Annual Report 2009

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SNS Bank

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SNS Bank in brief

Profile

SNS Bank, part of SNS REAAL, is a financial services provider engaged in banking, with a particular focus on the Dutch retail market, including small and medium sized enterprises. The product range consists of two core product groups: mortgages and property finance, and savings and investments.

SNS Bank has a balance sheet total of approximately € 80 billion and 3,280 employees (FTEs), which makes it a major player in the Dutch market. SNS Bank has its head office in Utrecht.

Care for customers and society

SNS Bank has a long history of commitment to Dutch society. SNS Bank's roots date back 200 years to the establishment of regional savings banks with a public utility function. SNS Bank wants to be close to its customers and society. Through customer panels we listen to what drives their needs. Our employees treat customers as they themselves wish to be treated as a customer. We offer them accessible and transparent products: Simplicity in finance. More than ever, we are aware that we must never take our customers' trust for granted. We want to be the best at winning, helping and retaining clients. We want to deserve customers. We aim for sustainable relationships, not only with customers, but also with other stakeholders in society.

Dare to choose

SNS Bank makes transparent, clear choices. We focus on the Dutch market with strong brands and market positions. We especially target private individuals and small and medium-sized enterprises. We deliberately opt for specific products and services, customers and investments. We have chosen a moderate risk profile and, therefore, exclude certain products and services.

SNS Bank provides a broad range of financial services by direct sale to private individuals. SNS Bank is the consumer brand for banking products. In addition, there are two brands for specific product/market combinations. ASN Bank focuses on sustainability and is the market leader in sustainable savings and investments. SNS Property Finance is SNS Bank's property financing company, which mainly focuses on the Dutch market.

Key figures SNS Bank

In € millions	2009	2008	2007	2006	2005
Total assets	**80,289**	**76,695**	**70,584**	**64,382**	**53,098**
Loans and advances to customers	67,479	65,794	60,236	56,248	45,225
Of which mortgage loans	50,878	48,684	46,172	44,930	42,558
Loans and advances to banks	2,715	2,783	1,092	3,607	4,118
Amounts due to customers	34,270	32,043	27,025	20,697	19,827
Of which savings	24,435	21,859	19,179	13,678	12,333
Amounts due to credit institutions	7,119	6,491	5,066	7,299	3,103
Debt certificates	30,739	30,282	32,182	30,841	25,465
Shareholders' equity	2,165	2,134	2,209	2,097	1,440
Capital base	3,984	4,083	3,887	3,545	2,590
Net interest income	672	773	783	567	595
Other income	426	183	155	201	169
Of which net commission and management fees	99	116	129	120	114
Net result	**(99)**	**144**	**272**	**214**	**204**
Net result Retail Banking	**120**	**116**	**186**	**208**	**204**
Net result Property Finance	**(219)**	**28**	**86**	**6**	**--**

	2009	2008	2007	2006	2005
Ratios					
Return on shareholders' equity	(4.6%)	6.7%	12.6%	14.1%	14.9%
Efficiency ratio	56.6%	62.8%	60.3%	62.6%	59.8%
BIS ratio [1]	13.9%	14.0%	11.5%	11.2%	11.9%
Tier 1 ratio [1]	10.7%	10.5%	8.4%	8.2%	8.7%
Number of branches SNS Bank	133	140	146	167	167
Number of agencies SNS Regio Bank	602	672	727	438	422
Number of cash dispensers	516	571	513	308	325
Number of employees (FTEs, average)	3,280	3,212	3,223	3,197	3,158

[1]) As from 2008 figures are calculated based on Basel II, taking into account the 80% floor of Basel I.

Mission, strategy and objectives

Developments in the financial sector in 2008 and 2009 called for a strategic reorientation. Many consumers are disappointed with the effects the credit crisis has had on them personally and on society in general. Consumer confidence in financial institutions has been seriously damaged. SNS Bank understands that trust cannot be taken for granted. We want to deserve that trust, and we want to deserve customers.

Mission and ambition

'Confidence' starts with 'understanding'. SNS Bank's revised mission is: Simplicity in finance. By providing accessible and transparent standardised products and helping our customers make the right choices, we will contribute to their financial independence. As a financial specialist, it is SNS Bank's ambition to be the best at winning, helping and retaining clients.

SNS Bank has a particular focus on the Dutch markets for mortgages and property finance, and savings and investments. The key customer groups are mostly private individuals and SMEs.

SNS Bank wants to stand out in its markets by:

- always taking customers' needs as a starting point when developing and offering products, providing assistance, advice and service, and when organising processes;
- attractive pricing and healthy margins based on standardised products and a customer-driven and cost-conscious organisation;
- strong market positions based on a clear focus on product and customer groups.

Strategy

SNS Bank has a clear, straightforward strategy. Clear choices were made in our marketing strategy. With two business units and eventually three strong brands, we aim for maximum customer coverage. In implementing this strategy, SNS Retail Bank and SNS Property Finance make their own choices regarding the best possible products and services.

SNS Bank's strategic priorities and operational objectives for the coming years are based in part on an analysis of the strengths and weaknesses of the organisation and the opportunities and threats in the market.

Strengths

- Focus on the Netherlands, customer groups and core products.
  By concentrating resources and management focus, SNS Bank has developed a great deal of expertise in developing, selling and distributing financial retail products in the Netherlands. SNS Bank is one of the big players in the Dutch market for retail mortgages, savings and property finance.
- Efficient organisation.
  SNS Bank has a flexible and efficient organisation with short time-to-market for its products.
- Moderate risk profile.
  Focusing on a limited number of banking products for retail and SME clients in the Netherlands, and properly balancing risk, capital and return, mitigates the risk profile.
- Corporate responsibility.
  SNS Bank is committed to responsible investments and corporate responsibility of its business units' ordinary operations. ASN Bank is a leading provider of sustainable financial products in the Netherlands.
- Innovation.
  Thanks to its efficient organisation, its specialisation in the retail and SME markets and a stimulating business culture, SNS Bank is frequently able to distinguish itself with innovative products and services.

Weaknesses

- Dependence on mortgages.
  The strong market position mortgages means that a disappointing performance in this product group would have a relatively major adverse effect on the overall results.
- Brand recognition.
  Compared to the brands of the major players, some of SNS Bank's brands are not as well known.
- Temporary dependence on core tier 1 capital securities.
  The increase of the capital buffer by issuing core tier 1 capital securities to SNS REAAL has temporarily led to potentially high costs of capital. Repurchase of these core tier 1 capital securities has high priority, resulting in reduced strategic flexibility.

- International property finance.
  Market conditions for the international financing of property projects are particularly difficult in a number of countries, as a result of which the related impairments are substantial. The international activities will be reduced over the coming years.

Opportunities

- Under-representation in the SME market.
  There are opportunities for applying our knowledge and distribution channels more adequately in the SME market for banking products.
- Sustainability.
  ASN Bank, the largest sustainable bank in the Netherlands, can respond well to the growing demand for sustainable products.
- Distribution of third-party products.
  Selected sales of third-party banking products will enhance our total product range and contribute to profitable growth.

Threats

- Lack of confidence in financial institutions.
  Due to the effects of the credit crisis, consumer confidence in financial institutions has fallen dramatically. If we do not succeed in rebuilding this confidence, the demand for financial products will face further pressure.
- Development of financial markets, the economy and real estate markets.
  The recovery of the financial markets is fragile and the economic crisis is not over yet. As a result, funding costs in the capital market remain high, particularly following the recent credit rating downgrades by the rating agencies. In addition, international property markets are still mostly weak.
- Vulnerability in the event of unfavourable capital market developments.
  Banks are dependent on the interest rates on the money and capital markets, and are exposed to changes in interest rates, credit spreads and share prices.
- Capital requirements.
  Regulatory policy and developments in the financial markets are expected to lead to stricter requirements with regard to the amount and the quality of the capital to be maintained. This will lead to higher capital costs, increasing funding requirements and lower returns.
- Increasingly legislative environment.
  In the financial sector, changes in legislation and regulations demand frequent changes to products and data management. This leads, for example to an increase in staffing and IT costs and will adversely affect the profitability of products. Moreover, the risk of legal claims is also increasing.
- Products sold in the past are evaluated on current standards.
  In the past some products were sold that, if judged by today's standards, could be deemed to be intransparent, too expensive and/or ill-suiting. This may lead to reputational damage and/or direct financial consequences.

Strategic challenges

SNS Bank has identified a number of strategic challenges based on the complex of strengths, weaknesses, opportunities and threats. The most important strategic challenges are:

- SNS Bank applies its origin, identity and market knowledge to continue to deserve the confidence of customers in a credible manner.
- SNS Bank uses its relatively simple business model to organise business processes more adequately on the basis of customer needs and to further improve the cost structure.
- SNS Bank increases the return on its sales and marketing efforts by means of a clear brand policy and fewer labels.
- SNS Bank reinforces its risk and capital management to be able to generate a higher and more stable long-term return on the available working capital.

Strategic pillars

Based in part on the above SWOT-analysis, SNS Bank has redefined its strategy in 2009. The strategy has four pillars: Deserve Customers, Dare to choose, Come out Stronger and Decisive on Result. These pillars are described in detail in the Strategy update chapter.

For each other and with each other

The foundation underpinning the cornerstones is formed by committed and ambitious employees. These employees are open to new forms of collaboration. In line with the strategic reorientation, SNS Bank has a new core value: CARE! With this core value, we also emphasise what we expect from our employees: CARE! about the customer, CARE! about the result, CARE! about each other, and CARE! about society. This is how we want to deal with others and each other, and this is how we want to realise our commercial and financial targets.

Management within SNS Bank stimulates, connects, renews and is result-oriented. SNS Bank invests in development and management with various programmes for talent development and management development, succession planning, management rotation among the brands and management assessments based on '360° reviews' and 'forced ranking'.

Strategic priorities 2010 - 2012

- Winning, helping and retaining clients.
- Reducing the cost base.
- Reducing SNS Property Finance's international portfolio within 3 to 5 years.
- Strong capital management with a focus on fully repurchasing core tier 1 capital securities from SNS REAAL.
- Developing and retaining talent.

Strategy per business unit

SNS Retail Bank and SNS Property Finance develop and implement their own business unit strategies in accordance with the overall SNS Bank strategy, as reflected in the Strategy update chapter.

Ambitions

For the financial and operational targets and the extent to which these were achieved in 2009, we refer to the Strategy update chapter.

Supervisory and Management Board

Supervisory Board

R. Zwartendijk (chairman)
H.M. van de Kar (vice-chairman)
C.M. Insinger
S.C.J.J. Kortmann
R.J. van de Kraats
J.E. Lagerweij
H. Muller
J.A. Nijhuis
H.W.P.M.A. Verhagen
L.J. Wijngaarden

Management Board

M.W.J. Hinssen
H.K. Kroeze
F.K.V. Lamp
D.J. Okhuijsen

Report of the Management Board

Strategy update

SNS Bank is continuously working on the implementation of its strategy. The financial crisis and the associated damage to confidence and changes in market conditions required a reassessment of the strategy. The new strategy has been developed since the spring of 2009 and is formally effective as of 2010. This chapter provides the first update and the most important initiatives and decisions made in 2009 that flesh out the new strategy.

1 Deserve customers

SNS Bank is structurally working on:

- Transparent products.
  In 2009, a new standards framework of product integrity was prepared for SNS Bank. The standards cover the relationship towards consumers. This has led to changes in the product portfolio. The standards concern, among other things, integrity, transparency, risks, maximum costs and minimum returns, added value for customers, product development, information to customers prior to the sale and during the term of the agreement, management and administration and the complaints procedure.
  Furthermore, in 2009 the product approval process was adjusted in line with the recommendations of the report Restoring Trust (Naar herstel van vertrouwen, April 2009) of the Netherlands Bankers' Association (NVB), the Banking Code (Code banken, September 2009) and consultations with the Dutch Authority for Financial Markets. Better safeguards were thus obtained to live up to the duty of care and to control risks in the development, adjustment and management of products. SNS Bank developed a reference process for the business units by which to develop and manage products, including pricing and the information and advice practices.
- Customer satisfaction.
  In 2009, SNS Bank started developing best practices in the field of customer satisfaction surveys and complaints procedures. Based on those best practices, the existing measurements will be improved and extended. In addition, procedures will be developed to use the results of the measurements more effectively in order to make products and processes more customer-friendly and improve customer service.
  In 2009, SNS Bank started a permanent online customer satisfaction survey.
- Customer engagement.
  In 2009, SNS Bank started setting up an online community and a customer advisory board. SNS Bank wants to involve consumers and particularly its own customers more in the development of the bank and its products and services. ASN Bank has a well-established client advisory board, which is used intensively, and it supports the online community The World of Tomorrow (Voor de Wereld van Morgen).
- A customer-driven culture.
  In November 2009, managers of SNS Bank participated in customer visits. In addition, SNS REAAL set up a customer contact programme for employees, which was launched within SNS Bank by the end of 2009.
- An excellent reputation.
  SNS Bank devoted much attention to explaining the consequences of the financial crisis, the measures taken and the new strategy, which primarily focuses on restoring confidence in financial products.

2 Dare to choose

SNS Bank has chosen to be a cost-efficient organisation that is able to generate the best possible return from products, knowledge, distribution channels and brands. This means a clear focus on:

- The Netherlands.
  SNS Bank concentrates her activities on the Dutch market. The international portfolio of SNS Property Finance will be phased-out. At the end of 2009, total commitments amounted to € 14.6 billion, 9% lower compared to the end of 2008. The decline was due partly to reclassification of certain loans to property projects (see also property projects). Taking this into account, there was an underlying decline in commitments of 5%, almost entirely in the second half of 2009.
- Brands and product groups.
  In 2009, SNS Bank widened its range of mortgage products significantly by adding third-party products. The number of third-party investment funds was substantially expanded at the beginning of 2010 due to the integration of SNS Fundcoach.
  SNS Bank produces its own standard products which are attractive to a broad customer group. For reasons of (capital) efficiency, available knowledge

or capacity, SNS Bank prefers to buy certain other products from third parties to complement and further enhance the appeal of its product range.

3 Come out Stronger

- A clear and focused brand policy.
  In 2009, ASN Bank introduced a current account, which made it a compelling full-service banking alternative for many existing and new customers.
- Reinforcing marketing and sales.
  In 2009, the customer retention programme of SNS Retail Bank was very successful, notably as a result of active account management upon the expiry of terms and contracts. SNS Retail Bank continued its multi-year programme for the reinforcement of distribution capacity.

4 Decisive on Result

SNS Bank aims to be a decisive and result-oriented organisation. SNS Bank's result decreased from a net profit of € 144 million to a net loss of € 99 million. The key figures on page 6 provide an overview of the net result of the business units. SNS Bank intends to realise a decisive and result-oriented organisation by focussing on:

- Cost-consciousness.
  2009 saw the launch of a reorganisation of all staff departments, resulting mostly in centralised management. The decentralised staff of the business units focuses mainly on sales and marketing and ensuring that policy and implementation are in line. As a result of this reorganisation, which will be completed in 2010, overlaps between supporting services are being eliminated. In total, this reorganisation is expected to result in savings of over 380 FTEs by 2011.
  At SNS Property Finance, costs remained stable as the costs relating to the intended restructuring were compensated by cost savings. At SNS Retail Bank, the operating expenses increased due to non-recurring expenditures, including SNS Retail Bank's contribution to the deposit guarantee scheme. The savings will mainly take place in 2010, particularly as a result of increasing sales through the internet, the conversion of SNS offices into SNS shops and the associated reduction in the number of FTEs.
  With the progress in 2009, SNS Bank is on schedule to achieve its objective for 2011, realisation of € 35 million in cost reductions compared to 2008.
- Strong risk and capital management.
  In 2009, SNS Bank reinforced the risk management organisation, including the recommendations of the Banking Code.
- Stronger management on performance indicators.
  The objectives for 2010 were formulated on the basis of the customer satisfaction figures of 2009 and the relevant analyses. Other financial and operational objectives will also be linked more closely to performance indicators.
- Corporate responsibility.
  Our policy and progress with regard to corporate responsibility are posted on SNS REAAL's website.

Objectives

In November 2009, SNS Bank adjusted its financial medium-term ambitions, partly as a result of the strategic evaluation in the light of the changed environment.

SNS Bank is one of the most efficient financial services providers in the Netherlands and seeks to further streamline its processes. We aim a cost reduction of € 35 million compared to the 2008 cost level. This includes the efficiency programme with the focus on sales and distribution. The significant reduction of operating costs that we pursue will positively affect the efficiency ratios of the business units.

SNS Bank intends to repurchase the outstanding core tier 1 capital securities issued to SNS REAAL as soon as possible and in a responsible manner. SNS Bank wants to achieve this in a responsible manner and by maintaining a Core Tier 1 solvency ratio of at least 8%.

SNS Retail Bank

SNS Retail Bank's clients are private individuals and SME in the Netherlands. Its core product groups are mortgages, savings and investment and its two main labels are SNS Bank and ASN Bank. SNS Retail Bank aims to simplify finance by offering accessible and transparent products and product information. Its brand policy will be strengthened. SNS Retail Bank provides sales, support and advice through its own distribution channel: the internet/telephone, the SNS shops and mobile advisors. It is anticipated that products under the SNS Bank brand name will only be distributed through the own direct channel as from the end of 2010. Products that SNS Bank offers through its own intermediaries (SNS Regio Bank) and others will be sold under the brand names BLG and REAAL Bancaire Diensten.

ASN Bank focuses on sustainable savings and investment and distributes its products only through the internet.

SNS Retail Bank is aiming to reinforce its distribution capabilities. Its key objectives are the further development of the internet as a sales channel, a nationwide network of compact SNS shops (70% of which would include franchise shops), sales of

SNS products and third-party products, and further growth of ASN Bank. Closer collaboration in production, systems and distribution between the banking labels and with the other business units will create synergies in terms of costs and revenues.

SNS Property Finance

SNS Property Finance operates in all phases of the property cycle, from short-term (project) loans for land purchase, construction and trading transactions to long-term loans for investment properties. SNS Property Finance normally does not provide loans to property companies that are not secured by mortgages and does not provide working capital funding.

SNS Property Finance took various measures in 2009 to reduce risks and improve portfolio quality. SNS REAAL initiated a comprehensive strategic review of the international activities of SNS Property Finance in the second quarter of 2009. The outcome of this review, as indicated earlier, is that SNS Property Finance will refocus exclusively on its domestic market, where it belongs to the three largest property financing companies.

In the second half of 2009, SNS Property Finance started an investigation of several alternatives to reduce the international activities in a controlled and gradual manner over the coming years. The organisation is being adapted to this revised focus and over time this will result in a lower risk profile as well as a significantly lower cost base.

In addition, SNS Property Finance now only provides funding for land in combination with building projects and will not enter into new participations.

Project financing comprises short-term loans for building land, (re)development of offices, shopping centres, shops, industrial premises, residential property and mixed projects. It also includes bridging loans. The clients are professional project developers, property entrepreneurs and building contractors who are also developers themselves.

Investment financing are medium or long-term loans for leased residential property, shops, shopping centres, offices and industrial premises, particularly in the Netherlands. The clients are mainly professional investors and specialised property investment companies.

For both project financing and investment loans, SNS Property Finance sometimes uses structured loan solutions, such as syndicated loans. SNS Property Finance acts as an expert centre for commercial property finance within SNS REAAL.

Outlook 2010

In 2009, the financial markets staged a strong recovery, but it is still uncertain how long this recovery can be sustained. However, the number of positive economic signs is increasing. Uncertainties include the effects on the economy of the debt reduction by the financial institutions and the downsizing of government support measures. Going forward, SNS Bank will respond with increased customer focus, cost savings, risk control and a higher yield on marketing and sales efforts.

Financial markets in 2010

After the considerable uncertainty in the first six months of 2009 regarding a possible depression scenario, the likelihood of such a scenario materialising now appears to be limited. This is not to say that the economy has already found a safe haven. We anticipate limited economic growth for the Western economies, due to lagging consumer spending, stricter capital requirements for banks, and the debt reduction initiatives of financial institutions and governments.

Central banks are expected to keep their interest rates at the current low levels, while governments will not discontinue their incentive policies for the time being.

We are moderately optimistic on the first half year of 2010. Investors might become more reluctant in the second half of 2010 if central bankers decide to tighten their expanding money market policy and if governments should announce expenditure cuts for 2011.

The eurozone economy is in a moderate upward cyclical phase. Nevertheless, the economic recovery will be slow. Consumption shows modest growth in the face of continuing uncertainty about employment. In part due to the numerous temporary government actions enacted during the crisis, many companies have not yet adjusted adequately to the new circumstances, if at all. Measures that were aimed at cushioning the effects of the recession will, at the same time, hamper economic recovery.

The stock markets retain upward potential in 2010. Although the regular economic cycle has largely returned, the strong rally staged in 2009 still left share prices at moderate levels.

In the long term, the economic situation remains fragile. Central banks will keep their interest rates at low levels for some time yet. In the second half of 2010, the instability of the cycle may lead to concerns regarding the sustainability of the recovery, which in itself may cause sentiment on the stock markets to sour in 2010, in anticipation of what could be a difficult 2011. The exact timing of the sentiment switch is difficult to define.

After a period of virtually closed capital markets, it is possible again for issuers – including SNS Bank – to access the capital markets without government guarantees. The money- and capital markets are functioning better again. Although in early 2010 banks still subscribed to short-term loans at European Central Bank (ECB) auctions, the volume of these subscriptions is declining. This confirms the slightly growing confidence among banks. Liquidity will remain considerably more expensive in the next few years compared to pre-credit crunch period, as risks are now more realistically reflected in prices. Rating agencies continue to critically monitor the debt positions of banks, countries and various business sectors, as well as the credit risks to which they are exposed. This puts pressure on credit ratings, which in turn increases financing costs.

Product markets in 2010

In the long term, we expect to see sustained growth for some market segments. The market for mortgages shows a downward trend. The Dutch economy is expected to show modest growth in 2010. The impact of the economic environment has divergent effects on our product markets.

Mortgages

We do not expect any market growth in 2010. Residential property prices will stabilise or slightly decrease and the number of transactions will stay at a low level. SNS Retail Bank has a high-quality mortgage portfolio with a risk profile that is in line with the Dutch market. On balance, profitability should develop positively as a result of cost base improvement, containment of credit losses and decreasing pressure on margins with leeway for recouping a major part of the higher funding costs in higher rates charged to customers. A negative factor for the profitability are low interest rates.

In 2010, SNS Retail Bank intends to step up its sales efforts in the direct channel and further extend its product range with third-party products. In the indirect channel, SNS Retail Bank will concentrate its distribution capacity under the brand name BLG.

Savings and investments

We expect the savings market to continue its growth in 2010. The savings volume in the Netherlands remains high as a result of continuing uncertainties regarding the sustainability of the economic recovery. The interest margin is able to develop well as a substantial number of high-yield term deposits will come to maturity in the first quarter of 2010. SNS Retail Bank aims to further improve its share of the savings market.

Investment appetite among private investors will probably increase somewhat in 2010. Following the integration of SNS Fundcoach in early 2010, SNS Retail Bank now has a broad and accessible range of investment funds, which includes both SNS funds and third-party funds. On the basis of its broader total range in the direct channel, SNS Retail Bank wants to increase both the number of products per customer and the average customer value. ASN Bank is looking to increase its customer base and expand its product portfolio.

Property finance

In view of weak consumer confidence, limited spending capacity and strict loan conditions, SNS Bank does not expect sales on the Dutch residential property market to increase. Some relief is provided by government incentive measures, such as subsidies for project developers and a higher ceiling for mortgages under the National Mortgages Guarantee scheme (NHG). Valuations in the Dutch office and retail markets continue to be under pressure and rental income may continue its downward trend depending on the appeal and location of the properties.

The prospects for Germany, Belgium, Luxembourg, France and Denmark largely mirror those for the Netherlands. In Spain in particular, expected price falls and stagnations are more serious than in the Netherlands. The United States residential property market shows large regional differences, but a number of regions shows signs of a recovery. We do not expect any improvements in 2010 in the other US property markets.

SNS Property Finance aims to phase out its international operations in three to five years. In all its markets SNS Property Finance focuses on retaining and developing value by means of robust management. There will be limited new loans in the Netherlands in 2010 and those will be subject to strict risk return requirements.

Ambitions

Our long-term operational and financial objectives are set out in the chapter Mission, strategy and objectives on page 7 to 9.

Development of results

Financial markets remain volatile and consumer confidence is fragile upon expectations that unemployment will rise. We expect continued pressure and uncertainty on both the national and international property markets. Thus we expect that impairments of residential mortgages and property financing will remain on a relatively high level.
Despite these difficult circumstances, we believe that our focus on delivering the right products and services to our customers, the significant cost savings and the reduction of our property portfolio, while maintaining a low risk profile, will lead to a sustainable improvement in our financial performance. We do not give specific forecasts for the result and income development of SNS Bank in 2010.

Financial outlines

Net and underlying result

Results for 2009 compared to 2008

For the year 2009, SNS Bank reported a net loss of € 99 million, compared to a net profit of € 144 million for 2008.

Adjusted for the impact of volatile financial markets and one-off items, SNS Bank's underlying net result for 2009 amounted to negative € 2 million, a € 217 million decline compared to the € 215 million underlying net result for 2008. This decline was mainly attributable to SNS Property Finance, which reported an underlying net result of negative € 164 million, compared to positive € 28 million for 2008. At SNS Property Finance, higher net interest income could not compensate for the impact of increased impairment charges on loans.

Income

Total income increased by 15% to € 1,098 million compared to 2008. Total income at SNS Retail Bank was significantly up due to higher investment income and result on financial instruments compensating lower net interest income. Net interest income at SNS Property Finance was up 30%.

Total income increased in the second half by 6% compared to the first half of 2009. At SNS Retail Bank, net interest income was up significantly. The trend of increasing net interest income as experienced since the fourth quarter is expected to continue as SNS Retail Bank will continue to benefit from the effect of maturing term deposits being renewed at considerably lower interest rates. Result on financial instruments was higher, supported by the successful hybrid Tier 1 exchange in November. At SNS Property Finance, net interest income was up markedly compared to the first half of 2009, mainly due to the re-pricing of the loan portfolio.

Expenses

Total operating expenses of SNS Bank increased by € 26 million compared to 2008. Adjusted for SNS Retail Bank's share in the savings guarantee scheme related to DSB and Icesave and restructuring charges, total adjusted operating expenses increased by € 6 million (1%) compared to 2008.

Total adjusted operating expenses in the second half of 2009 decreased by € 3 million compared to the first half of 2009. The realised synergies and cost reductions offset expenses related to the strategic decision to phase out the international activities at SNS Property Finance. Operating expenses at SNS Retail Bank in the second half of 2009 included an € 8 million provision related to a compensation offer to clients confronted with losses in foreign investment funds. In the first half already € 5 million had been set aside for this purpose.

The total number of internal employees (FTE) increased slightly compared to year-end 2008, following a decrease of more than 50 in the second half of 2009. The total

Table 1: Impact of volatile financial markets and one-off items on SNS Bank's net profit

In € millions	2009	2008	2nd half year 2009	1st half year 2009
Net result for the period at SNS Retail Bank	120	116	56	64
Net result for the period at SNS PF	(219)	28	(128)	(91)
Total net result for the period SNS Bank	**(99)**	**144**	**(72)**	**(27)**
Impact volatile financial markets at SNS Retail Bank	(2)	(42)	14	(16)
Impact volatile financial markets at SNS Property Finance	--	--	--	--
Total impact volatile financial markets	**(2)**	**(42)**	**14**	**(16)**
Impact of one-off items at SNS Retail Bank	(40)	(29)	(36)	(4)
Impact of one-off items at SNS Property Finance	(55)	--	--	(55)
Total impact of one-off items	**(95)**	**(29)**	**(36)**	**(59)**
Underlying net result for the period at SNS Retail Bank	162	187	78	84
Underlying net result for the period at SNS Property Finance	(164)	28	(128)	(36)
Total underlying net result for the period [1]	**(2)**	**215**	**(50)**	**48**

[1]) Net result excluding impact volatile financial markets and one-off items

Table 2: Total operating expenses SNS Bank

In € millions	2009	2008	Change	2nd half year 2009	1st half year 2009
Total operating expenses SNS Bank	**626**	**600**	4%	**333**	**293**
One-off items & impact volatile financial markets					
SNS Retail Bank's share in Icesave claim	5	7		--	5
SNS Retail Bank's share in DSB claim	38	--		38	--
Restructuring charge at SNS Retail Bank	10	26		10	--
Total impact of one-off items and volatile financial markets on operating expenses	53	33		48	5
Total underlying operating expenses SNS Bank	**573**	**567**	1%	**285**	**288**

number of external employees declined considerably by more than 240 FTE in the second half of 2009 and the total number of employees in the re-assignment pool increased from 74 to 272, reflecting the focus on reducing the cost base. The decrease in the total number of employees will continue in 2010.

As part of the new distribution strategy for SNS Retail Bank, the transformation of all of its branches into modern SNS shops commenced in the first half of 2009, a process that will be completed in 2011. At year-end 2009, 32 branches have already been transformed into shops. The FTE and cost reductions related to this programme will become evident mainly in 2010, since the employees involved may still exercise their rights under the social plan to transfer to other positions within SNS REAAL within 12 months.

Impact of volatile financial markets

Although the recovery of financial markets from the second quarter of 2009 onwards has continued, with share prices rising and credit spreads narrowing, persist indicators of financial market volatility above historic levels and remains confidence fragile, as demonstrated by recent market movements.

At SNS Retail Bank, the net impact of volatile financial markets amounted to negative € 2 million in 2009, a major improvement compared to 2008 (negative € 42 million). Dislocated and illiquid financial markets resulted in significantly higher funding costs and depressed margins on savings deposits. However, SNS Retail Bank also benefited from these conditions as market dislocations enabled positive buy-back results on own funding paper and positive results on the hybrid Tier 1 exchange in November 2009 (in total € 113 million net). The latter was the main driver for a positive impact of volatile financial markets of € 14 million in the second half of 2009 compared to € 16 million negative in the first half of 2009.

Impact of one-off items

One-off items in 2009 amounted to negative € 95 million. One-off items in the first half year of € 59 million mainly concerned an impairment charge on goodwill at SNS Property Finance (€ 55 million).

The one-off items in the second half amounted to € 36 million. This consisted of SNS Retail Bank's share in the savings guarantee scheme related to DSB Bank (€ 28 million net) and restructuring charges of € 8 million net related to additional general cost reduction programmes.

Balance sheet

In 2009 SNS Bank's balance sheet increased by € 3.6 billion to € 80.3 billion. This increase mainly concerns higher loans and advances to customers (mortgages) and higher amount due to customers (savings).

Intangible assets

Intangible assets, including goodwill, decreased by € 48 million to € 243 million, due to investments, regular annual amortisation and the goodwill impairment of € 55 million in the first half related to SNS Property Finance. In the second half, no impairments on goodwill were required, leaving total goodwill at € 184 million at year-end 2009.

Loans and advances to customers

Loans and advances to customers increased by € 1.7 billion to € 67.5 billion. Although market volumes of new Dutch residential mortgages were considerably lower, at SNS Retail Bank the mortgage portfolio grew by € 2.2 billion to € 50.9 billion, supported by the successful Plafondrente Hypotheek ('capped rate mortgage') and the Spaarrekening Hypotheek ('savings account mortgage') and the transfer of part of the mortgage portfolio from DBV (€ 0.7 billion).

At SNS Property Finance, the net loan portfolio decreased by € 0.4 billion to € 13.2 billion due to provisioning and the transfer of projects to the balance sheet item 'property projects' as SNS Property Finance has taken control of some projects in order to restructure them and reduce potential losses. As a result 'Property projects' increased from € 120 million to € 599 million, almost all relating to the international loan portfolio. Excluding these items, the portfolio at SNS Property Finance increased slightly due to the draw-down of existing commitments.

Liabilities

On the liability side, debt certificates increased slightly by € 0.5 billion as the wholesale funding attracted in the first half of 2009 under the Credit Guarantee Scheme of the Dutch State and the covered bond for an amount of € 1 billion issued in the fourth quarter slightly exceeded repayments. The savings portfolio grew by € 2.6 billion to € 24.4 billion.

Developments SNS Retail Bank

Net result rose by € 4 million to € 120 million (+3%). The impact of financial markets of € 2 million negative was limited, whilst non-recurring items, comprising the DSB claim and a reorganisation charge, amounted to € 40 million negative. Underlying results were down € 25 million.

Table 3: SNS Retail Bank

In € millions	2009	2008	Change
Result			
Net interest income	391	557	(30%)
Net fee and commission income	99	112	(12%)
Investment income	161	46	250%
Result on financial instruments	181	21	762%
Other operating income	--	2	(100%)
Total income	**832**	**738**	13%
Total operating expenses	562	535	5%
Result before impairment charges and tax	**270**	**203**	33%
Impairment charges to loans and advances	86	37	132%
Other impairment charges	12	20	(40%)
Result before tax	**172**	**146**	18%
Taxation	51	27	89%
Minority interests	1	3	(67%)
Net result for the period	**120**	**116**	3%
Net impact volatile financial markets	(2)	(42)	95%
One-off items	(40)	(29)	(38%)
Underlying net result for the period	**162**	**187**	(13%)
Efficiency ratio	67.5%	72.5%	
Impairment charges to loans and advances as a % of gross outstanding loans to customers	0.16%	0.07%	
Risk-weighted assets Basel I	18,690	18,313	2.1%
Savings	24,435	21,859	11.8%
Loans and advances to customers	54,283	52,211	4.0%

Financial developments

Result

SNS Retail Bank's net result increased by € 4 million to € 120 million (+3%). The result before impairment charges and tax went up by 33% due to a significantly higher total income, helped by increased investment income and higher result on financial instruments. Total operating expenses increased, mostly due to the € 38 million pre-tax one-off provision for the savings guarantee scheme related to DSB and a € 10 million pre-tax one-off charge for restructuring costs. The increased result before impairment charges and tax was partly offset by higher impairment charges to loans and advances driven by the softening of the housing market. Higher loan impairments were the main factor for the lower underlying net result of € 162 million (–13%).

Market dislocations and illiquid financial markets again impacted SNS Retail Bank's total income. The impact of volatile financial markets of € 2 million negative consisted of increased funding costs and lower interest income on savings, compensated by increased buy-back results on funding paper.

Excluding the DSB Bank claim and the restructuring provision, SNS Retail Bank's net result in the second half of 2009 was up by € 32 million (+50%) compared to the first half of 2009. This was mainly due to increased total income, which was itself due to higher interest income and higher result on financial instruments.

In the second half of 2009 the underlying net result increased by € 2 million (+2.5%) mainly as a result of increased interest income, which more than offset decreased investment income and increased other impairment charges.

Income

Total income at SNS Retail Bank increased significantly (+12.7%) driven by increased investment income and result on financial instruments. Market conditions enabled SNS Retail Bank to realise gains on fixed income investments and buy-backs of funding paper. Interest income decreased due to higher wholesale funding costs and lower interest income on savings, partly offset by increased margins on mortgages.

The significant decrease in short-term interest rates resulted in a reduction in other interest income, but also resulted in improved trading results on fixed income investments, included in investment income, and in gains related to value movements in derivatives held for hedging purposes, included in the result on financial instruments.

Interest income on savings decreased, but picked up in the second half of 2009, despite the competition in the market. At the end of 2008 and the first quarter of 2009, 12-month term deposits were offered with high interest rates in order to maintain a sound liquidity and funding position. Towards the end of 2009, these deposits started to mature, resulting in improving margins as deposits were retained at lower interest rates. The savings portfolio grew by € 2.6 billion, driven by successful marketing campaigns. In addition, the bank saving products introduced in 2008 more than doubled in 2009. Overall, SNS Retail Bank's market share in savings increased from 8.3% to 8.7%. At year-end 2009, ASN Bank's sustainable current account had already attracted over 33,000 customers, while in 2009 ASN Bank and SNS Regio Bank joined the iDEAL on-line payment system. Customer and employee satisfaction levels remained high in 2009. ASN Bank won the 'Consumer Organisation Award 2009' and SNS Bank was ranked number 2 in the SME segment.

Interest income on mortgages increased in 2009. The success of the Plafondrente Hypotheek ('capped rate mortgage') continued and SNS Retail Bank's market share grew in the second half of 2009 by 1.8%-points to 7.9% for the whole year (2008: 7.5%). In the last months of 2009, SNS Retail Bank's market share was even well above the 10%. Loans and advances to customers at SNS Retail Bank grew by € 2.1 billion, as a result of the increase in retail mortgages. The proportion of these new mortgages covered by the Nationale Hypotheek Garantie-scheme (NHG) was 33% for full year 2009, and increased to 45% in the fourth quarter (fourth quarter of 2008: 17%).

The difficult stock markets at the beginning of 2009 resulted in lower net fee and commission income. ASN Bank and SNS funds increased by € 924 million, caused by both increased net inflow and improved market values, due to the recovery in financial markets as from the second quarter of 2009. In total, net fee and commission income declined by € 13 million (–11.6%).

Total investment income increased sharply driven by higher realised gains on the fixed income portfolio and improved trading results on fixed income investments, enabled by volatile interest rates.

Result on financial instruments increased sharply from € 21 million to € 181 million, largely driven by positive buy-back results on own funding paper and positive results on the hybrid Tier 1 exchange in November 2009 (in total € 152 million gross compared to € 36 million in 2008). In addition, volatile and decreased short-term interest rates resulted in gains related to value movements in derivatives held for hedging purposes, mainly in the first half of 2009.

The total of investment income and result on financial instruments in 2010 is expected to be substantially lower.

Expenses

Operating expenses at SNS Retail Bank were influenced by the provision of € 38 million for the savings guarantee scheme related to DSB Bank, the restructuring charges of € 10 million and the additional expense relating to SNS Retail Bank's share in the Icesave claim € 5 million in 2009. SNS Retail Bank's customer base of small savers means that it is obliged to participate fully in both claims. The restructuring charges concerned a general cost reduction programme.

Without the abovementioned costs in 2009, the restructuring costs in 2008 (€ 26 million) and the Icesave claim in 2008 (€ 7 million), operating expenses increased modestly by € 7 million (+1.4%), more than wholly due to the provisioning for an offer to compensate SNS Retail Bank's clients for losses they suffered on investments in foreign investments funds. Following a € 5 million provision in the first half year, in the second half € 8 million was set aside for this purpose. Total FTEs at year end of 3,030 went up by 67. Cost and FTE reductions resulting from the new distribution strategy are anticipated starting in 2010. In all, the efficiency ratio improved by 5.0%-points to 67.5%.

For 2009 as a whole, impairment charges to loans and advances increased sharply to € 86 million, due to the difficult economic environment and softening of the housing market. However, in the second half of 2009, impairments were stable compared to the first half-year. The impairment charges to loans and advances as a percentage of outstanding gross loans in 2009 was 16 basis points, an increase of 9 basis points compared to 2008. The other impairment charges mainly consisted of additional impairments of furniture and fixtures related to the general cost reduction programme.

Organisation and distribution

SNS Bank made good progress in its distribution capability reinforcement programme, scheduled to be completed by the end of 2011. The key objective of this programme is to enhance the efficiency and effectiveness of the direct channel (internet, telephone, SNS shops and franchise shops).

SNS Bank stands out with its highly accessible website, which can be used to obtain information, perform transactions, make purchases and request services. The MijnSNS function was added to the SNS Bank website in 2009, offering a personal banking environment that is automatically geared to our clients' personal preferences. MijnSNS also proved to be a major platform for inbound marketing. SNS Bank received the Marketing Success Award for its internet marketing (2009 Marketing Innovation Summit, Brussels). On top of that, SNS Bank was the first Dutch bank to receive the drempelvrij.nl quality mark because of its website's accessibility for the visually and physically disabled.

Its network, now comprising 150 offices, will be converted into a network of more than 300 modern SNS shops that offer information on all products, long opening hours, and internet workstations with assistance. By the end of 2009, 32 SNS shops had been opened. The SNS shops are significantly smaller than the offices and do not offer teller transaction facilities or a service desk. This translates into much lower operating costs per shop. Money can be withdrawn from more than 500 SNS cash machines at SNS locations or in HEMA department stores, at other cash machines or by using the SNS Delivery Service for senior citizens. Money can be deposited at TNT offices. Last year, all telephone traffic to the offices was redirected to the SNS Customer Service Centre. Our customers can obtain advice by telephone or from an adviser at their home, in an SNS shop or elsewhere. Shop opening hours have been extended and advisers also offer advice outside business hours.

Jointly with the website, the new network that is being constructed will greatly enhance our prominent presence and visibility in the Dutch market. SNS Bank aims to achieve approximately 230 SNS franchise shops and some 80 SNS shops. In 2009, the first franchisees opened for business. Using the franchise formula, SNS Bank aims to further expand its customer base and to reinforce its advisory strength on the basis of local entrepreneurship and a flexible and efficient cost structure. The network transformation and the sales reorganisation will reduce the number of FTEs by almost 400 in the period 2008-2011.

The indirect channel continues to be very important. The sale of savings products in this channel is exclusively reserved for the SNS Regio Bank intermediaries. SNS mortgages are distributed through SNS and BLG intermediaries as well as SNS Regio Bank.

ASN Bank once again showed robust growth. The total number of clients of the leading sustainable bank in the Netherlands rose by 61,000. Since the introduction of a current account in early 2009 and the introduction of iDEAL for online purchases, many clients have opted for ASN Bank as their principal bank. ASN Bank pursues a consistent sustainability policy based on clear and up-to-date criteria and principles. Partnerships and community building contribute significantly to product familiarity and reputation within the target group. In 2009, ASN Bank published its Issue Papers, updating and further detailing its sustainability policy, e.g. in the areas of human rights, climate and biodiversity. ASN Bank's reputation was confirmed by various third-party surveys. Duurzaamheidskompas, which analyses public opinion on sustainability, lists ASN Bank as the only bank in the top 10 of sustainable Dutch brands. The Dutch Consumers' Association gave ASN Bank a Topper Award in 2009 for being 'a beacon of strength in times of financial turmoil'.

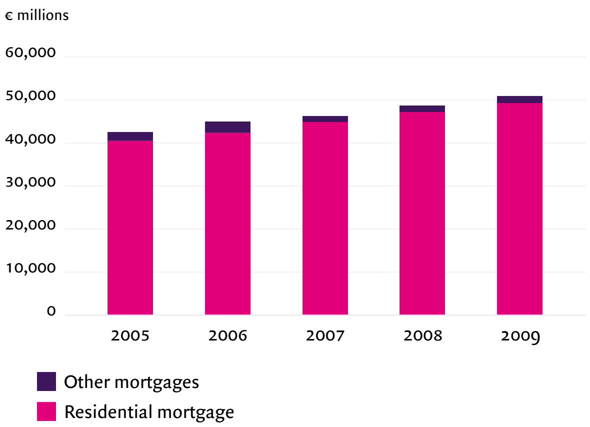
SNS Bank used ASN Bank's knowledge and network to continue developing its corporate responsibility policy. Based on consultations with organisations such as Oxfam Novib, FNV and Greenpeace, improved checks and balances were introduced into the corporate credit extension processes. This guarantees that SNS Bank will not extend loans to companies that are subject to exclusion criteria.

SNS Bank introduced extra checks and balances into its product development processes in order to be better able to safeguard an understandable and transparent product structure (including commissions) and compliance with its duty of care.

Mortgages

Volumes in the Dutch new mortgages market dropped sharply, from € 97.9 billion to € 65.6 billion (–33%). The lower volume was primarily caused by a falling number of transactions and, in addition, a slight decrease (approximately 5%) of average residential property prices. Despite a slightly higher number of defaults, write-offs on these defaults were limited. The risk profile of the SNS Bank portfolio showed continued improvement in 2009 as a result of the high rate of new mortgages covered by the National Mortgage Guarantee Scheme (NHG).

1 **Mortgage loans SNS Retail Bank**



The foundations of the Dutch mortgage market continue to be sound, partly due to the structural housing shortage, the mortgage interest tax relief and adequate governmental regulation. Especially the lower and middle segments of the residential property market, in which SNS Bank is well represented, have limited exposure to price drops. The average amount of new mortgage loans extended by SNS Bank in 2009 was € 215,217 compared to a nationwide average of € 245,723.

The demand for low-risk mortgages increased. The SNS Plafondrente Hypotheek (capped rate mortgage) responded very well to this development. This mortgage combines the advantages of low variable interest rates with the certainty that the interest rate will never exceed a certain level. The lower the cap, the more premium the client has to pay for the certainty that the interest rate will never exceed it. Approximately 41% of new mortgage production concerned this type of mortgage. An increase could also be observed in the demand for savings-linked mortgages and mortgages with long-term fixed-rate maturities. SNS Bank was able to capitalise on this by extending its range of third-party mortgages.

Supervising and coaching SNS Regio Bank's intermediaries in combination with better service bore fruit, as was also demonstrated by the results from the Intermediaries Satisfaction survey. SNS intermediaries' satisfaction improved strongly to 7.0 points on a scale of 1 to 10 (2008: 5.9). It was the first time BLG was included in this survey, and it scored 7.7 points. SNS Regio Bank's distribution share showed a sharp increase compared to 2008. BLG continued its strong position in the channel for other intermediaries.

Savings

The developments on the savings market were turbulent. In the course of 2008, competition had intensified due to the fact that all banks required larger liquidity buffers, which sparked higher interest rates on savings deposits. Rates fell strongly in the beginning of 2009 as a result of a more accommodating money market policy adopted by the European Central Bank. Falling money market interest rates put great pressure on the commercial net interest income on deposits. While net interest income

Table 4: Distribution of mortgages and savings products (new production/inflow)

		Mortgages 2009 [1]	Mortgages 2008 [1]	Savings 2009 [2]	Savings 2008 [2]
Direct	SNS Shops, internet and SNS Bank customer service	14%	22%	18%	28%
	ASN Bank	--	--	57%	52%
Indirect	BLG Hypotheken	29%	33%	--	--
	SNS Regio Bank	15%	9%	25%	20%
	Other intermediaries, purchasing combinations, distribution partners	42%	36%	--	--

¹) New production
²) New inflow

improved considerably in the second half of the year, this could not prevent a decrease in the full-year commercial net interest income as compared to 2008.

The second half of the year saw market share growth, following a period of market share decrease in the first six months. This was mainly brought about by the growth of ASN Bank, strong retention of matured deposits (particularly at SNS Regio Bank) and SNS Bank's successful online marketing and savings campaigns. Customer preference shifted from deposits to instant access accounts. SNS Bank and SNS Regio Bank stepped up their account management for corporate savings and aligned the rates with those of retail savings, resulting in a 61% increase in corporate savings deposits.

Since 2008, bank saving has provided clients with a good alternative to unit-linked insurance as a way of using tax facilities to build capital for retirement and home-buying purposes. The products SNS Lijfrente Sparen (for capital growth) and SNS Lijfrentenieren (for benefits based on previously accrued capital) showed healthy development. Product sales in these categories rose by almost 300% compared to 2008. SNS Bank and REAAL foresee solid growth potential for bank saving products and are joining efforts to build up their product range.

ASN Bank mainly focuses on the retail market. In addition, ASN Bank also accepts social organisations and companies as clients if they do not conduct business conflicting with the business principles of ASN Bank. The growth in savings was primarily driven by the growth of the customer base. In addition, customer loyalty is high, which underpins excellent savings deposit retention. Sustainable investment objectives and conditions of savings accounts and attractive interest rates are not the only reasons why clients opt for ASN Bank: ASN Bank's sustainable nature as a financial institution is also a key motivator.

ASN Bank develops initiatives to promote sustainability in society together with its clients. In 2009 ASN Bank, together with organisations like Eneco and Stichting Doen, invested in Zeekracht (Sea Force), a non-profit organisation established by Stichting Natuur en Milieu. It is thanks to members of Zeekracht that large-scale generation of wind power in the North Sea is becoming reality. Zeekracht also aims to exert pressure on politicians to make larger investments in wind power. ASN Bank acts as a potential financing partner in this process, and Zeekracht members and ASN Bank customers will ultimately be able to purchase their own sustainable energy from Zeekracht based on a participation scheme. VoordeWereldvanMorgen.nl, a platform set up in 2008, has grown into a large and active community of sustainable doers. ASN Bank stimulates and supports its members, for example by giving away a € 20,000 Wereldprijs (world award) for implementing the most sustainable idea in 2009.

Investments

Our clients' appetite for investment is moderately returning. Despite a rebound on the stock market during the year, savings continued to be the preferred choice by far in view of the economic uncertainties. On balance, management fees and commissions (related to volumes) fell below the level of 2008. SNS Bank strengthened its focus on investment funds. Investment fund supermarket SNS Fundcoach has come to play a centre role in the new investment supply range and has been fully integrated into the bank since the beginning of 2010. The number of funds was reduced by 110 to 335, now including the outperformers in each category. Our clients only need to visit one website for their savings accounts and a large choice of top funds, allowing them to switch more easily and strengthen their grip on finance management. With this step, SNS Bank reinforces its role as a distributor of financial products. SNS Bank also offers an increasing number of third-party mortgages and insurance policies.

For the second year in a row, SNS Bank was the best major bank for online investing according to the IEX Netprofiler Internet Broker Survey. Besides general improvements to the website, clients also appreciated the addition of the SNS Securities research and the availability of technical and fundamental fund analyses. SNS Bank is the major bank that offers investors the widest range at the lowest price. SNS Bank also won an award for its online investment website. Clients gave www.snsbank.nl 7.5 points out of 10, making it the best-appreciated website among the major banks in the Netherlands.

SNS Bank aims at an above-average return with a responsible risk for SNS funds. SNS Bank yet again received a number of awards for its funds. For its entire range, SNS Bank was given the Lipper Group Award. Being part of Reuters, Lipper is one of the world's largest companies active in researching and analysing investment funds. The Elsevier Top 100 scoreboard of December 2009 listed many SNS funds, including several positions in the top 10. Elsevier measures stock market return adjusted for the risk of a fund exhibiting large negative peaks.

When investing for investment funds and savings accounts, ASN Bank selects only companies, organisations and governments that meet the investment criteria for a sustainable society. The bank uses unequivocal admission and exclusion criteria that can be found at www.asnbank.nl. Topics such as child labour, animal suffering, climate, human rights and genetic engineering play a decisive role in all investments. Obviously, ASN Bank also strives for optimal financial return.

The ASN Bank funds again delivered good results. The ASN Milieu & Waterfonds won the Groene Stier (Green Bull) award for the third time in a row, which is the equivalent of the Gouden Stier (Golden Bull) award for the best green investment product. The same ASN Milieu & Waterfonds also received a Lipper Fund Award in the category of investment funds investing in small and medium-sized businesses around the globe. The ASN Obligatiefonds won a FD Morningstar Award in the category of diversified euro bonds.

SNS Securities managed to increase its contribution to profits, largely thanks to its strong position in the corporate bond trade. SNS Securities provides securities services (shares, bonds and derivatives) to national and international professional investors. In addition, it supports companies in private and public capital market transactions and gives advice to high-net-worth private investors in the field of asset management and securities. The securities research conducted by SNS Securities mainly focuses on Dutch small-cap and mid-cap funds. The macroeconomic research is also used for SNS REAAL's risk management.

Developments SNS Property Finance

Net result decreased from a € 28 million profit to a € 219 million loss due to impairments on loans and goodwill. The Dutch portfolio achieved a profit of € 92 million while the international property portfolio showed a loss of € 311 million.

Table 5: SNS Property Finance

In € millions	2009	2008	Change
Result			
Net interest income	281	216	30%
Net fee and commission income	--	4	(100%)
Investment income	--	2	(100%)
Result on financial instruments	(12)	--	--
Other operating income	(3)	(4)	25%
Total income	**266**	**218**	22%
Total operating expenses	64	65	(2%)
Result before impairment charges and tax	**202**	**153**	32%
Impairment charges	418	116	260%
Impairment charges goodwill	55	--	--
Result before tax	**(271)**	**37**	--
Taxation	(52)	9	--
Net result	**(219)**	**28**	--
One-off items	(55)	--	--
Underlying net result for the period	**(164)**	**28**	--
Efficiency ratio	24.1%	29.4%	
Impairment charges as a % of gross outstandings to customers	2.97%	0.84%	
Risk-weighted assets Basel I	13,666	12,859	6%
Loans and advances to customers	13,196	13,583	(3%)
Property projects	599	120	399%

Financial developments

Result

SNS Property Finance's net result decreased by € 247 million compared to 2008, mainly due to a net increase of impairment charges by € 225 million. The rise in impairments was driven by the continued deterioration in property markets in general and international project development in particular. In addition, in the first half of 2009 a net goodwill impairment of € 55 million was made because of the worsening in the outlook and in accordance with the strategic decision to withdraw from international property finance activities. As a result of higher net interest income, the result before impairment charges and taxes increased considerably, by € 49 million. The € 219 million net loss for 2009 was more than wholly attributable to the international operations, where a net loss of € 311 million was recorded. In contrast, the Netherlands posted a € 92 million net profit.

In comparison with the first half of 2009, the net result in the second half of 2009 was down by € 37 million due to higher impairment charges, partly offset by higher net interest income and no further goodwill impairment in the second half of 2009. The € 128 million net loss for the second half consisted of a € 50 million net profit in the Netherlands and a € 178 million net loss of the international operations.

Income

Mainly due to the re-pricing of the loan portfolio, the net interest income showed significant growth (+30%).

In 2009 SNS Property Finance was able to match its increased funding costs and to better compensate for the higher risk profile of the portfolio. The negative result on financial instruments is due to the sale of loans at a discount.

Expenses

Total operating expenses remained stable at € 64 million, due to tight cost controls. The higher costs in the second half of 2009 were related to the strategic decision to reduce the international activities. Staff costs declined by 16% due to lower external staff numbers. Total internal staff numbers increased slightly to 285 FTEs compared to year-end 2008 (282 FTEs), mainly due to the expansion of the Restructuring & Recovery department and the replacement of external by internal staff. The efficiency ratio improved to 24.1%, due to the increase in total income.

Impairment charges were related mainly to projects in Spain and the USA and to a number of loans in other countries. Impairments on loans in the Dutch portfolio were limited. Impairment charges as a percentage of loans outstanding increased from 84 basis points in 2008 to 297 basis points in 2009.

Organisation

SNS Property Finance changed besides its strategy also its organisation to counter the turbulent developments on property markets. In October 2009, a new CEO was appointed with experience in restructuring and reorganisations. Key policy themes are the controlled discontinuation of the company's foreign operations and the limitation of losses.

SNS Property Finance strengthened its portfolio management using a '4-Rs policy': Revision, Repayment, Restructuring and Repricing. This entails increased focus on client and credit status monitoring, a stricter collection of redemptions and interest payments, and higher rates if estimated risks require an additional credit spread due to, for example, changing market conditions. The best solution is determined on a project-by-project basis, in which additional investments to buy out clients are not excluded as an option. The Special Credits department, focusing on loans in default, was expanded significantly.

Developments on the property markets

The residential property market in the Netherlands, the largest asset category, remained reasonably stable with an average decline in prices of approximately 5%. At the same time, the number of transactions decreased by 30 to 35% and the number of new development projects showed a strong decline. Commercial property prices fell more sharply, resulting in decreased property absorption in all segments of the property market.
The value of offices at category A locations fell by 10 to 15%. The value of shops at category A locations fell by 5 to 10%, while those at category B locations showed a 10 to 15% decrease in value. In the rest of Europe, Germany and Belgium experienced similar developments. France, Denmark and particularly Spain faced bleaker conditions. The value of all types of property in the United States dropped sharply. At year-end 2009, the US residential property market seemed to be bottoming out, but no short-term recovery is expected yet in respect of commercial property.

Loan Portfolio

The reduction of the loan portfolio is one of SNS Property Finance's main priorities. At the end of 2009, total commitments amounted to € 14.6 billion, 9% lower compared to the end of 2008. The decline was due partly to reclassification of certain loans to Property projects (see also the subsection Property projects). Taking this into account, there was an underlying decline in commitments of 5%, almost entirely in the second half of 2009.

SNS Bank's priority is to maintain a solid solvency level. This is one of the reasons why SNS Property Finance was very reticent about extending new loans. Focus was on managing the portfolio. As a result, SNS Property Finance's total loan production decreased from € 4.7 billion in 2008 to € 1.8 billion in 2009.

Table 6: Geographic spread of SNS Property Finance loan portfolio

Total portfolio € 13.2 billion (2008: € 13.6 billion)	2009	2008
The Netherlands	73%	72%
North America	9%	8%
Germany	6%	5%
France	3%	4%
Spain	2%	3%
Other	7%	8%

Table 7: SNS Property Finance loan portfolio breakdown according to property type

Total portfolio € 13.2 billion (2008: € 13.6 billion)	2009	2008
Residential property	30%	32%
Offices	26%	23%
Retail	25%	26%
Industry	11%	11%
Other	8%	8%

The total outstanding loan portfolio of SNS Property Finance as at 31 December 2009 consisted of € 7.7 billion of investment finance (+2.5%) and € 5.5 billion of project finance (–10.2%). The balance between project financing (41%) and investment financing (59%) tipped slightly more towards the latter compared to 2008. Loans outstanding declined by 3% in 2009, resulting in a € 13.2 billion loan portfolio as at year-end. The decline in loans outstanding was lower than the decline in commitments due to draw-downs on existing commitments.

The geographical composition of the loan portfolio of SNS Property Finance (excluding Property projects) remained stable and largely focused on the Netherlands. The Dutch portfolio comprised 73% of the total portfolio as at year-end 2009, compared to 72% in 2008.
The outstanding portfolio in North America grew mainly because of higher draw-downs on existing commitments, but is expected to come down over the coming years given the strategic decision to refocus exclusively on the Netherlands. The outstanding portfolio in Europe (excluding the Netherlands) declined by 11.2%. The breakdown according to property type hardly changed.

Project financing

The project financing portfolio decreased to € 5.5 billion (–10.2 %). The foreign portfolio decreased to € 3.1 billion (–17 %). The decrease was related to the reclassification to property projects and an increase in the provisioning, partly compensated by the draw down of the loans pursuant to the contract conditions and/or the later than scheduled redemption. SNS Property Finance decided to invest additional funds in a number of problematic projects in order to optimise credit returns.

Of the foreign portfolio, approximately 38% consists of residential property projects, 38% of shopping centres and 13% of offices. The major part of the high attention loans relates to residential property projects in Spain and the United States of America. For the time being, no improvement is expected in Spain, where approximately € 250 million of loans is outstanding and € 250 million on property projects. The residential property market in North America, where some € 1,160 million in loans is outstanding in addition to € 80 million on property projects, started to show signs of recovery at the end of 2009.

Despite a restrained approach to new projects, SNS Property Finance continues to focus on new, high-potential opportunities in the Dutch market. One of the growth segments that SNS Property Finance is aiming for is sustainable projects. In 2009, construction commenced on the sustainable office for TNT in Hoofddorp, which will be energy-neutral and emit no carbons. For the project's funding SNS Property Finance partnered with ASN Bank, which contributed its sustainability knowledge and participated in the project. Via ASN Groenprojectenfonds, ASN Bank is financing the project's sustainable measures.

Investment financing

The investment finance portfolio increased to € 7.7 billion (+2.5%). Production dropped by 74%. The investment volume fell by more than 50% in the Netherlands and in a majority of the international property markets. As investors demanded higher initial yields and the rents for all property types decreased, investment values fell in almost all countries and property segments in which SNS Property Finance is active. The investment appetite of institutional investors, such as pension funds and insurance companies, remained low due to the uncertain market conditions.

Property projects

SNS Property Finance has taken effective control of some projects in order to restructure them and reduce potential losses. SNS Property Finance has voting rights in these projects which vary from 50% up to 100% and as a consequence, these projects are fully consolidated in SNS REAAL's financial accounts as at 31 December 2009, under the balance sheet heading Property projects. This item increased from € 120 million as at year-end 2008 million to € 599 million at the end of 2009, almost all relating to the international loan portfolio.

Loans outstanding and Property projects combined showed a slight increase for the whole year, from € 13.7 billion to € 13.8 billion. However, compared to end of June (€ 14.2 billion) there was a modest decline.

International portfolio

In 2009, total net international loans outstanding declined by € 137 million to € 3,595 million, more than wholly due to the transfer of loans to Property projects. International loans outstanding and international Property projects combined increased from € 3,852 million at the end of 2008 to € 4,181 million at year-end 2009 but compared to the end of June 2009 (€ 4,315 million) have started to decline.

Early 2010 SNS Property Finance took steps to reduce the international activities. In specific cases the possibility to sell the loans is made use of.

Credit risk

The value of real estate continues to remain under pressure, reflecting the current difficult market circumstances and increased risks in real estate markets especially in the international markets where SNS Property Finance is active.

The unfavourable environment and outlook translate into lower rental income for real estate investors and challenging conditions for project developers to sell projects. These trends, increased risks and uncertainties are reflected in high impairments on loans and an increase in defaults especially in the international portfolio of SNS Property Finance.

Impairments within SNS Property Finance's portfolio mostly reflect the changes in the expected 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. Scarcity of capital and liquidity has led to a reduction of recent and comparable transactions, with most recent transactions reflecting sellers in financial distress. Accordingly, recent valuations reflect careful interpretations of comparable transactions and valuation ranges are significantly wider.

The number of non-performing loans as a percentage of loans outstanding increased from 4.0% at the end of 2008 to 11.9% at the end of 2009. The average loan-to-value (LtV) of the total portfolio increased from 74.6% at year-end 2008 to 76.9% at year-end 2009.

In response to the challenging environment a more stringent policy focused on revision, repayment, repricing and restructuring, the '4R-policy', has been rolled out. The Restructuring & Recovery department and capabilities of SNS Property Finance have been strengthened and expanded significantly with new internal hires, a pool of selected external senior restructuring and work-out specialists, and with advisors assisting on the European and US portfolio.

Risk and Capital management

After the extraordinarily volatile year of 2008, relative stability returned to the financial markets in 2009. Share prices rebounded and the credit spreads dropped. However, the economy was hit by declining confidence, making people less willing to spend their money, which in turn affected production levels.

SNS Bank took successful advantage of the improved environment. For example, with the covered bond issue. SNS Bank adjusted its liquidity position in line with the improved situation on the financial markets, but will maintain its ample liquidity buffers nonetheless.

Key risks for SNS Bank

The rapidly changing financial landscape, shifting public views on financial services and revised opinions on the supervision of financial institutions keep the perception of risks in flux. The following summarises the key risks according to SNS Bank as applicable to the situation in early 2010.

1. Supervisory authorities have indicated the direction of future solvency and liquidity requirements should be more and of better quality. As yet it is highly uncertain how this will take shape, which makes it difficult to efficiently manage the business. In addition, stricter standards will lead to higher costs. Since SNS Bank operates in a saturated and competitive market, this entails a risk.
2. The Company is exposed to fast-changing regulations and social standards. Failure to respond adequately and in good time to these changes could severely damage SNS Bank's reputation and profit potential.
3. The economic situation is still very fragile, which carries some uncertainties regarding its recovery. The weak economy may have consequences for impairments on loans and advances.
4. SNS Bank's ratings were adjusted downwards, along with the market as a whole. This may have repercussions on its funding options.
5. Although the financial markets largely recovered in 2009, there is still a very real possibility of new shocks.
6. Consumer confidence in financial institutions suffered a severe blow.
7. The new social context and the major shifts in the financial institutional landscape may at some point cause market positions to shift as a result of mergers, acquisitions, demergers or new entrants into the market.

SNS Bank recognises that managing the above risks as much as possible is of vital importance to its continued presence as a solid party in the financial markets. Many of the issues relate to a fast-changing environment, which is why SNS Bank attaches great importance to the ability to adapt to changing circumstances.

In addition, we safeguard our customer' trust with a careful product policy. We have explicit standard frameworks in place that products are required to satisfy.

Standards for risk tolerance

SNS Bank uses a framework of risks and control measures in respect of financial risks. In 2009, SNS Bank focussed more on easy-to-understand singular risk scenarios (for example: 'the value of shares falls by 10 %') and integrated stress test scenarios (for example: 'repetition of a 2008 scenario') and less on statistical scenario models. In view of the pressure on solvency, in 2009 we steered on capital adequacy standards. Now that the financial markets are showing signs of recovery, other risk standards are taking on relatively greater importance.

Third parties, such as the supervisory authority, required a similar development of SNS Bank. DNB and EC (European Committee), for example, required extensive stress tests from SNS Bank in the context of the Viability Plan.

In the future, we expect the market to demand more and better capital, as well as more and better liquidity buffers. The impact on SNS Bank's business operations, profitability and risk management is not entirely clear at this stage.

Market situation in 2009

Equity markets bottomed out in March 2009. It signalled a recovery on the financial markets which continued in the second half of 2009. Early 2010 the real economy is also showing the first signs of improvement, such as better-than-expected unemployment figures, upward revisions of growth prospects and improved propensity to buy.

As the developments on the property markets are still fragile, impairments on loans and advances may still not have peaked.

Capital and solvency

In 2009, SNS REAAL contributed € 150 million to the share premium reserve of SNS Bank. By the end of 2009, both business units of SNS Bank met their internal and external objectives. In the next few years, a new balance will be found with regard to the desired capital levels of financial institutions. It is certain that the level of required capital will increase and the quality will improve. SNS Bank is anticipating on these developments with its current capital policy.

Liquidity

Both the wholesale and retail financial markets improved in 2009. SNS Bank succeeded in gaining access to the capital market without government guarantee. On the savings market, SNS Bank successfully raised the volume it had targeted.

Credit risk

SNS Retail Bank's loan portfolio remained healthy, with a limited increase in the loss indicators for retail mortgages. Impairments at SNS Property Finance increased, mainly on the back of developments on the international property markets.

Strong focus on limiting risks

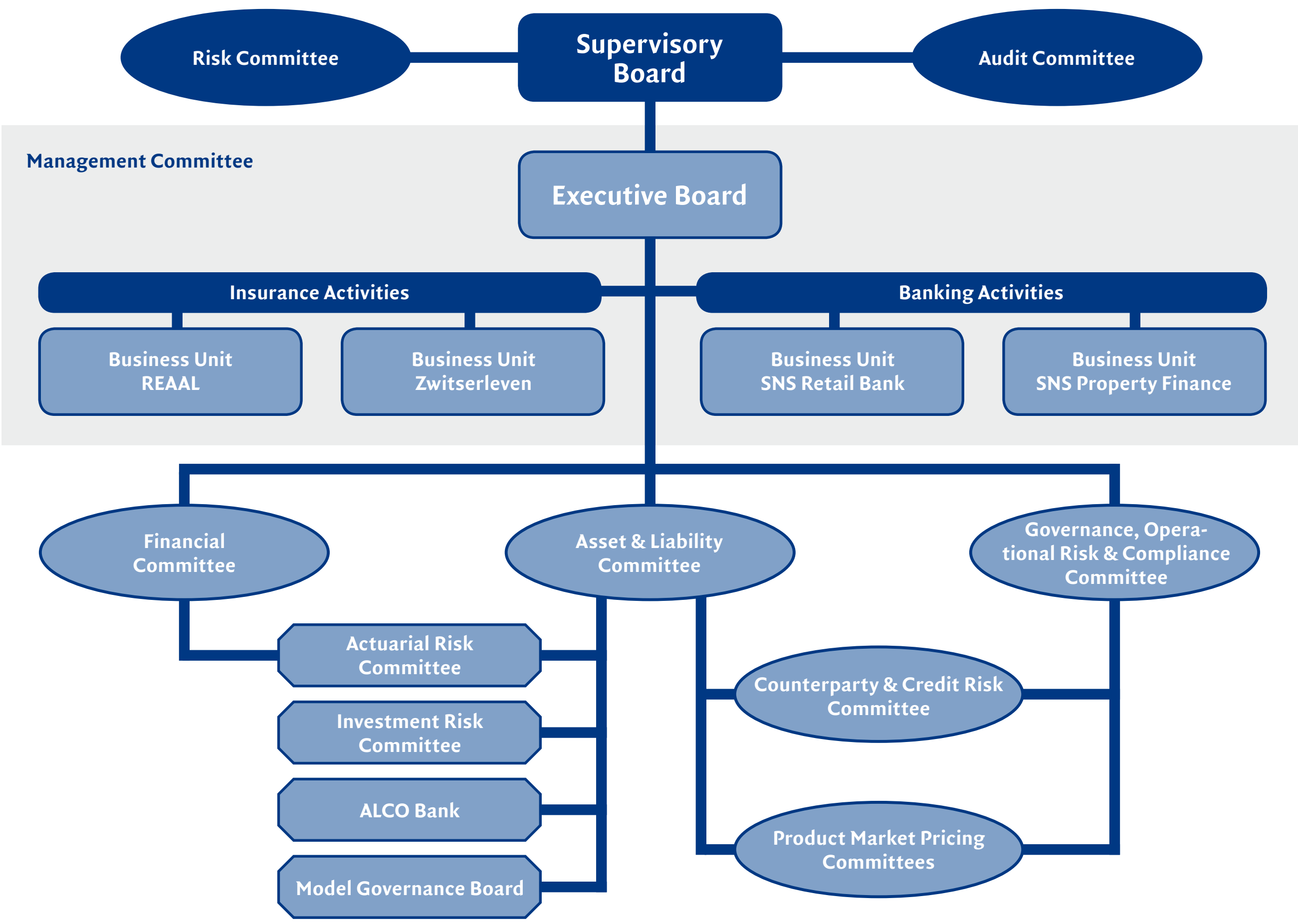
In 2009, SNS Property Finance made it its top priority to downsize its financing operations and curb any further increase in outstanding loans. In addition, it was decided that SNS Property Finance will withdraw from the international property markets, phasing out its international activities over a three to five-year period.

Risk management organisation

A new governance structure was set up in 2009. The governance of the Banking activities has been organised into two business units that are clustered according to the nature of their operations. These business units are SNS Retail Bank and SNS Property Finance.

The SNS REAAL Management Committee is the forum where SNS REAAL Executive Board members and the company directors of the business units, including those of SNS Retail Bank and SNS Property Finance, the Chief Information Officer and the HRM director discuss and

2 **Diagram new governance structure**



determine the strategic policy frameworks, in preparation of final approval by the SNS REAAL Executive Board meeting.

The business unit management teams 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 jointly determined Group frameworks for credit risk, integrity risk and operational risk and render account to the SNS REAAL Executive Board.

This new governance structure has been translated into a new structure for risk committees. Within this new structure, the risk committees prepare the Group's policy and provide recommendations in this context to the SNS REAAL Executive Board. The SNS REAAL Executive Board adopts the policy and authorises the committees to implement it. It is then up to the committees to steer the development and enforcement of Group policy.

The number of committees is limited in the new structure and the policy responsibility of the former business unit committees has been combined at Group level. There may be subcommittees for specific areas of attention or risks. These subcommittees operate within the policy frameworks of the Group committees. Positioning the policy at Group level reduces the number of tiers in the decision-making process, thus increasing the correlation within SNS Bank.

Capital and solvency

In 2009, SNS Bank was confronted by higher capital adequacy standards imposed by the market and supervisory authorities. SNS Bank increased its capital adequacy standards to 8% for the Core Tier 1 ratio and 10% for the Tier 1 ratio. At the same time, the regulator decided that the Basel II transition floors will be maintained for the time being. This means that SNS Bank will not achieve the additional capital release that had been expected previously.

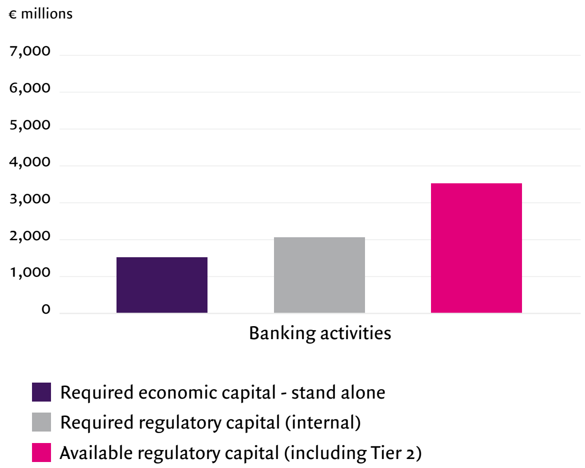
SNS Bank reinforced its capital position with a successful tender for a part of the outstanding Hermes notes and a successful exchange programme for outstanding core tier 1 capital securities.

By the end of 2009, SNS Bank is above the internal and external capital adequacy standards.

Capital adequacy

SNS Bank periodically assesses its capital adequacy based on a comparison of the amount of available capital

3 Capital



with regulatory capital, economic capital and the stress test results. These calculations jointly provide insight into the amount of capital that SNS Bank requires to absorb economic risks. SNS Bank particularly focused on performing stress tests in 2009, in part as a result of industry-wide queries by the Dutch Central Bank and the European Commission.

Graph 3 compares the required economic capital as per the end of September 2009 with the required regulatory capital and the available regulatory capital as per the end of December 2009. SNS Bank is constantly working on the improvement of the internal economic capital models. In addition, SNS Bank maintains an additional risk surcharge for parameter and model uncertainties on top of its economic capital calculations for reasons of prudence.

SNS Bank is adequately capitalised from the perspective of economic capital. The available regulatory capital is considerably greater than the economic capital required. The available regulatory capital is also higher than the regulatory capital required (according to strict internal guidelines).

The basis of assessing the capital adequacy of SNS Bank is pillar 2 of Basel II. The regulator decided to maintain the Basel II transition floor in 2010 as well, meaning that the regulatory capital will remain significantly higher than the economic capital. The importance of stress tests – providing relatively much transparency – has increased compared to calculations using economic capital models. Nevertheless, economic capital calculations still play a key role within the risk framework of SNS Bank. These models give an integral overview of the financial risks facing SNS Bank and play an important role in the performance and value-based management models for SNS Bank.

In its capital adequacy assessment, SNS Bank observed that the stress test results are the binding factor for the required amount of capital. This caused SNS Bank to steer for a Core Tier 1 ratio of 8% and a Tier 1 ratio of 10%. These limits were determined such that SNS Bank will continue to be solvent even if an unfavourable scenario were to materialise.

In 2009, the economic capital of SNS Bank increased. Important changes in the economic capital include a higher interest rate risk and improved credit risk models. The market value of shareholders' equity increased as a result of lower interest rates, also causing the Value-at-Risk to increase. A review of the credit risk models for the retail mortgage portfolio showed a larger amount of losses on defaults.

DNB stress test

In March 2009, SNS Bank performed a stress test at the request of the Dutch Central Bank. In the context of this stress test, the Dutch Central Bank drew up a basic scenario and a stress scenario for two subsequent years, taking the poor conditions on the financial markets of March 2009 as its point of departure. Starting from this assumption, the scenario was based on increased adverse conditions, such as a considerable value decrease of residential and commercial property and unemployment rates rising to approximately 10%. SNS Bank considers these scenarios to be extreme, but not impossible. The Dutch Central Bank's scenarios do not differ substantially from the scenarios that SNS Bank uses in its in-house stress test.

In both the basic scenario and the stress scenario, the solvency of SNS Bank exceeds the minimum regulatory requirements.

SNS Bank accordingly considers itself to be sufficiently equipped to absorb any further adverse developments in the economy and on the financial markets. Also the liquidity held up well in the Dutch Central Bank stress scenarios. In both scenarios SNS Bank can continue to meet its obligations without new funding for a sufficient period of time.

European Committee stress test

The Ministries of Finance in Europe must submit a plan in respect of all financial institutions that received state capital support in order to demonstrate that the state capital support is not used improperly and that the institution in question is healthy enough to repay the state capital support within the foreseeable future. The EC requires banks that received a considerable amount of state capital support to draw up a robust reorganisation plan. Institutions with less state capital support can suffice with a viability plan. SNS REAAL submitted a viability plan on 16 October 2009. Part of this plan is a stress test for SNS REAAL's Banking (and Insurance) activities.

The outcome of the EC stress tests indicates that SNS REAAL has adequate capacity to repay the state capital support in both the basic scenario and the adverse scenario.

The impairments on loans and advances are substantial in the adverse scenario but can be largely absorbed by the SNS Bank's gross results. In addition, the solvency of SNS Bank is relatively insensitive to the scenarios as a result of the Basel II transition floor, which will be maintained for the time being.

The following developments contributed to the improvement of SNS Bank's solvency position in 2009:

- The recent developments on the financial markets partly reversed the negative impact of the credit crisis;
- Several measures were taken to de-risk the balance sheet;
- SNS Property Finance's gradual withdrawal from international markets for property finance.

The outcome of the EC stress test shows that, even in the adverse scenario, SNS REAAL is capable of improving its solvency position and repaying the state capital support it received. In January 2010, SNS REAAL obtained definitive approval from the European Commission for the state capital support received in 2008. This approval was based on the viability plan we submitted.

Liquidity risk

In the first half year of 2009, SNS Bank raised funding of approximately € 5.2 billion under the Dutch State's guarantee scheme. In October, SNS Bank issued a bond of € 1 billion under the regulatory covered bond programme. In addition, some non-secured private EMTN transactions were concluded at the end of 2009. SNS Bank also attracted considerable savings deposits. In order to reinforce its liquidity buffer, SNS Bank used an on-balance sheet securitisation in 2009. The notes of this securitisation were kept on own book and qualify as ESCB collateral.

Credit risk

The total loan portfolio of SNS Bank amounted to € 67.5 billion as at year-end 2009, the majority of which (73%) consisted of Dutch residential mortgages. At SNS Property Finance the loan portfolio amounted to € 13.2 billion as at year-end 2009.

The developments on the private residential property market in the Netherlands and the international and national commercial property markets were main contributors to the deterioration of the credit risk indicators.

SNS Retail Bank

SNS Retail Bank's loan portfolio at year-end 2009 was € 54.3 billion, of which € 49.3 billion consisted of Dutch residential mortgages. Of these mortgages, 12.8% were under the National Mortgage Guarantee Scheme (NHG mortgages). In addition, 45.8% of the Dutch residential mortgage portfolio is securitised. Of the securitised mortgages, 54.6% is held on own book.

The two key risk indicators for the Dutch residential mortgage portfolio, the Probability of Default (PD) and the Loss Given Default (LGD), deteriorated in 2009. The number of transactions on the private residential property market reached record lows and house prices fell in 2009. On top of that, the economic developments were extraordinary from a historical point of view. The default rate of residential mortgages rose from 0.61% to 0.85%, while the non performing loans ratio of the portfolio rose to 1.08% in 2009, compared to 0.94% in 2008.

SNS Property Finance

Most indicators for credit risk of SNS Property Finance reflect current market conditions with a strong increase in commercial property market risks. The increased risks translate into higher additions to the provisions and higher default rates. In view of the current economic environment, SNS Property Finance decided to phase out its international portfolios in a controlled manner in a period of three to five years.

In addition, SNS Property Finance gives priority to the reduction of credit limits and curbing further growth of its loan portfolio. The SNS Property Finance loan portfolio, taking into account the property recognised on its balance sheet as a result of gaining effective control over the recovered collateral, increased slightly from € 13.7 billion to € 13.8 billion at year end 2009. In 2009 € 599 million (2008: € 120 million) of property projects was recognised. It concerns mainly international property projects.

The net additions to provisions amounted to € 418 million in 2009. The impairment comprises movements in the value of the loan portfolio, of equity investments and of real estate in respect of which SNS Property Finance has effective control. The balance of credit provisions at year-end 2009 amounted to € 239 million (including € 14 million Incurred but not Identified 'IBNI'). This is an increase of € 141 million compared to 2008. The increase in provisions was caused by defaults, mainly driven by deteriorated sales opportunities for project developers and falling rental income for property investors. In addition, the value of collateral decreased in some cases.

Market risk

Interest rate risk

In 2009, the yield curve decreased, particularly for short term interest rates. SNS Bank's interest margin is sensitive to such decreases. Derivatives were applied to control this risk. The market risk caused by movements in interest rates is largely controlled using duration, a measure of interest sensitivity. In 2009, the duration was adjusted slightly downwards to a level between five and seven, in order to reduce sensitivity in accordance with SNS Bank's interest rate projections. During the last months of 2009, the duration was structurally managed in a range of six to seven.

Trading portfolio

SNS Bank has a small trading portfolio in line with its risk profile. In accordance with this profile, the total limit in terms of VaR (99% reliability on day-to-day basis) was set at € 2.9 million. The permitted limit was used to only a moderate extent in 2009.

Consequences of Basel II

Basel II has become less important with regard to capital management. The 80% floor for regulatory capital will also be maintained after 2009. SNS Bank calculates its regulatory capital on the basis of Basel II risk parameters. The calculated regulatory capital is lower than the minimum floor required. SNS Bank is in consultation with the Dutch Central Bank about the schedule in which supplemental Basel II models will be taken in use.

Controlling non-financial risks

A major consequence of the turmoil in 2008 and 2009 is an unprecedented loss of confidence in the financial sector. It is up to the entire industry to regain this confidence. Its first efforts took the form of a report entitled Restoring Trust (Naar herstel van vertrouwen), drawn up in April by the Maas Committee in collaboration with the Netherlands Bankers' Association (NVB), followed in September by the Banking Code (Code Banken).
Immediately after the report Naar herstel van vertrouwen was published, SNS Bank set up a project to implement the recommendations contained in this document throughout the organisation.

SNS Bank, as part of SNS REAAL, was the first financial institution in the Netherlands to respond with a new executive remuneration structure that reflects the current corporate responsibility requirements. This remuneration structure will be translated and applied at the other tiers of management within the organisation. In addition, other means such as e-learning are used to influence employee behaviour to reflect a corporate responsibility style.

Compliance monitoring received much attention in 2009 so that more insight can be gained at the central level into the quality of processes used throughout SNS Bank. In this context, the major compliance risks were identified in consultation with the business units. Besides compliance reports drawn up by the business units themselves, important subjects were given a more prominent place in the Group Audit reports. Thus the annual plan gives a structured view of the effectiveness of the measures taken to control these compliance risks.

Product introduction process

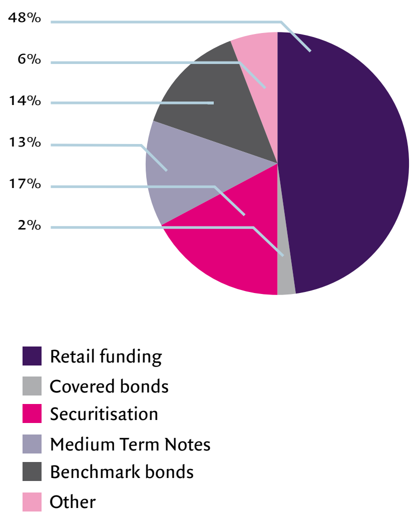
In 2009, the integrity and risk requirements to be satisfied by SNS Bank products were included in improved product standard frameworks, including where possible current social insights. All products in SNS Bank's product range were tested against these standards in 2009, which led to adjustments to the product portfolio. In some cases - such as individual unit-linked policies - this results, if necessary, in appropriate compensation. The introduction of the Banking Code also encouraged SNS Bank to implement stricter integrity and risk assessments in the product approval process and allocate responsibilities more specifically.

Funding and credit ratings

During the year, the money and capital markets became more accessible and credit spreads decreased. SNS Bank's cash position was more than adequate throughout the year. In the second half, SNS Bank was once again able to independently attract funding.

Our public funding strategy is aimed at funding the growth of SNS Bank at competitive levels, i.e. at minimal cost and while limiting risks. This strategy is based on two pillars. The first pillar is to secure adequate and timely liquidity, thus avoiding the risk that at a late stage considerable funding must be obtained at more unfavourable terms. The second pillar is diversification, in terms of funding instruments, type of investor and geographic area. By diversifying instruments, SNS Bank can opt for the most suitable instrument in various market conditions and depending on its funding requirements.

4 **Funding instruments**



Key developments

In 2009, the continuing extraordinary market conditions still prevented a normal spread of funding instruments. The recovery on the money and capital markets progressed slowly and remained fragile. That is why SNS Bank kept its liquidity position at a high level throughout the year. In total, the liquidity position amounted to € 13.8 billion at year-end 2009. In the first six months of 2009, SNS Bank attracted capital market funding for a total of € 5.2 billion under the credit guarantee scheme of the Dutch State, with maturities ranging from three to five years. In respect of the State guarantee, SNS Bank pays the State a surcharge, or insurance premium, of 0.88% per year, which is part of the funding costs.

In October, SNS Bank issued a 'regulatory' covered bond of € 1 billion with a maturity of six years. The significance of the transaction was that it served as an indicator that confidence in the public funding market was returning and that SNS Bank is considered a reliable counterparty. In addition, the credit spread was more favourable than for the state-guaranteed bonds that had been issued in January, and the maturity longer.

In 2009, SNS Bank continued to successfully attract savings deposits, totalling a net amount of approximately € 2.6 billion, or 48% (2008: 37%) of total funding. As a result, the scope of retail funding expressed as a percentage of retail loans rose from 62% at year-end 2008 to 63% at year-end 2009. Costs were high in the first half year due to the high interest rates concluded on term deposits in previous periods. Most financial institutions then relied on the savings market to maintain a sound financing position. This led to fierce competition. In the second half year, these costs decreased strongly.

Public funding 2009

- € 1.6 billion 3.50% State-guaranteed March 2014
- € 400 million drawn from the € 1.6 billion programme March 2014
- € 230 million 2.38% State-guaranteed April 2011
- £ 500 million floating rate note State-guaranteed April 2012
- € 2 billion 2,875% State-guaranteed January 2012
- $ 900 million floating rate note State-guaranteed April 2014
- € 1 billion 3.50% covered bond October 2015

The covered bond programme was introduced at SNS Bank at the end of 2007. Originally it was given an AAA-rating by Moody's, S&P and Fitch. At the moment, the programme has ratings by Fitch and Moody's. SNS Bank has asked S&P to withdraw the rating. This was effected in 2010. Covered bonds are a special kind of bond that gives the holders double security. The first security for the investors concerns the solvency of SNS Bank as a financial institution, while the second security consists of a delineated portfolio of retail mortgages provided by SNS Bank as collateral. In 2009, the programme was designated by DNB as regulatory, thereby providing market parties even more security than previous covered bond issues.

In 2009, SNS Bank performed a limited number of transactions under the European Medium Term Notes (EMTN) programme with a total value of € 70 million.

SNS Bank has two commercial paper programmes - one European and one French programme - each with a maximum size of € 4 billion. Commercial paper has a maturity of one to twelve months. SNS Bank does not want to be dependent on short-term money programmes. In 2009, this programme was again used to a very limited extent only. The outstanding amount on the European programme was less than € 1 billion as at year-end 2009, whereas the funding through the French programme amounted to approximately € 1.2 billion.

Issues of liquid benchmark bonds, which can be actively traded on the European exchanges, contribute to a broadening of the investor base. SNS Bank's policy enables investors to adjust the maturity of their portfolio to the credit curve of SNS Bank. A liquid bond also makes it more attractive for institutional investors to invest in an SNS Bank bond.

Credit spreads

Early 2009, the capital market was not yet accessible. Many Dutch financial institutions, including SNS Bank, used bond issues guaranteed by the Dutch State. In the course of the year, the measures taken by central banks and governments boosted confidence and thereby lower credit spreads. Banks could once again issue their own bonds without external support, still mainly in the form of covered bonds. The central banks' policy of low base rates stimulated the demand for bank and corporate bonds. This allowed SNS Bank to successfully conclude a € 1 billion transaction under a regulatory covered bond programme in October 2009.

Table 8: Benchmark bonds outstanding at year-end 2009

Funding	Redemption date
€ 1 billion fixed rate 6.125%	April 2010
€ 800 million floating rate note	June 2010
€ 800 million floating rate note	October 2011
€ 2 billion GG fixed rate 2.875%	January 2012
€ 1.25 billion floating rate note	February 2012
€ 500 million fixed rate 5.625%	June 2012
€ 900 million fixed rate 4.625%	February 2014
€ 2 billion GG fixed rate 3.50%	March 2014
€ 1 billion covered bond fixed rate 3.50%	October 2015

The secondary capital market for residential mortgage-backed securities (RMBS) recovered somewhat in 2009. The number of forced sales, including hedge funds, SIVs and Conduits further decreased in the first and second quarter. SNS Bank made a positive contribution to the normalisation of this market by performing a tender on part of the outstanding Hermes transactions. Hermes XIV was issued for € 1.4 billion in January 2010.

Credit ratings

On 4 December 2009, Standard & Poor's lowered the credit ratings of SNS Bank by one notch. At the same time, the negative outlook was replaced by a stable outlook. On 18 December 2009, Fitch lowered the ratings for SNS Bank by one. Fitch also placed SNS Bank on a Rating Watch Negative, mainly in view of SNS Property Finance's lower results. On 23 February 2010, Moody's downgraded the long-term senior debt rating for SNS Bank by one notch to A3. Moody's maintained its negative outlook.

The most recent reports by Standard & Poor's, Moody's and Fitch can be viewed and downloaded at www.snsreaal.nl.

Table 9: Credit ratings

Long-term	S&P	Moody's	Fitch
SNS Bank	A- (stable)	A3 (negative)	A- (RWN)
Short-term	**S&P**	**Moody's**	**Fitch**
SNS Bank	A2	P-2	F2

Utrecht, 14 April 2010

M.W.J. Hinssen
H.K. Kroeze
F.K.V. Lamp
D.J. Okhuijsen

Report of the Supervisory Board

Report of the Supervisory Board

In addition to the regular topics, the Supervisory Board devoted in 2009 particular attention to SNS Bank's additional measures to adapt to the changing market conditions. The Supervisory Board is convinced that SNS Bank, with its performance and strategic decisions in 2009, is well on track to achieve its long-term objectives.

In 2009 the financial crisis stabilised and SNS Bank's net result developed well given the circumstances. However, the effects of the crisis dramatically altered the playing field for financial institutions, key issues now being nationalisation, government support for financial institutions – including SNS Bank – and more stringent requirements by supervisory authorities. SNS Bank took numerous measures in 2009 to warrant the continuity in this new playing field, to earn the trust of customers and other stakeholders, and to improve its competitive strength.

Prominent topics for the Supervisory Board were solvency, risk management, cost control, the strategic position of SNS Property Finance and adjustments to the company strategy, governance model, and remuneration policy for senior management. The Supervisory Board, even more so than in previous years, obtained detailed information on the backgrounds to the various policy decisions SNS REAAL's Executive Board had to take in 2009. The Supervisory Board is well aware that it must obtain reliable, complete and relevant information to make balanced considerations. As a result, various scenarios with regard to reducing the amount of government support and potential divestments, consolidations and market developments were discussed. Within this context, the frequent direct contacts with management of the business units and the staff departments for risk management and financial control also played a major role.

The ongoing pressure to perform in an environment of challenging market conditions, cost savings or organisational changes made 2009 a tough year for many SNS Bank employees. Many had to find another position, either inside or outside the company. The Supervisory Board believes that the employees' motivation and commitment in respect of the new developments reflect SNS Bank's open and vigorous corporate culture. Furthermore, the Supervisory Board has observed that a good working relationship has been maintained with the employee participation and trade unions, and that the HR policy demonstrates a responsible and balanced consideration of the interests of both the employer and employees. This gives SNS Bank a solid foundation for the implementation of its strategy.

As a result of the financial crisis, corporate governance, risk management, financial control and senior management remuneration are now spotlight issues for financial institutions. Consequently, the Supervisory Board paid special attention to these topics. Early 2009, the main Dutch financial institutions, including SNS Bank as part of SNS REAAL, concluded a gentlemen's agreement with the Dutch Ministry of Finance. The purpose of the agreement is to help restore trust in the financial sector by pursuing a sustainable and restrained remuneration policy, including a maximum level of the variable components. In line with this gentlemen's agreement and the recommendations of the Banking Code, which came into effect on 1 January 2010, SNS REAAL, including SNS Bank as part of SNS REAAL, developed a new remuneration policy for its senior management. The Supervisory Board is pleased to note that this policy was approved by the shareholders at the Extraordinary General Meeting of Shareholders of SNS REAAL on 3 December 2009.

Also in line with the Banking Code recommendations, the Supervisory Board decided to establish a Risk Committee (RC), whose objective is to address both the financial and non-financial risks of SNS Bank. The Audit Committee (AC) and RC now cover all types of risk facing the company across the board. The RC comprises members of the AC, with Hans van de Kar as chairman, supplemented by the chairman of the Supervisory Board. The RC was launched on 1 January 2010.

Other special issues requiring the Supervisory Board's attention were the events surrounding DSB Bank and the funding and liquidity of the Banking activities.

The Supervisory Board discussed the manner of cooperation of its members at length, also in view of its expansion from six to ten members. Given the numerous changes to the allocation of duties, the Supervisory Board decided to postpone the annual evaluation of its own performance to 2010. Meanwhile, the evaluation has taken place.

Composition of the Supervisory Board

The Supervisory Board has the same composition for both SNS REAAL and SNS Bank. The composition of the Supervisory Board was changed during the year under review. On 15 April 2009, the General Meeting of Shareholders of SNS REAAL appointed Charlotte Insinger, Ludo Wijngaarden, Rob Zwartendijk and Jos Nijhuis. Insinger and Wijngaarden were appointed under the agreement between SNS REAAL and the State in the context of the core tier 1 capital securities issued to the State at the end of 2008 and the related right of nomination. Henk Muller was reappointed on the same day and the Supervisory Board elected Zwartendijk as its chairman. Hans van de Kar temporarily acted in his stead as chairman from August 2008 until April 2009.

Meetings of the Supervisory Board

The Supervisory Board convened fifteen times, which includes three conference calls. The Supervisory Board convened once without SNS REAAL's Executive Board members being present, when their performance was discussed. Prior to this meeting, the Board conducted a performance review with each of these members. At all other meetings, the full Executive Board of SNS REAAL was in attendance. The external auditor and external actuary were also present during the discussions of the result reports at the February and August meetings. The (deputy) chairman discussed the agenda with the chairman of SNS REAAL's Executive Board prior to every meeting. The main topics regarding SNS Bank discussed in each month are presented below:

January: various financial projects, in-control programmes, continuity of operations and compliance (based on the 2008 management letter from the external auditor), strategic options, the financial crisis in relation to the annual figures, developments on the international property markets and their effects on SNS Property Finance, and the cooperation between the Supervisory Board members.

February: draft versions of the annual report, the financial statements and the press release on the 2008 annual results, and the quarterly risk report, which provides a current overview of the various risks in the business operations and the instruments used to control them.

March: the final version of the annual report, with special attention to SNS REAAL's Executive Board's in-control statement, and corporate responsibility.

April: the appointment of Ronald Latenstein as chairman of SNS REAAL's Executive Board, succeeding Sjoerd van Keulen, and the appointment of Ference Lamp as member of SNS REAAL's Executive Board.

May: the figures for the first-quarter, the internal management report, the capital structure of SNS REAAL, the quarterly report on risk management (explained by Group Risk Management), the interest rate and credit policies with regard to the insurance portfolios, SNS REAAL's debt issuance programme and certain legal mergers.

July: the future of SNS REAAL and a possible consolidation in the sector.

August: the draft version of the interim report and the quarterly risk report.

September and October: several optional financial transactions, including with respect to DSB Bank.

November: strategic options, the figures for the third-quarter, the quarterly risk report and the draft agenda with notes for SNS REAAL's Extraordinary General Meeting of Shareholders on 3 December 2009, including the proposal for the new remuneration policy for the company's senior management, the financial situation based on the internal management report, SNS Property Finance on the basis of presentations by and discussions with the management boards of this business unit, and the decision to engage an external agency to assess the Supervisory Board's performance.

December: the operational plan for 2010-2012 and the capitalisation and funding plan for 2010.

Committee meetings

Audit Committee meetings

All committees report to the plenary Supervisory Board. The Audit Committee (AC) met eight times. In 2009, the committee was reinforced by Jos Nijhuis, Charlotte Insinger and Ludo Wijngaarden and, with chairman Robert-Jan van de Kraats and Hans van de Kar, it now comprises five members. In accordance with its mandate, the AC mainly assessed the structure and operation of financial reporting and the risk management organisation. The chairman of SNS REAAL's Executive Board, the CFO, the director of the Group Audit department and the external auditor attended the meetings. SNS REAAL's Executive Board, Group Audit, and the external auditor provided the AC with the desired information. The AC discussed the developments regarding risk management separately with the Group Audit department and the external auditor. The main topics discussed each month are presented below:

January: the preliminary result for 2008, the progress of the actuarial year-end close, the 2008 management letter from KPMG and the fourth-quarter report for 2008 from the Group Audit department.

February: the internal management report, the draft press release for the 2008 annual results, the draft report of the external auditor, and operational risk management, including data protection and business continuity, on the basis of the in-control statement issued by SNS REAAL's Executive Board.

March: the 2008 annual report and financial statements, including the litigation provision and the capitalisation and funding plan for 2009.

May: the internal control of SNS Property Finance based on a meeting with the management board of this business unit, the structure of the risk management organisation based on the experiences during the financial crisis and the stress test results, tax issues, the results for first quarter of 2009, the quarterly report by Group Audit and various aspects of the audit instructions of KPMG.

August: the interim results, the progress made on remarks in KPMG's management letter and the new structure of the risk management organisation.

November: SNS Property Finance's loan portfolio, the internal management report and results for the third quarter and current affairs with regard to the supervisory authorities AFM and DNB.

December: the operational plan for 2010-2012, including the capital policy and liquidity plan, the in-control issue at SNS Retail Bank on the basis of a meeting with the management board of this business unit, the annual plan Group Audit 2010 and various tax issues.

Credit Committee meetings

The Credit Committee, which consists of Hans van de Kar, Bas Kortmann, Jaap Lagerweij and Henk Muller, is consulted in writing for major loans. The committee also convened in May and December and at those meetings discussed loan proposals exceeding € 100 million. The Credit Committee devoted much attention to the loan proposals and the restructuring of SNS Property Finance's loan portfolio, the quality of SNS Retail Bank's loan portfolio and the developments within the Special Credits department of SNS Retail Bank.

Remuneration Committee meetings

The Remuneration Committee was expanded by Charlotte Insinger and Ludo Wijngaarden. They joined chairman Herna Verhagen, Bas Kortmann, Henk Muller and Hans van de Kar. Hans van de Kar resigned in July and was succeeded by Rob Zwartendijk. The Remuneration Committee convened nine times: every month, except for June, September and October. The committee focused in particular on a new remuneration policy for the company's senior management.

In July, the Supervisory Board decided to split the Remuneration Committee's duties, which resulted in the establishment of a Remuneration Committee and a Nomination Committee in October. The Nomination Committee convened once and comprises Rob Zwartendijk (chairman), Herna Verhagen and Jaap Lagerweij. The committee focuses on the selection and appointment of members of the Executive Board and the most senior management positions reporting to the Executive Board.

Contact with the Central Works Council

Two members of the Supervisory Board attended a Central Works Council meeting twice. At one of these meetings, the chairman of the Remuneration Committee gave a presentation, outlining the new remuneration policy for the Executive Board. The Supervisory Board believes that the working relationship with the employee participation is good and constructive.

Financial statements

The Board discussed the 2009 financial statements at the meeting of 14 April 2010. KPMG, the external auditor, issued an unqualified opinion on the financial statements.

The Supervisory Board explicitly wishes to express its gratitude and appreciation for the work performed by management and employees and for the cooperation it experienced in performing its supervisory duties. Besides this, the Supervisory Board wants to express its gratitude to Hans van de Kar and Rien Hinssen for temporarily assuming the responsibilities in the last year.

Utrecht, 14 April 2010
On behalf of the Supervisory Board,
Rob Zwartendijk, chairman

Financial Statements 2009

Contents

Consolidated balance sheet

In € millions	31-12-2009	31-12-2008
Assets		
Cash and cash equivalents 1	2,554	1,692
Loans and advances to banks 2	2,715	2,783
Loans and advances to customers 3	67,479	65,794
Derivatives 4	1,169	1,113
Investments 5	4,517	3,942
Investment properties 6	1	10
Property projects 7	599	120
Investments in associates 8	33	47
Property and equipment 9	114	119
Intangible assets 10	243	291
Deferred tax assets 11	297	227
Corporate income tax 12	2	106
Other assets 13	566	451
Total assets	**80,289**	**76,695**
Equity and liabilities		
Savings 14	24,435	21,859
Other amounts due to customers 15	9,835	10,184
Amounts due to banks 16	7,119	6,491
Debt certificates 17	30,739	30,282
Derivatives 4	2,247	2,144
Deferred tax liabilities 11	320	285
Corporate income tax 12	90	0
Other liabilities 18	1,458	1,327
Other provisions 19	53	30
Participation certificates and subordinated debt 20	1,559	1,689
Share capital	381	381
Other reserves	1,883	1,691
Retained earnings	(99)	62
Shareholders' equity 21	2,165	2,134
Equity attributable to securityholders 21	260	260
Minority interests	9	10
Total Equity	2,434	2,404
Total equity and liabilities	**80,289**	**76,695**

The references next to the balance sheet items relate to the notes starting on page 96.
Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 2.3 of the accounting principles for the consolidated financial statements.

Consolidated income statement

In € millions	2009	2008
Income		
Interest income	2,773	3,883
Interest expense	2,101	3,110
Net interest income 22	672	773
Fee and commission income	136	152
Fee and commission expense	37	36
Net fee and commission income 23	99	116
Share in the result of associates 24	(4)	(4)
Investment income 25	161	48
Result on financial instruments 26	169	21
Other operating income 27	1	2
Total income	**1,098**	**956**
Expenses		
Impairment charges 28	571	173
Staff costs 29	342	380
Depreciation and amortisation of fixed assets 8/9	34	32
Other operating expenses 30	250	188
Total expenses	**1,197**	**773**
Result before taxation	**(99)**	**183**
Taxation 31	(1)	36
Net result for the financial year	**(98)**	**147**
Attribution:		
Net result for the financial year	(98)	147
Net profit attributable to minority interests	1	3
Net profit for the year	**(99)**	**144**
Earnings per share (in €) 32	(118)	163
Diluted earnings per share (in €) 32	(118)	163
Net result per security 'State-like' (in €) 32	0	8.17
Net result per security 'Foundation-like' (in €) 32	0	6.10
Weighted average number of shares outstanding	840,008	840,008

The references next to the income statement items relate to the notes starting on page 112.
Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 2.3 of the accounting principles for the consolidated financial statements.

Consolidated statement of comprehensive income

In € millions	2009	2008
Net result for the period	(99)	144
Unrealised revaluations property and equipment	0	4
Other changes property and equipment	0	(1)
Change in revaluation reserve	0	3
Unrealised revaluations from cash flow hedges	24	(3)
Realised revaluations through income statement	0	1
Change in cash flow hedge reserve	24	(2)
Unrealised revaluations investments available for sale	23	112
Realised revaluations through income statement	(67)	(5)
Change in fair value reserve	(44)	107
Other changes	(1)	8
Other comprehensive income (after tax)	**(21)**	**116**
Attribution:		
Total comprehensive income	(120)	260
Total comprehensive income to minority interests	(1)	8
Total comprehensive income attributable to shareholders and securityholder	**(119)**	**252**

Consolidated statement of changes in total equity

In € millions	Issued share capital ordinary shares	Share premium reserve ordinary	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital	Third party interests	Group equity
Balance as at 1 January 2009	**381**	**688**	**3**	**1**	**56**	**943**	**62**	**2,134**	**260**	**10**	**2,404**
Transfer of net result 2008	--	--	--	--	--	144	(144)	--	--	--	--
Transfer of securities issued and dividend paid 2008	--	--	--	--	--	(82)	82	--	--	--	--
	--	--	--	--	--	62	(62)	--	--	--	--
Unrealised revaluations	--	--	--	24	23	--	--	47	--	--	47
Realised revaluations through income statement	--	--	--	--	(67)	--	--	(67)	--	--	(67)
Other changes	--	--	--	--	--	--	--	--	--	(1)	(1)
Amounts charged directly to total equity	--	--	--	24	(44)	--	--	(20)	--	(1)	(21)
Net result 2009	--	--	--	--	--	--	(99)	(99)	--	--	(99)
Total result 2009	--	--	--	24	(44)	--	(99)	(119)	--	(1)	(120)
Share premium paid	--	150	--	--	--	--	--	150	--	--	150
Transactions with shareholders and securityholders	--	150	--	--	--	--	--	150	--	--	150
Total changes in equity 2009	--	150	--	24	(44)	62	(161)	31	--	(1)	30
Balance as at 31 December 2009	**381**	**838**	**3**	**25**	**12**	**1,005**	**(99)**	**2,165**	**260**	**9**	**2,434**

In € millions	Issued share capital ordinary shares	Share premium reserve ordinary	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital	Third party interests	Group equity
Balance as at 1 January 2008	**381**	**688**	**--**	**3**	**(51)**	**1,046**	**142**	**2,209**	**--**	**2**	**2,211**
Transfer of net result 2007	--	--	--	--	--	142	(142)	--	--	--	--
	--	--	--	--	--	142	(142)	--	--	--	--
Unrealised revaluations	--	--	4	(3)	112	--	--	113	--	--	113
Realised revaluations through income statement	--	--	--	1	(5)	--	--	(4)	--	--	(4)
Other changes	--	--	(1)	--	--	--	--	(1)	--	8	7
Amounts charged directly to equity	--	--	3	(2)	107	--	--	108	--	8	116
Net result 2008	--	--	--	--	--	--	144	144	--	--	144
Total result 2008	--	--	3	(2)	107	--	144	252	--	8	260
Securities issued	--	--	--	--	--	--	(7)	(7)	260	--	253
Dividend paid	--	--	--	--	--	(245)	(75)	(320)	--	--	(320)
Transactions with shareholders and securityholders	--	--	--	--	--	(245)	(82)	(327)	260	--	(67)
Total changes in equity 2008	--	--	3	(2)	107	(103)	(80)	(75)	260	8	193
Balance as at 31 December 2008	**381**	**688**	**3**	**1**	**56**	**943**	**62**	**2,134**	**260**	**10**	**2,404**

Consolidated cash flow statement

In € millions	2009	2008
Cash flow from operating activities		
Result before taxation	(99)	183
Adjustments for:		
Depreciation and amortisation of fixed assets	21	27
Changes in other provisions	(12)	48
Impairment charges / reversals	571	173
Unrealised results on investments through profit and loss	(91)	(6)
Retained share in the result of associates	4	8
Tax paid / received	3	3
Change in operating assets and liabilities		
Change in loans and advances to customers	(2,034)	(3,220)
Change in loans and advances to banks	696	(266)
Change in savings	2,576	2,680
Change in trading portfolio	83	1,386
Change in other operating activities	36	(542)
Net cash flow from operating activities	**1,754**	**474**
Cash flow from investing activities		
Proceeds from the sale of intangible assets	12	--
Proceeds from the sale of property and equipment	1	5
Proceeds from the sale of subsidiaries	1	13
Proceeds from the sale and redemption of investments and derivatives	3,562	1,447
Purchase of intangible fixed assets	(18)	(13)
Purchase of property and equipment	(27)	(21)
Purchase of subsidiaries	(21)	(19)
Purchase of investment property	(519)	(130)
Purchase of investments and derivatives	(4,232)	(1,679)
Net cash flow from investing activities	**(1,241)**	**(397)**
Cash flow from financing activities		
Proceeds from issue of shares	150	--
Proceeds from issue of capital securities	--	260
Proceeds from issue of subordinated loans	416	337
Proceeds from issue of debt certificates	12,424	8,889
Redemption of subordinated loans	(586)	(305)
Redemption of debt certificates	(12,055)	(10,387)
Dividends paid on ordinary shares	--	(320)
Net cash flow from financing activities	**349**	**(1,526)**
Cash and cash equivalents as at 1 January	1,692	3,141
Change in cash and cash equivalents	862	(1,449)
Cash and cash equivalents as at 31 December	**2,554**	**1,692**
Additional disclosure with regard to cash flows from operating activities		
Interest income received	2,716	3,865
Dividends received	--	2
Interest paid	1,973	2,882

Accounting principles for the consolidated financial statements

Adoption financial statements

The consolidated financial statements of SNS Bank N.V. (SNS Bank) for the year ended on 31 December 2009 were authorised for publication by the Management Board following their approval by the Supervisory Board on 14 April 2010.

1 General information

SNS Bank N.V., incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SNS Bank's registered office is located at Croeselaan 1, 3521 BJ Utrecht. The consolidated financial statements of SNS Bank comprise the accounts of all the companies controlled by SNS Bank and the interest of SNS Bank in associated subsidiaries and entities.

A number of corporate staff departments are shared. The costs of the corporate staff departments of SNS REAAL are recharged on the basis of the services provided, and, if more appropriate, proportionally allocated. The costs of the Executive Board and other specific company costs are not allocated.

The consolidated financial statements of SNS Bank for the financial year 2009 are available on request from the registered office of the company at the address Croeselaan 1, P.O. Box 8444, 3503 RK Utrecht, or via www.snsreaal.nl.

The main accounting principles used in the preparation of the consolidated financial statements and the company financial statements are set out in this section.

2 Basis of preparation

2.1 Statement of IFRS compliance

SNS Bank prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU). Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, SNS Bank prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements.

2.1.1 *The use of estimates and assumptions in the preparation of the financial statements*

The preparation of the consolidated financial statements requires SNS Bank to make estimates and assumptions that affect 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. It mainly concerns the methods for 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. This involves assessing the situations on the basis of available financial data and information. Although these estimates are made to the best of the management's knowledge, actual results may differ from the estimates. 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. For detailed information and disclosure of the accounting estimates and assumptions we refer to the notes to the financial statements items.

2.1.2 *Changes in published Standards and Interpretations effective in 2009*

New or amended standards become effective on the date specified by IFRS, but may allow early adoption. In 2009, the following standards and interpretations issued by respectively the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) 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 Bank.

The amendment to IAS 1 Presentation of Financial Statements published in September 2007 is effective for accounting periods beginning on or after 1 January 2009. The standard separates owner and non-owner changes in shareholders' equity. In addition, the standard introduces the statement of comprehensive income. It contains the net profit from the income statement together with all other non-owner income and expenses directly recognised in shareholders' equity.

On 17 January 2008, the IASB issued an amendment to IFRS 2 Share-based Payment. This amendment clarifies that vesting conditions are service conditions and performance conditions only and introduces the term 'non-vesting conditions'. The directive also determines that all cancellations, whether by the entity or by the other party or both, should receive the same accounting treatment.

On 22 May 2008, the IASB published 'Improvements to IFRSs', a collection of 35 minor changes to 20 IFRS standards. Most of the amendments relate to (additional) guidance on accounting treatment as the standards were in practice not uniformly applied.

On 14 February 2008, the IASB issued amendments to improve the accounting for particular financial instruments that have characteristics similar to ordinary shares but are, at present, classified as financial liabilities. The amendments affect IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements.

On the same date, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, relating to the cost of an investment in a subsidiary in the separate financial statements of a parent company.

IAS 23 Borrowing Costs, issued in March 2007, supersedes IAS 23 Borrowing Costs (revised in 2003). The main change compared to the previous version is the cancellation of the option to capitalise additional costs relating to loans.

The amendment to IFRS 7 Financial Instruments, published on 5 March 2009 requires disclosure enhancement for all financial instruments upon revaluation. The revaluation and the reason are to be disclosed.

Amendments to IFRIC 9 Embedded Derivatives and IAS 39 Financial Instruments are effective for accounting periods that end on or after 30 June 2009. The amendments require an entity upon reclassification of a financial asset out of the category fair value through profit or loss, to reassess all embedded derivatives, unless the fair value cannot be measured separately from the host contract.

IFRIC 13 Customer Loyalty Programmes is effective for accounting periods beginning on or after 1 July 2008, with early adoption permitted. This interpretation addresses the accounting methods to be applied of granted loyalty award credits to customers.

IFRIC 15 Agreements for the Construction of Real Estate is effective for accounting periods beginning on or after 1 January 2009, with early adoption permitted. This interpretation serves as a guideline for determining whether an agreement for the construction of real estate falls within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when income from the construction of real estate should be recognised.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation is effective for accounting periods beginning on or after 1 October 2008, with early adoption permitted. This interpretation applies to entities that hedge currency risks arising from net investments in foreign operations and further wish to qualify for hedge accounting in accordance with IAS 39.

IFRIC 18 Transfer of Assets from Customers requires entities to apply the interpretation prospectively to transfers of assets (or payments thereof) from customers received on or after 1 July 2009. It clarifies the requirements of International Financial Reporting Standards (IFRSs) for agreements in which an entity receives from a customer fixed assets (or payment thereof) either to connect the customer to a network of the company or to provide the customer with ongoing access to a supply of goods or services.

2.1.3 *Interpretations of existing standards or amendments to standards, not yet effective in 2009*

The following new standards, amendments to existing standards and interpretations, published prior to 1 January 2010 and effective for accounting periods beginning on or after 1 January 2010, were not early adopted by SNS Bank.

On 10 January 2008, the IASB published a revised IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements. In the revised IFRS 3, transaction costs that can be directly attributed to the acquisition are no longer allocated to the purchase price of the business combination. In addition, IFRS 3 allows the acquirer, on a transaction by transaction basis, to value any non-controlling interest at fair value on the acquisition date, or at the proportionate interest in the fair value of the acquirer's identifiable assets and liabilities. This amendment will be effective as of the financial year 2010 and is adopted by the EU. The amendment affects transactions as of the effective date and not the current consolidated financial statements of SNS Bank.

The amendment to IAS 39 Financial Instruments: Recognition and Measurement published on 31 July 2008 is effective for accounting periods beginning on or after 1 July 2009. This amendment explains how to apply, in exceptional situations, the principles that determine whether a hedged risk or part of a cash flow qualifies for designation of a hedging relationship.

The IASB issued in April 2009 'Improvements to IFRSs', a number of minor amendments to IFRS. The amendments are effective for annual periods beginning or after 1 January 2010 and yet have to be adopted by the EU. SNS Bank is currently evaluating the impact of these amendments.

On 12 November 2009 the IASB published IFRS 9 Financial Instruments, classification and measurement. This IFRS is phase 1, part 1 of a complete revision of IAS 39 Financial Instruments. Phase 1 limits the number of categories for classification of financial instruments into two, amortised cost or fair value. The scope of part 1 is the financial assets; in part 2 the financial liabilities will be addressed. The new standard is effective for annual periods starting on or after 1 January 2013, and has not yet been adopted by the EU. SNS Bank is currently investigating the effects of the new standard.

Amendment to IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The restriction that the hedge instrument could not be held by the foreign operation itself has been removed. The amendment is effective as from 1 July 2009, for annual periods beginning on or after 1 January 2010, and is adopted by the EU. The amendment will have no material effect on the consolidated financial statements of SNS Bank.

IFRIC 17 Distributions of Non-cash Assets to Owners is effective for accounting periods beginning or after 1 July 2009, with early adoption under conditions permitted. The interpretation addresses how an entity should measure distributions of assets other than cash, or partially cash when it pays dividends to its owners. The interpretation is adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

2.2 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.

Several accounting methods have been used in the preparation of these annual accounts. Fair value is used for land and buildings in own use, investment property, part of the loans and advances to customers, investments classified at fair value through profit or loss, for investments classified as available for sale and for derivatives. All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities that are 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.

2.3 Changes in principles, estimates and presentation

2.3.1 *Changes in presentation*

As from 2009 property projects will be presented on a separate line in the balance sheet, in accordance with IAS 2. It concerns SNS Property Finance real estate projects. In 2008 these projects were presented in other assets. Comparative figures have been adjusted accordingly (2008: € 120 million).

The buy-back results on own funding paper, which were presented in the income statement 2008 under investment income has been transferred to result on financial instruments. Comparative figures have been adjusted accordingly (2008: € 36 million).

The goodwill paid with respect to the acquisition of SNS Property Finance, which was presented in the annual accounts 2008 in the segment SNS Retail Bank has been transferred to the segment SNS Property Finance. Comparative figures have been adjusted accordingly (2008: € 170 million).

In 2009, a reclassification was made in the segment SNS Retail Bank between the items loans and advances to customers and other amounts due to customers, as a result of a change in the method of netting of current accounts. The comparative figures for both items have been adjusted accordingly with € 945 million.

2.4 Principles of consolidation

2.4.1 *Subsidiaries*

Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which SNS Bank 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 Bank has control in any other manner. Subsidiaries are fully consolidated from the date on which control is transferred to SNS Bank. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated, with uniform accounting principles being applied. The interests of third parties are separately included in the consolidated balance sheet and income statement.

2.4.2 *Associates*

Investments in associates are those entities in which SNS Bank has significant influence on the operational and financial policy, but no control. This is generally the case when the SNS Bank has between 20% and 50% of the voting rights. The consolidated financial statements include the SNS Bank's share in the total results of associated companies, from the date that the SNS Bank acquires significant influence to the date that significant influence ceases. The result is accounted using the equity method, after adjusting the result to comply with the SNS Bank's accounting principles.

2.4.3 *Joint ventures*

Joint ventures are entities over which the SNS Bank has joint control, this control is laid down in an agreement, and strategic decisions on the financial and operational policy are taken unanimously. These entities are accounted for in the financial statements in accordance with the same method as used for the investments in associates (see 3.8), from the date that SNS Bank first obtained joint control to the moment that control ceases.

2.4.4 *Securitisations*

SNS Bank has securitised mortgage receivables in special purpose entities (SPEs). With these transactions, the economic ownership of the mortgage loans is transferred to separate entities. SNS Bank does not have direct or indirect interests in these entities. SNS Bank fully consolidates these SPEs in its financial statements if, on the basis of the economic reality of the relationship between SNS Bank and the SPE, SNS Bank controls the SPE, or if SNS Bank retains the majority of the risks and rewards.

2.4.5 *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 Bank and its associates and joint ventures are eliminated to the extent of SNS Bank'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.

2.5 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 Bank commits itself to buy or sell the asset or liability. All other purchases or sales are recorded as forward transactions until they are settled.

2.6 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.

2.7 Conversion of foreign currencies

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional currency of the SNS Bank. Upon initial recognition, transactions in foreign currencies are converted into euros at the exchange rate at the transaction date. 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 into 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.

2.8 Information by segment

The two primary business segments of SNS Bank are clearly distinctive organisational components, and carry out activities that generate income and expenses. The Management Committee defines the performance targets and authorises and monitors the budgets that have been prepared by these business units. The management of the business units defines the policy of the business units, in accordance with the strategy and the performance targets as formulated by the Management Committee. The business segments are:

- Retail Banking
- Property finance

More information on the different segments can be found in the section 'Information by segment' starting on page 65.

3 Specific balance sheet principles

3.1 Cash and cash equivalents

Cash and cash equivalents include the non-restricted and restricted demand deposits with the Dutch Central Bank and advances to credit institutions with a remaining maturity of less than one month. Restricted demand deposits that SNS Bank has with other banks are included under loans and advances to banks.

3.2 Loans and advances to banks

These concern receivables to banks not in the form of interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, if necessary less any impairment losses.

3.3 Loans and advances to customers

3.3.1 *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. 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.

As far as the loans and advances are concerned, a provision for impairment is made if there are objective indications that SNS Bank 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 of the total position and the recoverable amount. The recoverable amount equals the present value of the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances. Smaller homogenous groups of loans and advances (with corresponding credit risk) are tested collectively for impairment. The provision with respect to the collective approach is calculated using a range of model-based instruments, including risk-rating models for homogenous pools of consumer and SME loans. The loss factors developed using these models are based on own historic loss data, and are adjusted on the basis of 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). These are estimated on the basis of historic loss patterns of loans and advances that carry similar risk characteristics as the loans and advances held in the portfolio and are a reflection of 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 uncollectible, it is written off against the provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the income statement.

3.3.1.1 Credit guarantees

SNS Bank has concluded a credit guarantee 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 guarantor. Impairment of mortgages and the amount receivable under the guarantee are included under 'impairment charges/ (reversals)' in the income statement.

3.3.2 *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. Loans and advances adjusted after renegotiations or otherwise adjusted due to financial restructuring of the borrower are measured on the basis of the original effective interest rate before the terms and conditions were revised.

As far as the loans are concerned, a provision for impairment is formed if there are objective indications that SNS Bank will not be able to collect all the amounts due in accordance with the original contract.

The criteria for impairment are applied to the entire loan portfolio, except to smaller, homogenous loans, such as consumer credit, which are assessed collectively for impairment. Smaller business loans managed in a portfolio are also assessed collectively for impairment. For loans and advances that are individually significant, the provision made equals the difference between the book value of the total position and the recoverable amount. The recoverable amount equals the present value of the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances.

The provision with respect to the collective approach is calculated using a range of model-based instruments, including risk-rating models for homogenous pools of consumer and SME loans. The loss factors developed using these models are based on historic loss data of SNS Bank, and are adjusted according to clear 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 on the loan portfolio (IBNR: incurred but not reported). These are estimated on the basis of historic loss patterns in every division and the creditworthiness of the borrowers, and are a reflection of 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 uncollectible, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision in the income statement.

3.3.2.1 Lease

SNS Bank as lessee

The lease agreements that SNS Bank 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.

SNS Bank as lessor

SNS Bank has entered into a number of financial lease agreements. These are agreements for which the SNS Bank has transferred almost all of the risks and benefits of the property to the lessee. The balance sheet 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.

3.4 Derivatives

Derivative financial instruments 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 discounted cash flow model or an option valuation model. SNS Bank 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 hedge accounting (3.4.2) are accounted for in the income statement under ‘result on financial instruments’.

3.4.1 *Embedded derivatives*

An embedded derivative is treated as a separate derivative if there is no close relation 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.

3.4.2 *Hedge accounting*

SNS Bank 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 Bank can designate certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); or (2) a hedge of a future cash flow that can be attributed to a recognised asset or liability, an expected transaction or a definite obligation (cash flow hedge).

Hedge accounting is applied for derivatives that are thus designated and are in accordance with IAS 39 conditions.

A hedge is considered to be effective if SNS Bank, 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%.

SNS Bank ceases hedge accounting as soon as it has been established that a derivative is no longer an effective hedge, or when the derivative expires, is sold, terminated or exercised; when the hedged position expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

3.4.2.1 Fair value hedge accounting

Derivatives designated as a hedge of the fair value of recognised assets or of a definite obligation are stated as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedge are recognised immediately 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 hedged instrument. If the hedged instrument 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.

3.4.2.2 Cash flow hedge accounting

Derivatives can be designated as a hedge of the risk of future variability of the cash flows of a recognised asset or liability or highly likely expected 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 transaction, which is designated as part of a cash flow hedge, does not change as far as the administrative processing is concerned.

If the expected 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 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, remains in the cash flow hedge reserve (shareholders' equity) until the expected transaction actually takes place.
If the transaction in question is no longer expected to take place, the accumulated result reported in shareholders' equity is immediately transferred to the income statement.

3.5 Investments

3.5.1 *Classification*

SNS Bank classifies its investments 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 investments were acquired.
The management decides in which category they will be placed.
Upon recognition, investments 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 investments is based on listed bid prices or derived from cash flow models.

3.5.2 *Loans and receivables*

The category loans and receivables comprises unlisted investments with a fixed term as well as the saving components of savings mortgages that the insurance company has concluded. These loans and receivables are measured at amortised cost using the effective interest method, less a provision for impairment if necessary.

3.5.3 *Available for sale*

Investments that do not meet the criteria defined by management for 'fair value through profit or loss', are classified as available for sale. After recognition, investments available for sale are restated at fair value in the balance sheet. Unrealised gains and losses resulting from the fair value adjustments of investments available for sale are recognised in shareholders' equity, taking account of deferred taxes. Investments in the form of shares of which the fair value cannot be estimated reliably are measured at cost less impairment.
When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as 'investment income'. SNS Bank uses the average cost method to determine the results.

3.5.4 *Fair value through profit or loss*

A financial instrument is classified at fair value through profit or loss if it is held for trading purposes or if it was designated as such upon initial recognition. Financial instruments are only designated as valued at fair value through profit or loss if:

1. It eliminates or considerably limits an inconsistency in valuation or recognition that would otherwise arise; or
2. SNS Bank manages and assesses the investments on the basis of fair value.

The financial instruments are measured at fair value. Realised and unrealised gains and losses are recognised in the income statement under 'investment income'.
Interest income earned on securities is recognised as interest income under 'interest income, Banking activities'. Dividend received is recorded under 'investment income'.

3.5.5 *Impairment charges / (reversals)*

At each reporting date, SNS Bank assesses whether there are objective indications of impairment of investments classified as loans and receivables and available for sale. Impairment losses are recognised directly in the income statement under 'impairment charges / (reversals)'. With investments available for sale, any revaluation of shareholders' equity is first deducted.
An equity investment is considered to be impaired if the book value exceeds the recoverable amount in the long term, in other words, a decline in the fair value of:

- 25% or more below its cost; or
- for at least 9 months below its cost.

The recoverable amount of the investments in the form of unlisted shares is determined using well-established valuation methods. The standard method used is based on the relationship in the market between the profit and the value of comparable companies. The recoverable amount of listed investments is determined on the basis of the market price of the shares.
Investments in debt securities are tested for impairment if there are objective indications of financial problems with the counterparty, dwindling markets or other indications. If, during a subsequent period, 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 treated as a revaluation.

3.6 Investment properties

Investment properties, comprising retail and office properties and land, are held to generate long-term rental income. If property is held partly as investment property and partly for own use, the property is included under tangible fixed assets, 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 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 let state. The fair value is based on the appraisals performed at least every three years by independent external appraisers with sufficient expertise and experience in property locations and categories. These appraisals are based on recent market transactions. In the time between the three-yearly external appraisal, SNS Bank uses alternative valuation methods based on the total net annual rental income of that property and, where applicable, the associated costs, in the evaluation of the fair value measurement. Changes in the fair value of investment property are recognised in the income statement under 'investment income'.

3.7. Property projects

Property projects comprise property projects under construction / development and finished projects of SNS Property Finance. Property projects comprise (developed) commercial and residential property for which there is no specifically negotiated contract. These properties are stated at the lower of cost price and net realisable value. Net realisable value is the estimated sales price under normal conditions, less any relevant variable sales costs. If the net realisable value is lower than the book value, an impairment is recognised in the income statement.

3.8 Investments in associates

Investments in associates are entities in which SNS Bank generally owns between 20% and 50% of the voting power, or of which the SNS Bank does not have control, but can exercise significant influence.
Upon recognition, participations in associated companies are initially accounted for at the cost price 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 Bank in the result of associates is recognised in the income statement under 'share in the result of associates'. The share of SNS Bank in changes in the reserves of associates, after the acquisition, is recognised directly in shareholders' equity. The value of the associates is adjusted for these results and changes in reserves.
If the book value of the associated company falls to zero, no further losses are accounted for, unless the SNS Bank 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 Bank.

3.9 Property and equipment

3.9.1 *Land and buildings in own use*

Property in own use primarily comprises offices (land and buildings) and is measured at fair value based on appraisals by independent external surveyors, less depreciation of buildings and any accumulated impairment losses. The appraisals are performed at least every three years based on a rotation schedule, as a result one third of the portfolio is appraised annually. The fair value of property for own use is determined based on the market value of the vacant property. In determining the market values, use is made of observable prices of recent transactions.
Increases in the fair value exceeding the cost price are 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' when the expense is incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other fixed assets 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'.

3.9.2 *IT equipment and other tangible fixed assets*

All other tangible fixed assets 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 is three to ten years.
Regular impairment tests are performed on the other tangible fixed assets. If the book value of the tangible asset exceeds the recoverable amount, it is immediately written down to the recoverable amount.

Repairs and maintenance expenses are recognised under 'other operating expenses' when the expense is incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other fixed assets in relation to their original use are capitalised and then amortised.
Results on the sale of tangible fixed assets are defined as the balance of the disposal proceeds less transaction costs and the book value. These results are recognised as part of 'other operating income'.

3.10 Intangible fixed assets

3.10.1 *Goodwill*

Acquisitions by SNS Bank 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 Bank's interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible fixed asset. Any negative goodwill is recognised immediately 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. Any subsequent 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, insofar as not already included in the purchase price, are included in the purchase price of the acquisition at the time when 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. For this impairment test, goodwill is attributed to cash-generating units. The book value of the cash-generating unit (including goodwill) is compared to the calculated recoverable amount. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell, and its value in use. The recoverable amount of a cash-generating unit is determined by the calculation of the present value of the expected future cash flows. The key assumptions used in this calculation are based on various financial and economic variables, including operational plans, interest rates, applicable tax rates and the inflation forecasts. These variables are determined by the management. If the recoverable amount is lower than the book value, the difference will be recognised as an impairment in the income statement.

3.10.2 *Software*

Costs that are directly related to the development of identifiable software products that SNS Bank controls, and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible fixed 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 three years. Every reporting date an assessment is carried out for possible impairments.

3.10.3 *Other intangible fixed assets*

The other intangible fixed assets include assets with a specific and an indefinite useful life, such as trademarks and client portfolios stemming from acquisitions. The assets with a definite useful life are amortised in accordance with the straight-line method over their useful life, in general between five and ten 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.

3.11 Deferred tax assets

Deferred tax assets and liabilities are recorded 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 that are expected to 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 participating interests, unless the SNS Bank 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 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 amount.
The most significant temporary differences arise from the revaluation of tangible fixed assets, 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.

3.12 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 are measured at nominal value according to the tax rate applicable at the reporting date.

3.13 Other assets

Other assets consist of other taxes, other receivables and accrued assets. 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 from clients and the clearing house in respect of option positions.

3.14 Savings

This item consists of balances on savings accounts, savings deposits and term deposits of retail clients. Upon initial recognition, savings are stated at fair value, including transaction costs. Thereafter, they are measured at amortised cost. Any difference between the income and the redemption value based on the effective interest method is recognised under interest expenses, banking operations, in the income statement during the term of the savings.

3.15 Other amounts due to customers

Amounts owed to customers represent unsubordinated debts to non-banks, other than in the form of debt certificates. Upon initial recognition, these debts are measured at fair value, including transaction costs. Thereafter, they are stated at amortised cost. Any difference between the income and the redemption value based on the effective interest method is recognised under interest expenses, banking operations, in the income statement during the term of these amounts owed to customers.

3.16 Amounts due to banks

Upon initial recognition, these debts are measured at fair value, including transaction costs. Thereafter, they are stated at amortised cost. Any difference between the income and the redemption value based on the effective interest method is recognised under interest expenses, banking operations, in the income statement during the term of these amounts owed to banks.

3.17 Debt certificates

Outstanding debt certificates are measured at fair value upon 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. A specific category of outstanding debt certificates are initially included at fair value whereby subsequent value adjustments are accounted for in the income statement so that an inconsistency in the valuation is eliminated that would otherwise arise from the valuation of assets and liabilities.
When SNS Bank purchases its own debt securities in the context of market maintenance, these debt certificates are removed from the balance sheet.

3.18 Derivatives

See paragraph 3.4 of these notes.

3.19 Deferred tax liabilities

Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. See 3.11 for detailed information.

3.20 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.

3.21 Other provisions

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.

3.21.1 *Restructuring provision*

The restructuring provision 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 Bank recognises severance payments if the SNS Bank has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:

- Termination of the employment contract of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- 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.

3.21.2 *Other provisions*

A provision for legal proceedings is made at the balance sheet date for the estimated liability with respect to ongoing legal proceedings. Claims against SNS Bank in legal proceedings are disputed. Although the outcome of these disputes cannot be predicted with certainty, it is assumed on the basis of legal advice obtained and information received that they will not have a substantial unfavourable effect on the financial position of SNS Bank. 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 that an obligation exists at the balance sheet date than that such an obligation does not exist.

3.22 Participation certificates and subordinated debt

3.22.1 *Participation certificates*

SNS Bank issues participation certificates to third parties. The certificates have an open-ended term, with SNS Bank maintaining the right to early redemption in full after 10 years, provided permission is given by the regulator. 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 the transaction costs incurred. Thereafter, they are measured at amortised cost, using the effective interest method. Benefit payments on participation certificates are recorded under ‘interest expenses, banking operations’.
The participation certificates are classified as debt capital in the financial statements. For SNS Bank’s solvency reports to the Dutch Central Bank, this item is part of the Tier 1 capital.

3.22.2 *Subordinated debt*

The subordinated (bond) loans issued by SNS Bank and are included under the subordinated debt. The Dutch Central Bank includes these loans as capital for the solvency test at SNS Bank. These 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.

3.23 Equity

3.23.1 *Issued share capital and share premium reserve*

The share capital comprises issued and paid-up share capital on ordinary shares. Costs directly attributable to the issue of equity instruments are deducted net of tax from the share issue income.

3.23.2 *Ordinary share dividend*

Dividend for a financial year, which is payable after the balance sheet date, is disclosed in ‘Provisions regarding profit and loss appropriation’ under ‘Other information’.

3.23.3 *Revaluation reserve*

Revaluations of property in own use (see 3.9.1) are included in the revaluation reserve.

3.23.4 *Cash flow hedging 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 cash flow hedges, net of taxes, providing the hedged transaction has not yet taken place (see 3.4).

3.23.5 *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 3.5.3). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are stated in this reserve (see 2.7).

3.23.6 *Other reserves*

Other reserves mainly comprise SNS Bank's retained profits.

3.23.7 *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 Bank. The 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.

3.23.8 *Securities dividend*

The securities dividend amount for a financial year, which is payable after the balance sheet date, is disclosed in 'Provisions regarding profit and loss appropriation' under 'Other information'.

4 Specific income statement accounting principles

4.1 Income

Income represents the fair value of the services, after elimination of intra-group transactions within SNS Bank. Income is recognised as follows:

4.1.1 *Interest income*

The interest income comprises interest on monetary financial assets of SNS Retail Bank and SNS Property Finance 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 Bank calculates the cash flows over the full 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 Bank will conclude a particular loan agreement. If the commitment expires without SNS Bank extending 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 amount or fair value is subsequently recognised on the basis of the interest rate used to determine the recoverable amount by discounting the future cash flows.

4.1.2 *Interest expenses*

Interest expenses comprise the interest expenses arising from financial liabilities. 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.

4.1.3 *Fee and commission income*

Fee and commission income include income from securities transactions for clients, asset management, and other related services offered by SNS Bank. 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 revaluation result.

4.1.4 *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.

4.1.5 *Share in the result of associates*

The share in the result of associates concerns the share of SNS Bank in the results of the participations. If the book value of the associated company falls to zero, no further losses are accounted for, unless the SNS Bank has entered into commitments or made payments on its behalf. Where necessary, the accounting principles applied by the associated company have been adjusted to ensure consistency with the accounting principles applied by SNS Bank.

4.1.6 *Investment income*

The result on investments consists of interest, dividend, rental income and revaluations.

4.1.6.1 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 the dividend is paid out.

4.1.6.2 Revaluations
This item relates to the realised and unrealised increases and decreases in the value of investments in the category fair value through profit or loss and realised increases and decreases in the value of the investments in the other categories. Realised increases in value concern the difference between the sales price and the amortised cost price. Unrealised increases in value concern the difference between the fair value and the book value over the period.

4.1.7 *Results 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 is recognised directly under 'result on financial instruments'.
The profit or loss from the revaluation of the outstanding debt certificates, which after recognition are measured at fair value with the processing of value adjustments in the income statement, is also accounted for under this item.
In addition, buy-back results on own funding paper and results from the sale of loans and receivables are accounted under this item.

4.1.8 *Other operating income*
Other operating income comprises all the income that cannot be accounted for under other headings.

4.2 Expenses
Expenses include the losses and charges arising from ordinary business activities. Expenses are recognised in the income statement on the basis of a direct relationship between the costs incurred and the corresponding income. 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 immediately included in the income statement if they are not expected to generate any future economic benefits.

4.2.1 *Impairment charges / reversals*
This item includes downward revaluations of assets for which the book value exceeds the recoverable value. Intangible fixed assets, tangible fixed assets, 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 section 3 under the applicable items.

4.2.2 *Staff costs*
These costs concern all costs that pertain to the personnel. This includes, inter alia, salaries, social security costs, pension costs and rebates granted to employees.

4.2.3 *Depreciation and amortisation of fixed assets*
This item comprises all depreciation and amortisation of tangible and intangible fixed assets. The specific principles for depreciation and amortisation are explained in more detail in section 3 under the applicable items.

4.2.4 *Other operating expenses*
This includes office, accommodation and other operating costs.

5 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 Bank. 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.

6 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 is 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 acquisition date in these interests 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.

Information by segment

SNS Bank is a banking company that focuses mainly on the Dutch retail and SME markets. The product range consists of two core products: mortgages and property finance and savings and investments. The services to private individuals and the SME clients are mostly rendered through several distribution channels.

The activities of SNS Bank are organised in two primary business segments. The Executive Board defines the strategy, the performance targets and authorises and monitors the budgets that have been prepared by these business units. The management board of the business unit determines business unit policy, in accordance with the strategy and performance targets.

For the business segments, 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 Bank. For the settlement of transactions between business units, the prices are used that would ensue from market conditions ('at arm's length').

1 SNS Bank

1.1 Retail Banking

This business segment offers banking products in the field of mortgages, asset growth and asset protection for both the retail and SME markets. In addition to SNS Bank, this segment also comprises the units ASN Bank, BLG Hypotheken, SNS Regio Bank and SNS Securities.

1.2 Property Finance

This business segment carries out banking activities in the field of investment and property finance. SNS Property Finance is a top-3 property finance institution in the Netherlands. SNS Property Finance combines financial expertise with expertise in property investments. The strength of this business segment is in the analysis and control of risk in the property environment.

Allocation of group costs

A number of group staff departments of SNS REAAL are shared. The costs of the corporate staff are charged based on the services provided or proportionally allocated to the group's subsidiaries. The costs of the Executive Board of SNS REAAL and other specific holding company costs are not allocated.

Balance sheet by segment

In € millions	SNS Retail Bank		SNS Property Finance		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Assets								
Cash and cash equivalents	2,534	1,686	20	6	--	--	2,554	1,692
Loans and advances to banks	16,505	16,349	777	670	(14,567)	(14,236)	2,715	2,783
Loans and advances to customers	54,283	52,211	13,196	13,583	--	--	67,479	65,794
Derivatives	1,169	1,113	--	--	--	--	1,169	1,113
Investments	4,517	3,942	--	--	--	--	4,517	3,942
Investment properties	1	1	--	9	--	--	1	10
Property projects	--	--	599	120	--	--	599	120
Investments in associates	--	--	33	47	--	--	33	47
Property and equipment	112	118	2	1	--	--	114	119
Intangible assets	126	288	117	3	--	--	243	291
Deferred tax assets	281	211	16	16	--	--	297	227
Corporate income tax	2	106	--	--	--	--	2	106
Other assets	438	468	202	72	(74)	(89)	566	451
Total assets	**79,968**	**76,493**	**14,962**	**14,527**	**(14,641)**	**(14,325)**	**80,289**	**76,695**
Equity and liabilities								
Savings	24,435	21,859	--	--	--	--	24,435	21,859
Other amounts due to customers	9,654	10,841	181	--	--	(657)	9,835	10,184
Amounts due to banks	7,816	6,491	13,870	13,579	(14,567)	(13,579)	7,119	6,491
Debt certificates	30,739	30,282	--	--	--	--	30,739	30,282
Derivatives	2,247	2,144	--	--	--	--	2,247	2,144
Deferred tax liabilities	307	269	13	16	--	--	320	285
Corporate income tax	90	--	--	--	--	--	90	--
Other liabilities	1,371	1,270	161	146	(74)	(89)	1,458	1,327
Other provisions	53	30	--	--	--	--	53	30
Participation certificates and subordinated debt	1,559	1,689	--	--	--	--	1,559	1,689
Equity attributable to shareholders	1,428	1,348	737	786	--	--	2,165	2,134
Equity attributable to securityholders	260	260	--	--	--	--	260	260
Minority interests	9	10	--	--	--	--	9	10
Total equity	1,697	1,618	737	786	--	--	2,434	2,404
Total equity and liabilities	**79,968**	**76,493**	**14,962**	**14,527**	**(14,641)**	**(14,325)**	**80,289**	**76,695**

Income statement by segment

In € millions	SNS Retail Bank		SNS Property Finance		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Income								
Interest income	2,528	3,682	569	782	(324)	(581)	2,773	3,883
Interest expense	2,137	3,125	288	566	(324)	(581)	2,101	3,110
Net interest income	391	557	281	216	--	--	672	773
Fee and commission income	136	148	--	4	--	--	136	152
Fee and commission expense	37	36	--	--	--	--	37	36
Net fee and commission income	99	112	--	4	--	--	99	116
Share in result of associates	--	--	(4)	(4)	--	--	(4)	(4)
Investment income	161	82	--	2	--	--	161	84
Result on financial instruments	181	(15)	(12)	--	--	--	169	(15)
Other operating income	--	2	1	--	--	--	1	2
Total income	**832**	**738**	**266**	**218**	**--**	**--**	**1,098**	**956**
Expenses								
Impairment charges / (reversals)	98	57	473	116	--	--	571	173
Staff costs	304	335	38	45	--	--	342	380
Depreciation and amortisation of fixed assets	32	31	2	1	--	--	34	32
Other operating expenses	226	169	24	19	--	--	250	188
Total expenses	**660**	**592**	**537**	**181**	**--**	**--**	**1,197**	**773**
Result before tax	**172**	**146**	**(271)**	**37**	**--**	**--**	**(99)**	**183**
Taxation	51	27	(52)	9	--	--	(1)	36
Minority interests	1	3	--	--	--	--	1	3
Net result attributable to shareholders and securityholders	**120**	**116**	**(219)**	**28**	**--**	**--**	**(99)**	**144**

Acquisitions

On 3 June 2009, SNS Retail Bank acquired 100% of FinanCenter, an online service provider of mortgage arrangements, consumer loans, (life) insurance policies and savings accounts. The acquisition is in line with SNS REAAL's strategy to offer third-party products. The total purchase price was € 3 million and the acquired assets and liabilities have a value of € 0.9 million. The balance sheet items having been valued provisionally, a provisional amount of € 2.1 million was recognised as goodwill, pertaining mainly to the software. The definitive valuation calculations will be finalised in 2010, after which any adjustment to the tentative valuation will be charged to goodwill. FinanCenter has contributed € 0.1 million to the result since the acquisition date.

Risk management

1 Key points risk profile SNS Bank

1.1 Maintaining a moderate risk profile

SNS Bank's risk profile is consistent with SNS REAAL's objective to maintain a moderate risk profile. This means that the balance sheet risks will be further limited and higher capital levels will be maintained.
SNS Bank's commercial activities, such as offering accessible banking products, involve low risks, while the exposure to high-risk activities, such as proprietary trading, complex products or foreign currencies, is limited. The mainly Dutch customers and clients are well-diversified within the retail and SME market segments. The international property portfolio is being phased out in a controlled and gradual manner over the next 3 to 5 years.
SNS Bank's investment portfolios have only limited exposure to structured bonds. SNS Bank does not have any positions in US subprime mortgages. The impact of negative market developments on the investment portfolios is mitigated by various hedging strategies.

The loan portfolio of SNS Retail Bank amounted to € 54.3 billion at year-end 2009, 91% of which comprised Dutch residential mortgages. 2009 saw a decrease in this portfolio's credit quality and a drop in average house prices. The impairments on residential mortgages amounted to 31 basis points (18 basis points in 2008) of the risk-weighted assets.

SNS Property Finance's loan portfolio amounted to € 13.2 billion at year-end 2009, 73% of which originated in the Netherlands. Most indicators for the credit risk of SNS Property Finance reflect the current market conditions where the commercial property market risks increased significantly. This is reflected in the lower valuation of the real estate, higher additions to the loan provisions and increasing default rates.

SNS Bank's risk management policy forms an integral part of SNS REAAL's risk management policy, as described in this chapter.

1.2 Risk management main developments:

Capital and solvency

- In 2009, SNS Bank participated in a macro stress test issued by the Dutch Central Bank. Based on the results of this stress test, SNS Bank believes that it is currently sufficiently able to absorb any further negative developments in the economic conditions and the financial markets for its activities.
- In consultation with the Ministry of Finance, SNS Bank, as part of SNS REAAL prepared a Viability Plan for the European Commission (EC). The results of this EC stress test, which formed part of the Viability Plan, indicate that SNS REAAL will have sufficient capacity in the years to come to repay the state support, even in a stress scenario.
- SNS Bank received a capital injection of € 70 million in September and € 80 million in December. At the end of the year, the capital ratios were strong.
- SNS Retail Bank succeeded in raising funds both in the capital market and in the retail market. SNS Retail Bank has demonstrated that it can access the capital market without requiring a guarantee from the Dutch State.

Liquidity

- SNS Retail Bank adapted its liquidity position to the improved conditions on the financial markets. The liquidity position is still strong.

Credit risk

- SNS Retail Bank's mortgage portfolio shows a limited increase in the loss indicators.
- Most indicators for the credit risk of SNS Property Finance reflect the current market conditions and show a strong increase in the commercial property market risks.
- SNS Property Finance assumed control over a number of commercial real estate projects to restructure and manage potential losses. The item 'property projects' increased from € 120 million year-end 2008 to € 599 million year-end 2009 and consisted almost entirely of international projects.

1.3 Risk management organisation

In 2009, a new Business and Risk Governance was set up to strengthen group policy and the frameworks within which risk policy is defined. The key issues are improving quality and achieving efficient risk management.

The activities of the legal entity SNS Bank N.V. are organised into two business units. The business units are SNS Retail Bank and SNS Property Finance. The business units' responsibility is defined using the (risk) policy frameworks which the SNS REAAL Executive Board established on the basis of the recommendations of the committees set up by the Executive Board.

The business unit management boards 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 established group frameworks for credit risk, integrity risk and operational risk and report to the Executive Board.

The new structure of the risk management organisation has not led to any changes in the allocation of responsibilities for risk management and risk principles.

SNS REAAL distinguishes three risk management responsibility levels:
- The line organisation, responsible for risk management, which is generally delegated to the risk committees;
- The risk management departments, which advise the line management and monitor positions;
- The internal auditor (the Group Audit department), which reviews the planning, the process and the performance of the risk organisation.

The responsibilities within the risk management organisation have been clearly defined; final responsibility for risk management lies with the Executive Board of SNS REAAL and 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 two business units SNS Bank and SNS Property Finance. These risk owners are 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, remain unchanged. These principles aim for an integral risk management geared to maintaining a moderate risk profile and include:
- One shared group-wide risk type classification.
- A pre-set risk tolerance for each type of risk we have identified.
- 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.

1.4 Risk committees

A more detailed disclosure of the risk committee structure, implemented in 2009, is provided below.
The risk committees work independently of the line organisation. They prepare group policy and issue recommendations in this respect to the Executive Board. The Executive Board adopts the policy and authorises the committees to implement it. It is up to the committees to steer the development and enforcement of the group policy.

Management Committee

The SNS REAAL Management Committee is the forum in which Executive Board members and the managing directors of the business units, including SNS Retail Bank and SNS Property Finance, jointly with the Chief Information Officer and the HRM director discuss and determine the strategic policy frameworks, in preparation for the Executive Board's final approval.

Group Committees

In addition to the Management Committee, the following Group Committees are in place:
- **Group GORCC:** Group Governance, Operational Risk & Compliance Committee: to manage non-financial risks.
- **Group FinCo:** Group Financial Committee: policy frameworks for financial reporting, the accounting and actuarial infrastructure, structuring financial governance and management information (operational/financial KPIs) and the presentation and disclosure of the results and returns.
- **Group ALCO:** Group Asset & Liability Committee: to manage financial risks. The Group ALCO has four advisory committees: Actuarial Risk Committee, Investment Risk Committee, ALCO Bank and the Model Governance Board.
- **Group CCC:** Group Counterparty & Credit Committee: to approve loans and revisions. This committee operates within the frameworks of Group GORCC, Group FinCo and Group ALCO.

In addition, each business unit has a committee with its own delegated discretionary powers:
- **PMPC:** Product Market Pricing Committee, for risk control in proposed new products, product management in a broad sense, approval of product launch and steering of the correlation between volume, return and risk.

The number of committees at business unit level is now limited and the policy responsibility of the former committees has been combined at group level. Positioning the policy development at group level reduces the number of tiers in the decision-making process and increases the coherence within SNS REAAL.
Within the business units, there are advisory committees for specific areas of attention that operate within the policy frameworks of the group committees:
- **ALCO Bank:** advises the Group ALCO on policy for solvency, capital and liquidity risk management, as well as on market risk policy for the bank.
- **Model Governance Board:** monitors the quality and uniformity of all financial risk and valuation models used by SNS REAAL.

Decision-making processes

To reach consensus, the three group committees: Group GORCC, Group FinCo and Group ALCO, take decisions by a majority of votes. To reach consensus, the Group CCC and the advisory committees of the Group ALCO take decisions by a unanimity of votes. If there is no agreement and no decisions can be taken, alternatives and arguments are submitted to the higher-level CCC or ALCO. Every member of the group committees has an equal vote, including the chairman and any committee members who are also members of the Management Committee and/or the Executive Board. Apart from voting right, every member has the right to escalate a decision. The proposal is then presented to the next higher committee. The Management Committee is the next higher committee for the group committees.
Decisions in the business unit's Product Market Pricing Committee are taken by the Chairman: the CFRO. If the CFRO so decides, or at the initiative of a CEO or group staff director, the decision-making process may be escalated to GORCC, ALCO or FinCo, depending on the subject.

1.5 Risk management departments

The risk management departments advise on risk management and report on the risk profile in order to promote efficiency and uniformity. They act as group service centres for the banking operations, and with regard to the risks, they are responsible for modelling, measuring, monitoring, reporting and advising. They are not responsible for determining the policy, but have an advisory role. SNS REAAL has the following risk management departments in place:

Group Risk Management (GRM)

GRM supports the Executive Board and the management boards in:

- Identifying changing market conditions and regulations that are relevant to the strategy and policy.
- Determining the desired risk profile and translating it into internal standards and limits.
- Choosing products and services that correspond with the desired risk profile.
- Valuation of portfolios for steering structural value creation.
- Determining the prices of products and services on the basis of risk-weighted return.
- Structuring and implementing asset & liability management.
- Structuring and implementing the capitalisation and funding policies.
- Portfolio management and modelling credit risk and insurance risks.
- Setting frameworks for drawing up models and techniques used and independent implementation of model validation.
- Coordinating strategic projects related to the management of financial risks, including stress test, Basel II and Solvency II programmes.

Compliance & Operational Risk Management (C&O)

C&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 the structure of the business processes. The main duties of the department are defining policies, providing recommendations for ethical and controlled business conduct, coordinating and promoting operational risk control and integrity risk control and permanently monitoring process execution. SNS Bank's policy is implemented by specialist staff departments, which support the line management in the execution of that policy. The business units each have their own compliance officers. These local compliance officers functionally report to the C&O director.
The control of non-financial risks is managed by means of seven themes, which form the basis of the risk analyses to be performed periodically and provide the structure for supervision and risk reporting.

Legal Affairs (LA)

Legal Affairs prepares policy and supports 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 integrity and the duty of care.

Credit Risk Management (CRM)

Within SNS Retail Bank and SNS Property Finance, two separate and independent departments have been established for credit risk management. The departments focus on policy preparation and operational support of credit risk management and report to the CFOs of the business units. The main responsibilities of these departments are:

- Advising on the credit risk policy.
- Independent analysis of and advice on credit proposals. A separate mid-office has been established for retail and SME credit facilities within SNS Retail Bank that issues (binding) recommendations for credit facilities that do not satisfy the standard acceptance criteria.
- Record keeping and management of credit facilities and collateral. Management and settlement of loans in arrears or in default. Within SNS Property Finance, a Restructuring & Recovery (R&R) department was set up again in 2009, independent of Risk Management. R&R manages the default portfolio (this includes the management of the collateral and property projects of which SNS Bank has taken effective control). The R&R department prepares the settlement and restructuring plan and presents a proposal for the provision amount, which is to be approved by the management board. Within SNS Retail Bank the independent

Special Credits Department focuses on items at risk, like loans in arrear and loans in default.
- Preparing reports on the operational management in the area of credit risk.

Internal Control

The Internal Control department of SNS Bank assesses the (ongoing) effectiveness of control measures included in the procedures on behalf of line management. Their findings are 'weighed' using a pre-set standard, resulting in adequate management information in relation to the organisational and process goals.

As of 1 March 2010, the Internal Control department merged within the Group Audit department.

Group Audit (GA)

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 Bank.
GA carries out its audits on behalf of the Executive Board based on a predetermined risk analysis. The audits focus on the internal risk management and control system, related processing procedures and (reliability of) management information. In addition, various types of audits are performed at the request of the management boards, including certification activities for external parties.

1.6 Risk classification

SNS Bank uses an internal risk classification, thereby distinguishing six main risks.
They are reflected in the table below.

Risk	Description
Financial Risks	
Credit risk	The risk that the equity, result or continuity is threatened because a borrower/ counterparty does not comply with a financial or other contractual obligation. This also includes the possibility to impose restrictions or impediments on the transfer of credit balances from foreign countries.
Liquidity risk	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.
Market risk	The risk that the Company's equity, result or continuity is threatened by movements in the level and/or volatility of market prices.
Non-Financial Risks	
Strategic risk	The risk that strategic objectives are not achieved due to lack of response or inadequate response to changes in the environment.
Integrity risk	The risk that the codes of conduct emanating from SNS Bank standards, social standards and laws and regulations are insufficiently observed.
Operational risk	The risk that (strategic) objectives are not achieved due to unpredictability of performance, unpredictability of information or due to unforeseen losses as a result of fraud, inadequate or failing internal procedures, external events, systems or security.

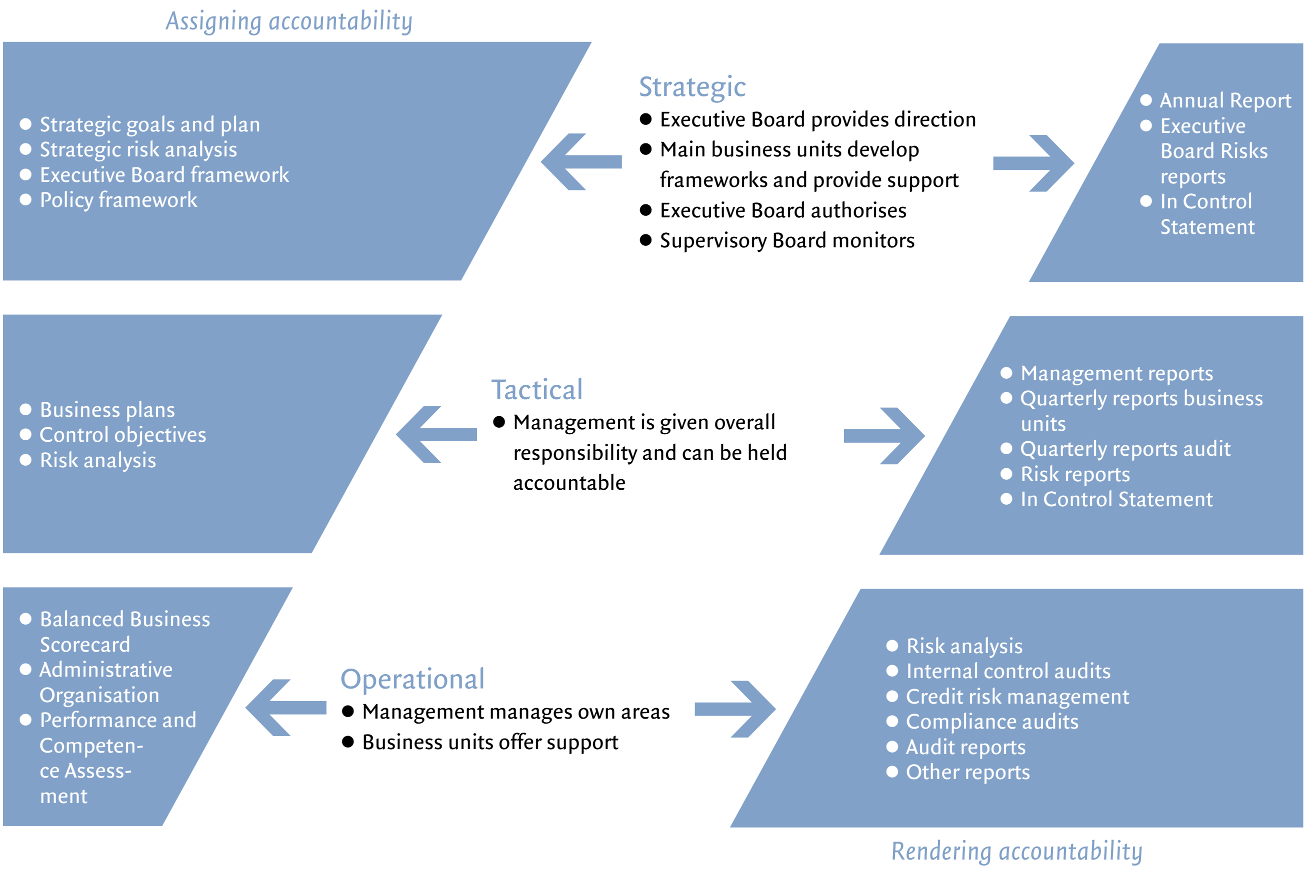
Capital is maintained for credit, market, insurance and operational risks. No capital is maintained for the liquidity risk, since the results of scenario analyses are used for internal control instead. The management of said risks is discussed in Chapter 2 and further down.

1.7 Framework for business control

Doing business requires taking risks and demands a consistent and transparent assessment of opportunities and risks, aimed at growth and the continuity of the Company. The Management Board of SNS Bank has established frameworks for the management boards in order to properly steer 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 moderate risk profile, which sets limits for taking risks and controlling risks.
- The management structure, to streamline management focus, to allocate duties and responsibilities, and to deal with new or external impulses (e.g. through takeovers and reorganisations).
- Management development programmes, to manage staff quality and appointments ('the right person in the right place').
- The remuneration structure, to manage the conduct of our employees in order to achieve goals.
- Requirements for internal processes, to steer predictability of performance, prevent unforeseen losses and ensure 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.

7 **Framework for business control**



The internal risk management and control system is geared towards the direction desired by SNS Bank. The framework for business control sets out how responsibility is awarded within SNS Bank and how this must be accounted for. This process is similar to the COSO Enterprise Risk Management system (ERM) (see Figure 7).
This framework forms the basis for controlling risk management processes in areas such as strategy, operations, integrity (including compliance) and financial reporting and reports.

The framework for business control thus offers a reasonable, albeit 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 Bank has set up a procedure to determine biannually the extent to which the management boards of each business unit are demonstrably ‘in control’. This particularly concerns the discussions between the layers of management on the risks in the business operations and the measures taken in this respect. Key input for this procedure are the regular in-control reports per business unit.
In each report the management board of each business unit states, with due observance of changes to internal and external factors, whether they have identified the main 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. The management boards state whether they expect the risk management system to work adequately during the next one-year period.
The Executive Board assesses the internal statements by the various business units and group staff departments. Together with a strategic risk analysis, these assessments form the basis for the internal statement that every Executive Board member prepares. The statements from the management boards translate into the external in-control statement, which is discussed with the Audit Committee and the Risk Committee.

2 Financial risks SNS Bank

2.1 Credit risk

Credit risk profile; general

SNS Bank recognises 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 items, which are not mortgage-backed, 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 have good ratings (see the table on page 75).

The loan portfolio of SNS Retail Bank focuses on the Dutch market in particular. This also applies to SNS Property Finance after the strategic reorientation. Currently, SNS Property Finance is focusing primarily on its existing customer base in the commercial property sector in the Netherlands. The international portfolio will be phased out in a controlled manner in 3 to 5 years' time. It has also been decided that no equity participations and loans earmarked for land acquisitions will be issued anymore, unless they are part of project financing activities.

Overview of credit risk

SNS Bank's overall credit exposure (before collateral and other credit enhancements) breaks down as follows:

In € millions	2009	2008
Investments	4,517	3,942
Derivatives	1,169	1,113
Mortgages and other loans and advances to customers	54,478	52,358
SNS Property finance	13,435	13,681
Loans and advances to banks	2,715	2,783
Other assets, no lending operations	1,905	1,447
Cash and cash equivalents	2,554	1,692
Total	**80,773**	**77,016**
Off-balance sheet commitments		
Liabilities from pledges and guarantees given	281	331
Liabilities from irrevocable facilities	1,983	3,614
Total	**83,037**	**80,961**

Credit risk

The table below gives an indication of the credit risk of SNS Bank, 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, 50% for loans entirely covered by mortgage collateral (at an LtFV equal to or below 75%) and 100% for the other loans and advances.
Below, the credit risk profile has been classified according to types of assets.

In € millions	Risk weighted assets		Regulatory capital	
	2009	2008	2009	2008
Standardised approach				
Central Government and Central Banks	225	13	18	1
Institutions	452	700	36	56
Corporates	14,238	14,613	1,139	1,169
Retail	1,312	1,163	105	93
Shares	38	63	3	5
Other assets	1,145	772	92	62
Securitisation positions	1,038	975	83	78
Internal rating based approach				
Retail mortgages	3,360	2,788	269	223
	21,808	21,087	1,745	1,687
Market risk	130	125	10	10
Operational risk	1,651	1,638	132	131
Other and transitional Capital requirements [1]	2,296	5,200	184	416
Total	**25,885**	**28,050**	**2,071**	**2,244**

[1]) The transitional requirements concern the Basel II 80% floor based on Basel I calculations which will be maintained until year end 2011.

Credit management SNS Retail Bank for investments

The investments are held particularly for the Company's own liquidity management. No investments have been made in US subprime mortgages, whether directly or indirectly.
The investments have been classified by industry, as follows:

In € millions	Fair value through profit or loss				Available for sale		Total	
	Held for trading		Designated					
	2009	2008	2009	2008	2009	2008	2009	2008
Shares and similar investments								
Banks	--	--	--	2	--	--	--	2
Trade, industry and other services	5	5	--	--	8	--	13	5
Other	4	6	--	--	--	16	4	22
	9	11	--	2	8	16	17	29
Bonds and fixed-income investments								
Public sector - domestic	2	--	34	32	465	836	501	868
Public sector - foreign	19	2	73	88	3,108	1,981	3,200	2,071
Banks	63	119	--	8	457	533	520	660
Trade, industry and other services	13	21	--	--	103	129	116	150
Other	34	14	--	--	129	150	163	164
	131	156	107	128	4,262	3,629	4,500	3,913
Total	**140**	**167**	**107**	**130**	**4,270**	**3,645**	**4,517**	**3,942**

The interest-bearing investments can be classified according to their rating, as follows:

In € millions	Fair value through profit or loss				Available for sale		Total	
	Held for trading		Designated					
	2009	2008	2009	2008	2009	2008	2009	2008
AAA	26	34	33	94	2,240	3,040	2,299	3,168
AA	9	23	--	--	691	178	700	201
A	48	62	38	34	1,220	323	1,306	419
BBB	19	6	36	--	17	2	72	8
Below BBB	--	--	--	--	82	72	82	72
Other	29	31	--	--	12	14	41	45
Total	**131**	**156**	**107**	**128**	**4,262**	**3,629**	**4,500**	**3,913**

Credit management SNS Retail Bank for loans and advances to credit institutions and derivatives

SNS Financial Markets enters into money and capital market transactions with various financial institutions as part of its treasury and funding activities.
This concerns, for example, derivative transactions for the hedging of interest rate and currency risks. Derivative transactions that are subject to a Credit Support Annex (CSA) of the International Swaps and Derivatives Association agreement have terms to maturity ranging from 1 year to 20 years. The emphasis is on longer periods to maturity. These CSAs are primarily aimed at minimising counterparty risk. Changes in the present value of all existing transactions are settled periodically on a cash basis with the relevant counterparty. In addition, a system with counterparty limits applies. This system reduces the concentration risk.

Credit management for loans and advances to customers

A distinction has been made in credit management between retail customers on the one hand and property finance and other corporate clients on the other. In addition, there is a distinction between credit management for individual customers and clients and credit management on a portfolio level.

Loans to private customers consisting of mortgage loans or consumer credit (included under other) are approved by the relevant authorised officers on the basis of acceptance standards and policy rules. The standards for acceptance and policy rules are determined in the Product Market Pricing Committee, while 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. 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 process 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 'Loan to Foreclosure Value' (LtFV) is an important risk indicator 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.

The loans and advances to customers break down according to type of security and credit risk is as follows:

In € millions	SNS Retail Bank		SNS Property Finance		Total	
	2009	2008	2009	2008	2009	2008
Residential property in the Netherlands						
- Mortgages ≤ 75% of foreclosure value	23,433	20,272	629	862	24,062	21,134
- Mortgages > 75% of foreclosure value	8,074	9,058	1,651	1,548	9,725	10,606
- Mortgages with National Mortgage Guarantee	6,303	4,973	--	--	6,303	4,973
Securitised mortgages	11,454	12,865	--	--	11,454	12,865
Residential property outside of the Netherlands	183	137	1,502	1,538	1,685	1,675
Non-residential property in the Netherlands						
- Mortgage-backed loans	1,592	1,446	6,917	6,358	8,509	7,804
- Issued to government	1,234	733	--	--	1,234	733
- Other securities	--	--	423	766	423	766
- Unsecured loans	2,205	2,874	--	--	2,205	2,874
Non-residential property outside of the Netherlands						
- Mortgage-backed loans outside the Netherlands	--	--	2,292	2,017	2,292	2,017
- Other collateral	--	--	22	592	22	592
Provisions for bad debt						
- Specific provisions	(181)	(135)	(225)	(91)	(406)	(226)
- IBNR	(15)	(12)	(14)	(7)	(29)	(19)
Total	**54,282**	**52,211**	**13,197**	**13,583**	**67,479**	**65,794**

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'. The underlying mortgage loans of securitisation transactions held in own positions for the Company's own account (€ 12,741 million, 2008: € 8,717 million) are included in the mortgages item.

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 REAAL manifests itself in the deferred purchase price and the E-notes. SNS Retail Bank has placed most E-notes externally. The amount of the deferred purchase prices was € 21 million as at year-end 2009; the position in E-notes was € 204 million as at year-end 2009.

The distribution of loans and advances breaks down as follows, according to type of segment or counterparty:

In € millions	Book value	
	2009	2008
Construction and property	13,196	13,583
Public sector	1,234	736
Agriculture	5	57
Industry	213	347
Service sector companies	461	919
Other commercial	196	274
Private clients	52,174	49,878
Total	**67,479**	**65,794**

The distribution of loans and advances breaks down as follows, according to region:

In € millions	Book value 2009	Book value 2008
The Netherlands	58,365	56,813
EMU	6,829	5,117
Canada	244	131
United Kingdom	313	1,729
United States of America	1,240	1,536
Other	488	468
Total	**67,479**	**65,794**

Notes to the credit risk profile and credit risk management SNS Property Finance

Most indicators for the credit risk of SNS Property Finance reflect the current market conditions and show a strong increase in the commercial property market risks. The increased risks translate into higher additions to the provisions and higher default rates. In addition, SNS Property Finance gained control over a number of property projects.

A reduction of commitments in outstandings is one of SNS Property Finance's main priorities. At the end of 2009, total commitments amounted to € 14.6 billion, 9% lower compared to the end of 2008. The decline was due partly to reclassification of certain loans to property projects (see also Property projects). Taking this into account, there was an underlying decline in commitments of 5%, almost entirely in the second half of 2009.

Loans outstanding and Property projects combined showed a slight increase for the whole year, from € 13.7 billion to € 13.8 billion. However, compared to the end of June (€ 14.2 billion) there was a modest decline.

The total outstanding loan portfolio of SNS Property Finance as at 31 December 2009 consisted of € 7.7 billion of investment finance (+2.5%) and € 5.5 billion of project finance (–10.2%). Loans outstanding declined by 3% in 2009, resulting in a € 13.2 billion loan portfolio as at year-end. The decline in loans outstanding was lower than the decline in commitments due to draw-downs on existing commitments.

SNS Property Finance has taken effective control of some projects in order to restructure them and reduce potential losses. SNS Property Finance has voting rights in these projects, which vary from 50% to 100%. The item property projects increased from € 120 million as at year-end 2008 million to € 599 million at the end of 2009, almost all relating to the international loan portfolio.

The average Loan to Value of SNS Property Finance's total portfolio rose in 2009 as reflected in the table below:

	2009	2008
The Netherlands	73.0%	71.9%
Europe excl. NL	86.9%	79.1%
Outside Europe	84.7%	83.5%
SNS Property Finance total	**76.9%**	**74.6%**

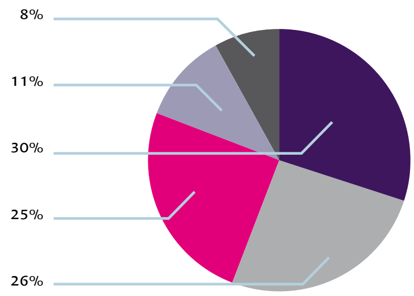
A valuation of the collateral is carried out at loan origination in order to determine the value of the collateral. In addition, the collateral value is evaluated during periodic loan revisions. A property valuation guideline is part of SNS Property Finance's review policy. At least once every three years, a professional internal or external valuer assesses the valuation of all property serving as collateral for a financing of more than € 3 million. This assessment is also performed upon interim signals indicating that the value of the collateral has shown a significantly negative development. As a result of market developments, there are currently more requests for a new valuation.

The following may be noted in respect of the Dutch portfolio:
- External valuers are usually deployed for new credit applications. Internal valuers are generally used for reviews.
- A list of valuers (A-list) is used for external valuations. Valuers that are on the A-list meet the quality requirements set by SNS Property Finance with regard to market knowledge, valuation methods and qualified personnel.
- The internal valuers are experts in their field and operate independently from the Sales department.

The following may be noted in respect of the International portfolio:

- Valuations are performed by reputable firms with international standing or by parties of repute in the countries in question.

8 International portfolio



The average Probability of Default of SNS Property Finance's portfolio rose in 2009 as reflected in the table below. A higher PD indicates that a client's or project's creditworthiness has declined as a result of a higher default probability with regard to interest and redemption of obligations.

Development of average PD rates of the non-default portfolio:

	2009	2008
The Netherlands	0.92%	0.83%
Europe excl. NL	4.63%	2.20%
Outside Europe	4.18%	3.02%
SNS Property Finance total	**1.18%**	**0.95%**

Notes to the credit risk profile and credit risk management of SNS Retail Bank

Approximately 91% of all loans and advances to customers concern private residential property financing. Private residential property financings are provided throughout the Netherlands. The south and east of the Netherlands comprise a large portion of the portfolio, although the focus now lies on growth in the west (the Randstad urban area). Our geographic spread contributes to the diversification of risks; the regional differences in the housing market and economy will also create differences in the number of defaults and the level of credit loss, or anticipated credit loss, in each region.

For SNS Retail Bank's mortgage portfolio, the weighted average LtFV at year-end 2009 was 92% (2008: 92%), based on an indexed LtFV it was 88% (2008: 83%). The foreclosure value known at the time of application is indexed with the Land Registry Office's WoningWaardeIndex. That index is updated every month. The WoningWaardeIndex is broken down into province and type of residence. Examples of type of residence are apartments or detached houses. SNS Retail Bank follows this breakdown. Generally, no new valuation reports are requested for existing residential mortgages.

In addition to the Loan to Foreclosure Value, the Probability of Default is another major risk indicator. Here, an estimate is made of the probability that obligations will not be met in the upcoming year.

The table below shows the PD risk classification of the private residential mortgages portfolio as a % of the total outstanding residential mortgages:

PD (Probability of Default) %	2009	2008
1	87.0%	87.0%
2-4	5.4%	5.4%
5-7	0.0%	0.0%
8-10	0.0%	0.0%
11-13	4.7%	4.8%
14-17	0.0%	0.0%
18-99	1.6%	1.9%
100	1.3%	0.9%

Special Credits department of SNS Bank

An essential part of the risk policy is the timely deployment of the Special Credits department. Special Credits distinguishes between loans to private customers and small and medium-sized enterprises (SME), and loans provided by SNS Property Finance.

The following table provides information on financial assets in arrears at SNS Bank.
With respect to mortgages and other loans and advances to customers this information on arrears is a main factor in determining the provision collectively.

For SNS Property Finance management uses multiple default indicators in the management of individual loans, as disclosed in the next paragraph. An arrear of more than 90 days is just one of the default indicators. The table includes the aggregate of the loans in default and the period in which they have gone into default.

In € millions	No arrears	≤ 3 Months	> 3 Months ≤ 6 Months	> 6 Months ≤ 1 Year	> 1 Year	Provision	Total
2009							
Investments	4,517	--	--	--	--	--	4,517
Derivatives	1,169	--	--	--	--	--	1,169
Mortgages and other loans and advances to customers	52,577	1,266	199	192	244	(196)	54,282
SNS Property Finance	11,838	462	194	605	337	(239)	13,197
Loans and advances to banks	2,715	--	--	--	--	--	2,715
Other assets	3,810	--	--	--	--	--	3,810
Total	**76,626**	**1,728**	**393**	**797**	**581**	**(435)**	**79,690**
2008							
Investments	3,942	--	--	--	--	--	3,942
Derivatives	1,113	--	--	--	--	--	1,113
Mortgages and other loans and advances to customers	51,049	876	119	111	203	(147)	52,211
SNS Property Finance	13,129	--	552	--	--	(98)	13,583
Loans and advances to banks	2,783	--	--	--	--	--	2,783
Other assets	2,942	--	--	--	--	--	2,942
Total	**74,958**	**876**	**671**	**111**	**203**	**(245)**	**76,574**

The following table provides information regarding provisioned loans:

In € millions	Book value non-provisioned loans	Book value provisioned loans (gross receivable)	Specific provisions	IBNR provision	Total book value	Fair value collateral for provisioned receivables
2009						
Mortgages and other loans and advances to customers	52,577	1,901	(181)	(15)	54,282	1,774
SNS Property Finance	11,838	1,598	(225)	(14)	13,197	1,434
Total	**64,415**	**3,499**	**(406)**	**(29)**	**67,479**	**3,208**
2008						
Mortgages and other loans and advances to customers	51,049	1,309	(135)	(12)	52,211	1,223
SNS Property Finance	13,129	552	(91)	(7)	13,583	529
Total	**64,178**	**1,861**	**(226)**	**(19)**	**65,794**	**1,752**

The default rate of retail mortgages increased from 0.61% to 0.85% and the non-performing loan ratio of the portfolio increased from 0.94% in 2008 to 1.08% in 2009.

SNS Property Finance Special Credits department

At SNS Property Finance, loans are declared in default on the basis of established default indicators. The default indicators used in this context include payment record, building progress, lease and sale, LTV, suspension of payment and bankruptcy, financial position, performance of obligations and external signals. One method used to determine the development of the default indicators is during periodic loan revisions. For loans with an increased risk profile, the Restructuring & Recovery (R&R) department draws up a scenario analysis in which it incorporates an optimistic, a realistic and a pessimistic scenario. Loans are valued on the basis of the realistic scenario. Not only R&R, but also the Project Control (regarding project loans), Risk Management and Finance & Control departments of SNS Property Finance are involved in the valuation of loans. R&R's proposals, including comments by Risk Management and Finance & Control, are discussed and approved by Managing Board meetings and then submitted to Group CCC, committee SNS Property Finance, for ratification. Once every quarter, the scenarios are reassessed and approved in accordance with the same procedure.

Impairments within SNS Property Finance's portfolio mostly reflect the changes in the expected 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. Scarcity of capital and liquidity has led to a reduction of recent and comparable transactions, with most recent transactions reflecting sellers in financial distress. Accordingly, recent valuations reflect careful interpretations of comparable transactions and valuation ranges are significantly wider.

Impairment charges were related mainly to projects in Spain and parts of the United States of America and to a number of loans in other countries. Impairments on loans in the Dutch portfolio were limited. Impairment charges as a percentage of loans outstanding increased from 84 basis points in 2008 to 297 basis points in 2009.

Arrears management property projects SNS Property Finance

Due to the unfavourable developments on the (international) property market, it was necessary to recover collateral provided to SNS Property Finance under a number of loans. As a result, SNS Property Finance gained effective control over property projects projects. R&R is drawing up an exit scenario with regard to these property projects. This exit scenario depends on the estimate of market circumstances and the risks associated with the project and is aimed at minimising losses on the loans originally extended. The legal, tax and financial risks associated with the exit scenario are identified and assessed by teams in which all the necessary disciplines are represented. The selected exit scenario is adopted by SNS Property Finance's Managing Board and submitted to the Group CCC, SNS Property Finance committee, for its approval.
Property projects on the balance sheet are valued at the lower of cost or net realisable value. The book value at year-end 2009 is fully based on the 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 selected 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 valuers and other experts.

The total sum of property projects on the balance sheet of SNS Property Finance amounted to € 599 million as at 31 December 2009. Of this sum, € 82 million is related to the United States (2008: € 96 million), € 13 million is related to the Netherlands (2008: nil) and € 504 million is related to Europe excluding the Netherlands (2008: € 24 million).

The unfavourable environment and outlook translates into lower rental income for real estate investors and challenging conditions for project developers to sell projects. These trends, increased risks and uncertainties are reflected in high impairments on loans and an increase in defaults, especially in the international portfolio of SNS Property Finance. The lower level of impairments in the Dutch loan portfolio reflected its more moderate risk profile. This more moderate risk profile is driven by the nature of the finance contracts coupled with Dutch property markets being more resilient than the international markets where SNS Property Finance operates.

Total provisions and impairments SNS Property Finance as at 31 December 2009

In € millions	2009
Provision of loans	239
Included in cost price of property projects[1]	295
Impairments of property projects	50
Total	**584**

[1]) In case of foreclosure of property finance, the provision of the loan is included in the cost price of the property project. Then, if necessary, the property projects are revalued to the net realisable value.

SNS Retail Bank Special Credits department

The Special Credits department focuses on retail customers and SME. It applies a uniform working method that is aimed at identifying items with risk exposure.

The control of retail and SME client payments in arrears has been almost completely automated. It compares the costs involved in arrears monitoring 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 or writing a letter. 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.

Every quarter, the Special Credits department proposes a provisions level to SNS Retail Bank's Credit Committee.

The credit rating of SNS Retail Bank's mortgage portfolio deteriorated in 2009 compared to the mortgage portfolio in 2008. This was the result of slow economic growth, gradually increasing unemployment rates and falling prices on the housing market in the Netherlands.

In 2009, 180 foreclosure sales were made in respect of residential mortgages, which generated approximately 63% cover for the outstanding loans (2008: 69%). 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-defaults (IBNR).

The default rate of the residential mortgage portfolio increased from 0.61% in 2008 to 0.85% in 2009 and the non performing loans ratio increased from 0.94% to 1.08% in 2009.

2.2 Market risk

The market risk is the risk that the Company's equity, result or continuity is threatened by movements in the level and/or volatility of market prices. Market prices include interest rates, stock prices and exchange rates.
Interest rate risk is a significant component of SNS Bank's moderate risk profile. Interest rate risks arise due to the fact that SNS Bank's assets and liabilities have a different interest rate sensitivity. The assets on the bank's balance sheet generally have a longer duration than the liabilities. Given this balance sheet structure, SNS Bank will normally benefit from decreasing interest rates. SNS Bank's market risks, including those of SNS Property Finance, are managed by SNS Bank's ALM Committee.
When managing the SNS Bank's interest rate position, assessments are made to establish whether the risks fall within pre-set limits. Managing 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.
When managing interest rate risk, rather than considering separate items, SNS Bank looks at the total of interest-bearing assets and liabilities, including interest rate swaps. Interest rate swaps are used to lower the sensitivity of the present value of the cash flows of mostly (new) mortgages arising from changes in interest rates. See paragraph 5.1 Hedging SNS Bank and 5.2 Hedge accounting for more information.

Market risk of SNS Bank's bank book

On-balance sheet interest rate risk

The interest rate risk in the bank's portfolio is measured, monitored and managed using duration, Value-at-Risk (VaR), Earnings-at-Risk (EaR) and gap analyses.

Both VaR and EaR are determined on the basis of scenario analyses. Changes in the fair value of shareholders' equity and changes in the interest margin are determined for many underlying interest rate scenarios. 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 SNS Bank. 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 outcome of changes in the fair value of shareholders' equity. A fixed interest rate position is used as the basis for EaR, with a confidence level of 95%: how much does it cost to refinance the interest rate gaps in one year given the current interest rate position and taking into account various interest rate scenarios. For VaR, the balance sheet position at the reporting date is used for simulating the value adjustments. VaR and EaR are calculated both using a one-year horizon as from the reporting date. The VaR figures are before taxation and the EaR figures are after taxation.

The duration of shareholders' equity is the primary indicator for interest rate risk. The bandwidth of this indicator is between 0 and 10 for 2009. The Group ALCO sets a new bandwidth each year. The duration of shareholders' equity amounted to 6.2 as at year-end 2009 (year-end 2008: 8.4). In 2009, the duration of shareholders' equity amounted to a maximum of 7.2 (July 2009). The duration was structurally kept between 6 and 7 in the last months of 2009.

During 2009, the Value-at-Risk (VaR) was € 406 million on average, with a maximum of € 447 million at the end of October, and a minimum of € 333 million at the end of February. At year-end 2009, the VaR was € 433 million.

The Earnings-at-Risk (EaR) had a € 25 million limit in 2009. On average, the EaR was approximately € 25 million, with a maximum of € 30 million in August and December. The limit was exceeded. However, the costs for any adjustment would have been high in relation to the risk reduction. For that reason, the excess was considered acceptable. The current limit is very conservative in both absolute and relative terms. New and more robust methods are being developed.
In the first six months of the year, basis swaps were concluded in order to partially hedge the increased sensitivity in earnings. In the second half of the year, a substantial volume of derivatives was countertraded.

In addition to the duration of shareholders' equity, Value-at-Risk and Earnings-at-Risk, the net (assets minus liabilities) position of redeeming nominal amounts per interest rate period is a key objective. These amounts are presented in a 'gap profile'. The table below illustrates the term to maturity gap profile of SNS Bank on the basis of the expected remaining term to maturity. This includes the estimates for early redemption behaviour in the mortgage and loan portfolios of SNS Retail Bank and SNS Property Finance. An estimate is also made of the outflow of savings and loans at SNS Retail Bank. The gap profile is used to determine which maturities in the gap profile need to be adjusted to the desired level using interest rate swaps. Hence, duration of shareholders' equity and the gap profile are the main tools to manage the interest rate position.

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Provision	Total
2009							
Assets							
Investments (interest-bearing)	188	590	171	940	2,611	--	4,500
Derivatives	177	613	170	65	144	--	1,169
Loans and advances to customers	17,717	5,755	7,670	22,329	14,443	(435)	67,479
Loans and advances to banks	2,220	93	292	110	--	--	2,715
Other assets	1,273	649	--	--	--	(50)	1,872
Cash and cash equivalents	2,554	--	--	--	--	--	2,554
	24,129	**7,700**	**8,303**	**23,444**	**17,198**	**(485)**	**80,289**
Off-balance sheet products	1,940	22,779	6,236	2,413	5,360	--	38,728
Total assets	**26,069**	**30,479**	**14,539**	**25,857**	**22,558**	**(485)**	**119,017**
Liabilities							
Participation certificates and subordinated debt	138	281	1,140	--	--	--	1,559
Debt certificates	3,029	24,380	1,154	1,504	674	--	30,741
Derivatives	452	453	343	500	499	--	2,247
Savings	1,896	3,795	7,315	7,089	4,340	--	24,435
Other amounts due to customers	4,802	1,263	821	1,329	1,620	--	9,835
Amounts due to banks	3,345	2,849	925	--	--	--	7,119
Other liabilities	1,919	--	--	--	--	--	1,919
	15,581	**33,021**	**11,698**	**10,422**	**7,133**	**--**	**77,855**
Off-balance sheet products	8,847	8,777	6,634	9,680	9,659	--	43,597
Total liabilities	**24,428**	**41,798**	**18,332**	**20,102**	**16,792**	**--**	**121,452**
Interest rate sensitivity gap (assets-liabilities)	**1,641**	**(11,319)**	**(3,793)**	**5,755**	**5,766**	**(485)**	**(2,435)**

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Provision	Total
2008							
Assets							
Investments (interest-bearing)	107	438	461	747	2,160	--	3,913
Derivatives	187	543	225	56	102	--	1,113
Loans and advances to customers	14,283	5,696	7,496	22,919	15,645	(245)	65,794
Loans and advances to banks	1,615	1,044	124	--	--	--	2,783
Other assets	1,281	166	--	30	--	(76)	1,401
Cash and cash equivalents	1,692	--	--	--	--	--	1,692
	19,165	**7,887**	**8,306**	**23,752**	**17,907**	**(321)**	**76,696**
Off-balance sheet products	8,058	22,740	6,730	243	2,616	--	40,387
Total assets	**27,223**	**30,627**	**15,036**	**23,995**	**20,523**	**(321)**	**117,083**
Liabilities							
Participation certificates and subordinated debts	150	304	1,235	--	--	--	1,689
Debt certificates	3,196	22,517	895	2,391	1,283	--	30,282
Derivatives	494	318	278	563	491	--	2,144
Savings	1,404	2,811	6,433	7,305	3,906	--	21,859
Other amounts due to customers	4,460	1,616	1,124	1,415	1,569	--	10,184
Amounts due to banks	1,827	2,546	2,118	--	--	--	6,491
Other liabilities	1,642	--	--	--	--	--	1,642
	13,173	**30,112**	**12,083**	**11,674**	**7,249**	**--**	**74,291**
Off-balance sheet products	9,153	5,988	5,235	10,758	9,253	--	40,387
Total liabilities	**22,326**	**36,100**	**17,318**	**22,432**	**16,502**	**--**	**114,678**
Interest rate sensitivity gap (assets-liabilities)	**4,897**	**(5,473)**	**(2,282)**	**1,563**	**4,021**	**(321)**	**2,405**

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 risk that SNS Bank runs as a result of this quotation risk. The quotation risk on fixed-rate mortgages is limited by a VaR limit of € 16.1 million (2% of the gross interest margin). The average quotation VaR for fixed-rate mortgages was € 3.7 million in 2009. The quotation VaR remained within the limit throughout 2009.

In 2009, many new capped-rate mortgages were concluded. During the year, the embedded options in these mortgages were structurally hedged with interest rate caps. As at year-end 2009, 52% of these embedded options in both offered and executed mortgages were hedged with interest rate caps.

Exchange rate risk

All of SNS Bank's exchange rate positions are measured monthly and hedged on a structural basis. The table below gives an indication of the exchange rate position of SNS Bank.

In € millions	Balance debit		Balance credit		Balance		Hedge derivatives	
	2009	2008	2009	2008	2009	2008	2009	2008
US dollar	1,325	1,048	1,011	1,579	314	(531)	(313)	474
Japanese yen	4	35	78	419	(74)	(384)	74	357
Pound Sterling	153	131	890	335	(737)	(204)	735	187
Swiss franc	3	3	210	222	(207)	(219)	206	218
Canadian dollar	201	135	11	98	190	37	(190)	(43)
Australian dollar	154	3	598	501	(444)	(498)	445	494
Hongkong dollar	3	4	239	341	(236)	(337)	236	300
Danish krone	474	194	1	7	473	187	(474)	(192)
Other	94	6	298	494	(204)	(488)	207	496
Total	**2,411**	**1,559**	**3,336**	**3,996**	**(925)**	**(2,437)**	**926**	**2,291**

The maturities of the hedged positions and the derivatives in the context of foreign currency are equal.

Sensitivity test interest risks and shares SNS Bank

The interest rate risks of SNS Bank can be illustrated by a sensitivity analysis. This analysis shows the impact of an immediate parallel shift of the yield curve of +1 and –1%, and an immediate shock in stock prices of +10% and –10% on the fair value of shareholders' equity, the result and shareholders' equity. The table shows the effects of the immediate parallel interest rate shift at year-end 2009 on the fair value of shareholders' equity, including embedded options. The duration of shareholders' equity at year-end 2009 is lower than at year-end 2008, which is expressed by the decreased market value sensitivity in the +1% scenario. Due to the positive duration, an increase in interest rates negatively affects market value, but this is partly offset by the embedded options in the products. The sensitivity to a parallel 1% decrease in interest rates is also reduced by the embedded options.

The sensitivity of the result to interest rate fluctuations is calculated in the following static method: for the first 12 monthly gaps in the year-end 2009 balance sheet. The changes in the interest margin are calculated in the event that interest rates immediately rise or fall by 1% (parallel shift). The results are after tax.

In € millions	Fair value equity		Result		Shareholders' equity	
	2009	2008	2009	2008	2009	2008
Interest rate +1%	(77)	(84)	113	24	(219)	(147)
Interest rate - 1%	(14)	(10)	12	(21)	219	147
Shares +10%	--	1	--	--	--	1
Shares -10%	--	(1)	--	--	--	(1)

Effective interest rates SNS Bank

The table below shows the average effective interest rates of SNS Bank throughout the year with respect to monetary financial instruments not held for trading.

In percentages	2009	2008
Assets		
Investments held for sale (interest bearing)	3.7%	4.3%
Mortgages	4.6%	4.9%
Property finance	3.8%	5.8%
Other loans and advances to clients	4.2%	6.8%
Loans and advances to banks	1.0%	3.5%
Liabilities		
Participation certificates and subordinanted debt	5.4%	6.1%
Debt certificates	2.7%	4.7%
Savings	3.8%	3.7%
Other amounts due to clients	2.7%	3.8%
Amounts due to banks	1.9%	2.8%

Market risk - SNS Bank's trading portfolio

The market risk of SNS Bank's trading portfolio is measured on a daily basis in terms of Value-at-Risk (VaR) (99%) and stress testing, both with a one-day horizon. The following table shows the limits for the different trading portfolios. The total limit in terms of VaR for the trading portfolio amounted to € 2.9 million. The combined limit of the capital market desk and the financial institutions credit portfolio is much higher than last year's combined limit. This is due to the fact that credit spreads have also been included in the VaR calculations as from 2009. Because the financial institutions credit portfolio mostly comprises bonds from financial institutions (fixed-income and floating), this portfolio was affected the most.

The system of limits functioned well in 2009. The VaR methodology consists of (Monte Carlo) scenario analyses. The underlying scenarios for the Monte Carlo method are based on historical data. Stress tests are carried out on a regular basis by all trading desks. These, too, have defined limits.

In € thousands	Limit			
	Value-at risk (99% on daily basis)		Stress test	
	2009	2008	2009	2008
Customer desk	100	100	300	300
Money market desk foreign currency	400	600	1,200	1,800
Money market desk euro	--	150	--	450
Capital market desk	75	600	225	1,800
Creditbook Financials	1,250	--	3,750	--
Interest rate desk	150	150	450	450
Off-balance desk	300	300	900	900
Equity desk	250	500	750	1,500
Bond desk	350	850	1,050	2,550
Total	**2,875**	**3,250**	**8,625**	**9,750**

2.3 Liquidity risk

Liquidity risk is the risk that the organisation does not have (sufficient) funding and liquidity to meet its financial obligations in the short term. SNS Bank pays considerable attention to the management of their exposure to this risk to the extent that they have sufficient reserves at their disposal and always remains able to meet their financial obligations. The liquidity risk management has been organised in such a way that SNS Bank is absorbing the impact of banking-specific stress factors, such as tension in the money and capital markets.

SNS Bank is the largest borrower within SNS REAAL. SNS Bank has a broad investor base, an extensive range of financing instruments and easy access to the international money and capital markets. In the first six months of 2009, the financial capital markets opened up to transactions under the credit guarantee scheme of the Dutch State. Under the guarantee scheme, SNS Retail Bank attracted € 5.2 billion of wholesale funding, with maturities ranging from 2 to 5 years. In the second half year, SNS Bank made its first public covered bond transaction with a volume of € 1 billion and a maturity of 6 years.
To further reinforce its liquidity position, SNS Retail Bank effectuated an on-balance sheet securitisation transaction in 2009, keeping practically all securities issued on own book. These securities may serve as collateral for loans taken out at the European System of Central Banks (ESCB). In addition, SNS Retail Bank greatly improved its position on the savings market, thanks to successful savings campaigns. Total savings volume increased by € 2.6 billion in 2009. For more information on funding methods on the capital market in 2009, see the chapter on Funding and credit ratings.
SNS Retail Bank's low risk profile is emphasised as SNS Retail Bank has no subprime mortgages, conduits / asset-backed commercial paper (ABCP) or structured investment vehicles (SIVs).

The liquidity risk policy of SNS Bank has four elements:
1 Liquidity management on a going concern basis
2 Diversification in the funding portfolio
3 Liquidity of assets
4 Planning for unforeseen events

The liquidity risk management of SNS Bank 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 SNS Bank and take place in accordance with the regulatory guidelines in this field. An important indicator of liquidity risk is the surplus in the liquidity test of the Dutch Central Bank (weekly and monthly). A going concern situation is assumed with expiration of existing funding and a certain degree of stress on savings and credits.

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 government bonds.

SNS Bank periodically carries out bank-wide stress tests in which liquidity risk plays an important role. The liquidity stress test takes into account the drying-up of funding on the money and capital markets as well as a downgrade of SNS Bank by 2 notches by the rating agencies. For a more detailed description of stress tests, reference is made to capital management in chapter 6, Risk Management.

Management of liquidity risks

The liquidity risks are managed on the basis of the net (assets less liabilities) nominal amounts due per contractual maturity in a liquidity gap profile. The following table represents the gap profile of SNS Bank at year-end 2008 and 2009 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' bucket. In practice, the products have a longer liquidity profile. For mortgages, the contractual maturity is maintained without taking into account prepayments.

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Provision	Total
2009							
Assets							
Investments (interest-bearing)	113	188	284	1,160	2,755	--	4,500
Derivatives	55	4	104	479	527	--	1,169
Loans and advances to customers	4,379	1,306	1,954	4,152	56,123	(435)	67,479
Loans and advances to banks	2,695	--	--	20	--	--	2,715
Other assets	3,827	--	--	649	--	(50)	4,426
	11,069	**1,498**	**2,342**	**6,460**	**59,405**	**(485)**	**80,289**
Liabilities							
Share holders' equity	--	--	--	--	2,434	--	2,434
Participation certificates and subordinated debts	--	--	--	426	1,133	--	1,559
Debt certificates	525	1,306	4,116	12,479	12,313	--	30,739
Derivatives	20	49	151	1,070	958	--	2,248
Savings	19,294	1,744	835	2,104	458	--	24,435
Other amounts due to customers	7,017	704	230	652	1,232	--	9,835
Loans and advances to banks	1,506	151	3,232	1,597	633	--	7,119
Other liabilities	1,920	--	--	--	--	--	1,920
	30,282	**3,954**	**8,564**	**18,328**	**19,161**	**--**	**80,289**
Nett liquidity gap	**(19,213)**	**(2,456)**	**(6,222)**	**(11,868)**	**40,243**	**(485)**	**--**
2008							
Assets							
Investments (interest-bearing)	110	91	550	1,261	1,901	--	3,913
Derivatives	34	45	209	437	388	--	1,113
Loans and advances to customers	1,998	446	2,390	4,704	56,501	(245)	65,794
Loans and advances to banks	2,752	4	6	21	--	--	2,783
Other assets	2,972	--	--	196	--	(76)	3,092
	7,866	**586**	**3,155**	**6,619**	**58,790**	**(321)**	**76,695**
Liabilities							
Share holders' equity	--	--	--	--	2,404	--	2,404
Participation certificates and subordinated debts	--	--	136	422	1,131	--	1,689
Debt certificates	574	1,531	3,111	9,397	15,669	--	30,282
Derivatives	46	64	265	909	860	--	2,144
Savings	13,404	1,916	3,828	2,207	504	--	21,859
Other amounts due to customers	6,040	417	1,285	1,145	1,297	--	10,184
Loans and advances to banks	2,542	185	1,221	1,234	1,309	--	6,491
Other liabilities	1,642	--	--	--	--	--	1,642
	24,248	**4,113**	**9,846**	**15,314**	**23,174**	**--**	**76,695**
Nett liquidity gap	**(16,382)**	**(3,527)**	**(6,691)**	**(8,695)**	**35,616**	**(321)**	**--**

3 Non-financial risk management

Apart from financial risks, SNS Bank also recognises non-financial risks, i.e. operational and integrity risks. With regard to these risks, SNS Bank's policy aims at achieving as thorough an integration as possible in the business operations management. For this reason, the control structures for integrity risks, operational risk, corporate governance, Basel II, are virtually full overlaps and are thus part of the framework for business control (see paragraph 1.7).
The key components for controlling operational risk and integrity risk are:

- Allocating unambiguous tasks and responsibilities. For the allocation of duties and responsibilities, SNS Bank opted for the 3 lines of defence model. In this model, line management is primarily responsible for business practices, managing risks and decision-making. They do so within the framework outlined in the risk policy. The staff departments in the 2nd line supporting the line management are responsible for methods, techniques and tooling, but do not have discretionary powers. In addition, the group departments provide the line management with both solicited and unsolicited advice. In case of a difference of opinion, escalation to the next-higher echelon is possible. The 3rd line is formed by Group Audit, which tests the set-up and functioning of the full system.
- Establishing the risk tolerance for non-financial risks. This is done by establishing the basic principles for integrity and operational risk management. Divided into seven themes, 50 principles have been established with which the set-up of the organisation has to comply. These seven themes are:
  - Employee integrity
  - Customer integrity
  - Business process integrity
  - Product integrity
  - Information integrity
  - Risk management integrity
  - Partnership integrity
- These basic principles form the basis of the integrated risk analyses to be performed periodically. In performing these analyses, the department directors within the business units and the group staff directors themselves determine to what extent the structure of the business operations and the conduct of employees comply with the principles set out in those basic principles, thereby facilitated by experienced risk managers. The most important risk management measures are identified and established for the processes recognised as 'high gross risk'. Line management is responsible for demonstrating the effectiveness of these measures. All department directors and group staff directors prepare an In Control statement twice a year. These internal statements provide a picture of the quality of the business operations per business unit. Together with an analysis of the external threats, these In Control statements form the basis for the internal In Control statement to be prepared by the management board of each business unit twice a year. This will be discussed with the risk committee within the Supervisory Board. The internal auditor performs regular audits of the system's set-up and functioning to test this entire system. In addition, C&O has identified the high compliance risks. The audit planning of Group Audit is also based on this risk assessment.
- A risk analysis is performed for all major changes within SNS Bank. The basic principles for integrity and ORM form the control framework for major changes within SNS Bank. At the start of major programmes, the basic principles form the basis for setting the requirements which the final programme must meet. Upon completion of the programme and as part of the discharge from liability, the programme compliance with the prerequisites set at the beginning of the process is established.
- Any shortcomings found will be followed up. If the risk analyses performed, the audits by the internal or external auditor, or the examinations by the supervisory body show that the principles included in the basic principles are not complied with, corrective measures will be taken in this respect. If they relate to high risk areas, these measures will be monitored. This means that measures not realised within the agreed date will be reported to the Executive Board and the Supervisory Board.

This risk management and control system is primarily aimed at keeping business operations within SNS Bank manageable.

To calculate the capital requirement on the basis of operational risk, the standardised approach for SNS Bank is used. This means that an amount for Economic Capital is allocated to calculate Pillar 1 on the basis of a fixed percentage of turnover per business line of the bank. This amount is validated in-house by means of a scenario analysis incorporating the financial risk. The results of these risk analyses are important input for preparing the scenarios

4 Disclosures on financial instruments

4.1 Fair value of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS Bank. 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 Bank and should therefore not be interpreted as such.

In € millions	fair value	book value
2009		
Financial assets		
Investments		
- Fair value through profit or loss: Held for trading	140	140
- Fair value through profit or loss: Designated	107	107
- Available for sale	4,270	4,270
Derivatives	1,169	1,169
Loans and advances to customers	69,566	67,479
Loans and advances to banks	2,715	2,715
Other assets	566	566
Cash and cash equivalents	2,554	2,554
Total financial assets	**81,087**	**79,000**
Financial liabilities		
Participation certificates and subordinated debt	1,433	1,559
Debt certificates	30,575	30,739
Derivatives	2,247	2,247
Savings	24,259	24,435
Other amounts due to customers	9,244	9,835
Amounts due to banks	7,110	7,119
Other liabilities	1,458	1,458
Total financial liabilities	**76,326**	**77,392**
2008		
Financial assets		
Investments		
- Fair value through profit or loss: Held for trading	167	167
- Fair value through profit or loss: Designated	130	130
- Available for sale	3,645	3,645
Derivatives	1,113	1,113
Loans and advances to customers	65,417	65,794
Loans and advances to banks	2,783	2,783
Other assets	571	571
Cash and cash equivalents	1,692	1,692
Total financial assets	**75,518**	**75,895**
Financial liabilities		
Participation certificates and subordinated debt	1,223	1,689
Debt certificates	30,267	30,282
Derivatives	2,144	2,144
Savings	21,629	21,859
Other amounts due to customers	9,343	10,184
Amounts due to banks	6,529	6,491
Other liabilities	1,327	1,327
Total financial liabilities	**72,462**	**73,976**

The fair values represent the amounts at which the financial instruments could have been traded between knowledgeable, willing parties in arm's length transactions on the balance sheet date. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If market prices were not observable, various techniques were developed in order to arrive at an approximation. 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 value. One possible consequence is that the fair values shown may not represent a good approximation of the direct sale value.

For financial assets and liabilities valued at amortised cost, the fair value is shown excluding accrued interest. The accrued interest from these investments is shown in the column other assets. The following methods and assumptions are used to determine the fair value of financial instruments.

Financial assets

Investments

The fair value of equities and convertible bonds is based on quoted market prices. The fair value of interest-bearing securities, excluding mortgage loans, is also based on stock 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 value of non-publicly traded derivatives depends on the type of instrument and is based on a discounted cash flow model or an option valuation model.

Loans and advances to customers and banks

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 the loans and advances and by type of client groups to which the loan/advance relates. In determining the expected cash flows, the effect of any future early redemption is taken into account.

The yield curve used to determine the present value of the cash flows of mortgage loans is the swap rate, increased by risk surcharges derived from the development of mortgage rates compared to the swap rate. In calculating the present value of cash flows from property finance, higher risk surcharges are applied.
For other loans and advances to customers and loans and advances to banks, the SNS Bank cost-of-fund curve is applied.

Other assets

Because of the predominantly short term nature of other assets the book value is considered to be a reasonable approximation of their fair value.

Cash and cash equivalents

The book value of the liquid assets is considered to be a reasonable approximation of their fair value.

Financial liabilities

Participation certificates and subordinated debt

The fair value of the participation certificates and subordinated debts is estimated by calculating the present value of the cash flows, making use of the prevailing interest rate plus risk surcharge for similar instruments.

Debt certificates

The fair value of debt certificates is estimated on the basis of the present value of the cash flows, making use of the prevailing interest rate for similar instruments.

Amounts due to customers and banks

The fair values of instantly retrievable deposits and deposits without specified maturities have been determined by the use of a discount factor which takes into account the observable lapse and the prevailing interest rate for similar instruments. The fair value of deposits with specified maturities are estimated on the basis of the expected present value of future cash flows, using the interest rate currently applicable to deposits with a similar remaining life.
The fair value of amounts due to banks is 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 fair value.

Interest rate

The interest rate used in determining fair value is based on market yield curves on the balance sheet date.

4.2 Hierarchy in determining the fair value for 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).

In € millions	Based on published stock prices in an active market (Level 1)	Based on observable market data (Level 2)	Not based on observable market date (Level 3)	Total 2009	Total 2008
Financial assets					
Investments:					
- Fair value through profit or loss: held for trading	9	131	--	140	167
- Fair value through profit or loss: designated	105	2	--	107	130
- Available for sale	3,576	682	12	4,270	3,645
Derivatives	1	1,168	--	1,169	1,113
Financial liabilities					
Derivatives	--	2,247	--	2,247	2,144

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 government 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 is determined using models with observable market data as their input variables. These instruments mainly include non public 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 valuations prepared by external valuation agencies are used. These valuations used information unobservable in the market, such as assumed default rates belonging to certain ratings.

The Not based on observable market data category shows the following change in 2009.

	2009
Balance as at 1 January 2009	15
Total gains or losses:	
- in profit or loss	(3)
Balance as at 31 December 2009	**12**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**(3)**

In € millions	Not based on available market data (Level 3)	
	2009	2008
Bonds issued by financial institutions	12	15

The fair value of financial instruments classified in level 3 is partly based on non-observable market data. The main non-observable market 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.

In 2009, no movements occurred between the level 1, 2 and 3 investments.

Impairments broken down according to level

The table below shows how impairments on financial instruments are broken down into the categories Level 1, 2 and 3.

In € millions	Fair value based on published stock prices in an active market (Level 1)	Based on available market data (Level 2)	Not based on available market data (Level 3)	Total	
				2009	2008
Financial assets					
Investments: - Equities	1	--	--	1	2

SNS Bank recognises impairments on equity instruments if the market value has declined to 25% or more below its cost, or has declined below its cost for at least 9 months.

SNS Bank recognises impairments on debt instruments if there is a loss event with regard to the debt instrument. To identify this, the debt instruments are periodically assessed on the basis of a number of criteria set by the Group ALCO.

Debt instruments meeting one or more of the above criteria are analysed and assessed individually to determine whether there is a loss event.

4.3 Liquidity maturity calendar for financial liabilities

The table below shows the non-discounted cash flows ensuing the most important financial liabilities, other than derivatives, broken down according to contractual maturity date.

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Total
Participation certificates and subordinated loans	--	(9)	(323)	(723)	(1,675)	(2,730)
Debt certificates	(562)	(2,830)	(5,623)	(14,763)	(15,792)	(39,570)
Savings	(19,354)	(1,722)	(1,749)	(1,965)	(538)	(25,328)
Total	**(19,916)**	**(4,561)**	**(7,695)**	**(17,451)**	**(18,005)**	**(67,628)**

The table below shows the non-discounted cash flows ensuing from all derivates contracts, broken down according to maturity date.

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Total
Interest rate derivatives	(17)	(207)	(1,152)	(838)	(319)	(2,533)
Curreny contracts	(19)	(3)	(24)	(8)	(3)	(57)
Total	**(36)**	**(210)**	**(1,176)**	**(846)**	**(322)**	**(2,590)**

For further explanation with regard to the management of the liquidity risk we refer to paragraph 2.3.

5 Hedging and hedge accounting

SNS Bank uses various strategies to hedge its interest rate, market value and exchange rate risks with regard to its solvency. In 2009, this strategy was further fleshed out, e.g. by acquiring interest-rate options. In addition, interest rate swaps and currency swaps were used. 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 reflect the degree to which SNS Bank is active in the relevant markets. Derivatives held for trading purposes are not included in this overview.

In € millions	Notional amounts				Fair value	
	Total	≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Positive	Negative
2009						
Interest rate contracts:						
- Swaps and FRAs	76,115	6,027	46,736	23,352	789	(1,828)
- Options	2,263	160	1,238	865	62	(12)
Currency contracts						
- Swaps	2,919	628	2,016	274	75	(163)
Total	**81,297**	**6,815**	**49,990**	**24,492**	**925**	**(2,002)**
2008						
Interest rate contracts:						
- Swaps and FRAs	70,328	5,789	19,499	45,040	537	(1,454)
- Options	911	425	511	(25)	15	(9)
Currency contracts						
- Swaps	2,891	946	1,524	421	236	(333)
Total	**74,130**	**7,160**	**21,534**	**45,436**	**788**	**(1,796)**

The notional amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying value of the primary financial instruments. These notional amounts provide no indication of the size of the cash flows nor of the market and credit risks attached to the transactions.

5.1 Hedging SNS Bank

SNS Bank uses derivatives for the following purposes:

- to manage the interest rate risk of the bank book. The policy is that the duration of the interest-bearing asset ranges between 0 and 10.
- to 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 clients.
- to convert fixed-rate funding into floating-rate funding.
- to hedge the risks relating to hybrid savings products.
- to hedge the quotation risk when offering mortgages.
- to hedge exchange rate risks by converting non-euro funding into euro funding.
- to hedge risks in investment portfolios.

5.2 Hedge accounting

With regard to the majority of the hedge strategies explained above, SNS Bank 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 Bank 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 of embedded derivatives in mortgages (macro hedge)

SNS Bank sells 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 to a large extend counters fluctuations in the result caused by volatility in the six-month interest rate.

Hedging of interest rate risk on funding (micro hedge)

SNS Bank 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 euro and the fixed rate into a floating rate, we also use derivatives to swap structured funding to floating-rate funding. In structured funding, the funding charge is related to, for example, an equity or inflation index. Interest rate structures such as floating-rate coupons with a multiplier or a leverage factor also fall under the funding programme.

Hedging of interest rate risk on investments (macro hedge)

SNS Bank also hedges fixed-income government bonds by swapping the coupon to a floating rate and by selling bondfutures (bobl-, bund- and schatz-futures). Through these instruments, the interest rate risk is hedged. The country or credit spread which is present in the investment is not part of the hedge. The hedges are protection for the accumulated revaluation reserve of the fixed-income investments.

Cash flow hedges

Hedging the quotation risk of mortgages

SNS Bank hedges the mortgage quotation risk 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. If the hedge is no longer recognised the value accrued during the duration of the funding is amortised to the result. The accrued value in shareholders' equity was € 23 million on 31 December 2009.

Hedging of floating interest rate cashflows on funding and mortgages

SNS Bank covers the risks of floating interest rate cash flows on floating interest rate funding and floating interest rate mortgages 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 of equity on December 31, 2009 was € 46 million, of which € 38 million related to the basis swaps entered into.

6 Capital management

SNS Bank's capital management is primarily aimed at maintaining a solid A rating at the rating agencies. In addition, active capital management is required to continuously meet the more stringent requirements for the financial sector set by external parties, such as supervisory authorities. With its active capital management, SNS Bank aims for a larger number of analyses and improved returns on its activities.

In 2009, there was enormous pressure created from the market and the supervisory authorities to further strengthen capital levels in the financial sector. Further on, there is a desire to improve the quality of capital.

Objectives and standards framework

SNS Bank's capitalisation policy focuses on the optimisation of the capital structure in such a manner that it contributes to the realisation of the Company's strategic objectives. At the same time, SNS Bank also seeks to maintain a healthy balance between the amount of capital and the risks it runs.

The restrictions set by the Dutch Central Bank, European regulations, rating agencies and internal requirements regarding capital adequacy are taken into account in determining the capital structure.

Main developments
SNS Bank received a capital injection of € 70 million in September and € 80 million in December.
In November, SNS Bank effected a Tier 1 exchange. This entailed an offer for two existing hybrid Tier 1 transactions and an issue of new hybrid Tier 1 capital by SNS Bank. SNS Bank reinforced its capital position with this transaction.

SNS Bank strives for solvency standards as outlined in the table below.

Solvency standards:

In € millions	Standard	Target	Realisation	
			2009	2008
SNS Bank	BIS ratio	>11%	13.9%	14.0%
	Tier 1 ratio	>10%	10.7%	10.5%
	Core capital ratio	> 8%	8.3%	8.1%

SNS Bank calculates its solvency according to Basel II regulations. Under the calculation methodology of Basel II, Pillar 1, SNS Bank's BIS ratio at year-end 2009 amounted to 13.9%. This includes the risk types credit risk, market risk of trading portfolios and operational risk, and applies the IRB method for the credit risk for retail mortgages.

Capital management framework
In assessing capital adequacy, SNS Bank takes into account the economic risks of the underlying activities. These risks are assessed using stress tests, Basel II pillar 1 calculations and economic capital calculations. SNS Bank's capitalisation is aimed at achieving a single A rating. SNS Bank'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.

Required economic capital
SNS Bank uses economic capital to support the management of the Company and the business units in long-term value creation. 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. The economic capital thus calculated provides a basis for value creation and performance management. In assessing capital adequacy, SNS Bank takes into account any uncertainties in the economic capital models. These uncertainties are translated into separate surcharges and added to the unadjusted economic capital.

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 Bank 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.

Results of European and Dutch stress tests:

DNB stress tests
In March 2009, SNS Bank performed a stress test at the request of DNB. DNB drew up a basic scenario and a stress scenario for two subsequent years, taking the poor conditions in the financial markets of March 2009 as its basic assumption, and in which further deteriorations appear, such as a considerable decrease in value of residential property and offices and unemployment rates rising to approximately 10%. In both scenarios, SNS Bank exceeds the minimum statutory solvency and liquidity requirements.

EC viability plan and EC stress test
The Ministries of Finance in Europe must submit a plan for all financial institutions that received state support in order to demonstrate that the state support is not used improperly and that the institution in question is viable and capable of repaying the state capital support within a very short period. The EC requires banks that received a considerable amount of state support to draw up a robust restructuring plan. For Institutions with less state support a viability plan is sufficient. SNS Bank, as part of SNS REAAL, submitted a viability plan on 16 October 2009.

This plan discussed the following issues:
- The amount of state support. Compared to other institutions, SNS Bank received a relatively modest amount of support only once. That is why SNS Bank does not have to submit a restructuring plan, but a viability plan.
- The size of the institution / market share. In virtually all markets, except for project loans of SNS Property Finance, SNS Bank has a modest market share (less than 20%). In order to avoid market disruptions due to the state support, SNS Bank will keep prices consistent with market practice, give up making any major acquisitions for the time being and refrain from making any advertising statements referring to state support.

- Sound operating results. Part of the viability plan is a stress test for SNS Bank. The outcome of the EC stress test indicates that in the years ahead, there is sufficient capacity to repay the state support in both the basic scenario and the adverse scenario. In the adverse scenario, the Tier 1 ratio of SNS Bank increases at year-end 2011. The credit losses are substantial but can largely be absorbed by SNS Bank's gross results. In addition, the solvency of SNS Bank is relatively insensitive to the scenarios as a result of the Basel II transition floor, which will be maintained for now.

Going concern capital management

In its capital management process, SNS Bank prepares operational plans each year with a three-year horizon. A capital management plan is then prepared that covers the same period, in which the capital requirements and their fulfilment are set such that SNS Bank can satisfy the internal and external standards. Instruments to lower the risk-weighted assets and to increase the available capital are used for capital management. The capital of SNS Bank is a combination of various types of capital, with the emphasis on shareholders' equity. Different bandwidths are applied per entity for the other classes of capital. SNS Bank capitalises its business units and subsidiaries in accordance with the internal and external solvency standards. This allows SNS Bank to efficiently manage any capital surplus.

Each month, SNS Bank prepares a twelve-month rolling forecast for its capital requirements. The monitoring makes it possible to take additional measures if necessary, such as securitisation or raising subordinated loans. For more information about access to the money and capital markets, see the chapter on Funding and credit ratings. The quantitative assessment of the capital management comprises a comparison of the required economic capital and the available capital including all eligible sources of capital, which consist of shareholders' equity, subordinated loans and hybrid forms of capital. In determining the available capital, the restrictions that supervisory authorities and rating agencies require with regard to the composition of the sources of capital are taken into account.

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 needed. In terms of the above mentioned standards, SNS REAAL is adequately capitalised.

The assessment of capital adequacy comprises the following elements:
- The economic capital is calculated and reported to on a quarterly basis.
- The capital requirements derived from stress tests are compared with the existing qualifying capital on an annual basis or more frequently.
- The results of the stress tests are annually compared with the economic capital.

Value creation

Long-term value creation requires activities that generate sufficient return in view of the corresponding risk. Therefore, SNS Bank increasingly assesses its activities on the basis of economic results and economic capital, using the risk-adjusted performance indicators Risk Adjusted Return on Economic Capital (RAROC) and Economic Value Added (EVA). The economic capital calculations offer the possibility to determine how much risk a client, portfolio or product group involves. Given the capital structure of SNS Bank and the yield requirements of the providers of capital, SNS Bank determines the required return. These calculations are applied in SNS Bank's pricing policy, portfolio management and performance measurement.

Notes to the consolidated balance sheet

Assets

1 Cash and cash equivalents

Cash and cash equivalents include demand deposits at the Dutch Central Bank and advances from SNS Bank to credit institutions with a remaining maturity of less than three months.

In € millions	2009	2008
Non-restricted demand deposits at Dutch Central Bank	574	1,511
Restricted demand deposits at Dutch Central Bank	1,700	--
Short term bank balances	209	89
Cash	71	92
Total	**2,554**	**1,692**

2 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. The balance of loans and advances to banks includes a provision of € 84 million. Part of the loans and advances to banks was provided to third parties as collateral for the negative value derivatives.

In € millions	2009	2008
Long term bank balances	2,715	2,783
Total	**2,715**	**2,783**

3 Loans and advances to customers

Loans and advances to customers can be specified as follows:

In € millions	Loans		Provisions		Net amount	
	2009	2008	2009	2008	2009	2008
Mortgages	50,977	48,751	(99)	(67)	50,878	48,684
Property Finance:						
- Project finance	5,907	6,300	(211)	(81)	5,696	6,219
- Investment finance	6,899	6,609	(26)	(13)	6,873	6,596
- Financial lease	629	772	(2)	(4)	627	768
Other	3,502	3,607	(97)	(80)	3,405	3,527
Loans and advances to customers	**67,914**	**66,039**	**(435)**	**(245)**	**67,479**	**65,794**

A part of the loans secured by mortgages of € 18.1 billion (2008: € 16.8 billion) has been provided as collateral to third parties under the securitisation programmes Hermes and Pearl. The collateral transactions occurred under normal market conditions.

The balance of property finance includes mortgage secured loans of € 13.0 billion (2008: € 12.3 billion).

In addition, € 3.5 billion (2008: € 0.2 billion) of mortgages was provided as collateral to third parties upon the bond issue under the SNS Bank Covered Bond programme.

The financial lease assets are included in the balance sheet as advances, the amount of which is equal to the net investment in the lease. The financial lease activities can be specified as follows in gross and net advances to clients.

In € millions	2009	2008
Gross investments in financial leases		
Overview maturities		
- Shorter than one year	53	52
- From one to five years	235	184
- Longer than five years	415	632
Total	**703**	**868**
Unearned income from financial lease agreements	(76)	(100)
Net investments in financial leases	**627**	**768**
Overview maturities		
- Shorter than one year	35	28
- From one to five years	196	135
- Longer than five years	396	605
Net investments in financial leases	**627**	**768**

The financial lease agreements concern property finance in the Netherlands.

The movements in loans and advances to customers can be specified as follows:

In € millions	Mortgages		Property finance		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Balance as at 1 January	48,751	46,230	13,681	11,650	3,607	2,563	66,039	60,443
Purchases	674	--	--	--	--	--	674	--
Changes in the composition of group companies	--	--	--	--	--	--	--	--
Reclassifications	--	(34)	(533)	(176)	--	(15)	(533)	(225)
Advances	4,425	6,337	1,831	4,751	647	1,116	6,903	12,204
Redemptions	(3,130)	(5,141)	(1,548)	(2,771)	(323)	(148)	(5,001)	(8,060)
Change in fair value as a result of hedge accounting	254	1,383	--	--	--	--	254	1,383
Exchange rate differences	--	--	(17)	(7)	--	--	(17)	(7)
Movement in current accounts	--	--	--	--	(487)	--	(487)	--
Other changes	3	(24)	21	234	57	91	81	301
Balance as at 31 December	**50,977**	**48,751**	**13,435**	**13,681**	**3,501**	**3,607**	**67,913**	**66,039**

SNS Bank has securitised a part of the mortgage loans. With these securitisation transactions, the economic ownership of mortgages 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 for the deferred selling price. In this way, SNS Bank retains an economic interest in the companies, and consolidates these companies in its consolidated financial statements in full.
The remaining principal of the securitised portfolio amounts to € 22.3 billion (2008: € 20.5 billion), of which € 11.1 billion (2008: € 7.6 billion) is in own position. Further information on securitisation transactions is provided under debt certificates.
SNS Bank 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 € 389 million (2008: € 431 million).

The movements in the provision for bad debts for loans and advances to customers can be specified as follows:

	Mortgages		Property finance		Other		Total
	Specific	IBNR	Specific	IBNR	Specific	IBNR	
2009							
Balance as at 1 January	60	7	91	7	75	5	245
Reclassification	--	--	(220)	--	--	--	(220)
Usage	(27)	--	(3)	--	(14)	--	(44)
Additions	69	1	354	7	42	1	474
Releases	(12)	--	(12)	--	(13)	--	(37)
Other changes	--	1	15	--	1	--	17
Balance as at 31 December	**90**	**9**	**225**	**14**	**91**	**6**	**435**
2008							
Balance as at 1 January	56	2	59	3	80	7	207
Reclassification	--	--	(76)	--	--	--	(76)
Usage	(23)	--	(5)	--	(14)	--	(42)
Additions	45	5	114	4	28	--	196
Releases	(17)	--	(7)	--	(19)	(2)	(45)
Other changes	(1)	--	6	--	--	--	5
Balance as at 31 December	**60**	**7**	**91**	**7**	**75**	**5**	**245**

Through foreclosure of a part of the property finance portfolio, SNS Property Finance acquired control over a number of international property development projects. For more information about these projects, please refer to the item property projects.

4 Derivatives

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 transfer have to take place when the agreement expires. Most derivatives are held to hedge against undesired market risks. This is explained in Risk management's paragraph 5.1. The derivatives are unlisted.

In € millions	Positive fair value		Negative fair value		Balance	
	2009	2008	2009	2008	2009	2008
Summary of derivatives						
Derivatives held for cash flow hedge accounting	64	14	1	1	63	13
Derivatives held for fair value hedge accounting	851	722	1,989	1,799	(1,138)	(1,077)
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	10	46	12	10	(2)	36
Derivatives held for trading	244	331	245	334	(1)	(3)
Total	**1,169**	**1,113**	**2,247**	**2,144**	**(1,078)**	**(1,031)**

	2009	2008
Movement in derivatives		
Balance as at 1 January	(1,031)	103
Purchases	(3)	(52)
Disposals	--	(1)
Revaluations	(203)	(960)
Exchange rate differences	75	(174)
Other	84	53
Balance as at 31 December	**(1,078)**	**(1,031)**

5 Investments

Investments: overview

In € millions	2009	2008
Fair value through profit and loss (held for trading)	140	167
Fair value through profit and loss (designated)	107	130
Available for sale	4,270	3,645
Total	**4,517**	**3,942**

Part of the investment is lent or pledged to third parties. The carrying amount of the investments in collateral to the European Central Bank is € 2.6 billion (2008: € 2.2 billion).

Investments: Fair value through profit and loss

	Held for trading				Designated				Total	
	Shares and similar investments		Bonds and fixed-income investments		Shares and similar investments		Bonds and fixed-income investments			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Listed	9	11	131	156	--	2	107	128	247	297
Unlisted	--	--	--	--	--	--	--	--	--	--
Total	**9**	**11**	**131**	**156**	**--**	**2**	**107**	**128**	**247**	**297**

	Held for trading				Designated				Total	
	Shares and similar investments		Bonds and fixed-income investments		Shares and similar investments		Bonds and fixed-income investments			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Movement schedule										
Balance as at 1 January	11	20	156	1,015	2	--	128	512	297	1,547
Reclassifications	2	--	--	(590)	(2)	4	--	--	--	(586)
Purchases and advances	--	--	--	--	--	--	144	129	144	129
Disposals and redemptions	--	--	--	--	--	--	(161)	(512)	(161)	(512)
Revaluations	4	--	50	--	--	(2)	2	--	56	(2)
Change in investments held for trading	(8)	(9)	(75)	(269)	--	--	--	--	(83)	(278)
Other	--	--	--	--	--	--	(6)	(1)	(6)	(1)
Balance as at 31 December	**9**	**11**	**131**	**156**	**--**	2	**107**	**128**	**247**	**297**

As a consequence of the volatile financial markets SNS Bank 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 2009 this portfolio has a value of € 341 million (2008: €562 million) as a consequence of disposals and revaluations. The negative change in fair value over the year 2009 amounts to € 5 million (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.

Investments: available for sale

	Available for sale				Total	
	Shares and similar investments		Bonds and fixed-income investments			
	2009	2008	2009	2008	2009	2008
Listed	3	6	4,258	3,629	4,261	3,635
Unlisted	5	10	4	--	9	10
Total	**8**	**16**	**4,262**	**3,629**	**4,270**	**3,645**

	Available for sale				Total	
	Shares and similar investments		Bonds and fixed-income investments			
	2009	2008	2009	2008	2009	2008
Movement schedule						
Balance as at 1 January	16	24	3,629	2,485	3,645	2,509
Reclassifications	--	(4)	--	590	--	586
Purchases and advances	1	3	4,090	1,086	4,091	1,089
Acquisitions	--	--	--	--	--	--
Disposals and redemptions	(9)	(4)	(3,392)	(699)	(3,401)	(703)
Revaluations	--	(1)	(69)	152	(69)	151
Impairments	(1)	(2)	--	--	(1)	(2)
Amortisation	--	--	(2)	5	(2)	5
Other	1	--	6	10	7	10
Balance as at 31 December	**8**	**16**	**4,262**	**3,629**	**4,270**	**3,645**

The revaluation of the investments available for sale can be detailed as follows:

	Shares and similar investments		Bonds and fixed-income securities		Total	
	2009	2008	2009	2008	2009	2008
(Amortised) cost price	7	15	4,165	3,480	4,172	3,495
Unrealised gains in value	1	1	97	149	98	150
Total	**8**	**16**	**4,262**	**3,629**	**4,270**	**3,645**

6 Investment properties

In € millions	2009	2008
Land and buildings used by third parties	1	10

The movement of investment property can be specified as follows:

	2009	2008
Balance as at 1 January	10	6
Reclassifications	(9)	--
Investments	--	1
Divestments	--	3
Balance as at 31 December	**1**	**10**

7 Property projects

In € millions	2009	2008
Property projects	649	127
Cumulative impairments	(50)	(7)
Balance as at 31 December	**599**	**120**

The accumulated property projects comprise the international property projects over which SNS Property Finance acquired control. Most property projects are acquired due to foreclosure.

	2009	2008
Movement schedule		
Balance as at 1 January	120	--
Reclassifications	9	--
Foreclosure	522	127
Impairments	(50)	(7)
Exchange rate differences	(2)	--
Balance as at 31 December	**599**	**120**

8 Investments in associates

In € millions	2009	2008
Total book value	33	47
Total market value	33	47

€ 21 million (2008: € 37 million) of the book value of investments concerns associated companies, € 12 million (2008: € 10 million) concerns joint ventures.

	2009	2008
Movement schedule		
Balance as at 1 January	47	53
Purchases and expansions	18	19
Disposals and divestments	(1)	(13)
Reclassifications	4	--
Share in the result of associated companies	(4)	(8)
Direct changes in shareholders' equity	--	--
Revaluations	--	(1)
Impairments	(20)	(4)
Other movements	(11)	1
Balance as at 31 December	**33**	**47**

Overview of the most significant investments in associated companies of SNS Bank.

	Country	Interest	Shareholders' equity		Share in the results		Assets		Liabilities		Income	
			2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Significant investments in associated companies:												
ProCom Desarrollos Urbanos SA	ES	20%	(2)	1	--	(4)	--	678	--	680	--	23
Project 2 Holding N.V.	BE	17%	--	3	--	(1)	102	88	77	81	--	8
Tarpon Point Associates LLC	US	10%	--	3	(1)	--	155	147	161	145	1	2
Überseequartier Beteiligung GmbH	DE	33%	16	12	--	(1)	13	19	13	11	--	2
Prospect Village LP	US	30%	3	--	--		13		2		--	
Other	Various	20-50%	4	18	(1)	2	336	319	311	276	14	14
Total			**21**	**37**	**(2)**	**(4)**	**619**	**1,251**	**564**	**1,193**	**15**	**49**

A total amount of € 488 million (2008: € 622 million) of loans was granted to the associates. These have been included under loans and advances to customers at year-end 2009. The associates have no investment commitments (2008: likewise). Participating interests with an interest of less than 20% qualify as an associated company since SNS Bank can exercise significant influence, but does not have control.

Overview of the most significant SNS Bank joint ventures (included under Other)

	Country	Interest	Shareholders' equity	Share in the results	Current assets	Fixed assets	Current liabilities	Long-term liabilities	Income	Expenses
Joint ventures 2009										
Homburg LP	CA	50%	7	--	144	--	5	116	1	1
Heyen VG Beleggingen BV	BE	50%	5	--	--	42	--	32	--	--
UDC / SNS PF Retail Development Fund	US	25%	5	(1)	11	23	1	31	1	2
ZOM Village View LP	US	50%	4	--	--	35	3	24	--	--
Océanis SNS PF	FR	35%	4	--	130	--	56	69	--	--
Other	Various	15-75%	(13)	(1)	451	284	277	444	38	44
Total			**12**	**(2)**	**736**	**384**	**342**	**716**	**40**	**47**
Joint ventures 2008										
Homburg LP	CA	50%	6	(1)	73	--	4	57	1	--
Astro Tower NV	BE	50%	--	5	17	--	1	--	16	--
Zom Riveroaks LP	US	50%	8	--	25	15	3	34	--	--
V.O.F. de Boompjes	NL	20%	1	--	5	--	7	--	--	--
Océanis	FR	35%	5	--	136	--	53	69	50	48
Fortress / SNS PF Holding BV (former IMCA/BFP Holding BV)	NL	50%	(2)	--	--	(4)	--	--	--	2
VOF Multi SNS PF (former VOF AM BPF)	NL	50%	(2)	--	14	--	20	--	--	3
Other	Various	15-75%	(6)	(5)	636	227	675	195	82	95
Total			**10**	**(1)**	**906**	**238**	**763**	**355**	**149**	**148**

The joint ventures have been granted a total amount of € 1,040 million (2008: € 1,049 million) of loans and advances. These loans and advances were reported under the loans and advances to customers. At year end 2009, the joint ventures have no investment commitments (2008: likewise). SNS Bank exercises the control of the joint ventures together with the other participants, without any unilateral control by a single participant.

9 Property and equipment

In € millions	2009	2008
Land and buildings in own use	66	70
IT equipment	26	22
Other tangible fixed assets	22	27
Total	**114**	**119**

	Land and buildings in own use		IT equipment		Other assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Accumulated acquisition cost	88	89	56	50	71	83	215	222
Accumulated revaluations	1	5	--	--	--	--	1	5
Accumulated depreciation and impairment	(23)	(24)	(30)	(28)	(49)	(56)	(102)	(108)
Balance as at 31 December	**66**	**70**	**26**	**22**	**22**	**27**	**114**	**119**
Balance as at 1 January	70	73	22	25	27	41	119	139
Acquisition	1	--	--	--	--	--	1	--
Revaluations	(2)	6	--	--	--	--	(2)	6
Investments	--	--	18	13	9	9	27	22
Divestments	(1)	--	--	(5)	--	--	(1)	(5)
Depreciation	(1)	(1)	(12)	(11)	(8)	(9)	(21)	(21)
Impairment	--	(2)	--	--	(6)	(14)	(6)	(16)
Other	(1)	(6)	(2)	--	--	--	(3)	(6)
Balance as at 31 December	**66**	**70**	**26**	**22**	**22**	**27**	**114**	**119**

Valuation of land and buildings in own use

The land and buildings in own use are valued by an external surveyor once every three years based on a rotation schedule. The table below shows the book value of the assessed land and buildings. The final column shows the book value of the assessed land and buildings in the relevant year in relation to the total book value.

	Assessed	Book value	In percentage terms
2009	57	66	86%
2008	27	70	39%
2007	27	73	37%

10 Intangible assets

In € millions	2009	2008
Goodwill	184	237
Software	31	20
Other intangible fixed assets	28	34
Total	**243**	**291**

	Goodwill		Software		Other intangible fixed assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Accumulated acquisition cost	239	237	47	34	41	43	327	314
Accumulated amortisation and impairment	(55)	--	(16)	(14)	(13)	(9)	(84)	(23)
Balance as at 31 December	**184**	**237**	**31**	**20**	**28**	**34**	**243**	**291**
Balance as at 1 January	237	233	20	12	34	40	291	285
Acquisitions	2	--	--	--	--	--	2	--
Investments	--	--	18	13	--	--	18	13
Divestments	--	--	--	--	--	--	--	--
Depreciation	--	--	(7)	(5)	(5)	(6)	(12)	(11)
Impairments	(55)	--	--	--	(1)	--	(56)	--
Other movements	--	4	--	--	--	--	--	4
Balance as at 31 December	**184**	**237**	**31**	**20**	**28**	**34**	**243**	**291**

The amortisation of software has been included in the income statement under the item depreciation and amortisation of fixed assets. Client relations and brand names are recognised in other intangible fixed assets. SNS Bank has capitalised € 2,8 million worth of client relations and brand names. The amortisation of the client relations is recognised in the income statement under depreciation and amortisation of fixed assets.

Impairments of intangible fixed assets are included in the income statement under impairment charges/(reversals). The goodwill of SNS Property Finance was charged with an impairment for the amount of € 55 million. The impairment is the result of the deteriorating situation on the (international) property markets, which led to the decision to reduce the international activities in a controlled and gradual manner in three to five years.

Recoverable amount of goodwill

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if there are indications of impairment. The book value of the related cash flow generating units (including goodwill) is compared to the calculated recoverable amount. The recoverable amount of a cash flow generating entity is determined by value-in-use calculations.

Goodwill is allocated to the cash flow generating units that are identical to the business segments as follow:

	SNS Retail Bank		SNS Property Finance		Total	
	2009	2008	2009	2008	2009	2008
Goodwill	69	67	115	170	184	237

Value-in-use calculations

The main principles of the value-in-use calculations of the cash flow generating units are:

	SNS Retail Bank	SNS Property Finance
Income development in the period per year	8.9%	0.0%
Income development after the forecast period	2.0%	2.0%
Discount rate	11.6%	12.0%
Discount rate (pre tax)	14.5%	15.0%

SNS Bank has performed value-in-use calculations for its cash flow generating entities. These goodwill impairment tests are executed on the basis of an impairment model. The results and assumptions have been reviewed by an independent consultancy firm. In the used models assumptions are made in relation to:

- interest income and return on investments
- long term interest margin property finance portfolio
- provisions and risk-weighted assets
- (operational) expenses
- required solvency
- return on equity

The influence of these parameters differences depending on he cash flow generating entity

The discount rate has been set in accordance with a peer group of firms operating in the same line of business.

The value-in-use calculations have been composed on the basis of the operational planning for the three-year period 2010-2012

At SNS Property Finance the assumption is made that a stable income is generated from the gradual reduction of the international portfolio for the coming period of three to five years.

11 Deferred tax assets and liabilities

In € millions	2009	2008
- Deferred tax liabilities	(320)	(285)
- Deferred tax assets	297	227
Total	**(23)**	**(58)**

In € millions	1 January 2009	Change through income statement	Change through shareholders' equity	31 December 2009
Origin of deferred tax assets and tax liabilities				
Intangible fixed assets	4	--	--	4
Property and equipment	(4)	--	2	(2)
Investments	(24)	6	15	(3)
Derivatives	214	34	(8)	240
Loans and advances to clients	(247)	(69)	--	(316)
Debt certificates	(9)	43	--	34
Provision for employee benefits	2	--	--	2
Other provisions	8	6	--	14
Tax-deductible losses	1	--	--	1
Other	(3)	6	--	3
Total	(58)	26	9	(23)

The deferred tax assets based on tax-deductible losses are determined as follows:

In € millions	2009	2008
Total tax-deductible losses	3	4
Deferred tax assets calculated on tax-deductible losses	1	1
Average tax rate	25.5%	25.5%

12 Corporate income tax

This relates to advances and amounts due concerning corporate income tax. The corporate income tax item also includes dividends withholding tax, which is settled through the corporate income tax return.

13 Other assets

In € millions	2009	2008
Other assets:		
- Other advances	162	66
Accrued assets:		
- Accrued interest	310	337
- Other accrued assets	94	48
Total	**566**	**451**

Liabilities and equity

14 Savings

In € millions	2009	2008
Due on demand	18,087	12,279
Other savings	6,348	9,580
Total	**24,435**	**21,859**

The savings item comprises balances of saving accounts, savings deposits and term deposits of retail clients. The interest payable on savings is included under other liabilities.

15 Other amounts due to customers

In € millions	2009	2008
Non-current debt	3,674	3,568
Due on demand	5,942	6,293
Mortgage deposits	219	323
Total	**9,835**	**10,184**

16 Amounts due to banks

In € millions	2009	2008
Due on demand	1,357	1,241
Deposits from central banks	3,000	2,103
Deposits and certificates	2,762	3,147
Total	**7,119**	**6,491**

17 Debt certificates

In € millions	2009	2008
Medium Term Notes	19,224	17,362
Certificates of deposits	1,646	830
Debt certificates issued under Hermes and Pearl Securitisation programs	9,869	12,090
Total	**30,739**	**30,282**

Debt certificates refer to non-subordinated bonds and other debt certificates with a fixed or variable interest rate.

Medium Term Notes

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 SNS Bank EMTN programme. The guarantee scheme of the Dutch State was used for part of the debt certificates issued by SNS Bank in 2009. As a result, the total outstanding volume of debt certificates falling within the scope of the guarantee scheme is € 5.2 billion.

Debt certificates issued under Hermes and Pearl securitisation programmes

SNS Bank 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 for the deferred selling price. In this way, SNS Bank 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 is provided below:

In € millions	Initial principal	Date of securitisation	Bonds 2009	Bonds 2008	First call-option date	Contractual date of expiry
As at 31 December 2009 the following issues were outstanding:						
Hermes I	437	Nov-1999	--	--	n.a.	Jul-2009
Hermes II	665	Nov-2000	34	105	n.a.	Apr-2012
Hermes III	915	Jun-2001	--	160	18-Jul-2009	Jun-2033
Hermes IV	813	Nov-2001	--	161	18-Jul-2009	Oct-2033
Hermes V	1,118	Nov-2002	242	272	18-Jan-2011	Oct-2034
Hermes VI	1,252	May-2003	--	334	18-Nov-2009	May-2035
Hermes VII	1,259	Sep-2003	529	589	18-Feb-2010	Feb-2039
Hermes VIII	1,269	May-2004	591	682	18-Nov-2013	May-2038
Hermes IX	1,529	May-2005	1,045	1,203	18-Feb-2014	Feb-2039
Hermes X	1,528	Sep-2005	1,208	1,345	18-Mar-2015	Sep-2039
Hermes XI	1,528	Sep-2005	1,361	1,481	18-Sep-2015	Sep-2040
Hermes XII	2,241	Feb-2006	1,699	1,809	18-Mar-2016	Dec-2038
Hermes XIII	2,800	Oct-2006	2,180	2,332	18-Aug-2012	Aug-2039
Hermes XIV	2,000	Feb-2007	1,692	1,805	18-Feb-2013	Nov-2039
Hermes XV	2,900	Sep-2007	2,900	2,900	18-Apr-2013	Apr-2045
Hermes XVI	3,000	Apr-2008	3,000	3,000	18-Oct-2013	Oct-2045
Hermes XVII	3,500	May-2009	3,500	--	1-Jul-2014	Jul-2046
Pearl I	1,014	Sep-2006	1,014	1,014	18-Sep-2026	Sep-2047
Pearl II	808	May-2007	808	808	18-Jun-2014	Jun-2046
Pearl III	807	Feb-2008	807	807	18-Mar-2013	Mar-2045
Total	**31,383**		**22,610**	**20,807**		
Own position in issued bonds Hermes and Pearl			12,741	8,717		
			9,869	**12,090**		

SNS Bank has purchased bonds, issued by different Hermes companies, with an amortised cost of € 12.7 billion (2008: € 8.7 billion) and also taken positions in subordinated bonds issued by various Pearl companies with an amortised cost of € 29 million (2008: € 29 million). Hermes XIV, XV, XVI and XVII were not placed with third parties and qualify as assets eligible at the ESCB.

18 Other liabilities

In € millions	2009	2008
Other taxes	3	2
Other liabilities	212	166
Accrued liabilities:		
- Accrued interest	1,123	1,096
- Other accrued liabilities	120	63
Total	**1,458**	**1,327**

19 Other provisions

	2009	2008
Restructuring provision	33	25
Other provisions	20	5
Total	**53**	**30**

In € millions	Restructuring provision		Other provisions		Total	
	2009	2008	2009	2008	2009	2008
Balance as at 1 January	25	8	5	9	30	17
Additions	9	26	18	--	27	26
Usage	(4)	(3)	(3)	(1)	(7)	(4)
Acquisitions	--	--	--	1	--	1
Released to results	(1)	(3)	(1)	(3)	(2)	(6)
Other movements	4	(3)	1	(1)	5	(4)
Total as at 31 December	**33**	**25**	**20**	**5**	**53**	**30**

The change in the structuring provision mainly relates to a general cost reduction programme of SNS Retail Bank.

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.

20 Participation certificates and subordinated debts

In € millions	2009	2008
Participation certificates	298	298
Subordinated debts	1,261	1,391
Total	**1,559**	**1,689**

Participation certificates

This item includes subordinated participation certificates issued by SNS Bank to third parties. The certificates were issued in 2002 (€ 241 million) and 2003 (€ 57 million). The certificates have an open-ended term, with SNS Bank maintaining the right to early redemption in full after 10 years, provided permission is by the Dutch Central Bank. Dividend in the form of a coupon rate is fixed for a period of 10 years and is equal to the CBS return on 9 to 10-year Government bonds with a surcharge (CBS: Statistics Netherlands).

Subordinated debts

In € millions	2009	2008
Bond loans	1,043	1,072
Private loans	218	319
Total	**1,261**	**1,391**

			Book value	Nominal value	Book value	Nominal value
			2009		2008	
Bond Loans						
SNS Bank	6.25%	1997/2009	--	--	136	137
SNS Bank	5.13%	1999/2011	127	125	125	126
SNS Bank	4.24%	1999/2019	5	5	5	5
SNS Bank	7.63%	2000/2049	39	39	80	81
SNS Bank	5.75%	2003/2049	11	11	206	200
SNS Bank	Variable	2005/2015	72	72	94	94
SNS Bank	5.50%	2006/2016	36	34	33	31
SNS Bank	6.75%	2006/2016	128	125	105	99
SNS Bank	Variable	2006/2016	125	125	98	99
SNS Bank	6.63%	2008/2018	194	196	198	200
SNS Bank	11.25%	2009/2049	314	320	--	--
Total			**1,051**	**1,052**	**1,079**	**1,071**

			Book value	Nominal value	Book value	Nominal value
			2009		2008	
Own position in bonds						
SNS Bank	6.25%	1997/2009	--	--	(1)	(1)
SNS Bank	5.13%	1999/2011	(5)	(5)	(7)	(8)
SNS Bank	Variable	2006/2016	(1)	(1)	--	--
SNS Bank	11.25%	2009/2049	(2)	(2)	--	--
Total			**1,043**	**1,044**	**1,071**	**1,062**

Bond loans

The bonds form part of the regulatory capital used in determining the solvency position of the bank by the Dutch Central Bank. SNS Bank issued a new subordinated bond in 2009. Part of this new issue related to an exchange offering, in which holders of subordinated bonds that had been issued previously were given the opportunity to exchange these bonds for the newly issued bond. The decrease in outstanding volume of the subordinated 5.75% SNS Bank bond reflects bondholders having availed themselves of this opportunity.

Private loans

The subordinated private loans have been granted by SNS Bank and form part of the regulatory capital used in determining the solvency position of the bank by the Dutch Central Bank.

21 Equity attributable to shareholders

In € millions	2009	2008
Equity attributable to shareholders	2,165	2,134
Equity attributable to securityholders	260	260

For further information on shareholders' equity, see the consolidated statement of changes in shareholders' equity.

Off-balance sheet commitments

In € millions	2009	2008
Contingent liabilities		
Liabilities from pledges and guarantees given	281	331
Liabilities from (ir)revocable facilities	1,983	3,614

To meet customer requirements, SNS Bank 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 Bank 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 both credit substitution and non-credit substitution guarantees. 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.

As of 1 January 2007, the Financial Supervision Act (Wft) came into force. A part of this relates to the deposit guarantee system, the successor to the Collective Guarantee Scheme. Under the deposit guarantee system, 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.

When the Financial Supervision Act (Wft) came into force, the Investors' Compensation System has been updated. This system 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 Bank, according to an apportionment scheme.

Rental commitments

The future rental commitments linked to operational lease contracts on 31 December were as follows:

In € millions	2009	2008
Breakdown by remaining maturity:		
≤ 1 year	10	9
> 1 year ≤ 5 years	24	20
> 5 years	3	3
Total future minimum lease commitments based on binding leases	**37**	**32**

Legal proceedings

SNS Bank 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 Management 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 Bank.

Related parties

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 part of its ordinary operations, SNS Bank maintains various sorts of ordinary business relations with related companies and parties, particularly in the areas of banking and asset management. Other parties related with SNS Bank are associated companies, non-consolidated associated companies, joint ventures, managers in key positions and close family members of these related parties. Transactions with related parties are conducted at arm's length.
An overview of transactions with related parties is presented below.

In € millions	2009
Subordinated debt	100
Loans and advances	355
Income and expenses	(135)
Total	**320**

Related party transactions

In 2009 SNS Bank received a capital injection from SNS REAAL to the amount of € 150 million.

Remuneration of the Management Board and Supervisory Directors

Transactions with managers in key positions of SNS REAAL

Managers in key positions with SNS REAAL comprise the members of the Executive Board of SNS REAAL and the directors of SNS Bank. Transactions with these managing directors constitute related-party transactions.

The remuneration of the members of the Management Board of SNS Bank (regular payments, deferred payments and profit-sharing & bonuses) amounted to € 7.9 million in 2009 (2008: € 5.1 million). The Management Board of SNS Bank consists of 15 members (2008: 8).

In € thousands	Statutory directors 2009	Other 2009	Total 2009	2008 [1]
Remuneration of the Management Board				
Fixed salary	1,783	2,913	4,696	2,219
Bonus:				
- long term	--	--	--	268
- long-term: cost previously granted shares	48	43	91	42
- other	1,471	784	2,255	2,093
Pensions and other remuneration components	410	438	848	494
Total	**3,712**	**4,178**	**7,890**	**5,116**

[1]) In 2008, all Management Board members were statutory directors.

Supervisory Board is paid by SNS REAAL.

Members of the Board of Directors and the Supervisory Board had received loans and advances of € 3.7 million in 2009 (2008: € 1.9 million).

Loans to members of the Management Board and Supervisory Board

In € thousands	Outstanding as at 31 December		Average interest rate	
	2009	2008	2009	2008
Mortgage loans	3,747	1,854	4,4%	4,5%

Notes to the consolidated income statement

Income

22 Net interest income

In € millions	2009	2008
Interest income	2,773	3,883
Interest expense	2,101	3,110
Net interest income	**672**	**773**

Interest income

The interest income includes the proceeds derived from lending money and related transactions, as well as related commissions and other interest-related income. This also includes the results from derivatives insofar as these are entered into with the aim of limiting interest rate risk on hedged financial instruments.

In € millions	2009	2008
Mortgages	1,853	2,519
Property Finance	534	782
Other loans and advances to customers	181	181
Loans and advances to banks	58	216
Investments	147	185
Total	**2,773**	**3,883**

The recognised interest income on provisioned loans amounts to € 64 million (2008: € 29 million).

Interest expense

The interest expense includes costs incurred from borrowing and related transactions, as well as other interest-related charges.

In € millions	2009	2008
Savings	916	795
Amounts due to customers	281	381
Amounts due to banks	108	166
Debt certificates	721	1,664
Participation certificates and subordinated debts	75	104
Total	**2,101**	**3,110**

23 Net fees and commission income

This item includes fees from services provided, insofar as not interest-related.

In € millions	2009	2008
Money transfer and payment charges	40	35
Securities activities	21	23
Insurance agency activities	26	29
Management fees	49	54
Other activities	--	11
	136	**152**
Commission and management fees due	37	36
Total	**99**	**116**

24 Share in the result of associates

Share in the result of associated companies is included here. The negative result in 2009 relates to the impact of associates (€ 2 million) and joint ventures (€ 2 million).

25 Investments Income

In € millions	2009	2008
Fair value through profit and loss	71	62
Available for sale	90	22
Total	**161**	**84**

	Fair value through profit and loss				Available for sale		Total	
	Held for trading		Designated					
	2009	2008	2009	2008	2009	2008	2009	2008
Realised revaluations	71	67	--	(2)	90	14	161	79
Unrealised revaluations	--	(3)	--	--	--	6	--	3
Dividend	--	--	--	--	--	2	--	2
Total	**71**	**64**	**--**	**(2)**	**90**	22	**161**	**84**

26 Result on financial instruments

In € millions	2009	2008
Fair value movement in derivatives held for fair-value hedge accounting:		
Fair value movement in hedging instruments	(274)	(1,164)
Fair value movement in the hedged position attributable to the hedged risk	305	1,162
Fair value movement in the position of derivatives not classified for hedge accounting maintained for ALM	(14)	(9)
Fair value movement in derivatives held for trading	--	(4)
Buy-back results funding paper and hybrid Tier 1 exchange	152	36
Total	**169**	**21**

SNS Property Finance has sold loans to third parties resulting in a loss of € 12 million.
In 2009, in SNS Bank repurchase transactions were concluded on promissory notes issued under the Hermes securitisation programme, which generated a gross repurchase profit of € 46 million (2008: € 22 million). The repurchase profit made on repurchase transactions of SNS Bank promissory notes amounted to € 55 million in 2009 (2008: € 14 million).
In 2009, an exchange offering took place in which existing subordinated bonds that qualified as core tier 1 capital issued by SNS Bank and SNS REAAL were exchanged for a new subordinated bond issued by SNS Bank. This transaction resulted in gross transaction profits of € 51 million at the Banking activities and € 27 million at the Group activities.

27 Other operating income

This item also includes income from securities and foreign exchange results, as well as gains that cannot be accounted for under other items.

In € millions	2009	2008
Other operating income	1	2
Total	**1**	**2**

Expenses

28 Impairment charges/(reversals)

This item includes value adjustments for bad debts and impairment charges to fixed assets.

In € millions	Impairments		Reversals		Total	
	2009	2008	2009	2008	2009	2008
Loans and advances to customers	461	196	24	45	437	151
Loans and advances to banks	--	1	--	--	--	1
Investments	1	2	--	--	1	2
Property projects	50	--	--	--	50	--
Associated companies	20	4	--	--	20	4
Property and equipment	6	15	--	--	6	15
Intangible assets	57	--	--	--	57	--
Total	**595**	**218**	**24**	**45**	**571**	**173**

29 Staff costs

In € millions	2009	2008
Salaries	195	188
Pension costs	39	34
Social security	20	23
Other staff costs	88	135
Total	**342**	**380**

The average number of employees calculated on the basis of full-time equivalents is 3,280 (2008: 3,212). The other staff costs related to lease and sublease commitments of the fleet, amount to € 7 million (2008: € 7 million).

All employees are employed by SNS REAAL. The staff costs are charged to SNS Bank by SNS REAAL.

30 Other operating expenses

In € millions	2009	2008
Housing	62	60
IT systems	27	22
Marketing and Public Relations costs	23	29
External advisors	19	10
Other costs	119	67
Total	**250**	**188**

The other operating expenses include costs related to lease and sublease commitments, which amount to € 1 million (2008: € 1 million).

Other costs includes an amount of € 43 million (2008: € 7 million) for costs incurred as a result of the contribution to the deposit guarantee system.

31 Taxation

In € millions	2009	2008
Corporate income tax due:		
- In financial year	17	41
- Prior year adjustments	8	--
Deferred tax:		
- Due to temporary differences	(26)	(5)
Total	**(1)**	**36**

In € millions	2009	2008
Reconciliation between statutory and effective tax rate:		
- Result before tax	(99)	183
- Statutory corporate income tax rate	25.5%	25.5%
Statutory corporate income tax amount	(25)	47
Effect of participation exemption	(3)	(11)
Non-deductible goodwill impairments	14	--
Prior year adjustments (including release of tax provisions)	8	--
Other	5	--
Total	**(1)**	**36**
Effective tax rate	1.3%	19.8%

32 Net result per share / security

	2009	2008
Net result (in € millions)	(99)	144
Weighted average number of issued shares outstanding *(in thousands)*	840	840
Net result per share *(in €)*	(118)	163
Diluted net result per share *(in €)*	(118)	163
Net result per security 'State-like' *(in €)*	--	8.17
Net result per security 'Foundation-like' *(in €)*	--	6.10

Utrecht, 14 April 2010

Supervisory Board

R. Zwartendijk (chairman)
H.M. van de Kar (vice-chairman)
C.M. Insinger
S.C.J.J. Kortmann
R.J. van de Kraats
J.E. Lagerweij
H. Muller
J.A. Nijhuis
H.W.P.M.A. Verhagen
L.J. Wijngaarden

Management Board

M.W.J. Hinssen
H.K. Kroeze
F.K.V. Lamp
D.J. Okhuijsen

Company balance sheet

In € millions	2009	2008
Assets		
Cash and cash equivalents	2,502	1,641
Loans and advances to banks 1	18,193	21,232
Loans and advances to customers 2	30,146	24,973
Loans and advances to group companies 3	1,235	599
Derivatives	1,297	1,151
Investments 4	1,055	1,100
Subsidiaries 5	1,648	1,826
Property and equipment 6	96	101
Intangible assets 7	215	256
Deferred tax assets	288	157
Corporate income tax	--	105
Other assets	2,036	1,110
Total assets	**58,711**	**54,251**
Equity and liabilities		
Savings	12,565	11,849
Other amounts due to customers	8,145	8,465
Amounts due to customers 8	20,710	20,314
Amounts due to banks 9	9,334	8,692
Debt certificates	20,835	17,744
Derivatives	2,245	2,141
Deferred tax liabilities	313	195
Corporate income tax	89	--
Other liabilities	1,151	1,052
Other provisions 10	47	29
Participation certificates and subordinated debts	1,562	1,690
Issued share capital	381	381
Share premium reserves	838	688
Revaluation reserves	3	3
Cash flow hedge reserves	25	1
Fair value reserves	12	56
Statutory reserves	--	8
Other reserves	1,005	935
Profit for the year	(99)	62
Equity attributable to shareholders 11	2,165	2,134
Securities capital	260	260
Equity attributable to securityholders 11	260	260
Total equity	2,425	2,394
Total equity and liabilities	**58,711**	**54,251**

Company income statement

In € millions	2009	2008
Result on subsidiaries after taxation	21	192
Other results after taxation	(120)	(48)
Net result	**(99)**	**144**

The references next to the balance sheet items relate to the notes starting on page 117.

Notes to the company balance sheet

General

Principles for the preparation of the company financial statements

SNS Bank 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 on pages 51 to 64.

SNS Bank decided to recognise the securities of the Hermes and Pearl securitisation programmes kept on own book in the item loans and advances to customers to better represent the exposure of SNS Bank in mortgage loans. As a result the comparative figures have been adjusted with € 8.2 billion.

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 balance sheet on pages 96 to 115.

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 Bank has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by SNS Bank. 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 share of subsidiaries' reserve, which forms part of shareholders' equity. Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with SNS Bank accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these subsidiaries, other than those due to changes in share capital, are included in share of subsidiaries' reserve in shareholders' equity.

Statutory reserves have been formed for the capitalised costs of research and development of software and capitalised internal acquisition costs.

Cash and cash equivalents include the non-restricted and restricted demand deposits with the Dutch Central Bank and advances to credit institutions with a remaining maturity of less than one month.

Assets

1 Loans and advances to banks

In € millions	2009	2008
Breakdown by remaining maturity:		
Payable on demand	3,143	2,032
Not payable on demand:		
> 1 month ≤ 3 months	3,564	6,327
> 3 months ≤ 1 year	1,868	2,173
> 1 year ≤ 5 years	3,603	3,790
> 5 years	6,015	6,910
Total	**18,193**	**21,232**

2 Loans and advances to customers

In € millions	2009	2008
Breakdown by remaining maturity:		
Payable on demand	2,615	1,266
Not payable on demand:		
> 1 month ≤ 3 months	534	39
> 3 months ≤ 1 year	157	359
> 1 year ≤ 5 years	755	536
> 5 years	26,085	22,773
Total	**30,146**	**24,973**

Loans and advances to customers include receivables from subsidiaries of € 5.8 billion (2008: € 3.2 billion) and loans and advances to customers which were included in Hermes XIV, XV, XVI and XVII but which bonds were not placed with third parties of € 11.0 billion (2008: € 7.6 billion). These bonds are included in the bucket > 5 years.

3 Loans and advances to group companies

Loans and advances to group companies of € 1.2 billion (2008: € 0.6 billion) concern Hermes and Pearl bonds repurchased by SNS Bank.

4 Investments

In € millions	2009	2008
Fair value through profit and loss trade	72	36
Available for sale	983	1,064
Total	**1,055**	**1,100**

	Fair value through profit and loss		Available for sale		Total	
	2009	2008	2009	2008	2009	2008
Movement in investments						
Balance as at 1 January	36	787	1,064	538	1,100	1,325
Reclassifications	--	(590)	--	590	--	--
Acquisitions and advances	--	--	812	13	812	13
Disposals and redemptions	--	--	(889)	(89)	(889)	(89)
Revaluations	--	--	(5)	12	(5)	12
Change in investments through profit and loss	36	(161)	--	--	36	(161)
Other	--	--	1	--	1	--
Total	**72**	**36**	**983**	**1,064**	**1,055**	**1,100**

5 Subsidiaries

In € millions	2009	2008
Balance as at 1 January	1,826	1,571
Acquisitions	1	113
Capital increase	--	6
Revaluations	(44)	73
Result	21	192
Dividend received	(156)	(129)
Total	**1,648**	**1,826**

6 Property and equipment

In € millions	2009	2008
Land and buildings in own use	52	56
IT equipment	25	21
Other tangible fixed assets	19	24
Total	**96**	**101**

	Land and buildings		IT equipment		Other assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Accumulated acquisition cost	68	68	52	45	65	77	185	190
Accumulated revaluations	5	8	--		--	(13)	5	(5)
Accumulated depreciation and impairment	(21)	(20)	(27)	(24)	(46)	(40)	(94)	(84)
Balance as at 31 December	**52**	**56**	**25**	**21**	**19**	**24**	**96**	**101**
Balance as at 1 January	56	57	21	24	24	39	101	120
Revaluations	(3)	5	--	--	--	--	(3)	5
Investments	1	--	17	11	7	7	25	18
Divestments	(1)	--	(2)	(4)	1	--	(2)	(4)
Depreciation	(1)	(1)	(11)	(10)	(7)	(8)	(19)	(19)
Impairments	--	--	--	--	(6)	(14)	(6)	(14)
Other	--	(5)	--	--	--	--	--	(5)
Balance as at 31 December	**52**	**56**	**25**	**21**	**19**	**24**	**96**	**101**

7 Intangible assets

In € millions	2009	2008
Goodwill	184	237
Software	31	19
Other intangible fixed assets	--	--
Total	**215**	**256**

	Goodwill		Software		Other intangible fixed assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Accumulated acquisition costs	239	237	38	19	--	--	277	256
Accumulated amortisation and impairments	(55)	--	(7)	--	--	--	(62)	--
Balance as at 31 December	**184**	**237**	**31**	**19**	**--**	**--**	**215**	**256**
Balance as at 1 January	237	233	19	12	--	1	256	246
Acquisitions	2	--	--	--	--	--	2	--
Investments	--	--	19	13	--	--	19	13
Divestments	--	--	--	--	--	--	--	--
Amortisation	--	--	(7)	(6)	--	--	(7)	(6)
Impairments	(55)	--	--	--	--	--	(55)	--
Other	--	4	--	--	--	(1)	--	3
Balance as at 31 December	**184**	**237**	**31**	**19**	**--**	**--**	**215**	**256**

Liabilities and equity

8 Other amounts due to customers

In € millions	2009	2008
Savings	12,565	11,849
Other amounts due to customers	8,145	8,465
Total	**20,710**	**20,314**
Breakdown by remaining maturity:		
Due on demand	15,232	11,721
Not due on demand:		
> 1 month ≤ 3 months	1,497	1,336
> 3 months ≤ 1 year	780	3,090
> 1 year ≤ 5 years	1,776	2,607
> 5 years	1,425	1,560
Total	**20,710**	**20,314**

9 Amounts due to banks

In € millions	2009	2008
Breakdown by remaining maturity:		
Due on demand	2,366	2,533
Not due on demand:		
> 1 month ≤ 3 months	1,242	1,733
> 3 months ≤ 1 year	3,223	2,091
> 1 year ≤ 5 years	1,885	1,053
> 5 years	618	1,282
Total	**9,334**	**8,692**

10 Other provisions

In € millions	2009	2008
Reorganisation provision	31	25
Other provisions	16	4
Total	**47**	**29**

11 Equity

In € millions	Issued share capital ordinary shares	Share premium reserve ordinary	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Statutory reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital
Balance as at 1 January 2008	**381**	**688**	**--**	**3**	**(51)**	**5**	**1,041**	**142**	**2,209**	**--**
Transfer of 2007 net profit	--	--	--	--	--	--	142	(142)	--	--
Unrealised revaluations	--	--	4	(3)	112	--	--	--	113	--
Realised revaluations through income statement	--	--	--	1	(5)	--	--	--	(4)	--
Other changes	--	--	(1)	--	--	3	(3)	--	(1)	--
Amounts charged directly to equity	--	--	3	(2)	107	3	139	(142)	108	--
Net result 2008	--	--	--	--	--	--	--	144	144	--
Total result 2008	--	--	3	(2)	107	3	139	2	252	--
Securities issue	--	--	--	--	--	--	--	(7)	(7)	260
(Interim) dividend paid	--	--	--	--	--	--	(245)	(75)	(320)	--
Transactions with shareholders and securityholders	--	--	--	--	--	--	(245)	(82)	(327)	260
Total changes in equity 2008	--	--	3	(2)	107	3	(106)	(80)	(75)	260
Balance as at 31 December 2008	**381**	**688**	**3**	**1**	**56**	**8**	**935**	**62**	**2,134**	**260**
Transfer of 2008 net profit	--	--	--	--	--	--	144	(144)	--	--
Transfer of 2008 securities issued and dividend paid	--	--	--	--	--	--	(82)	82	--	--
Share premium paid	--	150	--	--	--	--	--	--	150	--
Unrealised revaluations	--	--	--	24	23	--	--	--	47	--
Realised revaluations through income statement	--	--	--	--	(67)	--	--	--	(67)	--
Other changes	--	--	--	--	--	(8)	8	--	--	--
Amounts charged directly to equity	--	150	--	24	(44)	(8)	70	(62)	130	--
Net result 2009	--	--	--	--	--	--	--	(99)	(99)	--
Total result 2009	--	150	--	24	(44)	(8)	70	(161)	31	--
Securities issue	--	--	--	--	--	--	--	--	--	--
(Interim) dividend paid	--	--	--	--	--	--	--	--	--	--
Transactions with shareholders and securityholders	--	--	--	--	--	--	--	--	--	--
Total changes in equity 2009	--	150	--	24	(44)	(8)	70	(161)	31	--
Balance as at 31 December 2009	**381**	**838**	**3**	**25**	**12**	**--**	**1,005**	**(99)**	**2,165**	**260**

The share premium reserve is recognised for tax purposes.

The revaluation reserve concerns property and equipment held by investments in associates.

The cash flow hedge reserve concerns associates and has the nature of a statutory reserve.

The other statutory reserves have been formed for the capitalised costs of research and development of software.

Movements in issued and paid-up share capital:

	Number of shares		Amount (In € millions)	
	2009	2008	2009	2008
Issued share capital as at 1 January	840,008	840,008	381	381
Issuance of shares	--	--	--	--
Issued share capital as at 31 December	**840,008**	**840,008**	**381**	**381**

	Number of shares		Amount (In € millions)	
	2009	2008	2009	2008
Issued securities capital as at 1 January	30.754.286	--	260	--
Issuance of securities 'State-like'	--	29.714.286	--	156
Issuance of securities 'Foundation-like'	--	1.040.000	--	104
Issued securities capital as at 31 December	**30.754.286**	**30.754.286**	**260**	**260**

Notes to the company income statement

Audit fees

Based on Book 2, Section 382A (3) of the Dutch Civil Code we refer to the Financial Statements 2009 of SNS REAAL N.V. for an overview of the fees charged by the audit firm KPMG Accountants N.V. and the other KPMG companies in the financial year.

Utrecht, 14 April 2010

Supervisory Board

R. Zwartendijk (chairman)
H.M. van de Kar (vice-chairman)
C.M. Insinger
S.C.J.J. Kortmann
R.J. van de Kraats
J.E. Lagerweij
H. Muller
J.A. Nijhuis
H.W.P.M.A. Verhagen
L.J. Wijngaarden

Management Board

M.W.J. Hinssen
H.K. Kroeze
F.K.V. Lamp
D.J. Okhuijsen

Overview of principal subsidiaries

Participation in the subsidiaries is 100%, unless stated otherwise.

Banking operations

ASN Bank N.V.	The Hague
ASN Groenbank N.V.	The Hague
BLG Hypotheekbank N.V.	Geleen
SNS Securities N.V.	Amsterdam
SNS Assurantiën B.V.	Maastricht
SNS Property Finance B.V.	Leusden
SNS Regio Bank N.V.	Utrecht

Other capital interests

For information on the most significant other capital interests, please refer to the notes to the consolidated balance sheet in the section on 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.

Guarantees

SNS Bank N.V. has provided guarantees as meant in section 403, Book 2 of the Dutch Civil Code for all subsidiaries of SNS Bank mentioned above and several other subsidiaries of SNS Bank. SNS Bank has guaranteed the commitments entered into by her subsidiaries ASN Bank N.V., SNS Regio Bank N.V. and BLG Hypotheekbank N.V.

SNS Bank is a direct and 100% subsidiary of SNS REAAL N.V., together with other group companies, they constitute a single tax entity for corporate income tax and VAT Purpose. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts stemming from the relevant tax entities.

Other information

Provisions regarding profit and loss appropriation

Result 2009: a € 99 million loss.

Profit and loss appropriation provisions in the Articles of Association

Article 33

1 The net result shall be at the free disposal of the General Meeting of Shareholders.
2 The company may only make distributions to shareholders and the other persons entitled to the distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves which are to be maintained pursuant to the law.
3 Distribution of profits shall take place following the adoption of the financial statements from which it appears that such distribution is allowed.

Article 34

1 Dividends shall be due and payable fourteen days after having been declared, unless upon the proposal of the general management, the General Meeting of Shareholders determines another date thereof.
2 Dividends that have not been collected within five days after they became due and payable shall revert to the company.
3 If the General Meeting of Shareholders so determines on the proposal of the general management, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in section 2:105, subsection 4, Civil Code.
4 A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by law.

Profit and loss appropriation provision securities

Payable coupons on securities

Payment to security holders depends on declaration of dividend on ordinary shares of SNS REAAL. If no (interim) dividend is declared on SNS REAAL ordinary shares, than SNS REAAL, and therefore SNS Bank, is under no obligation to pay the coupon

Since SNS REAAL did not declare any dividend in 2009, the security holders will not be entitled to a coupon.

Loss appropriation:
The loss for the financial year 2009 will be debited to the profit reserves of SNS Bank N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of SNS Bank N.V. in Utrecht as included on pages 44 to 123 of this report. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement of 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity and consolidated cash flow statement for the year then ended, and notes, comprising a summary of the most significant accounting policies used for financial reporting and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the 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 management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 consolidated financial statements give a true and fair view of the financial position of SNS Bank N.V. as at 31 December 2009, 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 Bank N.V. as at 31 December 2009, 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 requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 14 April 2010
KPMG ACCOUNTANTS N.V.

J.G.J.F. Oudejans RA

Pillar 3

1 Inhoud

2 Introduction

This is SNS Bank's report on capital adequacy and risk management in accordance with the legal disclosure requirements in EU's Capital Requirements Directive (CRD) as based upon the Basel II framework. The report, together with the risk paragraph in the Financial Statements, presents the capital position and how the size and composition of the capital base is related to the risks as measured in risk weighted assets (RWA). If the information required for Pillar 3 already is reported in the risk paragraph, a cross reference is made. Other, additional information is presented in this Pillar 3 report.

The Basel II framework is based on three pillars:

- Pillar 1 defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. This capital demand has to be covered by regulatory own funds.
- Pillar 2 addresses the bank's internal processes for assessing overall capital adequacy in relation to risks (ICAAP). Pillar 2 also introduces the Supervisory Review and Evaluation Process (SREP), which assesses the internal capital adequacy of credit institutions.
- Pillar 3 focuses on minimum disclosure requirements, covering the key pieces of information required to assess the capital adequacy of a credit institution.

Primary purpose of the third pillar of Basel II is to promote greater market discipline by enhancing transparency in information disclosure. It means that more information concerning risks, risk management practices and capital adequacy should be published to the external world. SNS Bank reported on Pillar 3 for the first time in a separate report on the financial year 2008. For 2009 it was decided to incorporate the Pillar 3 report as a separate chapter in the Annual Report 2009 SNS Bank N.V. This allows the reader to form a comprehensive opinion on SNS Bank's financial and risk management position as a whole.

This report has been developed with the ambition to meet the increased need for transparency in the financial market. So the Pillar 3 disclosure is aligned with the recently updated (draft) Industry Good Practice Guidelines on pillar 3 disclosure requirements as issued by the end of 2009 by representative European industry players [1].

In 2009 SNS Bank changed the method used to determine the exposure in the securitisation exposure class. This new method, that includes the amount of securitised mortgages, has resulted in an increase in the exposure in 2009 and an adjustment in the comparative figures 2008. The effect on the RWA is minor.

The full Pillar 3 disclosure for SNS Bank is made annually. Periodic information is published bi-annually, included in the half year press release of SNS REAAL. The key data on capital adequacy is also presented in the annual report of SNS REAAL. The Pillar 3 report for the SNS Bank is presented on www.snsreaal.com.

3 Risk management SNS Bank

After the extraordinarily volatile year of 2008, relative stability returned to the financial markets in 2009. Share prices rebounded and the credit spreads dropped. However, the economy was hit by declining confidence, making people less willing to spend their money, which in turn affected production levels.

SNS Bank took successful advantage of the improved environment, not only indirectly by increased capitalisation and funding possibilities of the group it belongs to, but also by a successful covered bond issue under its own name. Furthermore, SNS Bank adjusted its liquidity position in line with the improved situation on the financial markets, but will maintain its ample liquidity buffers nonetheless.

The equity markets bottomed out in March 2009. It signalled a recovery on the financial markets which continued in the second half of 2009. Early 2010 the real economy is also showing the first signs of improvement, such as

1) Industry good Practice Guidelines on Pillar 3 disclosure requirements for securitisation, November 2009

better-than-expected unemployment figures, upward revisions of growth prospects and improved consumer confidence.
As the developments on the property markets are still fragile, credit losses may still not have peaked.

SNS Bank emphasises its commitment to maintaining a moderate risk profile. This means that the balance sheet risks will be further limited and higher capital levels will be maintained.
SNS Bank's commercial activities, such as offering accessible banking products involve low risks, while the exposure to high-risk activities, such as proprietary trading, complex products or foreign currencies, is limited. The mainly Dutch clients are well-diversified within the retail and SME market segments. The international property portfolio of SNS Property Finance is being phased out.

For more information on the effect on the risk management of SNS Bank with respect to the risk management organisation, the risk committees and the risk management departments, please refer to the chapter on Risk and Capital Management, and the chapter on Risk management in the Financial Statements.

4 Scope of application

The starting point for determining the scope of application of the Basel II approaches is the International Financial Reporting Standards (IFRS) consolidation scope of SNS Bank. As a general principle, all the legal entities entering into the IFRS consolidation scope of SNS Bank are also within the scope of application of the Basel approaches. For further information on the consolidation principles we refer to the chapter on Accounting principles for the consolidated financial statement, paragraph 2.

The following tables show the IFRS consolidation scope of only major subsidiaries that are currently active.

Investments in subsidiaries

Table 1: Group undertakings included in the capital base

Subsidiary	Voting power	Domicile	Consolidation method
ASN Bank N.V. [1]	100%	The Hague	Purchase method
ASN Groenbank N.V. [1]	100%	The Hague	Purchase method
BLG Hypotheekbank N.V.	100%	Geleen	Purchase method
SNS Securities N.V. [1]	100%	Amsterdam	Purchase method
SNS Assurantiën B.V. [1]	100%	Maastricht	Purchase method
SNS Assuradeuren B.V. [1]	100%	Maastricht	Purchase method
SNS Property Finance B.V. [1]	100%	Leusden	Purchase method
SNS Regio Bank N.V. [1]	100%	Utrecht	Purchase method
Zagora Ltd.	100%	London	Purchase method
Hermes I to XVII	100%	Utrecht	Purchase method
Other	100%	Various	Purchase method

[1]) Exemption from solo supervision

Investments in associated companies

Table 2: Overview of the most significant investments in associated companies

Associates	Voting power	Domicile	Consolidation method
Project 2 Holding N.V.	17%	BE	Purchase method
Tarpon Point Associates LLC	10%	US	Purchase method
Überseequartier Beteilingungs GmbH	33%	DE	Purchase method
Prospect Village LP	30%	US	Purchase method
Other	20-50%	Various	Purchase method

Investments in joint ventures

SNS Bank has interests in the following joint ventures which are real estate companies. These companies are included using the proportionate method:

Table 3: Overview of the investments in joint ventures

Joint ventures	Voting power	Domicile	Consolidation method
Homburg LP	50%	CA	Proportionate method
Heyen VG Beleggingen B.V.	50%	NL	Proportionate method
UDC / SNS PF Retail Development Fund	25%	US	Proportionate method
ZOM Village View LP	50%	US	Proportionate method
Océanis SNS PF	35%	FR	Proportionate method
Other	15-75%	Various	Proportionate method

5 Regulatory capital requirements

5.1 General

This chapter describes the regulatory capital requirements of SNS Bank. The risk types included are based on pillar 1 in the CRD and contain credit, market and operational risk.

In the table below, which is also disclosed in paragraph 2.1 of the chapter on Risk Management, an overview of the capital requirements and the risk weighted assets (RWA) as of 31 December 2009 divided on the different risk types is presented. The credit risk comprises 84.2% (2008: 75.1%) of the risk in SNS Bank. Operational risk accounts for 6.4% (2008: 5.8%) of the capital requirements and market risk comprises 0.5% (2008: 0.5%) of the capital requirements. The table also includes information about the approach used for calculation of the capital requirements. Out of the total capital requirements for credit risk, 20.2% (2008: 17.9%) have been calculated with the internal rating based approach (IRB) and 79.8% (2008: 82.1%) with the standardised approach.

The capital requirement for credit, market and operational risk is adjusted with € 184 million (2008: € 416 million) due to the transitional rules (known as the capital floor). In 2008, the capital requirements could not be lower than 90% of the capital requirements calculated under Basel I regulations. The corresponding floor for 2009 is 80%.

Table 4: Capital requirements and risk weighted assets

In € millions	Basel II RWA		Capital requirement	
	2009	2008	2009	2008
Credit risk				
Standardised exposure classes:				
- Central governments and central banks	225	17	18	1
- Institutions	452	706	36	56
- Corporate	14,238	14,612	1,139	1,170
- Retail	1,312	1,160	105	93
- Equity	38	62	3	5
IRB exposure classes:				
- Retail mortgages	3,360	2,789	269	223
- Securitisation	1,038	977	83	78
Other	1,145	770	92	62
	21,808	21,093	1,745	1,688
Market risk				
Standardised	130	125	10	10
- of which foreign exchange risk	--	--	--	--
- of which commodity risk	--	--	--	--
Operational risk				
Standardised	1,651	1,639	132	131
Other and transitional capital requirements	2,296	5,198	184	416
Total	**25,885**	**28,055**	**2,071**	**2,245**

5.2 Capital requirements for credit risk

SNS Bank received approval by DNB to use the IRB approach for the retail portfolio secured by residential real estate. SNS Bank aims to gradually implement the IRB approach for other portfolios. The standardised approach will continued to be used for portfolios for which approved internal models are not yet in place. With the approval of DNB the standardised approach will continued to be also used for the portfolios Government, Credit institutions and Equity because of the fact that the credit risk for these portfolios is limited.
In the IRB and the standardised approaches, the regulatory capital requirements for credit risk are calculated using the following formula:

Capital requirements = RWA x 8%, where RWA = risk weight x EAD

In the table the exposure, exposure at default (EAD), average risk weight percentage, RWA and capital requirement are distributed by exposure class, which serves as the basis for the reporting of capital requirements. In this report the IRB exposure class is presented that SNS Bank has been approved for. For the remaining portfolios the standardised approach exposure classes are used.
The exposure value of an on-balance sheet exposure in the IRB approach is measured gross of value adjustments such as provisioning. The exposure at default (EAD) for the on-balance sheet items and derivative contracts is 100% of the original exposure. Off-balance sheet exposures are converted into EAD using credit conversion factors (CCF). The risk weight is calculated as RWA divided by EAD for IRB exposures. For exposures in the standardised approach, the risk weight is given by DNB.

Table 5: Capital requirement for credit risk

In € millions	EAD	Average risk weight	RWA	Capital requirement
31 December 2009				
Standardised exposure classes				
Central governments and central banks	7,939	3%	225	18
Institutions	1,345	34%	452	36
Corporate	15,288	93%	14,238	1,139
Retail	1,905	69%	1,312	105
Equity	38	100%	38	3
Total standardised approach	26,515	61%	16,265	1,301
IRB exposure classes				
Retail	24,235	14%	3,360	269
Securitisation	7,175	14%	1,038	83
Total IRB approach	31,410	14%	4,398	352
Other	1,372	83%	1,145	92
Total credit risk	**59,297**		**21,808**	**1,745**
31 December 2008				
Standardised exposure classes				
Central governments and central banks	5,695	0%	17	1
Institutions	2,558	28%	706	56
Corporate	16,110	91%	14,612	1,170
Retail	1,664	70%	1,160	93
Equity	62	100%	62	5
Total standardised approach	26,089	63%	16,557	1,325
IRB exposure classes				
Retail	22,339	12%	2,789	223
Securitisation	6,542	15%	977	78
Total IRB approach	28,881	13%	3,766	301
Other	161	478%	770	62
Total credit risk	**55,131**		**21,093**	**1,688**

5.3 Capital requirements for market risk

SNS Bank uses the standardised approach in the CRD to calculate capital requirements for the trading book. The model covers interest rate risk and equity risk and is based on fixed risk weights.

5.4 Capital requirements for operational risk

The capital requirements for operational risk is calculated by SNS Bank according to the standardised approach, in which all of the institution's activities are divided into eight standardised business lines: corporate finance, trading & sales, retail banking, commercial banking, payment & settlement, agency services, asset management and retail brokerage.
The total capital requirement for operational risk is calculated as the sum of the capital requirements for each of the business lines. The risk for each business line is the beta coefficient multiplied by gross income. The beta coefficients differ between business lines and are given by DNB.

6 Credit risk

6.1 General

In this chapter, the credit risk and its components are described with respect to:

- Exposure classes used in the calculations of RWA and the explanation of the capital requirements;
- Information about exposures from several aspects, split by exposure classes, geography and industry;
- Approaches and methods used in the RWA calculations are presented including information about credit risk mitigation and SNS Bank's internal rating system;
- Information about credit risk management, impaired loans and loan losses is either disclosed or referred to.

6.2 Exposure classes

SNS Bank has a diversified credit portfolio, which can be divided into retail and corporate portfolios. As of 1 January 2008, SNS Bank has obtained approval, from the DNB, to use the IRB Advanced Method for the calculation of regulatory capital for its retail mortgage portfolio. For its other retail and corporate portfolios, SNS Bank uses the Standardised Approach for the calculation of regulatory capital.

SNS Bank has scheduled a roll-out plan for the transition of portfolios currently using the Standardised Approach towards the use of the IRB Advanced Method. Loans to institutions, governments as well as equities are, and will remain based on the Standardised Approach for the calculation of regulatory capital.

6.2.1 Standardised exposure classes

Central government and Central Banks

Exposures to central governments and central banks are, subject to national discretion, treated with low risk if the counterparty is within European Economic Area (EEA) member states.

Institutions

Exposures to institutions and investment firms are classified as exposures to institutions. In addition, exposures to regional governments, local authorities and multilateral development banks are classified as exposures to institutions if they are not treated as exposures to sovereigns according to regulations issued by the authorities.

Corporates

Exposures in commercial property development and investment mortgages are classified as corporate exposures. The corporate exposure class contains exposures that are rated in accordance to SNS Property Finance internal guidelines. Also the exposures to SME secured by mortgages on residential or commercial real estate of more than € 1 million, are classified as corporate exposures.

Retail

The exposures to private individuals other than mortgages are included in the retail exposure class and include consumer loans, revolving consumer loans and credit limits on the account. Also exposures in the business segment that are secured by mortgages on residential or commercial real estate up to € 1 million are classified as retail exposures.

Equity

The exposure to equity comprises the investments in connection with the company's own liquidity management and held for trading.

Other

The exposure to other non credit obligations relates to tangible fixed assets, accruals, other assets and cash and cash equivalents.

Securitisation positions

The securitised mortgages comprise only securitised mortgages of which the notes issued by the SPV have been sold to investors. The notes which have been kept in own books are included in exposure class Retail secured by real estate.

6.2.2 Internal rating based approach

Retail secured by real estate

Exposures to private individuals that are secured by mortgages on residential real estate are classified as retail exposures. SNS Bank's residential mortgage portfolio comprises 72% of the bank's total credit portfolio.

6.3 Information about exposures

Credit risk profile

SNS Bank recognises 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.

Approximately 75% of all loans and advances to customers concern private residential property financing. Private residential property financings are provided throughout the Netherlands. The south and east of the Netherlands comprise a large portion of the portfolio, although the focus now lies on growth in the west (the Randstad urban area). Our geographic spread contributes to the diversification of risks; the regional differences in the housing market and economy will also create differences in the number of defaults and the level of credit loss, or anticipated credit loss, in each region.

Exposure of commercial mortgage loans declined in 2009. These property loans are concentrated at SNS Property Finance. The geographical composition of the loan portfolio of SNS Property Finance (excluding Property projects) is largely focused on the Netherlands. SNS Property Finance has taken effective control of some projects in order to restructure them and reduce potential losses. SNS Property Finance has voting rights in these projects which vary from 50% up to 100% and as a consequence, these projects are fully consolidated in SNS REAAL's financial accounts as at 31 December 2009, under the balance sheet heading 'Property projects'. SNS Property Finance existing portfolio's credit quality decreased as a result of last year's unfavourable market conditions.

The majority of the loans portfolio comprises loans secured by mortgages. The other loans, which are not secured by mortgages, are mainly exposures at banks and investments (mainly bonds). The investments are part of the company's own liquidity management. The interest-bearing investments per 31 December can be classified according to the rating as follows:

Table 6: **Interest-bearing investments classified by their rating**

In € millions	2009	2008
AAA	2,299	3,168
AA	700	201
A	1,306	419
BBB	72	8
Below BBB	82	72
Non-rated	41	45
Total	**4,500**	**3,913**

Information about exposure type by exposure class

In table 7, the exposures are split by exposure classes and exposure types as of 31 December 2009. The table is split between exposure classes subject to the IRB Advanced approach (retail mortgages and securitisation) and exposure classes subject to the Standardised approach. The main part of the exposure is within the exposure classes Retail and Corporate.

Table 7: **Exposure classes split by exposure type**

In € millions	On-balance sheet items	Off-balance sheet items	Derivatives	Total exposure
2009				
Standardised exposure classes				
Central governments and central banks	7,209	7	--	7,216
Institutions	3,367	1	737	4,105
Corporate	15,866	3,865	448	20,179
Retail	1,953	1,587	--	3,540
Equity	38	--	--	38
Total standardised approach	28,433	5,460	1,185	35,078
IRB exposure classes				
Retail	32,024	633	--	32,657
Securitisation	15,138	670	--	15,808
Total IRB approach	47,162	1,303	--	48,465
Other	1,372	--	--	1,372
Total exposure	**76,967**	**6,763**	**1,185**	**84,915**
2008				
Standardised exposure classes				
Central governments and central banks	5,218	20	--	5,238
Institutions	3,428	1	357	3,786
Corporate	17,010	12,163	357	29,530
Retail	1,722	4,182	--	5,904
Equity	62	--	--	62
Total standardised approach	27,440	16,366	714	44,520
IRB exposure classes				
Retail	28,769	710	--	29,479
Securitisation	16,922	447	--	17,369
Total IRB approach	45,691	1,157	--	46,848
Other	161	--	--	161
Total exposure	**73,292**	**17,523**	**714**	**91,529**

The large decrease in the off balance exposure is caused by the transfer of settlement accounts related to safe keeping of securities to a third party. As a result of this transfer SNS Bank no longer has commitments to make cash advances with regard to these securities.

In the following table the exposures are presented as an average during the previous time period.

Table 8: Exposure classes split by exposure type, average exposure

In € millions	On-balance sheet items	Off-balance sheet items	Derivatives	Total exposure
2009				
Standardised exposure classes				
Central governments and central banks	6,983	13	--	6,996
Institutions	3,964	1	627	4,592
Corporate	16,502	7,968	435	24,905
Retail	1,976	3,194	--	5,170
Equity	55	--	--	55
Total standardised approach	29,480	11,176	1,062	41,718
IRB exposure classes				
Retail	30,218	670	--	30,887
Securitisation	15,829	612	--	16,441
Total IRB approach	46,047	1,282	--	47,328
Other	1,151	--	--	1,151
Total exposure	**76,678**	**12,458**	**1,062**	**90,197**
2008				
Standardised exposure classes				
Central governments and central banks	6,596	19	--	6,615
Institutions	3,326	1	1,256	4,583
Corporate	16,121	10,193	271	26,585
Retail	1,862	7,022	--	8,889
Equity	72	--	--	72
Total standardised approach	27,977	17,235	1,532	46,744
IRB exposure classes				
Retail	31,513	724	--	32,237
Securitisation	12,999	375	--	13,374
Total IRB approach	44,512	1,099	--	45,611
Other	133	--	--	133
Total exposure	**72,622**	**18,334**	**1,532**	**92,488**

Information about exposure by geography (per exposure class)

In the table below the on-balance exposures are split by main geographical areas and exposure classes based on where the credit risk is referable. The main market for SNS Bank is The Netherlands.

Table 9: On-balance exposure split by geography and exposure classes

In € millions	Central governments and central banks	Institutions	Corporate	Other retail and Equity	IRB Retail	Securitisation	Other	Total exposure
31 December 2009								
The Netherlands	4,028	676	12,010	1,991	32,024	15,138	1,372	67,239
EMU	3,164	525	2,191	--	--	--	--	5,880
Outside EMU	17	2,166	1,665	--	--	--	--	3,848
Total exposure	**7,209**	**3,367**	**15,866**	**1,991**	**32,024**	**15,138**	**1,372**	**76,967**

Table 9: **On-balance exposure split by geography and exposure classes**

In € millions	Central governments and central banks	Institutions	Corporate	Other retail and Equity	IRB Retail	Securitisation	Other	Total exposure
31 December 2008								
The Netherlands	3,177	630	12,930	1,706	28,769	16,922	161	64,295
EMU	2,024	623	2,553	41	--	--	--	5,241
Outside EMU	17	2,175	1,527	37	--	--	--	3,756
Total exposure	**5,218**	**3,428**	**17,010**	**1,784**	**28,769**	**16,922**	**161**	**73,292**

Information about exposure by industry

In the following table the on-balance exposures are split by SNS Bank's important industry groups for the exposure classes. The exposures in the IRB Retail relate to Private clients. The main exposures in the corporate portfolio relate to Construction and property, and Service sector companies. The two largest industry groups, Private clients and Construction and property comprise 83.6% (2008: 82.8%) of the total exposure in the portfolio.

Table 10: **On-balance exposure split by industry and exposure classes**

In € millions	Central governments and central banks	Institutions	Corporate	Other retail and Equity	IRB Retail	Securitisation	Other	Total exposure
31 December 2009								
Construction and property	--	--	13,224	--	--	--	649	13,873
Public sector	7,209	--	1,176	--	--	--	--	8,385
Agriculture, horticulture, forestry and fishery	--	--	5	--	--	--	--	5
Industry	--	--	203	--	--	--	--	203
Service sector companies	--	--	439	--	--	--	--	439
Financial institutions	--	3,367	--	38	--	--	--	3,405
Other commercial	--	--	187	--	--	--	--	187
Private clients/SME	--	--	632	1,953	32,024	15,138	723	50,470
Total exposure	**7,209**	**3,367**	**15,866**	**1,991**	**32,024**	**15,138**	**1,372**	**76,967**
31 December 2008								
Construction and property	--	--	14,232	--	--	--	--	14,232
Public sector	5,218	--	--	--	--	--	--	5,218
Agriculture, horticulture, forestry and fishery	--	--	58	--	--	--	--	58
Industry	--	--	358	--	--	--	--	358
Service sector companies	--	--	2,087	1,138	--	--	--	3,225
Financial institutions	--	3,428	--	62	--	--	--	3,490
Other commercial	--	--	275	--	--	--	--	275
Private clients/SME	--	--	--	584	28,769	16,922	161	46,436
Total exposure	**5,218**	**3,428**	**17,010**	**1,784**	**28,769**	**16,922**	**161**	**73,292**

Information about exposure by maturity

In the following table the on-balance exposure is divided by maturity, which is defined as the contractual maturity. The on-balance exposure is divided by the exposure classes.

Table 11: **On-balance exposure by maturity**

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total exposure
2009						
Standardised exposure classes						
Central governments and central banks	2,563	--	84	958	3,604	7,209
Institutions	2,894	54	87	287	45	3,367
Corporate	1,911	1,361	1,749	3,125	7,720	15,866
Retail	110	21	76	210	1,536	1,953
Equity	38	--	--	--	--	38
Total standardised approach	7,516	1,436	1,996	4,580	12,905	28,433
IRB exposure classes						
Retail	1,181	26	126	670	30,021	32,024
Securitisation	--	--	--	35	15,103	15,138
Total IRB approach	1,181	26	126	705	45,124	47,162
Other	1,372	--	--	--	--	1,372
Total	**10,069**	**1,462**	**2,122**	**5,285**	**58,029**	**76,967**
2008						
Standardised exposure classes						
Central governments and central banks	1,517	8	347	739	2,607	5,218
Institutions	2,824	6	90	484	24	3,428
Corporate	1,721	494	2,364	4,171	8,260	17,010
Retail	294	22	102	233	1,070	1,722
Equity	62	--	--	--	--	62
Total standardised approach	6,418	530	2,903	5,627	11,962	27,440
IRB exposure classes						
Retail	17	8	61	287	28,396	28,769
Securitisation	--	--	110	168	16,644	16,922
Total IRB approach	17	8	171	455	45,040	45,691
Other	161	--	--	--		161
Total	**6,596**	**538**	**3,074**	**6,082**	**57,002**	**73,292**

Information about equity

In the exposure class Equity, SNS Bank's equity holdings outside the trading book are included. In the following table the exposure of SNS Bank's equity holdings outside the trading book are shown in groups based on the intention of SNS Bank.

Book value equals fair value for all the equities shown in the table. The evidence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. SNS Bank predominantly uses published quotations to establish fair value for shares.

Table 12: **Exposure of equity outside trading book**

In € millions	Book value	Fair value	Fair value of listed shares	Quoted share value	Unrealised gains/losses	Realised gains/losses period YTD	Capital requirement
2009							
Associates	21	21	--	--	--	(25)	2
Joint ventures	12	12	--	--	--	(7)	1
Investments available for sale	8	8	--	--	--	--	1
Total	**41**	**41**	**--**	**--**	**--**	**(32)**	**4**

Table 12: **Exposure of equity outside trading book**

In € millions	Book value	Fair value	Fair value of listed shares	Quoted share value	Unrealised gains/losses	Realised gains/losses period YTD	Capital requirement
2008							
Associates	37	37	--	--	(2)	(29)	2
Joint ventures	10	10	--	--	--	1	1
Investments available for sale	16	16	7	7	--	8	2
Total	**63**	**63**	**7**	**7**	**(2)**	**(20)**	**5**

6.4 Calculation of RWA

6.4.1 General

The RWA calculations in SNS Bank differ between the exposure classes. SNS Bank has received approval to calculate the credit risk by using the IRB Advanced approach for the retail mortgages. For the other asset classes the Standardised approach is used in 2009. These other asset classes are in majority part of a roll out plan to be included in the IRB advanced approach. The following section describes the principles for calculating RWA with the Standardised approach and the IRB Advanced approach respectively.

6.4.2 Calculation of RWA with the Standardised approach

The standardised approach measures credit risk pursuant to fixed risk weight. The application of risk weight in standardised approach is given by a set of fixed rules and is based on the exposure class to which the exposure is assigned. In calculating RWA with the standardised approach external ratings coming from eligible rating agencies are in some cases a necessary input to calculate the fixed risk weight.

In table 13 and 14 the exposure per risk weight with the associated RWA and capital requirement is presented. An exposure with, for example, a risk weight of 100% will not always lead to a similar RWA, due to guarantees and the use of a credit conversion factor for off balance exposure. Further information about credit conversion factors is included in chapter 8 Disclosure of off-balance items.

The effect of credit risk mitigation is minor. No exposure values are deducted from own funds.

Table 13: **Exposure classes split by exposure per risk weight**

	Risk weight							
In € millions	0%	20%	35%	50%	75%	100%	150%	Total
2009 Standardised approach								
Central Government and Central Banks	6,183	988	--	36	--	9	--	7,216
Institutions	14	2,374	--	1,640	--	77	--	4,105
Corporates	54	47	1,995	350	--	16,888	845	20,179
Retail	--	--	296	--	3,243	1	--	3,540
Equity	--	--	--	--	--	38	--	38
Total Standardised	**6,251**	**3,409**	**2,291**	**2,026**	**3,243**	**17,013**	**845**	**35,078**
2008 Standardised approach								
Central Government and Central Banks	5,141	97	--	--	--	--	--	5,238
Institutions	--	2,026	--	1,692	--	68	--	3,786
Corporates	64	77	2,429	1	--	26,707	252	29,530
Retail	--	--	226	--	5,678	--	--	5,904
Equity	--	--	--	--	--	62	--	62
Total Standardised	**5,205**	**2,200**	**2,655**	**1,693**	**5,678**	**26,837**	**252**	**44,520**

Table 14: **Exposure classes split by risk weighted assets and capital requirements per risk weight**

In € millions	Risk weight							
	0%	20%	35%	50%	75%	100%	150%	Total
2009 Standardised approach								
Central Government and Central Banks								
Risk weighted assets	--	198	--	18	--	9	--	225
Capital requirements	--	16	--	1	--	1	--	18
Institutions								
Risk weighted assets	--	174	--	201	--	77	--	452
Capital requirements	--	14	--	16	--	6	--	36
Corporates								
Risk weighted assets	--	6	697	101	--	12,322	1,112	14,238
Capital requirements	--	--	56	8	--	986	89	1,139
Retail								
Risk weighted assets	--	--	102	--	1,208	1	1	1,312
Capital requirements	--	--	8	--	97	--	--	105
Equity								
Risk weighted assets	--	--	--	--	--	38	--	38
Capital requirements	--	--	--	--	--	3	--	3
Total risk weighted assets	**--**	**378**	**799**	**320**	**1,208**	**12,447**	**1,113**	**16,265**
Total capital requirements	**--**	**30**	**64**	**25**	**97**	**996**	**89**	**1,301**
2008 Standardised approach								
Central Government and Central Banks								
Risk weighted assets	--	17	--	--	--	--	--	17
Capital requirements	--	1	--	--	--	--	--	1
Institutions								
Risk weighted assets	--	405	--	234	--	67	--	706
Capital requirements	--	32	--	19	--	5	--	56
Corporates								
Risk weighted assets	--	12	842	1	--	13,413	344	14,612
Capital requirements	--	1	67	--	--	1,074	28	1,170
Retail								
Risk weighted assets	--	--	78	--	1,081	--	1	1,160
Capital requirements	--	--	6	--	87	--	--	93
Equity								
Risk weighted assets	--	--	--	--	--	62	--	62
Capital requirements	--	--	--	--	--	5	--	5
Total risk weighted assets	**--**	**434**	**920**	**235**	**1,081**	**13,542**	**345**	**16,557**
Total capital requirements	**--**	**34**	**73**	**19**	**87**	**1,084**	**28**	**1,325**

SNS Bank uses for exposures to Central government and central banks, Institutions and Corporates eligible external ratings from Standard & Poor's, Moody's and Fitch Ratings. The external rating is converted to the credit quality step (the mapping is defined by DNB), which corresponds to a fixed risk weight.

Table 15: **Exposures to Central governments and central banks, 31 December 2009**

In € millions	Credit quality step	Risk weight	EAD	Basel II RWA
AAA to AA-	1	0%	2,193	--
A+ to A-	2	20%	913	183
BBB+ to BBB-	3	50%	36	18
BB+ to B-	4	100%	--	--

Table 16: **Exposures to Institutions, 31 December 2009**

In € millions	Credit quality step	Risk weight	EAD	Basel II RWA
AAA to AA-	1	20%	240	48
A+ to A-	2			
≤ 3 months		20%	4	1
> 3 months		50%	165	83
BBB+ to BBB-	3			
≤ 3 months		20%	--	--
> 3 months		50%	--	--
BB+ to B-	4			
≤ 3 months		50%	--	--
> 3 months		100%	77	77

Table 17: **Exposures to Corporate, 31 December 2009**

In € millions	Credit quality step	Risk weight	EAD	Basel II RWA
AAA to AA-	1	20%	31	6
A+ to A-	2	50%	--	--
BBB+ to BBB-	3	100%	1	1
BB+ to B-	4	100%	4	4

6.4.3 Calculation of RWA with the IRB advanced approach

The IRB Advanced approach measures credit risk using formulas with internal input for the calculation of Probability of Defaults (PD), Loss Given Default (LGD) and Exposure at Default (EAD). In the following paragraphs, these parameters and rating system are described in more detail.

Probability of customer default (PD)

SNS Bank assesses the credit quality of borrowers and other counterparties by assigning an internal risk rating. The rating reflects the statistical probability of a customer in a rating class defaulting within the next 12-month period. PD measures the unconditional probability of a counterparty defaulting over a defined future period, typically the next 12 months.
SNS Bank categorises its current exposures according to an internal default grade rating scale that corresponds to a statistical Long Term Average probability of customers in that rating class defaulting within a 12-month period.

Exposure in the event of default (EAD)

Exposure in the event of default represents the expected level of usage of the credit facility when default occurs. During the course of a loan, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit. However, when SNS Bank evaluates loans, it takes exposure at default into consideration, using its extensive historical experience. This recognises that customers may make heavier than average usage of their facilities as they approach default.

Severity of loss-given default (LGD)

When a customer defaults, some part of the amount outstanding on his/her loans is usually recovered. The part that is not recovered, the actual loss, together with the economic costs associated with the recovery process, combine to produce a figure called the LGD. The severity of the LGD is measured as a percentage of the EAD. Using historical information, SNS Bank can estimate how much is likely to be lost, on average, for various types of loans in the event of default.
SNS Bank categorises its current exposures according to an internal LGD grade rating scale that corresponds to a statistical downturn LGD so estimating the losses that originates from defaults within a 12-month period given a economic downturn. For exposures already in default classes of best estimate LGD is used. Using statistics the loss is estimated of exposure in default.

Table 18: **Exposure split by probability of default class**

Probability of default class	Exposure weighted average LGD		Exposure weighted average PD		Exposure (in € millions)		Exposure weighted average risk weight (in € millions)	
	2009	2008	2009	2008	2009	2008	2009	2008
1	9.02%	8.40%	0.04%	0.04%	5,555	4,892	62	51
2	9.10%	8.21%	0.14%	0.14%	7,539	6,402	223	171
3	10.44%	9.29%	0.25%	0.25%	6,697	6,374	351	297
4	11.45%	9.87%	0.43%	0.43%	4,114	3,999	350	293
5	12.65%	10.01%	0.93%	0.93%	2,750	2,898	440	367
6	10.38%	10.38%	1.04%	1.04%	1,137	412	161	58
7	11.10%	9.52%	1.66%	1.66%	1,173	1,151	240	202
8	10.22%	9.65%	4.51%	4.51%	1,478	1,305	500	417
9	10.21%	9.51%	12.14%	12.14%	1,318	1,227	697	605
10	10.27%	9.67%	32.25%	32.25%	463	516	293	307
11	11.28%	12.08%	100.00%	100.00%	433	303	43	21
Total					**32,657**	**29,479**	**3,360**	**2,789**

(Header "Risk weight" spans the data columns.)

The credit quality on the retail mortgage portfolio decreases from class 1 to class 11.

6.4.3.1 Advanced internal rating procedure

Retail mortgages

The internal rating process on SNS Bank's Retail mortgages exposures is based on a number of data elements in order to ensure risk is measured correctly.

6.4.3.2 Control Mechanisms for the Internal Rating System

To enhance correct risk model outputs, that also support management decision-making, an independent Model validation department is in place. The Credit Risk department performs regular model reviews and performance-monitoring exercises. All these processes together are governed in accordance with DNB guidelines.

Model documentation

Documentation is sufficiently detailed to allow independent validation of the model from the original data sources. It includes a description of the data used for model development, the methodology used (and the rationale for choosing such a methodology), and all assumptions used in the model.

Initial model validation

All models are subject to an independent validation and review process before they can be signed off for implementation. For credit risk models an independent Model validation department and Model Governance Board ensures that the model building and approval process is followed. Furthermore, Basel II compliancy is checked, and independent reviews are performed as part of the technical and business approval of models. The model validation exercise must demonstrate that the model fits its purpose and that it provides accurate estimates.

Model sign-off

There are clearly laid out rules for the sign-off process for models. The credit risk models in SNS Bank receive their final sign-off for implementation from the Group ALCO .

Ongoing model validation and monitoring

All credit risk models are subject to frequent performance monitoring (quarterly review), which ensures that deficiencies in models are identified early and corrective action can be taken before the deficiency becomes serious and affects the decision-making process. Regular monitoring (quarterly) is reported to the Product Market Pricing Committee. The credit risk models are reviewed by Model Validation at least once a year.

Stress Testing

Stress testing is a tool to assess the impact of an extreme, but plausible event on the financial position of SNS Bank N.V. In 2009 SNS REAAL executed two stress tests for its banking as well as its insurance operations.
In March DNB requested SNS REAAL to perform a stress test in which the impact of two scenarios (a base and stress scenario) on the solvency ratio were calculated. Based on the results SNS REAAL has sufficient capital for its banking and insurance operations.
Later in October the European Commission (EC) requested SNS REAAL to perform a stress test as part of a viability plan related to the state aid received from the Dutch government. The outcome of the EC stress test indicates that in the years ahead, there is sufficient capacity to repay the state support in both the base scenario and the adverse scenario. In the adverse scenario, the Tier 1 ratio of the Banking activities and the solvency of the Insurance activities increase at year-end 2011. The credit losses are substantial but can largely be absorbed by the banking activities' gross results. In addition, the solvency of the Banking activities is relatively insensitive to the scenarios as a result of the Basel II transition floor, which will be maintained for now.
For more details we refer to the annual report of SNS Bank N.V.

6.4.3.3 Comparison between expected and actual losses

For retail mortgages, which is the only asset class running IRB Advanced in 2008 and 2009, the expected loss for non-defaulted exposures was € 50 million during the year 2009. This is to be compared to the realised loss of € 36.6 million. The counterparty weighted probability of default (including defaulted exposure) for 2009 was 2.80% and the corresponding observed default frequency was 1.33%.
Note that the expected loss will vary over time due to the migration of the rating over the business cycle. This shows that SNS Bank's rating models are neither perfectly through-the-cycle nor perfectly point-in-time. The implications are that the expected loss calculated at the top of the business cycle not will represent the expected loss over a full business cycle and that migrations will not explain the full variation in actual losses. It is expected that the average long term net loss will match the average expected loss over time.

6.4.3.4 Alternative uses of the Internal Rating Approach

SNS Bank also uses the internal ratings system, other than for the calculation of regulatory capital, in the following processes:

- Acceptance scoring;
- Collection processes, early and late collections;
- Provision process.

Acceptance Scoring

The implementation of the IRB Advanced method was complemented with the introduction of a credit score card for the mortgage and the corporate and retail business portfolios. The implementation of the credit score card improves SNS Bank's ability to determine the credit risk of new and existing clients (refinancing) at origination.

Collection Process

SNS Bank uses its IRB Advanced model for the routing of delinquent clients to the different treatment paths in both the early and late collections process. The IRB Advanced approach helps to determine the risk category (high, middle or low risk) of delinquent clients who are past due. Delinquent clients are treated according to risk category by the early (1 - 90 days in arrears) and late (90 + days in arrears) collection departments.

Provision Process

The IRB Advanced model helps to determine the required provisions for the retail and retail business portfolios in default. Also, the IRB Advanced model is used in the calculation of provisions for Incurred But Not Identified (IBNI) losses for the mortgage retail portfolio not in default.

6.5 Credit risk mitigation

Credit Risk Mitigation

SNS Bank applies a range of risk management procedures to mitigate credit risk on its loan portfolios. The most fundamental of these is to assess the ability, at origination, of a borrower to service the proposed level of debt without distress at the outset. It is a SNS Bank policy to establish that loans are within the customer's capacity to repay rather than to rely solely on collateral.

Collateral

SNS Bank's credit policies also include the assessment of collateral. This information is also used in the calculation of the LGD. The recognition of collateral to mitigate credit risk is managed in terms of the credit policy that clearly defines the following:

- The definition of what qualifies as collateral;
- The requirements for the valuation of collateral;
- Foreclosure values applied to collateral values.

Collateral Valuation – what qualifies as collateral

SNS Bank accepts primarily residential and commercial real estate as collateral. SNS Bank's credit policy determines what type of residential and commercial properties qualify as collateral.

Collateral Valuation - requirements

Valuation of the collateral taken will be within agreed parameters and will be conservative in value. Collateral, in the form of residential and commercial property, long-term insurance policies and so on is maintained in a specific system. The market value of collateral, at its origination date, is also captured in this system. The market value of residential properties is indexed to the development of the residential housing market.

Collateral Valuation - foreclosure

Collateral within the retail mortgage portfolios is subject to revaluation when an account enters the legal process to ensure that the impairment allowance is appropriate given the current valuation. The proceeds realised are being used to reduce or repay the outstanding loan. Any additional funds are returned to the customer.

Within the corporate portfolios, collateral for impaired loans, including guarantees and insurance, is reviewed regularly. The review ensures that the impairment allowance remains appropriate given the current valuation. In the case of a decrease in the value of collateral, an additional impairment allowance may be considered. On the other hand, increases in the value of collateral may result in a release of the impairment allowance.
Guarantees and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

SNS Bank also uses netting agreements, financial guarantees and the use of covenants in commercial lending agreements to reduce risk. SNS Bank's principal collateral types are:

- Retail sector – mortgages over residential properties, equity, bonds etc in case of trading exposures.
- Commercial sector – business assets such as premises, stock and debtors.
- Commercial real estate sector – properties being financed.

Table 19: **Exposure secured by collaterals, guarantees and credit derivatives**

In € millions	Exposure	Of which secured by guarantees	Of which secured by credit derivatives	Of which secured by collateral
31 December 2009				
Standardised exposure classes				
Central government and central banks	7,216	--	--	--
Institutions	4,105	156	--	2,621
Corporate	20,179	586	--	1,772
Retail	3,540	5	--	746
Equity	38	--	--	--
Total standardised approach	35,078	747	--	5,139
IRB exposure classes				
Retail	32,657	8,422	--	--

Table 19: **Exposure secured by collaterals, guarantees and credit derivatives**

In € millions	Exposure	Of which secured by guarantees	Of which secured by credit derivatives	Of which secured by collateral
Securitisation	15,808	--	--	--
Total IRB approach	48,465	8,422	--	--
Other	1,372	--	--	--
Total	**84,915**	**9,169**	**--**	**5,139**
31 December 2008				
Standardised exposure classes				
Central governments and central banks	5,238	5	--	--
Institutions	3,786	20	--	1,224
Corporate	29,530	480	--	8,679
Retail	5,904	4	--	3,390
Equity	62	--	--	--
Total standardised approach	44,520	509	--	13,293
IRB exposure classes				
Retail	29,479	7,140	--	--
Securitisation	17,369	--	--	--
Total IRB approach	46,848	7,140	--	--
Other	161	--	--	--
Total	**91,529**	**7,649**	**--**	**13,293**

The IRB exposure class Retail concern residential retail mortgages. These mortgages are secured by residential real estate. The value of this real estate is included in the LGD calculations.

In table 20 a breakdown of collateral type is presented. The percentages are based on the figures in table 19.

Table 20: **Collateral concentration**

	2009	2008
Guarantees	64%	37%
Collateral:		
- of which real estate	12%	52%
- of which financial collateral	24%	11%
	100%	100%

6.6 Information about credit risk management, impaired loans and loan losses

6.6.1 Credit risk management

A distinction has been made in credit management between retail clients on the one hand and property finance and other corporate clients on the other. In addition, there is a distinction between credit management for individual clients and credit management on a portfolio level.
For an elaborate description on credit management relating to retail clients, mainly relating to SNS Retail Bank, and to corporate clients, mainly relating to SNS Property finance, we refer to the chapter on Risk management, paragraph 2.1 Credit Risk, subparagraph Credit management for loans and advances to customers.

Special Credits departments of SNS Bank

An essential part of the risk policy is the timely deployment of the Special Credits department. Special Credits distinguishes between loans to private customers and small and medium enterprises (SME) on the one hand and loans provided by SNS Property Finance on the other hand. The business units SNS Retail Bank and SNS Property Finance each have their own Special Credits Department.

For an elaborate description of the way these departments operate we refer to the chapter on Risk management, paragraph 2.1 Credit Risk, subparagraphs SNS Property Finance Special Credits department and SNS Retail Bank Special Credits department.

6.6.2 Information about impaired loans and loan losses

An exposure is impaired and a provision is recognised, if there are objective indications that SNS Bank will not be able to collect all the amounts due in accordance with the original contract. An objective evidence of impairment normally means that a facility have been past due for 90 days or more.
In determining the required provisions for loan losses, account is taken of defaults and the experience that credit loss may be incurred but not yet identified (IBNR).
For detailed information on impaired loans and loan losses for both SNS Retail Bank and SNS Property Finance we refer to the chapter on Risk management, paragraph 2.1 Credit Risk, subparagraph Special Credits Department of SNS Bank.

The following table provides information on financial assets in arrears. With respect to mortgages and other loans and advances to customers this information on arrears is a main factor in determining the provision collectively.

For SNS Property Finance management uses multiple default indicators in the management of individual loans, as disclosed in the next paragraph. An arrear of more than 90 days is just one of the default indicators. The table includes the aggregate of the loans in default and the period in which they have gone into default.

Table 21: **Financial assets in arrears SNS Bank**

In € millions	No arrears	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Provision	Total
2009							
Investments	4,517	--	--	--	--	--	4,517
Derivatives	1,169	--	--	--	--	--	1,169
Mortgages and other loans and advances to customers	52,577	1,266	199	192	244	(196)	54,282
SNS Property Finance	11,838	462	194	605	337	(239)	13,197
Loans and advances to banks	2,715	--	--	--	--	--	2,715
Other assets	3,810	--	--	--	--	--	3,810
Total	**76,626**	**1,728**	**393**	**797**	**581**	**(435)**	**79,690**
2008							
Investments	3,942	--	--	--	--	--	3,942
Derivatives	1,113	--	--	--	--	--	1,113
Mortgages and other loans and advances to clients	51,049	876	119	111	203	(147)	52,211
Property finance	13,129	--	552	--	--	(98)	13,583
Loans and advances to banks	2,783	--	--	--	--	--	2,783
Other assets	2,942	--	--	--	--	--	2,942
Total	**74,958**	**876**	**671**	**111**	**203**	**(245)**	**76,574**

Table 22: **Movement schedule provisions**

	Specific		IBNR		Total	
In € millions	2009	2008	2009	2008	2009	2008
Balance as at 1 January	226	195	19	12	245	207
Reclassification	(220)	(76)	--	--	(220)	(76)
Usage	(44)	(42)	--	--	(44)	(42)
Additions	465	187	9	9	474	196
Releases	(37)	(43)	--	(2)	(37)	(45)
Other changes	16	5	1	--	17	5
Balance as at 31 December	**406**	**226**	**29**	**19**	**435**	**245**

Table 23: **Loan impairment by geography**

In € millions	Book value non-provisioned loans	Book value provisioned loans (gross receivable)	Specific provision	IBNR provision	Total book value	Impairment charges
2009						
The Netherlands	61,651	2,524	(224)	(23)	63,928	113
EMU	1,902	225	(74)	(3)	2,050	221
Outside EMU	862	750	(108)	(3)	1,501	103
Total	**64,415**	**3,499**	**(406)**	**(29)**	**67,479**	**437**
2008						
The Netherlands	60,841	1,431	(155)	(15)	62,102	69
EMU	2,168	276	(59)	(2)	2,383	53
Outside EMU	1,169	154	(12)	(2)	1,309	51
Total	**64,178**	**1,861**	**(226)**	**(19)**	**65,794**	**173**

Table 24: **Loan provisions by industry**

In € millions	Book value non-provisioned loans	Book value provisioned loans (gross receivable)	Specific provision	IBNR provision	Total book value
2009					
Construction and property	11,836	1,598	(224)	(14)	13,196
Public sector	1,234	--	--	--	1,234
Agriculture, horticulture, forestry and fishery	4	2	(1)	--	5
Industry	189	30	(6)	--	213
Service sector companies	423	61	(19)	(4)	461
Other commercial	183	20	(7)	--	196
Private clients	50,546	1,788	(149)	(11)	52,174
Total	**64,415**	**3,499**	**(406)**	**(29)**	**67,479**
2008					
Construction and property	13,127	564	(101)	(7)	13,583
Public sector	736	--	--	--	736
Agriculture, horticulture, forestry and fishery	57	3	(3)	--	57
Industry	346	4	(2)	--	347
Service sector companies	822	114	(14)	(4)	919
Other commercial	274	--	--	--	274
Private clients	48,816	1,176	(106)	(8)	49,878
Total	**64,178**	**1,861**	**(226)**	**(19)**	**65,794**

7 Market risk

Market risk is the risk that the company's equity, result or continuity is threatened by movements in the level and/or volatility of market prices. Market prices include interest rates, stock prices and exchange rates.

SNS Bank uses the standard approach in the CRD to calculate capital requirements for the trading book. The model covers interest rate risk and equity risk and is based on fixed risk weights.

Further information about Market risk is included in the chapter on Risk Management, paragraph 2.2.

8 Operational risk

Upon implementing the Corporate Governance Code, SNS Bank has chosen to realise as much synergy as possible between the risk management demands of this code and compliance with Basel II requirements. In the day to day operations, this enables the use of one framework for an adequate management of the risks.

The capital requirements for operational risk is calculated according to the standardised approach, in which all of the institution's activities are divided into eight standardised business lines: corporate finance, trading & sales, retail banking, commercial banking, payment & settlement, agency services, asset management and retail brokerage.
The total capital requirement for operational risk is calculated as the sum of the capital requirements for each of the business lines. The risk for each business line is the beta coefficient multiplied by gross income. The beta coefficient multiplied by gross income. The beta coefficients differ between business lines and are in the range of 12% to 18%.

Further information about Operational risk is included in the chapter on Risk management, paragraph 3.

9 Disclosure of off-balance items

9.1 General

In this chapter, SNS Bank discloses information about off-balance items with focus on derivatives. Off-balance sheet items are divided into two different exposure types in accordance with calculation of credit risk RWA in the CRD:

1. Off-balance sheet items: main categories of off-balance sheet items are guarantees, credit commitments, and unutilised portion of approved credit facilities.
2. Derivatives: financial instruments that derive their value from underlying interest rates, currencies, equities, credit spreads or commodity prices. Derivatives do not only result in counterparty risk measured within the credit risk RWA but also affect the market risk.

For the different off-balance exposure types mentioned above, there are different possible values for the calculation base. For the off-balance items, the nominal value of the guarantee is applied with a credit conversion factor (CCF) for calculating the exposure at default (EAD). The CCF factor is 50% or 100% depending of the type of guarantee, i.e. lowering the risk weight compared with the same exposure on balance. Credit commitments and unutilised amounts are the part of the external commitment that has not been utilized. This amount forms the calculation base for which a CCF is used for calculating the EAD. The CCF factor is multiplied with the calculation base and is 0%, 20%, 50%, 75% or 100% depending of approach, product type and whether the unutilized amounts are unconditionally cancellable or not. For derivatives it is a combination of the market value and the nominal amount. The overall capital requirements for these items are available in the table where the figures for derivatives stem from counterparty risk. It can be concluded that although off balance items have large exposure amounts, the effect on RWA is reduced due to the use of CCF in the calculation of EAD. These CCFs are fixed rates within the standardised approach. They are related to predetermined hedging sets.

Table 25: **Exposure, RWA and capital requirements by exposure type**

In € millions	On-balance sheet items		Off-balance sheet items		Derivatives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Exposure	76,967	73,292	6,763	17,523	1,185	714	84,915	91,529
EAD	56,662	53,136	1,450	1,281	1,185	714	59,297	55,131
RWA	20,270	20,012	872	622	666	459	21,808	21,093
Capital requirement	1,622	1,601	70	50	53	37	1,745	1,688
Average risk weight	36%	38%	60%	49%	56%	64%	37%	38%

9.2 Risk in derivatives

9.2.1 General information about derivatives

Derivative contracts are financial instruments that derive their value from underlying interest rates, currencies, equities or credit spreads. SNS Bank uses derivatives to manage market risks on an economic basis. Derivatives affect counterparty risk and market risk.

9.2.2 Counterparty risk

Counterparty risk is the risk that SNS Bank's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that SNS Bank at that time has a claim on the counterpart. Counterparty risk in SNS Bank is subject to credit limits like other credit exposures and is treated accordingly.

Pillar 1 method for counterparty risk

SNS Bank uses the more risk sensitive standardized method to calculate the EAD for counterparty risk in accordance with the credit risk framework in CRD, i.e. the maximum of current exposure (replacement cost) of all contracts within a netting set and the potential future exposure of these contracts. All derivative transactions that are subject to an International Swaps and Derivatives Association (ISDA-) agreement are considered to be part of a netting set. The potential future exposure is an estimate, which takes into account hedging-effects within a netting set and reflects possible changes in the market value of the contracts during the remaining lifetime, and is measured as the notional principal amount multiplied by a risk weight. The size of the risk weight depends on the contract's remaining lifetime and the underlying asset. As stated above, the EAD equals the maximum of either the sum of the net current exposure or the hedged potential future exposure. As of 31 December 2009 the potential future exposure is the major part of the EAD.
In the table below, the EAD as well as the RWA and capital requirement split on the exposure classes are available.

Table 26: Counterparty risk exposures

In € millions	EAD		RWA		Capital requirement	
	2009	2008	2009	2008	2009	2008
Institutions	737	357	218	103	17	8
Corporate	448	357	447	356	36	29

Internal credit limits and internal capital

A new method is being developed to align counterparty risk for the internal systems of daily monitoring of internal credit limits on the one hand and internal capital on the other hand, with the in 2009 developed pillar 1 method for the calculation of regulatory capital requirements.

Mitigation of counterparty risk exposure

SNS Bank enters into money and capital market transactions with various financial institutions as part of its treasury and funding activities. This concerns, among others, derivative transactions for the hedging of interest rate and currency risks. Derivative transactions that are subject to a Credit Support Annex (CSA) of the International Swaps and Derivatives Association agreement have terms to maturity varying from 1 year to a maximum of 20 years. The emphasis is on longer maturities. These CSA's are primarily aimed at minimising counterparty risk. Changes in the present value of all existing transactions are settled periodically on a cash basis with the counterparty in question. In addition, a system with counterparty limits applies. This system reduces the concentration risk.
SNS Bank's financial collateral agreements do typically not contain any trigger dependent features, for example rating triggers.

In the following table information is available of how the counterparty risk exposure is reduced with risk mitigation techniques.

Table 27: **Mitigation of counterparty risk exposure due to closeout netting and collateral agreements**

In € millions	Current exposure (gross)		Reduction from netting agreements/collateral		Current exposure (net)	
	2009	2008	2009	2008	2009	2008
Total	1,303	1,113	118	395	1,185	714

9.2.3 Hedging

Information about hedging is included in the chapter on Risk Management, paragraph 5.

10 Securitisations

10.1 General

SNS Bank has securitised € 22.4 billion mortgage receivables in special purpose entities (SPVs). With these transactions, the economic and (occasionally also legal) ownership of the mortgage receivables is transferred to separate entities. The reasons for SNS Bank to securitize a part of the mortgage receivables are:

- **Funding:** securitisation is a funding instrument which allows SNS Bank to diversify its funding base. Furthermore through securitisation, SNS Bank is able to reduce the funding costs by borrowing at lower rates compared to senior unsecured lending, subject to market conditions.
- **Lower capital requirements:** by securitising some of the mortgage receivables SNS Bank is able to manage the RWA and hence capital requirement to lower levels, while maintaining the "earning power" of the asset.
- **Liquidity:** future cash flows out of mortgage receivables are currently not available in the liquidity position either as cash or as liquid asset. By securitising the mortgage receivables, the cash is available for funding new business or investments.

10.2 Roles

SNS Bank is active in various roles in connection to securitisation activities. In order to support its business development while meeting regulatory capital requirements, SNS Bank, as originator, has launched securitisation programmes based on its Dutch residential mortgage portfolio. As sponsor bank, SNS Bank provides a liquidity facility to the Hermes SPVs. Because of a downgrade of the short term rating of SNS Bank by Fitch and S&P, all the liquidity facilities of the SPVs have been drawn. Furthermore SNS Bank has transferred the Guaranteed Investment Contract GIC accounts of the SPVs to external parties. Insofar feasible, SNS Bank is currently in the process of transferring the interest rate swaps to external parties and undertaking others actions relating to the transaction documentation.

As arranger and underwriter SNS Bank is active as an arranger of MBS transactions. SNS Bank is responsible for structuring the transaction including negotiations with the rating agencies and coordination with legal counsel for documenting the transaction.

As an underwriter SNS Bank is, in cooperation with related financial institutions, responsible for placing the notes issued by the SPV with institutional investors. Such underwriting is typically done on a best effort basis with no obligation to purchase any unsold positions at a pre-determined spread.

SNS Bank is, as administrator, responsible for the daily management of the securitised assets regarding the collection of principal and interest, which is then passed to the holders of the securitisation positions.

In addition, SNS Bank acts as investor for a limited amount of activities.

10.3 Approaches

In order to account for the securitisation exposures, SNS Bank has decided to adopt the Advanced Internal Rating Approach and the use of the Rating Based Approach (RBA) for rated assets.

Under the RBA, the risk-weighted assets (RWA) are determined by multiplying the amount of the exposure by the appropriate risk weights. The risk weights depend on the external rating and the seniority of the position. Based on each pool's characteristics, the RBA will provide a risk weight, which is applied in the formula.

10.4 Accounting principles

SNS Bank fully consolidates these SPVs in its financial statements if, on the basis of the economic reality of the relationship between SNS Bank and the SPV, SNS Bank controls the SPV, or if SNS Bank retains the majority of the risks and rewards.

10.5 Information about securitisation

SNS Bank has securitised a part of the mortgage loans. With these securitisation transactions, the economic (and occasionally also legal) ownership of mortgages is transferred to separate companies. These loans are transferred at nominal value plus a deferred selling price. This deferred selling price means that, for most transactions, SNS Bank N.V. has claims against the SPV that will not be settled in full until the transaction is concluded. Some of the notes issued by the SPVs are 'E-notes', which are high-yielding bonds. Stress tests have shown that the remaining credit risk for SNS Bank manifests itself in the deferred selling price and the E-notes. SNS Bank has placed most E-notes externally. The amount of the deferred selling price was € 20.7 million as at year-end 2009; the position in E-notes was € 13 million as at year-end 2009.
SNS Bank has also structured a synthetic securitisation in the form of credit guarantees, whereby the credit risk protection has been bought.
SNS Bank has purchased subordinated bonds issued by various Pearl companies and also taken positions in bonds issued by various Hermes companies. In 2008 REAAL Verzekeringen purchased bonds issued by various Hermes companies. Per year end 2009 Hermes XIV, XV, XVI and XVII were not placed with third parties and the A notes qualify as assets eligible at the Dutch Central Bank.

Table 28: Outstanding amounts of exposures securitised

In € millions	Outstanding amounts of exposures securitised							
	Traditional				Synthetic			
	Originator		Investor		Originator		Investor	
Underlying portfolio	2009	2008	2009	2008	2009	2008	2009	2008
Dutch residential mortgages	15,406	16,933	7,175	6,542	402	436	--	--
Total	**15,406**	**16,933**	**7,175**	**6,542**	**402**	**436**	**--**	**--**

Table 29: Outstanding amounts of exposures securitised and impaired

In € millions	Outstanding amounts of exposures securitised							
	Impaired/past due				Losses			
	Originator		Investor		Originator		Investor	
Underlying portfolio	2009	2008	2009	2008	2009	2008	2009	2008
Dutch residential mortgages	18	14	--	1	23	1	--	1
Total	**18**	**14**	**--**	**1**	**23**	**1**	**--**	**1**

Table 30: **Exposure and capital charges of securitisation positions retained or purchased per risk weight band**

In € millions	Aggregate exposure amount of securitisation positions retained or purchased			
	Exposure amount		Capital charges, IRB approach	
Risk weight band	2009	2008	2009	2008
≤ 10%	6,801	6,207	--	--
> 10% ≤ 20%	77	65	--	--
> 20% ≤ 50%	173	153	--	--
> 50% ≤ 100%	--	--	--	--
> 50% ≤ 650%	111	104	--	--
> 650% < 1,250%	--	--	--	--
> 1,250%	--	--	--	--
E-notes Hermes XVI	13	13	--	--
Total	**7,175**	**6,542**	**--**	**--**

Table 31: **Securitisation activity**

Underlying portfolio	Securitisation activity (exposures securitised)				
	Traditional			Synthetic	
In € millions	Originator	Investor	Realised gains/losses on traditional securitisations	Originator	Investor
2009					
Dutch residential mortgages					
Commercial mortgages					
Total	--	--	--	--	--
2008					
Dutch residential mortgages	807	5,876	7	--	--
Commercial mortgages	--	--	--	--	--
Total	**807**	**5,876**	**7**	--	--

SNS Bank uses the credit rating agencies Standard & Poor, Moody and Fitch to rate its securitisation positions.

11 Internal capital adequacy Assessment Process

According to Article 75 of the Capital Requirements Directive (CRD) SNS Bank is required to hold adequate amount of capital for credit risk, market risk (trading book, including position risk, settlement risk, counterparty risk, foreign exchange and commodities risk) and operational risk. Large exposures risk is also included in the scope of Pillar 1.
The responsible risk management departments prepare input parameters for these so called Pillar 1 risks of the Basel Accord. The Group Finance Department translates these inputs to the capital requirement. Risk Management reports and discusses on relevant developments within risk parameters between the business units before they are actually reported internally as well as externally. Apart from that the processes underlying the preparation are surrounded by regular procedures and internal controls within the banking and Group Risk Management environment.

Input parameters used for calculating the capital requirement under Pillar 1, are also used as input in the Internal Capital Adequacy Assessment Process (ICAAP as described in Article 123 of the CRD). The purpose of this ICAAP is to guarantee that the bank's own funds are at an adequate level to carry its current and future risks. More information on the capital adequacy is included in the chapter on Risk and capital management, paragraph Capital adequacy.

12 Liquidity risk

Information about liquidity risk is included in the chapter Risk Management, paragraph 2.3.

13 Capital adequacy

13.1 General

This chapter describes the conditions and major components of the capital base.
The calculation of capital base is done in accordance with the CRD and the Dutch legislation. The outcome must as a minimum correspond to the sum of the capital requirement for credit risks, market risks and operational risks and capital requirement related to transition rules. In the capital base for SNS Bank only capital contributed by subsidiaries or firms that are covered by the consolidated accounts are to be included.
Items included in the capital base should without restrictions or time constrains be available for the institution to cover risk and absorb potential losses. All amounts are included net of any tax charge. Generally, SNS Bank has the ability to transfer capital within its legal entities without material restrictions.
A summary of items included in the capital base is available in table 32.
The capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions. The two main components in the capital base are core equity in the balance sheet and subordinated debt. Below is a detailed description of the items included in the capital base. The capital ratio is calculated by dividing the capital base with risk weighted assets while the quotient is calculated from the capital base in relation to the capital requirement.

13.2 Capital base and conditions for items to be included in the capital base

13.2.1 Tier 1 capital

Tier 1 capital is defined as capital of the same or close to the character of eligible capital, eligible reserves and also a limited part (up to 25% of tier 1) of the hybrid capital loans (perpetual loans).

Eligible capital

Paid up capital is equal to the share capital contributed by shareholders.

Eligible reserves

Eligible reserves consist primarily of retained earnings, other reserves, minority interest and income from current year. Retained earning are earnings from previous years reported via the income statement. Other reserves are related to the capital part of untaxed reserves, revaluation and translation reserves referred to acquisitions and associated companies under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial companies group are also included. Positive income from current year is included as eligible capital after verification by the external auditors. However, negative income must always be included as a deduction.

Hybrid capital loans subject to limits

The requirements for including undated loans in tier 1 capital is restricted and repurchase can normally not take place until five years after the loan originally is issued. Hybrid capital loans, undated subordinated loans, may be repaid only by decision from Board of Directors of SNS REAAL and with the permission of the DNB. Further, there are restrictions related to step up conditions, order of priority, interest payments under constraint conditions and the level of amount that can be part of the tier 1 capital. If there are any surplus after applying the legal limit of 25%, exceeding amount can be transferred to tier 2 capital.

13.2.2 Deductions from Tier 1 capital

Intangible assets

The significant part of deducted intangible assets contains goodwill. Other intangible assets relates to it software and client relations.

IRB provisions excess (+) / shortfall

The calculation of the capital base is in accordance with the CRD and the Dutch legislation. The differences between expected loss (EL) and actual provision made for the related exposures are adjusted for in the capital base. Note that this only relates to the IRB exposures. The negative difference (when the EL amount is larger than the provision amount) is included in the capital base as shortfall. According to the rules in the CRD, the shortfall amount shall be deducted from the capital base and be divided into both tier 1 capital and tier 2 capital. For the purpose of the CRD transitional rules calculations of the shortfall is under Dutch regulation deducted from the RWA to be neutralised in a Basel I perspective. A positive difference (provisions exceed EL) can be included in tier 2 capital with certain limitations.

Profit on securitisation / Significant risk

SNS REAAL 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. According to the rules in the CRD, the profit on securitisation is deducted from the tier 1 capital.
SNS Bank has purchased subordinated bonds issued by various Pearl companies and also taken positions in bonds issued by various Hermes companies. In 2008 REAAL Verzekeringen purchased bonds issued by various Hermes companies. Hermes XIV, XV, XVI and XVII were not placed with third parties and qualify as assets eligible at the Dutch Central Bank. According to the rules in the CRD, an amount for significant risk is deducted from the tier 1 capital.

13.2.3 Tier 2 capital

The tier 2 capital is mainly related to subordinated debt with some specific deductions. Tier 2 capital includes two different types of subordinated loan capital; perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1 and dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions.
The basic principle for subordinated debt in the capital base is the order of priority in a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The subordinated debt will to some extent prevent the institution to go into liquidation.
The amount possible to include in the tier 2 capital related to dated loans is reduced if the remaining maturity is less then five years. Outstanding amount in the specific issue is deducted by 20% for each year beyond five years.
As of year end 2009, SNS Bank holds € 793 million (2008: € 789 million) in dated subordinated debenture loans and € 39 million (2008: € 81 million) in undated subordinated debenture loans.

A summary of items included in the capital base is as follows:

Table 32: Calculation of total capital base

In € millions	31 December 2009	31 December 2008
Tier 1 capital		
Paid up capital	381	381
Share premium	838	688
Eligible capital	**1,219**	**1,069**
Reserves	1,005	943
Minority interests	--	--
Income (positive/negative) from current year	(99)	70
Eligible reserves	**906**	**1,013**
Eligible reserves	**906**	**1,013**
Tier 1 capital (before hybrid capital and deductions)	**2,125**	**2,082**
Hybrid capital loans subject to limits	627	598
Intangible assets	(197)	(250)
IRB provisions excess (+) / shortfall (–)	(13)	(16)
Securities capital	260	260
Other items, net	(36)	(38)
- of which eligible reserves SPVs	(23)	(38)
- of which result tier 1 exchange	(13)	--
Deductions from Tier 1 capital	14	(44)
Tier 1 capital including hybrid capital (net after deduction)	2,766	2,636
- of which hybrid capital	627	589
Tier 2 capital		
Subordinate loan capital	793	789
Other additional own funds	41	84
Tier 2 capital (before deductions)	834	873
IRB provisions excess (+) / shortfall (–)	(10)	(14)
Deductions from Tier 2 capital	(10)	(14)
Tier 2 capital (net after deductions)	824	859
Capital base	**3,590**	**3,495**

SNS Bank received a capital injection of € 70 million in September and € 80 million in December from SNS REAAL. This causes the share premium increase to € 838 million in 2009.

Definitions and ratios

Advanced Measurement Approach *(AMA)*
Method in Basel II for calculating the operational risk. In this method, the bank may develop its own models, based on direct or indirect observations, to quantify the capital requirement for the operational risk.

ALM *(asset and liability management)*
The management of assets and liabilities with the aim of limiting the level and volatility of market risks, while generating the highest possible return within these limits.

ALM position
The interest rate position ensuing from differences in interest maturity between assets and liabilities.

Banking efficiency ratio
Ratio expressing the relationship between total operating costs and total income excluding value changes.

BIS ratio
The solvency ratio applying to banks in which designated capital components are expressed as a percentage of the risk-weighted assets. The minimum 8% requirement has been set by the Bank for International Settlements (BIS).

Cash flow hedge
A hedging of the risk of fluctuations in future cash flows of an asset, a liability or an expected transaction, resulting from variations in prices or stock prices.

Concentration risk
The risk that the capital, result or continuity are threatened by a one-sided composition of portfolios.

Contamination rate *(of mortgages)*
The number or mortgages transferred to the Special Credit department divided by the total number of outstanding mortgages.

Core capital
The Tier-1 capital, less the innovative Tier-1 instruments defined by the Dutch Central Bank.

Core capital ratio
This ratio expresses core capital as a percentage of total risk-weighted assets.

Corporate finance
Customised corporate finance services based on the issue of and trade in securities and brokerage in the capital finance market.

Credit risk
The risk of a counterparty not complying with its financial or other contractual obligation, negatively impacting the shareholders' equity and the result.

Credit spread
The interest premium above the risk-free interest that companies must pay on their bonds.

Credit Support Annex *(CSA)*
A standard agreement between parties trading in over-the-counter derivatives in which the obligation has been laid down that both parties shall maintain the underlying value of the derivatives in liquid instruments as surety to cover the credit risk.

Customer Due Diligence *(CDD)*
Policy aimed at gaining insight into the relevant aspects of customers in order to secure the integrity of the financial system.

Derivatives
A financial instrument of which the value is derived from one or more underlying values.

Duration
Duration is the weighted average duration of cash flows, whereby the weight of each cash flow is determined by the relative importance of that cash flow.

Duty of due care
The company's duty of due care comprises that in the course of its service provision, the company must observe due care and take the client's interests at heart to the best of its ability.

Earnings-at-Risk (EaR)	Earnings-at-Risk is an indicator that simulates the effect of changes to interest rates and share prices on future results.
Earnings coverage ratio	The ratio gives insight into the degree to which an organisation is able to use its profits to cover all interest expenses related to debt financing.
Economic capital	The economic capital requirement established in accordance with in-house models as the capital necessary to cover the risks of all activities within a period of one year.
Effective interest method	A method to calculate the amortised cost price, interest, costs and income based on the effective interest rate of a financial asset or liability.
Equity and investment property risk	The risk that the value of an equity or a property investment or a portfolio of equities or property investments will decrease in the future.
Exchange rate risk	The risk that the company's shareholders' equity, result or continuity is threatened due to movements in the level or the volatility of exchange rates.
Fair value	The amount for which an asset might be traded or for which an obligation could be settled between well-informed and willing independent parties.
Fair value hedge	Hedging the risk of fluctuations in the fair value of an asset or liability.
Financial lease	A lease agreement which transfers virtually all the risks and benefits of the ownership of an asset to the user (lessee).
Financial instrument	An agreement which results in a financial asset for a company and a financial obligation or shareholders' equity instrument for another company.
Financial leverage	The ratio indicates the degree to which the organisation is financed with debt capital.
Fraud risk	Risk of intentional deceit, misappropriation of ownership or non-compliance with the law.
Greenshoe option	A block of shares that is not immediately offered to interested investors, but is reserved for if and when demand for shares outstrips supply. The banks arranging the flotation maintain these shares in order to be able to manage the share price when demand is high.
Innovative Tier-1 instruments	Assets other than paid-up share capital and reserves, that may be taken into account for determining the Tier-1 capital (core capital).
Institutional brokerage	Brokerage for securities transactions for institutional clients.
Interest rate mismatch	The difference in interest maturity between funds lent and funds borrowed.
Interest rate risk	The risk that the company's shareholders' equity, result or continuity is threatened due to movements in the level or the volatility of the interest rates.
Internal Rating Based Approach (IRBA)	Method in Basel II for calculating the credit risk. With this method, the bank may develop its own models, based on direct and indirect observations, for estimating parameters for the calculation of the risk-weighted assets.
Investment loan	Activities by SNS Property Finance aimed at long-term financing of residential housing, shops, shopping centres, offices and industrial premises.
Investment risk	The risk that the value of an investment or investment portfolio will decrease in the future.
Irrevocable credit facility	A credit facility granted to a client that cannot be cancelled unconditionally.

Liquidity risk — The risk that the company has insufficient liquid resources in the short term to comply with its financial obligations.

Loan to Foreclosure Value (LtFV) — A risk indicator expressing the relationship between the mortgage and the foreclosure value of the collateral.

Loss given default — Parameter used in the calculation of economic capital or the required capital under Basel II which reflects the risk of (maximum) loss due to partial or full non-performance of obligations by borrowers, taking into account any collateral.

Macro hedge — A hedge of a specific risk for a portfolio of assets or liabilities.

Market risk — The risk that the company's shareholders' equity, result or continuity is threatened by movements in the level and volatility of market prices.

Micro hedge — A hedge of a specific risk for a specific asset or liability.

Modified duration — Measure of interest rate sensitivity, i.e. the relationship between the movement of an interest rate change and the resulting movement in the present value of the cash flows.

Notional amount — The notional amount shows the unit of account that, related to derivatives, indicates the ratio to the underlying values of the primary financial instruments.

Operational risk — The risk that the company's shareholders' equity, result or continuity is threatened by inadequate of failed internal processes, or external events.

Private loan — Private loans are funds provided or withdrawn on a debt certificate with a predetermined repayment scheme, not using the capital market.

Probability of default — A parameter used in the calculation of the economic capital or required capital under Basel II, that reflects the risk that borrowers, or parties where investments have been made in debt instruments, fail to fully or partially perform their obligations.

Project finance — Activities by SNS Property Finance comprising short-term loans for the construction of offices, shopping centres, shops, industrial premises, residential housing and mixed projects. These also include trade and bridging loans and loans for land purchase.

Property lease — Activity of SNS Property Finance consisting of sale-and-leaseback transactions of commercial property.

Qualifying capital — The sources of funding which, based on the regulations of the regulator, are taken into account in the calculation of the Tier 1, Tier 2 and Tier 3 capital.

Rating — Quality mark which credit rating agencies award to institutions or bonds. Ratings are expressed in a combination of letters and numbers; a triple A (AAA) rating is the highest. The higher the rating, the lower the credit risk for the investor.

Regulatory capital — Capital that must be maintained pursuant to the solvency supervision of SNS Bank by the Dutch Central Bank.

Return on shareholders' equity (ROE) — ROE is the relationship between net profit and shareholders' equity. ROE indicates the return on invested shareholders' equity.

Risk-weighted assets (RWA) — Assets weighted for credit risk, based on the weighting ratio used in the regular reports to the Dutch Central Bank.

Securitisation — Securitisation is a transaction or scheme in which the beneficial title to existing assets, e.g. mortgages, is transferred to a separate entity, which then issues tradable property titles which entitle the holder to the cash flows generated by those assets.

Share premium reserve
The capital paid up in addition to the nominal value of the issued shares.

Solvency
Solvency is the degree to which a company is able to meet its financial obligations, expressed in a ratio (BIS ratio).

Standardised Approach
Method under Basel II for the calculation of the operational risk and the bank's credit risk. This method takes a standardised approach whereby the size of the risk weighting of an item is prescribed by the regulator.

Stress test
A stress test analyses the financial resilience of a financial institution in case of realistic but major changes in parameters that are crucial for the company, including macro-economic changes, crises in the financial markets, legal and regulatory changes and changes in liquidity in money and capital markets.

Structured loan
Financial solution tailor-made to the specific borrowing requirement of clients. The solutions are not limited to standard loan agreements. Complex financial transactions are also utilised.

Supplementary capital
See Tier 2 capital

Tier 1 capital
Also referred to as core capital. This capital consists of the fully paid-up share capital, all reserves excluding revaluation reserves, retained earnings, any third party interest and the innovative tier 1 instruments as defined by the Dutch Central Bank. Intangible fixed assets, excluding software purchased and developed under the company's own resources and for own use, and purchased loan servicing rights are deducted from the tier 1 capital.

Tier 1 ratio
Solvency ratio expressing the tier 1 capital as a percentage of total risk-weighted assets.

Tier 2 capital
Also referred to as supplementary capital. This capital comprises the revaluation reserves; under certain conditions the paid-up portion of the long-term subordinated loans; and cumulative preference shares, to the extent that they are part of the paid-up capital.

Tier 3 capital
Also referred to as other capital. This capital consists of the value of the paid-up portion of the short-term subordinated loans. Certain conditions must be met regarding original duration, early redemption and size.

Value-at-Risk
Statistical yardstick which makes a prediction based on many scenarios about possible losses in a portfolio. A VaR of 100 with a confidence level of 99% means that there is a 1% probability of losses exceeding 100.

Yield curve
The line connecting all interest rate levels with varying durations.

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