.0%</td>
<td>45.9%</td>
</tr>
<tr>
<td>Fair value collateral provisioned loans</td>
<td>1,146</td>
<td>377</td>
<td>44</td>
<td>1,567</td>
</tr>
<tr>
<td>Loan to Value provisioned loans</td>
<td>167.7%</td>
<td>164.1%</td>
<td>244.2%</td>
<td>169.0%</td>
</tr>
</tbody>
</table>
Provisioned loans and advances Property Finance 2011

<table>
<thead>
<tr>
<th></th>
<th>Netherlands</th>
<th>Other Europe</th>
<th>North-America</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value provisioned loans</td>
<td>1,171</td>
<td>337</td>
<td>261</td>
<td>1,769</td>
</tr>
<tr>
<td>(gross value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision</td>
<td>(366)</td>
<td>(129)</td>
<td>(142)</td>
<td>(637)</td>
</tr>
<tr>
<td>Book value provisioned loans</td>
<td>805</td>
<td>208</td>
<td>119</td>
<td>1,132</td>
</tr>
<tr>
<td>(net value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coverage ratio</td>
<td>31.3%</td>
<td>38.3%</td>
<td>54.4%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Fair value collateral provisioned loans</td>
<td>883</td>
<td>254</td>
<td>125</td>
<td>1,262</td>
</tr>
<tr>
<td>Loan to Value provisioned loans</td>
<td>130.9%</td>
<td>135.0%</td>
<td>206.2%</td>
<td>139.2%</td>
</tr>
</tbody>
</table>

The coverage ratio (= provisions as a percentage of the balance of the provisioned loans) is 45.9%. Compared to 2011, the coverage ratio as at year-end 2012 has increased in all regions.

Property projects Property Finance


The book value at year-end 2012 is fully based on the lower net realisable value.

Accumulated impairments on property projects

<table>
<thead>
<tr>
<th></th>
<th>Property projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>In € millions</td>
<td>2012</td>
</tr>
<tr>
<td>Gross value</td>
<td></td>
</tr>
<tr>
<td>Accumulated impairments</td>
<td>(716)</td>
</tr>
<tr>
<td>Book value (net realisable value)</td>
<td>416</td>
</tr>
</tbody>
</table>

The increase of the gross value is mainly caused by new property projects in the Netherlands (€ 100 million), Spain (€ 25 million) and North America (€ 3 million). In addition, the gross value has increased due to capitalised project costs. Accumulated impairments have increased mainly due to impairments on projects in Spain (€ 147 million) and Luxembourg (€ 31 million).

25.6 Market risk of Banking activities

Market risk is the risk of movements in the level and/or volatility of market prices. The following paragraphs contain an explanation of the market risk of the bank book. In this respect, a distinction is made between interest rate risk, spread risk, (share) price risk and currency risk. In addition, this chapter includes a sensitivity analysis of interest rate risk and equity risk, and an overview of the average effective interest rates. Finally, a separate paragraph discusses the market risk of the trading portfolio.

25.6.1 Managing market risk

The market risk of the Banking activities, including Property Finance, is managed by SNS Retail Bank’s ALM Committee. Interest rate risk is a significant component within the market risk. Interest rate risks arise due to the fact that there are differences in the interest rate sensitivity of the assets and liabilities in the balance sheet. When managing the market risk, assessments are continually made to establish whether the risk indicators fall within pre-set limits. Management within those limits takes place on the basis of risk/return considerations in conjunction with the short-term and medium-term expectations for interest rate movements.
25.6.2 Interest rate risk Banking activities

In 2012, the yield curve for all maturities fell due to economic developments. At the same time, the interest rate was volatile in 2012. The interest rate risk in the bank’s portfolio is measured, monitored and managed using duration of shareholders’ equity, Value-at-Risk (VaR), Earnings-at-Risk (EaR) and gap analyses. When managing the interest rate risk, rather than considering separate balance sheet items, the total of interest-bearing assets and liabilities, including interest rate derivatives, is examined. These derivatives are used to lower the interest rate sensitivity. See paragraph 27.2 Hedging and hedge accounting for more information.

The primary indicator for interest rate risk is the equity duration. During 2012, the strategic bandwidth for the equity duration was 0 to 8. The Group ALCO resets the strategic bandwidth each year. Due to the volatility in the capital market interest rates and the aim to limit the sensitivity to changes in interest rates, the duration was kept at a low level in 2012, between 1 and 4. At year-end 2012, the equity duration was 3.7 (year-end 2011: 3.8).

Both Value-at-Risk (VaR) and Earnings-at-Risk (EaR) are determined on the basis of scenario analyses. The fair value of shareholders’ equity is obtained by discounting the cash flows from the total balance sheet with the cost-of-fund curve of the Banking activities. This curve is also used as a basic yield curve to simulate changes in interest rates. At a confidence level of 99%, the VaR is equal to the 1% worst outcomes of changes in the fair value of shareholders’ equity.

During 2012, the VaR was €181 million on average, with a maximum of €207 million at the end of September 2012, and a minimum of €142 million at the end of May 2012. At year-end 2012, the VaR was €193 million.

The EaR measures under several understandable interest rate scenarios of large interest rate shocks what the maximum loss in net interest income will be within one year. This net interest income loss occurs when the interest rate gaps are refinanced under those interest rate scenarios.

In 2012, the EaR averaged €6 million. At its highest point in April 2012 the EaR was €7 million. At year-end 2012, the EaR was €4 million. The limit for the EaR is €56 million.

The VaR figures are before taxation and the EaR figures are after taxation.

In addition to giving direction to equity duration, VaR and EaR, we also give direction to the net (assets minus liabilities) position of redeeming nominal amounts per interest rate period. These amounts are presented in a ‘gap profile’. The gap profile is used to determine which maturities should be used for the interest rate swaps to direct the interest rate position to the desired level.

The table below illustrates the term to maturity gap profile of the Banking activities on the basis of the expected remaining term to maturity. This includes the estimates for early redemption behaviour in the mortgage and loan portfolios. An estimate is also made of the interest maturity of savings and loans that are due on demand on a daily basis.
### Term to maturity gap profile Banking activities 2012

**In € millions**

<table>
<thead>
<tr>
<th></th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Provision</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (interest bearing)</td>
<td>960</td>
<td>856</td>
<td>578</td>
<td>712</td>
<td>2,184</td>
<td>-</td>
<td>5,290</td>
</tr>
<tr>
<td>Derivatives</td>
<td>739</td>
<td>1,222</td>
<td>564</td>
<td>630</td>
<td>463</td>
<td>-</td>
<td>3,617</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>22,160</td>
<td>2,484</td>
<td>7,756</td>
<td>19,470</td>
<td>11,486</td>
<td>(1,572)</td>
<td>61,784</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,923</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
<td>1,927</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,765</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,765</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,933</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,933</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>34,480</td>
<td>4,566</td>
<td>8,899</td>
<td>20,812</td>
<td>14,133</td>
<td>(1,574)</td>
<td>81,316</td>
</tr>
<tr>
<td>Off-balance sheet products</td>
<td>10,500</td>
<td>17,350</td>
<td>8,010</td>
<td>8,942</td>
<td>7,190</td>
<td>-</td>
<td>51,992</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>44,980</td>
<td>21,916</td>
<td>16,909</td>
<td>29,754</td>
<td>21,323</td>
<td>(1,574)</td>
<td>133,308</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>-</td>
<td>-</td>
<td>483</td>
<td>-</td>
<td>337</td>
<td>-</td>
<td>820</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>6,854</td>
<td>13,161</td>
<td>612</td>
<td>990</td>
<td>373</td>
<td>-</td>
<td>21,990</td>
</tr>
<tr>
<td>Derivatives</td>
<td>1,072</td>
<td>637</td>
<td>722</td>
<td>608</td>
<td>560</td>
<td>-</td>
<td>3,599</td>
</tr>
<tr>
<td>Savings</td>
<td>5,598</td>
<td>1,514</td>
<td>1,136</td>
<td>19,054</td>
<td>5,513</td>
<td>-</td>
<td>32,815</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>4,491</td>
<td>921</td>
<td>429</td>
<td>1,286</td>
<td>2,402</td>
<td>-</td>
<td>9,529</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>8,680</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,686</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,565</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,565</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>29,260</td>
<td>16,239</td>
<td>3,382</td>
<td>21,938</td>
<td>9,185</td>
<td>-</td>
<td>80,004</td>
</tr>
<tr>
<td>Off-balance sheet products</td>
<td>9,561</td>
<td>10,776</td>
<td>10,661</td>
<td>11,126</td>
<td>9,869</td>
<td>-</td>
<td>51,993</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>38,821</td>
<td>27,015</td>
<td>14,043</td>
<td>33,064</td>
<td>19,054</td>
<td>-</td>
<td>131,997</td>
</tr>
<tr>
<td>Interest rate sensitivity gap</td>
<td>6,159</td>
<td>(5,099)</td>
<td>2,866</td>
<td>(3,310)</td>
<td>2,269</td>
<td>(1,574)</td>
<td>1,311</td>
</tr>
</tbody>
</table>
### Term to maturity gap profile Banking activities 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Provision</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (interest bearing)</td>
<td>696</td>
<td>772</td>
<td>463</td>
<td>533</td>
<td>1,624</td>
<td>-</td>
<td>4,088</td>
</tr>
<tr>
<td>Derivatives</td>
<td>650</td>
<td>1,089</td>
<td>557</td>
<td>409</td>
<td>636</td>
<td>-</td>
<td>3,321</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>19,620</td>
<td>5,558</td>
<td>7,738</td>
<td>19,321</td>
<td>13,475</td>
<td>(903)</td>
<td>64,809</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,680</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>1,681</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,238</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,238</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,128</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,128</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>30,012</td>
<td>7,401</td>
<td>8,758</td>
<td>20,263</td>
<td>15,735</td>
<td>(904)</td>
<td>81,265</td>
</tr>
<tr>
<td>Off-balance sheet products</td>
<td>10,610</td>
<td>17,465</td>
<td>9,093</td>
<td>6,684</td>
<td>10,935</td>
<td>-</td>
<td>54,787</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>40,622</td>
<td>24,866</td>
<td>17,851</td>
<td>26,947</td>
<td>26,670</td>
<td>(904)</td>
<td>136,052</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>492</td>
<td>429</td>
<td>87</td>
<td>78</td>
<td>35</td>
<td>-</td>
<td>1,121</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>8,642</td>
<td>15,943</td>
<td>1,211</td>
<td>1,080</td>
<td>485</td>
<td>-</td>
<td>27,361</td>
</tr>
<tr>
<td>Derivatives</td>
<td>872</td>
<td>623</td>
<td>680</td>
<td>714</td>
<td>717</td>
<td>-</td>
<td>3,606</td>
</tr>
<tr>
<td>Savings</td>
<td>2,535</td>
<td>677</td>
<td>3,282</td>
<td>14,842</td>
<td>9,006</td>
<td>-</td>
<td>30,342</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>5,034</td>
<td>919</td>
<td>476</td>
<td>1,250</td>
<td>2,536</td>
<td>-</td>
<td>10,215</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>4,712</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,716</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,032</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,032</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>24,319</td>
<td>18,595</td>
<td>5,736</td>
<td>17,964</td>
<td>12,779</td>
<td>-</td>
<td>79,393</td>
</tr>
<tr>
<td>Off-balance sheet products</td>
<td>7,735</td>
<td>9,568</td>
<td>13,093</td>
<td>13,218</td>
<td>11,183</td>
<td>-</td>
<td>54,787</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>32,054</td>
<td>28,163</td>
<td>18,829</td>
<td>31,182</td>
<td>23,962</td>
<td>(904)</td>
<td>134,180</td>
</tr>
<tr>
<td>Interest rate sensitivity gap</td>
<td>8,568</td>
<td>(3,287)</td>
<td>(978)</td>
<td>(4,235)</td>
<td>2,708</td>
<td>(904)</td>
<td>1,872</td>
</tr>
</tbody>
</table>

### Quotation risk

Quotation risk is the risk due to increasing interest rates between the time the quotation is made and the time the loan is extended. Each month a trade-off is made between the hedging costs and the scope of the quotation risk. The quotation risk on fixed-rate mortgages is limited by a VaR limit of € 14.3 million (2% of the estimated gross interest margin). The average quotation VaR for fixed-rate mortgages was € 1.2 million in 2012. At year-end 2012, the quotation VaR was € 1.5 million. The quotation VaR remained comfortably within the limit throughout 2012.

The level of new mortgages was low in 2012. Gross new mortgage sales in 2012 mainly comprised floating interest rate mortgages and partly fixed-rate mortgages. Capped-rate mortgages were hardly concluded in 2012. Due to the low number of new mortgages, the interest rate risk from quotations on fixed-rate mortgages was partly hedged with swaps in the first quarter only.

### 25.6.3 Spread risk GIIPS countries

To reduce risks, SNS Bank has further reduced its government bond exposure to GIIPS countries (Greece, Ireland, Italy, Portugal, Spain) in 2012. SNS Bank’s remaining government bond exposure to Italy amounts to € 316 million nominal value and to Ireland to € 115 million nominal value.
25.6.4 Equity risk Banking activities

The price risk on the Banking activities is very limited. There is only a position of € 11 million in equity, which is primarily an investment of ASN Bank in sustainable funds.

25.6.5 Exchange rate risk Banking activities

Exchange rate position Banking activities (net exposure)

<table>
<thead>
<tr>
<th>Currency</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>(533)</td>
<td>(520)</td>
<td>508</td>
<td>535</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>493</td>
<td>(79)</td>
<td>(489)</td>
<td>84</td>
</tr>
<tr>
<td>Pound Sterling</td>
<td>51</td>
<td>(559)</td>
<td>(54)</td>
<td>555</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>(14)</td>
<td>(14)</td>
<td>9</td>
<td>(2)</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>139</td>
<td>135</td>
<td>(119)</td>
<td>(123)</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>1</td>
<td>(1)</td>
<td>(1)</td>
<td>2</td>
</tr>
<tr>
<td>Hongkong dollar</td>
<td>(106)</td>
<td>(204)</td>
<td>103</td>
<td>196</td>
</tr>
<tr>
<td>Danish krone</td>
<td>78</td>
<td>57</td>
<td>(63)</td>
<td>(65)</td>
</tr>
<tr>
<td>Other</td>
<td>(24)</td>
<td>(85)</td>
<td>21</td>
<td>88</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>(1,270)</td>
<td>(85)</td>
<td>1,270</td>
</tr>
</tbody>
</table>

All currency exposures of the Banking activities are measured and hedged on a daily basis, making the net currency exposure very small.

25.6.6 Sensitivity test for interest rate risks and shares Banking activities

The interest rate risks of the Banking activities can be illustrated by a sensitivity analysis. This analysis calculates the impact of an immediate parallel shift of the yield curve of +100 basis points or -100 basis points (bps), and an immediate shock in stock prices of +10% or -10% on the fair value of shareholders’ equity, the result and shareholders’ equity. The results of the calculations are net of taxation.

Sensitivity interest rates and stock prices Banking activities

<table>
<thead>
<tr>
<th>Factor</th>
<th>Fair value equity</th>
<th>Result</th>
<th>Shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate + 1%</td>
<td>(21)</td>
<td>(195)</td>
<td>23</td>
</tr>
<tr>
<td>Interest rate - 1%</td>
<td>27</td>
<td>128</td>
<td>45</td>
</tr>
<tr>
<td>Shares +10%</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Shares -10%</td>
<td>(1)</td>
<td>(1)</td>
<td>-</td>
</tr>
</tbody>
</table>

The ‘Fair value equity’ column shows the sensitivity of the fair value of shareholders’ equity, including embedded options, if the interest rate immediately rises or falls by 100bps (parallel shift) and the stock prices increase or decrease by 10%.

The sensitivity of the fair value of shareholders’ equity to interest rate changes is substantially lower than last year. This is mainly caused by the mortgage portfolio, which is less sensitive to interest rate changes due to its reduced size. The decrease in sensitivity is strongest with rising interest rates. The sensitivity for interest rate has declined less than for interest rate decrease as a result of the unusual low interest rate level at year-end 2012. The impact of the scenario for interest rate declines (-100bps) is limited, because in the scenario it is assumed that interest rates can not fall below 0%.

The ‘Result’ column shows the sensitivity of the result to interest rate fluctuations, which is calculated according to the following method: for the amounts that mature during the first 12 months, including the new production expected in 2013,
the changes in net interest income are calculated in the event that interest rates immediately rise or fall by 100bps (parallel shift). Compared to last year, the calculation methodology has been slightly modified. Instead of reducing the balance sheet by not replacing liquidity items that are falling due, they are replaced by items with a similar type of interest rate in the new methodology. The size of the balance sheet is thus kept constant, giving a more faithful representation of reality. Moreover, the fact that interest rate increases are passed on more quickly to the customer rate of demand savings deposits and loans are taken into account.

The positive effect on interest income in the event of rising interest rates has become smaller. This is mainly caused by a lower average volume of liquidities for the next 12 months and by a lower volume of ALM swaps, on which SNS Bank receives variable interest. In the event of a drop in interest rates, the aforementioned balance sheet development has a less negative impact on interest income. The development of the yield curve, which was particularly low at year-end 2012, also plays an important role here. The low interest rate results that the negative impact from the decreasing interest rate scenario (-100bp) is limited. The assumption in this scenario is that the interest rate cannot drop any further than 0%.

The ‘Shareholders’ equity’ column expresses the sensitivity from the investment portfolios available for sale and the cash flow hedge derivatives in case of a direct parallel 100bp interest rate increase or decrease and from the equity portfolio in case of a direct 10% increase or decrease of the equity prices.

The value of the investment portfolio increased in 2012 due to additional investments in government bonds. As a result, the sensitivity of these investment portfolios and, consequently, the immediate impact on shareholders’ equity increased.

### 25.6.7 Effective interest rates Banking activities

The table below gives an indication of the average effective interest rates of the Banking activities throughout the year with respect to monetary financial instruments not held for trading.

<table>
<thead>
<tr>
<th>Effective interest rates Banking activities</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In percentages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments available for sale (interest bearing)</td>
<td>2.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Mortgages</td>
<td>4.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Property finance</td>
<td>3.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Other loans and advances to customers</td>
<td>4.4%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>0.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>2.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Savings</td>
<td>3.1%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>2.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>0.0%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>
25.6.8 Market risk Banking activities trading portfolio

The market risk of the Banking activities’ trading portfolio is measured on a daily basis in terms of Value-at-Risk (VaR) (99% reliability) and stress testing, both with a one-day horizon. The total limit in terms of VaR for the trading portfolio amounted to € 2.3 million (2011: € 2.4 million). The permitted limit was used to only a moderate extent in 2012. The VaR methodology is based on Monte Carlo simulations. The underlying probability distributions are based on historical data. Stress tests are carried out on a regular basis by all trading desks. These, too, have defined limits.

The following table shows the limits for the different trading portfolios.

<table>
<thead>
<tr>
<th>Market risk Banking activities trading portfolio (limit)</th>
<th>Value-at-Risk (99% on daily basis)</th>
<th>Stress test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer desk</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Money market desk foreign currency</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Money market desk euro</td>
<td>150</td>
<td>75</td>
</tr>
<tr>
<td>Capital market desk</td>
<td>75</td>
<td>300</td>
</tr>
<tr>
<td>Repurchase Obligations (Repo’s)</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>Credit book financials</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Interest rate desk</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Off-balance desk</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Equity desk</td>
<td>150</td>
<td>250</td>
</tr>
<tr>
<td>Bond desk</td>
<td>300</td>
<td>350</td>
</tr>
<tr>
<td>Total</td>
<td>2,325</td>
<td>2,425</td>
</tr>
</tbody>
</table>

25.7 Liquidity risk Banking activities

Liquidity risk is the risk that there are insufficient liquid assets available in the short term to meet financial obligations, whether under normal circumstances or in times of stress, without this being accompanied by unacceptable costs or losses.

25.7.1 Managing liquidity risk

SNS Bank pays close attention to the management of its exposure to liquidity risk to the extent that it has sufficient liquidity reserves at its disposal at all times and is always able to meet its financial obligations. The liquidity risk management has been organised in such a way that the Banking activities are capable of absorbing the impact of banking-specific stress factors, such as tension in the money and capital markets.

Liquidity risks are managed on the basis of the net (assets minus liabilities) nominal amounts due per maturity in a gap profile. The following table represents the gap profile of the Banking activities at year-end 2011 and 2012 on the basis of the remaining contractual maturity. With regard to the following table, it should be noted that deposits and savings due on demand are presented in the ‘less than one month’ column. In practice, these products are awarded longer maturities. For mortgages, the contractual maturity is maintained without taking into account prepayments.
### Liquidity risk Banking activities 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Provision</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (interest bearing)</td>
<td>543</td>
<td>276</td>
<td>683</td>
<td>1,114</td>
<td>2,674</td>
<td>-</td>
<td>5,290</td>
</tr>
<tr>
<td>Derivatives</td>
<td>75</td>
<td>28</td>
<td>22</td>
<td>1,364</td>
<td>2,128</td>
<td>-</td>
<td>3,617</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>4,791</td>
<td>679</td>
<td>909</td>
<td>2,014</td>
<td>54,963</td>
<td>(1,572)</td>
<td>61,784</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,875</td>
<td>43</td>
<td>1</td>
<td>10</td>
<td>-</td>
<td>(2)</td>
<td>1,927</td>
</tr>
<tr>
<td>Other assets</td>
<td>8,105</td>
<td>28</td>
<td>-</td>
<td>148</td>
<td>416</td>
<td>-</td>
<td>8,697</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>15,389</td>
<td>1,054</td>
<td>1,615</td>
<td>4,650</td>
<td>60,181</td>
<td>(1,574)</td>
<td>81,315</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,311</td>
<td>-</td>
<td>1,311</td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>-</td>
<td>-</td>
<td>57</td>
<td>-</td>
<td>763</td>
<td>-</td>
<td>820</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>176</td>
<td>95</td>
<td>793</td>
<td>8,705</td>
<td>12,221</td>
<td>-</td>
<td>21,990</td>
</tr>
<tr>
<td>Derivatives</td>
<td>39</td>
<td>43</td>
<td>142</td>
<td>838</td>
<td>2,537</td>
<td>-</td>
<td>3,599</td>
</tr>
<tr>
<td>Savings</td>
<td>27,807</td>
<td>1,181</td>
<td>184</td>
<td>2,672</td>
<td>971</td>
<td>-</td>
<td>32,815</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>5,683</td>
<td>115</td>
<td>460</td>
<td>425</td>
<td>2,846</td>
<td>-</td>
<td>9,529</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>1,942</td>
<td>10</td>
<td>-</td>
<td>6,704</td>
<td>30</td>
<td>-</td>
<td>8,868</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,559</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,565</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>38,206</td>
<td>1,444</td>
<td>1,642</td>
<td>19,344</td>
<td>20,679</td>
<td>-</td>
<td>81,315</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(22,817)</td>
<td>(390)</td>
<td>(27)</td>
<td>(14,694)</td>
<td>39,502</td>
<td>(1,574)</td>
<td>-</td>
</tr>
</tbody>
</table>

### Liquidity risk Banking activities 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Provision</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (interest bearing)</td>
<td>40</td>
<td>42</td>
<td>48</td>
<td>1,510</td>
<td>2,448</td>
<td>-</td>
<td>4,088</td>
</tr>
<tr>
<td>Derivatives</td>
<td>17</td>
<td>16</td>
<td>95</td>
<td>1,108</td>
<td>2,086</td>
<td>-</td>
<td>3,321</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>5,418</td>
<td>1,280</td>
<td>1,391</td>
<td>2,541</td>
<td>55,064</td>
<td>(903)</td>
<td>64,791</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,670</td>
<td>-</td>
<td>-</td>
<td>13</td>
<td>-</td>
<td>(1)</td>
<td>1,682</td>
</tr>
<tr>
<td>Other assets</td>
<td>6,586</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>878</td>
<td>(110)</td>
<td>7,367</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>13,731</td>
<td>1,338</td>
<td>1,536</td>
<td>5,183</td>
<td>60,476</td>
<td>(1,014)</td>
<td>81,249</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,855</td>
<td>-</td>
<td>1,855</td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>-</td>
<td>242</td>
<td>57</td>
<td>821</td>
<td>-</td>
<td>1,121</td>
<td></td>
</tr>
<tr>
<td>Debt certificates</td>
<td>2,132</td>
<td>958</td>
<td>1,821</td>
<td>7,597</td>
<td>14,653</td>
<td>-</td>
<td>27,361</td>
</tr>
<tr>
<td>Derivatives</td>
<td>8</td>
<td>51</td>
<td>131</td>
<td>1,117</td>
<td>2,298</td>
<td>-</td>
<td>3,606</td>
</tr>
<tr>
<td>Savings</td>
<td>24,419</td>
<td>141</td>
<td>2,543</td>
<td>2,599</td>
<td>640</td>
<td>-</td>
<td>30,342</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>6,337</td>
<td>61</td>
<td>205</td>
<td>463</td>
<td>3,149</td>
<td>-</td>
<td>10,215</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>1,324</td>
<td>10</td>
<td>247</td>
<td>3,005</td>
<td>130</td>
<td>-</td>
<td>4,717</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,027</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,033</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>36,247</td>
<td>1,222</td>
<td>5,190</td>
<td>14,838</td>
<td>23,752</td>
<td>-</td>
<td>81,249</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(22,516)</td>
<td>116</td>
<td>(3,654)</td>
<td>(9,655)</td>
<td>36,724</td>
<td>(1,014)</td>
<td>-</td>
</tr>
</tbody>
</table>

### Development liquidity position SNS Bank

SNS Bank is the largest borrower within SNS REAAL. Under normal circumstances the bank has a broad investor base, an extensive range of financing instruments and easy access to the international capital market. However, market conditions are difficult. For a number of years now, SNS Retail Bank has pursued a policy of reducing its dependence on wholesale financing.
In 2012, € 5.3 billion of new wholesale financing was attracted; the remaining financing requirement was met by attracting savings deposits. Savings deposits increased by € 2.5 billion (+8%) compared with year-end 2011 due to a large inflow of new deposits, while the retention level remained high. The liquidity position in the first quarter of 2012 increased as a result of the participation in the 3-year ECB lending facility (LTRO). The increase resulted in a similar decrease of underlying assets which are ECB eligible.

### Development liquidity position SNS Bank

<table>
<thead>
<tr>
<th>In € millions</th>
<th>December 2012</th>
<th>September 2012</th>
<th>June 2012</th>
<th>March 2012</th>
<th>December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>6,691</td>
<td>7,247</td>
<td>7,651</td>
<td>7,788</td>
<td>4,217</td>
</tr>
<tr>
<td>Liquid assets</td>
<td>4,818</td>
<td>3,391</td>
<td>3,797</td>
<td>4,075</td>
<td>6,861</td>
</tr>
<tr>
<td>Total liquidity position</td>
<td>11,509</td>
<td>10,638</td>
<td>11,448</td>
<td>11,863</td>
<td>11,078</td>
</tr>
</tbody>
</table>

Definition of liquid assets has been changed to assets which are ECB eligible and readily available. Comparative figures have been adjusted accordingly.

The liquid assets included in the liquidity position consist largely of securitisations held on own book and government bonds. The cash position is part of the liquidity monitoring of SNS Bank's department Financial Markets. Included in these are the non-restricted and restricted demand deposits with the Dutch Central Bank (DNB), current accounts, through Financial Markets, with other credit institutions and deposits with an original duration of 10 days or less. The cash position therefore deviates in this respect from the presented bookvalue Cahs and cash equivalents on the face of the balance sheet of the Banking activities.

The total liquidity of the Banking activities remained at a high level. The liquidity position at year-end 2012 amounted to € 11.5 billion compared to € 11.1 billion at year-end 2011. The liquidity position was positively impacted by the increase in savings in combination with a limited growth in mortgages and the reduction of credit limits at SNS Bank SME and Property Finance. This was partly reversed because of loan redemptions.

The loan-to-deposit ratio of the Banking activities improved from 159% as at year-end 2011 to 146%. Excluding Property Finance, the pro forma loan-to-deposit amounted to 126%.

In 2012, SNS Bank vastly complied to both internal and legal standards for liquidity risk. Although SNS Bank's funding profile has become more retail-oriented in the last couple of years (the Loan-to-Deposit Ratio had declined), there still is ample various ways of wholesale funding. Also in the future SNS Bank will continue to strive for a diversified funding profile, in which the emphasis is on retail funding. The internal requirements are thereby significantly stricter than the regulatory requirements.

By the end of 2012, SNS REAAL was frequently in the news. This eventually led to an outflow of savings and credit funds at SNS Bank. In January 2013 the negative publicity intensified. The related increased outflow of savings and credit funds triggered the execution of the Liquidity Contingency Plan of SNS Bank. The relative high liquidity buffer of SNS Bank and the proper functioning of the plan proved to be sufficient to absorb the outflow of liquidity (see also 25.7.2 Liquidity Management).

After the nationalisation of SNS REAAL, the outflow of savings and credit funds ceased. SNS Bank still remains a high liquidity position, on the one hand because the situation on the money and capital markets (interbank) has not yet returned to normal levels, and on the other hand regulators demand increasingly higher liquidity buffers in the future (as announced in Basel III legislation).

For more details, please refer to chapter 16 Funding and credit ratings of the Annual Report.
25.7.2 Liquidity risk policy

The liquidity risk policy of SNS Bank has four elements:

a. Liquidity management on a going concern basis
b. Diversification in the funding portfolio
c. Liquidity of assets
d. Planning for unforeseen events (contingency planning).

The liquidity risk management of the Banking activities is based on the composition of its funding portfolio as a going concern. The daily cash management activities of the central treasury are in line with the operational requirements of the Banking activities and take place in accordance with the regulatory guidelines in this field.

SNS Bank strives to diversify the funding portfolio with respect to maturity, instrument, currency and type of investor. SNS Bank also has a large portfolio of highly liquid assets, such as Dutch and German government bonds.

Planning for unforeseen events is part of the annual recurring ILAAP process (see paragraph 25.7.3 ILAAP). SNS Bank has a liquidity contingency planning, in which SNS Retail Bank has joined the existing crisis management structure.

In January 2013 the Liquidity Contingency Plan was executed. The frequency of information on the outflow of savings and the development of the liquidity position was raised to multiple times a day. Also the Crisis Liquidity Team (CLT) discussed on a daily base the actions to be taken and informed the Dutch Central Bank (DNB) on this. Although the raised outflow of savings reduced the liquidity position, on 31 January 2013 it was still well over € 7.3 billion. Besides the outflow of savings the liquid assets also decreased with € 2.3 billion due to the termination of the securitisation program Hermes XVII. The CLT remained operational during the first week after the nationalisation. After 1 February 2013, the outflow of savings ceased and a steady grow became visible.

SNS Bank has a potential liquidity requirement caused by margin requirements on derivatives. This is because SNS Bank, in the context of credit risk mitigation, has agreed with its main counterparts to settle changes in the market value of derivatives periodically. As a result there may be both amounts received and amounts paid. At year-end 2012, SNS Bank paid an amount of € 0.6 billion on balance. In relation to the total funding requirements, this risk is limited.

25.7.3 ILAAP

In the ILAAP (Internal Liquidity Adequacy Assessment Process), the amount of liquidity deemed necessary is determined by the managing board of SNS Retail Bank and the Executive Board of SNS REAAL. The Dutch Central Bank introduced the ILAAP in 2011 and SNS Retail Bank ran the ILAAP for the second time in 2012. Points of departure are the balance sheet, (proposed) strategy, risk appetite and existing risks. The assessment includes the questions of how risks are dealt with and whether the liquidity of SNS Retail Bank in current and possibly future circumstances is sufficiently robust to absorb the risks. The ILAAP also comprises a liquidity stress test. This liquidity stress test takes into account, among other things, extreme outflow of savings and credit funds, the lack of funding in the money and capital markets, negative liquidity effects due to slower than expected phase out of Property Finance and a decline in market value of liquid assets.
26 Financial risk management Insurance activities

26.1 Introduction
This chapter discusses the financial risks that occur within the Insurance activities. These financial risks are mainly technical claims and benefits risks (paragraph 26.2.2 and 26.3.2), market risk (paragraph 26.5), credit risk (paragraph 26.6) and liquidity risk (paragraph 26.7).

The paragraphs start with a definition of the relevant risk, followed by an explanation of how these risks are managed.

26.2 Insurance risk Life

26.2.1 Life insurance portfolio
The life insurance portfolio contains individual and group insurance policies. Individual insurance policies are sold as policies with cash benefits (traditional policies) and with payment in units (unit-linked insurance policies). The individual life insurance portfolio mainly consists of unit-linked insurance policies, mortgage-related endowment policies and life annuity insurance policies with a regular benefit if the insured is alive. The individual life insurance portfolios focus on the retail and SME markets in the Netherlands.

The Group portfolio consists of both traditional contracts, for which the insurer bears the investment risk, and separate accounts and unit-linked insurance contracts, for which the policyholder bears the investment risk. SNS REAAL’s Group life insurance portfolio focuses on the entire corporate market in the Netherlands.
<table>
<thead>
<tr>
<th>Content of the life insurance portfolio</th>
<th>Main conditions</th>
<th>Main risks</th>
<th>Policyholders guarantees</th>
<th>Policyholder profit sharing / interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual insurance policies in cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings mortgages</td>
<td>Premium (sum of risk premium, savings premium and cost loadings) is fixed as of the commencement date of the contract. With the exception of the savings mortgage, for which the savings premium is based on the mortgage interest rate. When the mortgage interest rate changes, the savings premium also changes.</td>
<td>Mortality, expenses</td>
<td>Interest rate equal to mortgage interest rate</td>
<td>No</td>
</tr>
<tr>
<td>Life annuity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funeral insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual insurance policies in investment units</td>
<td>Variable premium, cost and risk loading fixed</td>
<td>Mortality, expenses</td>
<td>A number of insurance contracts carry a minimum guaranteed return on the maturity date</td>
<td>No</td>
</tr>
<tr>
<td>Group insurance policies in cash</td>
<td>Premiums and cost loading are set for the duration of the contract (usually 5 years)</td>
<td>Interest, mortality, expenses</td>
<td>Guaranteed minimum return</td>
<td>Partially sharing in surplus interest; partially interest rate rebate</td>
</tr>
<tr>
<td>Group insurance policies in investment units</td>
<td>Premiums and cost loading are set for the duration of the contract (usually 5 years)</td>
<td>Mortality, expenses</td>
<td>A number of insurance contracts carry a minimum guaranteed return on the maturity date</td>
<td>No</td>
</tr>
<tr>
<td>Collective separate accounts</td>
<td>Premiums and cost loading are set for the duration of the contract (usually 5 years)</td>
<td>Interest, mortality, expenses</td>
<td>On maturity date of contract the premium can be waived</td>
<td>No</td>
</tr>
</tbody>
</table>
26.2.2 Technical claims and benefits risks for the life insurance portfolio

A life insurance policy entitles the policyholder to a death benefit and/or a benefit if the insured is alive.

The most distinctive risk with respect to life insurance policies is the mortality risk. This risk mainly affects the duration and timing of the payment of the insured cash flows. The mortality risk indicates the death benefit risk of the policyholder dying earlier than expected (mortality risk). In case of an endowment policy, the mortality risk for the insurer is that the policyholder might live longer than expected (longevity risk). The financial impact of the difference between the calculated timing of mortality and the realised mortality can be substantial, particularly with longevity risk.

Other technical claims and benefits risks that affect the life insurance portfolio are the risk of disability (the policyholder becomes disabled for work) and risks associated with policyholders’ behaviour, such as early surrender risk (the policyholder terminates the policy before the maturity date), and conversion to a non-contributory status (the policyholder terminates the regular premium payment before the maturity date). For more information on disability risk, please refer to paragraph 26.3.2 Technical claims and benefits risks for the non-life insurance portfolio.

In addition, the insurer bears the cost risk if the actual costs turn out to be higher than what is received from the cost of coverage that was imputed into the tariff setting.

26.2.3 Life insurance portfolio – Investment risk and interest rate guarantees

With both traditional and unit-linked insurance contracts, the policyholder pays regular premiums and/or a single premium. For traditional policies, the insurer bears the investment risk of its commitments to policyholders. When a benefit or annuity payment is due, the insurer pays the policyholder a predetermined nominal amount. In contrast, on unit-linked contracts the insurer does not run a risk for the amount paid out. This insured amount is dependent on the value of the funds in which the units have been invested. The policyholder therefore bears the investment risk. To a limited extent, interest rate guarantees were issued for individual unit-linked insurance contracts. In this case, a guaranteed minimum return at maturity applies to the individual unit-linked insurance policies with interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the contracting party that, in principle, bears the investment risk. The insurer guarantees the payment of the insured benefits. The contracting party is the institution that concluded the contract to insure the pension commitments of its employees with the insurer. However, there should at least be an investment value to cover the provision for contractual accrued entitlements. To compensate for investment losses up to a certain amount, an additional provision (buffer) is created based on the basis of agreed withholdings for the relevant contracts if stipulated by contract. If this buffer turns out to be insufficient, the remaining shortfall will be for the risk of the insurer, including developments in the mortality tables.

26.2.4 Managing insurance risks in the life insurance portfolio

Risks are managed by means of risk policy (see also paragraph 26.4 Insurance risk reinsurance and paragraph 26.5 Market risk Insurance activities), by understanding the factors involved and by review.

Developments in the technical claims and benefits risks of mortality are investigated annually and developments in early surrender every two years. The results of this investigation are used for setting prices for new life insurance contracts and for the valuation of the insurance portfolio including embedded value. Risk diversification in the composition of the life insurance portfolio is another goal. Furthermore, an active reinsurance policy is pursued.

SNS REAAL periodically reviews the level of longevity-mortality compensation that is inherent in its portfolios. For an adequate assessment of these compensation effects in the portfolio, SNS REAAL monitors the absolute profit/loss development in time of its mortality assumptions for the entire portfolio.

The solvency of the life insurance portfolio is sensitive to changes in the parameters used for the actuarial calculations. To gain insight into this sensitivity the effects of changes in mortality, surrender probabilities (including non-contributory)
and (continuous) costs were calculated separately.

In doing so, the changes in the parameters for the entire life portfolio were calculated and expressed in the solvency of REAAL NV.

The solvency’s sensitivity to changes in the technical parameters is fairly limited in comparison with previous years, except for the sensitivity to the longevity risk. This is because the longevity risk increases if the interest rate decreases. The sensitivity to the risks of surrender, including non-contributory continuation, and mortality risk is strongly mitigated by the surrender floor restriction in the adequacy test.

### Sensitivity solvency as a result of changes in technical parameters

<table>
<thead>
<tr>
<th>Impact of the sensitivities:</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solvency ratio</td>
<td>176%</td>
<td>203%</td>
</tr>
<tr>
<td>- 50% increase in surrender rates</td>
<td>-50%</td>
<td>-50%</td>
</tr>
<tr>
<td>- 15% higher mortality rates (short-life risk)</td>
<td>-15%</td>
<td>-15%</td>
</tr>
<tr>
<td>- 20% lower mortality rates (longevity risk)</td>
<td>-20%</td>
<td>-20%</td>
</tr>
<tr>
<td>- 10% increase in renewal expenses + 1% higher cost inflation</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Changes in the technical parameters have an effect on the result. The sensitivity of the solvency of the Insurance activities to changes in the financial markets is explained in chapter 29 Capital management.

### Life expectancies

To forecast the survival probabilities of the entire population, SNS REAAL uses the model published by the Netherlands Actuarial Association in this respect (AG 2012). To this day, SNS REAAL used the model published by the PLT committee of the Dutch Association of Insurers. However, in 2012 the Dutch Association of Insurers indicated that this so-called PLT model will no longer be updated. In addition to this basis for mortality, SNS REAAL also updated the empirical data for portfolio mortality, lapse and early surrender. Updating these data resulted in an increase of the best estimate of the insurance obligations and thus had a negative impact on the results of the LAT.

### 26.2.5 Other insurance risks of Life insurance

#### Concentration of risk

In life insurance, concentration of risks mainly exists in the Group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risks.

Such concentration of risk was partly offset in 2012 by the use of reinsurance. For more information, please refer to paragraph 26.4 Insurance risk reinsurance.
### Scope of various insurance categories 2012

<table>
<thead>
<tr>
<th></th>
<th>Annual premium</th>
<th>Insured capital</th>
<th>Insured annuity</th>
<th>Technical provision for insurance contracts</th>
<th>Risk capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings mortgages</td>
<td>387</td>
<td>20,556</td>
<td>6</td>
<td>5,375</td>
<td>14,517</td>
</tr>
<tr>
<td>Life annuity</td>
<td>1</td>
<td>-</td>
<td>521</td>
<td>3,978</td>
<td>320</td>
</tr>
<tr>
<td>Risk</td>
<td>168</td>
<td>42,435</td>
<td>11</td>
<td>403</td>
<td>44,080</td>
</tr>
<tr>
<td>Savings insurance</td>
<td>154</td>
<td>10,244</td>
<td>49</td>
<td>6,758</td>
<td>3,118</td>
</tr>
<tr>
<td>Funeral insurance</td>
<td>37</td>
<td>2,408</td>
<td>-</td>
<td>1,038</td>
<td>1,670</td>
</tr>
<tr>
<td>Individual insurance policies in cash</td>
<td>747</td>
<td>75,643</td>
<td>587</td>
<td>17,552</td>
<td>63,705</td>
</tr>
<tr>
<td>Individual insurance policies in investment units</td>
<td>557</td>
<td>36,403</td>
<td>489</td>
<td>6,317</td>
<td>37,410</td>
</tr>
<tr>
<td>Group insurance policies in cash</td>
<td>300</td>
<td>11,805</td>
<td>2,020</td>
<td>7,174</td>
<td>27,990</td>
</tr>
<tr>
<td>Group insurance policies in investment units</td>
<td>542</td>
<td>27,483</td>
<td>928</td>
<td>7,359</td>
<td>29,728</td>
</tr>
<tr>
<td>Subtotal</td>
<td>2,146</td>
<td>151,334</td>
<td>4,022</td>
<td>38,402</td>
<td>158,633</td>
</tr>
<tr>
<td>Reinsurance risk</td>
<td>(6)</td>
<td>(75)</td>
<td>(5)</td>
<td>-</td>
<td>(1,734)</td>
</tr>
<tr>
<td>Proportional reinsurance</td>
<td>(143)</td>
<td>(4,589)</td>
<td>-</td>
<td>(3,021)</td>
<td>(70,824)</td>
</tr>
<tr>
<td>Total</td>
<td>1,997</td>
<td>146,670</td>
<td>4,017</td>
<td>35,381</td>
<td>86,275</td>
</tr>
</tbody>
</table>

### Scope of various insurance categories 2011

<table>
<thead>
<tr>
<th></th>
<th>Annual premium</th>
<th>Insured capital</th>
<th>Insured annuity</th>
<th>Technical provision for insurance contracts</th>
<th>Risk capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings mortgages</td>
<td>382</td>
<td>20,033</td>
<td>-</td>
<td>5,131</td>
<td>14,819</td>
</tr>
<tr>
<td>Life annuity</td>
<td>1</td>
<td>-</td>
<td>592</td>
<td>4,257</td>
<td>353</td>
</tr>
<tr>
<td>Risk</td>
<td>160</td>
<td>39,121</td>
<td>12</td>
<td>364</td>
<td>40,300</td>
</tr>
<tr>
<td>Savings insurance</td>
<td>166</td>
<td>11,199</td>
<td>37</td>
<td>7,378</td>
<td>3,192</td>
</tr>
<tr>
<td>Funeral insurance</td>
<td>41</td>
<td>2,462</td>
<td>-</td>
<td>1,026</td>
<td>1,736</td>
</tr>
<tr>
<td>Individual insurance policies in cash</td>
<td>750</td>
<td>72,815</td>
<td>641</td>
<td>18,157</td>
<td>60,400</td>
</tr>
<tr>
<td>Individual insurance policies in investment units</td>
<td>711</td>
<td>43,056</td>
<td>536</td>
<td>6,175</td>
<td>39,507</td>
</tr>
<tr>
<td>Group insurance policies in cash</td>
<td>296</td>
<td>12,410</td>
<td>1,906</td>
<td>6,397</td>
<td>28,150</td>
</tr>
<tr>
<td>Group insurance policies in investment units</td>
<td>515</td>
<td>23,641</td>
<td>1,004</td>
<td>6,823</td>
<td>26,819</td>
</tr>
<tr>
<td>Subtotal</td>
<td>2,273</td>
<td>151,921</td>
<td>4,087</td>
<td>37,551</td>
<td>154,876</td>
</tr>
<tr>
<td>Reinsurance risk</td>
<td>(6)</td>
<td>(87)</td>
<td>-</td>
<td>(1)</td>
<td>(2,270)</td>
</tr>
<tr>
<td>Proportional reinsurance</td>
<td>(149)</td>
<td>(5,422)</td>
<td>(20)</td>
<td>(3,249)</td>
<td>(71,448)</td>
</tr>
<tr>
<td>Total</td>
<td>2,118</td>
<td>146,412</td>
<td>4,067</td>
<td>34,301</td>
<td>81,157</td>
</tr>
</tbody>
</table>

### Co-insurance

SNS REAAL concludes co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the event of co-insurance, each co-insurer is, in principle, liable for its part of the total obligations. If a co-insurer withdraws, its insurance liabilities will be transferred to the remaining co-insurers. The total size of the provisions for incoming co-insurance amounts to € 127 million (2011: € 139 million). In view of the limited interest and the spread over several insurers, the risk is limited.


26.3 Insurance risk of Non-life insurance

26.3.1 Non-life insurance portfolio

All common non-life sectors are represented in the non-life portfolio. The emphasis of this portfolio is on the main segments: Fire, Motor Vehicles and Disability. The insurance policies are mostly sold through authorised agents, insurance intermediaries and SNS Retail Bank’s distribution channel to retail and SME clients. Geographically, the portfolio is almost entirely concentrated in the Netherlands. The disability insurance products in the portfolio include both individual coverage for self-employed persons and semi-group coverage for employees. REAAL Non-life is represented at the Rotterdam Insurance Exchange through its co-insurance unit. Risks in the segments Fire, Transport (including Marine) and Miscellaneous are underwritten there. REAAL Non-life thereby focuses on the medium-sized and large business segments of the corporate insurance market.

For more information on retention and incoming reinsurance, see paragraph 26.4 Insurance risk reinsurance.

26.3.2 Technical claims and benefits risks for the non-life insurance portfolio

For the subdivision of technical claims and benefits risks within the non-life insurance portfolios, we make a distinction between disability insurance and other non-life insurance.

Disability insurance policies are insurance policies covering the financial consequences of (partial) disability of the policyholder. The classification of life insurance risks also applies to these insurance policies, while the disability and rehabilitation risk is the main risk. These are related risks that manifest themselves when a policyholder becomes disabled and receives a benefit during the period that he continues to be disabled for work. The risks relate to the duration and timing of the payment of the insured cash flows. The disability risk is formed by the fact that the policyholder becomes disabled more often than expected, the rehabilitation risk by the fact that he continues to be disabled longer than expected.

The risks of other non-life insurance policies can be divided into risks related to future claims ensuing from current contracts (premium risk and catastrophe risk) and risks related to claims that have already been made (reserves risk). Insurance behaviour risk plays a limited role due to the usually brief contract period of non-life insurance policies.

The technical claims and benefits risks for non-life can be broken down as follows:

- **Premium risk.** This is the risk that the future premium payments are insufficient to meet all claims and corresponding costs.
- **Catastrophe risk.** This is the risk of losses due to extreme or exceptional events. This includes both natural disasters and events caused by human conduct.
- **Reserves risk.** This is the risk that the accrued claims reserves are insufficient to settle all claims already made.

26.3.3 Insurance risk management for the non-life insurance portfolio

Risks are managed by means of risk policy (see also paragraph 26.4 Insurance risk reinsurance and 26.5 Market risk Insurance activities), by understanding the factors involved and by review.

Every year, the developments in the non-life technical claims and benefits risks are examined and Economic Capital calculations are made. The results of the examination are used to determine rates and the acceptance conditions of non-life insurance policies. Furthermore, an active reinsurance policy has been implemented.

The effects of changes in parameters, which can be observed in connection with the Economic Capital calculations, provide insight into the degree of risk. The table below shows the sensitivity of the profit after tax in the event of a 10% increase or a 10% decrease in non-life claims respectively. The sensitivities are based on a one-off increase or decrease of the claims incurred (claim payments including mutations in claims reserves) in the relevant financial year of non-life.
insurance policies.

**Sensitivity Non-life**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims +10%</td>
<td>(35)</td>
<td>(37)</td>
<td>(35)</td>
<td>(37)</td>
</tr>
<tr>
<td>Claims -10%</td>
<td>35</td>
<td>37</td>
<td>35</td>
<td>37</td>
</tr>
</tbody>
</table>

The IBNR and the provision for settlement costs are evaluated at least twice a year and, where necessary, adjusted.

A test is carried out twice a year to establish the adequacy of the provisions for non-life claims.

**Non-life insurance portfolio fraud risks management**

Fraudulent claims are defined as claims submitted by policyholders for non-events or claims in which the extent of the damage is exaggerated. Fraud prevention and detection is the responsibility of the Non-life insurance operations, where a separate team of fraud coordinators supervises designated fraud cases, as well as writes and propagates the fraud policy within the Non-life insurance operations. In addition, decentralised supervision of fraud is conducted by means of an automated process of pattern recognition by various departments, such as Acceptance and Claims Handling.

**Management of realised claims with a run-off of more than one year**

The insurer has assigned specialised departments for the handling and run-off of (bodily injury) claims. Experts in these departments handle claims on an item-by-item basis, make estimates on the size of the claim and monitor the progress of claims settlement. Claims with a run-off period of more than one year include disability claims, bodily injury claims and liability claims.

**Management of risk provision for regular disability insurance benefits**

The Non-life insurer pays disability benefits that stem from the individual and the semi-group insurance portfolios. The Life insurer’s disability benefits in actual payment concern coverages within a life insurance contract.

**Characteristics provision for recurrent disability annuity benefits**

<table>
<thead>
<tr>
<th></th>
<th>Life insurance</th>
<th>Non-life insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>In € thousands</td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Provision for periodic payments</td>
<td>34,612</td>
<td>55,825</td>
<td>258,072</td>
</tr>
<tr>
<td>Number of commenced annuities</td>
<td>898</td>
<td>995</td>
<td>3,881</td>
</tr>
<tr>
<td>Average annual annuity</td>
<td>8.3%</td>
<td>10.0%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

**Management of risk broker’s channel**

In the insurance broker industry, the broker’s channel is currently receiving a lot of attention from regulatory bodies. Mid 2011, the Netherlands Authority for the Financial Markets (the AFM) undertook extensive research into the broker’s channel control of seven large insurers. The study revealed that insurers generally have sufficient control on the broker’s channel activities. REAAL is no exception. Some of the recommendations made by the AFM to the industry were in fact already incorporated in REAAL’s operations. Also, REAAL fully agrees with the AFM that certain types of products, such as disability insurance policies, are not well suited for the broker’s channel. A recommendation to ask for an annual report on complaints, which was also made to REAAL, was embraced by REAAL and implemented as far as possible. In cooperation with Group Audit, REAAL performs research to the risk management of all aspects of the brokers channel on a regular base.
26.3.4 Other insurance risks Non-life

Concentration of risk

Geographically, the insurer’s non-life portfolio risk is almost entirely concentrated in the Netherlands. There is concentration of insurance risks in the Fire segment, where storm risk is an important factor. In addition, the concentration of risks can occur in blocks of flats, rows of houses and office buildings.

The concentration of risk also occurs in the Group accident portfolio and the Group disability schemes. The underwriting of Group disability policies related to the Work and Income according to the Labour Capacity Act (WIA) is effectuated through an alliance with another Dutch insurer. In this alliance, each insurer bears half of the insurance risk and the other insurer carries out the administration. See paragraph 26.4 ‘Insurance risk reinsurance’ for more information about retention and reinsurance of these risks.

Co-insurance

REAAL Non-life is represented at the Rotterdam Insurance Exchange through its co-insurance unit. This is where risks in the segments Fire, Transport (including Marine) and Other are underwritten. REAAL Non-life focuses on the medium-sized and large business segments of the corporate insurance market. In 2012, the REAAL Non-life co-insurance portfolio posted a gross earned premium income of € 96 million (2011: € 108 million).

Catastrophe

The insurer reinsures catastrophe risks resulting from perils of nature, such as storms, and terrorism (see paragraph 26.4 Insurance risk reinsurance). Catastrophes resulting from acts of violence, nuclear incidents or flooding are excluded under the standard policy conditions.

26.3.5 Claims reserve and result

Technical result Non-life insurance

The table below shows the non-life technical claims and benefits risks result:

<table>
<thead>
<tr>
<th></th>
<th>Fire</th>
<th>Accident and health</th>
<th>Motor vehicles</th>
<th>Transport</th>
<th>Other segments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earned premium</td>
<td>222</td>
<td>130</td>
<td>280</td>
<td>65</td>
<td>122</td>
<td>819</td>
</tr>
<tr>
<td>Gross claims incurred</td>
<td>131</td>
<td>52</td>
<td>211</td>
<td>48</td>
<td>61</td>
<td>503</td>
</tr>
<tr>
<td></td>
<td>91</td>
<td>78</td>
<td>69</td>
<td>17</td>
<td>61</td>
<td>316</td>
</tr>
<tr>
<td>Reinsurance balance</td>
<td>(16)</td>
<td>(3)</td>
<td>(1)</td>
<td>(4)</td>
<td>(12)</td>
<td>(36)</td>
</tr>
<tr>
<td></td>
<td>75</td>
<td>75</td>
<td>68</td>
<td>13</td>
<td>49</td>
<td>280</td>
</tr>
<tr>
<td>Operational expenses and profit sharing</td>
<td>(85)</td>
<td>(56)</td>
<td>(107)</td>
<td>(22)</td>
<td>(37)</td>
<td>(307)</td>
</tr>
<tr>
<td>Operating result</td>
<td>(10)</td>
<td>19</td>
<td>(39)</td>
<td>(9)</td>
<td>12</td>
<td>(27)</td>
</tr>
<tr>
<td>Investment income</td>
<td>3</td>
<td>18</td>
<td>10</td>
<td>2</td>
<td>7</td>
<td>40</td>
</tr>
<tr>
<td>Technical result</td>
<td>(7)</td>
<td>37</td>
<td>(29)</td>
<td>(7)</td>
<td>19</td>
<td>13</td>
</tr>
</tbody>
</table>
Analysis technical results Non-life 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Fire</th>
<th>Accident and health</th>
<th>Motor vehicles</th>
<th>Transport</th>
<th>Other segments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earned premium</td>
<td>224</td>
<td>143</td>
<td>286</td>
<td>75</td>
<td>120</td>
<td>848</td>
</tr>
<tr>
<td>Gross claims incurred</td>
<td>123</td>
<td>51</td>
<td>221</td>
<td>48</td>
<td>59</td>
<td>502</td>
</tr>
<tr>
<td>Reinsurance balance</td>
<td>(13)</td>
<td>(8)</td>
<td>1</td>
<td>(7)</td>
<td>(15)</td>
<td>(42)</td>
</tr>
<tr>
<td>Operational expenses and profit sharing</td>
<td>(86)</td>
<td>(59)</td>
<td>(110)</td>
<td>(25)</td>
<td>(38)</td>
<td>(318)</td>
</tr>
<tr>
<td>Operating result</td>
<td>2</td>
<td>25</td>
<td>(44)</td>
<td>(5)</td>
<td>8</td>
<td>(14)</td>
</tr>
<tr>
<td>Investment income</td>
<td>8</td>
<td>23</td>
<td>14</td>
<td>4</td>
<td>9</td>
<td>58</td>
</tr>
<tr>
<td>Technical result</td>
<td>10</td>
<td>48</td>
<td>(30)</td>
<td>(1)</td>
<td>17</td>
<td>44</td>
</tr>
</tbody>
</table>

In 2012, the reinsurance premium earned was € 67 million (2011: € 54 million). This is 8.1% (2011: 6.4%) of the gross premium income earned.

Gross premium income and claims reserve

The total gross premium income of the Non-life insurer in 2012 was € 819 million (2011: € 848 million). The decline is mainly due to premium discount on disability insurance in the line of business Accident and health and lower premium income in the line of business Transport. The gross claim reserve was year-end 2012 € 1,091 million (2011: € 1,134 million).

The gross premium income and claim reserve is distributed across the various segments as follows:

Claim reserve

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net claim reserve</td>
<td>% Net claim reserve</td>
</tr>
<tr>
<td>Fire</td>
<td>106</td>
<td>10%</td>
</tr>
<tr>
<td>Accident and health</td>
<td>395</td>
<td>36%</td>
</tr>
<tr>
<td>Motor</td>
<td>357</td>
<td>33%</td>
</tr>
<tr>
<td>Transport</td>
<td>69</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>165</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>1,092</td>
<td>100%</td>
</tr>
</tbody>
</table>

The premium volume and claims reserve for the Transport segment almost entirely originate from co-insurance. The table includes a relatively large claims reserve for the Accident and Health segment as a result of the long-term non-life obligations of disability insurance policies. The disability insurance policies, however, have a limited share in the gross premium income earned. The opposite applies to the Fire segment. Due to the rapid settlement of fire claims, this segment, which generates more than a quarter of the premium income, only represents a small part of the total claims reserve.

Claims development history

The table below provides a summary of the run-off on claims reserves for earlier claim years.
The tables above indicate that the run-off result increased by over € 7 million. This increase is explained by an adjustment in the allocation of total IBNR to claim years and has no impact on the adequacy of technical provisions for non-life activities.

26.4 Insurance risk reinsurance

26.4.1 Reinsurance policy

The reinsurance policy provides protection against technical claims and benefits risks in the various insurance portfolios of both the Life and Non-life insurer. Reinsurance can be divided into two main fields: traditional reinsurance that is taken out based on a risk perspective and reinsurance from the perspective of capital management.

Until recently, the reinsurance policy was mainly aimed at minimising losses ensuing from catastrophes to a level befitting the risk profile, which means that traditional reinsurance was emphasised.

We see a market-wide trend towards reinsurance for capital management purposes, which is also recognised at the Insurance activities. Based on this objective, two proportional reinsurance contracts are in place for the Insurance
The reinsurance policy is determined based on risk analyses for the various portfolios, the size of the portfolios, the nature of the technical claims and benefits risks, the results, the risk appetite and the financial strength of the Company. The risk of terrorism is reinsured through the Netherlands Terrorism Risk Reinsurance Company (NHT). In order to align the cover in the policy and the reinsurance cover through the NHT, the cover for the terrorism risk in the policy has been limited to the maximum capacity of the NHT, i.e. €1 billion.

26.4.2 REAAL Life reinsurance

The Insurance activities have a thoroughly integrated reinsurance programme for the mortality and disability portfolio. Just like last year, separate reinsurance contracts were purchased for the individual and Group portfolios in 2012. The catastrophe reinsurance contract was concluded Group-wide for the various sub-portfolios.

The Insurance activities purchase reinsurance per separate risk from a relatively high level upwards (see table below). In view of the risk profile and the size of the portfolio, the retention of both the mortality and disability risks can be considered to be in accordance with the underlying portfolio.

The structure of the 2013 reinsurance programme has not changed as compared to the 2012 programme. The various sub-portfolios are reinsured by means of reinsurance contracts for the individual portfolio, for the Group portfolio and for the catastrophe risk. Furthermore, a reinsurance contract is in place for the disability portfolio. The retention of the mortality reinsurance contract of the individual life portfolio of the Insurance activities has been proportionally reinsured by two quota share contracts. The retention of the reinsurance contract for the Group portfolio is increased to €1.5 million of risk capital effective 1 January 2013.

There are two quota share reinsurance contracts in place for REAAL’s individual life portfolio. The quota share reinsurance contract on risk capital concluded as of October 2009 is in force for the product groups risk, endowment mortgages [sparahypotheken] and unit-linked policies. The quota share reinsurance contract that took effect as of 1 January 2011 reinsures both risk capital and provisions, and applies to the traditional savings portfolio.

The life reinsurance contracts were concluded at reinsurance companies that have at least an AA- rating (S&P).

### Life insurance retention

<table>
<thead>
<tr>
<th>Coverage:</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>REAAL</td>
<td>Zwitserleven</td>
</tr>
<tr>
<td>Mortality (quota share - risk capital)</td>
<td>19%</td>
<td>0%</td>
</tr>
<tr>
<td>Mortality (quota share - gross)</td>
<td>19%</td>
<td>0%</td>
</tr>
<tr>
<td>Mortality (risk capital)</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Mortality (risk capital)</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Disability (risk capital)</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Disability (risk capital)</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Catastrophe</td>
<td>15,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>
26.4.3 REAAL Non-Life reinsurance

The non-life insurance operations have set the retention of the reinsurance contracts in line with the size of the various portfolios. The reinsurance programme makes no specific distinction between the various sales channels, but large risks are reinsured at segment level.

In addition to the regular protection of the portfolios, REAAL Non-life has a catastrophe contract for covered natural perils (storm, hail) and accumulation within the fire portfolio.

The 2013 reinsurance programme is largely a continuation of the programme as it was in force in 2012. The capacity of the catastrophe programme was further expanded due to the increased underlying exposure. The external retention of the catastrophe programme is again € 35 million for 2013. The retentions in the other contracts remain unchanged compared to 2012. As regards Accidents, the reinsurance capacity was further expanded in connection with the underlying exposure. In the other segments, the reinsurance capacity for 2013 remains the same as the capacity in 2012.

As Proteq Non-life is no longer the risk-bearer, it was decided to no longer purchase separate reinsurance for Proteq Non-life as from 1 January 2013. This portfolio continues to be reinsured within the reinsurance programme of REAAL Non-life.

### Non-life insurance retention

<table>
<thead>
<tr>
<th>Coverage</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire per risk</td>
<td>1,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Motor third-party liability</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Personal / business liability</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Accidents per risk</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>Transport (up to 2006 NHL)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Disability (risk capital)</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Catastrophe per event</td>
<td>35,000</td>
<td>45,000</td>
</tr>
</tbody>
</table>

The non-life insurer pursues an active policy with regard to placing its reinsurance contracts. A distinction is made as to the panel of reinsurers in the property programme (Fire and Catastrophe) and in the casualty programme (Motor, General Liability and Accidents). In the casualty programme, the claims settlement is characterised by its long lead time. Because of this long-term nature, the continuity of the panel is the main consideration in the placement of this programme. The minimum rating of the reinsurance panel is A-.

26.4.4 Incoming disability reinsurance

REAAL Non-Life has an incoming reinsurance contract that covers a portfolio of disability pensions related to the WAO (Law on Disability). This contract is not renewed since 2004 and is located in run-off. The gross claims reserve at the end of 2012 amounts to € 59 million (2011: € 65 million), after retrocession, the provision amounts to € 34 million (2011: € 25 million).
26.5 Market risk Insurance activities

The market risk of the Insurance activities is created by the fact that when the financial markets change, the value changes of investments (equities, property, fixed-income investments) do not change with the same amount as the liabilities, such as:

- Exposure to interest rate differences between European countries and between different fixed-income instruments, which mainly manifests itself in potential volatility of the market value of fixed-income investments and the solvency of the Insurance activities.
- Due to the low market rate, guarantees issued in the portfolio of Zwitserleven become relevant, causing an increase in investment risk.
- As a result of the new yield curve (UFR) introduced by DNB for the valuation of insurance obligations for solvency purposes, a balance must be found between stabilising the value of the equity and the status of the solvency. Stabilising both standards at the same time is impossible.

See paragraph 24.5 Risk classification for a definition of market risk.

This means that changes in financial markets affect the results and capital position of the insurer. The table below presents the investments based on the IFRS value, in respect of which the Insurance activities run a market risk.

<table>
<thead>
<tr>
<th>Portfolio Insurance activities</th>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property investments</td>
<td></td>
<td>233</td>
<td>255</td>
</tr>
<tr>
<td>Interest bearing investments</td>
<td></td>
<td>30,458</td>
<td>28,542</td>
</tr>
<tr>
<td>Equities and options</td>
<td></td>
<td>1,244</td>
<td>1,217</td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td></td>
<td>-</td>
<td>117</td>
</tr>
<tr>
<td>Derivatives</td>
<td></td>
<td>480</td>
<td>572</td>
</tr>
<tr>
<td>Reinsurance contracts</td>
<td></td>
<td>3,165</td>
<td>3,426</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td></td>
<td>3,059</td>
<td>3,047</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td></td>
<td>452</td>
<td>499</td>
</tr>
<tr>
<td>Other assets, no lending operations</td>
<td></td>
<td>2,528</td>
<td>3,056</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>1,563</td>
<td>1,188</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>43,202</td>
<td>41,919</td>
</tr>
</tbody>
</table>

26.5.1 Risk management market risk

The market risks are measured and managed by the Asset & Liability Management (ALM) department. This department reports monthly to the Group ALCO through the Asset & Liability Committee Insurance. The main objective in 2012 was to further reduce the insurer’s market risk. In addition, further steps were taken towards Solvency II.

The point of departure for the ALM policy is the ALM plan, which is drawn up annually and sets out the strategic investment policy. The ALM plan seeks a balance between risk and return within the preconditions that apply with regard to the Value-at-Risk (VaR), laws and regulations, solvency and IFRS results. The ALM study was performed in the autumn of 2012, and will be put into effect in 2013 by introducing a new Solvency at Risk framework. Contrary to the old framework, the new framework will also consider volatility risk and basis risk in curves used for discounting.

The table below indicates how the investments of the Insurance activities are divided as a result of ALM policy at year-end 2012:
### Investment mix

**Insurance activities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest bearing investments</td>
<td>30,458</td>
<td>28,542</td>
</tr>
<tr>
<td>Equities and options</td>
<td>1,244</td>
<td>1,217</td>
</tr>
<tr>
<td>Property</td>
<td>233</td>
<td>255</td>
</tr>
<tr>
<td>Mortgages</td>
<td>3,059</td>
<td>3,047</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34,994</td>
<td>33,061</td>
</tr>
</tbody>
</table>

**Discount curves**

Halfway through the year, the insurance sector experienced a major change in legislation and regulations. The Dutch Central Bank decreed a change in the discount curve for the insurance obligations. Effective June 2012, SNS REAAL therefore has based the valuation of the insurance obligations for the IFRS and DNB liability adequacy test on a discount curve that is extrapolated using an Ultimate Forward Rate (UFR) of 4.2%. As a result, a typical parallel movement in the yield curve leads to the ECB AAA curve only showing parallel movement in the first 20 years, after which the movement is moderated by the UFR. Consequently, the obligations’ sensitivity to interest rate fluctuations has decreased, while it has no impact on the interest rate sensitivity of the assets. The sensitivity of the statutory solvency has changed significantly as a result. Before the introduction of the UFR, a market interest rate decrease resulted in solvency loss; right now, rising interest rates result in solvency loss (under similar market conditions). The introduction of the UFR, however, does not have any impact on the economic value sensitivity. As a result, a dilemma has arisen between steering towards statutory solvency and steering towards economic value. The focus of ALM is on economic value, while stabilization of the statutory solvency is a supplementary condition. For this reason, there are two main variables towards which we steer: Value at Risk (VaR) and Solvency at Risk.

**VaR system**

Value-at-Risk (VaR) models are used for managing the economic value of the financial market risks. VaR is a risk indicator that measures the balance of all market risks (interest rate, equity, etc.) under economic assumptions. The VaR, expressed as a percentage of the market value of shareholders’ equity, was 25% at year-end 2011. In 2012, the VaR rose slightly from 25% at year-end 2011 to 32% at year-end 2012. The upturn was partly due to a shortening of the investment portfolio. It was shortened to protect the statutory solvency sensitivity, which changed subsequent to the introduction of the Ultimate Forward Rate (UFR). Shortening the investment portfolio did not have an ill-effect on the economic sensitivity, however, hence the increased VaR. A VaR of 32% is well within the current limit of 45%.

**Solvency at Risk**

Another key variable towards which we steer is the Solvency at Risk, which is used as a basis for calculating the sensitivity of the statutory solvency under a combination of stress scenarios of the various market risks. The limit for this standard is a solvency after stress of 125%. At year-end 2012, the Solvency at Risk was 119% based on a -59% shock, which is below the internal limit of 125%. This breach of the limit was discussed with the Risk Committee of the Supervisory Board. Temporary approval is given to this breach of the limit. Finding the right balance between maintaining a necessary investment return on the one hand, and protecting the solvency against shocks in the financial markets on the other hand, is a subject that has received much attention in Group ALCO, the Executive Board and the Risk Committee of the Supervisory Board. The search for the right balance between risk and return in the insurance balance is also on the agenda in 2013.
26.5.2 Interest rate risk Insurance activities

Interest rate risk is a key component of the Insurance activities market risk profile. There is an interest rate risk when the interest rate sensitivities of the assets and liabilities are not completely equal and it is expressed as movements in the result and/or capital position if market rates fluctuate. The expected fixed cash flows from insurance obligations are matched with fixed-income investments as much as possible. The profit sharing and return guarantees given to policyholders are a remaining source of interest rate risk. This risk is partly mitigated by the use of interest rate derivatives to hedge the guarantees in traditional life insurance with guarantees and profit sharing. See paragraph 27.2 Hedging and hedge accounting for more information.

The table below shows the breakdown of the provisions for own account by profit sharing type.

### Breakdown provision for own account and risk

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>With profit sharing (company or surplus interest)</td>
<td>10,365</td>
<td>8,172</td>
</tr>
<tr>
<td>With interest rate rebate</td>
<td>5,194</td>
<td>5,664</td>
</tr>
<tr>
<td>Without profit sharing</td>
<td>3,788</td>
<td>5,654</td>
</tr>
<tr>
<td>Savings mortgages balance</td>
<td>2,358</td>
<td>1,814</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,705</td>
<td>21,304</td>
</tr>
</tbody>
</table>

### Equity duration

Equity duration indicates the impact on the fair value of shareholders’ equity in the event of a minor parallel shift in the yield curve. Market rate movements rapidly change both the value and the interest rate sensitivity of the return guarantees given to customers. This makes the duration of equity extremely volatile and hard to interpret, which is why it was decided not to steer on the basis of this indicator. The actual interest rate management (and accompanying hedging policy) is driven by the results of the sensitivity calculations related to economic value and solvency. In addition, tooling was implemented in 2012 for measuring key rate durations of obligations, so that more insight into and grip was gained on the sensitivities per maturity segment.

### Duration fixed assets and liabilities Insurance activities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration of fixed income investments</td>
<td>9.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Duration of provision for insurance contracts</td>
<td>12.9</td>
<td>11.6</td>
</tr>
</tbody>
</table>

### Interest rate sensitivity fair value shareholders' equity (net of taxation)

In economic reality, all balance sheet items (both assets and liabilities) with an underlying cash flow schedule change in value when the interest rate changes. With a 1% decrease in interest rates, the fair value of shareholders’ equity decreases by € 581 million (2011: decrease of € 155 million). With a 1% interest rate increase, the fair value of shareholders’ equity increases by € 65 million (2011: increase of € 87 million).
Interest rate sensitivity fair value shareholders’ equity Insurance activities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>(1,876)</td>
<td>(1,766)</td>
<td>2,130</td>
<td>1,928</td>
</tr>
<tr>
<td>Technical provisions</td>
<td>1,911</td>
<td>1,647</td>
<td>(2,681)</td>
<td>(2,304)</td>
</tr>
<tr>
<td>Other assets and liabilities</td>
<td>30</td>
<td>206</td>
<td>(30)</td>
<td>222</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>65</td>
<td>87</td>
<td>(581)</td>
<td>(155)</td>
</tr>
</tbody>
</table>

Interest rate sensitivity IFRS result and shareholders’ equity

The accounting result and shareholders’ equity change as a result of value changes in interest rate derivatives and the fixed-income portfolio classified as available for sale. Moreover, the use of shadow loss accounting has negative impact on shareholders equity if interest rates drop. This is because the bookvalue of the insurance liabilities must be increased. When interest rates rise, the decrease of the shadow loss deficit will first be recognised in shareholders equity.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Interest +1%</th>
<th>Interest -1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>-</td>
<td>(20)</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>(188)</td>
<td>(1,787)</td>
</tr>
</tbody>
</table>

The effect of a 1% increase or decrease in interest rates on the result is nil. In respect of shareholders’ equity, this is €188 million negative in the event of a 1% increase in interest rates (2011: €1,787 million negative). A 1% decrease in interest rates has an effect of €126 million positive (2011: €2,259 million positive). The development of the effect of a decrease or increase of interest rates in comparison to 2011 is the result of the use of shadow loss accounting.

Average effective interest rates

The overview below shows the average effective interest rates of the financial assets, the financial liabilities and the technical provisions of the insurance activities as at the balance sheet date. After applying of shadow loss accounting in 2012, there was no revaluation reserve left. Therefore, future IFRS-LAT shortages will be directly charged to the P&L.

Average effective interest rates Insurance activities

<table>
<thead>
<tr>
<th>In percentages</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets (not valued at fair value through profit or loss):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments for own account:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Available for sale (excluding equities)</td>
<td>4.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>- Loans and receivables</td>
<td>3.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>4.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>7.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Technical provisions insurance operations for own account and risk:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual insurance policies in cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Savings mortgages</td>
<td>3.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>- Life annuity</td>
<td>3.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>- Other</td>
<td>5.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Group insurance policies in cash</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td></td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

The effective interest rates of the technical provisions are before any deferred interest rate rebates.
**Insurance policies for account of policyholders**

Insurance policies for which policyholders bear the investment risk, the insurer does not, in principle, bear any risk relating to interest rates, prices, exchange rates or credit. Nevertheless, for some portfolios within this category, the insurer has given a minimum guarantee. As a result, the insurer also bears risks for these contracts regarding interest rates, prices and exchange rates. The value of the guarantees within the ‘for account of policyholders’ portfolio is measured periodically.

**Breakdown technical provision on behalf of policyholders**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without guarantee</td>
<td>9,304</td>
<td>8,518</td>
</tr>
<tr>
<td>With guarantee</td>
<td>4,372</td>
<td>4,479</td>
</tr>
<tr>
<td>Total</td>
<td>13,676</td>
<td>12,997</td>
</tr>
</tbody>
</table>

**26.5.3 Credit risk surcharges and market value of bonds**

The credit risk of the Insurance activities materialises itself, on the one hand, in the fixed-income investment portfolio, in which corporate and government bonds are sensitive to changes in credit risk surcharges. Growing credit risk surcharges have a negative effect on the market value of underlying bonds.

On the other hand, credit risk surcharges are also a source of basis risk in the discounting of cash flows. The ECB AAA curve adjusted for UFR is used for discounting to calculate the market value of the insurance obligations. This curve is composed of the yield curves of the five AAA countries from the eurozone. A change in the credit risk surcharge of these countries has an immediate effect on the discount curve and is therefore a source of uncertainty if the weighting in the investment portfolio deviates from the weighting in the ECB AAA curve adjusted for UFR. Due to the current overweighting in Germany and the Netherlands and the underweighting in France in the investment portfolio, a basis risk occurs if the credit risk surcharges of these countries level out.

**26.5.4 Equity and property investment risk Insurance activities**

The equity and similar investments of the Insurance activities amounted to €1,244 million at year-end 2012 (2011: €1,217 million). The increase in 2012 was caused in particular by higher equity markets.

The IFRS equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted accordingly.

The Insurance activities periodically examine the impact of changes in equity markets and property markets on the result and on shareholders’ equity. As is the case for the interest rate risk, scenario analyses are used here as well.

The table below shows the indicative results of this analysis at the balance sheet date net of taxation.

**Sensitivity equities and property Insurance activities**

<table>
<thead>
<tr>
<th></th>
<th>Result</th>
<th>Shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Equities +10%</td>
<td>-</td>
<td>93</td>
</tr>
<tr>
<td>Equities -10%</td>
<td>(71)</td>
<td>(80)</td>
</tr>
<tr>
<td>Property +10%</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>Property -10%</td>
<td>(23)</td>
<td>(17)</td>
</tr>
</tbody>
</table>
26.5.5 Exchange rate risk Insurance activities

The exchange rate risk of the Insurance activities is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to the fixed-income investments, the policy of the Insurance activities is to permit only a very limited exchange rate risk. The exchange rate risk on fixed-income investments with a foreign currency denomination is therefore, in principle, hedged completely with currency swaps.

Exchange rate risk also manifests itself in the equity investments of the Insurance activities. This exchange rate risk, after netting the exchange rate risk in other non-fixed income investments and liabilities, is structurally hedged using forward exchange rate contracts if the net exposure exceeds € 10 million.

The table below gives an indication of the Insurance activities’ exchange rate position.

### Foreign exchange positions Insurance activities (net exposure)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>81</td>
<td>100</td>
<td>(91)</td>
<td>(93)</td>
</tr>
<tr>
<td>Pound Sterling</td>
<td>44</td>
<td>59</td>
<td>77</td>
<td>72</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>(78)</td>
<td>(71)</td>
<td>77</td>
<td>72</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>(33)</td>
<td>(33)</td>
<td>33</td>
<td>46</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>57</strong></td>
<td><strong>(25)</strong></td>
<td><strong>(34)</strong></td>
</tr>
</tbody>
</table>

The impact of changes in foreign exchange markets on the result, on shareholders’ equity and on solvency are measured periodically using scenario analyses. The table below shows the results of these analyses net of taxation.

### Sensitivity foreign exchange rates Insurance activities

<table>
<thead>
<tr>
<th>Foreign currency</th>
<th>Result 2012</th>
<th>Result 2011</th>
<th>Shareholders’ equity 2012</th>
<th>Shareholders’ equity 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currencies +10%</td>
<td>(1)</td>
<td>2</td>
<td>(1)</td>
<td>2</td>
</tr>
<tr>
<td>Currencies -10%</td>
<td>1</td>
<td>(2)</td>
<td>1</td>
<td>(2)</td>
</tr>
</tbody>
</table>

26.6 Credit risk Insurance activities

The Insurance activities are exposed to various types of credit risk. The main types are the credit risks in the investment portfolio and in the loan portfolio to intermediaries (counterparty risk). The mortgage loans of REAAL are well covered and have a relatively aged portfolio. Consequently, the likelihood of non-payment is low as a result of which the risk profile of the mortgage portfolio of REAAL is low. See paragraph 24.5 Risk classification for a definition of credit risk.

In the policy documents for the specific credit risk categories, the roles, powers and responsibilities of employees and committees are established, following a successively more senior layer of authorisation.
26.6.1 Management credit risk within the fixed-income investment portfolio

The credit risk within the fixed-income investment portfolios of the Insurance activities is the risk that an issuer of a bond or a debtor of a private loan can no longer meet his obligations. The strategic scope of the various investment grade categories within the fixed-income portfolio is determined in an ALM context and laid down in mandates with the investment managers. Periodically, Insurance Treasury & Investment Management checks whether investment managers adhere to the mandates and reports on this.

The fixed-income investment portfolios of the Insurance activities have predominantly European and North American debtors. No one represents an interest of more than 5% in the fixed-income investment portfolio with the exception of the German and the Dutch State.

### Overview fixed income investments Insurance activities 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Designated as fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares and similar investments</td>
<td>-</td>
<td>1,244</td>
<td>-</td>
<td>1,244</td>
</tr>
<tr>
<td>Fixed income investments</td>
<td>1,032</td>
<td>22,656</td>
<td>6,770</td>
<td>30,458</td>
</tr>
<tr>
<td>Total</td>
<td>1,032</td>
<td>23,900</td>
<td>6,770</td>
<td>31,702</td>
</tr>
</tbody>
</table>

### Overview investments Insurance activities 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Designated as fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares and similar investments</td>
<td>-</td>
<td>1,217</td>
<td>-</td>
<td>1,217</td>
</tr>
<tr>
<td>Fixed income investments</td>
<td>1,017</td>
<td>21,352</td>
<td>6,173</td>
<td>28,542</td>
</tr>
<tr>
<td>Total</td>
<td>1,017</td>
<td>22,569</td>
<td>6,173</td>
<td>29,759</td>
</tr>
</tbody>
</table>

The following overview provides a breakdown of the fixed-income investment mix by sector.

### Breakdown fixed income portfolio (industry)

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign</td>
<td>17,724</td>
<td>16,351</td>
</tr>
<tr>
<td>Financials</td>
<td>5,089</td>
<td>4,730</td>
</tr>
<tr>
<td>Investments related to savings mortgages</td>
<td>5,131</td>
<td>4,895</td>
</tr>
<tr>
<td>Corporates</td>
<td>1,460</td>
<td>1,246</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>926</td>
<td>1,231</td>
</tr>
<tr>
<td>Other</td>
<td>128</td>
<td>89</td>
</tr>
<tr>
<td>Total</td>
<td>30,458</td>
<td>28,542</td>
</tr>
</tbody>
</table>

The following overview provides a breakdown of the fixed-income investment mix (excluding mortgages) across the various rating categories. The strategic mix of the various categories within the fixed-income portfolio is set annually in the ALM investment plan. The category without any rating mainly consists of investments related to savings mortgages.
### Breakdown fixed income portfolio (rating)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>17,533</td>
<td>18,031</td>
</tr>
<tr>
<td>AA</td>
<td>3,187</td>
<td>1,333</td>
</tr>
<tr>
<td>A</td>
<td>2,233</td>
<td>2,465</td>
</tr>
<tr>
<td>BBB</td>
<td>1,461</td>
<td>857</td>
</tr>
<tr>
<td>&lt; BBB</td>
<td>166</td>
<td>221</td>
</tr>
<tr>
<td>No rating</td>
<td>5,878</td>
<td>5,635</td>
</tr>
<tr>
<td>Total</td>
<td>30,458</td>
<td>28,542</td>
</tr>
</tbody>
</table>

The table below contains the breakdown of the fixed-income investment portfolio by maturity.

### Breakdown fixed income portfolio (maturity)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3 Months</td>
<td>660</td>
<td>472</td>
</tr>
<tr>
<td>&lt; 1 Year</td>
<td>926</td>
<td>1,108</td>
</tr>
<tr>
<td>&lt; 3 Years</td>
<td>2,325</td>
<td>2,229</td>
</tr>
<tr>
<td>&lt; 5 Years</td>
<td>2,220</td>
<td>2,379</td>
</tr>
<tr>
<td>&lt; 10 Years</td>
<td>4,980</td>
<td>6,230</td>
</tr>
<tr>
<td>&lt; 15 Years</td>
<td>3,903</td>
<td>3,025</td>
</tr>
<tr>
<td>&gt; 15 Years</td>
<td>15,444</td>
<td>13,099</td>
</tr>
<tr>
<td>No maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>30,458</td>
<td>28,542</td>
</tr>
</tbody>
</table>

The table below contains the breakdown of the fixed-income investment portfolio by geographic area.

### Breakdown fixed income portfolio insurance activities (geography)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>234</td>
<td>317</td>
</tr>
<tr>
<td>Portugal</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>Italy</td>
<td>456</td>
<td>370</td>
</tr>
<tr>
<td>Spain</td>
<td>398</td>
<td>403</td>
</tr>
<tr>
<td>Subtotal GIIPS</td>
<td>1,094</td>
<td>1,115</td>
</tr>
<tr>
<td>Germany</td>
<td>10,238</td>
<td>7,000</td>
</tr>
<tr>
<td>France</td>
<td>1,640</td>
<td>1,342</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>13,254</td>
<td>14,264</td>
</tr>
<tr>
<td>Austria</td>
<td>997</td>
<td>1,696</td>
</tr>
<tr>
<td>Belgium</td>
<td>323</td>
<td>253</td>
</tr>
<tr>
<td>Other</td>
<td>2,912</td>
<td>2,872</td>
</tr>
<tr>
<td>Total</td>
<td>30,458</td>
<td>28,542</td>
</tr>
</tbody>
</table>

The following tables show the breakdown of interest-bearing government securities, which are part of the investment portfolio of SRLEV and the further breakdown to GIIPS countries.
Breakdown sovereign fixed income portfolio Insurance activities (for own account)

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>-</td>
<td>47</td>
</tr>
<tr>
<td>Italy</td>
<td>338</td>
<td>232</td>
</tr>
<tr>
<td>Spain</td>
<td>54</td>
<td>50</td>
</tr>
<tr>
<td>Subtotal GIIPS</td>
<td>392</td>
<td>329</td>
</tr>
<tr>
<td>Germany</td>
<td>9,603</td>
<td>6,470</td>
</tr>
<tr>
<td>France</td>
<td>1,095</td>
<td>804</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>4,922</td>
<td>6,515</td>
</tr>
<tr>
<td>Austria</td>
<td>986</td>
<td>1,884</td>
</tr>
<tr>
<td>Belgium</td>
<td>287</td>
<td>226</td>
</tr>
<tr>
<td>Other</td>
<td>439</td>
<td>323</td>
</tr>
<tr>
<td>Total</td>
<td>17,724</td>
<td>16,351</td>
</tr>
</tbody>
</table>

Breakdown fixed income sovereign GIIPS (maturity)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Fair value</th>
<th>Nominal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>&lt; 3 Months</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>&lt; 1 Year</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>&lt; 3 Years</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>&lt; 5 Years</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>&lt; 10 Years</td>
<td>87</td>
<td>135</td>
</tr>
<tr>
<td>&lt; 15 Years</td>
<td>19</td>
<td>40</td>
</tr>
<tr>
<td>&gt; 15 Years</td>
<td>245</td>
<td>589</td>
</tr>
<tr>
<td>No maturity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>392</td>
<td>786</td>
</tr>
</tbody>
</table>

The credit risk in the government bond portfolio hardly changed. The largest movements occurred between countries with an AAA rating. A reduction of the position in Dutch and Austrian government bonds has taken place and this is primarily reinvested in German government bonds and to a lesser extent in French government bonds. The increase in the exposure to Southern European government bonds is mainly due to bond price increases. The great majority of the Insurance activities’ position in sovereign debts still concerns Germany and the Netherlands.

26.6.2 Management of credit risk with regard to derivative positions

The credit risk on the market value of all derivatives held by SNS REAAL with a counterparty is managed through a so-called Credit Support Annex, or CSA, agreement. In accordance with standard industry practice, this agreement provides that the underlying value of the derivatives in liquid instruments, such as cash and government bonds, must be held as collateral to cover the credit risk. See also paragraph 27.2 Hedging and hedge accounting, which describes how derivatives are used for hedging purposes.
26.6.3 Management of other credit risks

Management of credit risk relating to advances to the reinsurer

For non-life reinsurance contracts, the Insurance activities use a panel that consists of reinsurers with a minimum credit rating of A-. This minimum rating of A- also applies for the reinsurance of Life and Disability, but the current reinsurance panel consists of reinsurers with a minimum credit rating of AA-.

Management of credit risk in the mortgage portfolio

The Insurance activities run a limited credit risk on their mortgage portfolio. Part of this portfolio is guaranteed by the National Mortgage Guarantee fund. The property price increases in the past have led to a strong increase in the foreclosure value of the collateral. Although house prices decreased in the past few years, this was not enough to offset past price rises. In the event of non-payment by a debtor, the insurer will in many cases be able to recoup the loan through the sale of the collateral.

Mortgages Insurance activities by security type

<table>
<thead>
<tr>
<th>Security Type</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages &lt; 75% of foreclosure value</td>
<td>1,165</td>
<td>1,231</td>
</tr>
<tr>
<td>Mortgages &gt; 75% of foreclosure value</td>
<td>729</td>
<td>781</td>
</tr>
<tr>
<td>Mortgages with National Mortgage Guarantee</td>
<td>1,163</td>
<td>1,029</td>
</tr>
<tr>
<td>Residential property in the Netherlands:</td>
<td>3,057</td>
<td>3,041</td>
</tr>
<tr>
<td>Corporate mortgages</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Specific provision for bad debts</td>
<td>(6)</td>
<td>(4)</td>
</tr>
<tr>
<td>Total</td>
<td>3,053</td>
<td>3,043</td>
</tr>
</tbody>
</table>

The credit risk of the mortgages of the Insurance activities is low, partly due to NHG guarantees and low Loan-to-Foreclosure Values, but mainly due to the prudent acceptance policy. Furthermore, a large part of the portfolio stems from the period 2000-2005. The table below shows a breakdown of the portfolio of the Insurance activities into securitised and not securitised:

Securitisation mortgages Insurance activities

<table>
<thead>
<tr>
<th>Security Type</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securitised</td>
<td>130</td>
<td>-</td>
</tr>
<tr>
<td>Not securitised</td>
<td>2,923</td>
<td>3,043</td>
</tr>
<tr>
<td>Total</td>
<td>3,053</td>
<td>3,043</td>
</tr>
</tbody>
</table>

Management of credit risk regarding loans to intermediaries

The Insurance activities manage the process of providing loans to intermediaries by a credit committee and the application of strict acceptance criteria.
26.7 Liquidity risk Insurance activities

The Insurance activities must have sufficient cash to be able to meet claims arising from its insurance portfolio. See paragraph 24.5 Risk classification for a definition of liquidity risk.

Liquidity risk management, liquidity management

The table below presents nominal cash flows arising from investments, derivatives (assets) and insurance obligations, net of reinsurance (liabilities) per maturity segment. The figures give insight into the liquidity risk management that is part of the ALM policy.

### Liquidity risk Insurance activities 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 year</th>
<th>1 - 5 years</th>
<th>5 - 10 years</th>
<th>10 - 15 years</th>
<th>15 - 20 years</th>
<th>&gt; 20 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value through profit or loss</td>
<td>599</td>
<td>257</td>
<td>59</td>
<td>35</td>
<td>24</td>
<td>497</td>
<td>1,471</td>
</tr>
<tr>
<td>- Available for sale</td>
<td>1,299</td>
<td>5,381</td>
<td>5,712</td>
<td>4,342</td>
<td>4,993</td>
<td>8,273</td>
<td>30,000</td>
</tr>
<tr>
<td>- Loans and receivables</td>
<td>394</td>
<td>616</td>
<td>196</td>
<td>165</td>
<td>105</td>
<td>688</td>
<td>2,164</td>
</tr>
<tr>
<td>Derivatives</td>
<td>37</td>
<td>152</td>
<td>177</td>
<td>46</td>
<td>58</td>
<td>289</td>
<td>759</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>266</td>
<td>647</td>
<td>977</td>
<td>239</td>
<td>91</td>
<td>100</td>
<td>2,320</td>
</tr>
<tr>
<td>Total</td>
<td>2,595</td>
<td>7,053</td>
<td>7,121</td>
<td>4,827</td>
<td>5,271</td>
<td>9,847</td>
<td>36,714</td>
</tr>
<tr>
<td>Technical provisions Life</td>
<td>2,237</td>
<td>4,386</td>
<td>4,779</td>
<td>4,413</td>
<td>3,765</td>
<td>12,212</td>
<td>31,792</td>
</tr>
<tr>
<td>Technical provisions Non-life</td>
<td>152</td>
<td>566</td>
<td>275</td>
<td>120</td>
<td>53</td>
<td>35</td>
<td>1,201</td>
</tr>
<tr>
<td>Total</td>
<td>2,389</td>
<td>4,952</td>
<td>5,054</td>
<td>4,533</td>
<td>3,818</td>
<td>12,247</td>
<td>32,993</td>
</tr>
<tr>
<td>Difference in expected cash flows</td>
<td>206</td>
<td>2,101</td>
<td>2,067</td>
<td>294</td>
<td>1,453</td>
<td>(2,400)</td>
<td>3,721</td>
</tr>
</tbody>
</table>

### Liquidity risk Insurance activities 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 year</th>
<th>1 - 5 years</th>
<th>5 - 10 years</th>
<th>10 - 15 years</th>
<th>15 - 20 years</th>
<th>&gt; 20 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value through profit or loss</td>
<td>602</td>
<td>335</td>
<td>81</td>
<td>69</td>
<td>43</td>
<td>554</td>
<td>1,684</td>
</tr>
<tr>
<td>- Available for sale</td>
<td>1,072</td>
<td>6,002</td>
<td>7,130</td>
<td>3,721</td>
<td>5,197</td>
<td>6,826</td>
<td>29,849</td>
</tr>
<tr>
<td>- Loans and receivables</td>
<td>755</td>
<td>240</td>
<td>198</td>
<td>113</td>
<td>95</td>
<td>392</td>
<td>1,793</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>(57)</td>
<td>(108)</td>
<td>(10)</td>
<td>42</td>
<td>537</td>
<td>404</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>249</td>
<td>1,071</td>
<td>752</td>
<td>551</td>
<td>101</td>
<td>65</td>
<td>2,789</td>
</tr>
<tr>
<td>Total</td>
<td>2,678</td>
<td>7,590</td>
<td>8,055</td>
<td>4,444</td>
<td>5,478</td>
<td>8,374</td>
<td>36,619</td>
</tr>
<tr>
<td>Technical provisions Life</td>
<td>928</td>
<td>4,770</td>
<td>5,225</td>
<td>4,246</td>
<td>3,677</td>
<td>11,827</td>
<td>30,675</td>
</tr>
<tr>
<td>Technical provisions Non-life</td>
<td>162</td>
<td>593</td>
<td>283</td>
<td>128</td>
<td>55</td>
<td>36</td>
<td>1,257</td>
</tr>
<tr>
<td>Total</td>
<td>1,091</td>
<td>5,364</td>
<td>5,508</td>
<td>4,374</td>
<td>3,732</td>
<td>11,864</td>
<td>31,932</td>
</tr>
<tr>
<td>Difference in expected cash flows</td>
<td>1,588</td>
<td>2,227</td>
<td>2,546</td>
<td>70</td>
<td>1,746</td>
<td>(3,490)</td>
<td>4,686</td>
</tr>
</tbody>
</table>

The table only includes the ‘for own account portfolio’. The portfolio on behalf of policyholders is not relevant in this context, since the premiums accumulated in the investment funds are paid to the policyholders at the maturity date. The accrued balances of savings policies and savings mortgages are also not taken into account as these are perfectly matched. The cash flows from investments presented in the table include interest flows. The cash flows arising from the technical provisions are estimated on a best-estimate basis pursuant to European Embedded Value principles. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. An increase or decrease of 10% of the assumptions results in materially different cash flows.

The cash flows do not include future profit sharing. Equity and other non-fixed income investments are not included in the
The table shows that the net cash flows of the Insurance activities will be positive for the technical liabilities in the coming years with the exception of liabilities with a term over 20 years. Since, moreover, the investment portfolios largely comprise liquid investments, such as German and Dutch government bonds, which can relatively easily be liquidated in times of stress, the insurer runs only a limited liquidity risk.

The Insurance activities have a potential liquidity requirement caused by margin requirements on derivatives. This is because, in the context of credit risk mitigation, the Insurance activities have agreed with their main counterparts to settle changes in the market value of derivatives periodically. As a result there may be both amounts received and amounts paid. On balance, an amount of € 481 million (2011: € 551 million) was received from counterparties as at year-end 2012. In relation to the total funding requirements, this risk is limited.
## 27 Financial instruments and hedge accounting

### 27.1 Financial instruments

#### 27.1.1 Fair value accounting of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS REAAL. In a number of cases, estimates are used. The balance sheet items not included in this table do not meet the definition of a financial asset or liability. The total of the fair value presented below does not reflect the underlying value of SNS REAAL and should therefore not be interpreted as such.

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through profit or loss: held for trading</td>
<td>848</td>
<td>-</td>
<td>-</td>
<td>(138)</td>
<td>710</td>
<td></td>
</tr>
<tr>
<td>Fair value through profit or loss: designated</td>
<td>103</td>
<td>1,032</td>
<td>-</td>
<td>-</td>
<td>1,135</td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>-</td>
<td>6,933</td>
<td>-</td>
<td>(2,661)</td>
<td>4,272</td>
<td></td>
</tr>
<tr>
<td>Investments for account of policyholders</td>
<td>-</td>
<td>13,265</td>
<td>-</td>
<td>(38)</td>
<td>13,227</td>
<td></td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,617</td>
<td>480</td>
<td>36</td>
<td>6</td>
<td>4,139</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>61,496</td>
<td>3,048</td>
<td>334</td>
<td>(971)</td>
<td>63,907</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,927</td>
<td>452</td>
<td>29</td>
<td>(106)</td>
<td>2,302</td>
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<tr>
<td>Other assets</td>
<td>699</td>
<td>504</td>
<td>87</td>
<td>(59)</td>
<td>1,231</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,934</td>
<td>1,563</td>
<td>106</td>
<td>(948)</td>
<td>7,655</td>
<td></td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>79,975</td>
<td>51,177</td>
<td>627</td>
<td>(5,043)</td>
<td>126,736</td>
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</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>637</td>
<td>865</td>
<td>276</td>
<td>(397)</td>
<td>1,381</td>
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</tr>
<tr>
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<td>-</td>
<td>558</td>
<td>(333)</td>
<td>22,397</td>
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<td>Securities lending liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,599</td>
<td>38</td>
<td>-</td>
<td>6</td>
<td>3,643</td>
<td></td>
</tr>
<tr>
<td>Savings</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>33,222</td>
<td></td>
</tr>
<tr>
<td>Other amounts due to customers</td>
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<td>4,075</td>
<td>681</td>
<td>(3,304)</td>
<td>10,988</td>
<td></td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>8,680</td>
<td>3,745</td>
<td>-</td>
<td>(792)</td>
<td>11,633</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,180</td>
<td>1,456</td>
<td>128</td>
<td>(67)</td>
<td>3,697</td>
<td></td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>80,026</td>
<td>10,179</td>
<td>1,643</td>
<td>(4,887)</td>
<td>86,961</td>
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<tr>
<td>Financial Assets</td>
<td>Banking activities</td>
<td>Insurance activities</td>
<td>Group activities</td>
<td>Eliminations</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------</td>
<td>---------------------</td>
<td>-----------------</td>
<td>-------------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value through profit or loss: held for trading</td>
<td>848</td>
<td>-</td>
<td>-</td>
<td>(138)</td>
<td>710</td>
<td></td>
</tr>
<tr>
<td>- Fair value through profit or loss: designated</td>
<td>103</td>
<td>1,032</td>
<td>-</td>
<td>-</td>
<td>1,135</td>
<td></td>
</tr>
<tr>
<td>- Available for sale</td>
<td>4,351</td>
<td>23,900</td>
<td>35</td>
<td>(128)</td>
<td>28,158</td>
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</tr>
<tr>
<td>- Loans and receivables</td>
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<td>-</td>
<td>(2,598)</td>
<td>4,172</td>
<td></td>
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<tr>
<td>Investments for account of policyholders</td>
<td>-</td>
<td>13,265</td>
<td>-</td>
<td>(38)</td>
<td>13,227</td>
<td></td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,617</td>
<td>480</td>
<td>36</td>
<td>6</td>
<td>4,139</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
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<td>3,053</td>
<td>474</td>
<td>(977)</td>
<td>64,334</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,927</td>
<td>452</td>
<td>40</td>
<td>(106)</td>
<td>2,313</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>699</td>
<td>504</td>
<td>87</td>
<td>(59)</td>
<td>1,231</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,934</td>
<td>1,563</td>
<td>106</td>
<td>(948)</td>
<td>7,655</td>
<td></td>
</tr>
<tr>
<td>Total financial assets</td>
<td>80,262</td>
<td>51,019</td>
<td>778</td>
<td>(4,986)</td>
<td>127,073</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Liabilities</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>820</td>
<td>1,034</td>
<td>391</td>
<td>(501)</td>
<td>1,744</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>21,990</td>
<td>-</td>
<td>552</td>
<td>(330)</td>
<td>22,212</td>
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<tr>
<td>Securities lending liabilities</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,599</td>
<td>38</td>
<td>-</td>
<td>6</td>
<td>3,643</td>
</tr>
<tr>
<td>Savings</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>32,815</td>
</tr>
<tr>
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<td>4,075</td>
<td>681</td>
<td>(3,302)</td>
<td>10,983</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>8,686</td>
<td>3,745</td>
<td>-</td>
<td>(792)</td>
<td>11,639</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,180</td>
<td>1,456</td>
<td>128</td>
<td>(67)</td>
<td>3,697</td>
</tr>
<tr>
<td>Total financial liabilities</td>
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<td>10,348</td>
<td>1,752</td>
<td>(4,986)</td>
<td>86,733</td>
</tr>
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</table>
### Fair value of financial assets and liabilities SNS Reaal 2011

#### In € millions

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value through profit or loss: held for trading</td>
<td>130</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>130</td>
</tr>
<tr>
<td>- Fair value through profit or loss: designated</td>
<td>98</td>
<td>1,017</td>
<td>-</td>
<td>-</td>
<td>1,115</td>
</tr>
<tr>
<td>- Available for sale</td>
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<td>22,570</td>
<td>52</td>
<td>(162)</td>
<td>26,338</td>
</tr>
<tr>
<td>- Loans and receivables</td>
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<td>6,188</td>
<td>-</td>
<td>(2,326)</td>
<td>3,862</td>
</tr>
<tr>
<td>Investments for account of policyholders</td>
<td>-</td>
<td>12,443</td>
<td>-</td>
<td>(23)</td>
<td>12,420</td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>117</td>
<td>-</td>
<td>-</td>
<td>117</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,321</td>
<td>572</td>
<td>43</td>
<td>(43)</td>
<td>3,893</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>64,637</td>
<td>2,991</td>
<td>329</td>
<td>(768)</td>
<td>67,189</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,682</td>
<td>508</td>
<td>124</td>
<td>(148)</td>
<td>2,166</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,111</td>
<td>285</td>
<td>96</td>
<td>9</td>
<td>1,501</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,129</td>
<td>1,189</td>
<td>18</td>
<td>(825)</td>
<td>5,511</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>79,986</td>
<td>47,880</td>
<td>662</td>
<td>(4,286)</td>
<td>124,242</td>
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<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>944</td>
<td>715</td>
<td>485</td>
<td>(470)</td>
<td>1,674</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>27,035</td>
<td>-</td>
<td>295</td>
<td>(231)</td>
<td>27,099</td>
</tr>
<tr>
<td>Securities lending liabilities</td>
<td>-</td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>120</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,606</td>
<td>53</td>
<td>2</td>
<td>(43)</td>
<td>3,618</td>
</tr>
<tr>
<td>Savings</td>
<td>30,151</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>30,150</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
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<td>4,014</td>
<td>623</td>
<td>(2,620)</td>
<td>11,719</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>4,654</td>
<td>3,154</td>
<td>73</td>
<td>(691)</td>
<td>7,190</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,694</td>
<td>1,315</td>
<td>98</td>
<td>4</td>
<td>3,111</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>77,787</td>
<td>9,371</td>
<td>1,575</td>
<td>(4,052)</td>
<td>84,681</td>
</tr>
</tbody>
</table>
### Book value of financial assets and liabilities SNS REAAL 2011

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In € millions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fair value through profit or loss: held for trading</td>
<td>130</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>130</td>
</tr>
<tr>
<td>- Fair value through profit or loss: designated</td>
<td>98</td>
<td>1,017</td>
<td>-</td>
<td>-</td>
<td>1,115</td>
</tr>
<tr>
<td>- Available for sale</td>
<td>3,878</td>
<td>22,570</td>
<td>52</td>
<td>(162)</td>
<td>26,338</td>
</tr>
<tr>
<td>- Loans and receivables</td>
<td>-</td>
<td>6,173</td>
<td>-</td>
<td>-</td>
<td>6,173</td>
</tr>
<tr>
<td>Investments for account of policyholders</td>
<td>-</td>
<td>12,443</td>
<td>-</td>
<td>(23)</td>
<td>12,420</td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>117</td>
<td>-</td>
<td>-</td>
<td>117</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,321</td>
<td>572</td>
<td>43</td>
<td>(43)</td>
<td>3,893</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>64,791</td>
<td>3,043</td>
<td>471</td>
<td>(772)</td>
<td>67,533</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,682</td>
<td>499</td>
<td>140</td>
<td>(148)</td>
<td>2,173</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,111</td>
<td>285</td>
<td>96</td>
<td>9</td>
<td>1,501</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,129</td>
<td>1,189</td>
<td>18</td>
<td>(825)</td>
<td>5,511</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>80,140</td>
<td>47,908</td>
<td>820</td>
<td>(4,284)</td>
<td>124,584</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In € millions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>1,121</td>
<td>1,002</td>
<td>604</td>
<td>(598)</td>
<td>2,129</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>27,361</td>
<td>-</td>
<td>302</td>
<td>(234)</td>
<td>27,429</td>
</tr>
<tr>
<td>Securities lending liabilities</td>
<td>-</td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>120</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,606</td>
<td>53</td>
<td>2</td>
<td>(43)</td>
<td>3,618</td>
</tr>
<tr>
<td>Savings</td>
<td>30,342</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>30,341</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>10,215</td>
<td>4,014</td>
<td>628</td>
<td>(2,715)</td>
<td>12,142</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>4,717</td>
<td>3,154</td>
<td>73</td>
<td>(697)</td>
<td>7,247</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,694</td>
<td>1,315</td>
<td>98</td>
<td>4</td>
<td>3,111</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>79,056</td>
<td>9,658</td>
<td>1,707</td>
<td>(4,284)</td>
<td>86,137</td>
</tr>
</tbody>
</table>

The fair values represent the amounts at which the financial instruments could have been traded between knowledgeable, willing parties in at arm’s length transactions on the balance sheet date. The fair values of financial assets and liabilities are based on quoted market prices, where observable. If market prices are not observable, various techniques are developed in order to arrive at an approximation of these instruments’ fair values. These techniques are subjective and use various assumptions based on the discount rate and the timing and size of expected future cash flows. Changes in these assumptions can significantly influence the estimated fair values. The main assumptions for each balance sheet category are explained in the section below.

For financial assets and liabilities valued at amortised cost, the fair value is shown excluding accrued interest. The accrued interest form these investments is recorded in other assets of liabilities.
27.1.2 Notes to the valuation of financial assets and liabilities

The following methods and assumptions are used to determine the fair value of financial instruments.

**Investments**

The fair values of equities are based on quoted market prices or available market information. The fair values of interest-bearing securities, excluding mortgage loans, are also based on quoted market prices or - in the event that quoted market prices do not provide a reliable fair value - on the present value of expected future cash flows. These present values are based on the prevailing market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the relevant investment.

**Derivatives**

The fair values of nearly all derivatives are based on market prices. For a limited number of non-publicly traded Derivatives the fair value depends on the type of instrument and is based on a present value model or an option valuation model.

**Loans and advances to customers**

The fair value of loans and advances to customers has been established by determining the present value of the expected future cash flows. Various surcharges on the yield curve were used for the calculation of the present value. In this respect, a distinction was made by type of loan and advance and by type of customer groups to which the loan/advance relates.

- **Mortgages**
  
  The market value of mortgages is determined based on a present value method. The yield curve used to determine the present value of cash flows of mortgage loans is the swap rate, increased by a risk surcharge. This risk surcharge has been derived from the development in mortgage rates compared to the swap rate. Fixed costs and surcharges for embedded options are not included in this spread. The value of embedded options is calculated separately. In determining the expected cash flows, any expected future early redemptions are taken into account.

- **Real estate finance**
  
  The fair value is based on the market price, defined as the price established between knowledgeable, willing parties in an arm’s length transaction (no forced transactions). At this time there is no active market for real estate financing and reference prices (derived from comparable transactions) are therefore not available. Management has ruled that the outcome of the internal study into the expected shortfall of the loans is the best estimate for the fair value. This study is based on the run-off strategy used by Property Finance based on value maximisation without time pressure on the run-off. Reference transactions perceptible in the market are taken into account as much as possible in the valuation. Unlike the balance sheet valuation, the study took into account the expected losses on items that were not (yet) in default on 31 December 2012. The discount rate at which the cash flows were discounted also includes surcharges based on the market rate on top of the original effective interest rate to express the increased risk with respect to the issuance date. Three scenarios (positive, neutral and negative) were calculated for the benefit of the internal study into the value of the portfolio. The outcome based on the neutral scenario has been recognised as fair value.

  The transfer price at which the real estate portfolio will be separated is based on the decision of the Minister of Finance, on the basis of a study carried out under his assignment.

**Loans and advances to banks**

For loans and advances to banks, the fair value of bank and insurance activities is considered equivalent to the book value given the short-term nature of the loans in this item.

**Other assets**

Because of the predominantly short-term nature of other assets the book value is considered to be a reasonable approximation of the fair value.
Cash and cash equivalents
The book value of the liquid assets is considered to be a reasonable approximation of the fair value.

Participation certificates and subordinated debt
The fair value of the participation certificates was estimated on the basis of the present value of the cash flows, making use of the prevailing interest rate plus a risk surcharge for similar instruments. The fair value of subordinated debt was estimated on the basis of the present value of the cash flows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is derived from the latest known market prices for subordinated debt in 2012.

See also section 30.27 Subsequent events.

Debt certificates
The fair value of debt certificates was estimated on the basis of the present value of the cash flows, making use of the prevailing interest rate plus a risk surcharge for SNS REAAL.

Amounts due to customers and banks
The fair values of demand deposits and saving deposits differ from the nominal value because the interest is not adjusted on a daily basis and in practice customers do not draw on the balance in the accounts for a longer period of time. The fair values of these deposits were calculated based on the net present value of the relevant portfolios' cash flows with fixed interest rates using a specific discount curve. For savings not covered by the Deposit Guarantee Scheme (DGS), the curve is based on the average current rates of several Dutch providers. SNS Bank’s Cost-of-Fund (COF) curve was used for savings not covered by the DGS. Last year, all savings were valued based on the COF curve. The adjustment of savings valuation has led to a strong increase in the fair value of savings.

The fair values of amounts due to banks were estimated on the basis of the present value of the future cash flows, using the interest rate currently applicable to amounts due to banks with similar conditions.

Other liabilities
The book value of the other commitments is considered to be a reasonable approximation of their fair value.

Interest rate
The discount rate used in determining fair value is based on the market yield on the balance sheet date.
27.1.3 Hierarchy in determining the fair value of financial instruments

A major part of the financial instruments is included in the balance sheet at fair value. The table below distributes these instruments among level 1 (the fair value is based on published stock prices in an active market), level 2 (the fair value is based on observable market data) and level 3 (the fair value is not based on observable market data).

<table>
<thead>
<tr>
<th>Hierarchy financial instruments</th>
<th>Level 1</th>
<th></th>
<th>Level 2</th>
<th></th>
<th>Level 3</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>22,795</td>
<td>20,270</td>
<td>7,125</td>
<td>7,225</td>
<td>83</td>
<td>87</td>
<td>30,003</td>
</tr>
<tr>
<td>Investments for account of policyholders</td>
<td>5,429</td>
<td>7,571</td>
<td>7,798</td>
<td>4,849</td>
<td>-</td>
<td>-</td>
<td>13,227</td>
</tr>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>-</td>
<td>117</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>- (16)</td>
<td></td>
<td>4,139</td>
<td>3,910</td>
<td>-</td>
<td>-</td>
<td>4,139</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>-</td>
<td>-</td>
<td>2,256</td>
<td>2,329</td>
<td>-</td>
<td>-</td>
<td>2,256</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through profit or loss: debt certificates</td>
<td>-</td>
<td>-</td>
<td>1,482</td>
<td>1,601</td>
<td>-</td>
<td>-</td>
<td>1,482</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>-</td>
<td>3,643</td>
<td>3,618</td>
<td>-</td>
<td>-</td>
<td>3,643</td>
</tr>
</tbody>
</table>

**Level 1 – Fair value based on published stock prices in an active market**

For all financial instruments in this valuation category, published stock prices are observable from stock exchanges, brokers or pricing institutions. In addition, these financial instruments are traded on an active market, which allows for the stock prices to accurately reflect current and regularly recurring market transactions between independent parties. The investments in this category mainly include listed shares and bonds.

**Level 2 – Fair value based on observable market data**

This category includes investments for which market quotes have been issued by brokers, but whose markets are also identified as being inactive. In that event, the available market prices are largely supported and validated using market data including market rates and current risk surcharges related to the various credit ratings and sector distinction. These concern mainly corporate bonds. The category also comprises financial instruments for which no issued stock prices are available, but whose fair value was determined using models with observable market data as their input variables. These instruments mainly include non-publicly traded interest rate Derivatives.

**Level 3 – Fair value not based on observable market data**

The financial instruments in this category have been individually assessed. The valuation is based on management’s best estimate, taking into account the most recently known prices. In many cases analyses prepared by external valuation agencies were used. These analyses used information unavailable to the market, such as assumed default rates belonging to certain ratings.
### Change in level 3 financial instruments

<table>
<thead>
<tr>
<th></th>
<th>In € millions</th>
<th>Fair value through profit and loss: held for trading</th>
<th>Available for sale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td></td>
<td>17</td>
<td>70</td>
<td>87</td>
</tr>
<tr>
<td>Total gains or losses recognised in profit or loss</td>
<td>(3)</td>
<td>(1)</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>Unrealised revaluations recognised in equity</td>
<td>-</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Sale/settlements</td>
<td>-</td>
<td>(3)</td>
<td>(3)</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>14</td>
<td>69</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Total gains or losses for the period included in profit or loss</td>
<td>(3)</td>
<td>(1)</td>
<td>(4)</td>
<td></td>
</tr>
</tbody>
</table>

### Breakdown level 3 financial instruments

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued by financial institutions</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Collateralised debt obligation</td>
<td>28</td>
<td>31</td>
</tr>
<tr>
<td>Collateralised loan obligation</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>87</td>
</tr>
</tbody>
</table>

The fair value of financial instruments classified in level 3 is partly based on data which are not observable in the market. The fair values of CDO's and CLO's classified in level 3 are determined by calculating scenarios with the use of best estimates of the data which are not observable in the market. The main non-observable data are the expected development of defaults in the underlying portfolios and the implied discount rate. When assuming a stress scenario, with for instance a (higher) assumed principal loss, this would result in a significant decrease of the fair value of the instrument.

### Impairments on financial instruments by category

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>32</td>
<td>51</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Bonds</td>
<td>-</td>
<td>7</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>58</td>
<td>17</td>
<td>40</td>
</tr>
</tbody>
</table>

SNS REAAL recognises impairments on equity instruments if the fair value has declined to 25% or more below cost price, or has been quoted below cost price uninterruptedly for at least 9 months.

SNS REAAL recognises impairments on financial instruments if there is a loss event with regard to the financial instrument. To identify this, the financial instruments are periodically assessed on the basis of a number of criteria set by the Financial Committee. Financial instruments meeting one or more of the above criteria are analysed and assessed individually to determine whether there is a loss event.

### Reclassifications between levels 1, 2 and 3

There have been no movements in level classification compared to the previous financial year.
### 27.1.4 Liquidity maturity calendar for financial liabilities

The table below shows the non-discounted cash flows ensuing from the most important financial liabilities, other than derivatives, broken down according to contractual maturity date.

#### Liquidity calendar financial liabilities SNS REAAL 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>-</td>
<td>(116)</td>
<td>(179)</td>
<td>(1,475)</td>
<td>(1,770)</td>
<td></td>
</tr>
<tr>
<td>Debt certificates</td>
<td>(284)</td>
<td>(1,563)</td>
<td>(925)</td>
<td>(9,853)</td>
<td>(11,999)</td>
<td>(24,624)</td>
</tr>
<tr>
<td>Securities lending liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Savings</td>
<td>(27,880)</td>
<td>(1,223)</td>
<td>(349)</td>
<td>(2,919)</td>
<td>(998)</td>
<td>(33,369)</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>(5,447)</td>
<td>(225)</td>
<td>(984)</td>
<td>(1,594)</td>
<td>(3,984)</td>
<td>(12,234)</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>(3,422)</td>
<td>(1,538)</td>
<td>(158)</td>
<td>(6,604)</td>
<td>(33)</td>
<td>(11,755)</td>
</tr>
<tr>
<td>Total</td>
<td>(37,033)</td>
<td>(4,549)</td>
<td>(2,532)</td>
<td>(21,149)</td>
<td>(18,489)</td>
<td>(83,752)</td>
</tr>
</tbody>
</table>

#### Liquidity calendar financial liabilities SNS REAAL 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation certificates and subordinated loans</td>
<td>-</td>
<td>(1)</td>
<td>(316)</td>
<td>(247)</td>
<td>(1,479)</td>
<td>(2,043)</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>(2,250)</td>
<td>(1,412)</td>
<td>(4,765)</td>
<td>(8,975)</td>
<td>(18,924)</td>
<td>(36,326)</td>
</tr>
<tr>
<td>Securities lending liabilities</td>
<td>(120)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(120)</td>
</tr>
<tr>
<td>Savings</td>
<td>(24,494)</td>
<td>(188)</td>
<td>(2,740)</td>
<td>(2,801)</td>
<td>(659)</td>
<td>(30,882)</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>(7,113)</td>
<td>(190)</td>
<td>(1,166)</td>
<td>(1,868)</td>
<td>(3,920)</td>
<td>(14,257)</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>(2,979)</td>
<td>(974)</td>
<td>(920)</td>
<td>(3,031)</td>
<td>(142)</td>
<td>(8,046)</td>
</tr>
<tr>
<td>Total</td>
<td>(36,957)</td>
<td>(2,765)</td>
<td>(9,907)</td>
<td>(16,922)</td>
<td>(25,124)</td>
<td>(91,674)</td>
</tr>
</tbody>
</table>
The table below shows the non-discounted cash flows ensuing from all derivatives contracts, broken down according to maturity date.

**Liquidity calendar derivatives SNS REAAL 2012**

<table>
<thead>
<tr>
<th></th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate derivatives</td>
<td>(52)</td>
<td>(105)</td>
<td>(470)</td>
<td>(1,500)</td>
<td>(1,438)</td>
<td>(3,565)</td>
</tr>
<tr>
<td>Currency contracts</td>
<td>(30)</td>
<td>(6)</td>
<td>(18)</td>
<td>(15)</td>
<td>-</td>
<td>(69)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(82)</td>
<td>(111)</td>
<td>(488)</td>
<td>(1,515)</td>
<td>(1,438)</td>
<td>(3,634)</td>
</tr>
</tbody>
</table>

**Liquidity calendar derivatives SNS REAAL 2011**

<table>
<thead>
<tr>
<th></th>
<th>&lt; 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate derivatives</td>
<td>(3)</td>
<td>(43)</td>
<td>(104)</td>
<td>(1,132)</td>
<td>(2,338)</td>
<td>(3,620)</td>
</tr>
<tr>
<td>Currency contracts</td>
<td>(11)</td>
<td>(8)</td>
<td>(29)</td>
<td>(15)</td>
<td>(33)</td>
<td>(97)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(14)</td>
<td>(51)</td>
<td>(133)</td>
<td>(1,147)</td>
<td>(2,371)</td>
<td>(3,716)</td>
</tr>
</tbody>
</table>

For a further explanation with regard to the management of the liquidity risk of the Banking activities and Insurance activities, we refer to paragraph 25.7 Liquidity risk Banking activities and 26.7 Liquidity risk Insurance activities.

### 27.2 Hedging and hedge accounting

SNS REAAL uses various strategies for the Insurance activities to hedge its interest rate, market value and exchange rate risks with regard to its solvency. In 2012, this strategy was further refined, e.g. by acquiring interest rate options. In addition, interest rate swaps and currency swaps were used. The hedging strategies of the Banking activities are mostly aimed at controlling the interest rate risk. Under IFRS, derivatives are valued at fair value in the balance sheet and any changes in the fair value are accounted for in the income statement. In the event that changes in fair value of hedged risks are not recognised through the income statement, an accounting mismatch occurs, making the results more volatile. In these cases, hedge accounting is applied as much as possible to mitigate accounting mismatching and volatility.

The notional amounts of the derivatives for hedging purposes presented in the table below reflect the degree to which SNS REAAL is active in the relevant markets. Derivatives held for trading purposes are not included in this overview.

**Derivatives for hedging purposes SNS REAAL 2012**

<table>
<thead>
<tr>
<th></th>
<th>Notional amounts</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 1 year</td>
<td>1 - 5 years</td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Swaps and FRAs</td>
<td>30,850</td>
<td>69,095</td>
</tr>
<tr>
<td>- Options</td>
<td>755</td>
<td>6,211</td>
</tr>
<tr>
<td>Index contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Options</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Currency contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Swaps</td>
<td>71</td>
<td>1,108</td>
</tr>
<tr>
<td>- Forwards</td>
<td>112</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,804</td>
<td>76,412</td>
</tr>
</tbody>
</table>
### Derivatives for hedging purposes SNS REAAL 2011

<table>
<thead>
<tr>
<th>Notional amounts</th>
<th>&lt; 1 year</th>
<th>1 - 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest rate contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Swaps and FRAs</td>
<td>12,966</td>
<td>69,475</td>
<td>56,405</td>
<td>138,845</td>
<td>3,028</td>
<td>(3,363)</td>
</tr>
<tr>
<td>- Options</td>
<td>1,237</td>
<td>6,298</td>
<td>2,893</td>
<td>10,428</td>
<td>428</td>
<td>(11)</td>
</tr>
<tr>
<td><strong>Index contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Options</td>
<td>350</td>
<td>6</td>
<td>-</td>
<td>356</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td><strong>Currency contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Swaps</td>
<td>166</td>
<td>1,101</td>
<td>230</td>
<td>1,497</td>
<td>177</td>
<td>(9)</td>
</tr>
<tr>
<td>- Forwards</td>
<td>204</td>
<td>-</td>
<td>-</td>
<td>204</td>
<td>2</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,923</td>
<td>76,879</td>
<td>59,528</td>
<td>151,330</td>
<td>3,658</td>
<td>(3,392)</td>
</tr>
</tbody>
</table>

The nominal amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying values of the primary financial instruments. These nominal amounts provide no indication of the size of the cash flows or of the market and credit risks attached to the transactions.

#### 27.2.1 Hedging

**Banking activities**

In the bank book, Derivatives are used to:

- Hedge the basic risk;
- Manage the duration of the interest-bearing shareholders’ equity. The policy is that this duration ranges between 0 and 8;
- Hedge specific embedded options in mortgages. This relates to mortgages of which the interest rate is capped or where movements in interest rates are not completely passed on to customers;
- Convert fixed-rate funding into floating-rate funding;
- Hedge the risks relating to hybrid savings products;
- Hedge the quotation risk when offering mortgages if the new business of fixed-rate mortgages is substantial;
- Hedge exchange rate risks by converting non-euro funding into euro funding;
- Hedge risks in investment portfolios.

**Insurance activities**

The Insurance activities use derivatives to protect the market value of shareholders’ equity and solvency from undesired market developments. Examples of this are:

- hedging interest rate risks resulting from return guarantees issued to policyholders;
- hedging interest rate risks resulting from obligations to share surplus interest with policyholders;
- hedging exchange rate risks on investments denominated in foreign currencies.

**Group activities**

SNS REAAL uses interest rate swaps to convert fixed-rate funding into floating-rate funding. Where non-euro funding is concerned, cross-currency swaps are used to convert this type of funding into euro funding. SNS REAAL has swapped part of the funding (€ 432 million) from a floating-rate to a fixed-rate coupon by means of interest rate swaps. At year-end 2012 the market value of these interest rate swaps was € 36 million (2011: € 2 million).
27.2.2 Hedge accounting

With regard to the majority of the hedge strategies explained above, SNS REAAL applies hedge accounting. In addition to the main distinction between fair value hedges and cash flow hedges, there is also a distinction between micro hedges and macro hedges in hedge accounting. In micro hedges, risks on separate contracts are hedged. In macro hedges, the risk of a portfolio of contracts is hedged. SNS REAAL applies the following hedge accounting methods:

Fair value hedges

Hedging the interest rate risk in the bank book (macro hedge)
The portfolio hedged consists of the fixed-rate mortgages of SNS Retail Bank. These are mortgages that have a fixed-rate interest period of more than 6 months. The hedging instruments are interest rate swaps entered into within the framework of the interest rate risk management in the ALM process. The risk hedged is the risk of change in the value of the portfolio as a result of movements in the market interest rates.

Hedging embedded derivatives in mortgages (macro hedge)
The mortgage portfolio contains mortgages with interest rate derivatives embedded in the mortgage. These ‘embedded options’ are hedged by purchasing mirrored interest rate derivatives in the market. The two products to which hedge accounting is applied are the Rentedemperhypotheek and the Plafondhypotheek mortgages. The hedge covers the interest rate risk that occurs as a result of writing the embedded interest rate option to the customer.

Hedging the interest rate risk on funding (micro hedge)
SNS REAAL uses micro hedges to convert fixed-rate funding with interest rate swaps into floating interest rates. If the funding is in foreign currency, foreign exchange swaps are applied. In addition to converting the foreign currency into euros and the fixed rate into a floating rate, SNS REAAL also uses derivatives to swap structured funding to floating-rate funding. In structured funding, the funding charge is related to, for example, developments in an equity index or inflation. Interest rate structures such as floating-rate coupons with a multiplier or a leverage factor also fall under the funding programme. SNS REAAL fully hedges the interest rate risk on these structures.

Hedging the interest rate risk on investments (macro hedge)
Interest rate risk on fixed-income investments (government bonds) is hedged by swapping the coupon to a floating rate using interest swaps and by selling interest rate futures. The country or credit spread which is present in the investments is not part of the hedge. The hedges are protection for the accumulated revaluation reserve of the relevant fixed-income investments.

Hedging the foreign exchange risk in the equity portfolio
The Insurance activities hedged the foreign exchange risk in their equity portfolio at the macro level using foreign exchange futures contracts.

Cash flow hedges

Hedging the quotation risk of mortgages
The mortgage quotation risk can be hedged with swaptions and forward starting swaps. The risk that is hedged here is the variability of the interest rate up to the time of financing. The intrinsic market value movements of the derivatives until the moment of payment of the mortgage (up to 3 months) are taken to shareholders’ equity. After the end of the hedge the value accrued in the hedge is amortised to the result during the duration of the funding. The accrued value in shareholders’ equity was €7.4 million negative as at 31 December 2012.

Hedging floating interest rate cash flows
The risks of floating interest rate cash flows on the liquidity position, floating interest rate mortgages, property finance loans and funding are covered by entering into interest rate swaps and basis swaps. The accumulated value of the derivatives during the term of the hedge is included in equity. The accumulated value in shareholders’ equity as at 31 December 2012 was €97.7 million.
Hedging the interest rate risk in future reinvestments

The Insurance activities have lengthened the effective maturity of two investment portfolios at the macro level with the use of interest rate swaps. This fixes interest income over a longer period of time. The risk that is hedged here is the variability of the interest rate at the time of reinvestment. The cash flow hedge consists of forward starting swaps. At the time of reinvestment (in this case, the end of the maturity of the short-term swap), the long-term swap is sold, and the proceeds are reinvested in fixed-income assets. The characteristics of this reinvestment (maturity, coupon dates) are largely similar to those of the sold swap.

At year-end 2012, 12 of these combinations were outstanding (year-end 2011: 5 combinations). As the hedge relationship was terminated, the positive result of € 0.8 million was recognised in the income statement.

Reinvestment calendar SNS REAAL (notional amounts)

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1 - 5 years</td>
<td>136</td>
<td>58</td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td>472</td>
<td>550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>608</td>
<td>607</td>
</tr>
</tbody>
</table>

At year-end 2012, positive realised and unrealised market values and deferred interest income of € 54 million (2011: € 52 million) had been built up in shareholders’ equity. This positive market value and the interest are released to the income statement at the reinvestment points indicated above, over a period that is equal to the remaining maturity of the long-term swap in question.

No hedge accounting is applied to the equity options of REAAL, nor is it applied to the swaptions of REAAL.
28 Non-financial risk management

As described in the risk classification, SNS REAAL recognises both financial risks and non-financial risks. Non-financial risks include strategic, integrity and operational risks. The Compliance, Security & Operational Risk Management (CS&O) department is one of the departments monitoring and advising on the management of these non-financial risks.

28.1 Management of non-financial risks

SNS REAAL has taken several measures to manage non-financial risks. The main components are the following:

- A clear governance structure, including a transparent assignment of duties and responsibilities and escalation procedures, reinforced with a clear risk management structure. For this purpose SNS REAAL implemented the ‘Three Lines of Defence’ model, making line management primarily responsible for recognising and managing risks and taking decisions in that area. Along with several other Group staff departments, the Compliance, Security & Operational Risk Management (CS&O) department has an important monitoring role to play in the second Line of Defence and has the option of escalation where necessary. The third Line of Defence is formed by Group Audit, which, independently from the line, tests the set-up and operation of the entire system of control measures.

- The Group policy formulated by CS&O, including the operational risk framework, in the field of ethical business conduct concerning non-financial risks. If desired, CS&O provides recommendations on the practical translation to the specific application within the business units and monitors compliance.

- The training & awareness programme to make managers and staff aware of non-financial risks. This programme includes information meetings, e-learning programmes, presentations and ‘train the trainer’ workshops.

- The advisory role of staff departments operating independently from the line in the development and endorsement of products. Since 2012, this also includes the periodic review of product portfolios.

- The central reporting centre where staff can report various kinds of incidents, such as fraud, undesirable behaviour and information security breaches. The aim is that risks are reported in time so consequential damage can be prevented or limited and adequate measures can be taken to prevent similar incidents. Employees can also report incidents to the reporting centre anonymously (whistleblowing arrangement).

- Signs of fraude are always investigated. Fraude investigations are risk based, with specialistic external support if necessary. See also paragraph 28.2.

- The monitoring programme executed annually by CS&O in consultation with Group Audit. Based on a risk-based analysis, the means to be used for relevant subjects are annually determined.

- The quarterly report on non-financial risks. This quarterly report provides the management boards, the Executive Board and the Supervisory Board’s Risk Committee with an overview of the main developments in non-financial risks, progress in the follow-up of action items, the implementation of new/amended laws and regulations, the central embedding of customer interests in the organisation and an analysis of the developments in incidents. This report also presents the degree to which SNS REAAL acts in accordance with its risk appetite.

- The periodic in-control statements by the management boards of the business units and the Executive Board members. In this statement, they report on the main risks and corresponding control measures, the improvements made compared to the previous period and the improvement measures in progress. The in-control statement points out the most actual risks.
28.2 Property Finance

During the financial year reasonable suspicion of irregularities was obtained in respect of invoices and expense reimbursement claims regarding the hiring of third parties and cooperation with third parties in Property Finance. This has partly occurred at management and supervisory functions on projects.

Currently these signals, which indicate irregularities, are under further investigation. Concrete evidence of irregularities will lead to claims. These claims are inherently uncertain and, therefore, do not lead to recognition of a receivable in the balance sheet or to a disclosure of a contingent asset at this time.

We have implemented several measures to prevent reoccurrence of these irregularities. Inter alia, the employees potentially involved no longer work for Property Finance. If applicable, our relationships with third parties associated with these individuals have been terminated. In addition, a number of managers and employees of Property Finance have been suspended pending the investigation. Furthermore, suspicion of criminal offenses arising from the conduct of these employees are reported to the authorities. The continuation of our investigation of potential irregularities is one of the measures taken by SNS REAAL in response to the signs of potential irregularities.

In addition to the investigations carried out by SNS REAAL there is an investigation by the criminal authorities. To the extent possible and allowable under Dutch law, SNS REAAL cooperates with the criminal authorities. It is possible that at the completion of investigations, matters arise that could affect the valuation of assets and liabilities.

Finally, with respect to a limited number of loans, irregularities are suspected which took place before 2010. These files are currently being investigated with the assistance of a third party.

28.3 Capital requirement operational risk

To calculate the capital that must be maintained as a buffer for the manifestation of operational risks, the standardised approach is used for both the Banking activities and the Insurance activities. The adequacy of the banking capital for operational risk is assessed every year on the basis of ICAAP; with regard to the Insurance activities, an initial outline was developed for the ORSA in 2011. This outline was further refined in 2012.
29 Capital management

29.1 Capital management at particular times

Already during 2011 the capital ratios of SNS Bank were a primary focus of attention. At that time the EBA stress test resulted in a capital deficit at SNS Bank. Mid-2012 the capital ratio improved as a result of the reduction in risk-weighted assets. However, the underlying enchasing triggers of the decreasing capital ratios, such as the value adjustments at especially Property Finance and higher capital requirements, were distressing. During the course of 2012, the increase of the risks of the property finance portfolio of SNS REAAL led to the conclusion that without additional actions the solvency could not be improved sufficiently enough to meet the (internal) capital requirements in the medium term for Bank and Group. Also for house financing impairment losses increased. The risk weighted assets of houses are mainly based on statistical models. Recent developments are used to rebuild these models. In particular, the losses in a period of recession, a so-called downturn, are estimated higher. The new models project, under the same circumstances, significantly higher losses on lead to highte risk weighted assets.

Due to these developments, the financial position of SNS REAAL in 2012 weakened. The core Tier 1 ratio decreased from 9.2% in 2011 to 6.1% at year-end 2012, and thus below the limit required by DNB and under the internal standard of at least 9%. The Double Leverage of the Group increased from 114% to 127%, and thus well above the internal limit of up to 115%. As a result of these developments, it was decided to perform a strategic reorientation, as communicated in July 2012. Various scenarios were investigated to strengthen the capital base.

Near the end of 2012, SNS REAAL frequently made the headlines. The trust of consumers and financial markets in a solution for the strengthening of the capital position declined.

End of 2012, SNS Bank concluded in its Internal Capital Adequacy Assessment Process (ICAAP) that without additional actions there would be insufficient capital. With the ongoing negative economic developments it would be improbable that SNS REAAL could indeed repay the capital support received form the State in 2008 on the agreed date (year-end 2013 at the latest). In the upcoming years, it was expected that the capital ratio of the company would even be under more pressure and the (uptill then) projected increasing capitalisation would not further improve.

The Dutch Central Bank (DNB) informed through its Supervisory Review and Evaluation Process (SREP) SNS REAAL that the risks regarding the property finance portfolio were far more material than was presumed. DNB also informed the company that an increase of the core capital would be necessary on short term notice. When SNS REAAL, according to DNB, could not meet the demands set out to accomplish this in time, DNB informed the Ministry of Finance it would not be justified for SNS Bank to continue its Banking activities. On 1 February 2013, the Ministry of Finance therefore decided to nationalise SNS REAAL, as is described in chapter 2 Nationalisation of SNS REAAL.

SNS REAAL now has the possibility to focus on its core activities and further strengthen its capital base.

The pro forma capitalisation of SNS REAAL and SNS Bank improved after nationalisation.

The pro forma core Tier 1 ratio of SNS Bank is 14.9% at year-end 2012 and the pro forma double leverage of SNS REAAL is 107%. Regulatory solvency of Insurance activities (176%) does not change as a result of the nationalisation. See also for pro forma figures paragraph 20.1 Consolidated balance sheet. The pro forma solvency ratios take all known effects caused by the nationalisation into account, including secondary effects such as:

- The transfer of Property Finance to a real estate management organisation at a loss on separation of € 2.8 billion on the real estate portfolio compared to the book value of June 2012 (refer to section 2.2.1.1). Of this amount, € 776 million is recognised in the second half of 2012. For the remaining loss, a provision of € 2.0 billion has been made in the first quarter of 2013. This provision will lead to a decrease in the risk-weighted assets of SNS Bank as per February, after which the remaining risk-weighted assets will be released at the external transfer of the portfolio (refer to 2.2.1.6).
- The conversion of the core Tier 1 securities issued to the State and Stichting Beheer SNS REAAL into share premium on ordinary shares in SNS REAAL.
29.2 Going concern capital management

29.2.1 Planning
Every year, SNS REAAL prepares operational plans with a three-year horizon. At the same time, it prepares the Capitalisation and Funding Plan with the same horizon, in which the expected development of the capital and funding available is compared to the capital and funding requirements ensuing from the operational plans. Instruments to lower the risks and to increase the available capital and liquidity are used for control purposes. For more details on funding, please refer to chapter 16 Funding and credit ratings.

In addition to the long-term planning in the Capitalisation and Funding Plan, each month a 12-month rolling forecast of capitalisation developments is made for the Banking activities, which is discussed at ALCO Bank. This forecast makes it possible to take additional measures if necessary. The quantitative assessment of the capital position comprises a comparison of the capital available and the internal standards under the current regulatory framework as well as the economic capital. In addition, the expected capital ratios are confronted with the applicable internal standards after a stress event. In determining the available capital, the restrictions that supervisory authorities and rating agencies require with regard to the composition of capital are taken into account.

For the Insurance activities, a monthly solvency sensitivity analysis is performed and discussed at Insurance ALCO.

SNS REAAL’s Group ALCO assesses the results of the economic capital calculations, the requirements of supervisory authorities and rating agencies, the outcomes of stress tests and capital planning. Based on these assessments, it is decided whether additional measures are required.

29.2.2 Capital adequacy assessment
The assessment of capital adequacy consists of the following elements:

- An ICAAP for the Banking activities is performed on an annual basis and a solvency sensitivity analysis is performed for the Insurance activities on a monthly basis, with close involvement of senior management to determine the capital adequacy. ICAAP is further described in paragraph 29.5.2 Capital Adequacy Banking activities (ICAAP).
- As part of the ICAAP, the capital requirements ensuing from stress testing are compared to the qualifying capital present.
- The results of the stress tests are annually compared with the economic capital required. The economic capital is calculated and reported to Group ALCO on a quarterly basis. Sensitivity analyses are performed and forecasts of capital development are made on a monthly basis.
• An annual ORSA test run for the Insurance activities, in addition the use of Solvency at Risk as control variable.
• Using the Supervisory Review & Evaluation Process (SREP), a dialogue with DNB about the capital adequacy is held. Please refer to paragraph 2.1 Nationalisation of SNS REAAL for the outcome of this process.

29.3 Objectives and framework of standards

29.3.1 Objectives

SNS REAAL’s capitalisation policy focuses on the optimisation of the capital structure in such a manner that it contributes to the realisation of SNS REAAL’s strategic objectives. At the same time, SNS REAAL also seeks to maintain a healthy balance between the amount of capital and the risks it runs.

In determining the capital structure, SNS REAAL takes into account the restrictions set by the Dutch Central Bank, national and European regulations, rating agencies and internal requirements regarding capital adequacy.

SNS REAAL’s capital management is aimed at again obtaining a solid A rating at the rating agencies, as well as on permanent compliance with regulatory requirements. Through active capital management, SNS REAAL aims for optimum capital allocation among the various business units to achieve maximum returns on its activities.

29.3.2 Framework of standards

In 2012, SNS REAAL’s internal targets for solvency, are mentioned in the scheme below.

<table>
<thead>
<tr>
<th>Solvency standards SNS REAAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>SNS REAAL</td>
</tr>
<tr>
<td>Insurance activities</td>
</tr>
<tr>
<td>Banking activities</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The double leverage target limits the degree to which debt raised by the Group can be reallocated to subsidiaries as shareholders’ equity.

To calculate its solvency ratios, SNS Bank NV applies the Basel II regulatory framework. This includes the credit risk types, market risk of trading portfolios and operational risk, and applies the Internal Rating Based method for the credit risk for residential mortgages.

The Insurance activities’ solvency is calculated within the Solvency I regulatory framework. The available capital is then mainly based on the balance of the market value of assets and liabilities, adjusted for intangible assets and raised by subordinated debt. In 2012, DNB made an adjustment to the discount curve for the insurance obligations, based on the Ultimate Forward Rate. The required capital is related to the size of the technical provision.
29.4 Capital position

29.4.1 Capital position SNS REAAL

Capitalisation

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SNS REAAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>3,352</td>
<td>5,090</td>
</tr>
<tr>
<td>Double leverage</td>
<td>127.4%</td>
<td>115.1%</td>
</tr>
</tbody>
</table>

**Banking activities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>core Tier 1 ratio</td>
<td>6.1%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Tier 1 ratio</td>
<td>7.7%</td>
<td>12.2%</td>
</tr>
<tr>
<td>BIS ratio</td>
<td>9.3%</td>
<td>14.4%</td>
</tr>
<tr>
<td>core Tier 1 capital</td>
<td>1,253</td>
<td>1,879</td>
</tr>
<tr>
<td>Tier 1 capital</td>
<td>1,584</td>
<td>2,505</td>
</tr>
<tr>
<td>BIS capital</td>
<td>1,908</td>
<td>2,961</td>
</tr>
<tr>
<td>Risk Weighted Assets</td>
<td>20,592</td>
<td>20,534</td>
</tr>
</tbody>
</table>

**Insurance activities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory solvency Insurance activities</td>
<td>176%</td>
<td>203%</td>
</tr>
<tr>
<td>Regulatory solvency Life</td>
<td>211%</td>
<td>234%</td>
</tr>
<tr>
<td>Regulatory solvency Non-Life</td>
<td>490%</td>
<td>464%</td>
</tr>
<tr>
<td>Available regulatory capital</td>
<td>2,630</td>
<td>2,715</td>
</tr>
<tr>
<td>Capital requirement</td>
<td>1,491</td>
<td>1,337</td>
</tr>
</tbody>
</table>

SNS Bank publishes its solvency ratios using the risk-weighted assets as calculated under Basel II, taking into account the Basel I Floor rules.

In 2012, total equity at SNS REAAL decreased by € 1,738 million to € 3,352 million, driven mainly by the net loss of € 972 million and the decrease of the fair value reserve of the fixed-income portfolio by € 747 million to € 50 million positive. The fair value reserve was negatively impacted by shadow accounting (€ -1,689 million), mainly consisting of the shortfall in the LAT of € 1,490 million and by realised revaluations through the income statement (€ -233 million), partly offset by the positive effect of declining interest rates.

The fair value reserve of the equity portfolio decreased by € 20 million to € 140 million due to sales and due to a lower valuation of the stake in Q-Park.

The DAC accounting policy change in 2012 had a negative impact on total equity of € 338 million. Comparative figures have been restated.

Group double leverage increased from 115% to 127%, mainly as a result of the net loss of the holding company and due to decreased equity of subsidiaries. Compared to year-end 2011, nominal leverage increased by € 147 million to € 918 million.
29.4.2 Solvency Banking activities
SNS Bank NV publishes its solvency ratios using the risk-weighted assets as calculated under Basel II, taking into account the Basel I 80% floor rules. In the second half of 2012 the implementation of more prudent risk assessment models for loans in combination with a deteriorating credit risk environment led to an increase in the level of risk-weighted assets under Basel II, which surpassed the level of Basel I with an 80% floor. As a consequence, solvency ratios are since then calculated using Basel II risk-weighted assets, whereas for previous periods Basel I with an 80% floor was used. Basel II risk-weighted assets increased from € 19.2 billion at year-end 2011 to € 20.6 billion. The use of more stringent risk assessment models for retail mortgages led to an increase of € 3.5 billion in Basel II risk-weighted assets, which were also impacted by the redemption of debt securities issued under securitisation programmes. This was partly compensated by the decline of the total exposure at Property Finance. Due to the net loss at SNS Bank NV and the increase in risk-weighted assets, the core Tier 1 ratio dropped from 9.2% at the end of 2011 to 6.1%, which was below the internal and the DNB requirements.

29.4.3 Solvency Insurance activities
Solvency of the Insurance activities amounted to 176% compared to 203% at the end of 2011. A decline of 19% was due to an increase in required capital mainly related to a change of the solvency requirements of a part of the separate accounts and due to the downward shift of the yield curve which led to an increase of the liabilities and thus also to an increase of required capital. Furthermore, solvency mainly declined due to the narrowing of credit spreads of French sovereign debts which resulted in a more strongly increase of the liabilities than the investment portfolio, because the liabilities are valued by using the ECB AAA + UFR, in which French sovereign debts represent a greater part than in the investments. Finally, solvency decreased due to a dividend upstream by REAAL Non-Life to SNS REAAL in the first half of 2012 and due to the impact of model and parameter changes mainly related to mortality. Underlying results partly offset the negative impact on solvency.

The use of the new interest rate curve had a 20%-point positive impact on solvency. However, at Insurance holding level this impact was almost wholly offset by a more restrictive stance on Tier 2 debt included in solvency capital (-19%).

In the regulatory solvency ratio of SRLEV, the legal entity comprising most of the life insurance operations, the inclusion of Tier 2 debt was already capped. Solvency of SRLEV declined from 223% at year-end 2011 to 211%.

29.4.4 IFRS and Regulatory liability adequacy test
IFRS liability adequacy test (LAT)
The adequacy of the insurance technical provisions is tested in every reporting period by means of the IFRS liability adequacy test (LAT). This LAT compares the market value and the IFRS carrying amount of the insurance liabilities and related assets. In 2012, SNS REAAL changed the interest rate curve used to calculate the market value of the insurance liabilities in the IFRS LAT from the ECB All Government curve to the ECB AAA + UFR curve. This change implied a significantly lower discount rate which impacted the surplus value shown in the IFRS LAT negatively.

The use of the ECB AAA + UFR curve and the general decline of interest rates in 2012 led to an IFRS LAT shortfall in the insurance liabilities of € 2,158 million gross at the end of 2012. By using shadow accounting, the positive fair value reserve of the fixed-income portfolio was used to increase the IFRS carrying amount of the insurance liabilities by € 1,986 million. Net of tax, this negatively impacted total equity by € 1,490 million in 2012. The remaining shortfall of € 172 million gross (€ 129 million net) was charged to the income statement as a partial impairment of the VOBA.

The effect on equity and result of the change in the interest rate used in the liability adequacy test, is described in paragraph 21.3.4.2 Changes in estimates.

Regulatory liability adequacy test (TRT)
SNS REAAL includes the excess or deficit in the book value of the technical provisions with respect to the corresponding test provisions in the available solvency. SNS REAAL determines this excess or deficit by performing the Regulatory
liability adequacy test (TRT) under the Dutch Financial Supervision Act.

In 2012, the test result was ultimately adversely impacted by non-economic factors such as changes to the projected future mortality rates due to the use of different forecast tables with new mortality trends (see also section Life expectancies in section 26.2.4 Managing insurance risks in the life insurance portfolio).

29.4.5 Market sensitivity regulatory solvency ratio

The table below shows the sensitivity of DNB solvency of the Insurance activities. The main risk drivers are interest rates and spread.

<table>
<thead>
<tr>
<th>Market sensitivity regulatory solvency ratio</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates -1%</td>
<td>18%</td>
<td>(26%)</td>
</tr>
<tr>
<td>Interest rates +1%</td>
<td>(11%)</td>
<td>8%</td>
</tr>
<tr>
<td>Credit spreads Corporate Bonds +0.5%</td>
<td>(11%)</td>
<td>(10%)</td>
</tr>
<tr>
<td>Credit spreads Sovereign Bonds +0.5%</td>
<td>(2%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Equity prices -10%</td>
<td>(2%)</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

In 2012, the sensitivity of the Insurance activities to interest rate cuts changed from -26% when interest rates fell at year-end 2011 to -11% at year-end 2012 when interest rates rose. This change is mainly due to the UFR method introduced by the Dutch Central Bank. For a more detailed explanation of the discounting curve see paragraph 25.6.1 Managing market risk.

The Insurance activities continued the active reduction of their exposure to interest rate risk in 2012. This reduction was mainly achieved with the acquisition of additional interest rate derivatives in the form of swaptions so as to further match the profit sharing and return guarantees in the liabilities. Alternatively, as a result of the UFR introduction, swap transactions were effected in order to reduce the asset portfolio’s term to maturity.

Sensitivity to spread was reduced with the sale of peripheral and Austrian government bonds. Proceeds from these divestments were reinvested in German and French government bonds. Although AAA government bonds are assumed to be risk free, this year has shown that even these bonds can be sensitive to perceptions of country-specific and Eurozone-related credit risk.

29.5 Capital adequacy

29.5.1 Capital management framework

In assessing capital adequacy, SNS REAAL takes into account the economic risks of the underlying activities. These risks are assessed using stress tests, regulatory capital calculations as prescribed in the Basel II/III or Solvency I regulatory framework, and economic capital calculations. SNS REAAL’s capital management comprises the following main activities: determining the minimum level of required capital, performing stress tests on the capital adequacy and a (qualitative) capital adequacy assessment (ICAAP/ORSA) and keeping the available capital at the required level.

SNS REAAL periodically assesses the capital adequacy of its Banking activities by applying the Internal Capital Adequacy Assessment Process (ICAAP). The capital adequacy of the Insurance activities according to the Solvency II regulatory framework will be assessed by the Own Risk and Solvency Assessment (ORSA). There is some uncertainty regarding new regulations in respect to ORSA.
29.5.2 Capital adequacy banking activities (ICAAP)

In the ICAAP, the required amount of capital is determined by the Management Board of SNS Bank and the Executive Board. Points of departure are the balance sheet, (proposed) strategy, risk appetite and existing risks. The assessment includes the questions of how risks are dealt with and whether the capitalisation of SNS Bank in current and possibly future circumstances is sufficiently robust to absorb the risks. Risks are identified using the business strategy and are tested against risk tolerance levels within the risk appetite framework defined. This also enables the integration of risk management according to the recommendations of the Dutch Banking Code.

The robustness of capital levels is also tried by performing stress tests. In 2012, SNS REAAL performed an internal stress test on the Banking activities as part of the 2012 ICAAP. For this stress test, the risks involved were thoroughly analysed and tested. SNS REAAL applies its own specific economic scenarios for this stress test. The economic capital and the Regulatory Capital (Basel II, pillar 1) are part of the ICAAP as well and the capital management process is reviewed. The results of the 2012 ICAAP show that the Banking activities of SNS REAAL do not meet the internal standards either in the base case scenario or in a stress scenario. With reference to the Supervisory Review and Evaluation Process (SREP) SNS REAAL is in ongoing dialogue with the Dutch Central Bank on the ICAAP results.

The Dutch Central Bank (DNB) informed through its Supervisory Review and Evaluation Process (SREP) SNS REAAL that the risks regarding the property finance portfolio were far more material than was presumed. DNB also informed the company that an increase of the core capital would be necessary on short term notice. When SNS REAAL, according to DNB, could not meet the demands set out to accomplish this in time, DNB informed the Ministry of Finance it would not be justified for SNS Bank to continue its Banking activities. On 1 February 2013, the Ministry of Finance therefore decided to nationalise SNS REAAL, as is described in chapter 2 Nationalisation of SNS REAAL.

29.5.3 Capital adequacy insurance activities (ORSA)

The Insurance activities' capital adequacy is evaluated within the Solvency I regulatory framework.

SNS REAAL is actively implementing future regulations, which are known as Solvency II. The Own Risk & Solvency Assessment (ORSA) is part of Solvency II. In 2012, SNS REAAL did not perform a full ORSA. At the end of 2012/beginning of 2013, SNS REAAL performed an ORSA Light with senior management.

29.5.4 Economic capital

SNS REAAL uses economic capital (that is unexpected losses) as much as possible for the management of the Company and the business units with the aim to create value in the long term. To this end, the economic capital must first be calculated as precisely as possible, without incorporating a margin of conservatism in the estimate of the economic capital formula components and the economic capital calculations themselves. In assessing capital adequacy, SNS REAAL takes into account any uncertainties in the economic capital models. These uncertainties are translated into separate surcharges and added to the unadjusted economic capital.

An one-year horizon with a confidence level of 99.96% is used in determining the economic capital. This confidence level is calibrated to the default probability of a company with an AA rating. SNS REAAL deliberately chooses this higher confidence level over the level related to the rating ambition in order to be more confident that it will achieve the single A rating. In the economic capital calculation, diversification effects between risk categories are taken into account. These diversification effects occur because not all risks manifest themselves simultaneously. Diversification effects between the Banking and Insurance activities are also taken into account in the calculations for SNS REAAL. In the calculation of the economic capital of both the Banking and the Insurance activities, diversification effects between the Banking and Insurance activities are not taken into account. The capital adequacy of the Banking activities and the Insurance activities is thus assessed separately.

The economic capital for SNS REAAL as a whole, as well as for the Banking and Insurance activities, is calculated on a quarterly basis. After these figures have been analysed, the conclusions are discussed in the various allocation
committees and with the Supervisory Board. The economic capital figures are also discussed with the Dutch Central Bank. Economic capital is furthermore used in the ICAAP, the ORSA and in the specification and assessment of risk appetite. At the Banking activities, economic capital is used to determine the value of our customers.

29.5.5 Stress testing

**DNB stress test on Banking activities**

At the Dutch Central Bank’s request, SNS REAAL performed two (macro) stress tests on its Banking activities in the third quarter of 2012: a stress test for the whole of SNS Bank NV, and a housing market stress test on residential mortgages. Both stress tests are based on a core Tier 1 ratio of 9.6%, the situation as it was at the end of June 2012.

The SNS Bank stress test has a two-year horizon, for which the Dutch Central Bank has prepared a base case scenario and a stress scenario. The stress scenario takes into account a further deterioration of the economy and the financial markets. For example, this stress scenario includes a considerable value decrease of residential property (approximately 30% in 2 years) and commercial property and rising unemployment rates.

The results show that the solvency drops in the stress scenario due to high impairments on the Property Finance and SNS SME portfolios and the adjustment for the revaluation reserve. This brought the solvency below the internal 2012 standard of 5.125% core Tier 1 ratio after stress.

The Dutch Central Bank’s housing market stress test has a five-year horizon and consists solely of a stress scenario prescribed by the Dutch Central Bank. This scenario takes into account a further deterioration of the economy, combined with amendments to (tax) legislation. The scenario assumes that tax laws are amended for concluding a mortgage loan. The scenario goes beyond the measures announced in the Spring Agreement that limit the Loan-to-Value ratio and interest deductibility of new loans.

The economic scenario includes a considerable decrease of residential property prices (more than 40% in 5 years) and rising unemployment rates. However, the economic scenario is not in line with the scenario of the SNS Bank stress test, which makes it difficult to compare these two stress tests.

See for more information about stress testing paragraph 29.5.2 Capital adequacy Banking activities (ICAAP).

**EBA stress test on Banking activities**

In 2012, the European Banking Authority (EBA) did not ask SNS REAAL to perform a stress test on its Banking activities. In the meantime it was announced that there will not be an EBA stress test for 2013. This will be moved up to 2014.

See for more information about stress testing paragraph 29.5.2 Capital adequacy Banking activities (ICAAP).

**ICAAP stress test on Banking activities**

In the third quarter of 2012, SNS REAAL subjected its Banking activities to an internal stress test within the context of its Internal Capital Adequacy Assessment Process (ICAAP). This internal stress test is largely based on the Dutch Central Bank’s company-wide stress test. The results showed that the solvency drops in the stress scenario due to high impairments on the portfolios of Property Finance and SNS SME. This brought the solvency below the internal 2012 standard of 5.125% core Tier 1 ratio after stress.

See for more information about stress testing paragraph 29.5.2 Capital adequacy Banking activities (ICAAP).

**EIOPA stress test**

In 2012, the European Insurance and Occupational Pensions Authority (EIOPA) did not ask SNS REAAL to perform a stress test on its Insurance activities. Furthermore, SNS REAAL decided in 2012 to perform a ‘light’ version of the ORSA. With a view to this ORSA light, a simplified version of the stress test is performed.
### 30 Notes to the consolidated financial statements

#### 30.1 Intangible assets

**Specification intangible assets**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>67</td>
<td>114</td>
<td>150</td>
<td>422</td>
</tr>
<tr>
<td>Software</td>
<td>16</td>
<td>21</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Value of Business Acquired (VOBA)</td>
<td>-</td>
<td>-</td>
<td>623</td>
<td>863</td>
</tr>
<tr>
<td>Other intangible fixed assets</td>
<td>15</td>
<td>18</td>
<td>80</td>
<td>242</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98</strong></td>
<td><strong>153</strong></td>
<td><strong>885</strong></td>
<td><strong>1,558</strong></td>
</tr>
</tbody>
</table>

Internal developed and capitalised software amount to € 24 million (2011: € 44 million).

Due to a change in the accounting principles as per 1 January 2012, acquisition costs are no longer capitalised. The acquisition costs capitalised as at 31 December 2011 (net € 338 million) were charged to shareholders’ equity. For more information, see paragraph 21.3.4.1 Changes in principles.

#### Statement of change in intangible assets 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Goodwill</th>
<th>Software</th>
<th>VOBA</th>
<th>Other intangible fixed assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated acquisition costs</td>
<td>679</td>
<td>109</td>
<td>1,221</td>
<td>326</td>
<td>2,335</td>
</tr>
<tr>
<td>Accumulated amortisation and impairments</td>
<td>(445)</td>
<td>(61)</td>
<td>(598)</td>
<td>(231)</td>
<td>(1,335)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>234</td>
<td>48</td>
<td>623</td>
<td>95</td>
<td>1,000</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>553</td>
<td>52</td>
<td>863</td>
<td>260</td>
<td>1,728</td>
</tr>
<tr>
<td>Capitalised costs</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Depreciation capitalised costs</td>
<td>-</td>
<td>(13)</td>
<td>-</td>
<td>-</td>
<td>(13)</td>
</tr>
<tr>
<td>Depreciation purchases</td>
<td>-</td>
<td>(9)</td>
<td>(68)</td>
<td>(15)</td>
<td>(92)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(319)</td>
<td>-</td>
<td>(172)</td>
<td>(150)</td>
<td>(641)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>234</td>
<td>48</td>
<td>623</td>
<td>95</td>
<td>1,000</td>
</tr>
</tbody>
</table>
The VOBA is mainly caused by the acquisition of AXA, Winterthur and Zwitserleven. The average remaining amortisation period based on the underlying profit sources is 14 years.

As at 31 December 2012 a deficit of €172 million was established in the IFRS adequacy test, after release of the fair value reserve using shadow accounting. This was the result of several factors, such as the low interest rates and higher life expectancies. This deficit will be charged to the income statement by an addition to the insurance contract liabilities, or by a release of the VOBA using partial impairment. It was decided to go for the latter option, given the difficult market conditions and thereby decreasing profit potential, mainly of the acquired Zwitserleven portfolio.

Client relations, brand names and distribution channels are recognised in other intangible fixed assets.

End of 2012, SNS REAAL has capitalised €80 million (2011: €215 million) of client relations and brand names. This concerns the non-life client portfolios of AXA, Wintherthur and DBV acquisitions, which are recognised at the insurance activities. The remaining straight-line amortisation period of customer relations is 9 years.

The circumstances in the pensions market are increasingly deteriorating, as evidenced by the continued low interest environment, longer life expectancy, expected higher future capital requirements and the increased competition due to new entrants with low cost profile, creating pressure on prices and margins. In addition, the lower risk profile of the investment portfolio implies lower future investment income. The outcome of the analyses made on the basis of these developments shows that, the brand name does not have the value which it was supposed to have at the time of the acquisition. Therefore, the brand name was fully impaired as at 31 December 2012 (€126 million).

SNS REAAL has capitalised €12 million (2011: €40 million) for distribution channels as at 31 December 2012. As at 1 January 2013, the ban on commissions for complex products came into force. As a result, SNS REAAL evaluated the use of its distribution channels. This resulted into a full impairment of the distribution channel of REAAL Life (€24 million).
30.1.1 Recoverable amount of goodwill

Goodwill is not amortised. Instead, an impairment test is performed annually and more frequently if there are indications of impairment. The book value of the related cash generating units (including goodwill) is compared to the calculated recoverable amount. The recoverable amount of a cash generating unit is determined by value-in-use calculations. The value-in-use calculations will be prepared with the help of an independent external consultancy agency. The double leverage at group level is not allocated to the cash generating units.

### Goodwill cash flow generating units

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS Retail Bank</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Property Finance</td>
<td>-</td>
<td>47</td>
</tr>
<tr>
<td>REAAL Life</td>
<td>150</td>
<td>312</td>
</tr>
<tr>
<td>REAAL Non-life</td>
<td>-</td>
<td>110</td>
</tr>
<tr>
<td>Group activities</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>234</td>
<td>553</td>
</tr>
</tbody>
</table>

The goodwill of the cash generating unit Property Finance is fully impaired in 2012 (€ 47 million). The impairment of goodwill is the consequence of the decision of SNS Bank to withdraw from the financing market of commercial real estate for SME’s and to decrease the portfolio.

When the value of the goodwill of REAAL Life and REAAL Non-Life was assessed, it was established that the value-in-use value had decreased to below the book value. IFRS requires that the assessment be performed on the basis of a realistic estimation of the future cash flows. The ongoing difficult market circumstances in the life and non-life market and the increased competition has led to a negative adjustment of the estimation of the future cash flows.

The foregoing resulted in the decision to write off the goodwill of REAAL Life by € 162 million and to fully write off the goodwill of REAAL Non-Life (€ 110 million).

The goodwill impairment tests on the other cash generating units do not lead to an impairment.
### 30.1.2 Principles value-in-use calculations

**Specification principles value-in-use calculations**

<table>
<thead>
<tr>
<th></th>
<th>SNS Retail Bank</th>
<th>REAAL Life</th>
<th>Group Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits after budget period per year</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Available solvency</td>
<td>10.0%</td>
<td>175.0%</td>
<td>-</td>
</tr>
<tr>
<td>Pre-tax discount rate 2012 *</td>
<td>13.7%</td>
<td>12.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Pre-tax discount rate 2011</td>
<td>12.8%</td>
<td>11.0%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

* The increase in the pre-tax discount rate 2012 is primarily driven by higher betas of peer companies.

The key assumptions used in the goodwill impairment test per cash-generating unit are based on various financial and economic variables, including operational budgets, interest rates, tax rates and inflation forecasts. These variables are determined by the management. The results and assumptions have been reviewed by an independent external consultancy firm. Assumptions are made in the models with regard to:

- Interest income, premium income and return on (re)investments.
- Long-term net interest income on property finance loan portfolio.
- (Credit) provisions and risk-weighted assets.
- (Operating) expenses (including charged group expenses).
- Assumptions regarding technical provisions.
- Available and required solvency.
- Discount rate.

The importance of these parameters differs for each cash-generating unit.

The value-in-use calculations are prepared on the basis of operational plans for the period 2013-2015. The assumptions are based on expected future market developments and past experiences, and on the long-term characteristics of the markets in which the various cash generating units of SNS REAAL operate. In addition to the charged corporate staff department costs that are already included in the operational plans, the goodwill impairment test 2012 also takes into account other, not directly allocated corporate company costs (see paragraph 21.6 Specific income statement accounting principles).

At REAAL Life, the main value drivers of recoverable value are the cost of equity (CoE), long-term income growth, margin development, the contracting market, the return on reinvestments combined with the technical result on investments for own account and risk and the available minimum solvency. Deterioration in the estimation in one of the aforementioned individual parameters may require an additional impairment.

Management believes that any reasonable possible change in the key assumptions on which the other cash-generating units recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.
### 30.2 Property and equipment

#### Specification property and equipment 2012

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Consolidation adjustments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings in own use</td>
<td>40</td>
<td>127</td>
<td>-</td>
<td>52</td>
<td>219</td>
</tr>
<tr>
<td>IT equipment</td>
<td>1</td>
<td>-</td>
<td>21</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td>Other assets</td>
<td>30</td>
<td>27</td>
<td>-</td>
<td>-</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>154</strong></td>
<td><strong>21</strong></td>
<td><strong>52</strong></td>
<td><strong>298</strong></td>
</tr>
</tbody>
</table>

#### Specification property and equipment 2011

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Consolidation adjustments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings in own use</td>
<td>55</td>
<td>157</td>
<td>-</td>
<td>59</td>
<td>271</td>
</tr>
<tr>
<td>IT equipment</td>
<td>7</td>
<td>2</td>
<td>21</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Other assets</td>
<td>28</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>171</strong></td>
<td><strong>21</strong></td>
<td><strong>59</strong></td>
<td><strong>341</strong></td>
</tr>
</tbody>
</table>

A number of investment properties owned by the insurer are used by other group companies and have been reclassified for an amount of € 52 million (2011: € 59 million) in the consolidated figures from investment property to land and buildings in own use.

#### Statement of change in property and equipment 2012

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings</th>
<th>IT equipment</th>
<th>Other assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated acquisitions costs</td>
<td>264</td>
<td>69</td>
<td>92</td>
<td>425</td>
</tr>
<tr>
<td>Accumulated revaluations</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>Accumulated amortisation and impairments</td>
<td>(58)</td>
<td>(47)</td>
<td>(35)</td>
<td>(140)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>219</td>
<td>22</td>
<td>57</td>
<td>298</td>
</tr>
<tr>
<td>Balance as 1 January</td>
<td>271</td>
<td>30</td>
<td>40</td>
<td>341</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(35)</td>
<td>-</td>
<td>26</td>
<td>(9)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Investments</td>
<td>19</td>
<td>8</td>
<td>6</td>
<td>33</td>
</tr>
<tr>
<td>Divestments</td>
<td>(7)</td>
<td>(2)</td>
<td>-</td>
<td>(9)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(4)</td>
<td>(14)</td>
<td>(13)</td>
<td>(31)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(21)</td>
<td>-</td>
<td>-</td>
<td>(21)</td>
</tr>
<tr>
<td>Other</td>
<td>(2)</td>
<td>-</td>
<td>(2)</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>219</td>
<td>22</td>
<td>57</td>
<td>298</td>
</tr>
</tbody>
</table>

Under Land and buildings an amount of € 26 million is recognised in 2012 for the refurbishment relating to the New World of Work. After completion, this item was reclassified to Other assets. In 2012 an amount of € 9 million (2011: € 9 million) was reclassified from Land and buildings in own use to Investment property.

At year-end 2012 an amount of € 21 million (2011: € 45 million) is under construction regarding new office buildings, for which an impairment charge of € 21 million was taken. The contractual obligations amount to € 8 million (2011: € 32 million).
### Statement of change in property and equipment 2011

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings</th>
<th>IT equipment</th>
<th>Other assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated acquisitions costs</td>
<td>269</td>
<td>82</td>
<td>79</td>
<td>430</td>
</tr>
<tr>
<td>Accumulated revaluations</td>
<td>39</td>
<td>-</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td>Accumulated amortisation and impairments</td>
<td>(37)</td>
<td>(52)</td>
<td>(39)</td>
<td>(128)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td><strong>271</strong></td>
<td><strong>30</strong></td>
<td><strong>40</strong></td>
<td><strong>341</strong></td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>275</td>
<td>32</td>
<td>43</td>
<td>350</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(9)</td>
<td>-</td>
<td>-</td>
<td>(9)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Investments</td>
<td>27</td>
<td>18</td>
<td>18</td>
<td>63</td>
</tr>
<tr>
<td>Divestments</td>
<td>(12)</td>
<td>(2)</td>
<td>(5)</td>
<td>(19)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5)</td>
<td>(18)</td>
<td>(16)</td>
<td>(39)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(7)</td>
<td>-</td>
<td>-</td>
<td>(7)</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td><strong>271</strong></td>
<td><strong>30</strong></td>
<td><strong>40</strong></td>
<td><strong>341</strong></td>
</tr>
</tbody>
</table>

**30.2.1 Rental income**

Included in land and buildings are 32 (2011: 24 properties) properties that are partly rented out.

**Future rental income based on irrevocable operational leases**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 year</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1 - 5 year</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>&gt; 5 year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

**30.2.2 Valuation of land and buildings in own use**

Due to the economic circumstances buildings in own use with a fair value greater than € 1 million are valued annually by an external surveyor as of 2009. The other buildings are valued once every three years.

**Valuation of land and buildings in own use**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking activities</td>
<td>28</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>110</td>
<td>137</td>
<td>133</td>
</tr>
<tr>
<td>Group activities</td>
<td>52</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>190</td>
<td>235</td>
<td>240</td>
</tr>
</tbody>
</table>

% of total book value that is appraised: 87%
30.3 Investments in associates

Specification of investments in associates

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Associated companies</th>
<th>Joint ventures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking activities</td>
<td>2</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>45</td>
<td>38</td>
<td>-</td>
</tr>
<tr>
<td>Group activities</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(1)</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>50</td>
<td>1</td>
</tr>
</tbody>
</table>

The financial year of all material associates are consistent with the reporting date of SNS REAAL.

Statement of change in associates

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>56</td>
<td>60</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Purchases and expansions</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Disposals and divestments</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>Share in result of associates</td>
<td>11</td>
<td>(2)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>-</td>
<td>(17)</td>
</tr>
<tr>
<td>Paid dividend</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Impairments</td>
<td>(13)</td>
<td>3</td>
</tr>
<tr>
<td>Other movements</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>49</td>
<td>56</td>
</tr>
</tbody>
</table>

The impairments recognised in associates and joint ventures amounts to € 13 million (2011: € 3 million reversal).

Overview most significant investments in associates of SNS REAAL in 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Country</th>
<th>Interest</th>
<th>Share in equity</th>
<th>Share in result</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment fund Ducatus</td>
<td>NL</td>
<td>35%</td>
<td>40</td>
<td>10</td>
<td>106</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td>CED Holding BV</td>
<td>NL</td>
<td>23%</td>
<td>5</td>
<td>1</td>
<td>59</td>
<td>31</td>
<td>106</td>
</tr>
<tr>
<td>Uberseequartier Project BV</td>
<td>DE</td>
<td>45%</td>
<td>-</td>
<td>-</td>
<td>66</td>
<td>74</td>
<td>6</td>
</tr>
<tr>
<td>Prospect Village LP</td>
<td>US</td>
<td>30%</td>
<td>-</td>
<td>-</td>
<td>41</td>
<td>31</td>
<td>-</td>
</tr>
<tr>
<td>The Park at Brushy Creek Ltd</td>
<td>US</td>
<td>12%</td>
<td>1</td>
<td>-</td>
<td>22</td>
<td>16</td>
<td>(1)</td>
</tr>
<tr>
<td>Koppelenweg I BV</td>
<td>NL</td>
<td>0%</td>
<td>1</td>
<td>-</td>
<td>35</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>Divers</td>
<td>20-50%</td>
<td>1</td>
<td>-</td>
<td>112</td>
<td>92</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>48</td>
<td>11</td>
<td>441</td>
<td>277</td>
<td>145</td>
</tr>
</tbody>
</table>
Overview most significant investments in associates of SNS REAAL in 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Country</th>
<th>Interest</th>
<th>Share in equity</th>
<th>Share in result</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment fund Ducatus</td>
<td>NL</td>
<td>35%</td>
<td>33</td>
<td>(3)</td>
<td>134</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>CED Holding BV</td>
<td>NL</td>
<td>23%</td>
<td>5</td>
<td>1</td>
<td>56</td>
<td>25</td>
<td>106</td>
</tr>
<tr>
<td>Überseequartier Project BV</td>
<td>DE</td>
<td>45%</td>
<td>5</td>
<td>-</td>
<td>37</td>
<td>45</td>
<td>8</td>
</tr>
<tr>
<td>Prospect Village LP</td>
<td>US</td>
<td>30%</td>
<td>3</td>
<td>-</td>
<td>41</td>
<td>31</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>Divers</td>
<td>20-50%</td>
<td>4</td>
<td>1</td>
<td>184</td>
<td>156</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>50</td>
<td>(1)</td>
<td>452</td>
<td>257</td>
<td>157</td>
</tr>
</tbody>
</table>

A total of €63 million (2011: €113 million) of loans was granted to associates. These have been included under loans and advances to customers. At year end 2012, the associates have no investment commitments (2011: nil). Participating interests with an interest of less than 20% qualify as an associated company, since SNS REAAL can exercise significant influence based on a combination of SNS REAAL’s financial interest, veto rights on important decisions and required unanimity voting in the Board of Directors, but does not have control.

Overview most significant joint ventures 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Country</th>
<th>Interest</th>
<th>Share in equity</th>
<th>Share in result</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Income</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homburg LP</td>
<td>CA</td>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>141</td>
<td>-</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Heyen VG Beleggingen BV</td>
<td>NL</td>
<td>50%</td>
<td>5</td>
<td>-</td>
<td>40</td>
<td>1</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>Divers</td>
<td>15-75%</td>
<td>1</td>
<td>-</td>
<td>200</td>
<td>288</td>
<td>35</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>1</td>
<td>-</td>
<td>373</td>
<td>278</td>
<td>35</td>
<td>36</td>
</tr>
</tbody>
</table>

Overview most significant joint ventures 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Country</th>
<th>Interest</th>
<th>Share in equity</th>
<th>Share in result</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Income</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homburg LP</td>
<td>CA</td>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>141</td>
<td>-</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Heyen VG Beleggingen BV</td>
<td>NL</td>
<td>50%</td>
<td>5</td>
<td>-</td>
<td>40</td>
<td>1</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>Divers</td>
<td>15-75%</td>
<td>1</td>
<td>(1)</td>
<td>373</td>
<td>278</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>6</td>
<td>(1)</td>
<td>514</td>
<td>318</td>
<td>35</td>
<td>47</td>
</tr>
</tbody>
</table>

The joint ventures have been granted a total amount of €819 million (2011: €1,017 million) of loans and advances. These were reported under the loans and advances to customers. At year-end 2012, the joint ventures have €46 million (2011: €52 million) investment commitments. SNS REAAL exercises joint control of the joint ventures together with participants, without any unilateral control by one of the participants.
30.4 Investment properties

Specification investment in properties

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings used by third parties</td>
<td>-</td>
<td>1</td>
<td>233</td>
<td>255</td>
<td>(52)</td>
<td>(59)</td>
<td>181</td>
</tr>
</tbody>
</table>

Property rented out by the Insurance activities to other group companies is recognised as investment property by the insurer. At group level, this investment property is included in property and equipment under the item land and buildings in own use and therefore reclassified from the investment property (2012: € 52 million; 2011: € 59 million).

Statement of change in investment properties

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>197</td>
<td>194</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Investments from capitalised subsequent expenditure</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Divestments</td>
<td>(5)</td>
<td>(1)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>(22)</td>
<td>(5)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>181</td>
<td>197</td>
</tr>
</tbody>
</table>

30.5 Investments

Investments: overview 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Held for trading</th>
<th>Designated</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking activities</td>
<td>848</td>
<td>103</td>
<td>4,351</td>
<td>-</td>
<td>5,302</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>-</td>
<td>1,032</td>
<td>23,900</td>
<td>6,770</td>
<td>31,702</td>
</tr>
<tr>
<td>Group activities</td>
<td>-</td>
<td>-</td>
<td>35</td>
<td>-</td>
<td>35</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(138)</td>
<td>-</td>
<td>(128)</td>
<td>(2,598)</td>
<td>(2,864)</td>
</tr>
<tr>
<td>Total</td>
<td>710</td>
<td>1,135</td>
<td>28,158</td>
<td>4,172</td>
<td>34,175</td>
</tr>
</tbody>
</table>

Investments: overview 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Held for trading</th>
<th>Designated</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking activities</td>
<td>130</td>
<td>98</td>
<td>3,678</td>
<td>-</td>
<td>4,108</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>-</td>
<td>1,017</td>
<td>22,569</td>
<td>6,173</td>
<td>29,759</td>
</tr>
<tr>
<td>Group activities</td>
<td>-</td>
<td>-</td>
<td>52</td>
<td>-</td>
<td>52</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>-</td>
<td>(162)</td>
<td>(2,320)</td>
<td>(2,482)</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>1,115</td>
<td>26,337</td>
<td>3,853</td>
<td>31,435</td>
</tr>
</tbody>
</table>

Part of the investments is lent or pledged to third parties. The book value of the lend investments amounts to € 2.1 billion as at 31 December 2012 (2011: € 0.6 billion).

Another part of the investments is pledged in liabilities to banks (repo's) and subordinated debt (bonds). The book value of assets as collateral at 31 December 2012 for REAAL NV amounts to € 5.5 billion (2011: € 6.1 billion) and for SNS
Bank NV € 1.1 billion (2011: € 1.2 billion).

The book value of the investments that have been pledged by the European System of Central Banks (ESCB) is € 12.7 billion (2011: € 10.1 billion). This collateral is also held for the three-year loan of the ESCB (LTRO).

### Fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Held for trading</strong></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Banking activities</td>
<td>1</td>
<td>7</td>
<td>847</td>
<td>123</td>
<td>-</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>(138)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1</td>
<td>7</td>
<td>709</td>
<td>123</td>
<td>-</td>
</tr>
</tbody>
</table>

| **Designated**       | 2012                           | 2011                     | 2012                           | 2011                     | 2012   | 2011   |
|                      |                                |                          |                                |                          |        |        |        |        |

### Fair value through profit or loss: listing

<table>
<thead>
<tr>
<th></th>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Shares and similar investments</th>
<th>Fixed income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Held for trading</strong></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Listed</td>
<td>1</td>
<td>7</td>
<td>709</td>
<td>121</td>
<td>-</td>
</tr>
<tr>
<td>Unlisted</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1</td>
<td>7</td>
<td>709</td>
<td>123</td>
<td>-</td>
</tr>
</tbody>
</table>

| **Designated**       | 2012                           | 2011                     | 2012                           | 2011         | 2012   | 2011   |
|                      |                                |                          |                                |              |        |        |        |        |

### Fair value through profit or loss: statement of change

<table>
<thead>
<tr>
<th></th>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Shares and similar investments</th>
<th>Fixed income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Held for trading:</strong></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>7</td>
<td>12</td>
<td>123</td>
<td>143</td>
<td>-</td>
</tr>
<tr>
<td>Purchases and advances</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals and redemptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>-</td>
<td>-</td>
<td>35</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>Change in investments held for trading</td>
<td>(6)</td>
<td>(5)</td>
<td>595</td>
<td>(46)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>(44)</td>
<td>1</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>1</td>
<td>7</td>
<td>709</td>
<td>123</td>
<td>-</td>
</tr>
</tbody>
</table>

As a consequence of the volatile financial markets SNS REAAL decided in October 2008 to reclassify part of the investments worth € 590 million in the category fair value through profit or loss held for trading purposes into the category available for sale. The reclassification was effected as from 1 July 2008. As from 31 December 2012 this portfolio has a value of € 27 million (2011: € 52 million; 2010: € 220 million; 2009: € 341 million; 2008: € 562 million) as a consequence of disposals and revaluations. The change in fair value over the year 2012 amounts to € 2 million positive (2011: € 1 million negative; 2010: € 3 million positive; 2009: € 5 million negative; 2008: € 23 million negative) and has been added to the fair value reserve. In case reclassification had not taken place, the change in fair value would have been recognised in the income statement.
### Available for sale

<table>
<thead>
<tr>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In € millions</strong></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Banking activities</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>1,244</td>
<td>1,217</td>
</tr>
<tr>
<td>Group activities</td>
<td>35</td>
<td>52</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,290</td>
<td>1,280</td>
</tr>
</tbody>
</table>

### Available for sale: listing

<table>
<thead>
<tr>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In € millions</strong></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Listed</td>
<td>774</td>
<td>520</td>
</tr>
<tr>
<td>Unlisted</td>
<td>516</td>
<td>760</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,290</td>
<td>1,280</td>
</tr>
</tbody>
</table>

### Investments available for sale: statement of change

<table>
<thead>
<tr>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In € millions</strong></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>1,280</td>
<td>1,421</td>
</tr>
<tr>
<td>Purchases and advances</td>
<td>865</td>
<td>220</td>
</tr>
<tr>
<td>Disposals and redemptions</td>
<td>(853)</td>
<td>(291)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>43</td>
<td>(26)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(45)</td>
<td>(45)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>1,290</td>
<td>1,280</td>
</tr>
</tbody>
</table>

### Available for sale: valuation 2012

<table>
<thead>
<tr>
<th>Shares and similar investments</th>
<th>Fixed income investments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In € millions</strong></td>
<td>Cost price</td>
<td>Revaluation</td>
</tr>
<tr>
<td>Banking activities</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>1,077</td>
<td>167</td>
</tr>
<tr>
<td>Group activities</td>
<td>35</td>
<td>-</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,122</td>
<td>168</td>
</tr>
</tbody>
</table>
### Available for sale: valuation 2011

<table>
<thead>
<tr>
<th></th>
<th>Shares and similar investments</th>
<th></th>
<th>Fixed income investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost price</td>
<td>Revaluation</td>
<td>(Amortised) cost price</td>
<td>Revaluation</td>
</tr>
<tr>
<td>Banking activities</td>
<td>11</td>
<td>-</td>
<td>3,879</td>
<td>(61)</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>1,037</td>
<td>180</td>
<td>19,249</td>
<td>1,614</td>
</tr>
<tr>
<td>Group activities</td>
<td>52</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>-</td>
<td>(63)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,100</strong></td>
<td><strong>180</strong></td>
<td><strong>23,065</strong></td>
<td><strong>1,553</strong></td>
</tr>
</tbody>
</table>

### Loans and receivables

<table>
<thead>
<tr>
<th></th>
<th>Insurance activities</th>
<th></th>
<th>Eliminations</th>
<th></th>
<th>Total</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private loans linked to savings mortgages</td>
<td>5,131</td>
<td>4,895</td>
<td>(1,460)</td>
<td>(1,234)</td>
<td>3,671</td>
<td>3,662</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private loans</td>
<td>1,640</td>
<td>1,279</td>
<td>(1,138)</td>
<td>(1,068)</td>
<td>502</td>
<td>193</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,771</td>
<td>6,174</td>
<td>(2,598)</td>
<td>(2,320)</td>
<td>4,173</td>
<td>3,855</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(1)</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,770</strong></td>
<td><strong>6,172</strong></td>
<td>(2,598)</td>
<td>(2,320)</td>
<td><strong>4,172</strong></td>
<td><strong>3,853</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Loans and receivables: statement of change

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance investments as at 1 January</td>
<td>3,855</td>
<td>4,069</td>
<td></td>
</tr>
<tr>
<td>Purchases and advances</td>
<td>644</td>
<td>166</td>
<td></td>
</tr>
<tr>
<td>Disposals and redemptions</td>
<td>(664)</td>
<td>(501)</td>
<td></td>
</tr>
<tr>
<td>Interest added</td>
<td>273</td>
<td>274</td>
<td></td>
</tr>
<tr>
<td>Amortisation</td>
<td>5</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>60</td>
<td>(176)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance investments as at 31 December</strong></td>
<td><strong>4,173</strong></td>
<td><strong>3,855</strong></td>
<td></td>
</tr>
<tr>
<td>Balance provisions as at 1 January</td>
<td>(2)</td>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td>Withdrawal</td>
<td>1</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Release / addition</td>
<td>-</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Balance provisions as at 31 December</strong></td>
<td>(1)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,172</strong></td>
<td><strong>3,853</strong></td>
<td></td>
</tr>
</tbody>
</table>
**30.6 Investments for account of policyholders**

Investments for account of policyholders include separate deposits for the account and risk of policyholders, investments for unit-linked insurances and separate investment deposits for large group pension contracts.

### Listing investments for account of policyholders

<table>
<thead>
<tr>
<th>Shares and similar investments:</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Listed</td>
<td>4,047</td>
<td>4,980</td>
</tr>
<tr>
<td>- Not listed</td>
<td>7,467</td>
<td>4,340</td>
</tr>
<tr>
<td>Fixed income investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Listed</td>
<td>1,382</td>
<td>2,590</td>
</tr>
<tr>
<td>- Not listed</td>
<td>331</td>
<td>510</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,227</td>
<td>12,420</td>
</tr>
</tbody>
</table>

### Statement of change in Investments for account of policyholders

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases and advances</td>
<td>5,035</td>
<td>6,952</td>
</tr>
<tr>
<td>Disposals and redemptions</td>
<td>(5,487)</td>
<td>(6,848)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>1,320</td>
<td>(282)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(61)</td>
<td>(39)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>13,227</td>
<td>12,420</td>
</tr>
</tbody>
</table>

**30.7 Investments collateral and liabilities securities lending**

### Specification invested collateral and liabilities securities lending

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested collateral securities lending</td>
<td>-</td>
<td>117</td>
</tr>
<tr>
<td>Securities lending liabilities</td>
<td>-</td>
<td>(120)</td>
</tr>
<tr>
<td><strong>Total (liability)</strong></td>
<td>-</td>
<td>(3)</td>
</tr>
</tbody>
</table>

### Statement of change in invested collateral securities lending

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>117</td>
<td>176</td>
</tr>
<tr>
<td>Disposals and redemptions</td>
<td>(117)</td>
<td>(62)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>-</td>
<td>117</td>
</tr>
</tbody>
</table>
Statement of change in securities lending liabilities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at 1 January</strong></td>
<td>120</td>
<td>182</td>
</tr>
<tr>
<td><strong>Disposals and redemptions</strong></td>
<td>(120)</td>
<td>(62)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>-</td>
<td>120</td>
</tr>
</tbody>
</table>

SNS REAAL ended the securities lending programmes in 2012.

30.8 Derivatives

**Specification derivatives**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Positive value</th>
<th>Negative value</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives held for cash flow hedge accounting</td>
<td>185</td>
<td>188</td>
<td>61</td>
</tr>
<tr>
<td>Derivatives held for fair value hedge accounting</td>
<td>2,642</td>
<td>2,105</td>
<td>2,555</td>
</tr>
<tr>
<td>Derivatives held in the context of asset and liability management that do not qualify for hedge accounting</td>
<td>1,054</td>
<td>1,365</td>
<td>803</td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td>258</td>
<td>235</td>
<td>224</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,139</td>
<td>3,893</td>
<td>3,643</td>
</tr>
</tbody>
</table>

Derivatives are financial instruments whose value depends on one or more underlying primary financial instruments. Derivatives contain rights and obligations whereby one or more of the financial risks to which the underlying primary financial instruments are subject, are exchanged between parties. The transactions do not lead to the transfer of the underlying primary financial instrument at the conclusion of the agreement, neither does the transfer have to take place when the agreement expires. Most derivatives are held to hedge against undesired markets risks. This is explained in Risk management’s paragraph 27.2 Hedging and hedge accounting.

Statement of change in derivatives

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at 1 January</strong></td>
<td>275</td>
<td>(389)</td>
</tr>
<tr>
<td><strong>Purchases</strong></td>
<td>229</td>
<td>142</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(301)</td>
<td>(162)</td>
</tr>
<tr>
<td><strong>Revaluations</strong></td>
<td>298</td>
<td>641</td>
</tr>
<tr>
<td><strong>Exchange rate differences</strong></td>
<td>(5)</td>
<td>32</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>496</td>
<td>275</td>
</tr>
</tbody>
</table>
### 30.9 Deferred tax assets and liabilities

#### Specification deferred tax assets and liabilities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>1,338</td>
<td>655</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(1,219)</td>
<td>(1,038)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>119</td>
<td>(383)</td>
</tr>
</tbody>
</table>

#### Origin of deferred tax assets and tax liabilities 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>1 January</th>
<th>Change through profit or loss</th>
<th>Change through shareholders' equity</th>
<th>Other movements</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>(42)</td>
<td>59</td>
<td>-</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Value of business acquired</td>
<td>(174)</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>(141)</td>
</tr>
<tr>
<td>Capitalised acquisition costs Insurance activities</td>
<td>135</td>
<td>(30)</td>
<td>-</td>
<td>-</td>
<td>105</td>
</tr>
<tr>
<td>(Investment) property and equipment</td>
<td>(45)</td>
<td>9</td>
<td>1</td>
<td>-</td>
<td>(35)</td>
</tr>
<tr>
<td>Investments</td>
<td>(365)</td>
<td>(3)</td>
<td>(324)</td>
<td>-</td>
<td>(692)</td>
</tr>
<tr>
<td>Derivatives</td>
<td>(3)</td>
<td>181</td>
<td>3</td>
<td>(3)</td>
<td>178</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(301)</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>(277)</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>108</td>
<td>(108)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance contracts</td>
<td>201</td>
<td>60</td>
<td>563</td>
<td>-</td>
<td>824</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td>84</td>
<td>(33)</td>
<td>-</td>
<td>(3)</td>
<td>48</td>
</tr>
<tr>
<td>Tax-deductible losses</td>
<td>15</td>
<td>74</td>
<td>-</td>
<td>-</td>
<td>80</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>(3)</td>
<td>-</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(383)</td>
<td>263</td>
<td>243</td>
<td>(4)</td>
<td>119</td>
</tr>
</tbody>
</table>

#### Origin of deferred tax assets and tax liabilities 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>1 January</th>
<th>Change through profit or loss</th>
<th>Change through shareholders' equity</th>
<th>Other movements</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>(89)</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>(42)</td>
</tr>
<tr>
<td>Value of business acquired</td>
<td>(167)</td>
<td>(7)</td>
<td>-</td>
<td>-</td>
<td>(174)</td>
</tr>
<tr>
<td>Capitalised acquisition costs Insurance activities</td>
<td>22</td>
<td>(9)</td>
<td>122</td>
<td>-</td>
<td>135</td>
</tr>
<tr>
<td>(Investment) property and equipment</td>
<td>(49)</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>(45)</td>
</tr>
<tr>
<td>Investments</td>
<td>(124)</td>
<td>287</td>
<td>(528)</td>
<td>-</td>
<td>(365)</td>
</tr>
<tr>
<td>Derivatives</td>
<td>173</td>
<td>(169)</td>
<td>(7)</td>
<td>-</td>
<td>(3)</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(320)</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>(301)</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>37</td>
<td>71</td>
<td>-</td>
<td>-</td>
<td>108</td>
</tr>
<tr>
<td>Insurance contracts</td>
<td>104</td>
<td>27</td>
<td>70</td>
<td>-</td>
<td>201</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td>91</td>
<td>(7)</td>
<td>-</td>
<td>-</td>
<td>84</td>
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<tr>
<td>Tax-deductible losses</td>
<td>2</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>(12)</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(332)</td>
<td>291</td>
<td>(342)</td>
<td>-</td>
<td>(383)</td>
</tr>
</tbody>
</table>
**Specification tax-effect changes shareholders’ equity**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in revaluation reserve</td>
<td>(1)</td>
<td>(9)</td>
</tr>
<tr>
<td>Change in cash flow hedge reserve</td>
<td>(2)</td>
<td>7</td>
</tr>
<tr>
<td>Change in fair value reserve</td>
<td>(240)</td>
<td>466</td>
</tr>
<tr>
<td>Change in other reserve</td>
<td>-</td>
<td>(122)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(243)</td>
<td>342</td>
</tr>
</tbody>
</table>

The deferred tax assets related to tax-deductible losses amount to € 89 million (2011: € 15 million). This amounts to 25% of the total tax-deductible losses of € 355 million. A deferred loss compensation is only recognised if sufficient tax profits are reasonably expected to be realised in the next nine years following the year of the loss.

### 30.10 Property projects

**Specification property projects**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property projects</td>
<td>736</td>
<td>622</td>
</tr>
<tr>
<td>Cumulative impairments / (reversals) as at 31 December</td>
<td>(320)</td>
<td>(110)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>416</td>
<td>512</td>
</tr>
</tbody>
</table>

This comprises property projects over which Property Finance acquired control.

**Statement of change in property projects**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance property projects as at 1 January</td>
<td>512</td>
<td>467</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>22</td>
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<tr>
<td>Foreclosure</td>
<td>128</td>
<td>160</td>
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<tr>
<td>Additions</td>
<td>9</td>
<td>-</td>
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<tr>
<td>Disposals</td>
<td>(27)</td>
<td>(61)</td>
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<tr>
<td>Impairments</td>
<td>(211)</td>
<td>(91)</td>
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<tr>
<td>Exchange rate differences</td>
<td>(1)</td>
<td>8</td>
</tr>
<tr>
<td>Other changes</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td><strong>Balance property projects as at 31 December</strong></td>
<td>416</td>
<td>512</td>
</tr>
</tbody>
</table>

The bulk of the portfolio has been valued by independent appraisers. Due to the uncertainty in the market, valuation ranges are wide. The impairment of the property projects is based on the best estimates of management.
30.11 Loans and advances to customers

Specification loans and advances to customers 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>50,642</td>
<td>3,053</td>
<td>-</td>
<td>-</td>
<td>53,695</td>
</tr>
<tr>
<td>Property finance:</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Project finance</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>2,299</td>
</tr>
<tr>
<td>- Investment finance</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>3,932</td>
</tr>
<tr>
<td>Financial leases</td>
<td>311</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>311</td>
</tr>
<tr>
<td>Other</td>
<td>4,600</td>
<td>-</td>
<td>474</td>
<td>(977)</td>
<td>4,097</td>
</tr>
<tr>
<td>Total</td>
<td>61,784</td>
<td>3,053</td>
<td>474</td>
<td>(977)</td>
<td>64,334</td>
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</table>

Specification loans and advances to customers 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>52,809</td>
<td>3,043</td>
<td>-</td>
<td>-</td>
<td>55,852</td>
</tr>
<tr>
<td>Property finance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Project finance</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>3,493</td>
</tr>
<tr>
<td>- Investment finance</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>4,843</td>
</tr>
<tr>
<td>Financial leases</td>
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<td>-</td>
<td>-</td>
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<td>465</td>
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<tr>
<td>Other</td>
<td>3,199</td>
<td>-</td>
<td>471</td>
<td>(771)</td>
<td>2,899</td>
</tr>
<tr>
<td>Total</td>
<td>64,809</td>
<td>3,043</td>
<td>471</td>
<td>(771)</td>
<td>67,552</td>
</tr>
</tbody>
</table>

Loans and advances to customers

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>53,913</td>
<td>(218)</td>
<td>55,980</td>
<td>(128)</td>
<td>53,695</td>
<td>55,852</td>
</tr>
<tr>
<td>Property finance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Project finance</td>
<td>3,219</td>
<td>(920)</td>
<td>4,008</td>
<td>(515)</td>
<td>2,299</td>
<td>3,493</td>
</tr>
<tr>
<td>- Investment finance</td>
<td>4,179</td>
<td>(247)</td>
<td>4,963</td>
<td>(120)</td>
<td>3,932</td>
<td>4,843</td>
</tr>
<tr>
<td>Financial leases</td>
<td>316</td>
<td>(5)</td>
<td>468</td>
<td>(3)</td>
<td>311</td>
<td>465</td>
</tr>
<tr>
<td>Other</td>
<td>4,285</td>
<td>(188)</td>
<td>3,008</td>
<td>(109)</td>
<td>4,097</td>
<td>2,899</td>
</tr>
<tr>
<td>Total</td>
<td>65,912</td>
<td>(1,578)</td>
<td>68,427</td>
<td>(875)</td>
<td>64,334</td>
<td>67,552</td>
</tr>
</tbody>
</table>

SNS REAAL has securitised a part of the mortgage loans. The remaining principal of the securitised portfolio amounts to € 22.7 billion (2011: € 20.9 billion), of which € 11.9 billion (2011: € 9.0 billion) is for own account. Further information on securitisation transactions is provided under 30.17 Debt certificates.

Also, € 308 million (2011: € 584 million) of mortgages was provided as collateral under a private loan.

SNS REAAL has also structured a synthetic securitisation in the form of credit guarantees, whereby the credit risk protection has been bought for a mortgage portfolio of € 319 million (2011: € 345 million).

An amount of € 17.3 billion (2011: € 18.2 billion) of the mortgage loans has been provided as collateral to third parties under the securitisation programmes Hermes, Pearl and Holland Homes, whereof obligations are sold to third parties. The collateral transactions occurred under normal market conditions.

In addition, € 6.1 billion (2011: € 6.2 billion) of mortgages was provided as collateral to third parties upon the bond issue under the SNS Bank Covered Bond programme.
An amount of € 7.4 billion (2011: € 9.0 billion) of the property finance concerns mortgage secured loans.

The financial lease assets are included in the balance sheet as advances of which the amount is equal to the net investment in the lease. The financial lease activities relate to the financing of property in the Netherlands.

### Financial leases

<table>
<thead>
<tr>
<th>Gross</th>
<th>Unearned Interest</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Overview maturities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Shorter than one year</td>
<td>86</td>
<td>131</td>
</tr>
<tr>
<td>- From one to five years</td>
<td>177</td>
<td>281</td>
</tr>
<tr>
<td>- Longer than five years</td>
<td>95</td>
<td>122</td>
</tr>
<tr>
<td>Total</td>
<td>358</td>
<td>534</td>
</tr>
</tbody>
</table>

### Statement of change in loans and advances to customers 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Mortgages</th>
<th>Property finance</th>
<th>Financial leases</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>55,980</td>
<td>8,971</td>
<td>468</td>
<td>3,008</td>
<td>68,427</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(9)</td>
<td>(49)</td>
<td>-</td>
<td>(118)</td>
<td>(176)</td>
</tr>
<tr>
<td>Foreclosure</td>
<td>-</td>
<td>(150)</td>
<td>-</td>
<td>-</td>
<td>(150)</td>
</tr>
<tr>
<td>Advances</td>
<td>1,456</td>
<td>83</td>
<td>-</td>
<td>463</td>
<td>2,002</td>
</tr>
<tr>
<td>Redemptions</td>
<td>(3,397)</td>
<td>(1,456)</td>
<td>(152)</td>
<td>(176)</td>
<td>(5,181)</td>
</tr>
<tr>
<td>Amortisation discounts or premiums</td>
<td>(62)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(62)</td>
</tr>
<tr>
<td>Change in fair value as a result of hedge accounting</td>
<td>(86)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(86)</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Change in mortgage loans at fair value through profit or loss</td>
<td>28</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>Movement in current accounts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,109</td>
<td>1,109</td>
</tr>
<tr>
<td>Other movements</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>2</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>53,913</td>
<td>7,398</td>
<td>316</td>
<td>4,285</td>
<td>65,912</td>
</tr>
</tbody>
</table>


### Statement of change in loans and advances to customers 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Mortgages</th>
<th>Property finance</th>
<th>Financial leases</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>55,503</td>
<td>11,510</td>
<td>609</td>
<td>2,475</td>
<td>70,297</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>147</td>
<td>(269)</td>
<td>-</td>
<td>101</td>
<td>(21)</td>
</tr>
<tr>
<td>Foreclosure</td>
<td>-</td>
<td>(372)</td>
<td>-</td>
<td>-</td>
<td>(372)</td>
</tr>
<tr>
<td>Advances</td>
<td>3,999</td>
<td>290</td>
<td>-</td>
<td>435</td>
<td>4,724</td>
</tr>
<tr>
<td>Redemptions</td>
<td>(3,512)</td>
<td>(2,166)</td>
<td>(141)</td>
<td>(206)</td>
<td>(6,025)</td>
</tr>
<tr>
<td>Amortisation discounts or premiums</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in fair value as a result of hedge accounting</td>
<td>(88)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(88)</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>-</td>
<td>(20)</td>
<td>-</td>
<td>-</td>
<td>(20)</td>
</tr>
<tr>
<td>Change in mortgage loans at fair value through profit or loss</td>
<td>(35)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(35)</td>
</tr>
<tr>
<td>Movement in current accounts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>187</td>
<td>187</td>
</tr>
<tr>
<td>Other movements</td>
<td>34</td>
<td>(2)</td>
<td>-</td>
<td>16</td>
<td>(20)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>55,980</td>
<td>8,971</td>
<td>468</td>
<td>3,008</td>
<td>68,427</td>
</tr>
</tbody>
</table>

In 2009 and 2011, SNS Retail Bank purchased part of the REAAL mortgages held for trading at fair value as then recognised in the REAAL balance sheet. As a result, management changed the intention to hold these mortgages for trading purposes and decided to hold these mortgages for the foreseeable future or until maturity. SNS REAAL used the
reclassification option of IAS 39.50d, reclassifying € 680 million (2009) and € 376 million (2011) of mortgages from fair value through profit or loss to loans and receivables.


The fair value adjustment of the portfolios was marginal and did not affect results. At the moment of reclassification the effective interest rate of the mortgages was 5.1% (2011) and 5.2% (2009). The expected recoverable cash flows amount to € 378 million for the portfolio reclassified in 2011 and € 700 million for the portfolio reclassified in 2009.

**Statement of change in provision loans and advances to customers specific 2012**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Mortgages</th>
<th>Property finance</th>
<th>Financial leases</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>118</td>
<td>629</td>
<td>3</td>
<td>106</td>
<td>856</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>33</td>
<td>(52)</td>
<td>2</td>
<td>44</td>
<td>27</td>
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<tr>
<td>Foreclosure</td>
<td>-</td>
<td>(33)</td>
<td>-</td>
<td>-</td>
<td>(33)</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>(96)</td>
<td>(128)</td>
<td>-</td>
<td>(29)</td>
<td>(253)</td>
</tr>
<tr>
<td>Addition</td>
<td>170</td>
<td>797</td>
<td>-</td>
<td>77</td>
<td>1,044</td>
</tr>
<tr>
<td>Release</td>
<td>(23)</td>
<td>(72)</td>
<td>-</td>
<td>(13)</td>
<td>(108)</td>
</tr>
<tr>
<td>Other movements</td>
<td>-</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>202</td>
<td>1,164</td>
<td>5</td>
<td>185</td>
<td>1,556</td>
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</table>

**Statement of change in provision loans and advances to customers specific 2011**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Mortgages</th>
<th>Property finance</th>
<th>Financial leases</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>120</td>
<td>726</td>
<td>2</td>
<td>105</td>
<td>953</td>
</tr>
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<td>-</td>
<td>-</td>
<td>(52)</td>
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<td>(212)</td>
<td>-</td>
<td>-</td>
<td>(212)</td>
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<td>(59)</td>
<td>-</td>
<td>(22)</td>
<td>(123)</td>
</tr>
<tr>
<td>Addition</td>
<td>103</td>
<td>343</td>
<td>1</td>
<td>37</td>
<td>484</td>
</tr>
<tr>
<td>Release</td>
<td>(27)</td>
<td>(149)</td>
<td>-</td>
<td>(14)</td>
<td>(190)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(2)</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>118</td>
<td>629</td>
<td>3</td>
<td>106</td>
<td>856</td>
</tr>
</tbody>
</table>

**Statement of change in provision loans and advances to customers IBNR 2012**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Mortgages</th>
<th>Property finance</th>
<th>Financial leases</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>10</td>
<td>6</td>
<td>-</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(2)</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Addition</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>(7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7)</td>
</tr>
<tr>
<td>Release</td>
<td>-</td>
<td>(9)</td>
<td>-</td>
<td>(1)</td>
<td>(10)</td>
</tr>
<tr>
<td>Other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>16</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>22</td>
</tr>
</tbody>
</table>
**Statement of change in provision loans and advances to customers IBNR 2011**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Mortgages</th>
<th>Property finance</th>
<th>Financial leases</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>8</td>
<td>13</td>
<td>-</td>
<td>6</td>
<td>27</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Release</td>
<td>(1)</td>
<td>(6)</td>
<td>-</td>
<td>(3)</td>
<td>(10)</td>
</tr>
<tr>
<td>Other movements</td>
<td>3</td>
<td>(7)</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>10</td>
<td>6</td>
<td>-</td>
<td>3</td>
<td>19</td>
</tr>
</tbody>
</table>

Through foreclosure of a part of the property finance portfolio, Property Finance has acquired control over a number of international property projects. The relevant items and the related provisions are included in the tables above under ‘foreclosure’ and have been recognised in the balance sheet under property projects. For more information, please refer to 30.10 Property projects.

**30.12 Loans and advances to banks**

This item relates to loans and advances to banks, excluding interest-bearing securities, with a remaining maturity longer than three months.

Part of the loans and advances to banks was provided as collateral to third parties. The book value of the collateral is € 1.7 billion (2011: € 1.6 billion).
30.13 Other assets

Specification other assets

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policyholders</td>
<td>75</td>
<td>162</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>164</td>
<td>114</td>
</tr>
<tr>
<td>Reinsurers</td>
<td>71</td>
<td>3</td>
</tr>
<tr>
<td>Amounts due from direct insurance</td>
<td>310</td>
<td>279</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>251</td>
<td>271</td>
</tr>
<tr>
<td>Other accrued assets</td>
<td>321</td>
<td>664</td>
</tr>
<tr>
<td>Accrued assets</td>
<td>572</td>
<td>935</td>
</tr>
<tr>
<td>Other taxation</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Other advances</td>
<td>339</td>
<td>305</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,231</strong></td>
<td><strong>1,525</strong></td>
</tr>
</tbody>
</table>

The other advances include the advanced contribution of SNS Bank to the Dutch Central Bank of € 175 million (2011: € 183 million) under the deposit guarantee scheme (DGS) in relation to its share related to the bankruptcy of DSB Bank. The advanced contribution is reduced by the provision of € 27 million (2011: € 40 million). The provision is SNS Bank’s estimate after foreclosure of the assets.

30.14 Cash and cash equivalents

Specification cash and cash equivalents

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-restricted demand deposits at Dutch Central Bank</td>
<td>5,902</td>
<td>2,294</td>
</tr>
<tr>
<td>Restricted demand deposits at Dutch Central Bank</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>Short-term bank balances</td>
<td>1,672</td>
<td>1,145</td>
</tr>
<tr>
<td>Cash</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,654</strong></td>
<td><strong>5,509</strong></td>
</tr>
</tbody>
</table>

Restricted demand deposits at Dutch Central Bank are not available for use in SNS Bank’s day-to-day operations.

The increase of demand deposits at the Dutch Central Bank relates to a new issued 2012 three-year loan of the ESCB (LTRO).

30.15 Equity

Specification equity

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity attributable to shareholders</td>
<td>2,363</td>
<td>4,448</td>
</tr>
<tr>
<td>Equity attributable to securityholders</td>
<td>967</td>
<td>979</td>
</tr>
<tr>
<td>Minority interest</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td><strong>3,352</strong></td>
<td><strong>5,428</strong></td>
</tr>
</tbody>
</table>

For further information on total equity, see paragraph 20.4 Consolidated statement of changes in total equity.
30.16 Participation certificates and subordinated debt

Specification participation certificates and subordinated debt

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation certificates</td>
<td>57</td>
<td>298</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>1,687</td>
<td>1,831</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>1,744</td>
<td>2,129</td>
</tr>
</tbody>
</table>

30.16.1 Participation certificates

This item includes subordinated participation certificates issued by SNS Bank NV to third parties (third series). The certificates were issued in 2003.

In 2012, early redemption took place on two series participation certificates. The third series with a bookvalue of €57 million is still open end of 2012. During the second half of 2012 the Dutch Central Bank stipulated that the participation certificates are no longer eligible as part of the core Tier 1 capital. As a result, in SNS Bank’s solvency reports to the Dutch Central Bank, these instruments are no longer included in the calculation of regulatory capital from that moment onwards.

With the nationalisation in February 2013, the participation certificates are expropriated in favour of the Dutch State. The participation certificates are added as a share premium to the shareholders’ equity of SNS REAAL by the Dutch State. The participation certificates issued by SNS Bank are subsequently added by SNS REAAL to the share premium of SNS Bank. For more information, see paragraph 2.2.1.3 Expropriation of subordinated bonds and private debts.

30.16.2 Subordinated debt

Specification subordinated debt

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>1,809</td>
<td>1,739</td>
</tr>
<tr>
<td>Private loans</td>
<td>62</td>
<td>74</td>
</tr>
<tr>
<td>Final bonus account</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,887</td>
<td>1,831</td>
</tr>
</tbody>
</table>

With the nationalisation of SNS REAAL on 1 February 2013 (see paragraph 30.27 Subsequent events) the subordinated debts were expropriated, with the exception of the subordinated bonds issued by SRLEV NV (€489 million), as well as the subordinated final bonus account obligations entered into by SRLEV NV.

See also the table in paragraph 2.2.1 Pro forma consolidated balance sheet SNS REAAL in the column ‘Expropriation of subordinated debts’.

30.16.2.1 Bonds

With the nationalisation in February 2013 the subordinated bonds of SNS REAAL NV and SNS Bank NV are expropriated in favor of the Dutch State. The expropriated bonds are added as share premium to the shareholders’ equity of SNS REAAL by the Dutch State. The expropriated subordinated bonds issued by SNS Bank are subsequently added by SNS REAAL to the share premium of SNS Bank. See for more information paragraph 2.2.1.3 Expropriation of subordinated bonds and private debts.

Before nationalisation, the subordinated bonds of SNS Bank NV were part of the qualifying capital and formed part of the solvency position of SNS Bank NV.
For a part of the expropriated bonds fair value hedge accounting was used. This hedge ended in February 2013. The market value adjustment of € 83 million on the bonds is credited to the result in reporting year 2013.

See also the table in paragraph 2.2.1 Pro Forma consolidated balance sheet SNS REAAL under the column Expropriated subordinated debts.

In April 2011, SRLEV issued subordinated bonds for an amount of € 400 million, with a term to maturity to 2041. The terms of issue were included in a prospectus dated 12 April 2011. The European Commission decided not to give SRLEV NV permission to pay out the coupon due on these subordinated bonds on the interest due date (15 April 2013). For that reason, SRLEV NV exercised its optional right to postpone this coupon payment pursuant to Term 4(e) of the terms of issue.

<table>
<thead>
<tr>
<th>Bonds</th>
<th>In € millions</th>
<th>Coupon rate</th>
<th>Period</th>
<th>Book value</th>
<th>Nominal value</th>
<th>Book value</th>
<th>Nominal value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2012</td>
<td>2012</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>Expropriated in 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>4.238%</td>
<td>1999-2019</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>5.750%</td>
<td>2003-2049</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>SNS REAAL NV</td>
<td>Floating</td>
<td>2005-2012</td>
<td>-</td>
<td>-</td>
<td>200</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>SNS REAAL NV</td>
<td>6.258%</td>
<td>2007-2049</td>
<td>248</td>
<td>250</td>
<td>248</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>6.625%</td>
<td>2008-2018</td>
<td>36</td>
<td>37</td>
<td>36</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>SNS REAAL NV</td>
<td>8.450%</td>
<td>2008-2018</td>
<td>75</td>
<td>76</td>
<td>68</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>11.250%</td>
<td>2009-2049</td>
<td>312</td>
<td>320</td>
<td>317</td>
<td>320</td>
<td></td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>6.250%</td>
<td>2010-2020</td>
<td>259</td>
<td>262</td>
<td>260</td>
<td>262</td>
<td></td>
</tr>
<tr>
<td>Change in fair value as a result of hedge accounting</td>
<td></td>
<td></td>
<td></td>
<td>98</td>
<td>-</td>
<td>59</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal expropriated</td>
<td></td>
<td></td>
<td></td>
<td>1,044</td>
<td>961</td>
<td>1,203</td>
<td>1,159</td>
</tr>
<tr>
<td>Not expropriated in 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRLEV NV</td>
<td>9.000%</td>
<td>2011-2041</td>
<td>396</td>
<td>400</td>
<td>397</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>SRLEV NV</td>
<td>7.010%</td>
<td>2011-2049</td>
<td>87</td>
<td>87</td>
<td>86</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>Change in fair value as a result of hedge accounting</td>
<td></td>
<td></td>
<td></td>
<td>82</td>
<td>-</td>
<td>53</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal not expropriated</td>
<td></td>
<td></td>
<td></td>
<td>565</td>
<td>487</td>
<td>536</td>
<td>486</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>1,609</td>
<td>1,448</td>
<td>1,739</td>
<td>1,645</td>
</tr>
</tbody>
</table>

30.16.2.2 Subordinated private loans

With the nationalisation in February 2013 the subordinated private loans and corresponding liabilities are expropriated in the name of Stichting Afwikkeling Onderhandse Schulden SNS REAAL (Stichting AOS). The balance of the subordinated private loans of SNS Bank is € 12 million (2011: € 12 million) with an average interest rate of 6.8% (2011: 6.8%). The balance of the subordinated private loans of SNS REAAL amounts to € 50 million (2011: 60 million) with an average interest rate of 6.7% (2011: 6.6%).

Since SNS REAAL and SNS Bank are no longer a party, seen from the perspective of SNS REAAL and SNS Bank the debts are cancelled, and the book value is credited to the result of reporting year 2013.
30.16.2.3 Final bonus account

The subordinated final bonus account commitments form part of the solvency test in determining the solvency position of SRLEV NV. The final bonus account is largely of a long-term nature.

30.17 Debt certificates

Specification debt certificates

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Term Notes</td>
<td>11,747</td>
<td>15,670</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>162</td>
<td>163</td>
</tr>
<tr>
<td>Debt certificates issued under Hermes, Pearl and Lowlands securitisation programmes</td>
<td>8,821</td>
<td>9,995</td>
</tr>
<tr>
<td>Debt certificates classified at fair value through profit or loss (Holland Homes securitisation programme)</td>
<td>1,482</td>
<td>1,601</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>22,212</td>
<td>27,429</td>
</tr>
</tbody>
</table>

Debt certificates refer to non-subordinated bonds and other debt certificates with a fixed or variable interest rate.

30.17.1 Medium Term Notes

Specification Medium Term Notes

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Coupon rate</th>
<th>Book value 2012</th>
<th>Nominal value 2012</th>
<th>Book value 2011</th>
<th>Nominal value 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS Bank NV</td>
<td>Fixed</td>
<td>8,118</td>
<td>7,748</td>
<td>10,138</td>
<td>9,884</td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>Structured</td>
<td>900</td>
<td>825</td>
<td>1,038</td>
<td>1,017</td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>Floating</td>
<td>2,185</td>
<td>2,188</td>
<td>3,792</td>
<td>3,805</td>
</tr>
<tr>
<td>SNS Bank NV</td>
<td>Zero</td>
<td>151</td>
<td>165</td>
<td>457</td>
<td>484</td>
</tr>
<tr>
<td>SNS REAAL NV</td>
<td>Fixed</td>
<td>421</td>
<td>553</td>
<td>302</td>
<td>300</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11,775</td>
<td>11,479</td>
<td>15,727</td>
<td>15,490</td>
</tr>
<tr>
<td>On own book*</td>
<td></td>
<td>28</td>
<td>29</td>
<td>57</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11,747</td>
<td>11,450</td>
<td>15,670</td>
<td>15,431</td>
</tr>
</tbody>
</table>

* Purchased bonds on own book are eliminated

The Medium Term Notes have a maturity of less than five years and comprise both private loans and public loans that are issued under the EMTN programme. The total outstanding volume of debt certificates falling within the scope of the guarantee scheme of the Dutch State is €2.8 billion (2011: €5.4 billion).

30.17.2 Certificates of Deposit

Specification Certificates of Deposit

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Book value 2012</th>
<th>Nominal value 2012</th>
<th>Book value 2011</th>
<th>Nominal value 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS Bank NV</td>
<td>162</td>
<td>162</td>
<td>163</td>
<td>164</td>
</tr>
</tbody>
</table>

*SNS REAAL Annual Report 2012*
### 30.17.3 Debt certificates issued under Hermes Pearl and Lowlands securitisation programmes

SNS REAAL NV has securitised part of the mortgage loans. With these securitisation transactions, the economic ownership of mortgage loans is transferred to separate companies. These loans are transferred at nominal value plus a deferred selling price. A positive result within the separate companies creates a positive value of the deferred selling price. In this way, SNS REAAL NV retains an economic interest in the companies, and has consolidated these companies in its consolidated financial statements in full.

The securitisation transactions with effect from 2001 have what is called a ‘call + step-up’ structure. This means that after a specific call date, the company will have the right to redeem the bonds prematurely. Additionally, at this specific date, the coupon on the bonds will be subject to a rise in interest rate (step-up). Under normal market conditions, this will create an economic incentive to redeem the bonds early. An overview of the securitisations as at 31 December is provided below:

#### Overview debt certificates issued under Hermes, Pearl and Lowlands securitisation programmes

<table>
<thead>
<tr>
<th>Initial principal</th>
<th>Start of securitisation</th>
<th>Book value 2012</th>
<th>Book value 2011</th>
<th>First call-option date</th>
<th>Contractual expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hermes VIII</td>
<td>1,269</td>
<td>05-2004</td>
<td>461</td>
<td>18-11-2013</td>
<td>01-05-2038</td>
</tr>
<tr>
<td>Hermes IX</td>
<td>1,529</td>
<td>05-2005</td>
<td>818</td>
<td>18-02-2014</td>
<td>01-02-2039</td>
</tr>
<tr>
<td>Hermes X</td>
<td>1,528</td>
<td>09-2005</td>
<td>920</td>
<td>18-03-2015</td>
<td>01-09-2039</td>
</tr>
<tr>
<td>Hermes XI</td>
<td>1,528</td>
<td>02-2006</td>
<td>1,047</td>
<td>18-09-2015</td>
<td>01-09-2040</td>
</tr>
<tr>
<td>Hermes XII</td>
<td>2,241</td>
<td>10-2006</td>
<td>1,295</td>
<td>18-03-2016</td>
<td>01-12-2038</td>
</tr>
<tr>
<td>Hermes XIII</td>
<td>2,800</td>
<td>02-2007</td>
<td>-</td>
<td>18-08-2012</td>
<td>01-08-2039</td>
</tr>
<tr>
<td>Hermes XIV</td>
<td>2,000</td>
<td>09-2007</td>
<td>1,385</td>
<td>18-02-2013</td>
<td>01-11-2039</td>
</tr>
<tr>
<td>Hermes XV*</td>
<td>1,618</td>
<td>04-2008</td>
<td>1,384</td>
<td>18-04-2015</td>
<td>01-04-2042</td>
</tr>
<tr>
<td>Hermes XVI</td>
<td>3,000</td>
<td>09-2008</td>
<td>3,000</td>
<td>18-10-2013</td>
<td>01-10-2045</td>
</tr>
<tr>
<td>Hermes XVII*</td>
<td>2,844</td>
<td>05-2009</td>
<td>2,513</td>
<td>18-01-2013</td>
<td>01-04-2042</td>
</tr>
<tr>
<td>Hermes XVIII</td>
<td>960</td>
<td>10-2012</td>
<td>933</td>
<td>-</td>
<td>01-09-2044</td>
</tr>
<tr>
<td>Pearl I*</td>
<td>1,014</td>
<td>09-2006</td>
<td>1,014</td>
<td>18-09-2026</td>
<td>01-09-2047</td>
</tr>
<tr>
<td>Pearl II*</td>
<td>852</td>
<td>05-2007</td>
<td>747</td>
<td>18-06-2014</td>
<td>01-06-2046</td>
</tr>
<tr>
<td>Pearl III*</td>
<td>859</td>
<td>02-2008</td>
<td>807</td>
<td>18-03-2013</td>
<td>01-03-2045</td>
</tr>
<tr>
<td>Pearl IV</td>
<td>1,000</td>
<td>07-2010</td>
<td>1,000</td>
<td>18-07-2015</td>
<td>01-07-2047</td>
</tr>
<tr>
<td>Lowlands I</td>
<td>3,793</td>
<td>01-2012</td>
<td>3,449</td>
<td>-</td>
<td>01-03-2036</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34,857</strong></td>
<td></td>
<td><strong>20,773</strong></td>
<td><strong>19,057</strong></td>
<td></td>
</tr>
</tbody>
</table>

* After restructuring

** Purchased bonds on own book are eliminated

In 2012 SNS Bank NV has purchased bonds, issued by the securitisation programmes, with an amortised cost of € 11.8 billion (2011: € 8.9 billion). SNS Bank NV has purchased subordinated bonds issued by various Pearl companies with a amortised cost of € 98 million (2011: € 98 million).

In 2012 REAAL NV purchased bonds issued by various Hermes companies with an amortised cost of € 74 million (2011: € 77 million).

Hermes XIV, XV, XVI, XVII, XVIII and Pearl IV were mainly held for own account and qualify as assets eligible at the European Central Bank.

In transactions involving the securitisation of savings-linked mortgages, REAAL NV has a (sub)participation equal to the accrued savings. At the end of 2012, the total of these participations amounted to € 407 million (2011: € 258 million).
Debt certificates classified at fair value with value movements recognised through profit or loss (Holland Homes securitisation programmes)

Through DBV Finance, SNS REAAL also securitised part of its mortgages by means of the Holland Homes transactions. The companies formed under these transactions (special purpose entities) were funded by long-term notes issued by these companies. The obligations to noteholders and income from the mortgages were matched using interest rate swaps. As these derivative contracts were concluded with parties outside SNS REAAL, an accounting mismatch would have arisen after consolidation of the companies given that the derivatives are recognised at fair value through profit or loss, unlike the notes and mortgages. This mismatch is removed by recognising both the derivatives and the notes and mortgages at fair value through profit or loss.

The securitisation transactions include a call + step-up construction, to the effect that, when the amount of outstanding notes falls below 10% of the initially outstanding notes (notional), the issuer has the option of redeeming the notes.

As of 2003, a number of this securitisation transactions include not only the above call + step-up construction, but also a put + step-down construction, to the effect that the noteholder is entitled to early repayment of the note as from a pre-determined date (put). The interest rate of the coupon is increased if both SNS REAAL which, being the initiating party, is offered the notes first, and any third party does not repurchase the notes when the noteholder exercises this right. The coupon rate on the note will also be lowered after this date in case the noteholders do not avail themselves of this right. Under normal circumstances, the company and the noteholder will then be financially motivated to repay the bonds prior to maturity.

Overview Holland Homes securitisation programme

<table>
<thead>
<tr>
<th>Specification Holland Homes securitisation programme</th>
<th>Initial principal</th>
<th>Date of securitisation</th>
<th>Book value 2012</th>
<th>Book value 2011</th>
<th>Date put-option</th>
<th>Contractual date of expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>In € millions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holland Homes (MBS 2000-1)</td>
<td>350</td>
<td>11-2000</td>
<td>125</td>
<td>133</td>
<td>30-12-2013</td>
<td>24-09-2030</td>
</tr>
<tr>
<td>Holland Homes (MBS 2003-1)</td>
<td>435</td>
<td>12-2003</td>
<td>194</td>
<td>216</td>
<td>30-12-2013</td>
<td>31-12-2080</td>
</tr>
<tr>
<td>Holland Homes (MBS 2005-1)</td>
<td>757</td>
<td>11-2005</td>
<td>539</td>
<td>568</td>
<td>20-12-2015</td>
<td>31-12-2083</td>
</tr>
<tr>
<td>Holland Homes (MBS (Oranje) 2005-1)</td>
<td>1,601</td>
<td>04-2006</td>
<td>718</td>
<td>784</td>
<td>20-01-2018</td>
<td>31-12-2083</td>
</tr>
<tr>
<td>Total</td>
<td>3,143</td>
<td></td>
<td>1,576</td>
<td>1,701</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On own book*</td>
<td></td>
<td></td>
<td>94</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>1,482</td>
<td>1,601</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Purchased bonds on own book are eliminated

The contractual non-discounted amount that will have to be paid at the end of the maturity of the bonds mentioned above, amounts to € 1,542 million (2011: € 1,662 million).
30.18 Insurance and reinsurance contracts

Specification insurance and reinsurance contracts by segment

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross 2012</th>
<th>Reinsurance 2012</th>
<th>Gross 2011</th>
<th>Reinsurance 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>REAAL Life, for own risk</td>
<td>17,605</td>
<td>17,955</td>
<td>3,019</td>
<td>3,248</td>
</tr>
<tr>
<td>Zwitserleven, for own risk</td>
<td>9,312</td>
<td>6,524</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Life, for own risk</td>
<td>26,917</td>
<td>24,479</td>
<td>3,021</td>
<td>3,250</td>
</tr>
<tr>
<td>REAAL Life, for account of policyholders</td>
<td>6,572</td>
<td>6,434</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Zwitserleven, for account of policyholders</td>
<td>7,357</td>
<td>6,821</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Life, for account of policyholders</td>
<td>13,929</td>
<td>13,255</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-life</td>
<td>1,256</td>
<td>1,311</td>
<td>164</td>
<td>176</td>
</tr>
<tr>
<td>Reclassification to provision for employee benefits</td>
<td>(333)</td>
<td>(218)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>41,769</td>
<td>38,827</td>
<td>3,185</td>
<td>3,426</td>
</tr>
</tbody>
</table>

Specification insurance and reinsurance contracts by type of contract

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Notes</th>
<th>Gross 2012</th>
<th>Reinsurance 2012</th>
<th>Gross 2011</th>
<th>Reinsurance 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for life insurance obligations</td>
<td>a</td>
<td>27,202</td>
<td>24,792</td>
<td>3,021</td>
<td>3,250</td>
</tr>
<tr>
<td>Unamortised interest rate discounts</td>
<td>b</td>
<td>(400)</td>
<td>(445)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for profit sharing, bonuses and discounts</td>
<td>c</td>
<td>115</td>
<td>132</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Life, for own risk</td>
<td>d</td>
<td>26,917</td>
<td>24,479</td>
<td>3,021</td>
<td>3,250</td>
</tr>
<tr>
<td>Technical provisions for insurance on behalf of policyholders</td>
<td></td>
<td>13,929</td>
<td>13,255</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Life, for account of policyholders</td>
<td>e</td>
<td>13,929</td>
<td>13,255</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for premium shortfalls and current risks</td>
<td>f</td>
<td>16</td>
<td>7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for unearned premiums</td>
<td>g</td>
<td>849</td>
<td>882</td>
<td>122</td>
<td>131</td>
</tr>
<tr>
<td>Provision for claims payable</td>
<td>h</td>
<td>289</td>
<td>294</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>Provision for claims incurred but not reported</td>
<td>i</td>
<td>1,256</td>
<td>1,311</td>
<td>164</td>
<td>176</td>
</tr>
<tr>
<td>Reclassification to provision for employee benefits</td>
<td>(333)</td>
<td>(218)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>41,769</td>
<td>38,827</td>
<td>3,185</td>
<td>3,426</td>
<td></td>
</tr>
</tbody>
</table>

Insurance contracts are largely of a long-term nature.

The defined benefit schemes of a number of SNS REAAL NV employees who are members of the Zwitserleven scheme are insured with SRLEV NV. SRLEV NV classifies this insurance obligation as insurance contract. For SNS REAAL NV the insurance obligation is a pension commitment. Therefore, this obligation of € 333 million (2011: € 218 million) has been reclassified to the provision for employee benefits in the consolidated financial statements.

On 17 November 2010, SNS REAAL reached a final agreement with the Stichting Verliespolis on the compensation scheme. As at 31 December 2012, the provision for life insurance obligations included € 329 million for compensation to unit-linked insurance policyholders (2011: € 277 million). In 2012, technical claims and benefits included € 100 million for compensation to unit-linked insurance policyholders, consisting of the annual interest accrual of € 25 million (2011: € 22 million) and an extra addition of € 75 million. The transactions regarding the provisions are an estimate based on the policy data available at this moment. The ultimate compensation may deviate from this amount.

The provision for defined contribution pension contracts amounts to € 35 million end of 2012 (2011: € 33 million). In 2012, this provision was increased with the accretion of interest of € 12 million (2011: € 5 million), represented in the technical claims and benefits for expected future compensation. The provision will be used to adjust the amount of policy costs in the policy contracts to a maximum, in accordance with the advice of the Verbond van Verzekeraars. The compensation scheme is the result of insufficient transparent communication with participants in pension contracts on the
costs in these insurance policies and the implications for the prognoses of the pensions. In 2012 part of the portfolio is compensated and almost € 10 million was used in this facility.

a. Statement of change in provisions for life insurance obligations for own risk

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross 2012</th>
<th>Gross 2011</th>
<th>Reinsurance 2012</th>
<th>Reinsurance 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>24,792</td>
<td>24,435</td>
<td>3,250</td>
<td>151</td>
</tr>
<tr>
<td>Portfolio reclassification</td>
<td>350</td>
<td>56</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance contracts</td>
<td>-</td>
<td>-</td>
<td>3,295</td>
<td></td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(2,143)</td>
<td>(2,208)</td>
<td>(416)</td>
<td>(465)</td>
</tr>
<tr>
<td>Premiums received</td>
<td>1,360</td>
<td>1,506</td>
<td>157</td>
<td>246</td>
</tr>
<tr>
<td>Interest added</td>
<td>947</td>
<td>1,041</td>
<td>127</td>
<td>122</td>
</tr>
<tr>
<td>Technical result</td>
<td>(201)</td>
<td>(122)</td>
<td>(157)</td>
<td>(65)</td>
</tr>
<tr>
<td>Release of expense loading</td>
<td>(173)</td>
<td>(213)</td>
<td>62</td>
<td>(34)</td>
</tr>
<tr>
<td>Change in shadow accounting</td>
<td>2,268</td>
<td>296</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other movements</td>
<td>2</td>
<td>1</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>27,202</td>
<td>24,792</td>
<td>3,021</td>
<td>3,250</td>
</tr>
</tbody>
</table>

In 2012 an amount of € 350 million (2011: € 56 million) for life insurance portfolios was reclassed from insurance on behalf of policyholders to life insurance obligations for own risk.

The table below presents the movements related to shadow accounting, against an equal movement in the balance sheet item Insurance contracts.

**Specification changes in shadow accounting in provisions for life insurance obligations**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Through OCI, revaluation reserves</th>
<th>Through Income statement, technical claims and benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results on allocated investments and interest derivatives*</td>
<td>-</td>
<td>-</td>
<td>(33)</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>265</td>
<td>285</td>
<td>49</td>
</tr>
<tr>
<td>Shadow loss accounting</td>
<td>1,987</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total changes in shadow accounting in provision for life insurance obligations</td>
<td>2,252</td>
<td>285</td>
<td>16</td>
</tr>
<tr>
<td>Taxes</td>
<td>563</td>
<td>71</td>
<td>4</td>
</tr>
<tr>
<td>Total changes, net</td>
<td>1,689</td>
<td>214</td>
<td>12</td>
</tr>
</tbody>
</table>

* This relates to results on interest derivatives and fixed income investments available for sale recognised in profit and loss, provided that they are held to match interest related derivatives and guarantees for account of policyholders, embedded in the provision for life insurance obligations.

b. Statement of change in unamortised interest rate discounts

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Life own risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>445</td>
</tr>
<tr>
<td>Discounts given in the financial year</td>
<td>1</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(46)</td>
</tr>
<tr>
<td>Other movements</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>400</td>
</tr>
</tbody>
</table>
c. Statement of change in provision for profit sharing, bonuses and discounts

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Life own risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>132</td>
</tr>
<tr>
<td>Profit sharing, bonuses and discounts granted in the financial year</td>
<td>(17)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>115</td>
</tr>
</tbody>
</table>

d. Statement of change in technical provisions for insurance for account of policyholders

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>13,255</td>
<td>13,433</td>
</tr>
<tr>
<td>Portfolio reclassification</td>
<td>(350)</td>
<td>(56)</td>
</tr>
<tr>
<td>Premiums received</td>
<td>1,276</td>
<td>1,342</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,371)</td>
<td>(1,100)</td>
</tr>
<tr>
<td>Interest added</td>
<td>563</td>
<td>(62)</td>
</tr>
<tr>
<td>Exchange (rate) differences</td>
<td>682</td>
<td>(87)</td>
</tr>
<tr>
<td>Technical result</td>
<td>41</td>
<td>(62)</td>
</tr>
<tr>
<td>Release of expense loading</td>
<td>(141)</td>
<td>(176)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(26)</td>
<td>23</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>13,929</td>
<td>13,255</td>
</tr>
</tbody>
</table>

e. Statement of change in provision for premium shortfalls and current risks

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>7</td>
</tr>
<tr>
<td>Reclassification</td>
<td>8</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>1</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>16</td>
</tr>
</tbody>
</table>

The reclassification of € 8 million concerns an item which in 2011 was presented as a provision for unearned premiums instead of a provision for premium shortfalls and current risks.

f. Statement of change in provision for unearned premiums

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross</th>
<th>Reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>128</td>
<td>142</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(8)</td>
<td>-</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>102</td>
<td>128</td>
</tr>
<tr>
<td>Added to the results</td>
<td>(120)</td>
<td>(142)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>102</td>
<td>128</td>
</tr>
</tbody>
</table>
g. Statement of change in provision for claims payable

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross</th>
<th>Reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>882</td>
<td>898</td>
</tr>
<tr>
<td>Reported claims, current period</td>
<td>465</td>
<td>492</td>
</tr>
<tr>
<td>Reported claims, prior periods</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Claims paid, current period</td>
<td>-274</td>
<td>-270</td>
</tr>
<tr>
<td>Claims paid, prior periods</td>
<td>-269</td>
<td>-281</td>
</tr>
<tr>
<td>Interest added</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Other movements</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>849</td>
<td>882</td>
</tr>
</tbody>
</table>

h. Statement of change in provision for claims incurred but not reported

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross</th>
<th>Reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>294</td>
<td>326</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>86</td>
<td>75</td>
</tr>
<tr>
<td>Added to the results</td>
<td>-91</td>
<td>-107</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>289</td>
<td>294</td>
</tr>
</tbody>
</table>

30.19 Provision for employee benefits

Specification provision for employee benefits

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension commitments</td>
<td>410</td>
<td>410</td>
</tr>
<tr>
<td>Other employee commitments</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>438</td>
<td>440</td>
</tr>
</tbody>
</table>

30.19.1 Pension commitments

The pension rights of the majority of the SNS REAAL employees, including the accrual of new pension rights of almost all active employees from acquired schemes, have been transferred to the defined contribution plan of the independent Stichting Pensioenfonds SNS REAAL.

Property Finance’s scheme is administered by the ABP as a multi-employer plan.

The pension rights of employees continuing under the acquired pension schemes of AXA, Winterthur, Zürielerfen, Zürich, NHL and DBV can be designated as defined benefit schemes. SNS REAAL’s contribution to these pension schemes is expected to be approximately € 20 million in total in 2013 (2012: € 18 million).

The unrealised actuarial gains and losses are € 103 million negative (2011: € 75 million negative). The unrealised actuarial gains and losses that exceed the corridor are amortised on the basis of the expected remaining service of the employees of approximately ten years (amortisation costs 2012: € 3 million). After 1 January 2013, actuarial gains and losses will be presented in the item Other Comprehensive Income (OCI) in accordance with IAS 19 Revised. See also paragraph 21.3.3 for a further explanation of the effect of the amendment to the IAS 19 Guideline.

The investments relating to the pension schemes that have been included in a separated investment account are offset against the commitments. The non-separated investments have been recognised under the item Investments.
The main aspects of the various schemes are explained below.

30.19.1.1 Pension scheme Stichting Pensioenfonds SNS REAAL
The pension scheme to which SNS REAAL employees are entitled can be designated as a defined collective contribution scheme. Under this scheme, SNS REAAL pays a fixed agreed amount to Stichting Pensioenfonds. As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have no longer been included in the balance sheet since 2005. In 2009 an agreement was reached on the pension premium for a period of 5 years, effective 1 January 2010 until 31 December 2014. During this period a fixed percentage of 21.75% of gross wages is paid. In 2013, SNS REAAL’s contribution to the defined contribution scheme will be circa € 71 million (2012: € 70 million).

30.19.1.2 Pension scheme Property Finance
Property Finance’s scheme by the ABP is a defined benefit scheme. However, the ABP arrangement does not provide a consistent and reliable basis for charging the liability, mutual fund investments and costs of the scheme to individual employers taking part. That is why this pension scheme is treated as a defined contribution scheme for reporting purposes. As participating entity, Property Finance has no contractual arrangement on the settlement of the financial consequences of a surplus or deficit in the fund. Any surplus or deficit in the scheme cannot affect the amount of future contributions. There is an annual possibility to change the premium, but any such change will be limited. Property Finance’s contribution to the ABP is € 1 million round for the year 2013 (2012: € 2 million).

30.19.1.3 Pension schemes former AXA and Winterthur
As of 1 January 2009, the accrual of new pension entitlements of former employees of AXA and Winterthur has been transferred to Stichting Pensioenfonds SNS REAAL.

The past pension benefits of former AXA employees have for the largest part been transferred to Stichting Pensioenfonds AXA Verzekeringen. The rights of participants who were inactive at the time of formation of the pension fund on 1 January 2001, and a small number of former but still active AXA employees were transferred to a number of insurers or remain in-house. These pension commitments and the relating separated investment account have been set off in the pension provision for an amount of € 5 million negative (2011: € 3 million negative).

With the acquisition of AXA also former pension schemes of UAP, Equity & Law (E&L) and Guardian were acquired. The schemes of UAP and E&L have been transferred to REAAL, without creation of a separate investment account. The pension scheme of Guardian is insured externally. After offsetting the fair value of the investments with the pension obligations, an amount of € 61 million (2011: € 60 million) has been added to the provision for pensions.

The pension scheme of former Winterthur, in which besides the pension benefits built up in the past of the former employees also the accrual of pension rights of a small number of active employees born before 1 January 1950 takes place, is administered in-house. For this pension scheme, the present value of the pension obligations has been included in the provision for employee commitments, in the amount of € 84 million (2011: € 84 million). There is no separate investment account.

For both the AXA as well as the Winterthur scheme it has been agreed that indexation of pension entitlements of inactive participants will be equal to the indexation applied by the Stichting Pensioenfonds SNS REAAL. The pension entitlements of active former participants are unconditionally indexed. In the event that the coverage ratio of the scheme falls below the agreed limit of 105%, an additional contribution will be done by the employer.

In 2013, SNS REAAL’s contribution to the defined benefit schemes of former AXA and Winterthur is expected to be € 8 million (2012: € 5 million).
30.19.1.4 Pension scheme Zwitserleven

As of 1 January 2010, the accrual of new pension entitlements of virtually all employees of Zwitserleven has been transferred to Stichting Pensioenfonds SNS REAAL. The rights of inactive participants built up in the past and active former participants remain part of the former pension scheme of Zwitserleven.

The conditional indexation of the pension rights of inactive participants are determined using the return on investment and possible technical results. If the return is insufficient the indexation may be lower than the indexation of Stichting Pensioenfonds SNS REAAL. From 2025, the indexation will be more or less equal to the indexation of Stichting Pensioenfonds SNS REAAL. The pension rights of active former participants are unconditionally indexed.

The pension scheme of Zwitserleven is administered in-house. For this pension scheme, the present value of the pension obligations has been included in the provision for employee commitments, in the amount of €198 million (2011: €194 million). There is no separate investment account. SNS REAAL’s contribution to the defined benefit scheme of Zwitserleven is expected to be €9 million in 2013 (2012: €10 million).

30.19.1.5 Other pension schemes

The accrual of new pension rights of former employees of Zürich, NHL and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of these employees built up in previous years are administered in-house at SNS REAAL. The rights are of limited value.

Only the scheme of NHL, administered by another insurer, has a separate investment account that is offset against the pension commitments. All other schemes are administered in-house, without a separate investment account. In 2013, SNS REAAL’s contribution to the other defined benefit schemes is expected to be €3 million (2012: €3 million).

### Composition of the pension commitments

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligations</td>
<td>790</td>
<td>747</td>
<td>684</td>
<td>612</td>
<td>614</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>293</td>
<td>262</td>
<td>293</td>
<td>285</td>
<td>271</td>
</tr>
<tr>
<td>Present value of the net liabilities</td>
<td>497</td>
<td>485</td>
<td>391</td>
<td>327</td>
<td>343</td>
</tr>
<tr>
<td>Change in irrecoverable surplus (effect of asset ceiling)</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrecognised actuarial gains or losses</td>
<td>(103)</td>
<td>(75)</td>
<td>(16)</td>
<td>54</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>410</td>
<td>410</td>
<td>373</td>
<td>381</td>
<td>359</td>
</tr>
</tbody>
</table>

In the pension scheme of former AXA employees, the excess value of the investments in relation to the pension commitment is €16 million, which would create an asset item. However, IAS 19 has set a ceiling for this asset item, above which capitalisation is not permitted (the asset ceiling). This ceiling was exceeded at the end of 2012, due to which €16 million was impaired and charged to the result. On the other hand, a profit of, on balance, €12 million from financial and non-financial actuarial gains and losses is recognised directly in the income statement instead of being deferred by using the corridor method.
Change in present value of pension obligations

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value as at 1 January</td>
<td>747</td>
<td>684</td>
</tr>
<tr>
<td>Increase and interest accrual</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(21)</td>
<td>(22)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(2)</td>
<td>(25)</td>
</tr>
<tr>
<td><strong>Expected value as at 31 December</strong></td>
<td><strong>752</strong></td>
<td><strong>667</strong></td>
</tr>
<tr>
<td>Movement of unrealised actuarial gains or losses</td>
<td>38</td>
<td>80</td>
</tr>
<tr>
<td><strong>Present value as at 31 December</strong></td>
<td><strong>790</strong></td>
<td><strong>747</strong></td>
</tr>
</tbody>
</table>

In 2011, an amount of €31 million in relation to the settlement of Pension Fund Nieuw Rotterdam was included in other movements.

Change in fair value of the plan assets

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value as at 1 January</td>
<td>262</td>
<td>293</td>
</tr>
<tr>
<td>Investment income</td>
<td>14</td>
<td>26</td>
</tr>
<tr>
<td>Premiums</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(21)</td>
<td>(21)</td>
</tr>
<tr>
<td>Other movements</td>
<td>2</td>
<td>(81)</td>
</tr>
<tr>
<td><strong>Expected value as at 31 December</strong></td>
<td><strong>273</strong></td>
<td><strong>239</strong></td>
</tr>
<tr>
<td>Movement of unrealised actuarial gains or losses</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td><strong>Fair value as at 31 December</strong></td>
<td><strong>293</strong></td>
<td><strong>262</strong></td>
</tr>
</tbody>
</table>

In 2011, an amount of €33 million in relation to the settlement of Pension Fund Nieuw Rotterdam was included in other movements and €50 million because the pension schemes of UAP and E&L were transferred to REAAL, with the investments being included in a separate investment account.

Breakdown investments

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>46</td>
<td>50</td>
</tr>
<tr>
<td>Fixed income investments</td>
<td>209</td>
<td>178</td>
</tr>
<tr>
<td>Other</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>293</td>
<td>262</td>
</tr>
</tbody>
</table>

Statement of unrealised actuarial gains or losses

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>(75)</td>
<td>(18)</td>
</tr>
<tr>
<td>Pension obligations</td>
<td>(38)</td>
<td>(80)</td>
</tr>
<tr>
<td>Plan assets</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td>Amortisations</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Recognised actuarial results asset ceiling</td>
<td>(12)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td><strong>(103)</strong></td>
<td><strong>(75)</strong></td>
</tr>
</tbody>
</table>

In the movements in the unrealised actuarial gains and losses, a movement of €12 million was recognised as a result of the asset ceiling being exceeded, due to which this amount was recognised directly in the income statement.
Experience adjustments arising on the pension commitments

<table>
<thead>
<tr>
<th>Experience adjustments as a % of defined benefit obligation</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1%</td>
<td>(1%)</td>
<td>1%</td>
<td>(2%)</td>
<td>(1%)</td>
</tr>
</tbody>
</table>

Experience adjustments as a % of investments

<table>
<thead>
<tr>
<th>Experience adjustments as a % of investments</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4%</td>
<td>(2%)</td>
<td>(2%)</td>
<td>(3%)</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

The effect of the unrealised actuarial gains and losses on pension entitlements or investment funds, which originated as a result of adjustments in experience ratings, has been included as a percentage of the pension entitlements or investment funds at year-end in the table above.

The main actuarial parameters at year-end

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.5%</td>
<td>3.8%</td>
<td>4.7%</td>
<td>4.9%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected salary increase</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0% - 1.8%</td>
<td>1.5% - 2.2%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-4.1% - 5.6%</td>
<td>3.2% - 6.1%</td>
<td>3.8% - 3.9%</td>
<td>5.5% - 5.7%</td>
<td>5.5-5.7%</td>
</tr>
</tbody>
</table>

Up to and including in 2012, the return in the income statement is based on the expected return determined at year-end of the previous financial year. As from 2013, the return on qualifying pension investments is equated with the discount rate by which the pension commitments are increased. The expected return at year-end 2012 is therefore not taken into account in the table above.

30.19.2 Other employee commitments

Statement of change in other employee commitments

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Release / allocation to other employee commitments</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(2)</td>
<td>3</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>28</td>
<td>30</td>
</tr>
</tbody>
</table>

30.20 Other provisions

Specification other provisions

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring provision</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>22</td>
<td>25</td>
<td>26</td>
<td>11</td>
</tr>
<tr>
<td>Other provisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>13</td>
<td>11</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>82</td>
<td>35</td>
<td>36</td>
<td>39</td>
<td>11</td>
</tr>
</tbody>
</table>

The restructuring provision mainly relates to the finalisation of additional cost reduction programmes. It is expected that the largest part of the reorganisations will be settled in the coming years.

The other provisions are mainly of a long-term nature and were made partly with a view to the risk that (legal) claims may not be settled. The timing of expected outflow of means is uncertain.

At the end of January 2013, SNS Bank NV was held liable with regard to the claim by Stichting Claim SNS/Bos & Partners regarding the investment in foreign investment funds not registered with the AFM, for execution-only customers. Meanwhile, a compensation proposal has been agreed upon with 70% of the customers. For the purpose of the claim, a
provision of € 20 million was made at year-end 2012 (2011: € 4 million).

### Statement of change in other provisions

<table>
<thead>
<tr>
<th></th>
<th>Restructuring provision</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>58</td>
<td>62</td>
<td>28</td>
</tr>
<tr>
<td>Additions / release</td>
<td>56</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>(25)</td>
<td>(28)</td>
<td>(4)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>88</td>
<td>58</td>
<td>41</td>
</tr>
</tbody>
</table>

### Savings

#### Specification savings

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due on demand</td>
<td>24,862</td>
<td>22,289</td>
</tr>
<tr>
<td>Other savings</td>
<td>7,933</td>
<td>8,052</td>
</tr>
<tr>
<td>Total</td>
<td>32,815</td>
<td>30,341</td>
</tr>
</tbody>
</table>

The savings item comprises balances of saving accounts, saving deposits and term deposits of retail clients. The interest payable on savings is included under other liabilities.


### Other amounts due to customers

#### Specification other amounts due to customers 2012

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current debt</td>
<td>2,186</td>
<td>4,023</td>
<td>681</td>
<td>(1,516)</td>
<td>5,374</td>
</tr>
<tr>
<td>Available on demand</td>
<td>5,745</td>
<td>-</td>
<td>-</td>
<td>(293)</td>
<td>5,452</td>
</tr>
<tr>
<td>Mortgage deposits</td>
<td>91</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>1,507</td>
<td>52</td>
<td>-</td>
<td>(1,493)</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>9,529</td>
<td>4,075</td>
<td>681</td>
<td>(3,302)</td>
<td>10,983</td>
</tr>
</tbody>
</table>

#### Specification other amounts due to customers 2011

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current debt</td>
<td>2,229</td>
<td>3,941</td>
<td>628</td>
<td>(1,136)</td>
<td>5,662</td>
</tr>
<tr>
<td>Available on demand</td>
<td>6,351</td>
<td>-</td>
<td>-</td>
<td>(178)</td>
<td>6,173</td>
</tr>
<tr>
<td>Mortgage deposits</td>
<td>167</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>187</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>1,468</td>
<td>54</td>
<td>-</td>
<td>(1,402)</td>
<td>120</td>
</tr>
<tr>
<td>Total</td>
<td>10,215</td>
<td>4,015</td>
<td>628</td>
<td>(2,716)</td>
<td>12,142</td>
</tr>
</tbody>
</table>
### 30.23 Amounts due to banks

#### Specification amounts due to banks 2012

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due on demand</td>
<td>1,096</td>
<td>1,298</td>
<td>-</td>
<td>(792)</td>
<td>1,602</td>
</tr>
<tr>
<td>Deposits and certificates</td>
<td>5,921</td>
<td>2,447</td>
<td>-</td>
<td>-</td>
<td>8,368</td>
</tr>
<tr>
<td>Private loans</td>
<td>1,656</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,656</td>
</tr>
<tr>
<td>Other amounts due to banks</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,686</strong></td>
<td><strong>3,745</strong></td>
<td>-</td>
<td>(792)</td>
<td><strong>11,639</strong></td>
</tr>
</tbody>
</table>

#### Specification amounts due to banks 2011

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due on demand</td>
<td>545</td>
<td>687</td>
<td>23</td>
<td>(648)</td>
<td>607</td>
</tr>
<tr>
<td>Deposits and certificates</td>
<td>1,884</td>
<td>2,467</td>
<td>50</td>
<td>(50)</td>
<td>4,351</td>
</tr>
<tr>
<td>Private loans</td>
<td>1,897</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,897</td>
</tr>
<tr>
<td>Other amounts due to banks</td>
<td>390</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>390</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,716</strong></td>
<td><strong>3,154</strong></td>
<td>73</td>
<td>(698)</td>
<td><strong>7,245</strong></td>
</tr>
</tbody>
</table>

The debts to banks comprise liabilities ensuing from repo agreements amounting to € 2.9 billion (2011: € 2.9 billion). Also, the debts to banks comprise of structured transactions. These liabilities are offset by investments, mainly including government bonds with the highest rating. These debts will be settled at the same time as the corresponding investments.

In addition, the amounts due to banks for SNS Bank NV comprise of two three-year loans of the ESCB (LTRO).
### 30.24 Other liabilities

**Specification other liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debts in relation to direct insurance</td>
<td>554</td>
<td>490</td>
</tr>
<tr>
<td>Debts to reinsurers</td>
<td>58</td>
<td>(47)</td>
</tr>
<tr>
<td>Other taxes</td>
<td>78</td>
<td>75</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,797</td>
<td>1,383</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>1,210</td>
<td>1,253</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,697</td>
<td>3,154</td>
</tr>
</tbody>
</table>

### 30.25 Off balance sheet commitments

#### 30.25.1 Contingent liabilities

**Specification contingent liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities from pledges and guarantees given</td>
<td>173</td>
<td>200</td>
</tr>
<tr>
<td>Liabilities from irrevocable facilities</td>
<td>757</td>
<td>933</td>
</tr>
<tr>
<td>Repurchase commitments</td>
<td>1,585</td>
<td>1,713</td>
</tr>
</tbody>
</table>

To meet customer requirements, SNS REAAL offers loan-related products such as pledges and guarantees. The underlying value of these products is not included as assets or liabilities in the balance sheet. The amounts stated above indicate the maximum potential credit risk SNS REAAL faces through these products, assuming that all counterparties are no longer able to meet their commitments and all existing securities will have no value. The guarantees relate to guarantees that do and do not replace the credit amount. Most guarantees are expected to expire without any claim being made and therefore are not expected to give rise to any future cash flows.

The irrevocable facilities consist mainly of credit facilities that are pledged to clients, but against which no claim has been made. These facilities are pledged for a set period and at a variable interest rate. Collateral has been obtained for the majority of the irrevocable credit facilities that have not been called.

Part of the collateralised loans and advances that were sold or securitised under the Holland Homes programme includes a repurchase obligation of the loans and advances on the interest review date. The determination of the maturity schedule below takes account of an early repayment risk on mortgages of 5% per annum (2011: 7%). Besides a repurchase obligation on the interest review date of the loans and advances, the Holland Homes transactions are also expected to be repurchased on the date of expiration of the put-option, which is included in the maturity calendar.

**Maturity calendar repurchase commitments**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 year</td>
<td>194</td>
<td>221</td>
</tr>
<tr>
<td>1 - 5 year</td>
<td>491</td>
<td>623</td>
</tr>
<tr>
<td>&gt; 5 year</td>
<td>900</td>
<td>869</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,585</td>
<td>1,713</td>
</tr>
</tbody>
</table>
30.25.2 Guarantee- and compensation systems
As of 1 January 2007, the Financial Supervision Act (Wft) came into force. A part of this relates to the deposit guarantee system scheme, the successor to the Collective Guarantee Scheme. Under the deposit guarantee scheme (DGS), account holders’ deposits on current and savings accounts are guaranteed. As of 7 October 2008, the maximum guarantee is (temporarily) set at €100,000 per account holder. Before that date, the maximum guarantee was €38,000 per account holder.

With the enforcement of the Financial Supervision Act (Wft) the investor compensation scheme has been updated. This scheme provides for a maximum payout of €20,000 per account holder.

If a credit institution is unable to pay and insufficient funds remain to repay the guaranteed amounts (in full) to the account holders of the respective institution, the Dutch Central Bank will pay out the remaining amount to the stated maximum. The total amount is then repaid to the Dutch Central Bank by the banks, including those that are part of SNS REAAL, according to an apportionment scheme.

30.25.3 Netherlands Terrorism Risk Reinsurance Company
In 2013, SNS REAAL will take a 13.85% (2012: 14.36%) share in the cluster life and 5.45% (2012: 5.35%) in the cluster non-life of the Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV (Netherlands Terrorism Reinsurance Company). In 2012 the extent of the guarantee is €77 million (2012: €79 million) and the obliged premium €1 million (2012: €1 million).

30.25.4 Lease commitments

<table>
<thead>
<tr>
<th>Maturity calendar future minimum payments based on irrevocable operational leases</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 year</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>1 - 5 year</td>
<td>53</td>
<td>59</td>
</tr>
<tr>
<td>&gt; 5 year</td>
<td>78</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>154</td>
<td>136</td>
</tr>
</tbody>
</table>

The determination of the volume of lease commitments is based on the assumption that the lease agreement will be terminated as per the reference date (last day of the financial year). Based on this termination, it is determined for each lease agreement as per which next date the termination can be effected. The total lease commitment is calculated for the period from the reference date until the first possible termination date. The total lease commitment consists of the nominal lease amount due pursuant to the lease agreement for the period stated. The major agreements have renewal options. There are no options to obtain ownership and no restrictions imposed pursuant to the lease agreements.

30.25.5 Legal proceedings

30.25.5.1 Nationalisation
The Minister of Finance decided on 1 February 2013, pursuant to Articles 6:2 and 6:4 of the Financial Supervision Act, to expropriate:

- all issued shares in the capital of SNS REAAL NV (hereafter SNS REAAL);
- all core Tier 1 capital securities issued by SNS REAAL to Stichting Beheer SNS REAAL securities (‘Stichting securities’);
- all subordinated bonds of SNS REAAL NV and SNS Bank NV;
- subordinated private debts of SNS REAAL NV and SNS Bank NV.
A large number of stakeholders have lodged an appeal against the decision to the Department of Administrative Law of the Council of the State. On 25 February 2013, The Council of the State has decided that the appeals have no legal base and therefore upholds the expropriation decree, provided that the securities and assets are lawfully expropriated by the Minister, but not the corresponding liabilities or claims.

The entitled parties of the aforementioned securities and assets have the right to a remuneration reflecting the fair value. The level of remuneration is determined by the Enterprise Section of the Amsterdam Court of Appeal. Meanwhile, the Minister has offered a remuneration of 0 euro. If the Ondernemerskamer decides the entitled parties have a right to remuneration, this will be paid by the Dutch State. This therefore has no consequence for SNS REAAL.

The arguments used in the appeal at the Council of the State give reason to think that entitled parties of securities and assets will start legal procedures against SNS REAAL to be compensated for their losses. On this moment, it is not possible to make an estimation of the chance that possible legal procedures will lead to an obligation or the level of financial impact on SNS REAAL. Therefore, no provisions for possible legal procedures from entitled parties of expropriated securities and assets are made. Since the outcome of any legal proceedings can not be determined with certainty, adverse results may have a material adverse impact on the financial position, results or cash flows of SNS REAAL NV.

30.25.5.2 Claims and legal cases
SNS REAAL is involved in legal proceedings. Although it is impossible to predict the result of pending or threatening legal proceedings, on the basis of information currently available and after consulting legal advisors, the Executive Board believes that the outcome of these proceedings is unlikely to have any material adverse effects on the financial position or operating results of SNS REAAL.

Madoff
In April 2010, a foundation acting for a group of execution-only clients initiated legal proceedings against SNS Bank for alleged losses suffered on investments in certain foreign investment funds (including Madoff feeder funds). As already reported in the 2010 and 2011 annual report, where appropriate, clients will be compensated by SNS Bank in a suitable manner for which provisions have been taken. In January 2013, in the proceedings before the court, the court reached a verdict. It is judged that SNS Bank made mistakes and therefore did not meet its legal agreements. SNS Bank is considering its position and examines possible further steps, such as an appeal to the court.

In 2010, three Madoff-feeder funds have initiated legal proceedings in New York against, amongst others, SNS Global Custody, the custody entity of SNS Bank, and its clients as former beneficial owners of investments in these funds. A similar proceeding has been initiated by one of these funds against SNS Global Custody in the British Virgin Islands (BVI). They claim repayment of payments made by the funds for redemptions of investments by these beneficial owners. In line with these lawsuits the trustee of Madoff started proceedings against SNS Bank and SNS Global Custody. The aforementioned proceedings, in which many financial institutions worldwide are sued in similar proceeding, are in an early stage. Two times a verdict is given on the BVI in favour of SNS Bank, but against which appeal is lodged. SNS Bank will defend itself strongly but, for the moment, can not give a reliable estimation of possible provisions resulting from these claims.

Securities loan
In June 2012, SNS Bank started legal proceedings against a customer for not repaying an amount (€ 11.3 million) for a securities loan provided by SNS Bank. SNS Bank has made a provision for the total amount in the first half of 2012. This customer claims in the same procedure that SNS Bank and SNS Securities have acted illegitimately and therefore the customer is badly effected. The customer does not mention a specific amount but requests the court to determine the amount in a separate procedure. SNS Bank and SNS Securities defend itself against these claims. For this moment, we think the chances of the customer are small. Therefore and because there is no certainty about the amount of a possible compensation, we have no reason to make a provision for this claim.

Irregularities Property Finance
During the financial year reasonable suspicion of irregularities was obtained in respect of invoices and expense reimbursement claims regarding the hiring of third parties and cooperation with third parties in Property Finance. This has partly occurred at management and supervisory functions on projects.

Currently these signals, which indicate irregularities, are under further investigation. Concrete evidence of irregularities will lead to claims. These claims are inherently uncertain and, therefore, do not lead to recognition of a receivable in the balance sheet or to a disclosure of a contingent asset at this time.

We have implemented several measures to prevent reoccurrence of these irregularities. Inter alia, the employees potentially involved no longer work for Property Finance. If applicable, our relationships with third parties associated with these individuals have been terminated. In addition, a number of managers and employees of Property Finance have been suspended pending the investigation. Furthermore, suspicion of criminal offenses arising from the conduct of these employees are reported to the authorities. The continuation of our investigation of potential irregularities is one of the measures taken by SNS REAAL in response to the signs of potential irregularities.

In addition to the investigations carried out by SNS REAAL there is an investigation by the criminal authorities. To the extent possible and allowable under Dutch law, SNS REAAL cooperates with the criminal authorities. It is possible that at the completion of investigations, matters arise that could affect the valuation of assets and liabilities.

Finally, with respect to a limited number of loans, irregularities are suspected which took place before 2010. These files are currently being investigated with the assistance of a third party.

Property Finance is confronted with a number of claims. The most important ones are mentioned below.

**Union de Sociedad The Key en Colmar Group Spain**

Mr. R. Ras, a property developer who was involved with the construction and development of a number of Spanish real estate projects which are financed by SNS Property Finance BV, states to have a claim against Property Finance for an amount of more than €408 million because of supposed damage suffered on these projects by the acts of Property Finance. This claim is not supported with any arguments. On 10 January 2013, Mr. Ras showed NOS Television a Spanish payment request ("acto de conciliación") adressed to Property Finance, in which Property Finance is summoned to appear to a Spanish judge in order to acknowledge the aforementioned amount is due. Till this day, Property Finance has not yet received this payment request. Property Finance strongly denies to be obligated to pay the amount of €408 million. Although the case has not yet formally brought before court, Mr. Ras exaggerates the case in the press.

**Océanis**

Océanis SAS is a French joint-venture, in which Property Finance (by means of a subsidiary) until 10 June 2010 was an indirect shareholder. Apollonia is one of the estate agents who Océanis contracted to sell a part of its developed property in France. In 2008, after multiple complaints of clients for supposed fraudulent behaviour of Apollonia were filed, the Court of Marseille has started a criminal investigation against this estate agent. Property Finance and its subsidiary are no party in this matter. At the end of 2012, the Dutch press reported this case. The Océanis file is one of the projects which, within Property Finance, is currently being investigated on possible irregularities and possible redress. Besides, it is investigated if any possible criminal liability and/or legal responsibility of persons within Property Finance or within Property Finance and its subsidiaries could exist regarding the French criminal investigation against Apollonia.

**Nawon**

Nawon International Estates II LLC, Nawon International Estates III LLC, and Nawon Holding LLC. (hereafter: “Nawon”) announced PF in a letter dated 11 December 2012 that Nawon holds Property Finance responsible for damage already and still to be suffered for an amount of around €50 million. On 31 January 2013, Nawon requested DNB to investigate this at Property Finance. According to Nawon, Property Finance, as a financer of Nawons German real estate portfolio, has violated its duty to care. On 26 February 2013, Property Finance rejected all liability claims. Property Finance has not yet received a subpoena from Nawon. Meanwhile, Nawon Holding LLC has filed bankruptcy and the liquidator has asked the other Nawon parties to give support for their alleged claims against Property Finance. Until today, the
liquidator has not received any support.

**Belval Plaza**

One of Property Finances real estate projects that got a lot of attention in the press, is the project Belval Plaza in Luxembourg. Property Finance was the financer and the construction and development was the responsibility of a joint venture between the Multiplan group and subsidiary of Property Finance. Since the loans were not repayed as agreed, in 2009, Property Finance started to secure its collateral, therfore Belval Plaza is now fully controlled by Property Finance (and its subsidiary).

Various (sub)contracted and suppliers started a legal procedure against the Belval Plaza companies for the payment of outstanding invoices and alleged compensation. Property Finance strongly rejects these claims. Moreover, in the second half of March 2013, 14 tenants of the commercial centres Belval Plaza I Mall and Belval Plaza II got basic subpoenas against the Belval companies and four subsidiaries of the SNS REAAL group (including Property Finance) for a alleged compensation claim of more than € 16 million. The tenants accuse Belval and Property Finance for the lack of financial and administrative means to make the project a succes, bad technical installations in the shopping mall, and bad shopping center management. The judge in Luxembourg has not set a date for a preliminary hearing yet. The chances of succes for this claim are deemed little. Property Finance and other defendants will strongly defend itself.

Finally, half April 2013, the Multiplan Group NV, SA Circle EU Holding, and Mr. C. van Erp, resident of Switzerland, requested the court in Utrecht for a preliminary hearing of witnesses. The request is aimed to hear more than thirty employees, former employees, external employees, managers and former managers of Property Finance (and its legal predecessor) as well as third parties (subcontractors) regarding their involvement in the Belval project. Initially, the request is handled on 25 June 2013 by the court of Utrecht. Property Finance sees no need for this preliminary hearing and will strongly advocate this during the handling of the case.

### 30.26 Related parties

#### 30.26.1 Identity of related parties

Parties are considered to be related if one party can exert control or significant influence over the other party in deciding financial or operational matters. As a part of its ordinary operations, SNS REAAL maintains various sorts of ordinary business relations with related companies and parties, particularly in the areas of insurance, banking, and asset management. Other parties related with SNS REAAL are the Dutch Ministry of Finance, subsidiaries, associated companies, joint ventures, managers in key positions and close family members of these managers.

Transactions with related parties are conducted at arm’s length. In the transactions with related parties, Best Practices provisions II.3.2, II.3.3, II.3.4, III.6.1, III.6.3 and III.6.4 of the Dutch Corporate Governance Code were complied with.

#### 30.26.2 Positions and transactions between SNS REAAL NV, associated companies and joint ventures

**Positions and transactions between SNS REAAL NV, associated companies and joint ventures**

<table>
<thead>
<tr>
<th>Positions</th>
<th>Associated companies</th>
<th>Joint ventures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances</td>
<td>63</td>
<td>113</td>
</tr>
<tr>
<td>Provisions for doubtful debt</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transactions</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutation loans and advances</td>
<td>(50)</td>
<td>(288)</td>
<td>(198)</td>
<td>(128)</td>
</tr>
<tr>
<td>Mutation provisions for doubtful debt</td>
<td>-</td>
<td>-</td>
<td>(3)</td>
<td>(8)</td>
</tr>
<tr>
<td>Income</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>(1)</td>
</tr>
</tbody>
</table>
The key transactions between consolidated entities in this reporting period pertain to the contribution of €63 million by SNS REAAL NV as paid-in share premiums in the shareholders’ equity of SNS Bank NV. In addition, SNS REAAL NV contributed €22 million as paid-in share premium in the shareholders’ equity of SNS REAAL Invest NV.

As per 1 January 2012, SNS REAAL NV has control over SNS Beleggingsfondsen Beheer BV (SBB) and will consolidate SBB. SNS Bank NV deconsolidates SBB as per that date. The transfer of SBB from SNS Bank NV to SNS REAAL NV is a common control transaction. In this context SNS REAAL applies book value accounting.

In 2012, the provision for employee benefits calculated under the IFRS rules, is transferred from SRLEV NV to SNS REAAL NV (€26 million).

### 30.26.3 Positions and transactions between SNS REAAL NV and Stichting Beheer SNS REAAL

#### Positions and transactions between SNS REAAL NV and Stichting Beheer SNS REAAL

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities capital</td>
<td>422</td>
<td>414</td>
</tr>
<tr>
<td><strong>Transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss absorption / make-whole addition</td>
<td>7</td>
<td>(21)</td>
</tr>
<tr>
<td>Transactions with securityholders</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

No dividend is paid during the financial year.

If SNS REAAL NV were to incur any losses during the term of the core Tier 1 capital securities issued to Stichting Beheer SNS REAAL, these losses will partially be borne by the Foundation. The loss absorption of Stichting Beheer SNS REAAL and the core Tier 1 capital securities are explained further in the Annual Report under paragraph 19.4.2 Securities issued to the Stichting Beheer SNS REAAL and the Dutch State of the chapter on Corporate Governance. This information is part of the consolidated financial statements.

The expropriation of core Tier 1 capital securities issued by Stichting Beheer SNS REAAL is part of the nationalisation of SNS REAAL on 1 February 2013 (see paragraph 30.27 Subsequent events).

### 30.26.4 Positions and transactions between SNS REAAL NV and the Dutch State

#### Positions between SNS REAAL NV and the Dutch State

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities capital</td>
<td>565</td>
<td>565</td>
</tr>
</tbody>
</table>

The core Tier 1 capital securities are explained further in the Annual Report under paragraph 19.4.2 Securities issued to the Stichting Beheer SNS REAAL and the Dutch State of the chapter on Corporate Governance. This information is part of the consolidated financial statements.

The relations with the Dutch State further result from the normal operations. A material position are the investments of the Banking and Insurance activities in the government bonds issued by the Dutch State. The amount of the investments is explained in the risk paragraph (25.4.3 Investments and 26.6.1 Management credit risk within the fixed-income investment portfolio).
30.26.5 Positions and transactions with managers in key positions of SNS REAAL NV

Managers in key positions comprise the members of the Executive Board of SNS REAAL NV, the HR director and the boards of the business units (SNS Retail Bank, SNS Asset Management, REAAL and Zwitserleven), in total 22 persons (2011: 24 persons).

The table below provides an overview of the total remuneration of senior management.

### Specification remuneration managers in key positions

<table>
<thead>
<tr>
<th>In € thousands</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>7,681</td>
<td>7,996</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>1,120</td>
<td>1,205</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>98</td>
<td>110</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>242</td>
<td>1,108</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,141</strong></td>
<td><strong>10,419</strong></td>
</tr>
</tbody>
</table>

Short-term employee benefits means the fixed salary including holiday allowance, 13th month’s bonus, contribution to health insurance and social security. SNS REAAL took out three insurance policies for the members of senior management: WIA insurance, disability insurance and mortality risk insurance. The corresponding premiums are paid for by SNS REAAL. These premiums are also part of the short-term employee benefits.

Based on the Budget Agreement 2013 Tax Measures (Implementation) Act (‘Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013’), SNS REAAL pays a one-off ‘crisis tax levy’ of 16% in 2013 of the salaries paid to its employees in 2012, to the extent that the salary per employee was more than € 150,000. The crisis tax levy is also part of the short-term employee benefits. Of all 22 persons that were part of senior management on 31 December 2012, the salary in 2012 was more than € 150,000. The total ‘crisis tax levy’ for senior management is € 642,000.

Post-employment benefits means the pension premiums paid by the employer less the member’s contribution paid by the employee.

Other long-term employee benefits means the reserve for remuneration based on retention agreements. Other long-term employee benefits also means the remuneration based on the Long-Term Remuneration Scheme (LTRS) that was discontinued as from 1 January 2011. The rights existing pursuant to this old scheme are calculated annually in accordance with the old scheme in the form of a claim giving a right to payment in cash. Three years after the provisional granting, the remuneration is definitively determined and distributed in accordance with the old scheme. The remuneration granted provisionally in 2008 was definitively granted and distributed in 2011. In 2012, the remuneration granted provisionally in 2009 was definitively granted and distributed. This was also the last award and distribution pursuant to this old scheme.

Termination benefits means the payment made in the context of a termination of the employment agreement.

No variable remuneration is paid to senior management for 2012.

### Loans

The table below provides an overview of the loans granted to members of the senior management that were outstanding on 31 December 2012. These loans were only mortgage loans provided in the course of ordinary business and under conditions that also apply to other members of staff.
Specification loans to managers in key positions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In € thousands</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>9,403</td>
<td>11,311</td>
<td>5.60%</td>
<td>3.87%</td>
<td>564</td>
<td>710</td>
<td>-</td>
<td>2,980</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Transactions with individual members of the Executive Board and the Supervisory Board of SNS REAAL are explained in chapter 18.7 Remuneration report of the Report of the Supervisory Board. This information is part of the consolidated financial statements.

30.27 Subsequent events

Nationalisation

After consulting the Dutch Central Bank (DNB), the Minister of Finance decided on 1 February 2013, pursuant to Articles 6:2 and 6:4 of the Financial Supervision Act, to expropriate:

- all issued shares in the capital of SNS REAAL NV
- all core Tier 1 capital securities issued by SNS REAAL to Stichting Beheer SNS REAAL securities (‘Stichting securities’)
- all subordinated bonds of SNS REAAL NV and SNS Bank NV
- subordinated private debts of SNS REAAL NV and SNS Bank NV

Executive Board members Ronald Latenstein (CEO) and Ference Lamp (CFRO) and Chairman of the Supervisory Board Rob Zwartendijk resigned from their positions upon the expropriation. Subsequently, Gerard van Olphen took up the position of CEO and Maurice Oostendorp that of CFRO on 4 February. For the time being, the current Vice President of the Supervisory Board, Piero Overmars, will fulfill the role of Chairman of the Supervisory Board.

The Minister has indicated that DNB expects that SNS REAAL, as a result of the expropriation, will for some time experience difficulties in attracting external funding. To offset this, the State has provided SNS REAAL with a bridge loan of €1.1 billion. This sum was received on 4 March 2013. This loan has been used to redeem €485 million of external debt and €615 million of internally draw down loans. In addition, a capital injection of €2.2 billion was made on 11 March 2013. SNS REAAL subsequently contributed an amount of €1.9 billion as share premium to SNS Bank NV.

For more information about the nationalisation, please refer to chapter 2 Nationalisation of SNS REAAL and chapter 20.

SRLEV subordinated debt coupons

In April 2011, SRLEV issued €400 million in subordinated bonds with a term to maturity to 2041. The terms of issue are included in a prospectus dated 12 April 2011. The European Commission decided not to give SRLEV permission to pay out the coupon due on these subordinated bonds on the interest due date (15 April 2013). For that reason, SRLEV exercised its optional right to postpone this coupon payment pursuant to Term 4(e) of the terms of issue.

Resolution levy

With the nationalisation decision, the Minister of Finance announced that the banking sector will be asked to contribute a non-recurrent resolution levy of €1 billion in total. The levy will be imposed in 2014 on all banks participating in the Dutch Deposit Guarantee Scheme using the deposit base on 1 February 2013 as a basis. Expectations are that SNS Bank will have to contribute a sum of €70 million. As the resolution levy is part of the nationalisation on 1 February 2013, it was decided to include the prospected charge in the pro forma figures (chapter 2) that take account of all the effects of the nationalisation.
30.28 Net interest income

Specification net interest income banking activities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>2,536</td>
<td>2,753</td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,648</td>
<td>1,866</td>
</tr>
<tr>
<td>Net interest income</td>
<td>888</td>
<td>887</td>
</tr>
</tbody>
</table>

The interest income includes the proceeds from banking activities derived from lending money and related transactions, as well as related commissions and other interest-related income.

The interest expenses include costs from banking activities incurred from borrowing and related transactions, as well as other interest-related charges.

Interest income and expenses also includes the interest results from derivative positions that are established with the aim of limiting interest rate risk on hedged financial instruments.

Specification interest income

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>2,091</td>
<td>2,063</td>
</tr>
<tr>
<td>Property finance</td>
<td>262</td>
<td>395</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>114</td>
<td>123</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>20</td>
<td>53</td>
</tr>
<tr>
<td>Investments</td>
<td>46</td>
<td>115</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>2,536</td>
<td>2,753</td>
</tr>
</tbody>
</table>

The interest income for financial assets not at fair value through profit or loss amounts to € 2,396 million (2011: € 3,073 million).

The recognised interest income on provisioned loans amounts to € 67 million (2011: € 72 million).

Specification interest expenses

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit certificates</td>
<td>388</td>
<td>667</td>
</tr>
<tr>
<td>Participation certificates and subordinated debt</td>
<td>71</td>
<td>105</td>
</tr>
<tr>
<td>Savings</td>
<td>997</td>
<td>912</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>113</td>
<td>120</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>79</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>1,648</td>
<td>1,866</td>
</tr>
</tbody>
</table>
### 30.29 Net premium income

The net premium income concerns insurance premiums less reinsurance premiums.

#### Specification net premium income

<table>
<thead>
<tr>
<th></th>
<th>Own account</th>
<th>For account of policyholders</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Regular premiums Life</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>736</td>
<td>752</td>
<td>1,218</td>
</tr>
<tr>
<td></td>
<td>482</td>
<td>554</td>
<td>1,052</td>
</tr>
<tr>
<td><strong>Total gross regular premiums Life</strong></td>
<td>1,031</td>
<td>1,051</td>
<td>2,083</td>
</tr>
<tr>
<td><strong>Single premiums Life</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>214</td>
<td>7</td>
<td>218</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total gross single premiums</strong></td>
<td>329</td>
<td>467</td>
<td>553</td>
</tr>
<tr>
<td><strong>Total gross premium income</strong></td>
<td>1,360</td>
<td>1,518</td>
<td>4,018</td>
</tr>
<tr>
<td><strong>Total reinsurance premiums Life and Zwitserleven</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>157</td>
<td>192</td>
<td>157</td>
</tr>
<tr>
<td><strong>Total net premium income Life</strong></td>
<td>1,203</td>
<td>1,326</td>
<td>3,232</td>
</tr>
<tr>
<td><strong>Total net premium income Non-Life</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total net premium income</strong></td>
<td>1,203</td>
<td>1,326</td>
<td>3,232</td>
</tr>
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</table>

#### Specification regular premiums Life

<table>
<thead>
<tr>
<th></th>
<th>Own account</th>
<th>For account of policyholders</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Individual</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without profit sharing</td>
<td>543</td>
<td>538</td>
<td>1,025</td>
</tr>
<tr>
<td>With profit sharing</td>
<td>193</td>
<td>214</td>
<td>193</td>
</tr>
<tr>
<td><strong>Total individual</strong></td>
<td>736</td>
<td>752</td>
<td>1,218</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without profit sharing</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>With profit sharing</td>
<td>295</td>
<td>299</td>
<td>295</td>
</tr>
<tr>
<td><strong>Total group</strong></td>
<td>295</td>
<td>299</td>
<td>865</td>
</tr>
<tr>
<td><strong>Total gross regular premiums Life</strong></td>
<td>1,031</td>
<td>1,051</td>
<td>2,083</td>
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#### Specification single premiums Life

<table>
<thead>
<tr>
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<th>Own account</th>
<th>For account of policyholders</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Individual</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without profit sharing</td>
<td>207</td>
<td>365</td>
<td>211</td>
</tr>
<tr>
<td>With profit sharing</td>
<td>7</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total individual</strong></td>
<td>214</td>
<td>374</td>
<td>218</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without profit sharing</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>With profit sharing</td>
<td>115</td>
<td>93</td>
<td>115</td>
</tr>
<tr>
<td><strong>Total group</strong></td>
<td>115</td>
<td>93</td>
<td>335</td>
</tr>
<tr>
<td><strong>Total gross single premiums Life</strong></td>
<td>329</td>
<td>467</td>
<td>553</td>
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</table>
### Specification premium income Non-life

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>222</td>
<td>21</td>
<td>201</td>
<td>224</td>
<td>9</td>
<td>215</td>
</tr>
<tr>
<td>Accident and health</td>
<td>130</td>
<td>6</td>
<td>124</td>
<td>143</td>
<td>6</td>
<td>137</td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>280</td>
<td>4</td>
<td>276</td>
<td>286</td>
<td>7</td>
<td>279</td>
</tr>
<tr>
<td>Transport</td>
<td>65</td>
<td>10</td>
<td>55</td>
<td>75</td>
<td>5</td>
<td>70</td>
</tr>
<tr>
<td>Other segments</td>
<td>122</td>
<td>25</td>
<td>97</td>
<td>120</td>
<td>27</td>
<td>93</td>
</tr>
<tr>
<td>Net premium income Non-life</td>
<td>819</td>
<td>66</td>
<td>753</td>
<td>848</td>
<td>54</td>
<td>794</td>
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</tbody>
</table>

### 30.30 Net fee and commission income

This item includes fees from services provided, insofar as not interest-related.

#### Specification net fee and commission income 2012

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money transfer and payment charges</td>
<td>37</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>Securities activities</td>
<td>12</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Insurance agency activities</td>
<td>21</td>
<td>18</td>
<td>-</td>
<td>(12)</td>
<td>27</td>
</tr>
<tr>
<td>Management fees</td>
<td>31</td>
<td>50</td>
<td>96</td>
<td>(88)</td>
<td>109</td>
</tr>
<tr>
<td>Other activities</td>
<td>5</td>
<td>18</td>
<td>1</td>
<td>(6)</td>
<td>18</td>
</tr>
<tr>
<td>Total fee and commission income:</td>
<td>106</td>
<td>88</td>
<td>97</td>
<td>(86)</td>
<td>205</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>42</td>
<td>16</td>
<td>42</td>
<td>(45)</td>
<td>55</td>
</tr>
<tr>
<td>Commission franchise and advise</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>72</td>
<td>55</td>
<td>(41)</td>
<td>140</td>
</tr>
</tbody>
</table>

#### Specification net fee and commission income 2011

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money transfer and payment charges</td>
<td>37</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>Securities activities</td>
<td>19</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>21</td>
</tr>
<tr>
<td>Insurance agency activities</td>
<td>20</td>
<td>18</td>
<td>-</td>
<td>(14)</td>
<td>24</td>
</tr>
<tr>
<td>Management fees</td>
<td>69</td>
<td>29</td>
<td>46</td>
<td>(40)</td>
<td>104</td>
</tr>
<tr>
<td>Other activities</td>
<td>(6)</td>
<td>41</td>
<td>-</td>
<td>(4)</td>
<td>31</td>
</tr>
<tr>
<td>Total fee and commission income:</td>
<td>139</td>
<td>90</td>
<td>46</td>
<td>(58)</td>
<td>217</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>53</td>
<td>20</td>
<td>6</td>
<td>(21)</td>
<td>58</td>
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<tr>
<td>Total</td>
<td>86</td>
<td>70</td>
<td>40</td>
<td>(37)</td>
<td>159</td>
</tr>
</tbody>
</table>
### 30.31 Share in result of associates

This item represents the share in result of associated companies. In 2012 the positive result of € 10 million (2011: € 2 million negative) over the financial year relates to the impact of the results of associates.

### 30.32 Investment income

#### Specification investment income 2012

<table>
<thead>
<tr>
<th></th>
<th>Fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Investment property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held for trading</td>
<td>Designated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking activities</td>
<td>-</td>
<td>(32)</td>
<td>55</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>-</td>
<td>33</td>
<td>1,057</td>
<td>512</td>
<td>(6)</td>
</tr>
<tr>
<td>Group activities</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>35</td>
<td>-</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>-</td>
<td>16</td>
<td>(146)</td>
<td>(8)</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>1</td>
<td>1,132</td>
<td>401</td>
<td>(14)</td>
</tr>
</tbody>
</table>

#### Specification investment income 2011

<table>
<thead>
<tr>
<th></th>
<th>Fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Investment property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held for trading</td>
<td>Designated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking activities</td>
<td>1</td>
<td>(32)</td>
<td>69</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>-</td>
<td>23</td>
<td>908</td>
<td>488</td>
<td>14</td>
</tr>
<tr>
<td>Group activities</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td>Eliminations</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>(160)</td>
<td>(8)</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>(9)</td>
<td>990</td>
<td>387</td>
<td>6</td>
</tr>
</tbody>
</table>

#### Composition of investment 2012

<table>
<thead>
<tr>
<th></th>
<th>Fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Investment property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held for trading</td>
<td>Designated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>22</td>
<td>707</td>
<td>400</td>
<td>-</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-</td>
<td>43</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rental income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Total interest dividend and rental income</td>
<td>-</td>
<td>22</td>
<td>750</td>
<td>400</td>
<td>8</td>
</tr>
<tr>
<td>Realised revaluations</td>
<td>-</td>
<td>(53)</td>
<td>371</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Unrealised revaluations</td>
<td>-</td>
<td>32</td>
<td>11</td>
<td>-</td>
<td>(22)</td>
</tr>
<tr>
<td>Total revaluations</td>
<td>-</td>
<td>(21)</td>
<td>382</td>
<td>1</td>
<td>(22)</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>1</td>
<td>1,132</td>
<td>401</td>
<td>(14)</td>
</tr>
</tbody>
</table>
### Composition of investment 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Held for trading</th>
<th>Designated</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Investment property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>-</td>
<td>35</td>
<td>782</td>
<td>386</td>
<td>-</td>
<td>1,203</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-</td>
<td>37</td>
<td>-</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>Rental income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Total interest dividend and rental income</td>
<td>-</td>
<td>35</td>
<td>819</td>
<td>386</td>
<td>11</td>
<td>1,251</td>
</tr>
<tr>
<td>Realised revaluations</td>
<td>1</td>
<td>(31)</td>
<td>148</td>
<td>1</td>
<td>-</td>
<td>119</td>
</tr>
<tr>
<td>Unrealised revaluations</td>
<td>-</td>
<td>(13)</td>
<td>23</td>
<td>-</td>
<td>(5)</td>
<td>5</td>
</tr>
<tr>
<td>Total revaluations</td>
<td>1</td>
<td>(44)</td>
<td>171</td>
<td>1</td>
<td>(5)</td>
<td>124</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>(9)</td>
<td>990</td>
<td>387</td>
<td>6</td>
<td>1,375</td>
</tr>
</tbody>
</table>

Rental income from investment property includes both rental income and directly allocated operating expenses. The operating expenses amounted to € 10 million (2011: € 7 million).

The recognised interest income on the devaluation of investments amounts to € 2 million (2011: € 2 million).

A negative result of € 13 million was incurred on the exchange transaction of Greek government bonds in 2012.

### 30.33 Investment income for account of policyholders

#### Specification investment income for account of policyholders

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>88</td>
<td>85</td>
</tr>
<tr>
<td>Dividend</td>
<td>101</td>
<td>126</td>
</tr>
<tr>
<td>Total interest and dividend</td>
<td>189</td>
<td>211</td>
</tr>
<tr>
<td>Revaluations</td>
<td>1,321</td>
<td>(251)</td>
</tr>
<tr>
<td>Total</td>
<td>1,510</td>
<td>(40)</td>
</tr>
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</table>
30.34 Result on financial instruments

Specification result on financial instruments

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>In € millions</td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Revaluations transferred from shareholders’ equity</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Interest income transferred from shareholders’ equity</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Result on derivatives held for cash flow hedge accounting</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Fair value movements in hedging instruments</td>
<td>250</td>
<td>255</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Fair value movements in hedged item attributable to hedged risks</td>
<td>(263)</td>
<td>(274)</td>
<td>(1)</td>
<td>5</td>
</tr>
<tr>
<td>Fair value movements in derivatives held for fair value hedge accounting</td>
<td>(13)</td>
<td>(19)</td>
<td>(2)</td>
<td>3</td>
</tr>
<tr>
<td>Fair value movements of derivatives maintained for ALM not classified for hedge accounting</td>
<td>49</td>
<td>118</td>
<td>22</td>
<td>162</td>
</tr>
<tr>
<td>Fair value movements in derivatives held for trading</td>
<td>(1)</td>
<td>(7)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share options</td>
<td>-</td>
<td>-</td>
<td>(15)</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>92</td>
<td>13</td>
<td>183</td>
</tr>
</tbody>
</table>

The ineffectiveness recognised in profit or loss that arises from cash flow hedges amounts to € 0.4 million (2011: € 0.5 million).

Property Finance has sold loans to third parties resulting in a loss of € 12 million (2011: € 37 million).

30.35 Other operating income

The other operating income is nil (2011: € 3 million negative). In 2011, this amount was mainly caused by a loss on property projects.

30.36 Result assets and liabilities held for sale

The result assets and liabilities held for sale is nil (2011: € 4 million negative). In 2011 the amount contains a loss due to the sale of assets of Property Finance.

30.37 Technical claims and benefits

Technical claims and benefits include benefits paid, surrenders, claims paid, claim handling costs and changes in insurance contracts. This item also includes profit sharing and discounts.
**Specification technical claims and benefits**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits paid and surrenders from own account</td>
<td>1,971</td>
<td>1,820</td>
</tr>
<tr>
<td>Change in technical provisions for own risk gross</td>
<td>188</td>
<td>27</td>
</tr>
<tr>
<td>Change in technical provisions for own risk reinsurance</td>
<td>230</td>
<td>196</td>
</tr>
<tr>
<td>Profit sharing and discounts</td>
<td>81</td>
<td>81</td>
</tr>
<tr>
<td>Change in shadow accounting</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td><strong>Life insurance</strong></td>
<td><strong>2,485</strong></td>
<td><strong>2,134</strong></td>
</tr>
<tr>
<td>Claims paid for own account</td>
<td>498</td>
<td>524</td>
</tr>
<tr>
<td>Change in provision for reported claims</td>
<td>(25)</td>
<td>(30)</td>
</tr>
<tr>
<td>Change in provision for claims incurred but not reported</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Non-life insurance</strong></td>
<td><strong>473</strong></td>
<td><strong>490</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,958</strong></td>
<td><strong>2,624</strong></td>
</tr>
</tbody>
</table>

Benefits paid and surrenders for own account include an amount for amortisation and partial impairment of VOBA of € 240 million (2011: € 77 million). This amount is inclusive of the deficit of € 172 million, after using shadow loss accounting, established in the IFRS liability adequacy test as a result of the low interest rates and higher life expectancies. Given the difficult market conditions and the subsequently decreasing profit potential, it was decided to deduct this deficit, that was charged to the result, from the VOBA.

Profit sharing and discounts include an amount for amortisation of interest rate discounts of € 33 million (2011: € 65 million).

Change in technical provisions for own risk gross include technical claims and benefits for compensation to unit-linked insurance policyholders, as well as compensation regarding defined contribution pension contracts. For more information on the compensation scheme, please refer to paragraph 30.18 Insurance and reinsurance contracts.
30.38 Charges for account of policyholders
Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit sharing and discounts for these policyholders.

**Specification charges for account of policyholders**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits paid and surrenders for life insurance contracts for account of policyholders</td>
<td>1,371</td>
<td>1,100</td>
</tr>
<tr>
<td>Change in technical provisions for life insurance contracts for account of policyholders</td>
<td>895</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,266</td>
<td>1,090</td>
</tr>
</tbody>
</table>

30.39 Acquisition costs for insurance activities

**Specification acquisition costs for insurance operations**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Insurance activities</th>
<th>Elinations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>REAAL Life</td>
<td>76</td>
<td>51</td>
<td>(3)</td>
</tr>
<tr>
<td>Zwijserfeven</td>
<td>15</td>
<td>19</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance Life</td>
<td>(1)</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Life</strong></td>
<td>90</td>
<td>69</td>
<td>(3)</td>
</tr>
<tr>
<td>REAAL Non-Life</td>
<td>191</td>
<td>205</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance Non-life</td>
<td>(10)</td>
<td>(12)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Non-Life</strong></td>
<td>181</td>
<td>193</td>
<td>-</td>
</tr>
<tr>
<td>REAAL Other</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>271</td>
<td>261</td>
<td>(3)</td>
</tr>
</tbody>
</table>

30.40 Staff costs

**Specification staff costs**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>122</td>
<td>141</td>
<td>119</td>
<td>120</td>
</tr>
<tr>
<td>Pension costs</td>
<td>25</td>
<td>25</td>
<td>38</td>
<td>37</td>
</tr>
<tr>
<td>Social security</td>
<td>19</td>
<td>17</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Share-based remuneration</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other staff costs</td>
<td>107</td>
<td>72</td>
<td>32</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>274</td>
<td>258</td>
<td>207</td>
<td>221</td>
</tr>
</tbody>
</table>

Other staff costs consist largely of the costs of temporary staff, fleet, travel costs and training and education costs. The lease commitments of the fleet amount to €10 million (2011: €11 million) and hiring staff €123 million (2011: €121 million). In the other staff costs are also included restructuring charges of €56 million (2011: €10 million).

Transactions with individual members of the Executive Board and the Supervisory Board of SNS REAAL are explained in paragraph 18.7 Remuneration report of the Report of the Supervisory Board. This information is part of the consolidated financial statements.
Breakdown pension costs

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension schemes based on defined contribution</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Pension schemes based on defined benefit</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>88</strong></td>
</tr>
</tbody>
</table>

Composition pension costs

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension premiums defined contribution plans</td>
<td>87</td>
<td>83</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Increase of present value defined benefit plans</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Expected return on investments</td>
<td>(14)</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>88</strong></td>
</tr>
</tbody>
</table>

Average number of FTEs

<table>
<thead>
<tr>
<th>In numbers</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking activities</td>
<td>2,236</td>
<td>2,426</td>
</tr>
<tr>
<td>Insurance activities</td>
<td>2,254</td>
<td>2,322</td>
</tr>
<tr>
<td>Group activities</td>
<td>2,235</td>
<td>2,254</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,725</strong></td>
<td><strong>7,002</strong></td>
</tr>
</tbody>
</table>

All staff are employed by SNS REAAL NV.

Share plan

SNS REAAL has a share plan under which shares are allocated to a number of management staff (members of the Executive Board as well as senior management) and employees designated by the Executive Board. The share plan is part of the remuneration policy within SNS REAAL. This remuneration policy has been drawn up such that the amount and method for the determination of the remuneration in shares do not lead to undesirable incentives and inappropriate behaviour. The purpose of the share plan is to contribute to the realisation of the strategy and long-term objectives of SNS REAAL, as well as attracting, retaining and motivating (management) staff.

The share plan includes a direct component and a deferred component.

The direct component represents 60% of the remuneration in shares. The direct component is paid out after the one-year performance period has lapsed. The shares will pass to the employee after the performance period. A retention period of one year applies to the shares of the direct component (this period is three years for the Executive Board). It is after this retention period that the employee is allowed to sell the shares, taking into account the insider regulations of SNS REAAL regarding the purchase/sale of SNS REAAL shares.

The deferred component represents 40% of the remuneration in shares. The shares of the variable remuneration’s deferred component are conditional and vest 4 years (5 years for the Executive Board) after the end of the relevant performance period. On condition that,

- at the end of this period, the participant is still employed and/or a member of the Executive Board,
- the outcome of the ex-post risk analysis is positive. The basic principle in this ex-post risk analysis is the assessment of any consequences ensuing from the employee’s actions that manifest themselves during the deferral period and shed a new light on the actions during the performance period. On this basis, a decision is made as to whether the remuneration in shares will be vested or should be adjusted downwards,
- this can be reconciled with SNS REAAL’s financial position at the time of vesting, to be determined at the
In addition to the above conditions, the members of the Executive Board do not receive any variable remuneration if SNS REAAL has incurred a loss during the relevant performance period. After vesting, the shares of the deferred component are transferred to the employee after the end of the 4-year (Executive Board: 5-year) deferral period. There is no retention period for these shares.

The remuneration is granted (conditionally) as a nominal amount. The number of shares is calculated by converting the nominal amount (conditionally) granted into a number of shares at the average share price of the SNS REAAL stock in the last five days of trading of the relevant performance period.

In 2012, no (2011: nil) shares were granted to the Executive Board members and other senior management members. A number of 860,073 (2011: nil) shares were granted to managers and other employees. This concerns the remuneration in shares of 2011.

### Shares granted

<table>
<thead>
<tr>
<th>Shares (in numbers)</th>
<th>2012</th>
<th>2011</th>
<th>Weighted average grant date fair value per share (in €)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>860,073</td>
<td>-</td>
<td>1.74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which conditionally</td>
<td>477,149</td>
<td>-</td>
<td>1.74</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Statement of change conditionally granted shares

<table>
<thead>
<tr>
<th>Shares (in numbers)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Conditionally granted</td>
<td>477,149</td>
<td>-</td>
</tr>
<tr>
<td>Unconditionally granted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expired</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>As at 31 December</td>
<td>477,149</td>
<td>-</td>
</tr>
<tr>
<td>Market value grant date</td>
<td>811,153</td>
<td>-</td>
</tr>
<tr>
<td>Market value as at 31 December 2012 (in euro's)</td>
<td>491,463</td>
<td>-</td>
</tr>
</tbody>
</table>

In 2011 SNS REAAL started the adjustment of the remuneration policy of the 'Regeling Beheerst Beloningsbeleid' of DNB. This regulation requires that a part of the variable remuneration takes place in shares.

Based on the ‘Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013’, SNS REAAL must pay a one-off crisis tax levy of 16% in 2013 on the salaries from current employment that it paid its employees in 2012, to the extent that a salary was more than € 150,000. For SNS REAAL, this levy amounts to € 2.5 million.

### 30.41 Other operating expenses
### Specification other operating expenses 2012

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>35</td>
<td>20</td>
<td>(9)</td>
<td>(8)</td>
<td>38</td>
</tr>
<tr>
<td>IT systems</td>
<td>101</td>
<td>128</td>
<td>(172)</td>
<td>-</td>
<td>57</td>
</tr>
<tr>
<td>Marketing and public relations</td>
<td>28</td>
<td>11</td>
<td>3</td>
<td>-</td>
<td>42</td>
</tr>
<tr>
<td>External advisors</td>
<td>62</td>
<td>7</td>
<td>28</td>
<td>-</td>
<td>97</td>
</tr>
<tr>
<td>Other costs</td>
<td>69</td>
<td>41</td>
<td>(11)</td>
<td>(23)</td>
<td>76</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>295</strong></td>
<td><strong>207</strong></td>
<td><strong>(161)</strong></td>
<td><strong>(31)</strong></td>
<td><strong>310</strong></td>
</tr>
</tbody>
</table>

### Specification other operating expenses 2011

<table>
<thead>
<tr>
<th></th>
<th>Banking activities</th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>39</td>
<td>19</td>
<td>(7)</td>
<td>(9)</td>
<td>42</td>
</tr>
<tr>
<td>IT systems</td>
<td>101</td>
<td>121</td>
<td>(161)</td>
<td>-</td>
<td>61</td>
</tr>
<tr>
<td>Marketing and public relations</td>
<td>31</td>
<td>13</td>
<td>3</td>
<td>-</td>
<td>47</td>
</tr>
<tr>
<td>External advisors</td>
<td>47</td>
<td>9</td>
<td>15</td>
<td>-</td>
<td>71</td>
</tr>
<tr>
<td>Other costs</td>
<td>67</td>
<td>36</td>
<td>(19)</td>
<td>(14)</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>285</strong></td>
<td><strong>198</strong></td>
<td><strong>(169)</strong></td>
<td><strong>(23)</strong></td>
<td><strong>291</strong></td>
</tr>
</tbody>
</table>

IT systems of the Group activities consist of allocated IT activities.

The other operating expenses include costs related to lease commitments, which amount to € 18 million (2011: € 19 million).

### 30.42 Impairment charges / (reversals)

#### Specification impairment charges / (reversals) by class of asset

<table>
<thead>
<tr>
<th></th>
<th>Impairments</th>
<th>Reversals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Through profit or loss</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>469</td>
<td>135</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>21</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>13</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>58</td>
<td>89</td>
<td>5</td>
</tr>
<tr>
<td>Property projects</td>
<td>211</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,060</td>
<td>498</td>
<td>118</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total through profit or loss</strong></td>
<td>1,832</td>
<td>821</td>
<td>123</td>
</tr>
<tr>
<td><strong>Through shareholders’ equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>-</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Investments</td>
<td>28</td>
<td>55</td>
<td>3</td>
</tr>
<tr>
<td><strong>Through shareholders’ equity</strong></td>
<td>28</td>
<td>58</td>
<td>4</td>
</tr>
</tbody>
</table>
### Specification impairment charges / (reversals) by segment

<table>
<thead>
<tr>
<th></th>
<th>Impairments</th>
<th>Reversals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SNS Retail Bank</td>
<td>264</td>
<td>204</td>
<td>36</td>
</tr>
<tr>
<td>Property Finance</td>
<td>1,070</td>
<td>404</td>
<td>82</td>
</tr>
<tr>
<td>REAAL</td>
<td>346</td>
<td>43</td>
<td>5</td>
</tr>
<tr>
<td>Zwitserfeven</td>
<td>134</td>
<td>145</td>
<td>-</td>
</tr>
<tr>
<td>Group activities</td>
<td>18</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>Total through profit or loss</td>
<td>1,832</td>
<td>821</td>
<td>123</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS Retail Bank</td>
<td>+22</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td>Property Finance</td>
<td>+28</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>REAAL</td>
<td>-7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Zwitserfeven</td>
<td>-8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Group activities</td>
<td>-28</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>Total through shareholders' equity</td>
<td>28</td>
<td>58</td>
<td>4</td>
<td>-</td>
<td>24</td>
<td>58</td>
</tr>
</tbody>
</table>

In Group activities an impairment of €16 million (2011: €19 million) relates to the investment in Van Lanschot NV.

#### 30.43 Other interest expenses

In this item interest expenses recognised in the financial year are included, which are not related to Banking activities.

### Specification other interest expenses

<table>
<thead>
<tr>
<th></th>
<th>Insurance activities</th>
<th>Group activities</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>42</td>
<td>28</td>
<td>46</td>
<td>39</td>
</tr>
<tr>
<td>Private loans</td>
<td>56</td>
<td>66</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Interest on reinsurance deposits</td>
<td>50</td>
<td>121</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other interest and investments expenses</td>
<td>14</td>
<td>39</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>162</td>
<td>254</td>
<td>65</td>
<td>66</td>
</tr>
</tbody>
</table>

The interest on the reinsurance deposits decreased to €50 million in 2012. In 2011 a reinsurance transaction of €106 million was the cause of the large increase.

#### 30.44 Other expenses

In accordance with new legislation the other expenses contain a charge for the new banking tax (€10 million).
30.45 Taxation

Specification taxation

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>In financial year</td>
<td>42</td>
<td>344</td>
</tr>
<tr>
<td>Prior year adjustments</td>
<td>23</td>
<td>(3)</td>
</tr>
<tr>
<td>Corporate income tax due</td>
<td>65</td>
<td>341</td>
</tr>
<tr>
<td>Due to temporary differences</td>
<td>(263)</td>
<td>(291)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(263)</td>
<td>(291)</td>
</tr>
<tr>
<td>Total</td>
<td>(198)</td>
<td>50</td>
</tr>
</tbody>
</table>

Adjustments for prior years of € 23 million consist primarily of adjustments relating to foreign subsidiaries of € 17 million and € 4 million related to subsidiaries.

Reconciliation between the statutory and effective tax rate

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Result before tax</td>
<td>(1,166)</td>
<td>165</td>
</tr>
<tr>
<td>Statutory corporate income tax amount</td>
<td>(291)</td>
<td>41</td>
</tr>
<tr>
<td>Effect of participation exemption</td>
<td>10</td>
<td>(4)</td>
</tr>
<tr>
<td>Prior year adjustments (including tax provision mutation)</td>
<td>23</td>
<td>(3)</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>59</td>
<td>8</td>
</tr>
<tr>
<td>Other, mainly non-deductible expenses</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>(198)</td>
<td>50</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>17.0%</td>
<td>30.5%</td>
</tr>
</tbody>
</table>

30.46 Net result per share / core Tier 1 capital security

Attribution net result to shares and securities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable to ordinary shares</td>
<td>(863)</td>
<td>107</td>
</tr>
<tr>
<td>Attributable to core Tier 1 capital securities Stichting Beheer SNS REAAL</td>
<td>(109)</td>
<td>7</td>
</tr>
<tr>
<td>Attributable to core Tier 1 capital securities Dutch State</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Specification issued shares / securities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B shares: Stichting Beheer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital securities: Stichting Beheer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital securities: Dutch State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In numbers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding as at 1 January</td>
<td>287,619,867</td>
<td>287,619,867</td>
</tr>
<tr>
<td>Issues in the financial year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repurchased in the financial year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding as at 31 December</td>
<td>287,619,867</td>
<td>287,619,867</td>
</tr>
</tbody>
</table>

SNS REAAL Annual Report 2012 354
## Specification weighted average number of diluted shares / securities

<table>
<thead>
<tr>
<th>In numbers</th>
<th>Ordinary shares</th>
<th>B shares: Stichting Beheer</th>
<th>Capital securities: Stichting Beheer</th>
<th>Capital securities: Dutch State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of issued shares / securities as at 1 January</td>
<td>287,619,867</td>
<td>287,619,867</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Effect of shares bonus plan CRD III</td>
<td>131,291</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Weighted average number of issued shares / securities as at 31 December</td>
<td>287,751,158</td>
<td>287,619,867</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Effect of unvested shares bonus plan CRD III</td>
<td>79,700</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Effect right of conversion securities (year 2012)</td>
<td>107,619,045</td>
<td>107,619,045</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Weighted average number of diluted shares / securities as at 31 December</td>
<td>395,449,903</td>
<td>395,236,912</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

## Specification result per share / securities

<table>
<thead>
<tr>
<th>In euro’s</th>
<th>Ordinary shares</th>
<th>B shares: Stichting Beheer</th>
<th>Capital securities: Stichting Beheer</th>
<th>Capital securities: Dutch State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result per weighted average number of shares / capital securities outstanding</td>
<td>(3.00)</td>
<td>0.37</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net result per weighted average number of diluted shares / capital securities outstanding</td>
<td>(3.00)</td>
<td>0.27</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The core Tier 1 capital securities to the Dutch State include a conversion right. This conversion right would result in dilution in the 2012 financial year.
The B shares and core Tier 1 capital securities issued to the Dutch State and Stichting Beheer SNS REAAL did not generate any earnings per share or security in 2012, because no dividend is paid to ordinary shareholders.

For more information on SNS REAAL’s capital, please refer to paragraph 15.3 Capitalisation.

Utrecht, 4 June 2013

Supervisory Board
P.S. Overmars (Vice Chairman and Acting Chairman)
H.W.P.M.A. Verhagen (Second Vice Chairman)
C.M. Insinger
R.J. van de Kraats
J.E. Lagerweij
J.A. Nijhuis
J.A. Nijsen
L.J. Wijngaarden

Group Executive Board
G. van Olphen
M.B.G.M. Oostendorp
D.J. Okhuijsen
W.H. Steenpoorte
## 31 Company financial statements

### 31.1 Company balance sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td></td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Property and equipment</td>
<td></td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>1</td>
<td>4,268</td>
<td>5,860</td>
</tr>
<tr>
<td>Receivables from subsidiaries</td>
<td>2</td>
<td>666</td>
<td>716</td>
</tr>
<tr>
<td>Investments</td>
<td>3</td>
<td>32</td>
<td>48</td>
</tr>
<tr>
<td>Derivatives</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td>60</td>
<td>35</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td></td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td></td>
<td>68</td>
<td>70</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>84</td>
<td>6</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>5,231</td>
<td>6,787</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity and liabilities</th>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital</td>
<td></td>
<td>469</td>
<td>469</td>
</tr>
<tr>
<td>Share premium reserve</td>
<td></td>
<td>1,363</td>
<td>1,363</td>
</tr>
<tr>
<td>Statutory reserves associates</td>
<td></td>
<td>313</td>
<td>1,388</td>
</tr>
<tr>
<td>Other statutory reserves</td>
<td></td>
<td>49</td>
<td>162</td>
</tr>
<tr>
<td>Other reserves</td>
<td></td>
<td>1,141</td>
<td>614</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>(972)</td>
<td>114</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>4</td>
<td>2,363</td>
<td>4,110</td>
</tr>
<tr>
<td>Equity attributable to security holders</td>
<td>4</td>
<td>987</td>
<td>979</td>
</tr>
<tr>
<td><strong>Subordinated debt</strong></td>
<td>5</td>
<td>391</td>
<td>604</td>
</tr>
<tr>
<td><strong>Capital base</strong></td>
<td></td>
<td>3,741</td>
<td>5,693</td>
</tr>
<tr>
<td>Debt certificates</td>
<td>6</td>
<td>421</td>
<td>302</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td></td>
<td>96</td>
<td>77</td>
</tr>
<tr>
<td>Other provisions</td>
<td></td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Derivatives</td>
<td></td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>7</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td></td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td>8</td>
<td>932</td>
<td>672</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td>5,231</td>
<td>6,787</td>
</tr>
</tbody>
</table>

The references next to the balance sheet items relate to the notes to the company financial statements starting from paragraph 32.1

See paragraph 2.2.3 **Pro forma company balance sheet** for more information.
### 31.2 Company income statement

#### Company income statement

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result on subsidiaries after taxation</td>
<td>(843)</td>
<td>235</td>
</tr>
<tr>
<td>Other results after taxation</td>
<td>(129)</td>
<td>(121)</td>
</tr>
<tr>
<td>Net result for the period</td>
<td>(972)</td>
<td>114</td>
</tr>
</tbody>
</table>

### 31.3 Principles for the preparation of the company financial statements

SNS REAAL prepares the company financial statements in accordance with the statutory provisions of Book 2, Section 402 of the Dutch Civil Code. Based on this, the result on associated companies after taxation is the only item shown separately in the income statement. Use has been made of the option offered in Book 2, Section 362 (8) of the Dutch Civil Code to use the same principles for valuation and the determination of the result that are used in the consolidated financial statements for the company financial statements. Reference is made to the Accounting principles for the consolidated financial statements.

For additional information on items not explained further in the notes to the company balance sheet, reference is made to the Notes to the consolidated financial statements.

The overview as referred to in Book 2, Sections 379 and 414 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

Subsidiaries are all companies and other entities in respect of which SNS REAAL has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by SNS REAAL. The subsidiaries are accounted for using the equity method.

Changes in balance sheet values of subsidiaries due to changes in the revaluation, cash flow, fair value and profit sharing reserve of the subsidiaries are reflected in the statutory reserve associates, which forms part of shareholders' equity.

Statutory reserves that have been formed for the capitalised costs of research and development of software of the subsidiaries are presented in the statutory reserve associates.

Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with SNS REAAL accounting policies, are included in the profit and loss account. The distributable reserves of subsidiaries are included in other reserves.

Cash and cash equivalents include the non-restricted advances to credit institutions.
### 32 Notes to the company financial statements

#### 32.1 Subsidiaries

**Specification subsidiaries**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS Bank NV</td>
<td>1,341</td>
<td>1,877</td>
</tr>
<tr>
<td>REAAL NV</td>
<td>2,929</td>
<td>4,018</td>
</tr>
<tr>
<td>Other</td>
<td>(2)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,268</td>
<td>5,860</td>
</tr>
</tbody>
</table>

**Statement of change in subsidiaries**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>5,860</td>
<td>5,444</td>
</tr>
<tr>
<td>Repurchase securities capital and share premium reserve</td>
<td>(556)</td>
<td>(404)</td>
</tr>
<tr>
<td>Capital contribution</td>
<td>641</td>
<td>454</td>
</tr>
<tr>
<td>Revaluations</td>
<td>(767)</td>
<td>598</td>
</tr>
<tr>
<td>Result</td>
<td>(843)</td>
<td>235</td>
</tr>
<tr>
<td>Dividend received</td>
<td>(63)</td>
<td>(102)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(4)</td>
<td>(365)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td>4,268</td>
<td>5,860</td>
</tr>
</tbody>
</table>

#### 32.2 Receivables from subsidiaries

**Specification receivables from subsidiaries**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>SNS Bank</th>
<th>REAAL</th>
<th>Other group companies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>36</td>
<td>43</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>-</td>
<td>-</td>
<td>452</td>
<td>452</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>40</td>
<td>140</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>1</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Current account with subsidiaries</td>
<td>2</td>
<td>10</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>81</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>159</td>
<td>196</td>
<td>466</td>
<td>519</td>
</tr>
</tbody>
</table>
### 32.3 Investments

#### Specification investments

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments available for sale</td>
<td>32</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>48</td>
</tr>
</tbody>
</table>

#### Statement of change in investments

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>48</td>
<td>67</td>
</tr>
<tr>
<td>Impairments</td>
<td>(16)</td>
<td>(19)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>32</td>
<td>48</td>
</tr>
</tbody>
</table>

An impairment of € 16 million (2011: € 19 million) relates to the investment in Van Lanschot NV.
## 32.4 Equity

### Statement of changes in equity 2012

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Issued capital</th>
<th>Share premium reserve</th>
<th>Fair value reserve</th>
<th>Statutory reserves associates</th>
<th>Other statutory reserves</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Equity attributable to shareholders</th>
<th>Securities capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2012</td>
<td>469</td>
<td>1,363</td>
<td>-</td>
<td>1,388</td>
<td>162</td>
<td>979</td>
<td>87</td>
<td>4,448</td>
<td>979</td>
</tr>
<tr>
<td>Changes in principles deferred acquisition costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(365)</td>
<td>27</td>
<td>(338)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance as at 1 January 2012</td>
<td>469</td>
<td>1,363</td>
<td>-</td>
<td>1,388</td>
<td>162</td>
<td>614</td>
<td>114</td>
<td>4,110</td>
<td>979</td>
</tr>
<tr>
<td>Transfer of 2011 net result</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>107</td>
<td>(114)</td>
<td>(7)</td>
<td>7</td>
</tr>
<tr>
<td>Transfer of distributed interim dividend 2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers 2011</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>107</td>
<td>(114)</td>
<td>(7)</td>
<td>7</td>
</tr>
<tr>
<td>Unrealised revaluations from cash flow hedges</td>
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<td>-</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Deferred interest income from cash flow hedges</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Unrealised revaluations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,171</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,171</td>
<td></td>
</tr>
<tr>
<td>Impairments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Realised revaluations through profit or loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(280)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(280)</td>
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</tr>
<tr>
<td>Suppletion negative revaluation reserves associates</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(113)</td>
<td>113</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Change in shadow accounting</td>
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<td>-</td>
<td>-</td>
<td>(1,689)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,689)</td>
<td></td>
</tr>
<tr>
<td>Other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(308)</td>
<td>-</td>
<td>307</td>
<td>-</td>
<td>(1)</td>
<td>1</td>
</tr>
<tr>
<td>Amounts charged directly to equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,075)</td>
<td>(113)</td>
<td>420</td>
<td>-</td>
<td>(768)</td>
<td>1</td>
</tr>
<tr>
<td>Net result 2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(972)</td>
<td>(972)</td>
<td>-</td>
</tr>
<tr>
<td>Total result 2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,075)</td>
<td>(113)</td>
<td>420</td>
<td>(972)</td>
<td>(1,740)</td>
<td>1</td>
</tr>
<tr>
<td>Transactions with shareholders and securityholders</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total changes in equity 2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,075)</td>
<td>(113)</td>
<td>527</td>
<td>(1,086)</td>
<td>(1,747)</td>
<td>8</td>
</tr>
<tr>
<td>Balance as at 31 December 2012</td>
<td>469</td>
<td>1,363</td>
<td>-</td>
<td>313</td>
<td>49</td>
<td>1,141</td>
<td>(972)</td>
<td>2,363</td>
<td>987</td>
</tr>
</tbody>
</table>

The share capital issued comprises ordinary shares and B-shares.
## Statement of changes in equity 2011

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Issued capital</th>
<th>Share premium reserve</th>
<th>Fair value reserves</th>
<th>Statutory reserves associates</th>
<th>Other statutory reserves</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Equity attributable to shareholders</th>
<th>Securities capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2011</td>
<td>469</td>
<td>1,363</td>
<td>-</td>
<td>755</td>
<td>116</td>
<td>1,275</td>
<td>(260)</td>
<td>3,718</td>
<td>999</td>
</tr>
<tr>
<td>Changes in principles deferred acquisition costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(365)</td>
<td>-</td>
<td>(365)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance as at 1 January 2011</td>
<td>469</td>
<td>1,363</td>
<td>-</td>
<td>755</td>
<td>116</td>
<td>910</td>
<td>(260)</td>
<td>3,353</td>
<td>999</td>
</tr>
<tr>
<td>Transfer of 2010 net result</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(239)</td>
<td>260</td>
<td>21</td>
<td>(21)</td>
</tr>
<tr>
<td>Transfer of distributed interim dividend 2010</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers 2010</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(239)</td>
<td>260</td>
<td>21</td>
<td>(21)</td>
</tr>
<tr>
<td>Unrealised revaluations from cash flow hedges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td>Deferred interest income from cash flow hedges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
</tr>
<tr>
<td>Unrealised revaluations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>815</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>815</td>
<td>-</td>
</tr>
<tr>
<td>Impairments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58</td>
<td>-</td>
</tr>
<tr>
<td>Realised revaluations through profit or loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(123)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(123)</td>
<td>-</td>
</tr>
<tr>
<td>Suppletion negative revaluation reserves associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46</td>
<td>(46)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in shadow accounting</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(214)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(214)</td>
<td>-</td>
</tr>
<tr>
<td>Other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>(11)</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Amounts charged directly to equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>633</td>
<td>46</td>
<td>(57)</td>
<td>-</td>
<td>622</td>
<td>-</td>
</tr>
<tr>
<td>Net result 2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Total result 2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>633</td>
<td>46</td>
<td>(57)</td>
<td>114</td>
<td>736</td>
<td>-</td>
</tr>
<tr>
<td>Transactions with shareholders and securityholders</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total changes in equity 2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>633</td>
<td>46</td>
<td>(296)</td>
<td>374</td>
<td>757</td>
<td>(20)</td>
</tr>
<tr>
<td>Adjusted balance as at 31 December 2011</td>
<td>469</td>
<td>1,363</td>
<td>-</td>
<td>1,388</td>
<td>162</td>
<td>614</td>
<td>114</td>
<td>4,110</td>
<td>979</td>
</tr>
</tbody>
</table>

The share capital issued comprises ordinary shares and B-shares.

### 32.4.1 Issued share capital

The share capital issued is fully paid and comprises ordinary shares and B-shares.

The nominal value of the ordinary shares and the B-shares is € 1.63. The number of issued shares as at 31 December 2012 is 287,619,867 ordinary shares and 6 B-shares. See for more information paragraph 30.27 Subsequent events and paragraph 2.2 Pro forma figures.
### Specification issued share capital

<table>
<thead>
<tr>
<th></th>
<th>Number of ordinary shares</th>
<th>Amount of ordinary shares (in € millions)</th>
<th>Number of B-shares</th>
<th>Amount of B-shares (in € millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized share capital</td>
<td>1,044,005,143</td>
<td>1,044,005,143</td>
<td>1,702</td>
<td>1,702</td>
</tr>
<tr>
<td>Share capital in portfolio</td>
<td>756,385,276</td>
<td>756,385,276</td>
<td>1,233</td>
<td>1,233</td>
</tr>
<tr>
<td>Issued share capital as at 31 December</td>
<td>287,619,867</td>
<td>287,619,867</td>
<td>469</td>
<td>469</td>
</tr>
</tbody>
</table>

### Statement of change issued share capital

<table>
<thead>
<tr>
<th></th>
<th>Number of ordinary shares</th>
<th>Amount of ordinary shares (in € millions)</th>
<th>Number of B-shares</th>
<th>Amount of B-shares (in € millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital as at 1 January</td>
<td>287,619,867</td>
<td>287,619,867</td>
<td>469</td>
<td>469</td>
</tr>
<tr>
<td>Share issue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issued share capital as at 31 December</td>
<td>287,619,867</td>
<td>287,619,867</td>
<td>469</td>
<td>469</td>
</tr>
</tbody>
</table>

### 32.4.2 Securities capital

The securities are issued to the Dutch State and Stichting Beheer SNS REAAL.

Stichting Beheer SNS REAAL holds 4,350,000 securities as at 31 December 2012, each with a nominal value of € 96.93 (2011: € 95.19). The Dutch State holds 107,619,045 securities as at 31 December 2012, each with a nominal value of € 1.63. See for more information paragraph 30.27 Subsequent events and paragraph 2.2 Pro forma figures.

### Specification capital securities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities capital Stichting Beheer</td>
<td>Stichting SNS REAAL</td>
<td>423</td>
<td>415</td>
<td></td>
</tr>
<tr>
<td>Securities capital Dutch State</td>
<td>564</td>
<td>564</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>987</td>
<td>979</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Statement of change in capital securities

<table>
<thead>
<tr>
<th></th>
<th>Securities capital Stichting Beheer SNS REAAL</th>
<th>Securities capital Dutch State</th>
</tr>
</thead>
<tbody>
<tr>
<td>In € millions</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td>415</td>
<td>435</td>
</tr>
<tr>
<td>Loss absorption</td>
<td>7</td>
<td>(21)</td>
</tr>
<tr>
<td>Other movements</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td>423</td>
<td>415</td>
</tr>
</tbody>
</table>
32.5 Subordinated debt

**Specification subordinated debt**

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond variable interest rate 2005/2012</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>Bond 6.258% 2007/2049</td>
<td>249</td>
<td>249</td>
</tr>
<tr>
<td>Bond 8.45% 2008/2018</td>
<td>92</td>
<td>95</td>
</tr>
<tr>
<td>Private loans</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>391</td>
<td>604</td>
</tr>
</tbody>
</table>

The balance of subordinated debt with a maturity of longer than five years amounts to €371 million (2011: €374 million). The private loans have an average interest rate of 6.7% (2011: 6.6%).

With the nationalisation of SNS REAAL on 1 February 2013 (see paragraph 30.27 **Subsequent Events**) the subordinated debts are expropriated.

32.6 Debt certificates

**Specification debt certificates**

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMTN loans</td>
<td>421</td>
<td>302</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>421</td>
<td>302</td>
</tr>
</tbody>
</table>

The European Medium Term Notes (EMTN) have a maturity of less than five years and an average interest rate of 4.3% (2011: 4.1%).

32.7 Other amounts due to customers

**Specification other amounts due to customers**

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private loans</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Available on demand</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

The private loan has an average interest rate of 6.1% (2011: 6.1%).
### 32.8 Other liabilities

**Specification other liabilities**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debts to subsidiaries</td>
<td>827</td>
<td>573</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>Other</td>
<td>105</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>932</strong></td>
<td><strong>672</strong></td>
</tr>
</tbody>
</table>

**Specification debts to subsidiaries**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>SNS Bank</th>
<th>REAAL</th>
<th>Other group companies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt certificates</td>
<td>131</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other amounts due to customers</td>
<td>-</td>
<td>-</td>
<td>651</td>
<td>492</td>
</tr>
<tr>
<td>Amounts due to banks</td>
<td>-</td>
<td>74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>4</td>
<td>-</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Current account with subsidiaries</td>
<td>22</td>
<td>-</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>157</strong></td>
<td><strong>74</strong></td>
<td><strong>672</strong></td>
<td><strong>500</strong></td>
</tr>
</tbody>
</table>

### 32.9 Off balance sheet commitments

#### 32.9.1 Guarantees

SNS REAAL NV has provided guarantees as referred to in Book 2, Section 403 of the Dutch Civil Code for SNS Bank NV, SNS Asset Management NV, SNS Beleggingsfondsen Beheer BV and SNS REAAL Invest NV. This guarantee is also provided by SNS REAAL NV for some of the subsidiaries of SNS Bank NV. REAAL NV has provided such guarantees for some of its subsidiaries, with the exception of SNS Verzekeringen BV for which a 403-statement has been provided by SNS REAAL NV.

SNS REAAL NV, together with a major part of its subsidiaries, constitutes a single tax entity for corporate income tax and a single tax entity for VAT purposes. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts stemming from the single tax entity.

#### 32.9.2 Other off balance sheet commitments

For more information about the other off balance sheet commitments, please refer to paragraph 30.25 Off balance sheet commitments of the consolidated financial statements.

### 32.10 Subsequent events

For information about the subsequent events, please refer to paragraph 30.27 Subsequent events of the consolidated financial statements.
32.11 Audit fees

In the financial year, the following fees of the audit firm KPMG Accountants NV and the other KPMG companies were charged to the organisation, its subsidiaries and other companies it consolidates, all this as referred to in Book 2, Section 382A of the Dutch Civil Code.

Notes to the audit fees

<table>
<thead>
<tr>
<th>In € thousands, excluding applicable VAT</th>
<th>KPMG Accountants NV</th>
<th>Other KPMG Network</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities</td>
<td>3,803</td>
<td>2,720</td>
<td>-</td>
</tr>
<tr>
<td>Other assurance services</td>
<td>1,179</td>
<td>917</td>
<td>-</td>
</tr>
<tr>
<td>Tax advisory services</td>
<td>-</td>
<td>-</td>
<td>639</td>
</tr>
<tr>
<td>Other non-audit services</td>
<td>-</td>
<td>125</td>
<td>830</td>
</tr>
<tr>
<td>Total</td>
<td>4,982</td>
<td>3,762</td>
<td>1,469</td>
</tr>
</tbody>
</table>

These costs include the extra costs KPMG made because of the integrity investigations and the nationalisation.

Utrecht, 4 June 2013

Supervisory Board
P.S. Overmars (Vice Chairman and Acting Chairman)
H.W.P.M.A. Verhagen (Second Vice Chairman)
C.M. Insinger
R.J. van de Kraats
J.E. Lagerweij
J.A. Nijhuis
J.A. Nijsen
L.J. Wijngaarden

Group Executive Board
G. van Olphen (Chairman)
M.B.G.M. Oostendorp
D.J. Okhuijzen
W.H. Steenpoorte
### Overview of principal subsidiaries

An overview is provided below of the main subsidiaries, categorised under Bank, Insurer and Group activities of SNS REAAL. Participation in the subsidiaries is 100%.

#### Overview of principal subsidiaries Banking activities

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS Bank NV</td>
<td>Utrecht</td>
</tr>
<tr>
<td>ASN Bank NV</td>
<td>Den Haag</td>
</tr>
<tr>
<td>ASN Groenbank NV</td>
<td>Den Haag</td>
</tr>
<tr>
<td>SNS Securities NV</td>
<td>Amsterdam</td>
</tr>
<tr>
<td>SNS Property Finance BV</td>
<td>Leusden</td>
</tr>
<tr>
<td>RegioBank NV</td>
<td>Utrecht</td>
</tr>
</tbody>
</table>

#### Overview of principal subsidiaries Insurance activities

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>REAAL NV</td>
<td>Utrecht</td>
</tr>
<tr>
<td>SRLEV NV</td>
<td>Alkmaar</td>
</tr>
<tr>
<td>REAAL Schadeverzekeringen NV</td>
<td>Zoetermeer</td>
</tr>
<tr>
<td>Proteq Levensverzekeringen NV</td>
<td>Alkmaar</td>
</tr>
<tr>
<td>SNS Verzekeringen BV</td>
<td>Zoetermeer</td>
</tr>
<tr>
<td>RM BV</td>
<td>Utrecht</td>
</tr>
</tbody>
</table>

#### Overview of principal subsidiaries Group activities

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNS REAAL Invest NV</td>
<td>Utrecht</td>
</tr>
<tr>
<td>SNS Asset Management NV</td>
<td>Utrecht</td>
</tr>
<tr>
<td>SNS Beleggingsfondsen Beheer BV</td>
<td>Utrecht</td>
</tr>
</tbody>
</table>

#### Other capital interests

For information on the most significant other capital interests, reference is made to the notes to the consolidated balance sheet in paragraph 30.3 Investments in associates.

The overview as referred to in Book 2, Sections 379 and 414 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.
34 Other information

34.1 Provision regarding profit or loss appropriation

Result 2012: € 972 million loss.

34.1.1 Provisions of the Articles of Association regarding profit or loss appropriation as per 31 December 2012

The loss appropriation will be determined in accordance with Article 34.4 sub (a) of the Articles of Association of SNS REAAL NV applicable per 31 December 2012, which provides that losses will be debited to the profit reserves, if possible.

34.1.2 Provisions regarding profit or loss appropriation for core Tier 1 capital securities as per 31 December 2012

Loss absorption core Tier 1 capital securities Stichting Beheer SNS REAAL (hereafter: Stichting Securities)

If SNS REAAL were to incur any losses during the term of the Stichting Securities, these losses will partially be borne by the Foundation. The amount of this reduction constitutes part of the losses, to the extent that these losses exceed the SNS REAAL net profit reserves attributable to the period after 1 January 2009.

The part referred to is a fraction comprising the aggregate of the nominal values of the outstanding Stichting Securities prior to the application of loss absorption, divided by the sum of (a) the aggregate of the nominal values of the outstanding Stichting Securities prior to the application of loss absorption, (b) the aggregate of the nominal values of the outstanding ordinary shares of SNS REAAL, increased by the corresponding share premium reserves and the share premium recovery reserves, as well as all other free reserves and reserves required by law and the Articles of Association, and (c) the aggregate of the nominal values of the outstanding B-shares, increased by the corresponding share premium reserves and share premium recovery reserves.

The loss participation of the Stichting Securities in the amount of € 109 million reduces the nominal value of the Stichting Securities.

The core Tier 1 capital securities of the Dutch State are not subject to a loss absorption clause.

34.1.3 Loss appropriation

The loss for the financial year 2012 is debited to the profit reserves of SNS REAAL NV and the nominal value of the Stichting Securities.
34.2 Independent auditor’s report
To: the Shareholder of SNS REAAL N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of SNS REAAL N.V., Utrecht, as included in chapters 20
to 33 of this report. The financial statements include the consolidated and company financial statements. The
consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated
income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity
and consolidated cash flow statement for the year then ended and the notes, comprising a summary of the significant
accounting policies and other explanatory information. The company financial statements comprise the company balance
sheet as at 31 December 2012, the company income statement and the notes, comprising a summary of the significant
accounting policies and other explanatory information.

The Executive Board’s responsibility

The Executive Board is responsible for the preparation and fair presentation of these financial statements in accordance
with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the
Netherlands Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the
Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is
necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to
fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in
accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical
requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are
free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial
statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material
misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor
considers internal control relevant to the Company’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting
policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the
overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the financial statements give a true and fair view of the financial position of SNS REAAL N.V. as per 31
december 2012 and of its result and its cash flows for the year then ended in accordance with International Financial
Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of SNS REAAL N.V. as
per 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands
Civil Code.
Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the Executive Board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 4 June 2013

KPMG Accountants N.V.

P.A.M. de Wit RA
34.3 Independent assurance report

To the readers of the SNS REAAL NV Annual Report 2012

Introduction

We have been engaged by the Executive Board of SNS REAAL NV to provide assurance on the sustainability information ('VO') as defined in chapter 6 and disclosed in chapters 10, 12, 13, 14 en 17 (further referred to as ‘the chapters’) as included in the Annual Report 2012. The chapters, including the identification of material issues, is the responsibility of the Executive Board of SNS REAAL NV. Our responsibility is to issue an assurance report on the chapters.

What was included in the scope of our assurance engagement?

Our engagement was designed to provide limited assurance on whether the information in the chapters is fairly presented, in all material respects, in accordance with the Global Reporting Initiative G3.1 guidelines. The cross references in the chapters to other parts of the Annual Report and the information contained in these other parts are not part of the scope of our assurance engagement.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance. We do not provide assurance on the feasibility of goals, expectations and ambitions of SNS REAAL NV.

Which reporting criteria did SNS REAAL NV use?

SNS REAAL NV applies the G3.1 reporting guidelines of the Global Reporting Initiative for reporting on information in the chapters, as also disclosed in the GRI section of the Annual Report. The chapters should be viewed against this disclosure.

Which assurance standard did we use?

We conducted our engagement in accordance with Standard 3410N ‘Assurance Engagements relating to Sustainability Reports’ of the Royal Netherlands Institute of Register Accountants. This Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to understand sustainability information, identify and collect the thereto related assurance-information and that they comply with the requirements of the Code of Ethics for Professional Accountants from the International Federation of Accountants to ensure their independence.

What did we do to reach our conclusions?

We carried out the following work:

- A media analysis and internet search to identify relevant environmental, safety and social issues for SNS REAAL NV in the reporting period
- Interviewing staff at corporate level who are responsible for the information provided in the chapters;
- Reviewing the design and implementation of systems and processes for collection and processing, including aggregation of data into information in the chapters;
- Reviewing internal and external documentation on a sample basis to determine whether the information in the chapters is adequately supported

As part of our assurance procedures we discussed changes to the draft reports with SNS REAAL NV, and reviewed the final version of the chapters to ensure that it reflected our findings.
What is our conclusion?

Based on the procedures performed, as described above, we conclude that the information in the chapters does not, in all material respects, appear to be unfairly stated in accordance with the reporting criteria applied by SNS REAAL NV.

Amstelveen, 4 June 2013

KPMG Accountants NV

P.A.M. de Wit RA
1 GRI Table

The annual report is based on the G3.1 guidelines for CSR reporting established by the Global Reporting Initiative (GRI). It also contains the Financial Services Sector Supplement (FSSS). This sets out additional reporting criteria for the financial sector. GRI relies upon ‘application levels’ concerning the degree to which reporting principles and guidelines have been applied. SNS REAAL reports on its CR policy and performance at level B+, according to the G3.1 guidelines. This provides assurance (without absolute certainty) concerning the information that SNS REAAL provides in the relevant parts of this annual report (refer to Table indicator 3.13). The Table below indicates where reporting in this annual report conforms to GRI guidelines.

<table>
<thead>
<tr>
<th>DMA indicator</th>
<th>Definition</th>
<th>Explanation</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>Economic performance and markets</td>
<td>See chapter 1 and chapter 9</td>
<td>Chairman of the Executive Board, members of the management boards of SNS Bank, REAAL and Zwiterleven</td>
</tr>
<tr>
<td>EN</td>
<td>Emissions, energy, paper usage and waste</td>
<td>Responsible business practice is anchored in our CR priority theme ‘Sustainable chain and the environment’. We devote attention to the environmental impact of our operations as a structural part of how we operate and this is ensured via our ISO 14001 certification. Our environmental policy is focused on pursuing the sustainability of the company’s operations and is recorded in an environmental declaration (included in the ISO 14001 manual). GRI environmental indicators are the backbone for us in achieving our environmental performance indicators. Our environmental ambitions and objectives are determined annually. Monitoring and analysis of results are included in regular management reporting. Responsibility for environmental policy rests with the management boards of the various business units. Information about environmental policy and results achieved are available to all employees via the intranet.</td>
<td>Director Facility Services and Director IT &amp; Change</td>
</tr>
<tr>
<td>LA</td>
<td>Employees, labor/management relations, training and education and diversity</td>
<td>See chapter 17</td>
<td>Director HR</td>
</tr>
<tr>
<td>HR</td>
<td>Investment and procurement practices, non-discrimination, collective bargaining, other aspects related to human rights</td>
<td>Investment policy and procurement practices, including our vision concerning human rights: see paragraph 14.2 and 14.3.</td>
<td>Director SNS Asset Management and Director Group Finance</td>
</tr>
<tr>
<td>SO</td>
<td>Local communities</td>
<td>Our core business activities have an impact upon societal activities through their focus on the management of financial resources for the Dutch consumer and by placing financial self-reliance as a central concern of each individual in Dutch society.</td>
<td>Directors Business Units</td>
</tr>
</tbody>
</table>
Corruption

Anti-corruption is referred to explicitly in the code of conduct, most prominently in the rule concerning conflicts of interest: 'Keep your working life separate from your private life and avoid any suggestion of a conflict of interest. This applies to all business relationships, such as those involving customers, suppliers and intermediaries'. In 2012, SNS REAAL devoted specific attention to promoting dialogue within its organisation concerning ethical conduct by employees and restrained and incorruptible business conduct. We have held Group-wide workshops and invited employees to participate in an 'integrity forum'. Through both the workshops and the forum, attention has been devoted to norms and values contained in the Code of Conduct, to customer integrity, how to resolve business dilemmas and deal with incidents. All employees have been involved in this initiative during the course of the reporting year.

Director Compliance, Security & Operational Risk Management

Public policy

SNS REAAL is a member of the Dutch Association of Insurers (VvV) and the Dutch Banking Association (NvB). These two business branch associations represent our interests in the Netherlands and, where required, externally, such as in Brussels. This also applies to representations directed towards the government. Until the end of 2012, our former CEO, Ronald Latenstein van Voorst, was chairman of the board of the VvV, a position which afforded him membership of the management board of the Dutch employer association VNO-NCW. During 2012, SNS REAAL has strived for an integrated approach to reform of the housing market in the Netherlands, see paragraph 10.6.2.

Director Corporate Communications

Anti-competitive behavior and compliance

See paragraph 17.1.1 and 18.5.4

Director Compliance, Security & Operational Risk Management and Director Group Risk Management

PR

Customer health and safety, product and service labelling, marketing communications, customer privacy and compliance

See paragraph 7.3

Director Legal Affairs, Director Compliance, Security & Operational Risk Management and Director Fiscal Affairs

**GRI Table**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description indicator</th>
<th>Explanation</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy and vision</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Statement from the CEO on CR vision and strategy</td>
<td>See foreword, chapter 1</td>
<td>fully</td>
</tr>
<tr>
<td>1.2</td>
<td>Description of key impacts, risks and opportunities for CR</td>
<td>See paragraph 6.2, 6.4 and 7.3.1</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Organisational profile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Name of (reporting) organization</td>
<td>SNS REAAL NV</td>
<td>fully</td>
</tr>
<tr>
<td>2.2</td>
<td>Primary brands, products and/or services</td>
<td>See paragraph 3.2</td>
<td>fully</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organization</td>
<td>See paragraph 22.1</td>
<td>fully</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of the headquarters</td>
<td>Utrecht, the Netherlands</td>
<td>fully</td>
</tr>
<tr>
<td>2.5</td>
<td>Countries where the organization operates</td>
<td>With the exception of Property Finance. all of SNS REAALs brands operate exclusively in the Netherlands, Property Finance has a number of foreign credits which. at the end of 2012. accounted for 3.1% of SNS REAALs total credits (2011: 3.6%).</td>
<td>fully</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership and legal form</td>
<td>Limited liability company and see paragraph 4.3 ff</td>
<td>fully</td>
</tr>
<tr>
<td>2.7</td>
<td>Markets served</td>
<td>See paragraph 3.2 ff</td>
<td>fully</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the organization</td>
<td>See 'Key figures'</td>
<td>fully</td>
</tr>
<tr>
<td>2.9</td>
<td>Significant changes during the reporting period</td>
<td>See paragraph 21.3.4.3. The situation following the reporting period is described in chapter 2.</td>
<td>fully</td>
</tr>
<tr>
<td>2.10</td>
<td>Awards received in the reporting period</td>
<td>See appendix GRI, paragraph 2.1</td>
<td>fully</td>
</tr>
</tbody>
</table>
Report parameters

3.1 Reporting period 1 January 2012 up to and including 31 December 2012
fully

3.2 Date of most recent previous report 08/03/2012
fully

3.3 Reporting cycle Annual Annually
fully

3.4 Contact point for questions regarding the report corporatecommunicatie@snsreaal.nl, verantwoord.ondernemen@snsreaal.nl
fully

3.5 Process for defining report content See paragraph 6.2
fully

3.6 Boundary of the report The quantitative and qualitative information provided refers to SNS REAAL in its entirety except where it is specifically stated that the details apply to one specific business unit or to one part of the organisation.
fully

3.7 Specific limitations SNS REAAL reports on its core activities and Property Finance.
fully

3.8 Basis for reporting on entities that can significantly affect comparability from period to period and/or between organizations All figures reported are comparable with those for the previous year, in the event of other accounting procedures having been applied, the comparative data have been adjusted accordingly. See paragraph 21.3.4.
fully

3.9 Techniques and bases of calculation for data measurements See paragraph 6.2 and 21.3 to 21.6. SNS REAAL reports on the basis of the GRI G3.1 guidelines, level B+
fully

3.10 Re-statements of information provided in earlier reports See paragraph 21.3.4
fully

3.11 Change of scope See paragraph 21.3.4
fully

3.12 Table identifying the location of the Standard Disclosures The complete list of contents can be found in the PDF document immediately following the cover page. On the website, the list of contents precedes the GRI Table.
fully

Assurance

3.13 External assurance of the report See paragraph 34.3. KPMG has issued an assurance report for the annual report in respect of the reporting year. Its scope includes sections 6, 10, 12, 13, 14 en 17 and also this GRI Table and the Financial Services Sector Supplement. The Group Audit department does not provide its own declaration of the report, although it does conduct auditing.
fully

Governance, commitments and engagement

4.1 Governance structure of the organization The Executive Board is responsible for the company strategy of SNS REAAL, including CR. Management of CR is effected via a steering group led by the Chairman of the Executive Board, members of the management boards of SNS Bank, REAAL and Zwersterven and the directors of Group staff departments such as HR, Finance and Asset Management. The Management Committee is responsible for the efficient and effective deployment of strategy, including CR, and the management boards of the business units operationalise business and CR strategy in company activities.
fully

4.2 Independence of Chair of highest governance body See paragraph 19.2.2 ff
fully

4.3 Independence of unitary board structure Not applicable
fully

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body See paragraph 17.7 and 19.4
fully

4.5 Compensation of senior management See paragraph 17.5.1 and 18.7. In paragraph 18.7.1 the matching of remuneration and social and environmental performance is explained under 'The relationship between remuneration and performance'.
fully

4.6 Control of conflicts of interest See SNS REAALs Code of Conduct www.snsreaal.nl/corporate-governance/articles-of-association-and-regulations.html
fully

4.7 Process for determining the qualifications and expertise of the members of the highest governance body See paragraph 19.5.2
fully

4.8 Internally developed statements of mission or values, codes of conduct, and principles Chapter 6 introduction and paragraph 6.1 and 6.2. See for code of conduct paragraph 17.1.1.
fully
### Oversight procedures

The Executive Board has delegated implementation of CR to the CR Director. The director works together with a CR steering group that includes directors from the business units and Group staff departments. Together, they are responsible for achieving progress in integrating CR and for managing risks. The CR steering group meets five times per year. In addition, the Executive Board and the CR Director engages a CR Advisory Council incorporating external experts to advise them.

### Processes for evaluating the highest governance body’s own performance


### Commitment to external initiatives

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.11</td>
<td>Application of precautionary principle</td>
</tr>
<tr>
<td>4.12</td>
<td>Externally developed initiatives which the organization endorses</td>
</tr>
<tr>
<td>4.13</td>
<td>Memberships in associations and/or advocacy organizations</td>
</tr>
</tbody>
</table>

### Stakeholder engagement

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.14</td>
<td>List of relevant stakeholders</td>
</tr>
<tr>
<td>4.15</td>
<td>Identification and selection of relevant stakeholders</td>
</tr>
<tr>
<td>4.16</td>
<td>Approaches to and frequency of stakeholder engagement</td>
</tr>
<tr>
<td>4.17</td>
<td>Results of stakeholder dialogue and ensuing activities</td>
</tr>
</tbody>
</table>

- With regard to frequency of contact, we engage with relevant stakeholders at least once per year. Contact with clients, intermediaries and regulatory bodies occurs on a more frequent basis. Column 3, 4 and 5 of appendix GRI 2.4.
- Stakeholder engagement generally allows us to tailor our products and services to better meet consumer requirements at the lowest possible cost. Column 1 and 2 of appendix GRI 2.4.
### Economic Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description indicator</th>
<th>Explanation</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic performance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC1</td>
<td>Direct economic value</td>
<td>Key figures and notes to the consolidated financial statements in chapter 30 ff.</td>
<td>fully</td>
</tr>
<tr>
<td>EC2</td>
<td>Financial implications, risks and opportunities due to climate change</td>
<td>Climate change is a problem which affects society as a whole. It is a concern that SNS REAAL shares and we are pursuing an active climate policy for reducing energy use and CO2 emissions covered by scope 1, 2 and 3 of the Greenhouse Gas Protocol. Our efforts towards achieving our annual climate protection goals include instituting measures to manage energy use in our business premises, a mobility policy that encourages employees to make greater use of public transport and cycling and less use of cars, an active energy-reduction policy for our data centres and flexible working (Het Nieuwe Werken). The investment policy of SNS Asset Management is based on so-called Fundamental Investment Principles. Climate change has not been included as an explicit theme in these principles because the issue has not been designated as a core focus of attention. Nonetheless, climate change does receive specific attention in the elaboration of sector papers.</td>
<td>fully</td>
</tr>
<tr>
<td>EC3</td>
<td>Coverage of defined benefit plan obligations</td>
<td>See paragraph 17.6 ff</td>
<td>fully</td>
</tr>
<tr>
<td>EC4</td>
<td>Significant financial assistance received from government</td>
<td>See chapter 2, paragraph  4.2 and 19.4</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Market presence</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC5</td>
<td>Range of ratios of standard entry level wage compared to local minimum wage</td>
<td>Our starting salaries are above the minimum wage. As levels of starting salaries vary greatly as a result of the wide diversity of functions, we are unable to specify their precise relationship to the local minimum wage.</td>
<td>fully</td>
</tr>
<tr>
<td>EC6</td>
<td>Policy, practices, and proportion of spending on locally-based suppliers</td>
<td>SNS REAAL is based exclusively in the Netherlands. This item is therefore not applicable.</td>
<td>fully</td>
</tr>
<tr>
<td>EC7</td>
<td>Procedures for local hiring</td>
<td>SNS REAAL is based exclusively in the Netherlands. Therefore, this item is not applicable.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Indirect economic impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC8</td>
<td>Investments in infrastructure and services primarily for public benefit</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td>EC9</td>
<td>Understanding and describing significant indirect economic impacts</td>
<td>See chapter 1 and chapter 2.</td>
<td></td>
</tr>
</tbody>
</table>

### Environmental Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description indicator</th>
<th>Explanation</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Materials</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN1</td>
<td>Materials used by weight or volume</td>
<td>See appendix GRI, paragraph 2.5</td>
<td>fully</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are recycled input materials</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy consumption</td>
<td>See appendix GRI, paragraph 2.6</td>
<td>fully</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by source</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td>EN5</td>
<td>Energy saved due to conservation and efficiency improvements</td>
<td>See paragraph 14.3.1. In addition to the policy of reducing energy use and CO2 emissions covered by scope 1 and 2 of the Greenhouse Gas Protocol. SNS REAAL is also able to achieve reductions in both of the above areas under scope 3, by including its supply chain. Examples include our waste separation policy and energy savings in external data centres.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives for energy-efficiency or sustainable energy-based products and services</td>
<td>See EN5</td>
<td>fully</td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved</td>
<td>See EN5</td>
<td>fully</td>
</tr>
<tr>
<td>EN8</td>
<td>Total water withdrawal by source</td>
<td>See appendix GRI, paragraph 2.7</td>
<td>fully</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------------------------------</td>
<td>----------------</td>
<td>------</td>
</tr>
<tr>
<td>EN10</td>
<td>Percentage and total volume of water recycled and reused</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
</tbody>
</table>

### Biodiversity

| EN11| Location and size of land in or adjacent to protected SNS REAAL is exclusively based in the Netherlands. This item is therefore not applicable. |
|-----|-------------------------------------------------------------------------------------------------------------------------------------|----------------|------|
| EN12| Description of significant impacts of activities, products and services on biodiversity in protected areas See also FS1. Investments in companies that operate in protected areas such as UNESCO World Heritage and IUCN sites are excluded. Also, investments in government bonds are judged on such grounds for exclusion. |
| EN13| Habitats protected or restored Not applicable |
| EN14| Strategies, current actions, for managing impacts on biodiversity Not applicable |
| EN15| Number of protected species with habitats in areas affected by operations Not applicable |

### Emissions, effluents and waste

| EN16| Direct and indirect greenhouse gas emissions See appendix GRI, paragraph 2.8 |
|-----|---------------------------------------------------------------------------|----------------|------|
| EN17| Other relevant greenhouse gas emissions Not applicable |
| EN18| Initiatives to reduce greenhouse gas emissions and reductions achieved See EN5 |
| EN19| Emissions of ozone-depleting substances Not applicable |
| EN20| Other significant air emissions Not applicable |
| EN21| Water discharge by quality and destination Not applicable |
| EN22| Total weight of waste by type See appendix GRI, paragraph 2.9 |
| EN23| Significant spills Not applicable |
| EN24| Weight of transported or treated waste deemed hazardous Not applicable |
| EN25| Identity of water bodies and related habitats significantly affected by discharges of water and runoff Not applicable |

### Products and services

| EN26| Initiatives to mitigate environmental impacts of products and services Not applicable |
|-----|-----------------------------------------------------------------------------------|----------------|------|
| EN27| Percentage of products sold and their packaging materials that are reclaimed Not applicable |

### Compliance

| EN28| Monetary value of significant fines for non-compliance with environmental laws and regulations During 2012, no significant financial penalties or sanctions were imposed fully due to non-compliance with environmental laws or regulations. |

### Transport

<table>
<thead>
<tr>
<th>EN29</th>
<th>Significant environmental impacts of transporting products and workforce See appendix GRI, paragraph 2.10</th>
</tr>
</thead>
</table>

### Overall

| EN30| Environmental protection expenditures and investments Investments in environmental protection measures is conducted via the fully investments of SNS Asset Management. SNS Asset Management invests € 3 billion in environmental technology and innovations by means of a best-in-class fund. |

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<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description indicator</th>
<th>Explanation</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA1</td>
<td>Workforce</td>
<td>See Key figures and paragraph 17.8. Number of employees (including external employees) by core activity at year end: - Staff: 3,321 - Sales: 1,838 - Back office: 2,466</td>
<td>fully</td>
</tr>
<tr>
<td>LA2</td>
<td>Employee turnover</td>
<td>See Key figures and paragraph 17.8</td>
<td>fully</td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>Social welfare provisions/terms &amp; conditions of employment are available for both full- and part-time employees</td>
<td>fully</td>
</tr>
<tr>
<td>LA15</td>
<td>Retention after parental leave</td>
<td>In 2012, 11.3% of male employees returning from parental leave took up a comparable function and for an equal number of hours. For female employees, the figure was 9.0%.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Labor / management relations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements</td>
<td>100%</td>
<td>fully</td>
</tr>
<tr>
<td>LA5</td>
<td>Minimum notice period(s) regarding operational changes</td>
<td>SNS REAAL informs its staff as early as possible concerning future developments that (may) have implications for their employability. Employees receive a letter regarding their placement within four weeks following the final decision about organisational changes.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Occupational health and safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA6</td>
<td>Percentage of total workforce represented in formal joint management-worker health and safety committees</td>
<td>100%, The health and safety committees represent all of SNS REAAL's employees.</td>
<td>fully</td>
</tr>
<tr>
<td>LA7</td>
<td>Rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities</td>
<td>See paragraph 17.3.1 and table 17.8</td>
<td>fully</td>
</tr>
<tr>
<td>LA8</td>
<td>Programs for workforce and their families regarding serious diseases</td>
<td>SNS REAAL’s Mutual Aid Fund (Fonds Onderlinge Hulp) is a programme fully specifically aimed at supporting those employees who are affected by serious illness. The fund provides financial support or (temporary) provision for employees of SNS REAAL who, of no fault of their own, may be affected by sickness.</td>
<td>fully</td>
</tr>
<tr>
<td>LA9</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
<td>See paragraph 17.3.1 and 17.3.2</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Training and education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA10</td>
<td>Average hours of training per year per employee</td>
<td>SNS REAAL does not record the number of hours of training per employee; it does, however, record training costs. In total, this amounts to 3% of the wages. See table 17.8.</td>
<td>partially</td>
</tr>
<tr>
<td>LA11</td>
<td>Programs for skills management and lifelong learning</td>
<td>See introduction paragraph 17.3 and 17.4</td>
<td>fully</td>
</tr>
<tr>
<td>LA12</td>
<td>Percentage of employees receiving regular performance and career development reviews</td>
<td>100%. All employees are informed about performance and career development during planning, appraisal and evaluation meetings with their supervisor.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Diversity and equal opportunity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA13</td>
<td>Composition of governance bodies</td>
<td>See paragraph 17.2.3 and appendix GRI, paragraph 2.11</td>
<td>fully</td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio of basic salary of men to women</td>
<td>Men and women with comparable work experience, level of achievement fully and potential are equally rewarded.</td>
<td>fully</td>
</tr>
<tr>
<td>Human rights Indicator</td>
<td>Description indicator</td>
<td>Explanation</td>
<td>Reported</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------------</td>
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</tr>
<tr>
<td><strong>Investment, procurement practices</strong></td>
<td></td>
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<tr>
<td>HR1</td>
<td>Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening</td>
<td>See paragraph 10.7.3 and 14.2</td>
<td>fully</td>
</tr>
<tr>
<td>HR2</td>
<td>Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken</td>
<td>From mid-2012 all procurement, irrespective of overall size, involves the sustainability declaration. The theme of human rights has also been incorporated in the declaration and is applied in respect of contracts with suppliers. The agreement is that an audit will be undertaken in the event of any doubt concerning interpretation. So far, this has proved to be unnecessary. By the end of 2012, 63% of our suppliers had been verified.</td>
<td>fully</td>
</tr>
<tr>
<td>HR3</td>
<td>Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations</td>
<td>This is not recorded</td>
<td>not</td>
</tr>
<tr>
<td><strong>Non-discrimination</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR4</td>
<td>Total number of incidents of discrimination and actions taken</td>
<td>There were no recorded cases of discrimination in 2012</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Association and collective bargaining</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR5</td>
<td>Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights</td>
<td>The investment policy of SNS Asset Management adheres to the Fundamental Investment Principles (FIP) which also embraces ESG criteria concerning respecting human rights and workers' rights, child labour, other forms of forced labour and the impacts of projects on local communities. These principles are applied to all investments falling under our management.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Child labor</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR6</td>
<td>Operations identified as having significant risk for incidents of child labor</td>
<td>See HR5</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Prevention of forced labor</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR7</td>
<td>Operations identified as having significant risk for incidents of forced or compulsory labor</td>
<td>See HR5</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Security practices</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR8</td>
<td>Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Indigenous rights</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR9</td>
<td>Total number of incidents of violations involving rights of indigenous people</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Assessment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR10</td>
<td>Impact assessment</td>
<td>See HR5</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Remediation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR11</td>
<td>Grievance mechanism</td>
<td>Not applicable</td>
<td>fully</td>
</tr>
<tr>
<td>Indicator</td>
<td>Description indicator</td>
<td>Explanation</td>
<td>Reported</td>
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<tr>
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</tr>
<tr>
<td>SO1</td>
<td>Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities</td>
<td>Our core business activities have an impact upon societal activities through their focus on the management of financial resources for the Dutch consumer and by placing financial self-reliance as a central concern of each individual in Dutch society. See paragraph 10.6.2, 12.2.8 and 13.5.9. Via the medium of the SNS REAAL Fund a total of € 14 million was invested in socially-relevant projects during 2012.</td>
<td>fully</td>
</tr>
<tr>
<td>SO9</td>
<td>Impact on local communities</td>
<td>Such investment activities excluded based on the FIP (SAM). See HR5 and paragraph 14.2.1.</td>
<td>fully</td>
</tr>
<tr>
<td>SO10</td>
<td>Prevention of impacts on local communities</td>
<td>See paragraph 14.2.1</td>
<td>fully</td>
</tr>
<tr>
<td>FS13</td>
<td>Access points in low-populated or economically disadvantaged areas by type</td>
<td>See paragraph 10.7.1 and 10.6.4</td>
<td>fully</td>
</tr>
<tr>
<td>FS14</td>
<td>Initiatives to improve access to financial services for disadvantaged people</td>
<td>See paragraph 10.6.2</td>
<td>fully</td>
</tr>
<tr>
<td>SO2</td>
<td>Percentage of business units analyzed for risks related to corruption</td>
<td>20%, this concerns Property Finance. See paragraph 15.5.1, 17.1.1 and 19.6.1.</td>
<td>fully</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in organization's anti-corruption policies and procedures</td>
<td>All employees have received training during the reporting year</td>
<td>fully</td>
</tr>
<tr>
<td>SO4</td>
<td>Actions taken in response to incidents of corruption</td>
<td>As a consequence of the whistleblowing arrangement, SNS REAAL received two reports of possible incidents. Both incidents were still under investigation at the end of 2012.</td>
<td>fully</td>
</tr>
<tr>
<td>SO5</td>
<td>Public policy positions and participation in public policy development and lobbying</td>
<td>See management approach for this theme and bouwsparen paragraph 10.6.2.</td>
<td>fully</td>
</tr>
<tr>
<td>SO6</td>
<td>Financial and in-kind contributions to political parties and politicians</td>
<td>No contribution</td>
<td>fully</td>
</tr>
<tr>
<td>SO7</td>
<td>Number of legal actions for anti-competitive behavior</td>
<td>No legal cases</td>
<td>fully</td>
</tr>
<tr>
<td>SO8</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations</td>
<td>No financial penalties</td>
<td>fully</td>
</tr>
</tbody>
</table>
### Product Responsibility

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description indicator</th>
<th>Explanation</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Health and safety</strong></td>
<td></td>
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<tr>
<td>FS15</td>
<td>Policies for the fair design and sale of financial products and services</td>
<td>New products destined for sale are assessed according to the Group-wide framework applied by SNS REAAL. This determines whether the customers’ interests play a sufficiently central role according to the company’s own ‘KNVB’ criteria, which translate as ensuring a product is: cost-efficient, beneficial, secure and comprehensible. See paragraph 7.3.1, 10.1, 10.7.2, 12.1 and 13.1.</td>
<td>fully</td>
</tr>
<tr>
<td>PR1</td>
<td>Assessment of impacts of products and services on health and safety</td>
<td>See FS15</td>
<td>fully</td>
</tr>
<tr>
<td>PR2</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services</td>
<td>Not known. In 2012 Legal Affairs, together with Compliance, Security &amp; Operational Risk Management and the business units, devoted further attention to the applicable framework of standards for products. From 2013, SNS REAAL is initiating a process to review so-called non-selling products.</td>
<td>partially</td>
</tr>
<tr>
<td><strong>Products and service labelling</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td>Products and service information required by procedures</td>
<td>All of our products are subject to mandatory requirements concerning provision of information. These include the Financial Supervision Act (Wft) and the Pension Act. Examples of mandatory information provision are the simplified prospectus and information relating to the Financial Services Complaints Institute (Kifid).</td>
<td>fully</td>
</tr>
<tr>
<td>PR4</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling</td>
<td>See PR2</td>
<td>partially</td>
</tr>
<tr>
<td>PR5</td>
<td>Policy regarding customer satisfaction</td>
<td>See paragraph 7.3.1, 10.6.2, 10.6.3, 10.6.4, 12.2.6 and 13.5.7</td>
<td>fully</td>
</tr>
<tr>
<td>FS16</td>
<td>Initiatives to enhance financial literacy by type of beneficiary</td>
<td>SNS REAAL and SNS Bank are partners in a foundation called ‘Stay on Top of Your Spending’ (Stichting Weet Wat Je Besteedt), aimed at young people aged 13-25. Every year, SNS REAAL and the company’s brands make an essential contribution to the ‘Money Smart Week’ initiative (children aged 6 - 12). See for both activities paragraph 10.6.2. In conversation with customers and their employees (employees shortly due to retire), see paragraph 13.5.7.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Marketing communications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR6</td>
<td>Programs for adherence to laws, standards, and voluntary codes related to marketing communications</td>
<td>Marketing communication is a structural element of our product approval process. A multi-disciplinary team which includes, for instance, Legal Affairs, Compliance and Fiscal Affairs, reviews marketing communication against all legal criteria and codes. This guarantees that all communication with the customer complies with our internal norms as well as with all external legal and regulatory requirements, See also Zwitserleven, paragraph 13.5.6.</td>
<td>fully</td>
</tr>
<tr>
<td>PR7</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications</td>
<td>1 incident</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Customer privacy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR8</td>
<td>Total number of substantiated complaints regarding breaches of customer privacy</td>
<td>91 in total (no distinction founded/unfounded) - SNS Retail Bank 90 - REAAL 1</td>
<td>partially</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR9</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</td>
<td>See paragraph 30.25.5</td>
<td>fully</td>
</tr>
<tr>
<td>Indicator</td>
<td>Description indicator</td>
<td>Explanation</td>
<td>Reported</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>Product portfolio</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS1</td>
<td>Policies with specific environmental and social components applied to business lines</td>
<td>SNS Asset Management ensures responsible management of the various fully investment funds and investments of SNS REAAL’s brands. Environmental and social concerns form part of the criteria to which SNS Asset Management adheres, see paragraph 14.2.1. Environmental and social concerns are also included in the customer acceptance policy (see FS3) and in SNS REAAL’s procurement policy (see paragraph 14.3.2 and HR2). Attention to social aspects is a fixed part of the development of products and services (see FS15).</td>
<td></td>
</tr>
<tr>
<td>FS2</td>
<td>Procedures for assessing and screening environmental and social risks in business lines</td>
<td>Environmental and social risks are incorporated in integrated risk analyses for products, investments and procurement and in the management of products and services for the business organisation, to the extent that legal requirements apply.</td>
<td>fully</td>
</tr>
<tr>
<td>FS3</td>
<td>Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions</td>
<td>SNS REAAL has a customer acceptance policy that applies to all business units. In addition, SNS Bank and ASN Bank operate a credit policy that comprises environmental and social requirements. On a quarterly basis the business units report on key risks by means of integrity and compliance reporting. With regard to the customer acceptance policy, differentiation is made between customers on the debit and credit sides of the balance. Debit clients (such as borrowers) are all assessed against ESG criteria. Credit clients (savers and investors, for example) are not subject to assessment on social or environmental grounds. Naturally, assessment includes applicable laws and regulations (also indicated by DNB, the Dutch Central Bank). An important reason for not assessing credit clients is to avoid us arriving at a judgement concerning a customer's operations on social or environmental grounds, but rather simply a judgement concerning our own operations and manner of investment.</td>
<td>fully</td>
</tr>
<tr>
<td>FS4</td>
<td>Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines</td>
<td>SNS REAAL provides instruction on social policy for employees engaged fully with our brands via our Klantbelang Centraal programme that puts customers’ interests first. In addition, employees have, where required, embarked upon training in order to apply CR in their field of expertise. Zwitserleven has developed its own CR training course for its employees.</td>
<td></td>
</tr>
<tr>
<td>FS5</td>
<td>Interactions with clients/investees/business partners regarding environmental and social risks and opportunities</td>
<td>See chapter 10, 12, 13 and 14</td>
<td>fully</td>
</tr>
<tr>
<td>FS6</td>
<td>Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector</td>
<td>ASN Bank: outstanding loans for 100% Europe - SNS Asset Management: managed assets amount to € 41,755 million, of which € 6,604 million with voting rights (2011: € 40,512 million, of which € 6,297 million with voting rights). Assets with voting rights by region: 82% in Europe, 14% in the US and 4% in Asia, including emerging markets.</td>
<td>fully</td>
</tr>
<tr>
<td>FS7</td>
<td>Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose</td>
<td>SNS Retail Bank: savings amount to € 44,768 million - ASN Bank: extent of managed assets is € 9,784 million, of which € 10 million with voting rights (2011: € 9,653 million, of which € 9 million with voting rights). 100% of the managed assets have specific social added value. - SNS Asset Management: € 387 million have specific social added value, via the SNS Institutional Microfinance Funds.</td>
<td></td>
</tr>
<tr>
<td>FS8</td>
<td>Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose</td>
<td>A proportion of the assets managed by SNS Asset Management has added value for the environment due to investments made in best-in-class funds. See also EN30.</td>
<td>fully</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>FS9</td>
<td>Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures</td>
<td>On the basis of risk analysis, SNS REAAL’s Group Audit department conducts scheduled auditing and advisory activities relating to issues of societal relevance, such as integrity, duty of care, product development and risk management. No independent environmental and social audits are undertaken.</td>
<td>fully</td>
</tr>
</tbody>
</table>

**Activia ownership**
<table>
<thead>
<tr>
<th>FS10</th>
<th>Percentage and number of companies held in the institution’s portfolio with which the reporting organization has interacted on environmental or social issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SNS Asset Management engaged in dialogue with 24 companies (1.5% of the total number of companies in its portfolio) during 2012 to actively encourage changes on environmental and social issues, as opposed to 6 in 2011. Significantly more companies are approached through the medium of the voting policy. See paragraph 14.2.2.</td>
</tr>
<tr>
<td>FS11</td>
<td>Percentage of assets subject to positive and negative environmental or social screening</td>
</tr>
<tr>
<td></td>
<td>SNS Asset Management and ASN Bank screen 100% of their assets, by other parts of the company there is no registration of this screening.</td>
</tr>
<tr>
<td>FS12</td>
<td>Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting</td>
</tr>
<tr>
<td></td>
<td>SNS Asset Management, see paragraph 15.2.2. Voting policy available via <a href="http://www.snsam.nl/web/show/id=113300/langid=42">http://www.snsam.nl/web/show/id=113300/langid=42</a> ASN Bank, see paragraph 10.7.3. Voting policy is available via <a href="https://www.asnbank.nl/index.asp?id=9499">https://www.asnbank.nl/index.asp?id=9499</a></td>
</tr>
</tbody>
</table>

**Society**

| FS13 | See below Society performance indicators - Local communities |
|      |                                                              |
| FS14 | See below Society performance indicators - Local communities |
|      |                                                              |
| FS15 | See below Product responsibility performance indicators - Customer Health and safety |
|      |                                                              |
| FS16 | See below Product responsibility performance indicators - Product and service labelling |
|      |                                                              |
2 Attachments

2.1 GRI table: 2.10 Awards
Distinctions that SNS REAAL’s brands have received during the reporting period.

SNS REAAL

• SNS REAAL Pension Fund won the top prize in the category of ‘best practice for governance policy’ (November 2012). The prize was awarded by the independent pension periodical Nederlands Pensioen- en Beleggingsnieuws (Netherlands Pension and Investment News), a Financial Times publication. In this new category, the SNS REAAL Pension Fund was selected out of 17 pension fund nominees. In its report, the professional jury stated: ‘During the past five years, SNS REAAL’s Pension Fund has upheld a well-functioning governance structure that corresponds well with current circumstances’.

SNS Bank

• Travel insurances were deemed to be the ‘Best Buy’, according to Consumentbond, the Dutch Consumers’ Association (February 2012). Out of 52 travel insurance policies that were evaluated, the SNS Travel insurance policy with Europe and Europe Plus coverage emerged from the test as the Best Buy, as was the case in the previous year. ‘Best Buy’ is a confirmation that the policies offer the best value in terms of quality and price for the customer.

• Reviews by the financial website MoneyView:
  • SNS Contents insurance – five stars (February 2012).
  • SNS Betalen (a current account that pays interest) – five stars for flexibility (July 2012). SNS Betalen received the highest assessment for its flexibility: customers receive interest on their account and are provided with a digital household account statement, access to online banking and can access information concerning interest accumulated on their savings account. The rating is a repetition of the position achieved in the previous year.

• Fair Bank Guide (Eerlijke Bankwijzer): a leap forward in honest banking (May 2012). The improved score for SNS Bank is due to a new policy covering four themes and sectors. Refer to paragraph 10.7.3 ‘Responsible investments and responsible performance’.

• SNS Bank rose to 77th place in the top 500 of companies having the best image (May 2012). In 2012, SNS Bank rose 33 places in the MT500, the annual survey of the top 500 companies with the best image, which is conducted by TNS Nipo on behalf of the publication Management Team.

• SNS Bank nominated for the Co-Creation Awards 2012 (October 2012). SNS Bank was nominated in the category of ‘for-profit innovation’ during the design competition for online banking and engagement of the mobile community in generating, refining and testing mobile options. SNS Bank did not win the prize.

• Prestigious design book highlights SNS Shop (November 2012). SNS Shop was included in an impressive publication about retail concepts around the world. The book is the latest publication in the series ‘Powershop – New Retail Design’ that focuses on integration of brand identity in retail concepts and generating customer experience on the shop floor. Our concept was a relatively rare example of design that can be applied large-scale. In 2011, SNS Bank won the Graphis Gold Award with a shop design. Graphis is a platform for exceptional designs, adverts and photography.
• Online Engagement Award for inbound marketing strategy (November 2012). The prize is awarded to organisations which have stuck their head above the parapet regarding online engagement: putting customers’ interests first in their online communications processes. SNS Bank gained the prize in the category for Strategy.

ASN Bank

• Customers of ASN are the most content, according to research by the Consumenten Geldgids (February 2012). In this survey, customers of ASN Bank were found to be the most content, across the board. With an overall score of 8.3, ASN Bank came out a tenth of a point higher compared to June 2011.

• Fair Bank Guide (Eerlijke Bankwijzer, EBW) once again finds ASN Bank to be the leader in the field of responsible banking in the Netherlands (May 2012). On 31 December 2012, ASN Bank achieved the highest score in almost all themes and sectors for which EBW assessed banks. It placed ASN Bank as one of the two best-scoring banks in the Netherlands. In addition, ASN Bank was the only Dutch bank which attained a score of ‘good’ in a practical survey into ‘land grabbing’ conducted by EBM.

• ASN Bank at 46th position in the top 500 of companies with the best image (May 2012). ASN Bank rose 40 places in the MT500 (refer to explanation regarding SNS Bank).

• WUA! finds ASN Bank’s website to be the best bank website (July 2012). The ASN Bank website was judged to be the sixth best website in the Netherlands, and therefore the best bank website. WUA! created a ‘top 100’ list of websites based on around 13,000 suggestions.

• Wind energy deal of the year 2012 (August 2012). Wind part ‘Global Tech I Offshore Wind’ was awarded the prize for Wind Energy Deal of the Year 2012 by the periodical Environmental Finance. This amount is provided by sixteen commercial banks, including ASN Bank. ASN Bank provides a loan of around €29 million.

• ASN Sustainable Mix fund wins the ‘Green Bull’ (November 2012). The Green Bull is a prize awarded by the website Belegger.nl for the best sustainable investment fund. The jury praised the ASN Sustainable Mix fund for its sound balance between risk and return, its green, sustainable character and its low costs.

• ASN Vermogensbeheer (asset management) is a ‘class apart’, according to a survey by VBDO, the Dutch Association of Investors for Sustainable Development (November 2012). In a survey into how asset managers integrate sustainable and responsible investments for philanthropic organisations into their policy and practice, VBDO concluded that ASN Vermogensbeheer achieved a high score on every aspect of the survey.

RegioBank

• RegioBank’s radio commercial in the Frisian language nominated by Fryske Reklameprijs, the Frisian advertising prize (February 2012). The aim of the prize is to widen the usage and improve the quality and quantity of Frisian (or a Frisian dialect) in advertising.

• Fair Bank Guide (Eerlijke Bankwijzer): leap forward in fair banking (May 2012). RegioBank’s improved score is due to its new policy in four themes and sectors. Refer to paragraph 10.7.3 ‘Responsible investments and responsible performance’.

• RegioBank crowned with five stars on four occasions by MoneyView (November 2012). The ‘Lijfrente Opbouw’, an annuity savings account offered by RegioBank, achieved the maximum score of five stars for both its price and flexibility. RegioBank also gained five stars for its ‘Lijfrente UitkeringsRekening’ product in the category of price for both single and married individuals.
REAAL

- REAAL retains its certification for customer-focused insurance (Klantgericht Verzekeren), following further tightening of certification requirements (July 2012).
- Second place in VBDO survey (September 2012). VBDO surveyed 30 insurers on the integration of sustainability in their investment policies. Zwitserleven gained the highest score, closely followed by REAAL.
- REAAL crowned with five stars on four occasions by MoneyView (November 2012). REAAL's annuity savings account, ‘LijfrenteOpbouwRekening’, achieved the maximum score of five stars, for both its price and flexibility. REAAL also gained five stars for its ‘Lijfrente UitkeringsRekening’ product in the category of price for both single and married individuals.
- REAAL in third place with radio commercial about occupational disability insurance (December 2012). Voting for the radio commercial of the month is an initiative run by the ‘Radio Advies Bureau’ and the assessment is conducted by Dutch consumers.

Proteq

- Travel insurances judged ‘Best Buy’ by Consumentenbond, the Dutch Consumers’ Association (February 2012). Zelf.nl – part of Proteq – was judged to be the Best Buy in an assessment of 52 travel insurance policies. The ‘Best Buy’ designation indicates that these continuous travel insurance policies offer the most attractive balance between good quality and the price paid by the customer.
- Home insurance offered by Zelf.nl achieved third place in the ‘Grammy’s’ awarded by Independer (April 2012). The Independer Award is conferred based on reviews by customers and assessments of the advisory process that were posted on Independer’s website.
- Zelf.nl won de bronze award for its car insurance from the Verzekeringssite, an independent insurance comparison website. (May 2012).

Zwitserleven

- Zwitserleven.nl leads the way in a survey of collective pensions (June 2012). Survey organisation WUA! investigated online offerings of collective pension schemes. The zwitserleven.nl website emerged as the best site. Zwitserleven achieved a mark of 7.0.
- Leader in sustainable insurance (September 2012). Zwitserleven was declared the most sustainable insurer in the annual survey of 29 insurance companies undertaken by VBDO. It demonstrates the importance which Zwitserleven attaches to having a responsible and sustainable investment.
2.2 GRI table: 4.12 Endorsed charters

Guidelines signed by SNS REAAL

SNS REAAL

- UN Global compact. A strategic policy framework for companies that commit themselves to ten United Nations
principles in the areas of human rights, labour, environment and combating corruption.

SNS Asset Management

- Carbon Disclosure Project. The Carbon Disclosure Project (CDP) is an independent organisation that requests
public companies to report on their climate change strategies, CO$_2$ emissions and energy use. The information is
compiled in the form of an annual report so that the 551 investors who participate in the CDP can judge the climate
impact of companies in which they invest.
- UN Principles for Responsible Investment (UNPRI). Under the Principles, organisations acknowledge that
environmental, social and governance factors have an influence on investment policy and that it is important that
these factors are integrated into the investment process.

ASN Bank

- UN Principles for Responsible Investment
- Copenhagen Communiqué
- Equator Principles
- Investor Statement on a Global Agreement on Climate Change
- Fair Green Deal
- Climate statement by Dutch banks
- UN Global Compact

Zwitserleven

- Principles for Responsible Investment
- EuroSIF transparency code
- Principles for Sustainable Insurance. Globally accepted principles for responsible conduct of business operations
for companies in the insurance sector. Signatories to the principles are also required to communicate their progress
on an annual basis.

Guidelines endorsed by SNS REAAL

SNS REAAL

- OESD guidelines
- ILO
- Universal Declaration of Human Rights
- MJA-3 energy covenant (Facilities organisation)
- Responsible Market Conduct Code (Facilities organisation)

SNS Asset Management

- Arms Trade Treaty. In this United Nations treaty, the production of and trade in certain weapons, such as landmines
and cluster munitions, is controlled. Further goals and objectives of the treaty are to regulate the trade in other types
of arms to improve the transparency of the international arms trade according to international law, to prevent illicit export of weapons to conflict regions and harmonise the proliferation of national and regional regulations.

- Copenhagen Communiqué on Climate Change. This statement clarifies the consequences of climate change and provides insight into why and how the business community should take a fundamental leadership role in reducing CO\textsubscript{2} on a global scale as well as into what the economic impact will be on the business community if there is no global approach for the reduction of CO\textsubscript{2} emissions.

- Extractive Industries Transparency Initiative (EITI). EITI is a coalition of governments, companies, civil society groups, investors and international organisations. This initiative seeks to improve the transparency of payments to governments in exchange for minerals.

- Forest Footprint Disclosure (FFD). The FFD project was incorporated in the Carbon Disclosure Project (CDP). The aim is to provide companies and investors with information on the interrelated issues of climate change, water and forests.

- United Nations Environment Programme Finance Initiative (UNEP FI). UNEP FI is a partnership between the environment programme of the United Nations (UNEP) and the financial sector worldwide. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to achieve adoption of best-of-class environmental and social practices at all levels of financial organisations.

SNS Bank / RegioBank

- Climate statement by Dutch banks

ASN Bank

- Arms Trade Treaty Statement
- Access to Medicin Index
- OS member Global Reporting Initiative

2.3 GRI table: 4.13 Memberships

Membership of associations (such as branch associations) and/or national/international interest groups in which the organisation:

- plays a role in management entities.
- contributes to projects or is a member of committees.
- provides substantial financial support in addition to membership fees.
- considers its membership to be strategic.

SNS REAAL

- Dutch Fund and Asset Management Association (DUFAS).
- European Savings Bank Group.
- World Savings Bank Institute.
- Holland Financial Centre. The aim of this public-private co-operation between the government and financial sector organisations was to strengthen the financial sector in the Netherlands and enhance its international competitiveness. In February 2013, the decision was taken to cease operation of the Holland Financial Centre Foundation on the grounds that in its current form there is the perception of a mixing of roles between the private
sector, regulatory bodies and government.

- Stichting Weet Wat je Besteet (Stay on Top of Your Spending, WWJB) – partner. The foundation ‘Stay on Top of Your Spending’ engages with young people and by means of co-creation finds answers and solutions intended to develop the financial self-reliance of youngsters aged from 12 to 15. Partners providing the most substantial contributions sit on the WWJB board. In 2012, R. Latenstein represented SNS REAAL and R. Langezaal represented SNS Bank on the board.
- MVO Nederland (CSR Netherlands) – partner.
- Branch association Facility Management Netherlands (facilities organisation).

**SNS Asset Management**

- Extractive Industries Transparency Initiative (EITI).
- European Sustainable Investment Forum (EuroSIF).
- NPM, Platform for Inclusive Finance. Platform comprises 15 Dutch organisations that work together to combat poverty by means of ‘inclusive finance’.
- Vereniging van Beleggers voor Duurzame Ontwikkeling (Dutch Association of Investors for Sustainable Development, VBDO). VBDO represents the interests of institutional and private investors keen to contribute to sustainable development. Membership is based on support for the objective of increasing the focus of capital markets on sustainability.
- Eumedion. Represents the interests of its associated institutional investors in the area of corporate governance and sustainability. Goal of the pension funds, insurance companies, investment institutions and asset managers who participate is to improve the governance and the environmental and social performance of publicly listed companies.
- UN Principles for Responsible Investment.

**SNS Bank**

- World Savings Banks Institute (WSBI) / European Savings Banks Group (ESBG). This membership is important for us because of the possibility to:
  - support the activities of ESBG and WSBI, especially in the field of corporate social responsibility and advocacy.
  - contribute to a European presentation of regional sustainable banks and be more effective at lobbying on European and international level.
  - be part of an interesting network.

Currently, this is a so-called passive membership as we are no longer represented on a board, committee, network or taskforce.

- Nederlandse Vereniging van Banken (Dutch Banking Association, NVB). The NVB strives for a strong, healthy and internationally competitive banking sector in the Netherlands. The organisation represents the commonly shared interests of the banking sector, strives for the effective operation of the market and takes into account the interests of its interlocutors. Many issues transcend the interests of individual banks. The diversity of interlocutors, the significance of Europe and the continually changing landscape in which banking operates calls for a combining of strengths. Interests are represented at European level via the association’s membership of the European Banking Federation.

**ASN Bank**

- Carbon Disclosure Project.
- Equator Principles.
• UN Environment Programme Finance Initiative.
• VBDO (Dutch Association of Investors for Sustainable Development).
• De Groene Zaak – Founding partner. De Groene Zaak brings together entrepreneurs who support a sustainable economy. The founding partners believe that the future lies in sustainability and that, in time, there will be only one business model that is profitable: a sustainable one. The focus is on new ways of generating income, together with other companies.
• Global Reporting Initiative – Organizational Stakeholder.
• UN Global Compact.
• MVO Nederland (CSR Netherlands), partner.
• Social Venture Network.
• TBLI Club. A network for ESG and Impact Investing.
• Coöperatieve vereniging Q (Cooperative Association Q). Q is an association whose members are pursuing construction methods which are sustainable, healthy and affordable. The operating model is based on the values: trustworthiness, impartiality and non-exclusiveness.
• NPM Platform. Platform voor Inclusive Finance.
• DE (Duurzame Energie) Koepel (Sustainable Energy). The foundation’s purpose is to promote and stimulate use of sustainable energy.

Zwitserleven

• VBDO (Dutch Association of Investors for Sustainable Development).
• Verbond van Verzekeraars. The Dutch Association of Insurers represents the interests of private insurance companies operating in the Netherlands. As a member, Zwitserleven abides by rules put forward by the association that specify how insurers should handle matters such as complaints and customer confidentiality. Other examples are company regulations, covenants, codes of conduct and contracts.
• Swiss Life Network. International co-operative partnership between insurers to serve the cross-border needs of multinational customers.

REAAAL

• Verbond van Verzekeraars (Dutch Association of Insurers).

2.4 GRI table: 4.14 Stakeholders engaged

In 2012, the approach to and arrangement of group-wide stakeholder dialogue was further developed and structured. The overview indicates the most important stakeholder groups with which SNS REAAL and its brands regularly engage in dialogue: customers, employees, intermediaries/customer advisers, regulatory bodies/government, branch organisations, the media, investors and civil society groups. The table shows the importance, for SNS REAAL, of engaging with each respective group, the chief expectations on the part of SNS REAAL, the most important topics for dialogue and the key means by which dialogue is effected. At least 80% of the information provided matches the standpoints of various stakeholder groups. Information is compiled during workshops with employees who maintain direct contact with these groups. The Table provides a snapshot, though not a comprehensive picture, of the playing field in which the stakeholders operate.

The expectations of different stakeholder groups are sometimes at odds with each other, which can pose dilemmas for our decision-making. A certain degree of risk is inherent in financial services provision and the line between responsible and irresponsible risk can only be determined on the basis of a complex weighing up of competing factors and interests. While the primary expectation of regulatory and supervisory agencies is that adequate capital buffers will be maintained to respond to risks, the customer’s primary expectation is that they can depend on our support, for instance in arranging a mortgage, cover for particular financial risks or taking advantage of varying currency values. We steer our own course...
in resolving such dilemmas but holding a frank dialogue with our stakeholders on a regular basis helps us make balanced and responsible choices.

A structured overview of the most important topics for dialogue and the expectations of various stakeholder groups provides a solid foundation for the further development of dialogue. Stakeholder dialogue adds direction to how we want to conduct our business in a responsible fashion and for this reason is of enormous importance.

How do SNS REAAL and its brands connect with their leading stakeholders?

### Our Customers

**Why are these stakeholders important for us?**
As the purchasers of our products and services, customers are of paramount importance for the continuation of our organization. By working together we can develop products and services that optimally meet our customers’ needs and are also relevant to society.

**Why are we important for these stakeholders?**
Customers place their financial resources in our hands for reasons of sound stewardship. We seek to offer products that strike a fair balance between price and quality, that are comprehensive to our customers and that help them increase their financial self-reliance.

**Their key expectations**
Our customers expect simple products that match their needs for financial security and their phase of life. Customers expect us to put their interests first, a satisfactory implementation of operational procedures and no hidden costs.

**Their key concerns**
Our customers wish to be able to place their entire trust in our products and services and seek security through hedging risks that as individual customers are unable to carry.

**Which communication channels do we employ for dialogue?**
- Internet
- Customer panels
- Online communities
- Customer-focused publications and events
- Theme evenings about pensions, online banking
- Customer satisfaction surveys

### Our Employees

**Why are these stakeholders important for us?**
Because of their expertise, productivity, capacity for innovation and leadership, our employees are crucial to the success of our organization. They are the human face for the services we provide.

**Why are we important for these stakeholders?**
We offer a working environment that provides people with no end of opportunities for personal and professional growth.

**Their key expectations**
Our employees expect us to be a ‘good employer’, including development opportunities and a good package of primary and secondary employment conditions by way of reward for their dedication and inspiration.

**Their key concerns**
Our employees find it important to experience the feeling of freedom and their own responsibility in their working activities, in combination with a pleasant working environment, market-standard remuneration and possibilities for further development.

**Which communication channels do we employ for dialogue?**
- Intranet, narrow casing, personnel magazine
- Tools for flexible working
- Work-related meetings
- Blogs by board members
- Work floor visits by the Executive Board and senior mgf.
- Breakfast sessions/lunches
- Feedback and evaluation meetings
- Employee surveys / sounding boards

SNS REAAL Annual Report 2012
Our Customer Advisors/Intermediaries

Why are these stakeholders important for us?
Intermediaries are our door to the customer; they provide advice about our products and they sell them. They provide us with customer feedback. By working together, we can offer the customer the best possible service.

Why are we important for these stakeholders?
We provide the product that they sell; we deliver on the promises they make to the customer. Our expertise regarding products and services is essential to the quality of the work they undertake.

Their key expectations
Intermediaries expect 100% dedication from us in arranging the best possible co-operation. That we are innovative in developing new products and give them training about them. And that we always meet our obligations and are clear in how we communicate.

Their key concerns
Intermediaries exist to provide advice about financial products. They require clear demarcation concerning their role. Transparent communication with the customer regarding products and services is essential to them.

Which communication channels do we employ for dialogue?
- Extranet
- One-on-one meetings
- Theme-related meetings and events
- Contacts via business clubs, portals for events

In connection with our stakeholders

Regulatory Bodies/Government

Why are these stakeholders important for us?
Regulatory bodies oversee our activities and can impose sanctions. They determine the playing field, set the frameworks, ensure fair competition and ensure we remain sharp.

Why are we important for these stakeholders?
We share responsibility for the stability of financial markets. We deliver economic development via employment and product innovation. Co-operation on our part makes their task easier. Together we work on restoring trust in the financial services sector.

Their key expectations
Financial market regulators expect us to put customers’ interests first in all our activities and, above all, to operate honestly. And that we are active in protecting the consumer with regard to financial affairs.

Their key concerns
Above all, regulatory bodies demand that we comply with legal and financial standards. Their key concern is to restore trust in the financial services sector. For example by eradicating barriers in the functioning of the market and ensuring the interests of customers is put first.

Which communication channels do we employ for dialogue?
- Internet
- Press releases
- Formal discussions
- Audits
- Quarterly meetings/personal discussions
- Reporting, including annual reports
<table>
<thead>
<tr>
<th>Branch Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Why are these stakeholders important for us?</strong></td>
</tr>
<tr>
<td>Issues of common importance are represented by umbrella organisations. They act on our behalf in dealings with the government and other interest groups. Together, we are stronger. Umbrella organisations also act as learning platforms. Membership keeps us on our toes.</td>
</tr>
<tr>
<td><strong>Why are we important for these stakeholders?</strong></td>
</tr>
<tr>
<td>Through our membership we contribute to discussions, build up knowledge and identify useful and executable solutions to sector-wide problems and the overall image of the financial services sector. We support these organisations through financial contributions.</td>
</tr>
<tr>
<td><strong>Their key expectations</strong></td>
</tr>
<tr>
<td>Branch organisations expect us to be open and transparent, that we conduct our business operations in a responsible manner, that we share best practices with each other and that we uphold the interests of the branch.</td>
</tr>
<tr>
<td><strong>Their key concerns</strong></td>
</tr>
<tr>
<td>Branch organisations find it extremely important to work on restoring trust in the financial services sector and the image of the branch. Resolving past problems and being proactive in responding to new market developments play a prominent role.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Media</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Why are these stakeholders important for us?</strong></td>
</tr>
<tr>
<td>The function of the media is to deliver news. News media can strengthen our reputation but also harm it.</td>
</tr>
<tr>
<td><strong>Why are we important for these stakeholders?</strong></td>
</tr>
<tr>
<td>The size of our company makes us an important player in the Dutch financial market. We communicate information that we believe to be relevant to our reputation. This is information in the broadest sense of the word: from product innovations through to developments that contribute to reform of the financial services sector.</td>
</tr>
<tr>
<td><strong>Their key expectations</strong></td>
</tr>
<tr>
<td>The media expect transparency, honesty and comprehensive communication about our objectives, the results achieved and our vision for the future. They expect our co-operation at all times with the publication of articles.</td>
</tr>
<tr>
<td><strong>Their key concerns</strong></td>
</tr>
<tr>
<td>For the media, the chief concern is news. Coverage of developments and challenges facing the financial sector contributes to achieving innovation, solving social and/or economic problems and denunciation of abuse within the sector.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Which communication channels do we employ for dialogue?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Internet</td>
</tr>
<tr>
<td>- Intranet Dutch Association of Insurers and the Dutch Banking Association</td>
</tr>
<tr>
<td>- Participation in working groups</td>
</tr>
<tr>
<td>- Conference attendance and personal meetings</td>
</tr>
<tr>
<td>- Internet</td>
</tr>
<tr>
<td>- Press releases and press conferences</td>
</tr>
<tr>
<td>- Social media</td>
</tr>
<tr>
<td>- Interviews and visits to business sites</td>
</tr>
<tr>
<td>- Personal meetings</td>
</tr>
</tbody>
</table>

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### Total paper consumption

<table>
<thead>
<tr>
<th>Total paper consumption in kg per FTE</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>159</td>
<td>210</td>
<td>198</td>
</tr>
</tbody>
</table>

**2.5 GRI table: EN01 Materials**

The following Table shows total paper consumption per FTE of SNS REAAL. The amount of paper used per FTE fell by 24% in 2012. The reduction is due to flexible working (*Het Nieuwe Werken*) which is chiefly dependent on working electronically.
2.6 GRI table: EN03 Energy

For a business services provider such as SNS REAAL a large proportion of the environmental impact is due to energy consumption. The Table below indicates energy use in office buildings and transport. Energy use per FTE fell by 10% during 2012. This decrease is caused by the introduction of the New World of Work (less use of energy-efficient office equipment and office equipment) and a proactive energy management policy.

### Energy consumption by source

<table>
<thead>
<tr>
<th>Source</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional electricity</td>
<td>10,525</td>
<td>13,828</td>
<td>15,850</td>
</tr>
<tr>
<td>Green electricity</td>
<td>61,865</td>
<td>68,339</td>
<td>79,543</td>
</tr>
<tr>
<td>Gas consumption</td>
<td>9,389</td>
<td>10,810</td>
<td>45,192</td>
</tr>
<tr>
<td>Green gas</td>
<td>25,372</td>
<td>29,041</td>
<td>-</td>
</tr>
<tr>
<td>Company cars</td>
<td>65,373</td>
<td>78,783</td>
<td>80,652</td>
</tr>
<tr>
<td>Other</td>
<td>7,468</td>
<td>9,834</td>
<td>12,993</td>
</tr>
</tbody>
</table>

*Total energy consumption in GJ per FTE:*

- 2012: 27
- 2011: 30
- 2010: 32

*“Other” relates only to diesel for electricity and district heating*

2.7 GRI table: EN08 Water consumption

### Water consumption

<table>
<thead>
<tr>
<th>Source</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water consumption in m3</td>
<td>53,199</td>
<td>54,798</td>
<td>64,148</td>
</tr>
<tr>
<td>Water consumption in m3 per FTE</td>
<td>7.8</td>
<td>7.8</td>
<td>8.8</td>
</tr>
</tbody>
</table>

2.8 GRI table: EN16 Emissions

The following Table shows levels of CO₂ emissions for office buildings and transport for SNS REAAL. In order to reduce emissions, SNS REAAL has purchased green gas certificates covering all of the office buildings it owns for the years 2011, 2012 and 2013.

### CO₂ emissions by source

<table>
<thead>
<tr>
<th>Source</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>1,213</td>
<td>1,406</td>
<td>1,726</td>
</tr>
<tr>
<td>Gas</td>
<td>526</td>
<td>605</td>
<td>2,535</td>
</tr>
<tr>
<td>Flights</td>
<td>297</td>
<td>370</td>
<td>321</td>
</tr>
<tr>
<td>Other</td>
<td>222</td>
<td>291</td>
<td>383</td>
</tr>
<tr>
<td>Company cars</td>
<td>4,749</td>
<td>5,582</td>
<td>5,821</td>
</tr>
</tbody>
</table>

*Total CO₂ emissions in kg per FTE:*

- 2012: 3,026
- 2011: 3,037
- 2010: 3,313

*“Other” relates only to diesel for electricity and district heating*
2.9 GRI table: EN22 Waste

Within SNS REAAL, waste arises in the form of paper and cardboard, low-level hazardous waste (such as toners and other minor chemical waste), biodegradable waste, plastic, non-recyclable waste and other business waste (such as canteen waste, glass and wood). The Table below shows the quantities of paper and cardboard, plastic, minor chemical waste, biodegradable waste, non-recyclable waste and other business waste.

### Waste by type

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unseperated waste</td>
<td>330</td>
<td>327</td>
<td>464</td>
</tr>
<tr>
<td>Biodegradable waste</td>
<td>167</td>
<td>169</td>
<td>72</td>
</tr>
<tr>
<td>Small chemical waste</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Industrial waste</td>
<td>149</td>
<td>191</td>
<td>39</td>
</tr>
<tr>
<td>Paper and cardboard waste</td>
<td>443</td>
<td>547</td>
<td>750</td>
</tr>
<tr>
<td>Plastic</td>
<td>46</td>
<td>40</td>
<td>7</td>
</tr>
<tr>
<td>Total waste in kg per FTE</td>
<td>166</td>
<td>182</td>
<td>183</td>
</tr>
</tbody>
</table>

2.10 GRI table: EN29 Transport

#### Fuel consumption by company cars by fuel type

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrol</td>
<td>1,276</td>
<td>1,403</td>
<td>1,413</td>
</tr>
<tr>
<td>Diesel</td>
<td>569</td>
<td>745</td>
<td>831</td>
</tr>
<tr>
<td>LPG</td>
<td>15</td>
<td>35</td>
<td>49</td>
</tr>
<tr>
<td>Litres of fuel per FTE</td>
<td>273</td>
<td>312</td>
<td>315</td>
</tr>
</tbody>
</table>

#### Total kilometres flown

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total kilometres flown</td>
<td>372</td>
<td>447</td>
<td>380</td>
</tr>
</tbody>
</table>

#### Public transport and car transport for commuting or business travel

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commuting by car</td>
<td>48,943</td>
<td>36,476</td>
<td>36,458</td>
</tr>
<tr>
<td>Commuting by public transport</td>
<td>27,468</td>
<td>31,009</td>
<td>28,720</td>
</tr>
<tr>
<td>Business travel by car</td>
<td>12,614</td>
<td>15,050</td>
<td>16,859</td>
</tr>
<tr>
<td>Business travel by public transport</td>
<td>2,215</td>
<td>2,677</td>
<td>3,114</td>
</tr>
</tbody>
</table>

Increase in the number of kilometers commuting by car is caused by:

- Centralization of activities.
- Employees will move to a new place less quickly by introducing the New World of Work and the situation of the residential property market.
2.11 GRI table: LA13 Diversity

The composition of the workforce at SNS REAAL is described in the Table concerning “key figures” in the chapter entitled Our people. The following Table provides additional information regarding the percentage of female management staff. The graphic shows the distribution of employees according to age.

### Percentage of female managers

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female managers</td>
<td>22%</td>
<td>25%</td>
<td>20%</td>
</tr>
</tbody>
</table>

### Figure 1 Breakdown of employees by age

[Graph showing employee distribution by age]