Utrecht, 10 November 2011

Press Release

Trading update third quarter 2011

SNS REAAL posts third quarter net profit of € 42 million

KEY POINTS FOR THE THIRD QUARTER

- Net profit at core activities of € 111 million; growth in savings, bank savings, pensions and term life
- Narrowing loss at Property Finance of € 69 million; loan impairments sharply lower
- Net profit of € 50 million at SNS Bank (Core), including an € 11 million net impairment on Greek government bonds
- Net profit at Insurance activities of € 89 million, positively impacted by interest rate hedges
- Core Tier 1 ratio SNS Bank NV increases to 8.6%[1]
- Regulatory solvency of Insurance activities robust at 185%, but lower due to volatile financial markets
- Commitments at SNS SME and Property Finance reduced further by € 0.6 billion

"Against the background of the European sovereign debt crisis, our core businesses held up well in the third quarter, with a net profit of € 111 million. This was driven by a sound commercial performance in savings, bank savings, pensions and term life. At Property Finance the loss narrowed as we made progress with our efforts to reduce the loan portfolio and related impairments. At SNS Bank the core Tier 1 ratio continued to edge up.

For the rest of the year, we remain committed to delivering on our strategic priorities, focusing on reducing our Property Finance loans and strengthening our capital position. At the same time we continue our efforts to expand our client base and improve customer satisfaction, while controlling our cost base" said Ronald Latenstein, Chairman of the Executive Board.

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

SNS BANK (CORE)

Total net interest income at SNS Retail Bank was up compared to the third quarter of 2010. Net interest income from mortgages was stable and SNS Retail Bank's market share in new mortgages was slightly lower at 5.9% (2010: 6.1%). Net interest income from savings balances was again higher, driven mainly by the higher level of savings balances. In the third quarter, retail savings balances grew by € 0.3 billion to € 30.8 billion, representing a market share of 10.2%. Bank savings, included in the total savings balances, grew with € 152 million to € 1,185 million. The recent introduction of a new payment account at SNS Retail Bank had an encouraging start.

Commission income was flat compared to the third quarter of 2010. Other income declined sharply due to negative fair value movements on the DBV mortgage portfolio, lower trading results and lower results on the buy-back of own funding paper.

Operating costs were slightly lower compared to the third quarter of 2010. Impairments on retail loans were significantly higher than in the third quarter of last year and also up markedly compared to previous quarters of 2011.

Following an impairment on Greek sovereign bonds of € 8 million in the second quarter of 2011, the third quarter saw another € 15 million charge related to these bonds (€ 11 million net). At the end of September 2011, Greek sovereign bonds owned by SNS Bank were valued at their market price of € 28 million.

Net profit at SNS Retail Bank declined to € 34 million, wholly due to the impairment on Greek sovereign bonds.

At SNS SME, net interest income trended down in the third quarter, driven by the reduction of the loan portfolio and higher funding costs. Operating costs were slightly lower and impairments on loans were limited. As the low level of impairments almost offset the declining interest income, the third quarter net profit of € 16 million was only slightly below the level of the third quarter of 2010.

As part of SNS REAAL's capital release programme of € 700 million, commitments of SNS SME had already been reduced by € 1.0 billion in the first half of 2011. In the third quarter, commitments were reduced by another € 0.4 billion to € 6.0 billion.

REAAL

Regular premiums of REAAL Life showed a modest decline compared to the third quarter of 2010. In a shrinking market, the market share of individual new regular premiums increased to 21.7% (2010: 13.7%) as REAAL Life further strengthened its position in mortality coverage insurance. Single premiums showed a strong rebound. Investment income for own account was lower. In the third quarter of 2010 the € 31 million net contribution of realised gains on equities and bonds was incidentally high (third quarter 2011: € 14 million).

Decreasing interest rates in the third quarter of 2011 led to high net unrealised gains on interest rate hedges of € 72 million (including the mitigating impact from shadow accounting). In the third quarter of 2010, the net impact of unrealised value changes of interest rate hedges (including shadow accounting) was also positive but more limited (€ 33 million).

Operating expenses at REAAL Life showed a significant decline compared to the third quarter of 2010.

In all, REAAL Life posted a net profit of € 105 million, markedly higher than the € 95 million net profit in the third quarter of 2010. However, when adjusted for the impact of realised gains, losses and impairments on equities and bonds and value changes of hedges (mainly the aforementioned interest rate hedges), the third quarter 2011 result was lower. This was primarily due to lower investment income (including results on participations) and higher technical claims.

At REAAL Non-Life, both premium income and investment income were higher compared to the third quarter of 2010. Operating costs increased slightly. Due mostly to higher claims at motor car insurance, net profit declined to € 3 million, compared to € 5 million in the third quarter of 2010.

ZWITSERLEVEN

Zwitserleven's pension premium income showed a strong increase compared to the third quarter of 2010, spread across both single and regular premium products. Investment income for own account showed a limited decline. With € 3 million, the net contribution of realised gains on equities and bonds was very limited (third quarter 2010: € 13 million).

Lower interest rates necessitated a substantial addition to Zwitserleven's provision for interest rate guarantees in the third quarter of 2011. Net of results on interest rate hedges and shadow accounting, this negatively impacted net result by € 25 million (third quarter 2010: € 6 million positive).

Operating costs were significantly higher compared to the third quarter of 2010, but flat compared to previous quarters of 2011.

In all, Zwitserleven posted a net loss of € 14 million compared to a net profit of € 20 million in the third quarter of 2010. This loss was wholly due to the addition to the provision for interest rate guarantees. Adjusted for realised gains, losses and impairments on equities and bonds, value changes of hedges and the addition to the provision for interest rate guarantees, the 2011 third quarter result improved sharply compared to the third quarter of 2010. This was due to provision releases included in the technical charges.

GROUP ACTIVITIES

The third quarter result of Group activities of -€ 28 million was adversely impacted by lower interest income and by impairments on financial stakes driven by lower equity markets, only partly offset by lower operating expenses.

PROPERTY FINANCE

Interest income at Property Finance declined sharply compared to the third quarter of 2010 due to the decline of the loan portfolio and higher funding costs. Total income was further reduced by (limited) discounts on the sale of performing loans and negative results on participations.

Total commitments declined from € 6.0 billion at the end of June 2011 to € 5.8 billion. Total outstanding loans, net of provisions, declined from € 5.2 billion at the end of June 2011 to € 5.0 billion, of which € 2.0 billion are international loans. Current exit plans indicate a higher reduction of commitments in the fourth quarter. Property projects (real estate projects where Property Finance has taken control) and assets held for sale combined were slightly lower compared to the end of June 2011, at below € 0.6 billion.

Total non-performing loans as a percentage of gross loans outstanding increased to 30% compared to 27% at the end of June 2011, due to net inflows of domestic and international loans and the decline of the total portfolio. The coverage ratio (loan provisions as a percentage of non-performing loans) remained virtually stable at 36% (domestic loans: 29%, international loans: 46%).

Operating expenses were higher, due to the costs related to the phasing out of the loan portfolio and one-off project-related costs. Impairments on loans fell to € 67 million (4.5% annualised of gross outstanding loans), compared to € 147 million in the third quarter of 2010.

Due to the decline in impairments, the net loss of Property Finance narrowed to € 69 million compared to the third quarter 2010 loss of € 107 million.

CAPITAL RATIOS AND FUNDING

Capital ratios at SNS Bank NV increased slightly in the third quarter, due to the further decrease of the SNS SME and Property Finance loan portfolio. At the end of the third quarter, the Tier 1 ratio of SNS Bank stood at 11.5% (end of June 2011: 11.3%) and the core Tier 1 ratio was 8.6% (end of June 2011: 8.4%).

Regulatory solvency of the Insurance activities fell to 185% at the end of September (end of June 2011: 226%). The decline was caused by movements of credit spreads and, to a lesser extent, the yield curve and lower equity markets. At the end of October 2011, regulatory solvency had rebounded to an estimated level of above 195%.

The fall in interest rates in the third quarter led to a strong increase in the fair value reserves at the Insurance activities and, accordingly, shareholders' equity, which rose to € 5.5 billion (end of June 2011: € 4.5 billion). As a result, double leverage at Group level declined to 112.6%, compared to 114.7% at the end of June 2011.

SNS REAAL remains focused on releasing capital throughout the Group. This is reflected by our capital release programme which is to be completed by mid-2012 as well as our goal to reduce Property Finance loans in the coming years. Meanwhile we have been confronted by sharply deteriorating financial markets and increasing capital requirements by the European Banking Authority (EBA) and other regulators, such as the SIFI surcharge. Notwithstanding this rapidly changing and volatile environment, we remain committed to repurchase the core Tier1 securities from the Dutch State over time without jeopardizing our capital position.

The sovereign debt crisis will likely continue to affect the stability of financial markets and could therefore have an impact on impairments of assets. Interest rates are expected to remain volatile and as a consequence, unrealised marked-to-market results may also continue to influence net earnings and solvency ratios in the fourth quarter of 2011.

During the third quarter of 2011, SNS Bank's main source of additional funding was the increase in its retail savings balances. Total liquidity of the Banking activities remained high at € 12.4 billion, including a cash position of € 5.0 billion. The Loan-to-Deposit ratio improved further to 157% (end of June 2011: 160%).

SOVEREIGN BOND EXPOSURE TO EUROPEAN PERIPHERAL COUNTRIES

During the third quarter SNS REAAL reduced its exposure to sovereign bonds of peripheral European countries by almost € 0.3 billion to € 1.4 billion. Since the end of the third quarter, the exposure to sovereign bonds of European peripheral countries was again reduced considerably, to a level below € 900 million.
Also the exposure to French sovereign bonds saw a substantial reduction by € 0.5 billion to € 1.8 billion at the end of September 2011 and was since then further reduced to below € 1.5 billion. The funds were mainly reinvested in Dutch and German sovereign bonds, which together with Austria accounted for 77% of the sovereign exposure of SNS REAAL at the end of September. Appendix 1 provides a full breakdown of exposures to sovereign bonds as of 30 September 2011.

NET RESULT FOR THE PERIOD

In € millions	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Net result for the period at SNS Bank (Core)	50	60	61	41	62
of which SNS Retail Bank	34	45	42	28	45
of which SNS SME	16	15	19	13	17
Net result for the period at REAAL	103	42	14	-25	95
of which REAAL Life	105	36	15	-16	96
of which REAAL Non-Life	3	10	1	-2	5
of which REAAL Other	-5	-4	-2	-7	-6
Net result for the period at Zwitserleven	-14	4	15	4	20
Net result for the period at Group	-28	-22	-12	-24	-24
Net result for the period SNS REAAL Core activities	111	84	78	-4	153
Net result for the period at Property Finance	-69	-61	-57	-317	-107
Net result for the period SNS REAAL	42	23	21	-321	46

2010 Figures have been regrouped to reflect the newly created business units SNS Retail Bank, SNS SME and Property Finance. Figures for 2010 are also restated to reflect an accounting change (implementation of shadow accounting).

APPENDIX 1: SOVEREIGN EXPOSURE FIXED-INCOME PORTFOLIO SNS REAAL

BREAKDOWN SOVEREIGN PORTFOLIO (GEOGRAPHY)

In € millions	SEPTEMBER 2011						JUNE 2011					
	Insurance activities		Banking activities		Total		Insurance activities		Banking activities		Total	
Ireland	94	1%	174	5%	269	1%	74	1%	132	4%	206	1%
Greece	0	0%	28	1%	28	0%	0	0%	43	1%	43	0%
Italy	430	3%	465	13%	895	5%	514	4%	601	17%	1,115	6%
Spain	161	1%	30	1%	191	1%	287	2%	29	1%	316	2%
Total GIIPS	685	4%	698	20%	1,383	7%	875	6%	806	23%	1,680	9%
Germany	6,542	41%	728	21%	7,269	38%	6,103	42%	639	18%	6,742	37%
France	1,641	10%	204	6%	1,845	10%	1,965	13%	372	11%	2,337	13%
The Netherlands	4,113	26%	996	29%	5,109	26%	3,384	23%	827	24%	4,211	23%
Austria	1,982	12%	471	14%	2,452	13%	1,457	10%	487	14%	1,944	11%
Belgium	638	4%	275	8%	914	5%	564	4%	307	9%	871	5%
Other	321	2%	73	2%	394	2%	278	2%	27	1%	305	2%
Total	15,922	100%	3,445	100%	19,366	100%	14,626	100%	3,465	100%	18,091	100%

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CHANGES IN ACCOUNTING PRINCIPLES

SNS REAAL has implemented shadow accounting in its IFRS reporting as of 1 January 2011. This accounting change ensures that SNS REAAL's financial statements better reflect the economic matching of insurance assets and liabilities and therefore reduces the existing asymmetry in the liability adequacy test of the Insurance activities. Part of the gains and losses on (derivative) assets that match insurance liabilities will also be reflected in the measurement of the insurance liabilities, regardless of whether these have or have not been realised and regardless of whether the unrealised gains and losses are recognised in the income statement or directly in equity in the fair value reserve. As a consequence, the volatility of (derivative) assets matching insurance liabilities in the income statement will be partly mitigated. This accounting change will not materially impact regulatory solvency of the Insurance activities.
As a result of the change, the restated Group net result for 2010 decreased by € 35 million, of which -€ 15 million relates to REAAL and -€ 20 million to Zwitserleven.

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.