



# SNS REAAL

Press release  
PERSBERICHT

## Trading Update first quarter 2010

The Netherlands, Utrecht, 18 May 2010

### “SNS REAAL posts net profit of € 42 million”

Key points for the first quarter<sup>1</sup>:

- First quarter net profit of € 42 million due to higher profit Insurance activities
- Net profit SNS Retail Bank almost flat, SNS Property Finance posts net loss
- Shareholders' equity up markedly compared to year end 2009; solid solvency ratios
- Total commitments SNS Property Finance down compared to year end 2009 by more than € 0.6 billion to €13.9 billion, mainly due to reduction international portfolio

“The first quarter net profit of €42 million compares well with the € 4 million loss reported over the first quarter of 2009 and also represents an improvement on recent quarters. Solvency ratios remained strong. The improvement of net profit was due wholly to the rebound of earnings at the Insurance activities. SNS Retail Bank reported an almost flat net result, with an improvement in the quality of earnings as the impact of lower incidental gains was offset by sharply higher net interest income. Impairments on international loans pushed results into the red at SNS Property Finance but were lower than in recent quarters. Furthermore, in the first quarter we continued to make good progress in actively managing down our international loan portfolio. For SNS REAAL as a whole, results were supported by a decline in operating costs” said Ronald Latenstein, Chairman of the Executive Board.

#### SNS Retail Bank

Total interest income at SNS Retail Bank was up sharply. Net interest margins on mortgages continued to improve on a slightly higher mortgage portfolio, in a still contracting market. Over the first quarter, SNS REAAL's market share in new mortgages was 7.7%, below the level for 2009 as a whole (9.1%) but above the market share in the first quarter of 2009 (6.5%). Net interest income from savings deposits was sharply higher, mainly due to the combination of high retention rates and lower interest rates offered on term and sight deposits. Savings balances grew by € 1 billion compared to the end of 2009 and the share of the total Dutch savings market improved to 8.9% (year end 2009: 8.7%). Included in savings balances are the so-called bank savings, nowadays used as a fiscally attractive alternative for individual unit-linked insurance. At the end of the first quarter, bank savings balances amounted to € 322 million, up € 68 million compared to year end 2009. Other interest income was still negatively impacted by short term interest rate movements.

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<sup>1</sup> Unless otherwise mentioned, comparisons are made between the first quarter of 2010 and the first half of 2009 (divided by two).

Commission income was in line with previous quarters. Other income segments were sharply lower compared to last year when the buy-back of own funding paper led to an exceptionally high level of gains. The higher interest income was not sufficient to offset the sharply lower other income segments and total income declined somewhat.

Operating costs were markedly lower due to the combination of the benefits of restructuring programmes flowing through and the absence of restructuring charges. Impairments on loans were almost stable compared to the first half of 2009, at 0.17% annualised of gross outstanding loans. Net profit of SNS Retail Bank was almost flat.

### **SNS Property Finance**

Interest income at SNS Property Finance came in lower in the first quarter, pressured by higher funding costs and a declining loan portfolio. Total commitments (gross loans including undrawn commitments) declined from € 14.6 billion at year-end 2009 to € 13.9 billion. Total outstanding loans, net of provisions, declined from € 13.2 billion at year-end 2009 to € 12.8 billion. Property projects, real estate projects where SNS Property Finance has taken control, remained stable at € 0.6 billion.

The decline in loans outstanding was mostly due to the reduction of the international loan portfolio, which fell by € 0.3 billion to € 3.3 billion. Next to repayment of loans, the international exposure was reduced through the sale of a number of loans, most notably in the USA. Due to the shrinking non-performing loan portfolio at SNS Property Finance, non-performing loans as a percentage of gross loans outstanding declined from 11.9% at year end 2009 to 11.1%.

Operating expenses were higher than in the first half of 2009 and flat compared to the second half, due to higher advisory and restructuring costs. Impairments of € 101 million in the first quarter of 2010 were higher than in the first half of 2009 but lower compared to the third (€ 126 million) and fourth quarter (€ 139 million). As in previous periods, impairments were mainly taken for the international loan portfolio, including those related to the sale of US loans mentioned above. Impairments are expected to stay at relatively high levels in the remainder of the year.

The net loss of SNS Property Finance was in line with the first half of 2009 and smaller than in the second half.

### **REAAAL**

In 2010, all individual life operations report under the business unit REAAAL Life and all pension operations under Zwitserleven. For comparative purposes, 2009 figures have been adjusted accordingly.

At REAAAL Life, individual regular life premiums declined and market share amounted to 12.6% (comparable number 2009: 15.9%). In March, market share improved to 14.2% and REAAAL Life expects market share to pick up further in the coming quarters due to higher production of savings mortgage insurance. Due to strict pricing discipline, individual single premiums continued to trend down. Investment income for own account declined, partly due to lower reinvestment yields on bonds. In addition, changes in fiscal arrangements led to lower interest income, which was mirrored in lower interest costs. The lower investment income was more than offset by a high level of realised gains on interest rate swaps, compared to an unrealised loss in the first half of 2009.

Operating costs at REAAAL Life were flat. Impairments on the investment portfolio were limited and declined sharply compared to the first half of 2009. In all, compared to the net loss in the first half of 2009 and also compared to the profit in the second half, net profit of REAAAL Life increased sharply.

At REAAAL Non-Life, premium income showed a modest decline, as a result of slightly lower fire and motor premiums and higher reinsurance premiums. Investment income was considerably lower due to lower realised gains on bonds. A limited decline in operating costs could not compensate for the impact of higher claims due to bad weather conditions this winter. Altogether, this resulted in a modest net profit at REAAAL Non-Life for the quarter.

Due to the sharp rebound of earnings at REAAAL Life, total net profit at REAAAL showed a sharp improvement.

## Zwitserleven

Zwitserleven's pension premium income benefited from two new large group contracts. Compared to the first quarter of 2009, both regular and single premiums showed a modest improvement. Investment income was up due to higher realised gains on bonds and shares.

Operating costs were almost flat. Furthermore, technical expenses were impacted by a € 25 million gross (€ 18 million net) provision relating to the arrangement for investment-based defined contribution pension contracts, as announced on 24 March 2010. As a result, there was only a small net profit for the first quarter.

## Group Activities

The result of Group Activities was broadly in line with previous quarters' results.

## Capital and funding

At the end of the first quarter, the Tier 1 ratio of SNS Bank had improved to 10.9% (year-end 2009: 10.7%) and the Core Tier 1 ratio stood at 8.4% (year-end 2009: 8.3%). The main drivers of this improvement were the placement of securitisation notes and lower commitments at SNS Property Finance, resulting in a decline in risk-weighted assets. IFRS solvency of the Insurance activities was 334% (314% at the end of 2009). Regulatory solvency declined slightly to 225% (end of 2009: 230%), mainly due to methodology changes.

Declining interest rates and, to a far lesser extent, higher equity markets led to a marked rise in the fair value reserves and, accordingly, shareholders' equity in the first quarter. As a result, double leverage at Group level at the end of March was 112.3%, compared to 113.1% at the end of 2009.

In the first quarter, SNS REAAL successfully placed a € 500 million senior bond, € 1.4 billion of securitisation notes and € 1 billion of covered bonds. Total liquidity of the Banking activities rose from € 13.8 billion at year end 2009 to € 14.4 billion.

## Exposure to peripheral European sovereigns

The exposure of SNS REAAL to sovereign debt of Portugal, Greece and Ireland is limited. Italy and Spain represent a higher percentage of total sovereign exposure. The bulk of sovereign exposure is to Germany, France and the Netherlands. As at 14 May 2010, total sovereign debt exposure of SNS REAAL amounted to approximately € 17 billion.

Sovereign exposure 14 May 2010 (€ million)			
Country	Insurance activities	Banking activities	Total
Italy	1,296	1,015	2,311
Spain	672	165	837
Ireland	172	202	374
Greece	56	94	150
Portugal	58	0	58

## Reservation concerning forward looking statements

This trading update contains forward looking statements concerning future events. Those forward looking statements are based on the current information and assumptions of the SNS REAAL management concerning known and unknown risks and uncertainties.

Forward looking statements do not relate to definite facts and are subject to risks and uncertainty. The actual results may differ considerably as a result of risks and uncertainties relating to SNS REAAL's expectations regarding such matters as the assessment of market risk or possible acquisitions, or business expansion and premium growth and investment income or cash flow predictions or, more generally, the economic climate and changes in the law and taxation.

SNS REAAL cautions that expectations are only valid on the specific dates, and accepts no responsibility for the revision or updating of any information following changes in policy, developments, expectations or the like.

This trading update has not been audited.

## About SNS REAAL

SNS REAAL is an innovative service provider in the banking and insurance sector with a prime focus on the Dutch retail market and on small and medium-sized enterprises. Its activities cover three main product groups: mortgages and property finance, savings and investments and insurance. From its historical background, SNS REAAL has always felt close to Dutch society. With a balance sheet total of nearly Euro 129 billion (ultimo 2009), SNS REAAL is one of the major financial bancassurance companies in the Netherlands. The company has a staff of nearly 7700 (FTE) and is headquartered in Utrecht, the Netherlands.

## Disclaimer

This press release contains only factual information and should not be regarded as an opinion or recommendation concerning the purchase or sale of shares or other securities issued by SNS REAAL N.V. This press release does not contain any value judgement or predictions with respect to the financial performance of SNS REAAL N.V.

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