



# SNS REAAL

Utrecht, 15 May 2012

Press Release

Trading update first quarter 2012

## SNS REAAL posts first quarter net profit of € 23 million

### KEY POINTS FOR THE FIRST QUARTER

- Net profit at core activities of € 87 million; growth in savings, bank savings and pensions
- Net loss at Property Finance of € 64 million; loan impairments in line with quarterly average in 2011
- Lower net profit at SNS Bank due to a loss on the exchange of Greek sovereign bonds, lower commission income and higher loan impairments
- Higher net profit at Insurance activities, positively impacted by higher investment income, lower operating expenses and interest rate derivatives
- Core Tier 1 ratio SNS Bank NV strengthened to 9.4%
- Regulatory solvency of Insurance activities robust but lower at 194%, due to decline in long term interest rates
- Commitments at SNS SME and Property Finance reduced further by € 0.5 billion

“Taking into account the ongoing challenging economic environment and volatile capital and funding markets, SNS REAAL put in a satisfactory first quarter performance. During this quarter, interest rates remained low, equity markets were volatile and real estate markets came under further pressure. Nevertheless, our core activities posted a net profit of € 87 million, underpinned by lower operating expenses. Net profit at SNS Bank was lower but this was more than compensated by an improved net profit of the Insurance activities. In line with earlier guidance, Property Finance remained loss-making, as we continue to run down the loan portfolio. Overall, solvency of the Group remained solid.

While macro-economic trends and financial markets are expected to remain very challenging, we are committed to executing our strategic priorities”, said Ronald Latenstein, Chairman of the Executive Board.

<sup>1</sup> Based on Basel II, taking into account the 80% floor of Basel I.

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## SNS BANK

Total net interest income at SNS Retail Bank was up markedly compared to the first quarter of 2011. Net interest income from mortgages was higher. Retention of existing mortgages was high, while SNS Retail Bank's market share in new mortgages was limited at 3.3% (2011: 5.8%). Net interest income from savings balances declined, driven by higher interest rates offered on term deposits. In the first quarter, retail savings balances grew by € 1.5 billion to € 31.8 billion, corresponding with a market share of 10.3%. Bank savings, included in the total savings balances, grew strongly by € 282 million to € 1,613 million.

Commission income was considerably lower compared to the first quarter of 2011, mainly caused by lower asset management transactions and fees. Other income declined sharply due to lower buy back results on own funding and a € 12 million pre-tax loss on the exchange of Greek sovereign bonds (€ 9 million net).

Operating costs were slightly below the level in the first quarter of 2011. Impairments on retail loans were 22 basis points of loans, which was significantly higher than in the first quarter of 2011 and also higher than the 15 basis points average for 2011. The increase reflects the weakening housing market and lack of transactions in the Netherlands.

In all, net profit at SNS Retail Bank declined to € 25 million, compared to € 42 million in the first quarter of 2011.

At SNS SME, net interest income was lower than in the first quarter of 2011, driven by the strong reduction of the loan portfolio compared to the first quarter of 2011. Operating costs were slightly lower but impairments on loans rose strongly, mainly due to the default of one major debtor. As a result, the first quarter net profit of SNS SME was limited to € 6 million, compared to € 19 million in the first quarter of 2011.

As part of SNS REAAL's capital release programme of € 700 million, commitments of SNS SME had already been reduced by € 1.6 billion in 2011. In the first quarter, commitments were reduced by another € 0.3 billion to € 5.4 billion.

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## REAAL

Regular premiums of REAAL Life showed a limited decline compared to the first quarter of 2011. The market share of individual new regular premiums decreased somewhat but remained high at 20.8% (full year 2011: 21.9%) due to REAAL Life's strong position in mortality coverage insurance. Single premiums showed a considerable drop, due to pricing discipline. Investment income for own account rose markedly. Realised gains on equities were limited, whereas on fixed-income securities they were higher. Furthermore, direct investment income was up benefitting from incidental items.

Operating expenses at REAAL Life showed a marked decline compared to the first quarter of 2011.

In all, REAAL Life posted a net profit of € 67 million, markedly higher than the € 20 million net profit in the first quarter of 2011. Also adjusted for the impact of the investment portfolio and hedges, the underlying result showed a sharp increase. This was primarily due to higher investment income, lower operating expenses and higher technical results.

At REAAL Non-Life, premium income was flat and investment income higher compared to the first quarter of 2011, driven by higher realised gains on fixed-income securities. Operating costs decreased slightly. On a quarterly basis, results at Non-Life are volatile. Although net profit increased to € 2 million compared to € 1 million in the first quarter of 2011, it remained limited due mostly to high claims at fire insurance.

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## ZWITSERLEVEN

Zwitslerleven's pension premium income showed a marked increase compared to the first quarter of 2011, with healthy increases in both single and regular premium products. Investment income for own account showed a marked increase, supported by higher realised gains on fixed-income securities.

Operating costs were markedly lower compared to the first quarter of 2011. However, technical results declined as well.

In all, Zwitslerleven posted a net profit of € 15 million compared to a net profit of € 14 million in the first quarter of 2011. Adjusted for the impact of the investment portfolio and hedges, the underlying profit fell, due to lower technical results.

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## GROUP ACTIVITIES

The first quarter result of Group activities of -€ 21 million was adversely impacted by lower interest income and by an impairment on the stake in Van Lanschot of € 6 million, partly offset by a € 3 million book profit on the sale of a stake in Climate Change Capital Group.

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## PROPERTY FINANCE

Interest income at Property Finance declined strongly compared to the first quarter of 2011 due to the ongoing winding down of the loan portfolio. Total income was further reduced by limited discounts on the sale of performing loans and negative results on property projects.

Total commitments declined from € 5.5 billion at the end of 2011 to € 5.3 billion. Total outstanding loans, net of provisions, declined from € 4.8 billion at the end of 2011 to € 4.6 billion, of which € 1.8 billion are international loans. The progress of the run-off is part of our 3 to 5 year strategic priority as announced in 2009. Property projects (real estate projects where Property Finance has taken control) and assets held for sale combined were in line with the level at the end 2011.

Total non-performing loans as a percentage of gross loans outstanding increased slightly to 33% compared to 32% at the end of 2011 due to the decline of the total portfolio. The level of non-performing loans was stable compared to the end of 2011, at € 1.7 billion. The coverage ratio (loan provisions as a percentage of non-performing loans) improved slightly to 35% (domestic loans: 30%, international loans: 47%).

Operating expenses were higher compared to the first quarter of 2011, due to the costs related to the phasing out of the loan portfolio. Impairments on loans and property projects amounted to € 65 million (4.5% annualised of gross outstandings), compared to € 68 million in the first quarter of 2011. Taking into account the ongoing pressure on commercial real estate markets, impairments at Property Finance are expected to remain high in the rest of 2012.

The net loss of Property Finance amounted to € 64 million compared to the first quarter 2011 loss of € 57 million, with the decline attributable to lower interest income and a lower tax rebate.

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## CAPITAL RATIOS AND FUNDING

At the end of the first quarter the core Tier 1 ratio of SNS Bank NV had increased slightly to 9.4%, compared to 9.2% at the end of 2011. This was due to the downstream of € 50 million of capital from the holding and the further decreases of the SNS SME and Property Finance loan portfolios. The Tier 1 ratio of SNS Bank NV declined to 11.9% (end of 2011: 12.2%) due to the announced redemption of € 125 million of participation certificates.

Regulatory solvency of the Insurance activities fell to 194% at the end of March (end of 2011: 203%). The decline was caused by a downward shift of the yield curve, especially in the long term segment. At the end of April solvency had improved to an estimated level above 200%.

By the end of the first quarter, 87% of the capital release programme of € 700 million had been realised. At this stage, the first priority for the capital freed up is to support the further strengthening of the banking core Tier 1 ratio to 10% over the coming years and also helping maintain solid solvency levels at the Insurance activities, given the unrest on financial markets, the higher capital requirements and the worsening economic climate. SNS REAAL will continue to explore opportunities to further strengthen solvency in order over time to be able to repay the capital support by the Dutch State.

The fall in interest rates in the first quarter led to an increase in the fair value reserves at the Insurance activities and, accordingly, shareholders' equity of the Group, which rose to € 5.3 billion (end of 2011: € 5.1 billion, restated for the DAC accounting change; see appendix). Double leverage at Group level increased to 116.8%, compared to 115.2% at the end of 2011. The DAC accounting change increased double leverage by 1% point (included in the 2011 comparative number).

In 2011 SNS REAAL had made a considerable reduction of its sovereign bond exposure to peripheral European countries and France. At the end of the first quarter, exposure to sovereign debt of peripheral countries remained limited at 4% of total sovereign debt.

During the first quarter of 2012, funding markets remained challenging. SNS Bank's main source of funding was the increase in its retail savings balances and the participation in the second tranche of the ECB facilities (LTRO). In the first quarter of 2012, SNS Bank redeemed government guaranteed bonds for an amount of € 2.6 billion. Total liquidity, including cash, of the Banking activities remained high at € 11.9 billion. The Loan-to-deposit ratio improved further to 150% (end of 2011: 159%).

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## TRANSACTIONS IN OWN SECURITIES

From 15 May 2012 up to and including 15 June 2012, SNS REAAL NV will buy back a maximum of 876,496 own shares to fulfil employment obligations with regard to the share award scheme and in accordance with legal requirements. The share buyback programme is executed in accordance with EC Regulation 2273/2003. If relevant, SNS REAAL will publish the number of shares repurchased weekly on Friday after the NYSE Euronext close on its website ([www.snsreaal.nl](http://www.snsreaal.nl)).

## NET RESULT FOR THE PERIOD

In € millions	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net result for the period at SNS Bank	31	91	50	60	61
of which SNS Retail Bank	25	103	34	45	42
of which SNS SME	6	-12	16	15	19
Net result for the period at REAAL	62	104	110	47	19
of which REAAL Life	67	73	113	41	20
of which REAAL Non-Life	2	19	2	10	1
of which REAAL Other	-7	12	-5	-4	-2
Net result for the period at Zwitserleven	15	-93	-12	4	14
Net result for the period at Group	-21	-31	-28	-22	-12
Net result for the period SNS REAAL Core activities	87	71	120	89	82
Net result for the period at Property Finance	-64	-61	-69	-61	-57
Net result for the period SNS REAAL	23	10	51	28	25

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

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# Appendix

## CHANGES IN ACCOUNTING PRINCIPLES

As a result of the changed economic and social circumstances, the prudence in the accounting treatment of deferred acquisition costs (DAC) has declined. New legislation prohibits payment of commission to intermediaries as of 1 January 2013. Demand for unit-linked products has declined and products with low cost structures are being introduced to the market. By taking the acquisition costs directly to the result, prudence is restored and transparency of the financial statements is enhanced.

SNS REAAL therefore implemented a change in accounting treatment with effect from 1 January 2012, whereby internal and external acquisition costs are no longer deferred, but instead charged directly to the results.

As a result of the change, the restated Group net result for 2011 increased by € 27 million, of which € 23 million relates to REAAL and € 4 million to Zwitserleven. The restated group equity end 2011 decreased by € 338 million.

This accounting change does not materially impact regulatory solvency of the Insurance activities. It results in an increase of circa 1% in double leverage.

## RECONCILIATION REPORTED AND ADJUSTED BALANCE SHEET INSURANCE ACTIVITIES BY SEGMENT 31 DECEMBER 2011

### Reported balance sheet Insurance activities 31 December 2011

In € millions	Zwitserleven	REAAL Life	REAAL Non-Life	REAAL Other	Eliminations	Total
<b>Assets</b>						
Intangible assets	519	1,275	213	2	-	2,009
Deferred tax assets	136	137	3	6	-	282
<b>Total assets</b>	<b>17,569</b>	<b>35,135</b>	<b>2,618</b>	<b>1,554</b>	<b>(2,518)</b>	<b>54,358</b>
<b>Equity and liabilities</b>						
Shareholder's equity	1,802	2,616	731	(1,171)	-	3,978
Equity attributable tot securityholders	17	41	-	342	-	400
Minority interests	-	2	-	-	-	2
<b>Total equity</b>	<b>1,819</b>	<b>2,659</b>	<b>731</b>	<b>(829)</b>	<b>0</b>	<b>4,380</b>
Deffered tax liabilities	213	469	50	3	-	735
<b>Total equity and liabilities</b>	<b>17,569</b>	<b>35,135</b>	<b>2,618</b>	<b>1,554</b>	<b>(2,518)</b>	<b>54,358</b>

## Adjusted balance sheet Insurance activities 31 December 2011

In € millions	Zwitserleven	REAAL Life	REAAL Non-Life	REAAL Other	Eliminations	Total
<b>Assets</b>						
Intangible assets	398	959	199	2	-	1,558
Deferred tax assets	156	216	2	6	-	380
<b>Total assets</b>	<b>17,468</b>	<b>34,899</b>	<b>2,603</b>	<b>1,554</b>	<b>(2,518)</b>	<b>54,006</b>
<b>Equity and liabilities</b>						
Shareholder's equity	1,711	2,379	721	(1,171)	-	3,640
Equity attributable tot securityholders	17	41	-	342	-	400
Minority interests	-	2	-	-	-	2
<b>Total equity</b>	<b>1,728</b>	<b>2,422</b>	<b>721</b>	<b>(829)</b>	<b>0</b>	<b>4,042</b>
Deffered tax liabilities	203	469	46	3	-	721
<b>Total equity and liabilities</b>	<b>17,468</b>	<b>34,899</b>	<b>2,603</b>	<b>1,554</b>	<b>(2,518)</b>	<b>54,006</b>

## 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.