



SNS REAAL

Annual Report 2009

The Value of Simplicity

2009



Profile

SNS REAAL is a financial services provider engaged in banking and insurance, with a particular focus on the Dutch retail market, including small and medium sized enterprises. The product range consists of three core product groups: mortgages and property finance, savings and investments, and insurance and pensions. SNS REAAL has a balance sheet total of € 129 billion and approximately 7,500 employees (FTE), which makes it a major player in the Dutch market. The SNS REAAL ordinary share is listed on NYSE Euronext Amsterdam, and is included in the Amsterdam MidKap Index. SNS REAAL has its head office in Utrecht.

Care for customers and society

SNS REAAL has a long history of commitment to Dutch society. SNS REAAL's roots date back 200 years to the establishment of regional savings banks with a public utility function. The insurance companies soon followed suit. As a Dutch bancassurance company, SNS REAAL is convinced that it does not matter to the customer whether a product comes from a bank or from an insurer. The essential element is to provide the right product to every client at the right time. SNS REAAL 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 REAAL 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 and REAAL provide a broad range of financial services by direct sale to private individuals and sale through intermediaries, respectively. SNS Bank is the consumer brand for banking and insurance products. REAAL is the brand for intermediaries for these products. In addition, there are three brands for specific product/market combinations. Zwitterleven is SNS REAAL's pension label, providing pensions to companies and organisations. ASN Bank focuses on sustainability and is the market leader in sustainable savings and investments. SNS Property Finance is SNS REAAL's property financing company, which mainly focuses on the Dutch market.

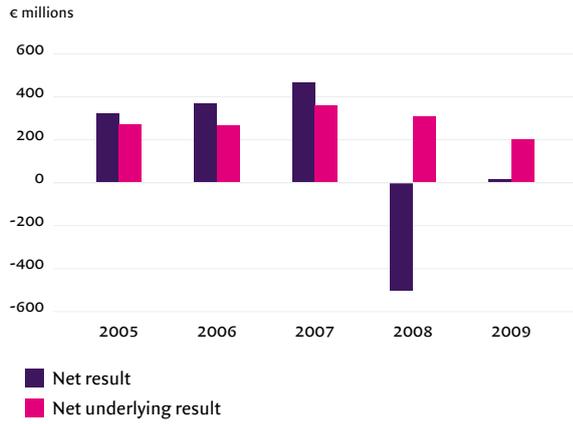
SNS Asset Management manages the investments of REAAL, the SNS REAAL Pension Fund and the investment funds of SNS Bank and ASN Bank. SNS Asset Management also provides asset management for other institutional investors and performs specialised investment research in the field of corporate sustainability. Zwitterleven Asset Management manages the investments of Zwitterleven's customers.

Table 1: Key figures SNS REAAL

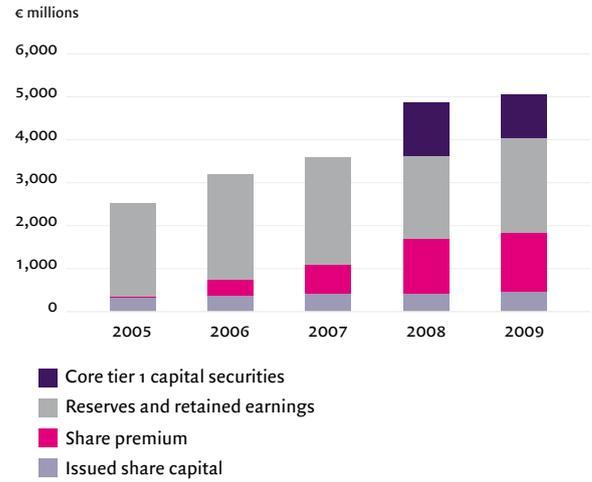
In € millions	2009	2008	2007	2006	2005
Result					
Result Banking activities					
Net interest income	672	773	783	567	595
Net fee and commission income	99	116	129	120	114
Other income	327	67	26	81	56
Total Banking activities	1,098	956	938	768	765
Result Insurance activities					
Net premium income	4,254	4,302	2,523	1,960	1,745
Investment income	1,704	1,230	834	561	545
Investment income for account of policy holders	1,334	(1,716)	96	215	394
Other income	126	346	94	68	48
Total Insurance activities	7,418	4,162	3,547	2,804	2,732
Other income and eliminations	(19)	19	58	4	(17)
Total income	8,497	5,137	4,543	3,576	3,480
Total expenses	8,446	5,865	3,974	3,117	3,064
Result before tax	51	(728)	569	459	416
Taxation	29	(208)	101	88	93
Net result discontinued operations	--	22	--	--	--
Minority interest	5	6	3	--	--
Net result for the financial year	17	(504)	465	371	323
Net result Banking activities	(99)	144	272	214	204
Net result Insurance activities	196	(550)	205	170	140
Net result Group activities	(80)	(98)	(12)	(13)	(21)
Earnings per ordinary share (EPS) (€)	0.03	(1.93)	1.87	1.65	1.55
Diluted earnings per ordinary share (€)	0.03	(1.93)	1.87	1.65	1.55
Earnings per B share (€)	--	--	--	--	--
Diluted earnings per B share (€)	--	--	--	--	--
Earnings per security issued to the Stichting Beheer SNS REAAL (€)	--	--	--	--	--
Earnings per security issued to the Dutch State (€)	0.05	--	--	--	--
In € millions	31-12-2009	31-12-2008	31-12-2007	31-12-2006	31-12-2005
Balance sheet					
Total assets	128,938	125,359	103,074	79,742	68,088
Investments	30,585	29,296	21,055	10,626	9,953
Investments for account of policyholders	12,565	10,724	7,235	3,955	3,426
Loans and advances to customers	70,457	68,649	63,045	56,700	46,143
Loans and advances to banks	4,344	4,722	1,631	3,769	4,207
Group equity	5,062	4,892	3,591	3,200	2,528
Capital base	7,044	7,017	5,620	4,864	4,144
Debt certificates	32,956	32,679	35,212	31,259	25,654
Insurance contracts	38,030	36,067	24,956	13,283	12,658
Savings	24,435	21,859	19,179	13,678	12,333
Amounts due to banks	11,136	10,612	6,887	7,534	3,419
In percentages	2009	2008	2007	2006	2005
Ratios					
Return on shareholders' equity (ROE)	0.3%	(13.3%)	13.7%	12.7%	14.1%
Double Leverage	113.1%	113.7%	116.3%	107.8%	105.3%
Average number of employees (FTE)	7,530	7,287	6,245	5,609	5,336
Banking activities					
Efficiencyratio	57.0%	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%
Insurance activities					
New annual premium equivalent (in € millions)	406	456	207	196	176
Operating cost/premium ratio	13.5%	15.9%	14.1%	13.8%	13.5%
Solvency under IFRS Insurance activities	314%	248%	305%	--	--
Regulatory solvency Insurance activities	230%	176%	198%	215%	208%
Regulatory solvency Life	246%	177%	272%	236%	233%
Regulatory solvency Non-Life	379%	307%	255%	279%	275%

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

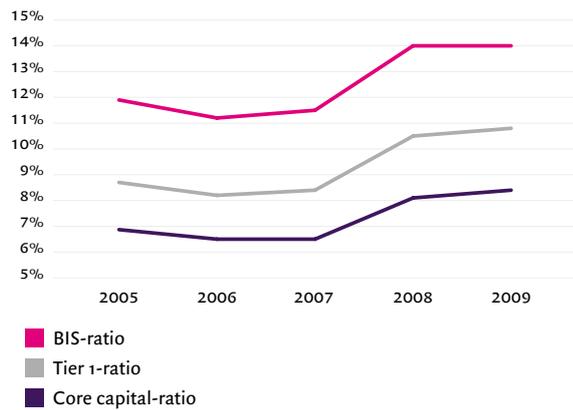
1 Net result SNS REAAL



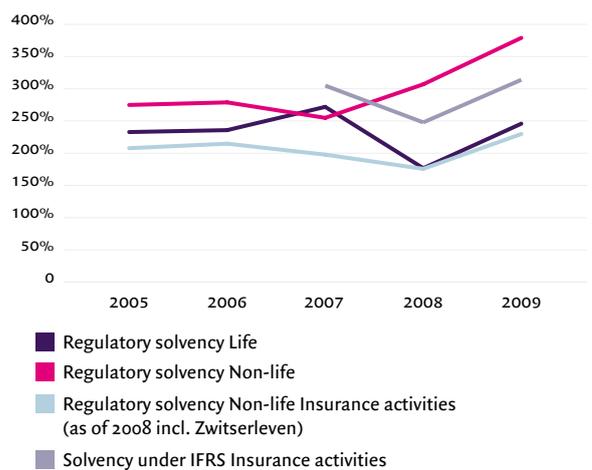
2 Total equity SNS REAAL



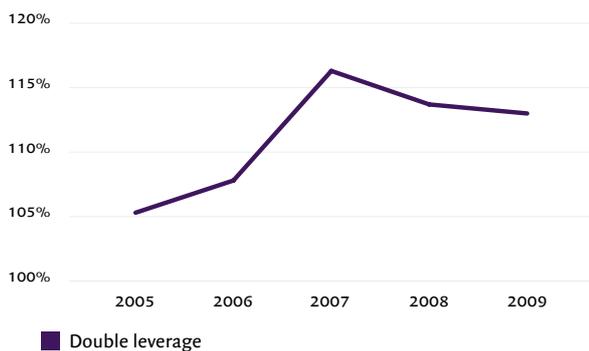
3 Solvency levels Banking activities



4 Solvency levels Insurance activities



5 Double leverage SNS REAAL



6 Development liquidity position Banking activities

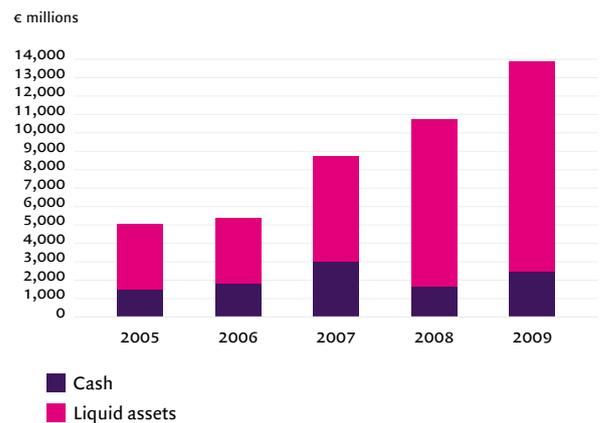


Table 2: Overview of activities

Business Unit	Label	Product group	Clients	Distribution channels
SNS Bank	SNS Bank	Mortgages, savings, investments, payments, loans, insurance, commercial credit	Retail, SME	SNS shops, internet, intermediaries, telephone
	ASN Bank	Savings, investments, payments	Retail	Internet
	SNS Regio Bank	Mortgages, savings, investments	Retail, SME	Franchise offices
	BLG Hypotheken	Mortgages	Retail, SME	Intermediaries, distribution partners
	SNS Securities	Securities research, institutional brokerage, corporate finance, asset management	Financial institutions (international), wealthy individuals	Accountmanagement
SNS Property Finance	SNS Property Finance	Property finance (investments, projects, participations)	Companies, professional investors, project developers, housing corporations	Offices
REAAL	REAAL	Individual life and group life including disability insurance and non-life insurance	Retail, SME and larger companies	Intermediaries, agents, distribution partners
	Proteq, Zelf.nl	Property and funeral insurances	Retail	Internet, telephone, alliances
	Dier en Zorg	Healthcare insurance for pets	Retail	Internet
	Route Mobiel	Breakdown assistance	Retail	Internet, telephone
Zwitserleven	Pensions	Large companies and SME	Intermediaries, fee advisors, advice lounges, internet	Intermediar, fee advisors, internet
Group activities	SNS Asset Management, Zwitserleven Asset Management	Asset Management, research sustainable investing	SNS-, ASN- and Zwitserleven investment funds, investment portfolios REAAL and Zwitserleven, institutional investors and segregated investments large companies	Accountmanagement

Table 3: Market share and market positions according to product group

Product group	2009	2008	2007
Savings	8.7%	8.3% ³	7.9% ³
Mortgages (new inflow)	9.1%	8.2%	7.7%
Property Finance	not available (n.a.)	no. 3	no. 3
Individual life insurance ¹	19.2%	17.9%	16.5%
Non-life insurance ²	4.8%	4.8%	3.9%

¹) Market share 2007 includes AXA NL (presented without AXA NL in annual report 2007).

²) REAAL Non-life's own estimate for 2009.

³) Percentages of previous financial years have been adjusted as a result of a changed calculation method.

Table 4: Profit contribution according to activity

Business unit	Underlying net result ¹	Underlying net result contribution ¹	Net profit		
	2009	2009	2009	2008	2007
SNS Retail Bank	162	81.0%	120	116	186
SNS Property Finance	(164)	(82.0%)	(219)	28	86
REAAL Life	172	86.0%	73	(473)	177
REAAL Non-life, including disability insurance	41	20.5%	54	26	23
REAAL Other	5	2.5%	(11)	(32)	5
Zwitserleven, as per 29-4-2008	44	22.0%	80	(71)	--
Group activities	(60)	(30.0%)	(80)	(98)	(12)
Total SNS REAAL	200	100.0%	17	(504)	465

¹) Excluding the impact of volatility on the financial markets and non-recurring items.



The value of simplicity

In the past year, we tightened SNS REAAL's strategy and chose to pursue a new mission: Simplicity in Finance. By that we mean that we want to make financial matters truly simple and easy to understand - for each and every one of our customers. To achieve this, SNS REAAL must be the very best in winning, helping and retaining customers. In everything we do, we will ask ourselves whether this is sufficiently clear and understandable for our customers, making sure that everyone can experience the value of simplicity for themselves.

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2009:

patches of blue after the storm

We started 2009 with a loss, but we posted a profit in the second half and were able to close the year with a positive result. In November 2009, we were able to repay the first part of the capital injection we had received from the Dutch State and Stichting Beheer SNS REAAL in 2008. ASN Bank once again showed robust growth in 2009 and SNS Bank's market share in new mortgages rose considerably. REAAL's sales of term insurance and savings mortgage products were also up. This is why, very cautiously, we now see patches of blue sky appearing after the storm.

SNS REAAL in brief

Foreword

In 2009, SNS REAAL showed resilience in prolonged difficult economic conditions. SNS REAAL improved its margins and key market positions, raised its solvency levels, regained profitability and repaid part of the capital funding provided by the Dutch State and the Stichting Beheer SNS REAAL. With an adjusted strategy focused on winning, helping and retaining customers and cost savings, SNS REAAL is reinforcing its competitiveness in changing market conditions.

Key figures

- Net profit of € 17 million (2008: net loss of € 504 million).
- Total equity increases to € 5.1 billion (2008: € 4.9 billion).
- Regulatory solvency ratio of the Insurance activities increases from 176% to 230%.
- Solvency Banking activities remains strong.

Key points

- Reinforced market positions in savings, mortgages, individual insurance and pensions.
- SNS REAAL saves € 74 million in adjusted operating costs and is on schedule to achieve € 200 million of annual cost savings by 2012.
- SNS REAAL repurchases first € 250 million of core tier 1 capital securities issued to the Dutch State and Stichting Beheer SNS REAAL.

Although the global financial crisis appears to have bottomed out, its impact led to difficult economic conditions throughout 2009. Contracting Dutch markets and exposure to the international property market adversely affected results. However, the Insurance activities generated an encouraging underlying net profit, benefiting from cost reduction and integration programmes and from a focus on sound margins. SNS REAAL's profit development was negatively impacted by SNS Property Finance's higher impairments on loans (€ 418 million), the goodwill impairment at SNS Property Finance in the first half of 2009 and by margin pressure on savings deposits for most of 2009 at SNS Retail Bank. In the summer of 2009, SNS REAAL adjusted its strategy. Now, with a stronger focus on customer value, commercial positioning, cost savings and capital management, we are reinforcing the foundations for improving our competitiveness and profitability in the coming years.

Regaining trust

To gain the trust of customers and other stakeholders, SNS REAAL in 2009 focused primarily on monitoring and optimising customer satisfaction, enhancing market positions and margins, growing savings deposits and controlling risks, solvency and liquidity.

Controlling and, where possible, reducing risks received high priority in 2009. The most important measures to contain financial risks were taken in the Insurance activities and involved changes to the investment portfolio, interest rate risk hedging and improved techniques for measuring and monitoring solvency. Product risks were another key area of attention. In 2009, a new and more rigorous product standards framework was drawn up to review and assess new and existing products, which led to some adjustments to the product portfolio. In some cases, such as individual unit-linked policies and foreign non-registered investment funds, customers are being compensated in a suitable manner, where necessary. Excessive commissions charged for some products in the Dutch market also caused public concern in 2009. In this context, certain fees were adjusted or capped. SNS REAAL considers such actions, in combination with the successful reinforcement of its solvency levels, to be essential for reinforcing trust. A continuing focus for the future is to further embed a culture that meets this new standards framework.

During the year, access to capital markets improved and trust among banks slowly returned. SNS REAAL issued € 135 million of shares which helped fund the repayment of € 250 million of the core tier 1 capital securities

issued to the Dutch State and the Stichting Beheer SNS REAAL. The market's confidence in SNS REAAL was also confirmed by a successful covered bond issue for €1 billion. The liquidity position in 2009 was robust. As a result of an increase in savings deposits to €24.4 billion (+11.8%), SNS Retail Bank's retail financing ratio rose to 63%. Regulatory solvency of the Insurance activities improved strongly, from 176% to 230%. Solvency ratios of the Banking activities remained well above our own minimum targets. As a result of lower interest rates, lower credit spreads and higher equity markets, SNS REAAL's shareholders' equity increased as well.

Solid year for retail banking

SNS Retail Bank's net profit increased from €116 million to €120 million (+3.4%). The Dutch mortgage market contracted by approximately 33%, however net interest income for mortgages developed positively. Margins improved and market share in retail mortgages increased from 8.2% in 2008 to 9.1% in 2009. On the other hand, net interest income for savings decreased considerably, despite a strong recovery in the fourth quarter when many term deposits which had been entered into at high interest rates expired. The market share in savings increased from 8.3% to 8.7%. Commission income decreased due to reduced investment appetite and lower transaction volumes.

Challenging year for property finance

At SNS Property Finance, the higher interest income did not compensate the increased impairments on loans and goodwill, which caused a net loss of €219 million compared to a net profit of €28 million in 2008. Substantial measures were taken in 2009, including replacement of a major part of management, in order to minimise the losses on problem loans and to improve the profitability of sound loans. It was also decided to phase out the international activities in a controlled manner over a period of three to five years.

Higher margins REAAL

Although the market for individual life insurance policies (new production) decreased by 25%, the Insurance activities showed a strong recovery in profitability and REAAL Life's market share increased from 17.9% to 20.8%. Operating costs fell sharply on the back of cost savings and integration programmes. Sales of traditional insurance policies more than tripled and sales of mortgages increased by 50%. The Value of New Business (VNB) margin increased to 13.5%, thanks to a combination of re-pricings and cost control. After the sharp decline in 2008, equity markets showed a strong recovery in 2009 and bond markets improved. Against

this background, REAAL Life's net result rebounded to a €73 million profit, compared to a loss of €473 million in 2008. The net profit contribution of REAAL Non-Life increased from €26 million to €54 million.

Zwitserven market position strengthened

The Dutch pensions market was under pressure during 2009 due to the weak economy. However, Zwitserven delivered a good performance, with a stable premium income compared to the pro forma premium income in 2008. In addition, operating costs decreased substantially. Zwitserven strengthened its market position, particularly due to a number of new contracts in the wholesale market and a high customer retention rate. The VNB rose sharply and the VNB margin more than doubled to 8.1%. Also, the investment result improved strongly, as a result of which Zwitserven's net profit amounted to €80 million, compared to a pro forma net loss of €49 million in 2008.

Simplicity in finance

The financial crisis has shaken the trust of both consumers and corporates in the financial sector. We are convinced that a sustainable recovery of trust will only be possible if clients can gain insight more easily into the features, prices and options of financial products. Therefore we have introduced a new mission under the heading 'Simplicity in finance'. All our clients, assisted by an advisor if necessary, should be able to easily determine what our products do, or not do, for them and which products suit them best. Simplicity will be a recurring theme throughout the Group: simple products, simple communications, and simple policy conditions. Procedures and methods are being tested extensively as to their simplicity and customer focus, and will be improved where necessary. We are involving our clients in this process through the use of customer contact centres, customer advisory bodies and customer satisfaction surveys. This way, we intend to better win, help and retain customers.

SNS REAAL's roots lie in regional savings banks, national insurance and trade unions. We were and still are at the centre of society and close to our clients. We will fulfil and carry out this role, for which we are uniquely well positioned, more emphatically with committed employees and with the products and media of today.

High customer value, low costs

In mortgages and individual life insurance policies, SNS REAAL operates in mature markets with limited growth potential. However, the profit potential of these sizeable markets continues to be attractive for parties that offer high customer value at low costs and thus can

gain market share, and this is what SNS REAAL aims to achieve. SNS REAAL will substantially lower its cost base and increase the flexibility of its cost structure in the coming years, particularly by making more use of joint economies of scale within the Group, by further streamlining processes on the basis of customer focus, by growth of direct online sales and by building a national network of SNS franchise shops.

Cost reduction measures are also necessary to offset the structurally higher capital costs, compared to previous years, and will therefore be introduced for all activities throughout the Group. In this context we will monitor and optimise new initiatives and organisational changes more intensively by using performance indicators. In 2009, operating costs, excluding non-recurring expenses, decreased by € 74 million. In the next few years, SNS REAAL aims for total annual cost savings of € 200 million compared to 2008.

Clear choices, strong brands

We will use our employees and capital more efficiently. In recent years, due to the acquisitions and integrations, marketing and sales have occasionally been given lower priority. With fewer brands and more cross-collaboration in distribution, we will increase the return on our marketing and sales efforts. SNS REAAL will combine its forces in five strong brands: SNS Bank, ASN Bank, SNS Property Finance, REAAL and Zwitserleven. Starting with DBV with effect from January 2010, the other brands will ultimately be incorporated into these five brands.

SNS REAAL is committed to the combination of banking and insurance. We believe that what clients want first and foremost is a good product from a reliable brand, and they care less whether such a product is provided by a bank, an insurer or a combination of both. That is why SNS Bank and REAAL will cooperate even more closely, for example in developing and distributing bank savings products. As the second largest life insurance company and the fourth largest retail bank in the Netherlands, SNS REAAL is in an excellent position to provide practically all financial products required by Dutch consumers. We believe that a well-organised national bancassurance company can operate more efficiently and effectively than a bank or insurer with activities spread across several countries and continents.

Well-positioned for recovery

2010 will not be an easy year, with an uncertain economic outlook, potentially volatile financial markets, and prospects for stagnating or decreasing sales. However, with top 4 positions in mortgages, savings, individual

life insurance, pensions and property finance in the Netherlands, SNS REAAL is well-positioned to benefit from a market recovery as soon as it occurs. In 2009, the reputation and distinctiveness of our brands were confirmed once again by numerous awards. For example, Zwitserleven was voted 'best insurer of 2009', REAAL's investment policy was elected the 'most sustainable investment policy' by the Dutch Association of Investors for Sustainable Development, SNS Bank received the Lipper Award for its full range of SNS investment funds, and ASN Bank received a Topper Award from the Dutch Consumers' Association and a Green Bull award for its ASN Milieu & Waterfonds.

We attach even more importance to the appreciation we receive from our customers. SNS REAAL places a high priority on stabilising and improving customer satisfaction. That is why we improved the methods and the frequency of customer satisfaction surveys in 2009. In 2010, the business units will better coordinate these surveys and use them more efficiently in order to optimise business processes. In addition, SNS REAAL implemented working processes that bring employees, including managers, into more frequent contact with consumers, intermediaries, SME entrepreneurs and other clients.

Committed employees

SNS REAAL's adjusted strategy focuses on clients, costs, results and cooperation within the Group. The Executive Board is aware that the foundation of this strategy depends on committed employees who believe in each other and in their business. We are delighted to see that research has shown that the financial crisis has not affected the average satisfaction of our employees. This provides a solid basis for implementing our new strategy, enforced with a new core value: CARE! Written in capital letters followed by an exclamation mark, this emphasises what we expect from our employees - that they CARE! about the customers, CARE! about the results, CARE! about each other, and CARE! about society.

Even though our cost savings programmes are ambitious, we will not economise but, rather will continue to invest in the motivation, development and commitment of our employees. The education and development budget remains unchanged. In 2009, 550 employees started 'The New World of Work' (Het Nieuwe Werken), which empowers them to shape their own working week. The New World of Work will be implemented throughout SNS REAAL in the coming years and will lead to more flexibility and a better balance between work and private life for our employees, lower

office costs and savings on commuting, energy and travel expenses. With this initiative, SNS REAAL has won the 2009 TelewerkJaarprijs (Annual Teleworking Award) and the 2009 TelewerkPubliekprijs (Public Teleworking Award).

Beyond HRM, SNS REAAL also aims to develop a responsible organisation in other areas. Corporate responsibility means first and foremost a high-quality service and a clear understanding of our clients' interests. Furthermore, it implies that we develop and offer our products and services in a sustainable manner, always taking into account the interests of society as a whole. This report contains various examples. For more information on corporate responsibility, please visit our website.

In 2009, SNS REAAL asked a lot of its employees due to difficult market conditions and organisational changes. The Executive Board expresses its gratitude to all employees for their contributions.

Ronald Latenstein,

Chairman of the Executive Board of SNS REAAL N.V.



The SNS REAAL share

Shares and listing

SNS REAAL's share capital comprises ordinary shares and B-shares. In addition, there are two types of core tier 1 capital securities. The SNS REAAL ordinary shares are listed on NYSE Euronext Amsterdam. The share has been included in the Amsterdam MidKap Index since 2007. The ticker symbol is SR NA and the ISIN code is NL0000390706.

Changes in number of shares and core tier 1 capital securities

On 30 November 2009, SNS REAAL repurchased € 250 million of core tier 1 capital securities, of which € 185 million had been issued to the State of the Netherlands ('the State') and € 65 million to Stichting Beheer SNS REAAL ('the Foundation'). As a result of this repurchase within a year after issue, SNS REAAL realised savings of approximately € 125 million, compared to repurchase at a later date. The repurchase was partly financed by the proceeds of an ordinary share issue of € 135 million on 29 September 2009. In total, 26,147,259 ordinary shares were issued at a price of € 5.15, as a result of which the number of outstanding ordinary shares increased by approximately 10%.

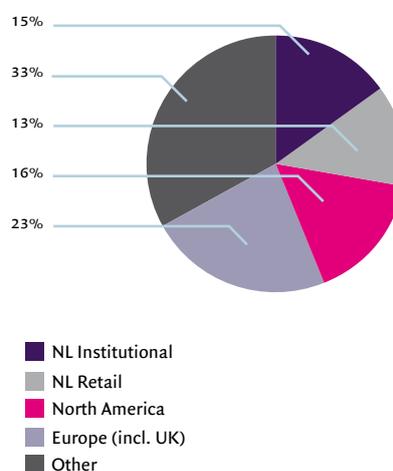
As a result of the repurchase transaction, the outstanding core tier 1 capital securities held by the State were reduced from € 750 million to € 565 million. In accordance with the terms of the contract, a € 7.5 million coupon was paid to the State upon this repurchase as per 9 June 2009. No fee was paid to the State for the repurchase. SNS REAAL paid a coupon of € 31.9 million for the coupon period ended 8 June 2009, which amount has already been debited to the profit reserves in the financial year 2008. Due to the repurchase, the total outstanding amount core tier 1 capital securities at the Foundation was reduced from € 500 million to € 435 million. For more information on the core tier 1 capital securities, see the chapter on Capital structure.

Ownership spread for ordinary shares

At year-end 2009, the Foundation held 50.00001% of the ordinary shares of SNS REAAL. On 30 September 2009, Aviva plc reported an interest of 4.96% in accordance with the Financial Supervision Act (Wft).

In January 2010, an in-house research was performed into the ownership distribution of the SNS REAAL free float. Based on this research, SNS REAAL estimates that the proportional shareholdings of institutional and private investors are 87% and 13% respectively.

7 Distribution of free float at year-end 2009



Directors' shareholdings

In 2009, no shares were allocated to members of the Executive Board as part of the remuneration policy. Please refer to the section Remuneration report in the chapter Report of the Supervisory Board.

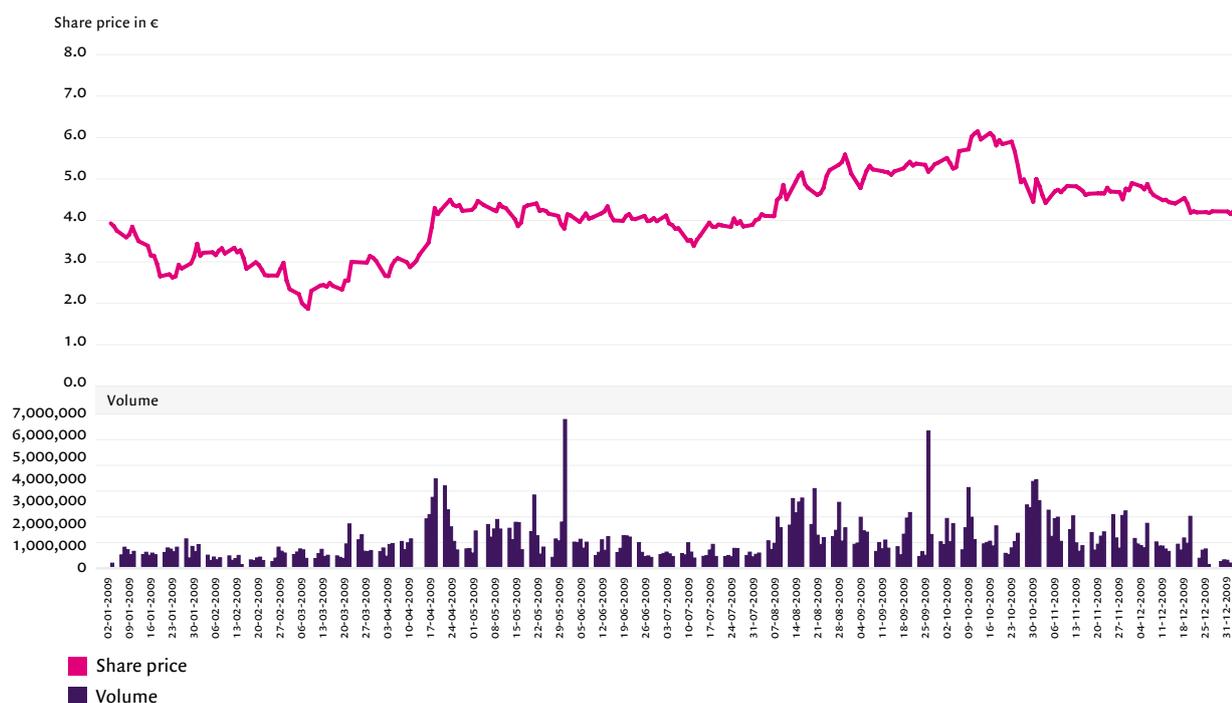
Price movements 2009

On balance, global stock markets staged a significant recovery in 2009 despite substantial volatility during the

Table 5: Overview of outstanding shares and core tier 1 capital securities at year-end 2009

	Number of securities	Nominal value	Issue price
Ordinary shares	287,619,867	1.63	
B-shares	6	1.63	100,000,000.00
Stichting Beheer SNS REAAL core tier 1 capital securities	4,350,000	100.00	100.00
Dutch State core tier 1 capital securities	107,619,045	1.63	5.25

8 Share price development SNS REAAL



9 Share price developments SNS REAAL versus indices

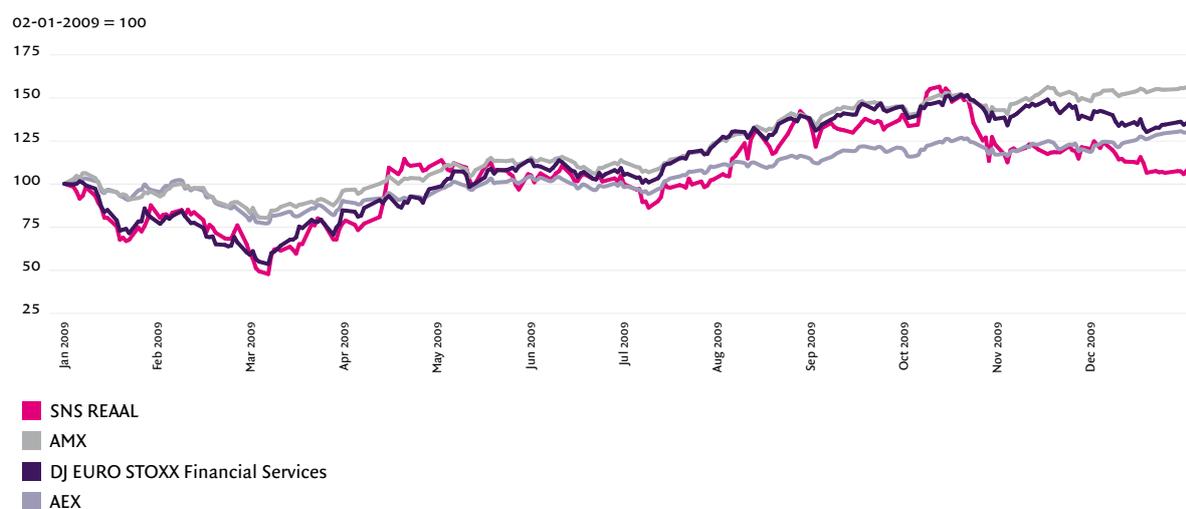


Table 6: Key figures per ordinary share (x € 1)

	2009	2008	2007
Highest closing price	6.15	15.64	18.59
Lowest closing price	1.87	3.40	14.20
Closing price at year-end	4.24	3.92	15.36
Earnings per share	0.03	(1.93)	1.87
Dividend	--	0.41	0.82
Dividend yield	--	10.46%	5.34%
Market capitalisation at year-end (in € millions)	1,220	1,025	4,016
Average daily trading volume (in shares)	1,264,123	808,530	453,970

Table 7: Statement of changes in outstanding ordinary shares SNS REAAL 2009

	Total	Other shareholders	Stichting
Total number of shares per 31-12-2008	261,472,608	119,581,148	141,891,460
Issue of 29 September 2009	26,147,259	24,228,759	1,918,500
Total number of shares per 31-12-2009	287,619,867	143,809,907	143,809,960

year. On average, the share prices of financials showed a more moderate recovery. The SNS REAAL ordinary share closed at €4.24 at year-end 2009, which was 8.16% above the price at year-end 2008 (€3.92).

Key figures per ordinary share 2009

As from 29 September 2009, a total of 287,619,867 ordinary shares and six B-shares were issued. The average weighted number of outstanding ordinary shares rose from 261,488,582 to 268,209,369 (+2.6%). Additional information per share is provided in the subsection key figures and in the Financial Statements pages 110, 230, 231, 238 and 239.

Dividend policy

SNS REAAL pursues a stable dividend policy. Assuming the company achieves its internal solvency and funding targets, SNS REAAL aims to distribute a dividend of 40-45% of the distributable profit. In principle, SNS REAAL intends to declare both an interim dividend and a final dividend payable to the shareholders. The dividend can be distributed in cash, in shares or in a combination of both. If it is decided to distribute dividend, dividend will also be distributed on B-shares. It has been established that the dividend yield on B-shares will never exceed that on ordinary shares. The reserve and dividend policy also takes into account the agreement between (i) the company and the Dutch State and (ii) the company and the Stichting Beheer SNS REAAL, in relation to the capital support by the Dutch State and the Stichting Beheer SNS REAAL. See

the chapter on Capital structure for more information on dividend and B-shares.

Dividend

SNS REAAL will not distribute any dividend for 2009.

Payment on core tier 1 capital securities

The coupon of the securities will only be paid if a dividend is distributed to the holders of ordinary shares. The coupon of the securities issued to the Foundation is 6%. The coupon of the securities issued to the Dutch State is at least 8.5%. SNS REAAL paid a coupon of €31.9 million for the coupon period ended 8 June 2009. This amount has already been debited to the profit reserves in the financial year 2008. As from 9 June 2009, SNS REAAL paid a coupon of €7.5 million relating to the repurchased amount of the State in 2009. For more information on the payments on core tier 1 capital securities and redemption conditions, see the chapter on Capital structure.

Agenda Annual General Meeting of Shareholders (AGM)

The agenda for the AGM is published on our website www.snsreaal.nl. Printed copies may be requested by phone (+31 30 291 4844) or by e-mail (aandeelhoudersvergadering@snsreaal.nl).

Investor Relations

SNS REAAL values a good relationship with investors and analysts and strives for optimum transparency and

Table 8: Important dates 2010

18 February	Publication of 2009 results
12 March	Annual report 2009 available on the company website
23 March	Publication of European Embedded Value report 2009
24 March	Record date for AGM
14 April	AGM in Jaarbeurs, Utrecht
18 May	Trading update 1st quarter 2010 (before opening stock exchange)
25 August	Publication half-year results 2010 (before opening stock exchange)
9 November	Trading update 3rd quarter 2010 (before opening stock exchange)
18 November	Investor Day
17 February 2011	Publication of 2010 results

consistency in its communications. Any publications that are issued regarding our financial performance, strategy and activities can be viewed and downloaded on our website, www.snsreaal.nl, as soon as they are published. In addition, members of the Executive Board regularly gives presentations to analysts, investors and other interested parties. These are webcast 'live' on www.snsreaal.nl and the webcasts can also be consulted afterwards. SNS REAAL also maintains contacts with investors and analysts by means of one-on-one meetings, presentations and telephone conferences. On such occasions, no additional material information is provided for compliance reasons. 19 November 2009 saw the third annual Investor Day, when members of the Executive Board and the management team gave presentations on strategy, market performance, market developments and financial objectives.

Other information

More information on the SNS REAAL share can be found on www.snsreaal.nl. The site also includes an interactive version of this annual report with a search function.

Executive Board SNS REAAL



From left to right: Rien Hinssen, Ronald Latenstein, Dick Okhuijsen and Ference Lamp

Ronald Latenstein

Ronald Latenstein (1964) has been chairman and CEO since 15 April 2009. He is also charged with supervising the Group staff departments Group Audit, Group Communications, Compliance & Operational Risk Management and Corporate Strategy.

After graduating in economics, Ronald Latenstein specialised in business administration. Following several national and international financial management positions, he joined SNS REAAL in 1995. After a brief intermezzo as CFO at Bank Insinger de Beaufort, he became CFO at SNS REAAL in 2002.

Rien Hinssen

Rien Hinssen (1956) has been a member of the Executive Board since 1999 and, as COO focuses on the business operations of SNS Retail Bank and SNS Property Finance. In addition, he is responsible for the Group staff departments Legal Affairs and Human Resource Management.

Rien Hinssen is a legal expert and specialised in financial and business management. Previously he held various positions at Rabobank before joining SNS Bank in 1982 as District Director for North and Central Limburg.

Dick Okhuijsen

Dick Okhuijsen (1965) joined SNS REAAL on 1 September 2009 and has been a member of the Executive Board as of 3 December 2009. As COO, he focuses on the business operations of REAAL and Zwitserleven, and is also responsible for SNS Asset Management, IT and Facility Management.

Dick Okhuijsen's studies included applied mathematics, an MBA and the Advanced Management Program at Harvard School of Business. He held several positions at Nationale-Nederlanden and ING Group, including that of CEO of ING Life Insurance Company Ltd. Japan.

Ference Lamp

Ference Lamp (1971) has been CFO on the Executive Board since 15 April 2009. In addition, he supervises the Group staff departments Group Risk Management, Investor Relations, Group Finance and Fiscal Affairs.

Ference Lamp has extensive experience in the financial services industry. He worked in various positions, including as Managing Director of the Financial Institutions Group at Lehman Brothers and as Associate Corporate Finance & Capital Markets at Fortis Investment Bank in Amsterdam.

More extensive CVs of the Executive Board members can be found on www.snsreaal.nl. Their external positions are outlined on page 97 of this annual report.

Supervisory Board

The Supervisory Board consists of:

Rob Zwartendijk, chairman

Hans van de Kar, vice-chairman

Charlotte Insinger

Bas Kortmann

Robert-Jan van de Kraats

Jaap Lagerweij

Henk Muller

Jos Nijhuis

Herna Verhagen

Ludo Wijngaarden

For more information, see the subsection Composition of the Supervisory Board in the Corporate governance chapter.

Mission, Strategy and Objectives

Developments in the financial sector in 2008 and 2009 necessitated 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 REAAL understands that trust cannot be taken for granted. We want to deserve that trust, and we want to deserve our customers.

Mission and ambition

'Confidence' starts with 'understanding'. SNS REAAL'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 REAAL's ambition to be the best at winning, helping and retaining customers.

SNS REAAL has a particular focus on the Dutch markets for mortgages and property finance, savings and investments, and insurance and pensions. The key customer groups are mostly private individuals and SMEs, save in case of pensions, where SNS REAAL also focuses on larger companies.

SNS REAAL 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 REAAL has a clear, straightforward strategy. Clear choices were made in our marketing strategy. With four business units and eventually five strong brands, we aim for maximum customer coverage. In implementing this strategy, SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven make their own choices regarding the best possible products and services. They are using joint procurement opportunities and sharing their market and product knowledge and distribution channels.

The Group activities, including SNS Asset Management and Zwitserleven Asset Management, are holding company activities aimed primarily at supporting the four business units.

SNS REAAL'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 REAAL has developed a great deal of expertise in developing, selling and distributing financial retail products in the Netherlands. SNS REAAL is one of the big players in the Dutch market for retail mortgages, savings, property finance, life insurance and pensions.
- ⊙ Efficient organisation.
SNS REAAL has a flexible and efficient organisation with short time-to-market for its products, and a great deal of expertise in business integrations.
- ⊙ Moderate risk profile.
Focusing on a limited number of banking and insurance products for retail and SME clients in the Netherlands, and properly balancing risk, capital and return, mitigates the risk profile.
- ⊙ Corporate responsibility.
SNS REAAL 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 REAAL is frequently able to distinguish itself with innovative products and services.

Weaknesses

- ⊙ Dependence on individual life insurance and mortgages.
The strong market positions in individual life insurance and mortgages mean that a disappointing

performance by either or both of these product groups could have a relatively major adverse effect on the overall results.

- ⊙ Brand recognition.

Compared to the brands of the major players, some of SNS REAAL'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 the Dutch State and Stichting Beheer SNS REAAL has led temporarily 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

- ⊙ Ageing.

The increasing number of elderly people in the Netherlands leads to a greater demand for pensions and other asset growth products for old age provisions.

- ⊙ Reduction in group benefits.

As a result of retrenchment in group benefits, private individuals and entrepreneurs will increasingly have to insure themselves, arrange supplementary insurance, and build up assets. As a bancassurance company, SNS REAAL can capitalise on this development, for example by offering disability insurances, bank savings and pension products.

- ⊙ Under-representation in the SME market.

There are opportunities for applying our knowledge and distribution channels more adequately in the SME market for both banking and insurance products.

- ⊙ Sustainability.

ASN Bank, the largest sustainable bank in the Netherlands, as well as the other business units can respond well to the growing demand for sustainable products.

- ⊙ Distribution of third-party products.

Selected sales of third-party banking and insurance 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 yet over. 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 and insurance companies 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 is 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-suited. This may lead to reputational damage and/or direct financial consequences.

Strategic challenges

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

- ⊙ SNS REAAL applies its origin, identity and market knowledge to continue to deserve the confidence of customers in a credible manner.

- ⊙ SNS REAAL uses the advantages of the bancassurance model by better applying the shared knowledge, customer contacts, distribution channels and production capacity of the various business units.

- ⊙ SNS REAAL 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 REAAL increases the return on its sales and marketing efforts by means of a clear brand policy and fewer labels.
- ⊙ SNS REAAL 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 REAAL redefined its strategy in 2009. The strategy has four pillars: Deserve Customers, Dare to choose, Come out Stronger and Decisive on Result. The foundation is a solid and effective organisation, formed by committed and ambitious employees.

1 Deserve Customers

SNS REAAL wants to simplify finance affairs again, so that customers know exactly what our products do for them and what they don't. In order to deserve customers, SNS REAAL aims for:

- ⊙ Transparent products.
SNS REAAL has standards for clear product communication and a standards framework for product integrity. Based on those standards, SNS REAAL intends to further improve the accessibility, transparency and convenient arrangement of its product range and the quality and comprehensiveness of its advice and product descriptions. We constantly look for opportunities to improve existing products.
- ⊙ Customer satisfaction.
SNS REAAL regularly measures customer satisfaction and optimises products and services based on the results.
- ⊙ Commitment of customers.
SNS REAAL monitors and learns from its customers' views in the development or optimisation of products and services.
- ⊙ A customer-driven culture.
Customer satisfaction is a performance indicator for all employees. Virtually all employees have regular contact with customers. For staff employees, 'internal customer satisfaction' is also used as a performance indicator.
- ⊙ An excellent reputation.
SNS REAAL's reputation is a performance indicator for the Management Committee. Reputation risks are identified and managed in a timely fashion.

2 Dare to Choose

SNS REAAL wants to generate higher returns with its available resources and management focus. We have

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

- ⊙ The Netherlands.
SNS REAAL chooses the Dutch market.
- ⊙ Bancassurance.
SNS REAAL clearly chooses the combination of a bank and insurance company and wants to further develop mutual cooperation in procurement, production, IT and distribution. The joint target groups of private individuals and SME in the Netherlands and SNS REAAL's simple business model offer good opportunities for cost and income synergies. SNS REAAL can key in to the various customer preferences by using the direct and indirect sales channels of both the Banking activities and the Insurance activities. Combined distribution through intermediaries for banking and insurance products increases effectiveness and reduces costs. This makes SNS REAAL's organisational model for banking and insurance less complex than banks or insurance companies operating in multiple countries.
- ⊙ Brands and product groups.
SNS REAAL has chosen five strong brands and three core product groups: mortgages and property finance, savings and investments, and individual insurances and pensions. This restriction facilitates sufficient scale.

3 Come out Stronger

After the successful integrations of recent years, SNS REAAL intends to increase its efforts to further improve its performance in the market. SNS REAAL intends to achieve more organic growth by means of:

- ⊙ A clear and focused brand policy.
SNS REAAL has two large financial brands. SNS Bank is the consumer brand for banking products and individual insurance products. REAAL is the intermediary brand for individual insurances and banking products. In addition, there are three brands for specific product-market combinations. Zwitserleven is SNS REAAL's pension label targeted at pensions for companies and organisations. ASN Bank focuses on sustainability and is the market leader in sustainable savings and investments. SNS Property Finance will be the property financing company of SNS REAAL that focuses on the Dutch market. The other labels will be incorporated into these five brands over the next few years.

- ⊙ Reinforcing marketing, sales and distribution. The programmes focus, among other things, on higher sales, customer retention, management of customer value, account management of intermediaries, more advisory strength, specialisation of the brands and collaboration between the brands.

4 Decisive on Result

SNS REAAL aims for a decisive and result-oriented organisation that encourages mutual cooperation, synergy and sharing knowledge and capacity. In this process, the Management Committee (MC) plays a guiding and central role. The MC comprises the Executive Board, the chairmen of the management boards of SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven, the Chief Information Officer and the director of Human Resources. Other organisational features are: centralised IT, centralised staff departments supporting both the Group and the business units, independent business units focused on marketing, sales and distribution, and finally, production, pricing and mid-office activities organised by product group and managed by the most relevant business unit.

The characteristics of this decisive and result-oriented organisation furthermore include:

- ⊙ Cost-conscious. SNS REAAL wants to distinguish itself with a low-cost structure that reinforces its competitiveness, in order to generate a profit even in contracting markets and with higher capital requirements. As a result of the previously announced integration and cost reduction programmes we are able to save costs of at least € 150 million per annum. In addition we announced in November 2009 measures aiming for another € 50 million in cost reductions compared to 2008. These measures include amongst others centralisation of IT at Group level, savings in procurement, rationalisation of the main offices and centralisation of the mid- and backoffice positions. In all, we aim for a cost

reduction of € 200 million.

- ⊙ Strong risk and capital management. SNS REAAL aims for a moderate risk profile and efficient capital management to promote a stable development of returns.
- ⊙ Strong management on performance indicators. In using stronger management on performance indicators, SNS REAAL aims to improve monitoring and safeguarding the progress in achieving its objectives. The business units primarily manage the efficiency ratios. Other key performance indicators are: operating expenses, number of FTEs, the combined ratio for non-life operations, the commercial indicators, including market shares, income/FTE, APE/FTE and VNB, customer and employee satisfaction, and absenteeism.
- ⊙ Corporate responsibility. Corporate responsibility has been in SNS REAAL's genes since the formation of the first savings banks and insurance companies almost 200 years ago. We were and still are at the heart of society and close to our customers. Our corporate responsibility policy comprises six focal areas: responsible management, responsible conduct, responsible business operations, responsible products, being embedded in society and accountability. For more information on the policy and progress of our corporate responsibility, see the Corporate responsibility annual report on SNS REAAL's website.

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 REAAL 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.

Table 9: Key efficiency programmes

Efficiency programme	FTE reduction	target	achieved in
Distribution reinforcement SNS Bank	380	€35 million	2010
Integration AXA NL	400	€50 million	2010
Reverse integration Zwitserleven	300	€35 million	2012
Group-wide programme	170	€20 million	2010
Integration DBV	70	€10 million	2012

Management within SNS REAAL stimulates, connects, renews and is result-oriented. SNS REAAL 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.
- ⊙ Reduction of 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 the State and Stichting Beheer SNS REAAL.
- ⊙ Developing and retaining talent.

Strategy per business unit

SNS Retail Bank, SNS Property Finance, REAAL and Zwitterleven develop and implement their own business unit strategies in accordance with the overall SNS REAAL Group strategy, as reflected in the chapters on the developments of the business units.

Ambitions

For the financial and operational ambitions and the extent to which these were achieved in 2009, see the Strategy update chapter hereafter on page 25.

Finance

simple and understandable



Simplicity is in our blood.

And you can see it in our roots. Our banking operations started out as a bank for ‘the common people’ in the nineteenth century, and REAAL was established by trade unions. Clearly then, we have always been close to our customers, and 2009 was no exception in that regard. SNS Bank was the first Dutch bank to receive the so called ‘drempelvrij.nl’ quality mark, because its website is highly accessible to the disabled. REAAL tightened the quality standards for its financial products, as well as the standards for quality control of all related matters. This includes information services to intermediaries and customers, careful acceptance, easy access, rapid processing, a meticulous complaints procedure, protection of privacy and fraud prevention.



Report of the Executive Board

Strategy update

SNS REAAL 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 describes the first update and most important initiatives and decisions made in 2009 that flesh out the new strategy.

1 Deserve customers

SNS REAAL is structurally working on:

⊙ Transparent products.

In 2009, a new standards framework of product integrity was prepared for REAAL, SNS Bank and Zwitserleven. The standards cover relationships with consumers, both in the role of distributor/manufacturer as well as intermediary/advisor. This has led to changes in the product portfolio. It concerns, 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, commission schemes for intermediaries, the investment component of products 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) by 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 REAAL developed a reference process for the business units by which to develop and manage products, including pricing and the information and advice practices.

In February 2009, the companies within the Insurance activities of SNS REAAL entered into an agreement with several interest groups regarding financial compensation for policyholders with regard to the costs of unit-linked insurance policies. By introducing this compensation scheme, SNS REAAL acknowledged its responsibility and offered its customers a solution to a complex social issue. The present value of the compensation totals approximately € 320 million, including an amount of € 52.5 million for a fund for customers in distressed circumstances. SNS REAAL's compensation scheme applies to all

1,030,000 individual unit-linked insurance policies, an estimated 40% of which is eligible for compensation. Pursuant to the compensation scheme, the costs of each unit-linked insurance policy will not exceed a maximum percentage. Customers will receive the compensation on the expiry date of their insurance policy. The details of this scheme are available on the websites of SNS Bank, REAAL and Zwitserleven.

⊙ Customer satisfaction.

In 2009, SNS REAAL 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.

The results of REAAL's annual study of the satisfaction among intermediaries led to various adjustments, which affected the insurance quote desk and insurance quote tools for corporate non-life insurance policies, several pricings and the sale of individual non-life insurance policies. Other measurements resulted in adjustments to, for example, the complaints service for retail customers and better user options in the MijnREAAL extranet for proxies.

⊙ 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. SNS 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). REAAL tested a large number of subjects by means of a consumer panel, including whether

letters were easy to understand, the termination of insurance policies, needs and wishes in the field of disability insurance, specific insurance needs and wishes of young families and the experience of the concept 'realism'. A panel of approximately 700 intermediaries examined a whole range of products and service aspects of REAAL.

- ⊙ A customer-driven culture.

In November 2009, the top 100 managers of SNS REAAL 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. Since the fourth quarter of 2009, members of the Management Committee have maintained contact with intermediaries on a regular basis. REAAL initiated a reorganisation to make processes more customer-oriented and the distribution chain more transparent. The first reorganisations have resulted in substantial service improvements.

- ⊙ An excellent reputation.

SNS REAAL 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 REAAL 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 REAAL concentrates her activities on the Dutch market. The international portfolio of SNS Property Finance will be phased out. The 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.

- ⊙ Bank-insurer.

SNS REAAL clearly chooses the combination of Banking and Insurance activities and wants to further develop mutual cooperation in procurement, production, IT and distribution. In 2009, the mutual cooperation between the business units increased. SNS Retail Bank and REAAL developed a joint strategy to promote the sale and further development of bank savings products. Cooperation also increased in the production and purchasing of mortgages, and

in making arrangements with distribution partners. SNS REAAL is building a joint IT platform for the pension activities in several stages, which will be completed in 2012. This will result in additional possibilities for sharing production capacity and distribution channels and standardising working methods.

- ⊙ 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 REAAL produces its own standard products which are attractive to a broad customer group. For reasons of (capital) efficiency, available knowledge or capacity, SNS REAAL 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 September 2009, the transfer began of REAAL's pension activities to Zwitserleven with Zwitserleven's individual life insurance activities, including mortgages, transferring to REAAL. As a result, REAAL and Zwitserleven will be able to position themselves more clearly as a specialist in individual life insurances and a pension specialist, respectively. ASN Bank introduced a current account, which made it a compelling full-service banking alternative for many existing and new customers. In 2009, it was decided to integrate all of DBV's activities (mortgages and life insurances) in REAAL, effective as of 2010.

- ⊙ Reinforcing marketing and sales.

In 2009, the customer retention programmes of SNS Retail Bank, REAAL and Zwitserleven were very successful, notably as a result of active account management upon the expiry of terms and contracts. SNS Bank continued its multi-year programme for the reinforcement of distribution capacity. REAAL initiated and completed various reorganisations focussing on more efficiency and effectiveness, particularly in the sales organisation, the internal processes and in connection with the integration of AXA NL and Winterthur.

4 Decisive on Result

SNS REAAL aims to be a decisive and result-oriented organisation. SNS REAAL's result increased from a net loss of € 504 million to a net profit of € 17 million. The key figures provide an overview of the net profit for each business unit. SNS REAAL 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 200 FTEs by 2012.

Total operating expenses of SNS REAAL including pro forma Zwitserleven from January to April 2008, decreased by € 22 million compared to 2008. Excluding non-recurring expenditure, the operating expenses decreased by € 74 million, with savings contributed by the business units as well as the staff departments. In practically all business units, the costs for hiring external staff decreased. At REAAL, various reorganisations contributed to savings, and at Zwitserleven, the operating expenses decreased as a result of efficiency improvements that reduced the number of FTEs. At SNS Property Finance, costs remained stable as the costs relating to the intended restructuring were compensated by savings. At SNS Retail Bank, the operating expenses increased due to non-recurring expenditures, including SNS 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 REAAL is on schedule to achieve its objective for 2012, realisation of € 200 million in cost reductions compared to 2008.

⊙ Strong risk and capital management.

In 2009, SNS REAAL permanently reduced the interest rate risk and investment risk of the Insurance activities by applying stricter standards. In addition, the risk management organisation was reinforced, including the recommendations of the Banking Code. For more information, please refer to the chapter on Corporate governance.

⊙ 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. Please refer to the remuneration subsection, part of the Report of the Supervisory Board.

⊙ Corporate responsibility.

Our policy and progress with regard to corporate responsibility are posted on SNS REAAL's website.

Objectives

After the results for 2008 had been published, it was clear that the previously stated ambitions for the average growth of earnings per share for the period from 2006 to 2009 and for the return on shareholders' equity would not be achieved, given the large adverse impact of the developments in the financial markets on the results.

In November 2009 SNS REAAL adjusted its financial medium-term ambitions, partly as a result of the strategic evaluation in the light of the changed environment. In time we aim, under normal market conditions, for an annual net profit level between € 450 and € 500 million with a corresponding return on shareholders' equity of 9-12%.

SNS REAAL is one of the most efficient financial services providers in the Netherlands and seeks to further streamline its processes. We aim for a cost reduction of € 200 million compared to the 2008 cost level. This includes the integration and synergy effects of AXA NL and Zwitserleven, the efficiency programme at SNS Retail Bank with the focus on sales and distribution, and the various Group-wide programmes to improve efficiency. The significant reduction of operating costs that we pursue will positively affect the efficiency ratios of all business units.

SNS REAAL intends to repurchase the remaining part of the outstanding core tier 1 capital securities issued to the Dutch State (the State) and to Stichting Beheer SNS REAAL (the Foundation) as soon as possible and in a responsible manner. SNS REAAL wants to achieve this in a responsible manner and by maintaining the existing solvency targets: for the Banking activities a Core Tier 1 ratio of 8% or higher, and for the Insurance activities a solvency level of 150% or higher. While the continued focus remains on reducing the balance sheet risks and strong capital management, we seek to gradually lower the double leverage.

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 REAAL 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 REAAL – 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 the 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 markets for individual life insurance and mortgages show 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 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 customer. A negative factor for the profitability are low interest rates.

In 2010, SNS 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 Bank will concentrate its distribution capacity under the brand name BLG. In addition, SNS Bank is intensifying its cooperation with REAAL and Zwitserleven in the areas of production, procurement and distribution.

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 expected to develop positively 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 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 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 REAAL 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 great regional differences, but a number of regions show some 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.

Individual life insurance

Profitability in this continually contracting market is largely determined by reputation, scale and efficiency. REAAL, being the second largest life insurance company in the Netherlands, is well-positioned to remain successful in this market. SNS REAAL expects the individual life insurance market to show a slight decline in 2010. Growth segments include simple savings and guarantee products and term insurance products. The single-premium market will remain challenging.

REAAL places particular emphasis on cost savings, bank savings products and traditional risk insurance policies, customer retention and further enhancing the professionalism of its sales activities. The direct sales channel of SNS Bank is used more effectively for the sale of mortgage-related insurance.

Non-life insurance

SNS REAAL expects the non-life and disability insurance markets to be stable or slightly higher. Premium income may show a modest increase. In the corporate market for larger companies, REAAL aims to increase the number of products and intermediaries and to further professionalise its organisation. In the retail and SME markets, the focus is on balanced pricing in relation to costs and demand for advice, as well as on the continued reduction of own costs and those of intermediaries. The SNS Bank distribution channel is used more effectively in the market for simple non-life insurance products with limited demand for advice.

Pensions

The pensions market is experiencing the delayed effects of the financial and economic crisis. Zwitserleven expects modest premium growth, mainly on the basis of regular-premium contracts. Wage moderation and increasing unemployment have an adverse impact on premium growth. If interest rates stay at their current low levels, the surrender of pension insurance for cash benefits will likewise stay at a low level. Zwitserleven is well-positioned to increase its market share. As from 2010, Zwitserleven will concentrate exclusively on pensions. The exchange of individual life insurance products and pensions with REAAL will lower production costs and increase the efficiency and effectiveness of marketing and sales.

Ambitions

Our long-term operational and financial ambitions are set out in the chapter Mission, strategy and objectives on page 17.

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 REAAL in 2010.

Financial outlines

Net and underlying result

Results for 2009 compared to 2008

For the year 2009, SNS REAAL reported a net profit of € 17 million, a strong rebound compared to a net loss of € 504 million for 2008. The main factor behind this improvement was a sharply lower negative impact of volatile financial markets, in particular regarding the equity portfolio of the Insurance activities. But also the underlying results at the Insurance activities showed a strong improvement.

Adjusted for the impact of volatile financial markets and one-off items, SNS REAAL's underlying net result for 2009 amounted to € 200 million, a 35% decline compared to the € 307 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 65% to € 8,497 million compared to 2008 mainly as a result of the consolidation of Zwitterleven as of 29 April 2008 and an increase in investment income for account of policyholders. Furthermore, 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%. At REAAL, single life premiums decreased considerably, mainly due to pricing discipline in a continued competitive market. Regular life premiums fell only modestly despite a strongly declining market, supported by the introduction of new products. At REAAL non-life, gross premiums increased slightly.

Table 10: Impact of volatile financial markets and one-off items on SNS REAAL's net profit

In € millions	2009	2008	2 nd half year 2009	1 st 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)
Net result for the period at REAAL	116	(479)	111	5
Net result for the period at Zwitterleven	80	(71)	51	29
Net result for the period at Group activities	(80)	(98)	(43)	(37)
Total net result for the period SNS REAAL	17	(504)	47	(30)
Impact volatile financial markets at SNS Retail Bank	(2)	(42)	14	(16)
Impact volatile financial markets at SNS Property Finance	--	--	--	--
Impact volatile financial markets at REAAL	(87)	(532)	4	(91)
Impact volatile financial markets at Zwitterleven	25	(87)	9	16
Impact volatile financial markets at Group activities	(3)	(65)	(2)	(1)
Total impact volatile financial markets	(67)	(726)	25	(92)
Impact of one-off items at SNS Retail Bank	(40)	(29)	(40)	--
Impact of one-off items at SNS Property Finance	(55)	--	--	(55)
Impact of one-off items at REAAL	(15)	(77)	(15)	--
Impact of one-off items at Zwitterleven	11	(1)	11	--
Impact of one-off items at Group activities	(17)	22	(5)	(12)
Total one-off items	(116)	(85)	(49)	(67)
Underlying net result for the period at SNS Retail Bank	162	187	82	80
Underlying net result for the period at SNS Property Finance	(164)	28	(128)	(36)
Underlying net result for the period at REAAL	218	130	122	96
Underlying net result for the period at Zwitterleven	44	17	31	13
Underlying net result for the period at Group activities	(60)	(55)	(36)	(24)
Total underlying net result for the period¹	200	307	71	129

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

Total income increased in the second half by 23% compared to the first half of 2009, largely due to an increase in investment income for account of policyholders, driven mainly by higher results on equities. In addition, investment income for own account was up at both REAAL and Zwitserleven. Furthermore, 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 REAAL, including Zwitserleven January-April 2008 pro-forma, decreased by € 22 million compared to 2008. Adjusted for restructuring expenses and SNS Retail Bank's share in the savings guarantee scheme, total adjusted operating expenses decreased by € 74 million (-6%) compared to 2008 pro-forma. This was mainly due to realised cost synergies and lower expenses regarding the integrations of the Insurance activities.

Total adjusted operating expenses in the second half of 2009 decreased by € 11 million compared to the first half of 2009. The realised synergies and cost reductions more than offset expenses related to the strategic decision to phase out the international activities at SNS Property Finance and expenses related to projects at Group activities. 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) remained stable compared to year-end 2008, following a decrease of almost 200 FTE in the second half of 2009. The total number of external employees declined considerably by more than 600 and the total number of employees in the re-assignment pool increased from 80 to 290, reflecting the focus on reducing the cost base. The decrease in the total number of employees will continue in 2010.

The integrations of AXA NL and Zwitserleven are progressing well. The legal merger between REAAL Levensverzekeringen N.V. and Zwitserleven N.V. was completed in September 2009.

The total anticipated integration costs of AXA NL are € 60 million, of which € 50 million has been incurred to date. The total anticipated integration costs of Zwitserleven are € 30 million, of which € 5 million has been incurred to date. The targeted annual cost savings from the integrations of AXA NL and Zwitserleven are € 50 million and € 35 million respectively. In total, € 48 million was already achieved by the end of 2009, largely relating to the successful integration of AXA NL.

The implementation of the Group-wide efficiency programme, including IT, is progressing well and will lead to substantial benefits in 2010. The overall implementation plan has been developed and the execution of the programme commenced recently.

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

Table 11: Total operating expenses SNS REAAL

In € millions	2009	2008 ¹⁾	Change	2 nd half year 2009	1 st half year 2009
Total operating expenses SNS REAAL	1,220	1,242	(2%)	642	578
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	--
Operating expenses related to streamlining of Insurance brands	21	--		21	--
Restructuring charge at Group activities	11	--		11	--
Total impact of one-off items and volatile financial markets on operating expenses	85	33		80	5
Total underlying operating expenses SNS REAAL	1,135	1,209	(6%)	562	573

¹⁾ Including Zwitserleven pro forma January-April 2008

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.

Total expenses of SNS REAAL increased by 44% to € 8,446 million compared to 2008, reflecting the impact of the acquisition of Zwitterleven and increased technical claims in line with the increased result on investments on behalf of policyholders.

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. The impact of volatile financial markets was € 25 million positive in the second half of 2009 compared to negative € 92 million in the first half of 2009, driven by lower losses on the equity portfolios at the Insurance activities and higher buy-back results on own funding paper at SNS Retail Bank.

For the whole of 2009, the impact of volatile financial markets amounted to € 67 million negative, a sharp improvement compared to 2008 (€ 726 million negative), mainly due to lower losses on the equity portfolios and related derivatives at the Insurance activities and Group activities.

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.

At REAAL, the net impact of volatile financial markets was negative € 87 million in 2009, consisting mainly of losses on the equity portfolio of € 54 million and a loss of € 49 million on interest rate derivatives put in place

to protect solvency, partly compensated by the upward revaluation of € 22 million of an investment fund driven by the recovery in equity markets. Impairments on the fixed income portfolio of € 56 million were largely compensated by € 52 million realised gains on the fixed income portfolio. Other small items had a combined € 2 million negative impact. In the second half of 2009, the impact of volatile financial markets amounted to € 4 million positive compared to € 91 million negative in the first half. This sharp improvement was mainly due to lower losses on the equity portfolio.

At Zwitterleven, the net impact of volatile financial markets was € 25 million positive as the impact of the equity portfolio of € 13 million negative and losses on foreign exchange contracts were exceeded by realised gains on the fixed income portfolio. The impact of volatile financial markets was positive in both the first and second half of 2009 (€ 16 million and € 9 million respectively).

The divestment of the equity portfolio at Group activities in early 2009 meant that the impact of volatile financial markets in the full year was limited to negative € 3 million, following a negative impact of volatile financial markets of € 65 million in 2008. In the second half of 2009, an impairment of SNS REAAL's stake in Van Lanschot N.V. of € 22 million was compensated by a positive result on the Group's share in the hybrid Tier 1 exchange of € 20 million.

Impact of one-off items

One-off items in 2009 amounted to negative € 116 million. One-off items in the first half year of € 67 million consisted of an impairment charge on goodwill at SNS Property Finance of € 55 million and € 12 million impairment charges on financial stakes reported in Group activities.

The one-off items in the second half amounted to € 49 million, of which € 40 million arose at SNS Retail Bank. This consisted of SNS Bank's share in the savings guarantee scheme related to DSB Bank (€ 28 million net) and restructuring charges of € 12 million net related to additional general cost reduction programmes.

At REAAL, the net impact of one-off items amounted to negative € 15 million in the second half of 2009. There was a € 23 million net impact from expenses related to the streamlining of insurance brands, including the full integration of DBV with REAAL, resulting in an impairment of the DBV brand name. The integration of DBV has recently started. At REAAL Non-life, the release of a provision for a dispute on distribution compensation resulted in a gain of € 8 million.

At Zwitslerleven, the net impact of one-off items amounted to positive € 11 million, wholly in the second half-year. This consisted of the release of technical provisions of € 13 million due to the alignment of accounting principles, mainly related to profit sharing of separate accounts and longevity risk. Restructuring charges related to the streamlining of the insurance brands amounted to € 2 million net.

At Group activities, the net impact of one-off items amounted to negative € 5 million in the second half of 2009. This included restructuring expenses related to the Group-wide efficiency programme and the centralisation of IT of € 8 million net. The sale of SNS REAAL's stake in Masterfleet N.V. resulted in a book profit of € 4 million which offset its impairment in the first half, both included in net result from discontinued operations. In addition, there was an impairment of € 1 million related to the strategic stake in Climate Change Capital Group Ltd.

Balance sheet

In 2009 SNS REAAL's balance sheet increased by € 3.5 billion to € 128.9 billion. This increase was mainly driven by the rebound of the Insurance activities. Investments for account of policyholders increased by € 1.8 billion, mainly due to higher equity markets. Furthermore, the proceeds from the divestments of part of the equity portfolio and the related put options in the first half of 2009 were invested in long-term government bonds. In combination with decreased long-term interest rates and narrowed credit spreads in the second half of 2009, investments for own account were up by € 1.3 billion.

Intangible assets

Intangible assets, including goodwill, decreased by € 210 million to € 2.7 billion, due to regular annual amortisation on the one hand and the goodwill impairment of € 55 million in the first half related to SNS Property Finance on the other. Furthermore, the streamlining of the Insurance activities necessitated an impairment of the DBV brand name (€ 9 million). In the second half, no impairments on goodwill were required, leaving total goodwill at € 755 million at year-end 2009.

Investments

At year-end 2009, the total investment portfolio for own account amounted to € 30.6 billion, of which € 28.6 billion related to the Insurance activities. In order to de-risk the balance sheet, in the first half of 2009 the equity portfolio of the Insurance activities was reduced by € 0.7 billion to € 1.4 billion on a delta-neutral basis. In the second half of 2009, the equity portfolio increased due to higher equity markets. At year-end 2009, the

equity portfolio of the Insurance activities amounted to € 1.7 billion, of which 57% was in instruments with a real estate or fixed income exposure. The fair value reserve of the Insurance activities related to equities amounted to positive € 129 million at year-end 2009 (year-end 2008: negative € 67 million).

Of the portfolio for own account of the Insurance activities, 94% was invested in fixed income securities as at year-end 2009 (year-end 2008: 92%). Of the fixed income portfolio, 75% was rated A or higher, including 49%-points in government bonds. The proportion of the fixed income portfolio rated A or higher decreased slightly compared to end of June 2009 (76%). The fair value reserve of the Insurance activities related to fixed income securities amounted to positive € 170 million at year-end 2009 (year-end 2008: € 129 million).

Of the fixed income portfolio, 49% consists of sovereign debt, mainly in Germany, France and the Netherlands.

The investment portfolio at year-end-2009 contains no direct or indirect investments in the sub-prime mortgage market or in sub-prime SME. The portfolio included investments in CDOs and CLOs amounting to € 157 million; over 30% of this CDO/CLO portfolio has a credit rating of AA or higher, which is a decrease compared to year-end 2008, mainly due to rating migration. Impairments on the CDO/CLO portfolio amounted to € 42 million in 2009 (of which € 33 million was in the first half of 2009) caused by defaults or increased credit risk.

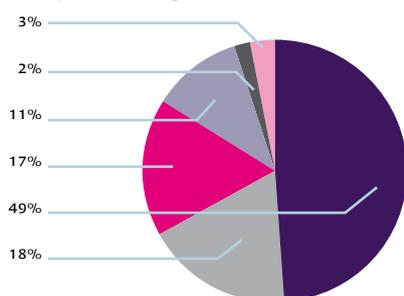
Loans and advances to customers

Loans and advances to customers increased by € 1.8 billion to € 70.5 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, because SNS Property Finance acquired control of some projects in order to restructure them and reduce potential losses. Excluding these items, the portfolio at SNS Property Finance increased slightly due to the draw-down of

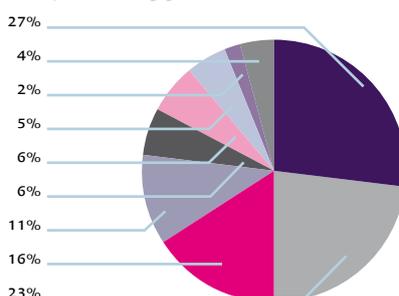
10 Fixed income portfolio Insurance activities by type (for own account)

Total portfolio € 26.9 billion



11 Sovereign exposure fixed-income portfolio Insurance activities (for own account)

Total portfolio € 13,3 billion



existing commitments.

Securities lending

In order to further de-risk the balance sheet, in the first half of 2009 the securities lending portfolio at Zwitserleven was reduced by € 0.9 billion. In the second half of 2009 the portfolio was reduced by a further € 0.9 billion and amounted to € 0.5 billion at year-end 2009.

Liabilities

On the liability side, debt certificates increased slightly by € 0.3 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 volatile 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.

SNS Retail Bank

Strategy

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

Table 12: 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%

compact SNS shops (70% of which will 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.

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 stabilised. By end-2009, ASN Bank's sustainable pay 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 National Mortgage Guarantee 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 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).

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.

12 Mortgage loans SNS Retail Bank

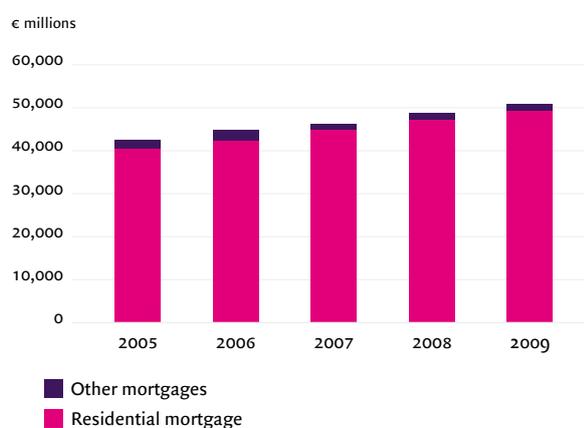


Table 13: Distribution of mortgages and savings products (new production/inflow)

		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

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 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 & Waterfondsen 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 & Waterfondsen also received a Lipper Fund Award in the category of investment funds investing in small and medium-sized businesses around the globe. The ASN Obligatiefondsen 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.

Strategy

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 usually 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.

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

Table 14: 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	--
Minority interests	(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%

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 REAAL'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.

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,

Table 15: 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 16: 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%

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 U.S. portfolio.

Developments REAAL

The net result increased from € 479 million negative to € 116 million positive due to a lower negative impact of volatile financial markets (€ 445 million), lower one-off items (€ 62 million), and a higher underlying net result.

Strategy

REAAL has a realistic approach towards insurance. As a specialist in risk and probability calculations – the essence of insurance – REAAL provide its clients with accessible and transparent products. REAAL's clients comprise private individuals, SME and larger companies in the Netherlands. Its product groups are: individual life, group life, non-life and disability.

Indirect distribution mainly takes place through intermediaries. Mortgage chains, purchasing organisations, banks and underwriting agents also play a major role. REAAL also uses SNS Retail Bank's distribution channels. It is essential to continually respond alertly and creatively to new opportunities in each of the distribution channels.

The strategy for the direct distribution channels is focused on advanced internet marketing, monitoring consumer behaviour, database management, information management and controlling costs per order. Zelf.nl offers a complete range of individual non-life insurance products, including the pet accident and health insurance by Dier en Zorg, while also offering REAAL savings products.

REAAL's strategy is primarily aimed at maintaining its strong market position in individual life insurance and at growth in the SME non-life market and disability insurance. REAAL aims to significantly improve both its cost base and effectiveness in distribution, including further intensifying collaboration with other SNS REAAL business units.

Organisation and distribution

REAAL places high priority on the recovery of consumer confidence in financial products. Its quality standards for products and quality control were strengthened. This involves more than offering transparent and responsible products that deliver what we promise clients. The quality of information to intermediaries and clients, careful acceptance, easy access, rapid processing, correct complaints procedure, protection of privacy and fraud prevention are equally important. Responsibility for informing consumers of product features, including commissions, primarily lies with intermediaries. REAAL helps them by providing clear product information and coaching.

Table 17: Breakdown net result REAAL

In € millions	2009	2008	Change
REAAL	116	(479)	--
REAAL Life	73	(473)	--
REAAL Non-Life	54	26	108%
REAAL Other	(11)	(32)	66%

Table 18: Distribution of insurance products (new production / premium income)

		REAAL Life 2009 ¹	REAAL Non-life 2009 ²
Indirect	Independent intermediaries	83.2%	45.5%
	Purchase organisations	7.6%	
	Distribution partners	3.3%	
	Underwriting agents		30.2%
	Co-insurance/underwriting		12.7%
Direct	Internet (Proteq)	0.1%	6.2%
	SNS Retail Bank	5.8%	5.4%

¹) New production

²) Premium income

Early 2009, the insurers' bonus commission for intermediaries was abolished in order to improve the comparability of products and rates for consumers. The market shows an increasing preference towards fixed fees.

REAAAL offers intermediaries a choice. They can charge their clients a fee based on a fixed amount, for example an hourly rate or an annual subscription, or based on a (partial) product commission. REAAAL benefits by intermediaries who have a strong competitive position with sufficient scale and a broad product range. REAAAL helps them to make their business operations more efficient and effective, particularly through better use of the internet, marketing communication and process automation. Intermediaries continue to be of essential importance in providing advice and selling insurance products to consumers and companies.

The use of the digital platform www.Meetingpointgroup.nl by intermediaries increased substantially. Meetingpoint is a joint initiative of insurers to keep the sale of individual non-life insurances cost-efficient and to promote a transparent market. Out of all intermediaries using Meetingpoint, 60% sells REAAAL products. In 2010, Meetingpoint and the platform Aplaza will start close collaboration. Joining forces will further improve intermediaries' selling power and cost efficiency.

Many modifications were characterised by lowering costs and improving client focus. The operational integration of AXA NL and Winterthur was completed. REAAAL started a programme to improve chain transparency in all processes and eliminate any redundant actions, always based on our clients' needs. The process has gained speed and the reduction in the number of FTEs achieved in several mid-office and back-office departments in Alkmaar were promising. REAAAL will be analysing and improving chain transparency throughout the organisation.

In context to the single brand strategy the pension portfolio was transferred to Zwitserleven in January 2010, which will integrate it into its own pension activities. Vice versa, REAAAL has received the individual life portfolio of Zwitserleven to integrate. REAAAL will focus primarily on the intermediary market for single life and non-life insurance policies in the single brand strategy. Zwitserleven will become the pension label of SNS REAAAL.

Account management at REAAAL, Zwitserleven, SNS Bank and SNS Regio Bank was aligned for shared intermediaries, and procurement strength was bundled where possible.

REAAAL's sports sponsoring supports both the recognition and reputation of brands and the local presence of intermediaries. REAAAL has been the main sponsor of the Dutch tennis federation, the KNLTB since 2008. In the

Netherlands, REAAAL hopes to support the social role played by tennis, and contributes to improved facilities for street tennis, school tennis and wheelchair tennis. The name REAAAL is displayed at a variety of local clubs and tennis events. REAAAL helps young talented tennis players through sponsorship.

At the end of 2009, REAAAL implemented a change in the front-office activities for the direct channel. The sales and customer service departments for Proteq, Dier en Zorg, Route Mobiel and Zelf.nl were accommodated in a single centre to benefit more adequately from sharing knowledge and best practices.

REAAAL Life

Financial developments

Result

The net result of REAAAL Life sharply rebounded in 2009 to €73 million mainly because the negative impact of financial markets was sharply lower and because of lower negative one-off items. The underlying net result improved due to higher underlying investment income and markedly lower operating expenses.

Compared to the first half of 2009, the net result was up in the second half due to the positive impact of financial markets. The underlying net result increased due to the release of additional provisions for interest rate guarantees in the unit linked portfolio and separate accounts that had been made in the second half of 2008 and the first quarter of 2009, together with the results of related interest rate derivatives.

In 2009, the negative one-off item of €7 million was related to the impairment of the DBV brand name. In 2008, the negative one-off of €77 million was a result of the provision taken for the unit-linked policies settlement.

The focus on margin over market share was mainly the cause of the decrease in New Annual Premium Equivalent (NAPE). Re-pricings and cost control were the main drivers of a sharply improved VNB of €23 million and a VNB margin of 13.5%.

Income

Regular premium life

In a sharply lower Dutch life insurance market (-25%), REAAAL gained further momentum and its market share in new regular life premiums rose to 17.5% (2008: 16.5%). Despite the decline in market volumes, regular life premiums declined only modestly.

More frequently than 2008 consumers preferred risk products over asset growth products. REAAAL keyed into

Table 19: REAAL Life

In € millions	2009	2008	Change
Regular life premiums	1,512	1,575	(4%)
Single life premiums	787	1,336	(41%)
Premium income	2,299	2,911	(21%)
Reinsurance premiums	36	20	80%
Net premium income	2,263	2,891	(22%)
Net fee and commission income	62	58	7%
Share in result of associates	22	(14)	--
Investment income	1,080	842	28%
Investment income for risk of policyholders	902	(1,408)	--
Result on financial instruments	(31)	101	--
Other operating income	--	42	(100%)
Total income	4,298	2,512	71%
Technical claims and benefits	3,446	1,910	80%
Acquisition costs for insurance operations	162	183	(11%)
Impairment charges	178	600	(70%)
Impairment charges	230	264	(13%)
Other interest expenses	206	186	11%
Other expenses	--	14	(100%)
Total expenses	4,222	3,157	34%
Result before tax	76	(645)	--
Taxation	(1)	(175)	99%
Minority interest	4	3	33%
Result before tax	73	(473)	--
Taxation	(92)	(476)	81%
Minority interests	(7)	(77)	91%
Net result for the period	172	80	115%
Operating cost/premium ratio	11.3%	12.8%	
New annual premium equivalent Life	171	256	(33%)
Value New Business	23	0	--

this trend. Sales of traditional term insurance products and low-risk savings mortgage products increased sharply. The modified sales and marketing policy for mortgages, combining one type of mortgage and insurance in a competitive special offer once every few months, is successful. Sales of traditional insurance products more than tripled, and sales of mortgages increased by approximately 51%. REAAL acquires its mortgages from third parties, including SNS Bank. Thanks to the large volume of premium income, acquisition from partners with good access to the capital market and a strong focus on NHG mortgages, REAAL was well positioned in the mortgage market. NHG mortgages suffered less than average from the crisis in the residential housing market and are sold more than average through intermediaries.

REAAL made an excellent start in selling bank savings products. These products provide the same tax advantages as unit-linked insurance for asset growth for retirement or redeeming a residential mortgage. In 2009, REAAL introduced the Lijfrente Opbouw Rekening and the Lijfrente Uitkerings Rekening, banking variants of products that until recently were only available as insurance products. REAAL and SNS Retail Bank are working closely together in building up their range of bank savings products.

Single premium life

Single life premiums were down considerably due to REAAL's pricing discipline in a continued competitive market. As a result, market share in single life premiums fell to 14.4% (2008 18.7%), however the Value of New Business (VNB) margin improved.

The market for individual single-premium policies dropped sharply compared to 2008. This market is structurally decreasing because it primarily consists of old single premiums that were paid annually at the end of the year. The new inflow of single life premiums of this type is limited. The economic conditions also resulted in less inflow in individual pension insurance products. As a result of employers' retrenchment, employees had little capacity to deposit savings out of their salaries. Price competition remains high with regard to immediate annuities, which is an important part of this segment.

Group and semi-group life insurance

The group and semi-group pension portfolios grew by 1.0%. The market for SME pensions and majority shareholders was under pressure due to the economic climate. REAAL was particularly successful in the Group Individual Pension Plan (GIP), a group pension product aimed at SME companies. The features and cost structure of the GIP are transparent, and, as a defined contribution product, it is a market leader. In January 2010, the pension portfolio was transferred to Zwitterleven, which will integrate it into its own pension activities.

Other income

In the course of the first half of 2009, the equity portfolio was reduced substantially and the related put options were sold. Investment income for own account increased as a result of the change in asset allocation to fixed income investments which led to increased interest income, more than offsetting lower dividend income. Furthermore, investment income was up due to a combination of a strong decline in realised losses on the equity portfolio and higher realised gains on the fixed income portfolio, both of which were part of the impact of volatile financial markets.

The result on financial instruments fell due to higher realised and unrealised losses on derivatives held to protect guaranteed products and statutory solvency against interest rates movements, partly compensated by realised gains on equity derivatives.

The share in the result of associates of € 22 million, which is included in the impact of volatile financial markets, was up due to the positive revaluation of the Ducatus investment fund resulting from the recovery in equity markets.

Expenses

Compared to 2008 total operating expenses declined significantly by € 34 million to € 230 million. Compared to the first half of 2009, the cost reduction continued in the second half with € 6 million and was mainly due to realised cost synergies, as well as other cost control measures. The number of internal and external employees declined considerably; compared to the end of 2008 the reduction was over 200 FTE. As a result of these cost reductions, the operating cost/premium ratio improved from 12.8% to 11.3%, despite a negative effect of approximately 0.4% on the operating cost/premium ratio due to lower single premium income.

Technical claims for account of policyholders were sharply up; this related mainly to the improved investment income for risk of policyholders which in turn was mainly driven by higher equity yields and reduced credit spreads.

Compared to both 2008 and the first half of 2009, impairment charges decreased sharply due to the recovery in equity markets. However, increased credit risks necessitated impairments in parts of the fixed income portfolio in the first half of 2009 (€ 54 million) and to a lesser extent in the second half (€ 22 million).

Table 20: REAAL Life premium income

In € millions	Premium income 2009	Premium income 2008	Change
Individual regular premiums	1,381	1,436	(3.8%)
Individual single premiums	755	1,281	(41.1%)
Total individual	2,136	2,717	(21.4%)
Group regular premiums	131	139	(5.8%)
Group single premiums	32	55	(41.8%)
Total group¹	163	194	(16.0%)
Total premium income	2,299	2,911	(21.0%)

¹⁾ As a result of an exchange of activities with Zwitterleven, REAAL will only receive premium income from individual insurances as of 2010.

REAAAL Non-life

Result

Compared to 2008, net profit more than doubled to € 54 million as a result of higher realised gains on fixed income securities. The underlying net result fell to € 41 million due to lower run-off results, partly compensated by lower operating expenses.

Net profit and underlying net profit in the second half of 2009 were in line with the first half. The positive impact of volatile financial markets in the first half (€ 6 million) was almost equal to the positive one-off item in the second half (€ 8 million).

Income

Although REAAAL's total non-life premiums held up well in the full year 2009 compared to 2008, premium income decreased in the second half of 2009 compared to the first half because of further price erosion and selective underwriting at marine insurance. Disability premiums grew by 12% in 2009. Estimates suggest that the total

non-life market has stabilised. The market share in 2008 was 4.8%, measured by gross premium and including disability insurance¹. The estimated market share for 2009 is also approximately 4.8%.

Corporate non-life

REAAAL approaches the corporate non-life market in three ways: through the retail channel, with tailor-made solutions for specific companies and as co-insurance via underwriting.

REAAAL also has a strong market position in the transport segment. Since the acquisition of AXA NL in 2008, REAAAL's Non-life position in the corporate market has strengthened considerably. Sales were further professionalised in 2009, and REAAAL aligned its internal organisation with the sales organisation. It is important to

¹⁾ Since 2009, the market share including disability insurance can be determined more accurately as the AM Year Book, which examines market shares, separated the disability insurance from the market for healthcare insurance.

Table 21: REAAAL Non-Life

In € millions	2009	2008	Change
Result			
Non-Life premiums	814	809	1%
Reinsurance premiums	67	59	14%
Net premium income	747	750	0%
Net fee and commission income	2	1	100%
Share in result of associates	--	1	(100%)
Investment income	89	66	35%
Result on financial instruments	--	(1)	100%
Other operating income	16	3	433%
Total income	854	820	4%
Technical claims and benefits	436	410	6%
Acquisition costs for insurance operations	190	191	0%
Impairment charges	10	20	(50%)
Total operating expenses	122	143	(15%)
Other interest expenses	21	20	5%
Other expenses	3	--	--
Total expenses	782	784	0%
Result before tax	72	36	100%
Taxation	18	10	80%
Net result for the period	54	26	108%
Net impact volatile financial markets	5	(23)	--
One-off items	8	--	--
Underlying net result for the period	41	49	(17%)
Combined ratio Non-Life operations	92.6%	92.3%	--
Claims ratio	53.4%	50.1%	--

seize growth opportunities by means of timely updates and to make more risks insurable, combined with clear acceptance criteria. The product and product-range structure is aimed at enabling intermediaries to properly fulfil their advisory role. In the underwriting market, REAAL strengthened its leading position.

Individual non-life

In the individual non-life market, REAAL mainly focuses on keeping costs down and limiting the administrative activities required of its intermediaries, for example by means of total packages, products that are suited to brief advice, and extensive automation. The on-line platform Meetingpoint plays a major role in this market. Non-life products continue to be important for intermediaries in order to demonstrate their added value to private customers, and often lead to selling the client a total package.

Disability insurances (AOV)

Income from disability insurance premiums increased to €99 million (+12%). Disability insurance premiums, as a percentage of the total income from non-life premiums, consequently increased by 1 percentage point to 12%. The disability insurance market share was 3.2% in 2008.

REAAL offers three product groups in this market: individual disability, group disability and absenteeism insurance. Disability insurance continues to have excellent growth potential. To date, sales have been effected by a limited number of specialised intermediaries. That is why REAAL is making every effort to find more suitable intermediaries. In 2009, electronic acceptance was introduced for simple applications and the claims handling process was made swifter and more cost efficient.

Other income

The increase in investment income by €23 million to €89 million was due to realised gains on fixed income securities, which exceeded realised losses and impairments on equities. Both were part of the impact of volatile financial markets.

Other operating income in the second half of 2009 included a positive one-off item of €8 million (net) resulting from the release of a provision for a dispute on distribution compensation.

Expenses

In accordance with higher technical claims and benefits, the claims ratio increased by 3.3 percentage points to 53.4% due to lower run-off results. In the first half of 2009, the release of a provision concerning liability

exposure to tobacco claims led to decreased technical claims and benefits and also to a lower claims ratio in that period.

Due to cost savings, total operating expenses decreased by €21 million (-15%), and the operating cost/premium ratio of REAAL Non-Life improved from 17.1% to 14.4%. The number of internal and external employees declined considerably; compared to the end of 2008 the reduction was over 60 FTE.

A slight increase in the claims ratio and the lower operating cost/premium ratio resulted in a slightly higher combined ratio of 92.6%.

Impairment charges in 2009 of €10 million which related to equities were half the level of the impairment charges for equities in 2008.

REAAL Other

The Other activities of REAAL comprise the activities which are not directly managed by REAAL Life or REAAL Non-Life.

Compared to 2008, the net result loss of REAAL Other activities improved by €21 million to negative €11 million due to a €33 million lower net negative impact of volatile financial markets. In 2008, increased credit spreads resulted in an unrealised loss of €33 million on the mortgage portfolio of DBV which is accounted for at fair value through profit or loss. This was partly offset by a negative impact of one-off items in 2009 of €16 million related to the streamlining of the Insurance activities. The underlying net result 2009 of €5 million positive was up by €4 million compared to 2008.

Developments Zwitserleven

The net result increased from € 49 million negative to € 80 million positive thanks to the positive impact of volatile financial markets (€ 25 million), one-off items (€ 11 million), and a higher underlying net result.

Strategy

Zwitserleven wants to be the leading pension insurer in the Netherlands. Zwitserleven's clients are SME companies, large companies and director-shareholders. In order to provide clients with optimum service Zwitserleven uses market teams that focus on specific market segments.

Zwitserleven offers its pension products and services in collaboration with intermediaries, professional consultants and on the company website.

Zwitserleven's strategy is aimed at growth on the basis of high-quality products, excellent service and close collaboration with intermediaries. The brand experience of 'het Zwitserleven Gevoel' is substantiated and sustained by means of good communication with intermediaries, employers and employees, and excellent service. Customer and employee satisfaction are important long-term objectives. Zwitserleven considers the professionalism and commitment of its employees one of the cornerstones of the company's success. Zwitserleven aims to create income and cost synergies in production and distribution by collaboration with other SNS REAAL business units.

Organisation and distribution

Effective 2010, REAAL's pension activities have been incorporated into Zwitserleven, and the individual life insurance activities, including mortgages, of Zwitserleven have been incorporated into REAAL. Approximately 500 employees in total changed employer and employment location. It had already been decided in 2008 that production and administration would be combined per product group. In 2009 it was decided to also link the brand names to different product groups, so as to make the respective market positions of

Zwitserleven and REAAL even more clear for clients. As a specialist pensions expert, Zwitserleven can deploy its means and capacity more efficiently in strengthening its competitiveness.

The new Pension Act that came into effect in 2008 required a large number of additional procedures to be implemented in 2009. These demanded much attention from account management and customer services. It primarily involved additional requirements with regard to due information for employees and limiting individual investment options based on product types and user profiles.

Zwitserleven distinguishes itself with high-quality products and services. This was confirmed in 2009, when Zwitserleven was chosen Insurer of the Year and won the Gouden Schild (Golden shield). The jury comprised professional experts and representatives from the sector, the industry, science, politics and consumer organisations. In the annual performance survey by DAK, NBVA and NVA, Zwitserleven was the second-best insurer in the group life insurance category. Zwitserleven also finished first, as it did last year, in the 'Nationaal Performance Onderzoek Pensioenverzekeraars' (POP), which was performed by the independent research agency IG&H, and showed that Zwitserleven improved substantially compared to its competitors.

In 2009, the Zwitserleven Gevoel (Zwitserleven Feeling) celebrated its 25th anniversary. A series of television commercials were broadcasted celebrating the anniversary, featuring actors who have played a crucial role in establishing the brand's reputation. A simultaneous PR campaign highlighted 25 years of Zwitserleven Gevoel. The Zwitserleven Gevoel is probably the longest running advertising campaign

Table 22: Distribution Zwitserleven new production

		2009
Indirect	Independent intermediaries	67.0%
Direct	Zwitserleven's website	0.9%
	Independent business advisors	32.1%

Table 23: Zwitserleven

In € millions	2009	2008 ¹	Change
Regular life premiums	696	680	2%
Single life premiums	553	572	(3%)
Premium income	1,249	1,251	0%
Reinsurance premium	5	4	25%
Net premium income	1,244	1,247	0%
Net fee and commission income	7	3	133%
Investment income	467	347	35%
Investment income for risk of policyholders	432	(378)	--
Result on financial instruments	16	46	(65%)
Income invested collateral securities lending	30	166	(82%)
Total income	2,196	1,431	53%
Technical claims and benefits	1,851	1,032	79%
Acquisition costs for insurance operations	17	19	(11%)
Impairment charges	55	141	(61%)
Total operating expenses	109	122	(11%)
Interest expenses securities lending	20	148	(86%)
Other interest expenses	35	35	0%
Total expenses	2,087	1,497	39%
Result before tax	109	(66)	--
Taxation	29	(17)	--
Net result for the period	80	(49)	--
Net impact volatile financial markets	25	(75)	--
One-off items	11	(1)	--
Underlying net result for the period	44	27	63%
Operating cost/premium ratio	11.5%	13.5%	
New annual premium equivalent Life	236	200	18%
Value New Business	19	8	138%

¹) Including pro forma January-April

in the Netherlands. Thanks to consistent marketing communication, the slogan is familiar to 90% of the Dutch population, including the Van Dale dictionary, which gives the following definition: 'a carefree feeling particularly with regard to the post-active stage of life, based on the trust that one will enjoy a carefree old age in financial terms.'

Financial developments

Result

Zwitserleven posted an improved result in 2009, with a net profit of €80 million compared to a negative €49 million in 2008 due to losses on the equity portfolio. In 2009, the impact of volatile financial markets was positive as a result of realised gains mainly on fixed income securities and realised gains from the sale of equity put options. These gains were well above equity

impairments and realised losses on foreign exchange contracts used for hedging purposes.

The net impact of one-off items amounted to positive €11 million. This consisted of the release of technical provisions of €13 million due to the alignment of accounting principles (mainly related to profit sharing of separate accounts and longevity risk) offset by restructuring charges of €2 million net related to the streamlining of the insurance brands. Compared to pro forma 2008, the underlying net result in 2009 of €44 million represented a strong improvement from 2008 (underlying result: €27 million) mainly due to higher technical results, lower operating expenses and increased investment income, partly compensated by impairments on property for own use.

The VNB of €19 million was up sharply compared to

2008, reflecting the focus on profitable margins. A high level of renewals also resulted in a higher NAPE, up by 18% to € 236 million. As a result, VNB margin improved from 4.0% in 2008 to 8.1% in 2009.

Income

In the current low interest rate environment, cover ratio deterioration on many contracts in the Dutch pension market caused fewer switches by employers between insurers or from pension funds. Despite this development, single life premiums were almost equal to 2008 and regular life premiums increased slightly due to new contracts.

Compared to the first half of 2009, premium income in the second half of 2009 was down by 21%, reflecting the usual seasonal nature of Zwitserleven's pension business, whereby a significant component of premiums is accounted for in the first quarter of each calendar year.

Group Life

Group regular premiums rose from € 461 million in pro forma 2008 to € 484 million (+5.0%). Group single-life premiums declined from € 313 million in pro forma 2008 to € 280 million (-10.5%). The pension market was under pressure by the consequences of the financial and economic crisis. Zwitserleven strengthened its market position, mainly through a number of new contracts in the large corporate market (Dutch, Mead, Johnson, Procter & Gamble, Sogeti and VNU) and a high degree of customer retention.

Falling share prices in combination with low interest rates put the pension market in a crisis situation in the beginning of 2009. The pension assets of many employers threatened to fall below the required cover ratio of 100%. Zwitserleven had a cover ratio team in place to ensure timely and accurate communication with its clients and adequate management. On many occasions, it was necessary to take action in the form of

changes to the investment mix, additional deposits by the employer or the arrangement of bank guarantees, in order to sustain the cover ratios.

Salary increases under collective labour agreements were largely withheld, as a result of which the relevant part of Zwitserleven's organic growth failed to materialise. In addition, rising unemployment rates and the austerity of pension schemes had an adverse impact on premium income. Moreover, the low interest rate in the large corporate market had an adverse impact on the range of pension insurance policies available for early surrender. Price competition was particularly fierce in the large corporate market. Zwitserleven aimed for a healthy balance between margins and market share.

Zwitserleven wants to distinguish itself not only in terms of products that offer good returns and fully utilise tax deductions, but also by offering superior services. That is why Zwitserleven takes an extensive inventory of the wishes and needs of new clients before the transition and asks them to give feedback including a grade, for the actual services provided. The generally high marks provide good references for subsequent acquisitions, like the grade 9 out of 10 given by a new major client with 3,500 employees that was transferred in the beginning of 2009. Zwitserleven offers its clients an extensive range of services to keep pension information accessible and up-to-date for their employees, for example by providing links and download options on extranets with the HRM department. In addition, ZwitserLeven can handle all pension communication on behalf of its clients.

Zwitserleven maintained its market position on the SME market. Various products and services were enhanced or renewed, including the web-based product line i-Pension and the group risk insurance.

Table 24: Zwitserleven premium income

In € millions	Premium income 2009	Premium income pro forma 2008	Growth pro forma 2008	Premium income 2008, since 29 April
Individual regular premiums	212	219	(3%)	130
Individual single premiums	273	258	6%	134
Total individual	485	477	2%	264
Group regular premiums	484	461	5%	204
Group single premiums	280	313	(11%)	196
Total group	764	774	(1%)	400
Total premium income	1,249	1,251	0%	664

The pension for director-shareholders was adapted to accommodate fee consultants.

Individual Life

The individual life insurance market was under pressure due to declined sales of mortgages and associated insurance policies and the shift in demand from unit-linked insurance to bank savings products. For both individual single and regular premiums, Zwitserleven successfully expanded its market shares in lower markets and premium income was kept up to the mark. Premium income was positively affected by the retention of clients with terminable annuity policies. Zwitserleven's market share was 5.3% (2008: 3.8%) and for individual regular premiums 1.7% (year-end 2008: 1.5%). The increased market shares and awards won in 2009 reflected the high customer satisfaction level.

In 2010, Zwitserleven will transfer its indirect individual life operations to REAAL. Its direct operations, which comprise individual asset advice and management, will be terminated. Clients can obtain these services through SNS Bank or SNS Securities.

Other income

Investment income increased considerably to € 467 million, up by € 120 million compared to pro forma 2008 due to higher realised gains on fixed income securities and lower realised losses on equities. Underlying investment income increased markedly due to a realised revaluation on invested collateral securities lending of € 15 million gross and higher interest income due to a change in asset allocation to fixed income investments.

The decline in the securities lending portfolio, as part of the de-risking of the balance sheet, continued in the second half of 2009. At year-end 2009 the securities lending portfolio amounted to € 0.5 billion, a decrease of € 1.8 billion compared to year-end 2008. As a consequence, income from invested collateral securities lending as well as interest expense from securities lending decreased sharply.

Expenses

Compared to pro-forma 2008, operating expenses decreased markedly mainly due to cost saving and synergy programmes, including a reduction in external employees as well as lower expenses related to the implementation of new pensions legislation in the Netherlands in 2008. Compared to the first half of 2009, operating expenses in the second half of 2009 were down by € 5 million, reflecting the cost saving

measures taken in the first half of 2009. This was partly offset by restructuring expenses related to the reverse integration programme.

The reverse integration programme of Zwitserleven and REAAL Life is ongoing. The legal merger was completed in the second half of 2009, the new organisational and management structure have been settled and the portfolio and system conversions have started and are on track.

In 2009, impairment charges amounted to € 55 million of which € 36 million related to equities and € 10 million to property for own use. The remainder related to the fixed-income portfolio. Compared to pro-forma 2008, impairments on the equity portfolio decreased by € 70 million due to the recovery in equity markets.

Developments Group activities

Net result from Group activities improved compared to 2008, by € 18 million to € 80 million negative.

SNS REAAL's Group activities comprise SNS Asset Management, Zwitterleven Asset Management, SNS REAAL Invest and the staff departments. These activities are managed directly by the Executive Board. Income and expenses that are directly attributable are allocated to SNS Retail Bank, SNS Property Finance, REAAL and Zwitterleven. Consequently, the result on Group activities is the balance of income and expenses that are not directly attributable.

Financial developments

The improvement in net profit was caused by a lower negative impact of volatile financial markets of € 62 million, partially offset by a lower positive impact of € 39 million one-off items, the impairments of € 9 million in financial participations, restructuring charges of € 8 million in 2009 and the absence in 2008 of a realised profit of € 22 million relating to the sale of Swiss Life Belgium. Underlying profit was € 5 million lower than 2008. This was mainly due to higher operating expenses.

SNS Asset Management

Strategy

SNS Asset Management's primary task is the responsible management of the investments of SNS Bank and REAAL for own account and the investment funds of SNS Bank and ASN Bank. In addition, SNS Asset Management takes care of the administration of a large number of funds of REAAL and SNS Regio Bank and focuses on the external market for responsible institutional asset management.

The strategy for investment fund management comprises the following:

- ⊙ independent management of the investment funds focusing on the Netherlands and on responsible asset growth;
- ⊙ joint management of a number of other investment funds with a partner, pooling joint expertise and management capacity;
- ⊙ management of investment funds composed of the specialised funds of other investment fund managers.

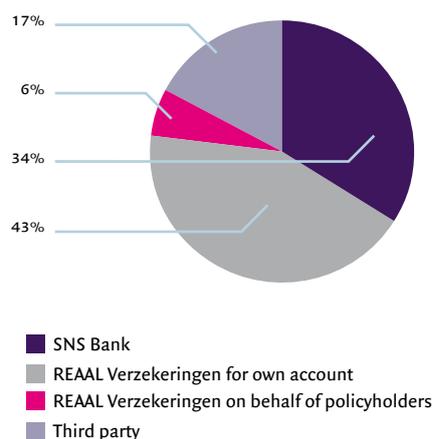
The management by SNS Asset Management is based on comprehensive company analyses, assessing not only companies' financial performance but also their policies

and performance in respect of social, environmental and administrative matters.

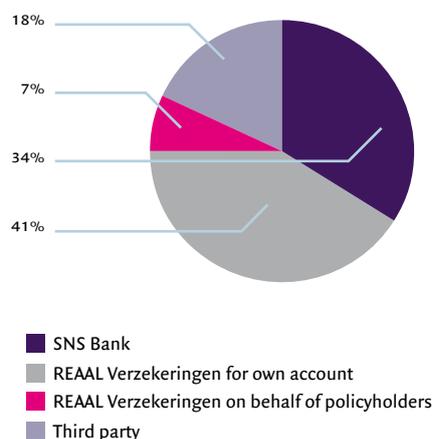
Developments 2009

SNS Asset Management's assets under management rose from € 22.9 billion to € 28.8 billion (+25%). The growth was driven by both rising share prices (75% of the growth) and the net inflow of assets under management (25% of the growth). The increase in the number of external clients for institutional asset management also made a positive contribution.

13 Distribution of assets under management SNS Asset Management 2009



14 Distribution of assets under management SNS Asset Management 2008



In 2009 SNS Asset Management outsourced the administration of all securities on behalf of all its clients to Kas Bank, a specialised custodian that can operate more cost-efficiently than SNS Bank as a result of benefits of scale. The annual cost savings of this decision are more than € 1.5 million.

Institutional asset management

SNS Asset Management is one of the major players in responsible institutional asset management in the Netherlands. SNS Asset Management is a fully responsible asset manager. This means that major investors that want to invest in arms manufacturers or in companies that are casual about human rights and labour conditions cannot call on SNS Asset Management. With other institutional asset managers, the decision whether or not to invest responsibly usually lies with the client. For more information on SNS Asset Management's investment philosophy and principles, please visit www.snsassetmanagement.nl.

In the first few months of the year, SNS Asset Management had to operate with great care and alertness to cope with the difficult situation on the financial markets. A number of market segments were hardly functioning, if at all, and it was not until March that price formation regained its reliability. Clients were consulted frequently about the optimum use of assets and protective measures.

The range of SNS Responsible Index funds was enhanced in 2009 with an America fund and a Pacific fund. The Europe fund was already introduced in 2008. The assets under management of these index funds increased to € 784.5 million in 2009. The introduction of these two funds allows SNS Asset Management to offer worldwide coverage in the area of responsible index tracking. The second SNS Institutional Microfinance Fund closed at € 134 million in 2009.

SNS Asset Management joined the Global Impact Investing Network, a non-profit organisation that aims to promote impact investing. Impact investing means investing aimed not only at solid financial returns, but also at meeting social, ethical and environmental objectives.

SNS Asset Management developed an approach, already existing for shares, to test investments in bonds against its own fundamental policy principles. This relates to investments in corporate bonds (in which respect the investigation into the assessment of shares is adequate), investments in government bonds, and bonds issued by supranational institutions (for example the World bank

or country related institutions (i.e. Landesbanken in Germany).

SNS Asset Management casts votes at shareholders' meetings on behalf of its clients. The proposals of the executive board of a company put to the vote at shareholders' meetings are reviewed in terms of corporate governance guidelines. These guidelines are based on international 'best practice' guidelines from the prestigious International Corporate Governance Network (SNS Asset Management is a member of the Dutch branch), on specific country codes and our own fundamental policy principles. If serious shortcomings are detected, SNS Asset Management will use the option of voting against a management proposal or support a shareholder resolution.

Companies that fail to comply with the fundamental principles but that have an open mind for improvements in policy and performance can be identified as eligible for a constructive dialogue. This can comprise individual conversations with senior management (relevant experts and/or members of the executive board or supervisory board); another option is utilising forums in which various shareholders collaborate to exercise more influence. In order to perform these two tasks in a proper and responsible manner, SNS Asset Management entered into a partnership with the London-based organisation Governance for Owners (GO). GO has worldwide expertise in this area and will be assisting SNS Asset Management.

At the end of 2009, SNS Asset Management received SAS 70 Type I certification, demonstrating that its processes are in order.

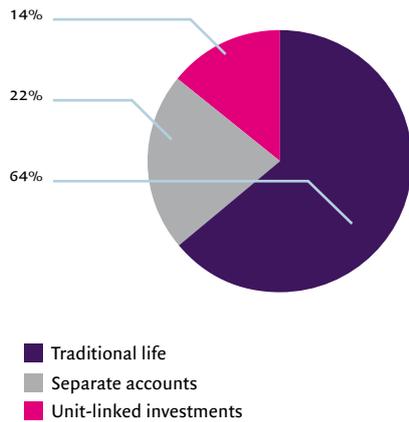
Zwitserleven Asset Management

In 2009, Zwitserleven Asset Management's assets under management rose from € 12.8 billion to € 13.5 billion. Zwitserleven Asset Management, the asset manager for Zwitserleven and the Zwitserleven investment funds, was integrated into the activities of SNS Asset Management effective January 2010. The standardisation of systems and procedures will cut annual costs by approximately € 2 million. The number of FTEs will decrease by approximately 5 FTEs.

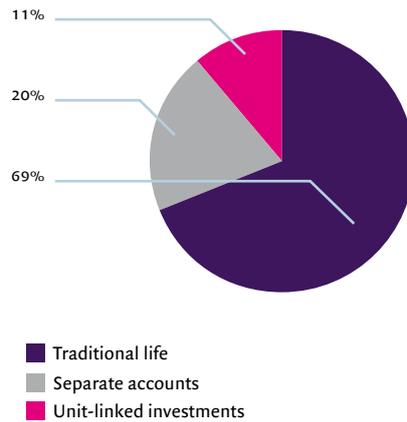
SNS REAAL Invest

SNS REAAL Invest participates and invests in companies. The size of the total portfolio decreased from € 60 million as at year-end 2008 to € 25 million as at year-end 2009 due to the sale of the financial institutions equity portfolio and a downward revaluation of the participation in Climate Change Capital Holdings Ltd.

15 Distribution of assets under management
Zwitserleven Asset Management 2009



16 Distribution of assets under management
Zwitserleven Asset Management 2008



Staff

The staff departments aim for a high level of service and efficiency in their support activities. Centralisation, standardisation and automation are major aspects of this strategy. A reorganisation was initiated in 2009, as a result of which most staff services on the level of the business units will be directed by the central staff departments. This process will be continued in 2010. The new organisation will result in less duplication of staff activities and stimulates cooperation between the business units. For this purpose, € 8 million has been earmarked as (net) restructuring expenses for the Group-wide efficiency programme and IT centralisation.

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 REAAL took successful advantage of the improved environment. For example, with the €135 million issue of new SNS REAAL shares, the issue of an unsecured loan by SNS REAAL and the covered bond issue by SNS Bank. 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 REAAL

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

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

Standards for risk tolerance

SNS REAAL uses a framework of risks and control measures in respect of financial risks. In 2009, SNS REAAL focussed more on easy-to-communicate 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 authorities, required a similar development of SNS REAAL. DNB and EC, for example, required extensive stress tests from SNS REAAL in the context of the viability plan and the permission for early repurchase of core tier 1 capital securities from the Dutch State and Stichting Beheer SNS REAAL.

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 REAAL'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

SNS REAAL repurchased 20% of its core tier 1 capital securities from the Dutch State and Stichting Beheer SNS REAAL (the Foundation). In order to fund this repurchase, SNS REAAL used part of the additional capitalisation of a share issue of € 135 million; for the remainder the surplus in solvency of the insurance operations was sufficient. In the end of 2009, all business units 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 REAAL is anticipating on these developments with its current capital policy.

Liquidity

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

Market risk

SNS REAAL reduced the market risks in its insurance operations, in particular by downsizing its equity exposure in the beginning of 2009.

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.

The market risk position was actively downsized within the Insurance activities. The equity position was reduced and the solvency risk exposure to interest rate cuts was reduced by purchasing longer-term bonds and implementing a swaption programme.

In 2009, a programme was carried out to obtain better and more frequent insight into the solvency of Insurance

activities levels and the market sensitivity of its solvency. Levels are determined more frequently and sensitivities have become more accurate. This helps, in particular, to hedge interest rate exposure.

Risk management organisation

A new governance structure was set up in 2009. The governance of the Banking and Insurance activities has been organised into four business units that are clustered according to the nature of their operations. The business units for Banking activities are SNS Retail Bank and SNS Property Finance, while the Insurance activities are split between REAAL and Zwitserleven.

The SNS REAAL Management Committee is the forum where Executive Board members and the company directors of SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven, the Chief Information Officer and the HRM director discuss and determine the strategic policy frameworks, in preparation of final approval by the Executive Board meeting.

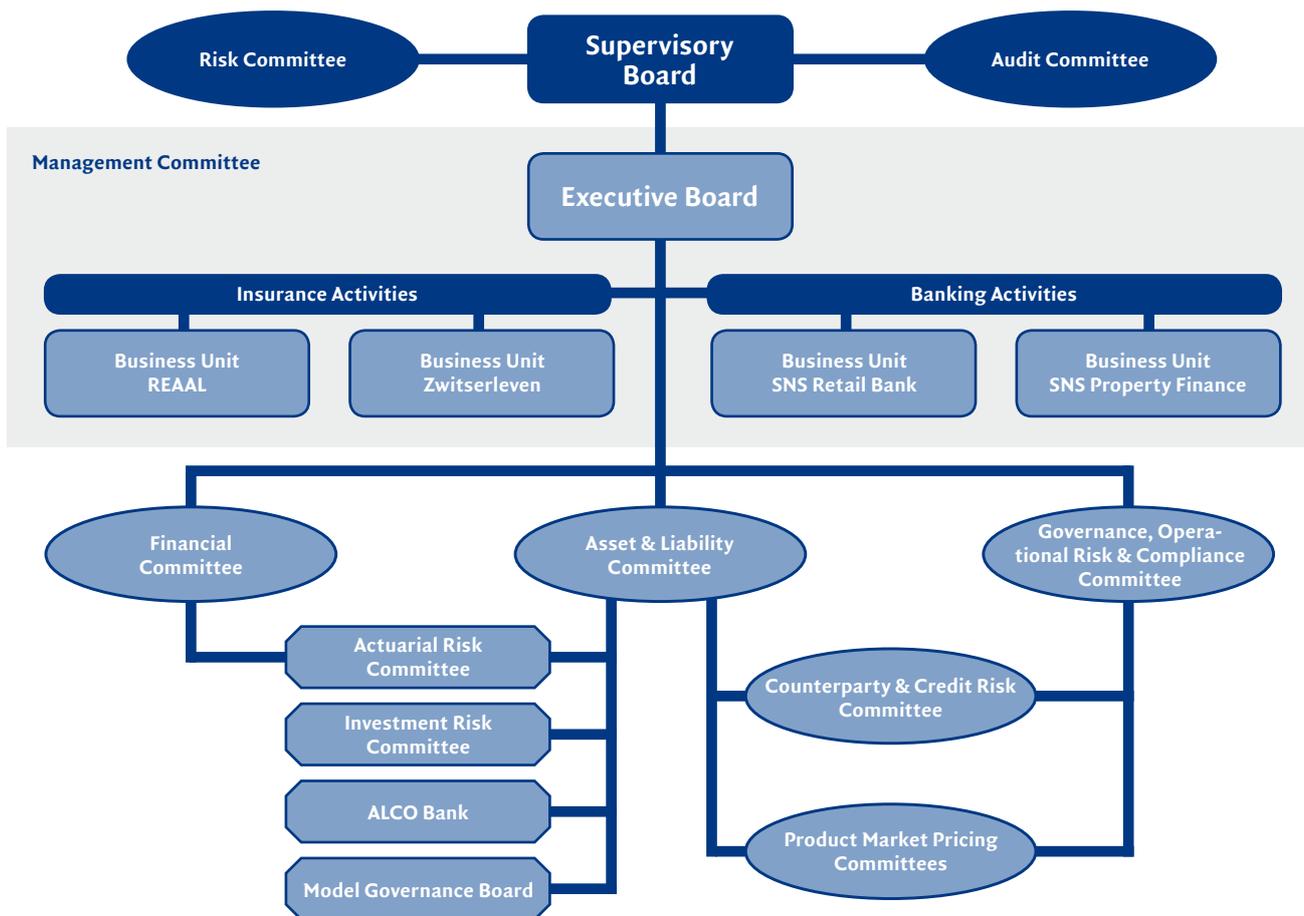
The business unit management teams are responsible for achieving the commercial, operational and financial objectives by choosing the best possible products, services, product/market combinations, labelling and distribution channels. In this context, the business units operate within the jointly determined Group frameworks for credit risk, insurance risk, integrity risk and operational risk and are accountable to the 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 Executive Board. The 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 REAAL.

Capital and solvency

In 2009, SNS REAAL was confronted by higher capital adequacy standards imposed by the markets 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.

Regarding our Insurance operations, 2009 was marked by the harmonisation of methods and parameters between Zwitterleven and REAAL. The lower limit for solvency levels of the consolidated Insurance activities has been fixed at 150%.

The double leverage of the Group is currently within the standard of 115%. The aim is to further reduce the double leverage.

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

In 2009, SNS REAAL obtained the Dutch Central Bank's permission for the early repurchase of part of the core tier 1 capital securities, as issued to the Dutch

State and the Foundation in 2008. A nominal amount of € 250 million was repurchased in November 2009. This repurchase was partly funded by means of an issue of new SNS REAAL shares in September 2009, for total proceeds of € 135 million. The remainder was charged to equity, which was possible as a result of the sound solvency of the Insurance activities in particular.

At the end of 2009 all entities are currently above the internal and external capital adequacy standards.

Capital adequacy

SNS REAAL periodically assesses its capital adequacy based on a comparison of the amount of available capital with requirements for regulatory capital, economic capital and the stress test results. These calculations jointly provide insight into the amount of capital that SNS REAAL requires to absorb economic risks. SNS REAAL 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 18 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 REAAL is constantly working on the improvement of the internal economic capital models. In addition SNS REAAL maintains an additional risk surcharge for parameter and model uncertainties on top of its economic capital calculations for reasons of prudence.

SNS REAAL 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 separately applicable to SNS Bank and REAAL Verzekeringen).

The basis of assessing the capital adequacy of SNS REAAL's Banking activities is pillar 2 of Basel II. The supervisory authority 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 REAAL. These models give an integral overview of the financial risks facing SNS REAAL and play an important role in the performance and value-based management models for SNS REAAL's Banking activities.

In its capital adequacy assessment, SNS REAAL observed that the stress test results are the binding factor for the required amount of capital. This caused SNS REAAL to steer for a Core Tier 1 ratio of 8% and a Tier 1 ratio of 10% for the Banking activities and a solvency ratio of 150% (floor) for the Insurance activities. These limits were determined such that SNS REAAL will continue to be solvent even if an unfavourable scenario were to materialise.

In 2009, the economic capital of both SNS REAAL and its underlying Banking and Insurance activities increased. Important changes in the economic capital of the Banking activities 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, which also caused 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. Major changes in the economic capital of the Insurance activities were caused by an increased market risk and an increased insurance risk. The market risk ended higher as a result of a growth in the market value of shareholders' equity, higher interest rate sensitivity and improved models of interest rate sensitivity. The increase in the market value of shareholders' equity was mainly driven by the improvement of the financial markets. The higher insurance risk was caused by the rebalancing of the insurance parameters, falling interest rates and improved models.

DNB stress test

In March 2009, SNS REAAL performed a stress test for both its Banking and its Insurance activities 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 REAAL considers these scenarios to be extreme, but not impossible. The Dutch Central Bank's scenarios do not differ substantially from the scenarios that SNS REAAL uses in its in-house stress test.

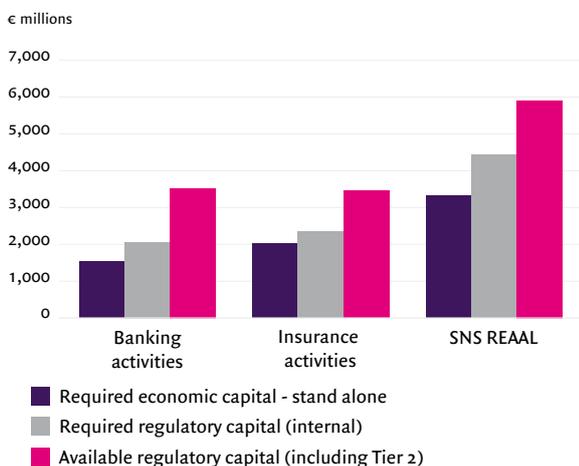
In both the basic scenario and the stress scenario, the solvency of the Banking activities and Insurance activities exceed the minimum regulatory requirements.

SNS REAAL 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 the Banking activities 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

18 Capital



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 that scenario but can be largely 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 the time being. The increase in the solvency of Insurance activities in 2009 was mainly driven by the decrease in long-term interest rates, the decrease in credit spreads and the increase in share prices. However, sensitivity analyses show that the solvency of Insurance activities can experience severe fluctuations due to changes in the yield curve. This is why sufficiently broad margins must be maintained in the solvency ratios.

The following developments contributed to the improvement of SNS REAAL'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 € 5.5 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 the Banking activities 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, 23.2% 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 over a period of three to five years.

In addition, SNS Property Finance is now giving 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 of Banking activities

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.

Market risk of Insurance activities

Investment portfolio for own account

At year-end 2009, the investment portfolio of the insurance operations totalled €28.6 billion, of which

94% was held in fixed-income investments and 6% was invested in equity, 57% of which was invested in property or fixed-income funds. 75% of the fixed-income portfolio had an A rating or higher, including 49%-points in government bonds.

The investment portfolio does not include any direct or indirect investments in US subprime mortgages. Outside the United States, only a limited amount (€1.5 million) was invested in subprime SME and residential mortgages. In addition, the portfolio includes investments in CDOs and CLOs, representing less than 1% of the investment portfolio. Furthermore, 30% of the CDO/CLO portfolio has a credit rating of AA or more.

During 2009, the balance sheet risk of the Insurance activities was reduced even further compared to year-end 2008. The interest rate risk was reduced through a further adjustment of the maturity of the fixed-income portfolio and by implementing swaption programmes, intended to better protect the solvency of the insurance operations from decreases in interest rates, as well as from extreme increases in interest rates.

Market risk

The market risks for the own account and risk portfolio of the Insurance activities are measured using Value-at-Risk (VaR). VaR is a risk indicator that measures the balance of all market risks. The VaR, expressed as a percentage of the market value of shareholders' equity, decreased from 54.9% as at year-end 2008 to 29.0% as at year-end 2009, thus again dropping below the current limit of 40%. This was partly caused by the better alignment between the interest rate sensitivity of investments and that of insurance liabilities.

Sensitivity

One of the key objectives in 2009 was to improve control of solvency levels. In order to achieve this, a project was carried out to improve the process surrounding the level and the sensitivity of the solvency of Insurance activities. The project focused on standardisation of methods and techniques within all business units as well as on accelerating the processes. The sensitivity of the Insurance activities' solvency in respect of changes in the financial markets at year-end 2009 is shown in table 25.

Table 25: Market sensitivity of solvency

	Change in regulatory solvency ratio	
	December 2009	December 2008
Interest rate –1%	15	(9)
Credit spread corporate bonds +0.5%	(11)	(8)
Share prices –10%	(3)	(3)

Insurance risks

In 2009, SNS REAAL continued standardising the valuation and management of its insurance risks. More specifically, SNS REAAL harmonised the methods, calculation rules and parameters used by the various entities within the Insurance activities: the methods for determining and assessing the statutory provisions prescribed, the models for calculating the economic capital and the methods for determining the insurance parameters on which these calculations are based, such as mortality, lapse and early surrender.

Reinsurance

Reinsurance is used to cover insurance risks within the various portfolios of the life and non-life Insurance activities, not only in view of risks, but also for capital management purposes. REAAL Verzekeringen reinsured part of its individual term life portfolio for the purpose of efficient capital management. The different reinsurance contracts of the various business units are being integrated within the (combined) SNS REAAL reinsurance programmes to the greatest extent possible.

Consequences of Basel II for the Banking activities

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

Preparations by Insurance activities for Solvency II

In 2008, the entities of SNS REAAL conducting Insurance activities started a Solvency II programme. Solvency II is the new regulatory framework for European insurance companies, to be introduced by the end of 2012. Solvency II offers solvency requirements that are better geared to the risks run by insurance companies and will be an integral part of the business operations of insurance companies. Solvency II requires insurers to recognise investments as well as liabilities at market value.

In 2009, the regulations that began to take shape received particular attention and various gap analyses were performed. Several of these gaps have meanwhile been closed. The focus in the next eighteen months will be on implementing the Solvency II regulations.

Subsequently, focus will shift towards pursuing the new Solvency II key figures and creating (customer) value.

Controlling non-financial risks

A major consequence of the turmoil in 2008 and 2009 has been 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 REAAL set up a project to implement the recommendations contained in this document throughout the Group.

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 better insight can be gained at the central level into the quality of processes used throughout SNS REAAL. 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

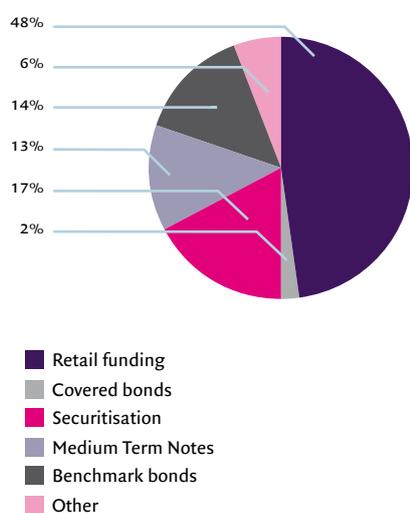
In 2009, the integrity and risk requirements to be satisfied by SNS REAAL products were included in improved product standard frameworks, including where possible current social insights. All products in SNS REAAL's product range were tested against these standards in 2009, which led to adjustments to 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 REAAL 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, while SNS REAAL repurchased approximately one fourth of the core tier 1 capital securities issued at the end of 2008 to the Dutch State.

Our public funding strategy is aimed at funding the growth of SNS REAAL and SNS Bank at competitive levels, i.e. at minimal cost while limiting risks. This strategy is based on two pillars. The first pillar 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 its funding instruments, SNS Bank can opt for the most suitable instrument in various market conditions and depending on its funding requirements.

19 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 REAAL kept the bank's 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 €5.4 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 REAAL is considered a reliable counterparty. In addition, the credit spread was more favourable than for the state-guaranteed bonds that had been issued earlier, 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.

In September, SNS REAAL issued new shares for an amount of €135 million as part of the financing of the repurchase of the core tier 1 capital securities. Partly because of the strong improvement in the solvency position of the Insurance activities during the year, the Dutch central bank gave SNS REAAL permission to repurchase part of the issued core tier 1 capital securities to the Dutch State. In December 2009, SNS REAAL repurchased €185 million of the total of €750 million of core tier 1 capital securities from the Dutch State, as well as €65 million of the total of €500 million of core tier 1 capital securities issued to Stichting Beheer SNS REAAL. As a result of this repurchase, SNS REAAL saved approximately €125 million compared to a repurchase at a later date and took the first step towards full repayment.

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 the previous covered bond issues.

In 2009 SNS Bank perform 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.

Table 26: 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

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.

The secondary capital market for residential mortgage-backed securities (RMBS) recovered somewhat in 2009. The number of forced sales, including hedge funds, SIVs

Table 27: Credit ratings

Long-term	S&P	Moody's	Fitch
SNS REAAL	BBB+(stable)	Baa1 (negative)	BBB+(negative)
SNS Bank	A- (stable)	A3 (negative)	A- (RWN)
REAAL Verzekeringen	BBB+(stable)		
SRLEV	A- (stable)	A2 (negative)	A- (negative)
REAAL Non-Life	A- (stable)	A2 (negative)	A- (negative)
Short-term	S&P	Moody's	Fitch
SNS REAAL	A2	P-2	F2
SNS Bank	A2	P-2	F2

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 all SNS REAAL entities by one notch. At the same time, the negative outlook was replaced by a stable outlook in respect of all entities. On 18 December 2009, Fitch lowered the ratings for SNS REAAL and SNS Bank by one notch and confirmed the credit ratings for the Insurance activities. 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 and confirmed the ratings of the Insurance activities and the SNS REAAL Group. Moody's maintained its negative outlook on all ratings.

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

Human Resources

2009 was a turbulent year for SNS REAAL's employees. Changes were made in many parts of the organisation. Despite the economic conditions, SNS REAAL continued to invest in the training and development of its employees. After all, they are the main cornerstone in the service we provide our clients.

Table 28: Key figures employees

	2009	2008	2007	2006
Average number of FTEs	7,530	7,287	6,245	5,609
Number of FTEs at year-end	7,520	7,535	6,713	5,776
Male / female ratio	m(58%) f(42%)	m(58%) f(42%)	m(57%) f(43%)	m(56%) f(44%)
Full-time / part-time ratio	ft(70%) pt(30%)	ft (68% pt (32%)	ft (68% pt (32%)	ft (70% pt (30%)
Training costs (euro's per FTE)	1,559	2,086	1,912	1,644
Absenteeism	4.2%	4.4%	4.1%	4.1%
Inflow	10.6%	15.3%	14.2%	14.4%
Outflow	11.1%	13.9%	16.5%	12.7%

The number of SNS REAAL employees decreased from 7,535 (FTEs) to 7,520 (FTEs). Both inflow and outflow of employees declined in 2009.

Good employer practices

SNS REAAL aims to create a stimulating and professional working environment that enables their development and provides working opportunities that suit them in the short as well as the long term, and helps them make a valuable contribution to the common result. SNS REAAL regards sustainable employability as a key element of good employer practices. Positions were discontinued in 2009 as a result of integrations and restructuring. In such cases, SNS REAAL helps its employees find suitable work at SNS REAAL or elsewhere. Reassignment candidates are first considered for any job vacancies that may arise. In addition, SNS REAAL organises walk-in meetings and in-house job markets, and employees receive a monthly newsletter containing job vacancies and the experiences of reassigned employees. Employees are also encouraged to investigate the opportunities that other business units may offer. This allows us to make the best possible use of the knowledge and experience that we have within SNS REAAL and increases in-house career opportunities. Vacancies are increasingly filled by our own personnel: 40% in 2007, 45% in 2008 and 63% in 2009.

Consequences of organisational changes

In 2009, a Group-wide efficiency programme was initiated to bring about a structurally lower cost base in relation to the market environment and the

fundamental changes to the financial services sector. As a result, savings in 2009 and 2010 will be 170 FTEs. In addition, SNS REAAL achieves a reduction of 1,100 FTEs in connection with the integration of AXA NL and Zwitserleven. In 2009, the first steps were taken towards a single IT and change organisation for SNS REAAL. The new organisation will not only save costs, but will also be able to operate more effectively. This will create more room for innovation. In the new organisation, employees will acquire a broader orientation on the areas of expertise available at SNS REAAL.

In 2009, departments were transferred from REAAL to Zwitserleven and vice versa, causing approximately 500 employees to change their location. The synergy between REAAL and Zwitserleven will ultimately lead to a reduction of approximately 300 FTEs, mainly as a result of natural turnover. DBV Verzekeringen, which employs more than 200 employees, will be integrated in REAAL's activities in 2010. The reduction of approximately 70 FTEs will probably be achieved by natural turnover, in-house reassignment and the non-renewal of temporary contracts. This integration will likely be completed in 2013.

The reduction of the number of FTEs at SNS Bank resulting from the new distribution strategy will not become visible until 2010. Based on the Social Plan, the employees in question are given twelve months to find a new position within the organisation. This will involve a reduction of approximately 380 FTEs in total.

SNS REAAL as an employer

SNS REAAL aims to be an attractive employer for its personnel. In 2009, SNS REAAL was again chosen by the Corporate Research Foundation (CRF) as one of the best employers of the Netherlands as well as one of the best IT employers. CRF is an independent research agency that identifies and certifies top companies in the field of human resources. In the Best Employer Research performed by weekly magazine *Intermediar*, SNS REAAL ranked 18th in the list of profit organisations.

Employees gave us 7.2 out of 10, indicating that they are just as satisfied working at SNS REAAL as they were two years ago. This is shown by the 2009 employee survey, which measured employee satisfaction as well as commitment. The questionnaire was completed by a high number of respondents: 75% of employees filled out the list. Employees are particularly satisfied with the work atmosphere, the flexible working hours and their supervisors. Career counselling did not score so well. Action will be taken on this point.

SNS REAAL distinguishes itself from the major banks by its open culture and short communication lines. In 2009, employees were given several opportunities to engage in talks with members of the Management Committee during breakfast sessions. The topics were mainly suggested by the employees themselves. These sessions generated valuable discussions. Topics and questions that came up were, for example, how to turn SNS REAAL into an even better company, the strategy pursued by the organisation, collaboration, as well as the impact of the financial crisis on the employees. Employees put forward ideas for winning and retaining more clients and improving collaboration. Often they had not even left the table before making appointments to flesh out these ideas. In 2010 there will be a new round of dialogues with employees, which will include an 'ideas platform' that invites everyone to share their thoughts about SNS REAAL, its products and its services.

Het Nieuwe Werken

SNS REAAL introduced the New World of Work (*Het Nieuwe Werken*), which gives employees more choices with regard to their working hours, workstations, work locations and communication options. This means that employees are empowered to shape their working weeks. In 2009, the first 550 employees started with this new working method. In 2010, a next group of employees will start, including the Executive Board. The New World of Work is yet another method used by SNS REAAL to flesh out good employer practices. It contributes to more pleasant and efficient ways of working, closer collaboration, reduces the number of square metres of office

space, energy consumption and CO₂ emissions, and tackles the traffic congestion issue. The reduction in CO₂ emissions is achieved by allowing more employees to work from home and consult with co-workers through new media. SNS REAAL will introduce the New World of Work throughout the organisation. As a result, the programme will also contribute to collaboration, synergy and a homogeneous corporate culture.

SNS REAAL won two awards with its New World of Work: the 2009 *TelewerkJaarprijs* (Annual Teleworking Award) and the 2009 *TelewerkPublieksprijs* (Public Teleworking Award). The foundation *TelewerkForum* annually issues the Teleworking awards to organisations that serve as an example in the area of the New World of Work. According to the jury, SNS REAAL 'makes optimum use of the advantages of the information era, creating a more modern, improved and more fun working environment.' The jury also said that 'the advantages for SNS REAAL itself as well as the advantages for its employees were always balanced and identified.'

Training and talent development

SNS REAAL continues to invest in training and development programmes because of their major importance to our organisation as well as our employees. Developments in the financial services sector are moving at an extraordinary pace. This asks for well-trained, all-round employees with a flexible attitude and effective deployment of the talent available. Besides the generic courses offering, position-related courses and training, SNS REAAL has three correlated development programmes in place: Traineeships (management and financial traineeship), Talent Development (TD) and Management Development (MD).

Traineeships

The three-year SNS REAAL management trainee programme gives employees the opportunity to acquire extensive knowledge and experience by allowing them to work in various departments in the organisation. Having considered all the options, they can make a balanced choice for the work that best suits them. Financial trainees are trained as financial experts in a two-year programme in which they are introduced to the work performed at SNS REAAL's financial departments.

Talent Development

The Talent Development (TD) programme plays a key role in career development. Almost four hundred talents have meanwhile enrolled in the TD programme. They have skills that SNS REAAL wants to highlight in the organisation, such as ambition, eagerness to learn, the will to work together and decisiveness. In 2009, 48

new talents were included in the programme. The TD programme was developed especially for SNS REAAL in collaboration with Foundation de Baak Management Centrum VNO-NCW. It has two main pillars: personal development of the participants and key corporate themes at SNS REAAL.

Management Development

The Management Development (MD) programme offers an intellectual challenge to employees from the higher management echelons and experts with development opportunities. In 2009, the slogan for the programme was: Synergy with Talent. The MD programme provides participants with more in-depth knowledge of financial issues and insight into personal styles of leadership. One of the components was 'Interventures', learning projects that lead to intervention or action and that are an adventure to flesh out. In December, the programme was concluded by the presentation of said interventures. In 2009, participants in the MD programme made their first contribution to the TD and Trainee programmes. This allows participants from the various programmes to learn from each other. Practice has shown that MD participants transfer valuable knowledge and corporate values and generate meaningful discussions. This promotes mutual collaboration and commitment.

Employment conditions and labour relations Collective labour agreement and Social Plan

In November 2009, SNS REAAL and the trade unions reached consensus on a new collective labour agreement and Social Plan. The collective labour agreement is effective up to 1 November 2010. As from 1 January 2010, employee salaries were increased by 1%. The negotiations regarding the harmonisation of the employment conditions at Zwitserleven were finalised in 2009. The new conditions for Zwitserleven employees came into effect on 1 January 2010.

On 3 December 2009, a new Executive Board remuneration policy was adopted at the SNS REAAL Extraordinary General Meeting of Shareholders. For more information, please refer to the Report of the Supervisory Board, page 76.

Working conditions

SNS REAAL considers a good working environment to be a prerequisite for healthy and pleasant working conditions. One key indicator is absenteeism. Average absenteeism fell from 4.4% to 4.2%. Additional instruments were deployed at SNS Bank to limit absenteeism, including a workshop entitled Life in Balance and additional consultations with company doctors and line managers.

In September 2009, a new customised training started entitled Dealing with Aggression and Violence, which is mainly aimed at SNS Bank employees who have client contact. Employees can enrol on a voluntary basis and are provided with practical tips on how to deal with aggression and violence. This training enhances employees' mental resilience and gives them tools to prevent matters from escalating. A survey was conducted at Zwitserleven to investigate undesirable behaviour at the workplace.

In 2009, many employees again took part in a physical examination, called the Vitality Test at Zwitserleven. Based on the NIPED Prevention Compass, SNS REAAL wants to encourage its employees to live a healthy – or healthier – life. The NIPED Prevention Compass provides advice in accordance with the latest medical guidelines.

Collaboration with Works Councils

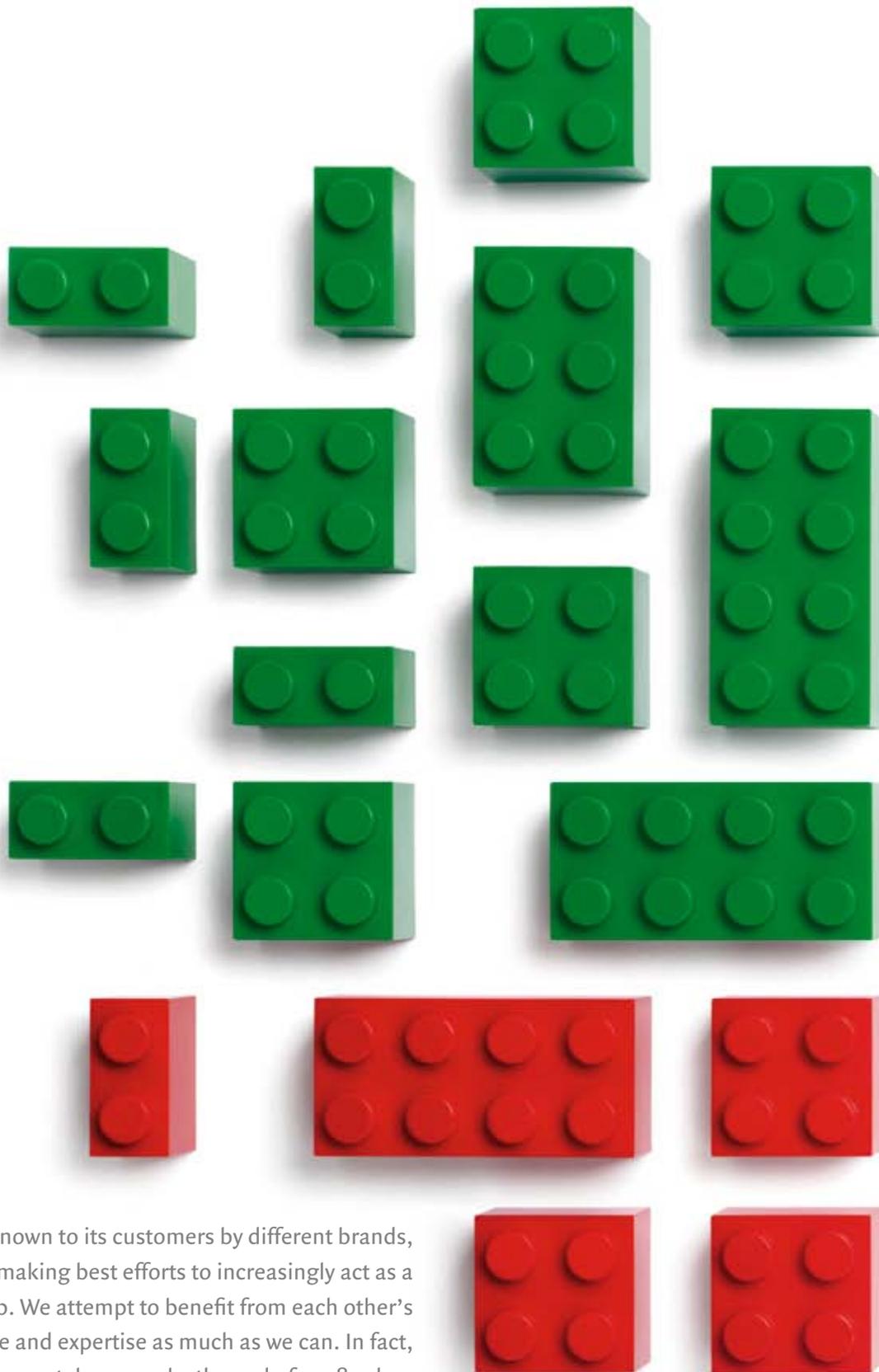
The SNS REAAL Executive Board finds it important to keep an open dialogue ongoing with its employees. The Central Works Council, in which the works councils of the various business units and staff departments are represented, plays an important role in this respect. In 2009, the Executive Board has again had constructive meetings with the Central Works Council. They talked extensively on a great variety of topics, including efficiency measures, the New World of Work and the new remuneration policy. The discussions also dealt with various requests for advice in respect of organisational changes, such as the brand strategy of SNS REAAL and the harmonisation of Zwitserleven and DBV. The Central Works Council has, together with the local works councils, explored socially acceptable solutions for employees that encountered an organisational change.

Ambition 2010

In 2010, SNS REAAL will use its activities in the area of training and development to implement its new mission Simplicity in finance and its new core value: CARE! about the customer, CARE! about the result, CARE! about each other, and CARE! about society. One of the consequences is that we will develop a single leadership profile for the entire organisation.

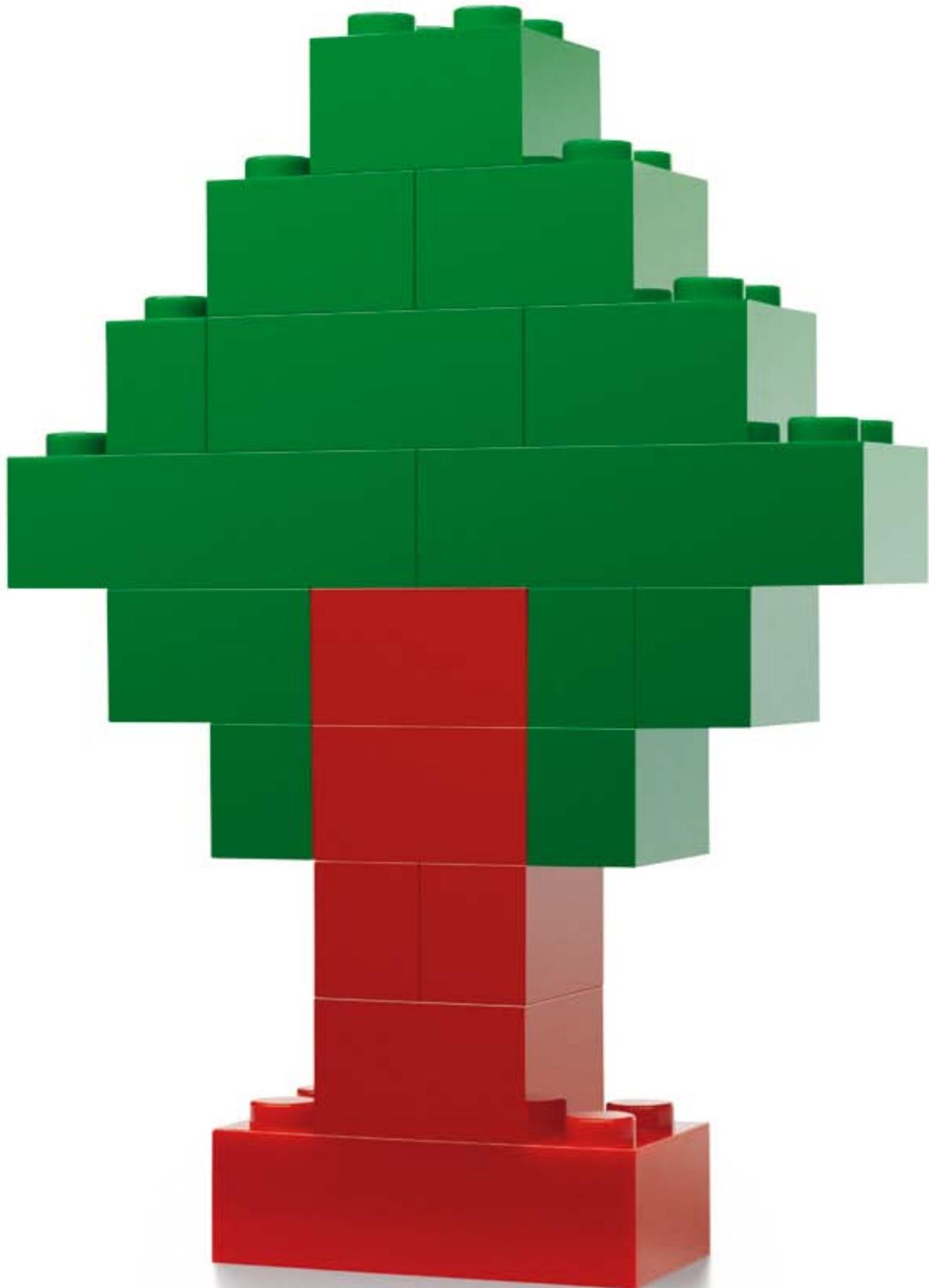
Utrecht, 10 March 2010

Ronald Latenstein
Rien Hinssen
Ferenc Lamp
Dick Okhuijsen



SNS REAAL is known to its customers by different brands, but we are making best efforts to increasingly act as a single group. We attempt to benefit from each other's knowledge and expertise as much as we can. In fact, the first steps were taken even by the end of 2008, when Zwitterleven and ASN Bank teamed up to introduce the GroenPensioen- but the combination also made all the difference in 2009. For example, ASN Bank partnered with SNS Property Finance in constructing sustainable, energy-neutral and carbon-neutral offices for TNT. ASN Bank, SNS Regio Bank and SNS Bank also successfully joined forces: thanks to SNS Bank's knowledge and experience, now customers of the other two banks can also pay their internet purchases by means of iDEAL.

The combination
makes the difference



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 REAAL's additional measures to adapt to the changing market conditions. The Supervisory Board is convinced that SNS REAAL, 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 REAAL'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 REAAL – and more stringent requirements by supervisory authorities. SNS REAAL 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 the 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 REAAL 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 REAAL'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 REAAL 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 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 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 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 REAAL. 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, the funding of the Banking activities and liquidity, and the solvency of the Insurance activities and the Group.

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 composition of the Supervisory Board was changed during the year under review. On 15 April 2009, the General Meeting of Shareholders 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 April 2008 until April 2009.

A complete set of data of all Supervisory Board members can be found in the Corporate Governance chapter, from page 98. The members' independence is explained in the same chapter, under Frijns Code compliance.

Composition of the Executive Board

The composition of the Executive Board also changed. At the AGM of 15 April 2009, Ronald Latenstein was appointed Chairman of the Executive Board. Ference Lamp was appointed Chief Financial Officer. On 3 December, Dick Okhuijsen was appointed member of the Executive Board. He holds primary responsibility for the Insurance operations. Rien Hinssen assumed responsibility for the Insurance operations until that moment. He still holds the portfolio's of SNS Retail Bank and SNS Property Finance in the Executive Board.

Meetings of the Supervisory Board

The Supervisory Board convened fifteen times, which includes three conference calls. The Supervisory Board convened once without the 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 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 the Executive Board prior to every meeting. The main topics 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 the Executive Board's in-control statement, and corporate responsibility.

April: the appointment of Ronald Latenstein as chairman of the Executive Board, succeeding Sjoerd van Keulen, and the appointment of Ference Lamp as member of the 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 the 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 and REAAL on the basis of presentations by and discussions with the management boards of these business units, 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 the Executive Board, the CFO, the director of the Group Audit department and the external auditor attended the meetings. The Executive Board, Group Audit, the external auditor and the certifying actuary 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, the fourth-quarter report for 2008 from the Group Audit department and Zwitserleven's entry audit.

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

March: the 2008 annual report and financial statements, including the litigation provision, the capitalisation and funding plan for 2009, and the audit report concerning system development at REAAL.

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 result for first quarter of 2009, the quarterly report by Group Audit and various aspects of the audit instructions to KPMG.

August: the interim results, the in-control evaluation of REAAL, 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, the in-control evaluation at Zwitserleven based on a meeting with a board member of that business unit, 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 evaluation 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. Refer to the remuneration report where the outlines of the remuneration policy are explained and accounted for. The Remuneration Committee was also involved in the recruitment process that led to the appointment of Dick Okhuijsen as a member of the Executive Board.

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.

Remuneration Executive Board

A new sustainable remuneration policy was developed for the Executive Board in 2009. The policy was adopted

by the Extraordinary General Meeting of Shareholders on 3 December 2009 and came into effect on 1 January 2010. SNS REAAL has committed itself to a sustainable and restrained remuneration policy. The Supervisory Board included the relevant developments and recommendations in its considerations, with due regard for public opinion.

Besides the remuneration for 2009, the outlines of the new policy have also been included below. We conclude by presenting the Supervisory Board's remuneration. More detailed information about the remuneration in 2009 and the new remuneration policy can be found in the remuneration report, which has been published on the SNS REAAL website (www.snsreaal.nl).

Remuneration adjustments in 2009

In connection with the Gentlemen's Agreement closed with the Minister of Finance, adjustments were made to the remuneration. The changes will be discussed after the outlines of the policy have been presented for each remuneration component.

1 Fixed salary

The fixed salary is the same for all Executive Board members, the sole exception being the chairman, who receives a higher fixed salary.

2. Variable remuneration

The Supervisory Board assesses the performance of the members of the Executive Board in three areas: financial and non-financial performance, contribution to the achievement of the strategic objectives and individual performance on the basis of individual competences. The short-term bonus is paid in cash, the long-term bonus is granted in the form of a conditional entitlement to SNS REAAL shares.

Reference is made to the remuneration report for an explanation of the variable remuneration system, long-term bonus, an overview of performance criteria, the peer group and the value of shares in previous financial years.

3. Pension scheme

The Executive Board members participate in the Executive Board pension scheme, which mirrors the pension scheme included in the SNS REAAL Collective Labour Agreement.

4. Other remuneration components

Executive Board members receive an expense allowance, consisting of a gross and a net component. Okhuijsen does not receive any fixed expense allowance and may claim his business expenses.

For business travel (including commuting), the Executive Board members are allocated a company car with driver, for which they pay a personal contribution. SNS REAAL took out mortality risk and disability insurance for the members of the Executive Board.

Contrary to the remuneration policy:

⊙ Upon termination of employment and at SNS REAAL's initiative, the members of the Executive Board receive a maximum payment of one year's gross fixed salary including holiday allowance and 13th month's bonus (the 'fixed' part of the remuneration). A change-of-control clause is also part of the current employment agreements of the Executive Board members.

⊙ The regular increase of the fixed salary by 0.5% as per 1 January 2009 has been cancelled for the members of the Executive Board.

As a result, the gross fixed annual income is unchanged compared to 2008.

⊙ The members of the Executive Board do not receive a short-term or long-term bonus. There will be no conditional award of shares for 2009. The mandatory build-up of shares in 2009 has been cancelled to the extent necessary. Since no variable remuneration was paid, no scenario analyses have been performed to analyse the consequences of the possible outcome of the variable remuneration components.

⊙ It has been agreed in 2009 that the short-term bonus for the (new) chairman of the Executive Board will be limited to 40% of the fixed salary for at-target level and to 60% for excellent performance. However, this limitation has in fact not been applied, as the Executive Board will not receive a short-term bonus for 2009.

Table 29 provides an overview of the amount of the granted shares. It concerns the shares granted in 2007. In 2008 and 2009 no shares were granted to the Executive Board members mentioned below.

In 2010, three years after the granting of the shares, the members of the Executive Board will have ownership of the regular shares (end of the vesting period). The members of the Executive Board will have these shares at their disposal (end of the lock-up period) in 2013. The lock-up period of the share match shares will end in 2010. The one-off shares of 2006 on the other hand has been restricted for a five-year lock-up period. Sjoerd van Keulen will receive a number of shares based on the time he was employed during the performance period (a maximum of 11,265 shares).

Table 29: Value long-term bonus

	Shares 2007 long-term bonus			Market value (x €1.000)	
	One-off 2006	Regular	Share match	Grant date	At 31-12-2009
R.R. Latenstein	13,904	10,183	3,476	424	117
M.W.J. Hinssen	13,904	10,183	3,476	424	117
S. van Keulen	23,073	16,898	5,769	602	194
Total	50,881	37,264	12,721	1,450	428

Table 30: Gross remuneration of the Executive Board

In € thousands	Fixed salary ¹		Pension and other ²		Bonus						Other ⁴		Total	
					Short-term		Long-term ³							
	2009	2008	2009	2008	2009	2008	2009	2008	Amortisation of previously granted		2009	2008	2009	2008
									2009	2008				
R.R. Latenstein	525	474	111	108	--	--	--	--	(12)	13	--	--	624	595
F.K.V. Lamp (as from 15-4-09)	480	80	109	19	--	--	--	--	--	--	--	--	589	99
M.W.J. Hinssen	480	474	119	116	--	--	--	--	(12)	13	--	--	587	603
D.J. Okhuijsen (as from 3-12-09)	158	--	36	--	--	--	--	--	--	--	65	--	259	--
S. van Keulen (until 15-4-09)	211	623	55	162	--	--	--	--	(9)	22	--	--	257	807
C.H. van den Bos (until 31-12-08)	--	471	--	94	--	--	--	268	--	--	--	1,023	--	1,856
Total	1,854	2,122	430	499	--	--	--	268	(33)	48	65	1,023	2,316	3,960

¹⁾ Gross fixed annual salary (fixed salary including holiday allowance and 13th month's bonus) and social security contributions, expense allowance (if applicable) and contribution to health insurance. Despite the fact that there were no changes in the fixed remuneration in 2009, Rien Hinssen's salary has increased due to the 3.25% salary increase implemented in June 2008 in accordance with the CLA and due to changes in social security contributions.

²⁾ Other refers to risk insurance premiums.

³⁾ During the performance period (three years), the fair value of the shares conditionally granted is recognised as an expense under staff costs. The total of unrecognised costs relating to shares amounts to €15,258.

⁴⁾ Dick Okhuijsen's expenses due to his relocation from Japan to the Netherlands were reimbursed in full. The employer also reimburses refurbishment expenses and costs of temporary accommodation until 1 September 2010 at the latest.

Table 30 provides an overview of the total remuneration paid to the individual members of the Executive Board. The remuneration of Ference Lamp and Dick Okhuijsen has been included from the time they joined SNS REAAL.

Loans

Table 31 below provides an overview of the loans granted to members of the Executive Board that were outstanding on 31 December 2009. These loans were provided in the course of ordinary business and under conditions

that also apply to other members of staff. It concerns a residential mortgage loan to Rien Hinssen and a sum payable by Dick Okhuijsen.

Remuneration policy as from 2010

At the Extraordinary General Meeting of Shareholders of 3 December 2009, the new remuneration policy for members of the Executive Board was presented and adopted. The new remuneration policy took effect on 1 January 2010.

Table 31: Loans to members of the Executive Board

In € thousands	Outstanding at 31 December		Average interest rate		Mortgage loan redemptions	
	2009	2008	2009	2008	2009	2008
M.W.J. Hinssen	518	529	4.6%	4.5%	11	12
D.J. Okhuijsen	8	--	--	--	--	--
Total	526	529			11	12

The main elements of the new remuneration policy are the following:

- ⊙ Reduction in the chairman's salary by 8.5% to €570,000 (previously €623,000).
- ⊙ Variable remuneration has been reduced to 50% (on target) of the fixed annual salary and capped at 100% for excellent performance (stretch). This applies to both the chairman and the other Executive Board members.
- ⊙ Simplification of the variable remuneration system; short- and long-term bonuses are integrated.
- ⊙ Variable remuneration is no longer paid in shares but in cash; no payment if SNS REAAL posts a loss.
- ⊙ Every year, the Supervisory Board sets targets for a period of three years. There are two performance measurement moments: after one year, to establish the progress of performance (based on sub-targets derived from the three-year targets) and after three years, to determine the final results.
- ⊙ Accordingly, there are two possible payment dates (both in cash): after one year and after three years. After one year, at most one-third of the total variable

remuneration can be granted based on the degree to which the sub-targets were met. After three years, the remaining two-thirds are earned based on the degree to which the multi-year targets were met.

- ⊙ In line with the Dutch Corporate Governance Code and the Banking Code, the Supervisory Board has the discretionary power to adjust the variable remuneration if it considers that remuneration to have unfair or unintended results. In addition, the Supervisory Board has the power to reclaim variable remuneration that was awarded on the basis of incorrect financial or other information.

Reference is made to the remuneration report for a detailed explanation of the new remuneration policy.

Remuneration of the Supervisory Board in 2009

The fixed annual remuneration is €30,000 for Supervisory Board members, €35,000 for the vice-chairman of the Supervisory Board and €45,000 for the chairman of the Supervisory Board. Additionally, members of the Supervisory Board receive a fixed annual

Table 32: Gross remuneration of the Supervisory Board

In € thousands	As Supervisory Board member		As member of a committee ¹		Total	
	2009	2008	2009	2008	2009	2008
R. Zwartendijk	39	--	5	--	44	--
H.M. van de Kar	43	35	14	16	57	51
S.C.J.J. Kortmann	30	30	15	15	45	45
R.J. van de Kraats	30	30	9	9	39	39
J.E. Lagerweij	30	30	5	2	35	32
H. Muller	30	30	13	13	43	43
H.W.P.M.A. Verhagen	30	21	6	3	36	24
J.A. Nijhuis	30	--	9	--	39	--
C. Insinger	30	--	12	--	42	--
L. Wijngaarden	30	--	12	--	42	--
J.L. Bouma (until 16-4-2008)	--	23	--	12	--	35
J.V.M. van Heeswijk (until 16-4-2008)	--	9	--	4	--	13
Total	322	208	100	74	422	282

¹) Including other remunerations. The amounts behind Muller's name include an amount of €4,500 as compensation for his Supervisory Board activities representing SNS REAAL at ASN Beleggingsfondsen N.V.

Table 33: Mortgage loans to Supervisory Board members

In € thousands	Outstanding as at 31 December		Average interest rate		Mortgage loan redemptions	
	2009	2008	2009	2008	2009	2008
H.M. van de Kar	120	120	6.6%	6.6%	--	--
S.C.J.J. Kortmann	84	91	3.5%	4.4%	7	6
H. Muller	18	18	6.3%	6.3%	--	50
Total	222	229			7	56

expense allowance of € 1,617, whilst the chairman of the Supervisory Board receives a fixed annual expense allowance of € 2,156. The Supervisory Board members do not hold any shares in SNS REAAL N.V. The annual remuneration for membership of the Audit Committee is € 7,000, and € 3,250 for membership of the other committees. These are the Remuneration Committee, Nomination Committee and Credit Committee.

The tables 32 and 33 provide an overview of the total remuneration of the individual members of the Supervisory Board and the loans granted (residential mortgage loans in particular) that were outstanding on 31 December 2009.

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 and dividend

Following the discussion of the press release in February, the Board discussed the 2009 financial statements at the meeting of 10 March 2010. KPMG, the external auditor, issued an unqualified opinion on the financial statements. In view of the still extraordinary economic conditions, SNS REAAL will have to refrain from distributing a dividend for 2009.

The financial statements will be presented to the shareholders on 14 April 2010.

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, 10 March 2010

On behalf of the Supervisory Board,
Rob Zwartendijk, chairman

Focus on the Netherlands

SNS REAAL has a long history of strong commitment to Dutch society. Our roots date back 200 years, when regional savings banks with a public utility function were established. Insurance companies soon followed suit. From now on we will focus completely on the Netherlands. SNS Property Finance's international activities will be phased out, making us a truly Dutch bancassurance company.





2

Holland
made in Euro

Capital structure

Capital structure

SNS REAAL's capital comprises four components: ordinary shares, B-shares, securities issued to Stichting Beheer SNS REAAL (the Foundation) and securities issued to the Dutch State.

Major developments

On 29 September 2009, a share issue by means of an accelerated bookbuild offering was completed. The issue comprised a total of 26,147,259 ordinary shares, as a result of which the Foundation's interest in SNS REAAL was reduced to 50.00001%.

On 30 November 2009, SNS REAAL repurchased core tier 1 capital securities in the amount of € 250 million, of which amount € 185 million had been issued to the Dutch State and € 65 million to the Foundation.

Ordinary shares and B-shares

SNS REAAL has issued ordinary shares. The Foundation is the majority shareholder in SNS REAAL. At the IPO in 2006, it reduced its interest from 100% to 65.5%. In May 2007, the Foundation sold another 15.2 million shares at the issue to finance the acquisition of AXA NL and further reduced its interest from 65.5% to 54.3%. On 29 September 2009, a share issue was completed that resulted in the Foundation's interest reducing even further, to 50.00001%. On 30 September 2009, Aviva plc reported an interest of 4.96% in accordance with the Financial Supervision Act (Wft). All ordinary shares of SNS REAAL are listed on the Euronext NYSE in Amsterdam. There are no special controlling rights attached to the ordinary SNS REAAL shares. SNS REAAL has set no restrictions on the transfer of the ordinary shares. The Articles of Association of SNS REAAL contain no share transfer restriction clause and there is no agreement between the company and any shareholder that might result in the restriction of the transfer of shares.

On 28 April 2008, SNS REAAL issued 6 B-shares ('B-shares') to the Foundation. The B-shares were issued for an aggregate issue price of € 600 million in cash. This amount was used for the acquisition of Zwitterleven. The B-shares have the following characteristics:

- 1 No preferential voting rights are attached to the B-shares. Accordingly, the B-shares entitle the holder to cast a total of 6 votes at the AGM of SNS REAAL.
- 2 The B-shares do not entitle the holder to any accrued or future profit reserves.
- 3 The dividend yield on the B-shares will always be lower than the yield on the ordinary shares. The B-shares entitle the holder to a dividend that

depends on the dividend distributed on ordinary shares, such that the dividend yield of the B-shares (expressed as a percentage of the total nominal amount of the B-shares and the share premium reserve and share premium recovery reserve) will amount to ninety percent (90%) of the dividend yield of the ordinary shares (expressed as a percentage of the average closing price of the ordinary shares in the final three months of the relevant financial year).

- 4 The Articles of Association of SNS REAAL contain a formula in connection with the dividend to be paid on the B-shares, where it is assumed that 45% of the freely distributable profits, after deduction of the dividend for the B-shares, will be paid as dividend to the holders of the ordinary shares each year. However, SNS REAAL's dividend policy allows for the distribution of a lower percentage in any given financial year. For such an event, the Foundation and SNS REAAL agreed in the deed of issuance that the Foundation will relinquish, for the benefit of SNS REAAL, any excess dividend on the B-shares that was paid out.
- 5 If in any financial year the pay-out ratio in respect of the ordinary shares should be higher than 45%, the Foundation will not receive any compensation.
- 6 Insofar as any future losses are charged against the share premium amount to be paid on the B-shares, any profits made subsequently will be used to clear the deficit.
- 7 The B-Shares are not freely transferable. They can only be transferred with the prior consent of the Executive Board after approval by the Supervisory Board.
- 8 In the deed of issuance of the B-shares, SNS REAAL and the Foundation agreed that if a material change occurs in the control of SNS REAAL, including the situation that the Foundation is no longer the major shareholder of SNS REAAL, SNS REAAL will submit a proposal to the Foundation for refinancing of the amount of € 600 million that is to be paid on the B-shares. The deed of issuance can be found on the SNS REAAL website.

The Foundation is an independent trust that was established in 1988. The goals of the Foundation are to participate in SNS REAAL's capital in the form of shares and to represent SNS REAAL's interests in such a way that

the interests of the company and all those involved in it are safeguarded, and to make disbursements of a philanthropic or social nature. At the end of 2009, the Board of the Foundation comprised Jan Overmeer, Mick den Boogert, Jean den Hoed, Bas Kortmann and Henk Muller. Kortmann and Muller are also members of the Supervisory Board of SNS REAAL.

Securities issued to the Foundation and the Dutch State

On 11 December 2008, SNS REAAL issued two types of securities. The Foundation received 5,000,000 securities, each with a nominal value of €100.00, for a total amount of €500 million. The Dutch State received 142,857,140 securities, each with a nominal value of €1.63, at an issue price of €5.25, for a total amount of €750 million. On 30 November 2009, SNS REAAL repurchased securities in the amount of €250 million, of which amount €65 million had been issued to the Foundation and €185 million to the Dutch State.

Characteristics of the securities issued to the Foundation:

- ⊙ The securities are non-voting securities;
- ⊙ The securities are perpetually subordinated, and rank (pari passu) with the ordinary shares and B-shares;
- ⊙ The Dutch Central Bank qualifies the securities as core tier 1 capital;
- ⊙ The securities cannot be converted into ordinary shares;
- ⊙ Loss-absorption clause.

In November 2009, the Foundation and SNS REAAL agreed that SNS REAAL can repurchase €167 million of the securities issued to the Foundation ('Foundation Securities') at 100% of the original issue price (instead of 120%), subject to approval of the Dutch Central Bank. According to the arrangements made in December 2008, SNS REAAL can repurchase all or some of the other Foundation Securities at any time at 120% of the original issue price, also subject to the Dutch Central Bank's approval. On 30 November 2009, SNS REAAL repurchased Foundation Securities with a value of €65 million, which means that Foundation Securities with a value of €102 million can still be repurchased at 100% of the original issue price. On 31 December 2010, 30 December 2011 and 28 December 2012, SNS REAAL will repurchase Foundation Securities in the amount of €19.4 million on every one of these dates, as was agreed in November 2009, subject to approval of the Dutch Central Bank.

Characteristics of the securities issued to the Dutch State

- ⊙ The securities are non-voting securities;
- ⊙ The securities are perpetually subordinated, and rank (pari passu) with the ordinary shares and B-shares;
- ⊙ The Dutch Central Bank qualifies the securities as core tier 1 capital;
- ⊙ No loss-absorption clause.

SNS REAAL may convert the securities issued to the Dutch State into ordinary shares (at a 1 to 1 ratio) after 10 February 2012. In this situation, the Dutch State may opt for repayment in cash at the issue price of €5.25 per security, increased by the interest accrued up until then.

SNS REAAL is at all times entitled to repurchase all or part of the securities at €7.875 per security (i.e. 150% of the issue price), increased by the interest accrued up until then, subject to the approval of the Dutch Central Bank.

Payments to the Foundation and the Dutch State

Payment to the Foundation and the Dutch State is dependent on the payment of (interim) dividend to ordinary shareholders. If no dividend is distributed to ordinary shareholders, then no payment is owed by SNS REAAL to the holders of the securities. If dividends are distributed, payments to the Foundation and the Dutch State will be as follows.

The Foundation:

The payment for the financial year 2008 (paid in 2009) was 6% of the issue price, on a time-weighted basis; the payment for the subsequent years is 6% of the issue price. No distribution was made or repurchase fee paid in respect of the Foundation Securities repurchased in 2009.

Dutch State:

The payment for the financial year 2008 (paid in 2009) was 4.25% of the issue price; the payment for the subsequent years is either 8.5% of the issue price or, per security, the dividend paid for each ordinary share multiplied by a factor of 1.1 for 2009, a factor of 1.2 for 2010 and a factor of 1.25 for the years 2011 and onwards, whichever amount is the highest. In respect of the securities repaid in 2009, interest was paid in the amount of €7.5 million for the period from 9 June 2009 until repurchase. No repurchase fee was paid.

Loss-absorption clause regarding securities issued to the Foundation

Unlike the Dutch State, the Foundation shares in the losses of SNS REAAL (loss absorption), both during

the term of the Foundation Securities and upon any dissolution and liquidation of SNS REAAL.

Loss absorption during the term of the Foundation Securities

If SNS REAAL were to incur any losses during the term of the Foundation Securities, these losses will partially be borne by the Foundation. This loss participation is realised by reducing the nominal value of the Foundation Securities (issue price of € 100 per Foundation Security), with each Foundation Security having a minimum value of € 0.01.

The amount of this reduction constitutes part of the losses, to the extent that these losses exceed the SNS REAAL net profit reserves attributable to the period after 1 January 2009. The part referred to is a fraction comprising the aggregate of the nominal values of the outstanding Foundation Securities prior to the application of loss absorption, divided by the sum of (a) the aggregate of the nominal values of the outstanding Foundation Securities prior to the application of loss absorption, (b) the aggregate of the nominal values of the outstanding ordinary shares of SNS REAAL, increased by the corresponding share premium reserves and the share premium recovery reserves, as well as all other free reserves and reserves required by law and the Articles of Association, and (c) the aggregate of the nominal values of the outstanding B-shares, increased by the corresponding share premium reserves and share premium recovery reserves.

If SNS REAAL makes a profit in any subsequent year, that profit will partly be used to increase the nominal value of the Foundation Securities, up to a maximum of the initial nominal value of € 100 per Foundation Security. The amount of this increase is calculated in a manner similar to the reduction of the nominal value described above.

Loss absorption upon dissolution and liquidation

In the event of any dissolution and liquidation of SNS REAAL, the Foundation will share in any losses of SNS REAAL as follows. The balance that remains after full settlement of the amounts owed to all other creditors of SNS REAAL will be distributed pro rata among the holders of the Foundation Securities (currently the Foundation), the ordinary shares and the B-shares based on the initial nominal value of the Foundation Securities as well as the nominal value of the ordinary shares and the B-shares.





Every brand perfectly positions



In order to further increase customer focus and work even smarter, SNS REAAL has chosen to join its forces. We will focus on five strong brands going forward: SNS Bank, ASN Bank, SNS Property Finance, REAAL and Zwitserleven. The other labels will gradually be merged into these five brands. SNS Bank focuses on banking and insurance products for consumers and REAAL does the same for intermediaries. Zwitserleven provides group pensions to companies, which makes it our pension brand. ASN Bank is our sustainability specialist and SNS Property Finance finances real estate in the Netherlands. In this way, every brand is perfectly positioned.

Corporate governance

Corporate governance

SNS REAAL's governance aims at collaboration between the business units.

This chapter provides the statements regarding Corporate Governance as meant in the Decree of 23 December 2004 laying down detailed rules concerning the contents of the financial statements (as last amended with effect from 1 January 2010).

Highlights of governance

SNS REAAL is what is known as a two-tier company. The company has an Executive Board, as well as a Supervisory Board carrying all powers allocated to the Supervisory Board of a two-tier company by law. In addition, the Supervisory Board has certain additional powers as laid down in the regulations of the Executive Board and the Articles of Association.

The Supervisory Boards of SNS REAAL, SNS Bank N.V., REAAL Verzekeringen N.V. and SRLEV N.V. are comprised of the same individuals.

On 11 December 2008, SNS REAAL issued non-voting core tier 1 capital securities to the Dutch State. As part of the agreement between SNS REAAL and the Dutch State, the latter acquired the right to nominate two members for the Supervisory Board. The Dutch State has meanwhile exercised that right. At the AGM on 15 April 2009, Ludo Wijngaarden and Charlotte Insinger were appointed members of the Supervisory Board. The following decisions require the approval of these two Supervisory Board members (list not exhaustive): the issue, acquisition and disposal of the SNS REAAL shares, a significant acquisition or participation by SNS REAAL in the share capital of another company, significant investments, proposals to amend the Articles of Association, and changes to SNS REAAL's remuneration policy. The entire agreement can be found on the SNS REAAL website.

Early 2009, a new Management Committee was formed, comprising the Executive Board, the chairmen of the management boards of SNS Retail Bank, SNS Property Finance, REAAL and Zwitterleven, the Chief Information Officer and the director of Human Resources. The tasks of the Management Committee are aimed at further improving efficiency, business development and the performance in a Group-wide context.

Stichting Beheer SNS REAAL (the Foundation) currently holds 50.00001% of the shares in SNS REAAL.

On 30 September 2009, Aviva plc reported an interest of 4.96% in accordance with the Financial Supervision Act (Wft).

Frijns Code

The Frijns Code (the 'Code') applies to all companies listed on the Dutch stock exchange. In their annual report, these companies are required to comment on their compliance with the principles and best practices of the Code with regard to the management board and the supervisory board of the company. In the event a company has not applied these principles or best practices, or does not plan to do so in the current and following annual accounting period, it must explain its reasons in the annual report. The text of the Code is available on www.commissiecorporategovernance.nl.

Deviations from the Code

The Code states that the company is also in compliance with the Code if the General Meeting of Shareholders has approved the corporate governance structure and sanctions the deviations from the Code's principles. In this context, SNS REAAL aims for optimum compliance with the principles and best practices of the Code. SNS REAAL provides reasons for all deviations on the basis of the interests of its stakeholders.

Best-practice provision II.1.1:

'A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.'

Two members of the Executive Board (Latenstein and Hinssen) were appointed for an indefinite period, in line with the statutory provisions prevailing at the time of their appointment, before the Code came into existence. SNS REAAL considers it inappropriate to change the terms of the employment contracts in this respect. The two other members of the Executive Board (Lamp and Okhuijsen) were appointed for a period of no more than four years, naturally with the option of reappointment.

Best-practice provision II.2.3:

'Shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the

achievement of clearly quantifiable and challenging targets specified beforehand.

The shares in SNS REAAL granted to the members of the Executive Board in the context of the long-term bonus scheme are conditionally awarded for a period of three years. The shares vest upon expiry of this period. The number of shares that vest is calculated on the basis of the conditional award and the extent to which the performance criteria have been satisfied. Transfer of these shares is restricted for a period of three years after the vested shares in SNS REAAL have been transferred to the members of the Executive Board. Formally, then, this does not constitute a period of five years. However, SNS REAAL is of the opinion that this term is in fact complied with, as the term of the conditional award should also be taken into account. In the event a member of the Executive Board has reached his target level, this three-year transfer restriction period does not apply to the number of SNS REAAL shares that exceed the target level. The free shares acquired by the members of the Executive Board in the event that they had purchased SNS REAAL shares were not dependent on the achievement of the targets specified beforehand. Here the long-term bonus scheme thus deviates from the Code as well. The reason for this deviation is that SNS REAAL wanted to promote SNS REAAL shareholding until the target level had been reached. A new Executive Board remuneration policy came into effect on 1 January 2010. The long-term incentive plan is hereby lapsed: as from that date no conditional shares are granted. As described above, the shares vested in 2007 will become unconditional in 2010. No shares were vested in 2008 and 2009.

Best-practice provision III.2.1:

'All supervisory board members, with the exception of no more than one person, shall be independent within the meaning of best-practice provision III.2.2.'

The Code's point of departure is that a Supervisory Board member is not independent if he is a management board member at a legal entity that holds at least 10% of the shares in the company. The Foundation holds more than 10% of the shares in SNS REAAL. Two of the ten members of the Supervisory Board of SNS REAAL are members of the Foundation's board. Although the majority of the members of the Supervisory Board are independent, two members do not qualify according to the above description. SNS REAAL is of the opinion that the nature and aims of the majority shareholder can and should be distinguished from those of majority shareholders of many other companies. The majority shareholder in this case is a foundation (and thus has no members or shareholders), whose objects are limited. The Foundation's objectives include the promotion of the interests of SNS REAAL. This objective is anchored

in the Articles of the Foundation. The Supervisory Board members of SNS REAAL are also obligated by law to be guided by the interests of the company and its associated business in the performance of their duties. Given this equivalence, SNS REAAL sees no reason to change the current situation.

Best-practice provision III.6.2:

'A supervisory board member shall not take part in a discussion and/or decision-making on a subject or transaction in relation to which he has a conflict of interest with the company.'

Depending on the specific circumstances, a situation may arise in which the two members of the Supervisory Board who also sit on the board of the Foundation may have a conflict of interest with regard to certain topics or transactions, in connection with their position on the Foundation's board. SNS REAAL believes that such a conflict of interest, in view of the special objectives of the Foundation, will rarely come to pass in actual practice. For these reasons, it has been decided that (I) the two members of the Supervisory Board who sit also on the Foundation's board will not take part in discussions held and decisions taken within the Supervisory Board on agreements between SNS REAAL and the Foundation and (II) in principle, in all other cases they will take part in the discussions and decision-making in the Supervisory Board.

Best-practice provision IV.1.5:

'The proposal to distribute dividend shall be assessed as a separate point on the agenda at the AGM.'

Partly in connection with the issue of six B-shares in the capital of SNS REAAL to the Foundation in order to finance the acquisition of Zwitterleven, SNS REAAL's Articles of Association were amended on 28 April 2008. As a result of this amendment to the Articles of Association, SNS REAAL's authorised capital has been increased by six B-shares and the provisions in the Articles of Association pertaining to profits, losses and dividend have been changed. The amended Articles of Association provide, inter alia, that as a result of the adoption of the financial statements, the freely distributable profits, to the extent that there are no losses to be cleared and after reservation of the ordinary reservation amount (both as defined in the Articles of Association), will be distributed to the holders of ordinary shares and holders of B-shares in accordance with the proportions stipulated in the Articles of Association. Accordingly, it ensues from the Articles of Association that upon adoption of the financial statements, the dividend is declared and, moreover, is distributable.

Articles of Association and Rules

The Articles of Association and Rules can be found on the SNS REAAL website.

Restrictions on voting rights, periods for the exercise of voting rights and the issue, with the cooperation of the company, of depositary receipts.

SNS REAAL has not set any restrictions to the exercise of the voting rights. Majority shareholders have the same voting rights as any other shareholders.

The Executive Board may resolve to designate as entitled to vote or entitled to attend the meeting, those who (I) are shareholders on a record date set by the Executive Board and (II) are registered as such in a register designated by the Executive Board (or one or more parts thereof), provided (III) the holder of the register, at the request of the applicant, has given notice in writing to the company prior to the AGM that the relevant shareholder intends to attend the AGM, regardless of who the shareholder is at the time of the AGM. The requirement stated under (III) also applies to the holder of a written proxy provided by a shareholder. The notice must contain the name and the number of shares which the shareholder is entitled to represent at the AGM. The record date and the date by which the intention to attend the AGM has to be made known cannot be earlier than the period set by law. The convocation of the AGM will contain those dates (insofar as applicable), as well as the place where and the manner in which registration and notification will take place.

SNS REAAL is not authorised to cooperate in the issue of depositary receipts.

Rules regarding the appointment and dismissal of Executive Board and Supervisory Board members and amendments to the Articles of Association.

Members of the Executive Board are appointed by the Supervisory Board with due observance of Book 2, Section 162 of the Dutch Civil Code. The Supervisory Board may at all times suspend or dismiss a member of the Executive Board, provided that dismissal is subject to consultation with the AGM.

Members of the Supervisory Board are appointed by the AGM on the nomination of the Supervisory Board. The AGM and the Works Council may recommend persons to be nominated for the position of Supervisory Board member. To that end, the Supervisory Board will inform these bodies in good time of the term, position and profile of the vacancy to be filled. Alternatively, if the reinforced right of recommendation as referred to in Article 18.4 of the SNS REAAL Articles of Association applies to the vacancy, the Supervisory Board shall also make this known.

One-third of the members of the Supervisory Board is nominated by the Supervisory Board on the recommendation of the Works Council, unless the Supervisory Board objects to this recommendation on the grounds that it expects that the recommended person will be unsuitable to act as a member of the Supervisory Board or that the Supervisory Board would not be properly constituted if that person were appointed. If the Supervisory Board objects to the recommendation of the Works Council for these reasons, the Supervisory Board will immediately consult with the Works Council. If no agreement is reached concerning the recommendation, the Enterprise Section of the Amsterdam Court of Appeal will issue a ruling. The AGM may reject the recommendation by an absolute majority of the votes cast, representing at least one-third of the issued share capital. If at least one-third of the share capital is not represented at the meeting, a new meeting will be called, in which the appointment may be rejected by an absolute majority of the votes cast. If the nomination is then rejected, the Supervisory Board will make a new recommendation in accordance with the abovementioned procedure. If the AGM does not appoint the nominated person and does not resolve to reject the nomination, the Supervisory Board will appoint the nominated person.

A member of the Supervisory Board can only be dismissed by the Enterprise Section of the Amsterdam Court of Appeal for neglecting his duties, other serious considerations or a drastic change in circumstances due to which the company can no longer be reasonably expected to retain the Supervisory Board member. A Supervisory Board member may be suspended by the Supervisory Board. The AGM may pass a motion of no confidence in the Supervisory Board by an absolute majority of the votes cast, representing at least one-third of the issued share capital. If at least one-third of the issued share capital was not represented at the meeting, a new meeting may be convened at which the AGM, by an absolute majority of the votes cast, may pass the motion of no confidence in the Supervisory Board, irrespective of the portion of capital represented at that meeting. This motion will result in the immediate dismissal of the entire Supervisory Board. If a motion of no confidence has been passed, the Executive Board will request the Enterprise Section of the Amsterdam Court of Appeal to temporarily appoint one or more Supervisory Board members without delay.

The AGM may resolve to amend the Articles of Association. A motion to amend the Articles of Association requires a majority of at least two-thirds of the votes cast at a shareholders' meeting.

The powers of the Executive Board, particularly with regard to the issue of SNS REAAL shares and the acquisition by SNS REAAL of its own shares.

The AGM has delegated to the Executive Board the authority to issue shares. This authority can only be delegated for a fixed period of no more than five years and may each time be extended for no more than five years. The authority of the Executive Board will end on 15 October 2010, unless extended by the AGM. A resolution by the Executive Board to issue shares requires the approval of the Supervisory Board. If the AGM has delegated the authority to issue shares to the Executive Board, it will determine the price and further conditions of any issue, subject to the approval of the Supervisory Board, taking into account the relevant provisions of the Articles of Association. The above applies correspondingly to the granting of rights to subscribe for ordinary shares, such as options, but does not apply to an issue of ordinary shares pursuant to rights previously acquired.

The Executive Board, subject to the authorisation of the AGM and subject to Book 2, Section 98d of the Dutch Civil Code, may procure the repurchase of fully paid-up SNS REAAL shares for consideration. However, such repurchases are only permitted if, and to the extent that:

- (I) the shareholders' equity, minus the purchase price, is not less than the issued share capital plus the reserves required to be maintained by law or the Articles of Association; and
- (II) the nominal amount of the shares in its capital that the company would acquire, hold or hold in pledge, or that would be held by any subsidiary, does not exceed one-tenth of the issued share capital.

The AGM must specify in the authorisation, which shall be valid for at most 18 months, the number of shares that may be acquired, the way in which they may be acquired and the limits within which the price must be set. The Executive Board has been authorised by the AGM to procure the acquisition, for consideration, of fully paid-up shares in its own share capital. The authorisation will end on 15 October 2010, unless the AGM extends the authorisation.

In principle, every shareholder has a pre-emptive right to shares issued by SNS REAAL in proportion to the aggregate amount of his shareholding. No pre-emptive right exists in respect of shares that are issued for consideration other than in cash or shares issued to employees of SNS REAAL or any of its Group companies. Pre-emptive rights may be limited or excluded by a resolution of the AGM. Such a resolution requires at least a two-third majority of the votes cast if less than half of the issued share capital is represented at the meeting. The AGM

may designate the Executive Board as the competent body. In that case, the Executive Board may limit or exclude the pre-emptive right subject to the approval of the Supervisory Board. The Executive Board may only be designated for a limited period of no more than five years, which designation may be extended each time by no more than five years. The Executive Board has been designated by the AGM as the body competent to decide on restricting or excluding the pre-emptive right. This authority will end on 15 October 2010, unless the AGM extends the designation.

The functioning of the General Meeting of Shareholders

The annual AGM is held within six months after the end of the fiscal year. Extraordinary General Meetings of Shareholders are held as often as the Executive Board or the Supervisory Board deems it appropriate. In addition, a meeting will be convened when one or more shareholders, representing at least ten percent of the issued capital, submit a request to this end to the Executive Board and the Supervisory Board, stating the topics to be discussed. The agenda states the subjects placed on the agenda by the Executive Board or the Supervisory Board, as well as any subjects that the Executive Board is requested to place on the agenda at least sixty days prior to the date of convocation by one or more shareholders and other persons authorised to attend the meeting who represent at least one-hundredth part of the issued capital or represent a value of at least fifty million euro's, with due observance of the relevant statutory provisions. The agenda of the AGM states which items will be discussed and which will be put to the vote. Material changes to the Articles of Association as well as proposals to appoint members of the Executive Board and Supervisory Board are presented separately to the AGM in accordance with the Code. Resolutions are adopted by an absolute majority of votes, to the extent the law or Articles of Association do not explicitly prescribe a larger majority. The general meetings of shareholders have always taken place in Utrecht. The agendas, notes and minutes are available at www.snsreaal.nl.

Compliance with the Banking Code

Immediately after the publication of the report entitled Restoring trust (Naar herstel van vertrouwen, drawn up by the Maas Committee), SNS REAAL started implementing the recommendations contained in the report. Applying the recommendations made by the Maas Committee in the Banking Code in fact meant that SNS REAAL continued developments it had already initiated. Priority was given to client focus in the review of SNS REAAL's strategy and mission, Simplicity in finance. This is in line with our ambition to be the best

at winning, helping and retaining clients. Although the report by the Maas Committee is aimed at the banking sector, SNS REAAL wants to implement the major part of the recommendations contained in this report in all its Group activities, including the Insurance activities. In 2010, we will evaluate their effects.

Regarding the recommendations the following steps have been taken:

- ⊙ The remuneration policy of the Executive Board and senior management has been adjusted.
- ⊙ A Risk Committee, set up within the Supervisory Board, has started its activities.
- ⊙ Holding an interest of more than 50%, Stichting Beheer SNS REAAL is the major shareholder of SNS REAAL. One key objective is to support the long-term development of SNS REAAL in such a way that the interests of SNS REAAL, her entities and all stakeholders concerned, is safeguarded as much as possible.
- ⊙ SNS REAAL combines the roles of Chief Financial Officer and Chief Risk Officer, not only at the Group level, but also in the business units. To the extent that these portfolios include individual commercial responsibilities, they were transferred to other individuals in 2009.
- ⊙ Product approval requirements have been tightened across the Group. In this context, the Chief Financial/Risk Officer has the responsibility and authorisation to prevent the introduction of any product that does not comply with the standards framework. It was decided in 2009 to adjust the processes for developing and approving new products at all business units in accordance with the stricter requirements.
- ⊙ The members of the Executive Board and senior management signed a morals and ethics statement in February 2010. This statement also draws an explicit link to the SNS REAAL Code of Conduct, which is brought to the attention of the workforce on a regular basis.
- ⊙ The effectiveness of (risk) governance is assessed when the internal and external auditors perform their auditing tasks.
- ⊙ An assessment was made in 2009 of the possibilities for providing permanent education to members of the Executive Board and the Supervisory Board. Specific steps will be taken in 2010. In the past year, due attention was given to the 'lessons learned' following the crisis and its impact on SNS REAAL. Changes were implemented where necessary.

The report of the Banking Code is available on www.nvb.nl.

It is SNS REAAL's ambition to win, help and retain clients. This can only be achieved by truly focussing on the client

and providing the best possible service. Applying the Banking Code is therefore an obvious step to SNS REAAL. Besides applying the provisions contained in the Code, other initiatives taken to achieve this ambition include:

- ⊙ Regular consultations with customer panels and more effective use of customer feedback;
- ⊙ Co-creation of new products in collaboration with customers;
- ⊙ Customer satisfaction as an important performance indicators for all managers;
- ⊙ Regular testing of products against internal and external frameworks, including duty of care.

Information on Executive Board members

The Executive Board consists of Ronald Latenstein (chairman and CEO), Ference Lamp (CFO), Rien Hinssen and Dick Okhuijsen. Summarised CVs are provided on page 15 of this report and more extensive CVs are available at www.snsreaal.nl.

Other positions

Ronald Latenstein

Member of the Supervisory Board of Sligro Food Group N.V., chairman of the Supervisory Committee of Stichting Kinderopvang Humanitas, board member of Climate Change Capital Holdings Ltd., board member of Verbond van Verzekeraars, board member Vereniging VNO-NCW (since 25 June 2009), board member of Duisenberg School of Finance (until 1 July 2009) and board member Oranje Fonds (since 1 July 2009).

Ference Lamp

Board member of Stichting Radio Nederland Wereldomroep. Board member Duisenberg School of Finance.

Rien Hinssen

Member of the Executive Board of the Netherlands Bankers' Association (NVB), board member of the Stichting Bevorderen Efficiënt Betalen, member of the European Savings Banks Group and board member of the World Savings Banks Institute.

Dick Okhuijsen

Board member Stichting Management Studies.

The functioning of the Executive Board

The Executive Board has adopted regulations laying down rules relating to the internal affairs at SNS REAAL N.V. and, in particular, the Executive Board. The regulations have been approved by the Supervisory Board. The members of the Executive Board have declared that they agree to the contents of the regulations and that they will comply with the rules they contain. The Executive Board's responsibilities include

drawing up and implementing Group-wide objectives, the company strategy relating to commerce and distribution and the development of results, compliance policy, risk management policy, Group communication, Group IT and human resource policy of SNS REAAL. The allocation of responsibilities within the Executive Board is subject to the prior approval of the Supervisory Board and is included in the Executive Board regulations. Executive Board resolutions are adopted by a majority of the votes cast. The Articles of Association and the regulations contain a list of resolutions that are subject to the approval of the Supervisory Board.

Information on Supervisory Board members

CVs and other positions

Rob Zwartendijk, Chairman

Rob Zwartendijk (1939) worked at Ahold N.V. for many years (1977-1999), where he became a member of the Executive Board in 1981. In addition, he was President and CEO of Ahold USA from 1989 to 1999. He has been chairman of the board of Stichting Beheer SNS REAAL for a few years, and as such is very familiar with SNS REAAL. Rob Zwartendijk is also chairman of the supervisory boards of Nutreco Holding N.V. and Blokker Holding B.V. Besides this he is member of the Supervisory Board of Randstad Holding N.V. Zwartendijk is also a member of the board of the Stichting Preferente Aandelen Mediq.

Zwartendijk has been appointed for the first time on 15 April 2009, and will resign latest at the first AGM after 15 April 2013.

Hans van de Kar, vice-chairman

Hans van de Kar (1943) taught financial management at Leiden University and is a former vice-chairman of the Raad voor het Binnenlands Bestuur. He is chairman of the board of several foundations.

Van de Kar has been appointed for the first time in 1997. He will resign latest at the first AGM after 9 May 2011.

Charlotte Insinger

Charlotte Insinger (1965) is CFO and member of the Board of Directors of the Erasmus MC. Her portfolio includes, besides finance, IT, facility management and various medical areas. Before that, she used to work for the Robeco Group and Shell. Insinger is also a member of the Supervisory Committee of Foundation Diergaarde Blijdorp, member of the board of the Doping Autoriteit and member of the Advisory Counsel of Between us.

Insinger has been appointed for the first time on 15 April 2009, and will resign latest at the first AGM after 15 April 2013.

Bas Kortmann

Bas Kortmann (1950) is chancellor (rector magnificus) of the Radboud University Nijmegen, and professor in civil law at this university. He is chairman of the board of Stichting Grotius Academie, deputy judge of the Court of Appeal of Arnhem, member of the Supervisory Board of Dela Coöperatie and member of the Supervisory Board of KDS. He is also chairman or member of various boards of anti-takeover foundations of listed companies and trust offices. He is also a board member of Stichting Beheer SNS REAAL and Stichting SNS REAAL Fonds.

Kortmann has been appointed for the first time in 1990. He will resign latest at the first AGM after 9 May 2011.

Robert-Jan van de Kraats

Robert-Jan van de Kraats (1960) is vice-chairman of the Executive Board and CFO of Randstad Holding N.V. In addition to finance, M&A and Investor Relations, Van de Kraats is also responsible for corporate IT and for a number of operating companies in various countries. He is a former member of the Executive Board and CFO of NCM Holding N.V.. At this moment van de Kraats is member of the Supervisory Board of Ordina N.V. and board member of New Venture.

Van de Kraats has been appointed for the first time on 12 October 2006, and will resign latest at the first AGM after 12 October 2010.

Jaap Lagerweij

Until 1 January 2010 Jaap Lagerweij (1948) was managing director of the Sperwer Groep and a member of the board of Superunie, a purchasing organisation for a large number of Dutch supermarket organisations. Lagerweij is member of the Supervisory Board of McIntosh.

Lagerweij has been appointed for the first time on 12 October 2006, and will resign latest at the first AGM after 12 October 2010.

Henk Muller

Henk Muller (1942) is vice-chairman of the Supervisory Board of ASN Beleggingsfondsen N.V., chairman of the Nederlands Participatie Instituut, chairman of the foundation Werkgemeenschappen Bergeyk, board member of the Pension Fund FNV and member of the Vereniging Aegon. Muller is also a member of the board of Stichting Beheer SNS REAAL and Stichting SNS REAAL Fonds. Muller is a former board member of the FNV trade union federation and a former member of the Sociaal-Economische Raad and Stichting van de Arbeid. He is also a former chairman of the Supervisory

Board of ABF Het Andere Beleggingsfonds Webefo and a former employee-chairman of the pension committee of Stichting van de Arbeid.

Muller has been appointed for the first time in 1997. He will resign latest at the first AGM after 15 April 2013.

Jos Nijhuis

Jos Nijhuis (1957) is President of the Management Board of Schiphol Group. Before that he was chairman of the Executive Board of PriceWaterhouseCoopers. During that period, Nijhuis was in charge of the strategic reorientation of PriceWaterhouseCoopers and took the initiative to make corporate responsibility an integral part of its business operations. Nijhuis is a member of the Supervisory Committee of Stichting Kids Moving the World, board member of Stichting Common Purpose, member of the Supervisory Committee of the Nationale Ballet and Non Executive Board Member of Aeroports de Paris.

Nijhuis has been appointed for the first time on 15 April 2009. He will resign latest at the first AGM after 15 April 2013.

Herna Verhagen

Herna Verhagen (1966) is managing director of HR at TNT. She is a former sales director of TNT Post. Herna Verhagen is a member of the Advisory Council of Rijkswaterstaat.

Verhagen has been appointed for the first time on 12 June 2008. She will resign latest at the first AGM after 12 June 2012.

Ludo Wijngaarden

Until 2008 Ludo Wijngaarden (1947) was chairman of the board of Nationale-Nederlanden and board member of ING Nederland. Before that, he was the chairman of the board of Postbank and the ING Retail division. Until October 2008, he was chairman of the Association of Insurers (Verbond van Verzekeraars), board member of VNO-NCW and member of the Bank Council of the Dutch Central Bank. Wijngaarden is chairman of the Supervisory Board of Oasen, chairman of the Supervisory Board of LTP, member of the Supervisory Board of the residential building cooperative Rochdale, member of the Executive Board of DAK, member of the Advisory Council of College Bescherming Persoonsgegevens and member of the Advisory Council of Oracle Nederland.

Wijngaarden has been appointed for the first time on 15 April 2009. He will resign latest at the first AGM after 15 April 2013.

All Supervisory Board members carry the Dutch nationality.

Additional information on the Supervisory Board

A Supervisory Board member is appointed for a period of four years. Re-appointment only takes place after careful consideration. Board members can only be re-appointed twice, each time for a period of four years. Under the Articles of Association the members of the Supervisory Board in position at the moment of the amendments of the Articles of Association at 24 March 2004, can be re-appointed for two consecutive periods of four years at the most. The profile of the Supervisory Board, the member's performance and the time the member has already served are then taken into account.

The functioning of the Supervisory Board

The Supervisory Board has adopted regulations fleshing out a number of provisions from the Articles of Association. All members of the Supervisory Board have that they agree to the contents of the regulations and that they will comply with the rules they contain. The Supervisory Board meets at least six times a year, according to a schedule drawn up annually.

The supervision exercised by the Supervisory Board in respect of the Executive Board includes the following:

- ⊙ the achievement of the company's objectives;
- ⊙ the strategy and the risks associated with the company's business activities;
- ⊙ the structure and operation of internal risk control and management systems;
- ⊙ the financial reporting process;
- ⊙ compliance with laws and regulations;
- ⊙ the integrity of business operations.

Committees of the Supervisory Board

The Executive Board has set up the following committees:

- ⊙ Remuneration committee. This consists of Herna Verhagen (chairman), Bas Kortmann, Henk Muller, Hans van de Kar (until July 2009), Rob Zwartendijk (since July 2009), Charlotte Insinger and Ludo Wijngaarden.
- ⊙ Nomination committee. This consists of Rob Zwartendijk (chairman), Herna Verhagen and Jaap Lagerweij.
- ⊙ Audit committee. This consists of Robert-Jan van de Kraats (chairman), Hans van de Kar, Jos Nijhuis, Charlotte Insinger and Ludo Wijngaarden.
- ⊙ Risk committee. This consists of Hans van de Kar (chairman), Rob Zwartendijk, Robert-Jan van de Kraats, Jos Nijhuis, Ludo Wijngaarden and Charlotte Insinger.

- ⊙ Credit committee. This consists of Hans van de Kar (chairman), Bas Kortmann, Henk Muller and Jaap Lagerweij.

Management statements

The members of the Executive Board state the following:

In-control statement

The SNS REAAL Executive Board states it has reasonable assurance that, structurally, the main risks are recognised and adequately controlled. The basis for this is provided by SNS REAAL's risk management organisation, as described in the chapter on Risk management. The operation of essential control measures is assessed on a regular basis. The process of internal in-control statements and the accompanying evaluation by management has led to the following areas of management attention for 2010.

- ⊙ The economic recovery taking shape towards the end of 2009 is still too fragile and volatile to warrant any confidence that the crisis has ended. We will remain vigilant in the years ahead, for example by regularly performing stress tests.
- ⊙ Confidence in the financial sector is returning very slowly. Now, more than ever, it is important to restore its reputation. SNS REAAL's policy focuses on transparent and clear communication with all stakeholders. In our focused strategy, customer interests take centre stage even more than before.
- ⊙ The integrity of financial products will continue to have the public attention in 2010. This is an important reason why SNS REAAL tested its products against a new standards framework in 2009, and will continue to do so. Already this has led to certain product adjustments which are vital to restoring confidence.
- ⊙ We aim to introduce adequate adjustments to products that no longer meet public requirements with regard to duty of care and commission structures.
- ⊙ The economic crisis had an impact on the environment in which SNS REAAL operates. The crisis also prompted numerous and sometimes rapid amendments in legislation and regulations. These developments place a heavy burden on capitalisation, profitability and our staff. In response, SNS REAAL will continue to invest in its employees and in further improving an open feedback culture at every level of the organisation.
- ⊙ The market for intermediaries is very much in flux as a result of changing regulations as well as public indignation about high commissions. SNS REAAL's response is to adequately manage risks surrounding

this distribution channel and to the selection of intermediaries so as to contribute to its further professionalism.

- ⊙ The domestic and foreign real estate markets are under sustained pressure, causing prices and demand to continue their downward trend. Managing the international portfolio of SNS Property Finance requires much attention. Requisite measures and provisions have been implemented and the foreign portfolios will be phased out determinedly over a period of several years

The system of demonstrable measures for managing the financial reporting risk functioned adequately throughout 2009. On that basis we have obtained reasonable assurance that the financial reporting does not contain any material misstatements. The financial reporting process at this time gives us no reason to expect that it will not work adequately in 2010. A key area of attention in 2010 is the further and permanent improvement of the quality of financial and risk reports.

Managing financial reporting

The financial reporting management and control systems are an integral part of SNS REAAL's overall risk management and control systems. Its key elements in respect of the control of financial reporting are the following:

- ⊙ The Financial Committee, which is responsible for setting policy frameworks as well as outlining the organisation of financial and actuarial administrations and processes.
- ⊙ The business units and Group staff departments which are responsible for carrying out the work, and thus for an accurate and faithful recording of the transactions and the reporting thereon.
- ⊙ A system of financial key controls within the financial accounting and reporting departments, in order to monitor the soundness of financial reporting management and control systems. These key controls are the basis of our internal in-control statement.
- ⊙ The Financial Committee's assessment of financial accountability partly based on the key controls' results. After approval by the Executive Board, the findings of the financial reporting process together with the financial accountability is discussed in the Audit Committee.
- ⊙ The assessment of this system's operation performed by the internal and external auditors. The findings are discussed with the Financial Committee, the Executive Board and the Audit Committee.

Transparency statement

SNS REAAL prepares the consolidated and company financial statements 2009 of SNS REAAL N.V. in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU) and with Title 9 Book 2 of the Dutch Civil Code. To the best of our knowledge they give a true and fair view of the assets, liabilities, composition of equity, financial position as per 31 December 2009 and financial result of the Group and its consolidated companies.

The annual report gives, to the best of our knowledge, a true and fair view of the position as per the balance sheet date and the development during the financial year. The principle risks SNS REAAL N.V. faces are described in the annual report.

Utrecht, 10 March 2010

Ronald Latenstein

Rien Hinssen

Ference Lamp

Dick Okhuijsen

If you want to think from the customer's perspective, you need to involve them in everything you do. This is why we have expressly asked customers to 'help us steer our course'. In 2009, for example, REAAL Verzekeringen tested ideas on numerous subjects by means of a consumer panel, as well as a panel of some 700 intermediaries. Zwitserleven again organised regular meetings with intermediaries and end customers in customer arenas and SNS Bank commenced a permanent on-line customer satisfaction survey. ASN Bank conducted and keeps conducting -customer surveys, among other things into its sustainability policy.



Customers at the wheel



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Consolidated balance sheet

Before result appropriation and in € millions	31-12-2009	31-12-2008
Assets		
Intangible assets 1	2,697	2,907
Property and equipment 2	376	433
Investments in associates 3	100	110
Investment properties 4	193	210
Investments 5	30,585	29,296
Investments for account of policyholders 6	12,565	10,724
Invested collateral securities lending 7	540	2,310
Derivatives 8	1,381	1,761
Deferred tax assets 9	562	483
Reinsurance contracts 18	366	402
Property projects 10	599	120
Loans and advances to customers 11	70,457	68,649
Loans and advances to banks 12	4,344	4,722
Corporate income tax	41	374
Other assets 13	660	897
Cash and cash equivalents 14	3,472	1,961
Total assets	128,938	125,359
Equity and liabilities		
Share capital	469	426
Other reserves	3,564	3,933
Retained earnings	10	(736)
Shareholders' equity 15	4,043	3,623
Equity attributable to securityholders 15	999	1,249
Minority interests	20	20
Total Equity	5,062	4,892
Participation certificates and subordinated debt 16	1,982	2,125
Debt certificates 17	32,956	32,679
Insurance contracts 18	38,030	36,067
Provision for employee benefits 19	414	389
Other provisions 20	101	56
Securities lending liabilities 7	550	2,377
Derivatives 8	2,327	2,358
Deferred tax liabilities 9	879	754
Savings 21	24,435	21,859
Other amounts due to customers 22	8,054	8,357
Amounts due to banks 23	11,136	10,612
Other liabilities 24	3,012	2,834
Total equity and liabilities	128,938	125,359

The references next to the balance sheet items relate to the notes starting on page 198.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 2.3.1 of the accounting principles for the consolidated financial statements.

Consolidated income statement

In € millions	2009	2008
Income		
Interest income	2,736	3,836
Interest expense	2,003	2,986
Net interest income 25	733	850
Premium income	4,362	4,384
Reinsurance premiums	108	82
Net premium income 26	4,254	4,302
Fee and commission income	220	227
Fee and commission expense	32	25
Net fee and commission income 27	188	202
Share in result of associates 28	13	(13)
Investment income 29	1,747	1,206
Investment income for account of policyholders 30	1,334	(1,721)
Result on financial instruments 31	181	155
Income invested collateral securities lending 7	30	106
Other operating income 32	17	50
Total income	8,497	5,137
Expenses		
Technical claims and benefits 33	3,307	3,423
Charges for account of policyholders 34	2,426	(642)
Acquisition costs for insurance operations 35	362	376
Impairment charges / (reversals) 36	847	1,020
Staff costs 37	761	814
Depreciation and amortisation of fixed assets 2	103	95
Other operating expenses 38	356	295
Interest expense securities lending 7	20	95
Other interest expenses 39	260	374
Other expenses	4	15
Total expenses	8,446	5,865
Result before tax	51	(728)
Taxation 40	29	(208)
Net result continued operations	22	(520)
Net result discontinued operations 41	--	22
Net result for the period	22	(498)
Attribution:		
Net result attributable to shareholders	10	(504)
Net result attributable to securityholders	7	--
Net result attributable to shareholders and securityholders	17	(504)
Net result attributable to minority interests	5	6
Net result for the period	22	(498)

The references next to the income statement items relate to the notes starting on page 223.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 2.3.1 of the accounting principles for the consolidated financial statements.

In € millions	2009	2008
Earnings per share / security		
Earnings per ordinary share from continued operations 42	0.03	(2.01)
Earnings per ordinary share from discontinued operations	--	0.08
Earnings per ordinary share	0.03	(1.93)
Earnings per B share from continued operations 42	--	--
Earnings per B share from discontinued operations	--	--
Earnings per B share	--	--
Earnings per security issued to the Stichting Beheer SNS REAAL from continued operations 42	--	--
Earnings per security issued to the Stichting Beheer SNS REAAL from discontinued operations	--	--
Earnings per security issued to the Stichting Beheer SNS REAAL	--	--
Earnings per security issued to the Dutch State from continued operations 42	0.05	--
Earnings per security issued to the Dutch State from discontinued operations	--	--
Earnings per security issued to the Dutch State	0.05	--
Diluted earnings per ordinary share from continued operations 42	0.03	(2.01)
Diluted earnings per ordinary share from discontinued operations	--	0.08
Diluted earnings per ordinary share	0.03	(1.93)
Diluted earnings per B share from continued operations 42	--	--
Diluted earnings per B share from discontinued operations	--	--
Diluted earnings per B share	--	--

The references next to the income statement items relate to the notes on the consolidated income statement starting on page 223.

Consolidated statement of comprehensive income

In € millions	2009	2008
Net result for the period	22	(498)
Unrealised revaluations property and equipment	--	7
Impairments property and equipment	(9)	(2)
Realised revaluations through equity	--	--
Change in revaluation reserve	(9)	5
Unrealised revaluations from cash flow hedges	5	61
Deferred interest income from cash flow hedges	2	7
Realised revaluations through profit or loss	--	1
Change in cash flow hedge reserve	7	69
Unrealised revaluations investments available for sale	312	(532)
Impairments fair value reserve	131	542
Realised revaluations through profit or loss	(189)	122
Change in fair value reserve	254	132
Change in share of other comprehensive income of associates (equity method)	--	--
Change in profit sharing reserve	27	(3)
Change in other reserves	--	2
Other comprehensive income (after tax)	279	205
Total comprehensive income	301	(293)
Attribution:		
Total comprehensive income	301	(293)
Total comprehensive income to minority interests	5	6
Total comprehensive income attributable to shareholders and securityholders	296	(299)

Consolidated statement of changes in total equity

In € millions	Issued share capital ordinary and B-shares	Share premium reserve ordinary and B-shares	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Profit sharing reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities capital	Minority interests	Group Equity
Balance as at 1 January 2009	426	1,275	55	105	62	9	2,427	(736)	3,623	1,249	20	4,892
Transfer of net result 2008	--	--	--	--	--	--	(504)	504	--	--	--	--
Transfer of distributed final dividend 2007	--	--	--	--	--	--	(120)	120	--	--	--	--
Transfer of distributed interim dividend 2008	--	--	--	--	--	--	(112)	112	--	--	--	--
	--	--	--	--	--	--	(736)	736	--	--	--	--
Unrealised revaluations from cash flow hedges	--	--	--	8	--	--	--	--	8	--	--	8
Deferred interest income from cash flow hedges	--	--	--	2	--	--	--	--	2	--	--	2
Unrealised revaluations	--	--	--	--	312	--	--	--	312	--	--	312
Impairments	--	--	(9)	--	131	--	--	--	122	--	--	122
Realised revaluations through profit or loss	--	--	--	(3)	(162)	--	--	--	(165)	--	--	(165)
Change in profit-sharing reserve	--	--	--	--	(27)	27	--	--	--	--	--	--
Amounts charged directly to total equity	--	--	(9)	7	254	27	--	--	279	--	--	279
Net result 2009	--	--	--	--	--	--	--	17	17	--	--	17
Total result 2009	--	--	(9)	7	254	27	--	17	296	--	--	296
Share issue	43	92	--	--	--	--	--	--	135	--	--	135
Repurchase securities capital	--	--	--	--	--	--	--	--	--	(250)	--	(250)
Costs related to issue	--	(4)	--	--	--	--	--	--	(4)	--	--	(4)
Coupon paid on securities capital	--	--	--	--	--	--	--	(7)	(7)	--	--	(7)
Transactions with shareholders and holders of securities capital	43	88	--	--	--	--	--	(7)	124	(250)	--	(126)
Total changes in equity 2009	43	88	(9)	7	254	27	(736)	746	420	(250)	--	170
Balance as at 31 December 2009	469	1,363	46	112	316	36	1,691	10	4,043	999	20	5,062

On 29 September 2009 SNS REAAL's capital was increased by 26,147,259 ordinary shares (each with a nominal value of € 1.63) which are issued for an amount of € 5.15 per share (total € 135 million). As of 30 November 2009 the capital was decreased by the repurchase of € 250 million core tier 1 capital securities. The € 250 million is comprised out of € 185 million core tier 1 capital securities placed at the Dutch State and € 65 million core tier 1 capital securities placed at Stichting Beheer SNS REAAL. For more information, please refer to the chapter on Capital structure starting on page 86. SNS REAAL declared not to distribute dividend for the year 2009. A coupon of € 7 million was distributed from the net result attributable to securityholders as a consequence of the early repurchase of core tier 1 capital securities.

For more information on the statement of changes in equity please refer to paragraph 3.17 of the accounting principles for the consolidated financial statements.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 2.3.1 of the accounting principles for the consolidated financial statements.

In € millions	Issued share capital ordinary and B-shares	Share premium reserve ordinary and B-shares	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Profit sharing reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities capital	Minority interests	Total equity
Balance as at 1 January 2008	426	675	50	36	(70)	12	2,088	371	3,588	--	3	3,591
Transfer of net result 2007	--	--	--	--	--	--	465	(465)	--	--	--	--
Transfer of distributed interim dividend 2007	--	--	--	--	--	--	(94)	94	--	--	--	--
	--	--	--	--	--	--	371	(371)	--	--	--	--
Unrealised revaluations from cash flow hedges	--	--	--	61	--	--	--	--	61	--	--	61
Deferred interest income from cash flow hedges	--	--	--	7	--	--	--	--	7	--	--	7
Unrealised revaluations	--	--	7	--	(532)	--	--	--	(525)	--	--	(525)
Impairments	--	--	(2)	--	542	--	--	--	540	--	--	540
Realised revaluations through equity	--	--	--	--	--	--	--	--	--	--	--	--
Realised revaluations through profit or loss	--	--	--	1	122	--	--	--	123	--	--	123
Change in profit-sharing reserve	--	--	--	--	--	(3)	3	--	--	--	--	--
Other movements	--	--	--	--	--	--	(1)	--	(1)	--	17	16
Amounts charged directly to total equity	--	--	5	69	132	(3)	2	--	205	--	17	222
Net result 2008	--	--	--	--	--	--	--	(504)	(504)	--	--	(504)
Total result 2008	--	--	5	69	132	(3)	2	(504)	(299)	--	17	(282)
Share issue	--	600	--	--	--	--	--	--	600	--	--	600
Issue securities capital	--	--	--	--	--	--	--	--	--	1,250	--	1,250
Costs related to issue	--	--	--	--	--	--	--	--	--	(1)	--	(1)
Coupon payable on securities capital	--	--	--	--	--	--	(34)	--	(34)	--	--	(34)
Final dividend paid 2007	--	--	--	--	--	--	--	(120)	(120)	--	--	(120)
Interim dividend paid 2008	--	--	--	--	--	--	--	(112)	(112)	--	--	(112)
Transactions with shareholders and holders of securities capital	--	600	--	--	--	--	(34)	(232)	334	1,249	--	1,583
Total changes in equity 2008	--	600	5	69	132	(3)	339	(1,107)	35	1,249	17	1,301
Balance as at 31 December 2008	426	1,275	55	105	62	9	2,427	(736)	3,623	1,249	20	4,892

Consolidated cash flow statement

In € millions	2009	2008
Cash flow from operating activities		
Result before taxation	51	(728)
Adjustments for:		
Depreciation and amortisation of fixed assets	311	303
Changes in technical provisions own risk	89	819
Changes in other provisions	116	107
Impairment charges / (reversals)	847	1,020
Unrealised results on investments through profit or loss	(136)	19
Retained share in the result of associates	(6)	25
Tax paid / received	269	(9)
Change in operating assets and liabilities		
Change in loans and advances to customers	(2,111)	(5,109)
Change in loans and advances to banks	902	694
Change in savings	2,576	2,680
Change in trading portfolio	87	313
Change in other operating activities	1,522	466
Net cash flow from operating activities	4,517	600
Cash flow from investment activities		
Proceeds from the sale of intangible assets	31	1
Proceeds from the sale of property and equipment	13	6
Proceeds from the sale of subsidiaries	8	156
Proceeds from the sale of investment property	6	10
Proceeds from the sale and redemption of investments and derivatives	24,463	13,400
Purchase of intangible fixed assets	(147)	(90)
Purchase of property and equipment	(38)	(43)
Purchase of subsidiaries	(23)	(1,552)
Purchase of investment property	(527)	(137)
Purchase of investments and derivatives	(24,409)	(12,828)
Net cash flow from investment activities	(623)	(1,077)
Cash flow from financing activities		
Proceeds from issue of shares	131	600
Proceeds from issue of securities capital	--	1,249
Proceeds from issue of subordinated loans	54	415
Proceeds from issues of debt certificates	12,638	8,813
Repurchase of securities	(250)	--
Redemption of subordinated loans	(667)	(321)
Redemption of debt certificates	(14,248)	(12,427)
Dividends paid	--	(232)
Coupon paid on securities capital	(41)	--
Net cash flow from financing activities	(2,383)	(1,903)
Cash and cash equivalents as at 1 January	1,961	4,341
Cash from acquisitions	--	21
Change in cash and cash equivalents	1,511	(2,401)
Cash and cash equivalents as at 31 December	3,472	1,961
Additional disclosure with regard to cash flows from operating activities		
Interest income received	4,453	5,276
Dividends received	230	178
Interest paid	(2,158)	(3,215)

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in subsection 2.3.1 of the accounting principles for the consolidated financial statements.

Accounting principles for the consolidated financial statements

Adoption financial statements

The consolidated financial statements of SNS REAAL NV for the year ended on 31 December 2009 were authorised for publication by the Executive Board following their approval by the Supervisory Board on 10 March 2010.

1 General information

SNS REAAL NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SNS REAAL NV's registered office is located at Croeselaan 1, 3521 BJ Utrecht. SNS REAAL NV is the parent company of SNS Bank NV, REAAL Verzekeringen NV, SNS REAAL Invest NV, SNS Asset Management NV, Zwitserven Asset Management BV and their subsidiaries (referred to as 'SNS REAAL'). The consolidated financial statements of SNS REAAL comprise the accounts of all the companies controlled by SNS REAAL and the interest of SNS REAAL in associated subsidiaries and entities.

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

The consolidated financial statements of SNS REAAL 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 REAAL 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 REAAL 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 REAAL 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 insurance contracts and capitalised acquisition costs, 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 REAAL.

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.

On 5 March 2009 the IASB issued an amendment to IFRS 4 Insurance Contracts. The amendment requires disclosure on insurance contracts that are within the scope of IFRS 7.

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 REAAL.

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 acquiree'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 REAAL.

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 on or after 1 January 2010 and yet have to be adopted by the EU. SNS REAAL 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 REAAL 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 REAAL.

IFRIC 17 Distributions of Non-cash Assets to Owners is effective for accounting periods beginning on 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 REAAL.

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. The group entities have applied the accounting principles consistently to all periods.

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, for invested collateral securities lending, for derivatives and for investments and liabilities on behalf of policyholders. All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities 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).

As from 2009 other operational expenses will be split in two separate lines, other operational expenses and other expenses, to provide more transparency. The other expenses include non-recurring items. Comparative figures have been adjusted accordingly (2008: € 15 million).

Management fees on life insurance contracts for account of policyholders, which were presented in the income statement 2008 under investment income for account of policyholders have been transferred to fee and commission income. Comparative figures have been adjusted (2008: € 25 million). The operating cost/premium ratio has been adjusted accordingly.

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).

In the beginning of 2009 in addition to the Executive Board, a new Management Committee was formed, comprising of the Executive Board, the chairmen of the boards of SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven, the Chief Information Officer and the director of Human Resources. The new information by segment follows this Business Unit structure in presenting the information by segment / BU, as required by IFRS 8 Operating Segments. Comparative figures have been adjusted accordingly.

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.

In 2009 mortgages of DBV (segment REAAL Life) were sold to SNS Bank (segment SNS Retail Bank) amounting to € 680 million. The mortgages concerned were reclassified from the category fair value through profit or loss into the category loans and receivables, as SNS Bank has the intention to hold the mortgages for the foreseeable future.

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 REAAL has the power to determine the financial and operating policies, whether directly or indirectly, are consolidated. This is the case if more than half of the voting rights may be exercised, or if SNS REAAL has control in any other manner. Subsidiaries are fully consolidated from the date on which control is transferred to SNS REAAL. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated, with SNS REAAL accounting principles being applied. The interests of third parties are separately included in the consolidated balance sheet and income statement.

2.4.2 Associates

Investments in associates are those entities in which SNS REAAL has significant influence on the operational and financial policy, but no control. This is generally the case when the SNS REAAL has between 20% and 50% of the voting rights. The consolidated financial statements include the SNS REAAL's share in the total results of associated companies, from the date that the SNS REAAL 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 REAAL's accounting principles.

2.4.3 Joint ventures

Joint ventures are entities over which the SNS REAAL 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 3.3), from the date that SNS REAAL first obtained joint control to the moment that control ceases.

2.4.4 Securitisations

SNS REAAL 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 REAAL does not have direct or indirect interests in these entities. SNS REAAL fully consolidates these SPEs in its financial statements if, on the basis of the economic reality of the relationship between SNS REAAL and the SPE, SNS REAAL controls the SPE, or if SNS REAAL retains the majority of the risks and rewards.

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 REAAL and its associates and joint ventures are eliminated to the extent of SNS REAAL's interest in these investments.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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 currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional currency of the SNS REAAL. 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 Insurance contracts

Insurance contracts are those contracts that bear significant insurance risks. These contracts can also involve investment risks. SNS REAAL has insurance contracts for Life and Non-life.

2.8.1 Life insurance

Life insurance contracts can be separated into individual policies and group contracts. These contracts provide mostly long-term insurance for events that lead to a payment in cash, or of the counter value of investment units, upon maturity or death of the insured.

2.8.1.1 Life Insurance in cash

SNS REAAL's individual life insurance contracts in cash can be divided into the following product groups: savings mortgages, annuities, term insurance policies, savings policies, and funeral insurance policies. These contracts concern life insurance whereby the risk is borne by SNS REAAL.

In addition to non-profit sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights. Discretionary profit sharing schemes are connected to the contractual right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of SNS REAAL's Executive Board. In view of the discretionary nature of this profit-sharing obligation, a designated amount has been included in shareholders' equity, the profit sharing reserve.

In addition to discretionary profit sharing, there are also individual and group contracts with contractual profit sharing. These include profit-sharing based on a share of any surplus interest profits and profit sharing based on a share of any insurance profits. The obligations of these are included in the provision for insurance contracts.

2.8.1.2 Unit-linked life insurance

The claims from these insurance contracts are directly linked to the underlying investments. Given this link, the technical provisions held in respect of these policies move in line with movements in the value of these investments. The policyholder determines how SNS REAAL should invest the amount of any premiums paid after deduction of costs and risk premium. To this end, SNS REAAL has created separate investment funds. The investment risk is borne by the unit-linked policyholders. In addition to deciding how funds should be invested, policyholders are also free to alter the policy at any time depending upon their personal and/or financial situation.

Within investment insurance, SNS REAAL issues guarantees on returns for a limited number of investment funds.

Group insurance contracts with segregated pools are recognised under unit-linked group insurance contracts.

2.8.2 Non-life insurance

Non-life insurance policies are insurance policies that provide cover that is not related to the life or death of the insured persons. These contracts generally provide cover for a relative short period. SNS REAAL's non-life insurance contracts can be divided into the following product groups: accident and health, motor vehicles, fire, transport and other.

Payments made after the occurrence of a specified insured event are either fixed (e.g. in the event of disability) or linked to the scale of the economic loss suffered by the policyholder (in accordance with the indemnity principle).

2.9 Information by segment

The seven primary business segments of SNS REAAL are clearly distinctive organisational components, and carry out activities that generate income and expenses. It encompasses also the operational segment Group Activities that primarily performs transactions and activities with and on behalf of other parts of SNS REAAL. The Management Committee defines the performance targets and authorises and monitors the budgets that have been prepared by these business units. The management of 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:

- ⊙ SNS Retail Bank
- ⊙ SNS Property Finance
- ⊙ Zwitterleven
- ⊙ REAAL Life
- ⊙ REAAL Non-life
- ⊙ REAAL Other
- ⊙ Group activities

More information on the different segments can be found in the section ‘Segments’ starting on page 135.

3 Specific balance sheet principles

3.1 Intangible assets

3.1.1 Goodwill

Acquisitions by SNS REAAL are accounted for according to the purchase method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and SNS REAAL’s interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible 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.

3.1.2 Software

Costs that are directly related to the development of identifiable software products that SNS REAAL controls, and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible 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.

3.1.3 Capitalised acquisition costs Insurance activities

Acquisition costs are the direct or indirect costs related to the production of new life insurance business and disability insurance business that depend on, and relate to, the acquisition of new contracts and the renewal of existing contracts. Non-commission acquisition expenses are capitalised to the extent that they can be recovered from the projected gross profits of the underlying new business in a given year. Acquisition costs are amortised based on the expected average term over which premiums will be received. Capitalised commissions are amortised over the period over which they are earned i.e. either 5 or 10 years, and this varies by product. These terms are re-assessed on a regular basis. If applicable, the amortisation charge will be adjusted for the shortened period.

An impairment test is performed at each balance sheet date. Capitalised acquisition costs are included as part of the provision for insurance contracts in the life-insurance liability adequacy test. For a more detailed explanation and recognition of any deficits demonstrated by that test, please refer to paragraph 3.20.

The test on internal acquisition costs is combined with the test on VOBA as described in paragraph 3.1.4.

3.1.4 VOBA

SNS REAAL accounts for acquisitions on the basis of the purchase method. As a result, the difference between the fair value and the book value (SNS REAAL accounting principles) of the acquired insurance portfolios is included in the balance sheet as an intangible fixed asset. The VOBA (Value of Business Acquired) is determined using the net present value of expected future cash flows generated by the acquired insurance contracts as at the acquisition date. Best estimates of actuarial assumptions

for interest rates, mortality and expenses are used to determine this net present value. SNS REAAL amortises the VOBA on the basis of profit flows of the underlying portfolios. The amortisation charge is thus in line with the results from the underlying portfolios.

An impairment test is performed at each balance sheet date to confirm that future profits from acquired insurance contracts are sufficient to cover the amount of any capitalised VOBA. The test makes use of the calculations that are part of the annual liability adequacy test (LAT) on insurance liabilities. The VOBA and the internal acquisition costs are tested simultaneously. If the combined book value of the VOBA and the capitalised internal costs is higher than the difference between the balance sheet provision and the best estimate market value provision, an additional part will be charged against the results until the values are at an equal level.

3.1.5 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.

3.2 Property and equipment

3.2.1 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. Property in own use of SNS REAAL, but which REAAL treats as investment property, is measured at its market value when leased. 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'.

3.2.2 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'.

3.3 Investments in associates

Investments in associates are entities in which SNS REAAL generally owns between 20% and 50% of the voting power, or of which the SNS REAAL 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 REAAL in the result of associates is recognised in the income statement under 'share in the result of associates'. The share of SNS REAAL in changes in the reserves of associates, 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 REAAL has entered into commitments or made payments on its behalf. Where necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by SNS REAAL.

Associates held for sale are classified as 'Held for sale'. These associated companies are measured at the lower of the book value and the sales price less sales costs. The result on the sale of an investment in an associated company is presented in the income statement as a total amount, consisting of the sales price less transaction costs and the book value of the associated company.

3.4 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 REAAL 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'.

3.5 Investments

3.5.1 Classification

SNS REAAL classifies its investments in one of the following categories: (1) held to maturity, (2) loans and receivables, (3) available for sale and (4) 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 Held to maturity

Investments, with the exception of derivatives, with a fixed term whereby the management intends, and is able, to hold the investment to maturity, may be classified as held to maturity. SNS REAAL currently holds no investments in this category.

3.5.3 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.

3.5.4 Available for sale

Investments that do not meet the criteria defined by management for 'held to maturity', 'loans and receivables' or '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 REAAL uses the average cost method to determine the results.

3.5.5 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 REAAL 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' at 'the Banking activities and under 'investment income' at the Insurance activities. Dividend received is recorded under investment income.

3.5.6 Impairment charges

At each reporting date, SNS REAAL assesses whether there are objective indications of impairment of investments classified as held to maturity, loans and receivables and available for sale. Impairment losses are recognised directly in the income statement under 'impairment charges'. 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 Investments for account of policyholders

Investments on behalf of policyholders are measured at fair value. Amounts due by policyholders in this context are recognised in the income statement as 'premium income'. Adjustments in the value of investments and results on the sale of investments are recorded in the income statement under 'investment income for policyholders'.

3.7 Invested collateral securities lending

SNS REAAL has programmes in which financial assets are pledged, and collateral is obtained that is sometimes invested by SNS REAAL. These investments are not freely available. The investments can only be used to redeem the collateral provided by the borrower in connection with the lending and borrowing transaction. The obligation to repay the collateral provided in cash is included in the balance sheet under 'securities lending liabilities'. The investments are measured at fair value. Unrealised revaluations are included net of tax to the fair value reserve. In the event of an impairment loss, the book value will be written down to the recoverable amount.

3.8 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 REAAL recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities. Adjustments in the fair value of derivatives that do not qualify for hedge accounting (3.8.2) are accounted for in the income statement under 'result on financial instruments'.

3.8.1 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.

3.8.2 Hedge accounting

SNS REAAL uses derivatives as part of asset and liability management and risk management. These instruments are used for hedging interest rate and foreign currency risks, including the risks of future transactions.

SNS REAAL can designate certain derivatives as either (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 REAAL, at the inception of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position will be almost fully offset by adjustments in the fair value or cash flows of the hedging instrument, insofar as they are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

SNS REAAL 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.

3.8.2.1 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.

3.8.2.2 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.

3.9 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 REAAL can determine the time at which these temporary differences are realised or settled and if it is likely that these differences will not be realised or settled in the near future.

Deferred tax assets are assessed at 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.

3.10 Reinsurance contracts

Contracts entered into with reinsurance companies and by virtue of which SNS REAAL receives compensation for losses on insurance contracts SNS REAAL has issued, are designated as ceded reinsurance contracts.

Insurance contracts entered into where the contract holder is another insurance company are classified as incoming reinsurance contracts and are recognised as insurance contracts.

Reinsurance premiums, commissions, payments and technical provisions for reinsurance contracts are accounted for in the same way as the direct insurance policies that are reinsured. The share of reinsurance companies in the technical provisions and the benefits to which SNS REAAL is entitled by virtue of its reinsurance contracts are accounted for as a reinsurance asset. These assets comprise short-term receivables from reinsurance companies (presented under other assets), and long-term receivables (presented under reinsurance contracts). These receivables depend on the expected claims and benefits arising from the insurance contracts that SNS REAAL has reinsured. Deposit components of (re)insurance contracts that are within the scope of IFRS 4 Insurance contracts will be recognised in the balance sheet under 'insurance contracts'.

The amounts receivable from, and payable to, reinsurance companies are valued in accordance with the terms and conditions of each reinsurance contract. Reinsurance obligations relate primarily to premiums payable for reinsurance contracts. These premiums are recognised as an expense over the period in which they are due.

Reinsurance receivables are assessed for impairment at the reporting date.

3.11 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. Reversals of impairments are also recognised in the income statement.

3.12 Loans and advances to customers

3.12.1 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 REAAL will not be able to collect all the amounts in accordance with the original contract. For loans and advances that are individually significant, the provision made equals the difference between the book value 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.

Several securitised mortgages, mortgages to be securitised, the derivatives and related liabilities are measured at fair value. This relates to the mortgages of the Holland Homes MBS securitisation programme. The fair value is determined on the basis of the current swap curve, including a risk mark-up derived from the development of the mortgage rate in relation to the swap interest rate. Besides this, the probability of prepayment is also taken into account. Details of these mortgages are given in the notes.

3.12.1.1 Credit guarantees

SNS REAAL 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.

3.12.2 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 REAAL 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 REAAL, 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.

3.12.2.1 Lease

SNS REAAL as lessee

The lease agreements that SNS REAAL 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 REAAL as lessor

SNS REAAL has entered into a number of financial lease agreements. These are agreements for which the SNS REAAL 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.

3.13 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.

3.14 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.

3.15 Other assets

Other assets consist of receivables from direct insurance policies, 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.

3.16 Cash and cash equivalents

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

3.17 Equity

3.17.1 Issued share capital and share premium reserve

The share capital comprises issued and paid-up share capital on ordinary shares and B-shares. The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary and B-shares. Costs directly attributable to the issue of equity instruments are deducted net of tax from the share issue income.

3.17.2 Ordinary and B-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'.

3.17.3 Revaluation reserve

Revaluations of property in own use (see 3.2.1) are included in the revaluation reserve.

3.17.4 Cashflow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes to the fair value of the derivatives used in the context of cash flow hedges, net of taxes, providing the hedged transaction has not yet taken place (see 3.8.2.2).

3.17.5 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 3.5.4).

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).

3.17.6 Profit-sharing reserve

The insurance portfolio contains contracts that are entitled to discretionary profit-sharing amounts. This profit-sharing is awarded annually, primarily on the basis of the excess interest realised on the fixed-interest securities in the existing portfolio during the financial year. Unrealised gains and losses on these fixed-interest securities are taken to the fair value reserve; the part of these unrealised revaluations which might be available for future distribution to policyholders as profit sharing is taken to the profit-sharing reserve.

3.17.7 Other reserves

Other reserves mainly comprise SNS REAAL's retained profits.

3.17.8 Securities capital and securities capital share premium reserve

The securities capital comprises the securities capital issued and paid up by the Dutch State and Stichting Beheer SNS REAAL. The 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.

3.17.9 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'.

3.18 Participation certificates and subordinated debt

3.18.1 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.

3.18.2 Subordinated debt

The subordinated (bond) loans issued by SNS Bank and SNS REAAL 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.

3.18.3 Final bonus account

The final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual policies that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to a final bonus is cancelled when the policy is surrendered. Entitlements to final bonuses not yet paid out are subordinated to all other debts. It is also stipulated that entitlement to a final bonus is cancelled if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements can or may no longer be complied with. The final bonus account is determined actuarially based on the same accounting principles that are applied for determining the profit additions, which form part of the provision for insurance contracts. The estimated probability of early termination of insurance contracts is taken into account.

Part of the final bonus account is converted annually, according to a fixed method, into an unconditional right of the policyholder and added to the provision for insurance contracts. These obligations arising from the final bonus scheme are classified as debt capital in the financial statements. This item is part of the available regulatory capital in the solvency reports to the Dutch Central Bank of the Insurance activities.

3.19 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 REAAL purchases its own debt securities in the context of market maintenance, these debt certificates are removed from the balance sheet.

3.20 Insurance contracts

3.20.1 General

The provision for insurance contracts is determined on the basis of a sufficiently conservative prospective actuarial method taking into account all future benefit payments and premiums to be received, to the extent applicable. The calculation deviates from using a prospective method if the nature of the relevant type of life insurance does not allow the application of this method. Actual payments and the timing of payments depend on factors such as social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, and, for life insurance contracts, assumptions about developments in mortality and disability rates. The assumptions used in the valuation of life insurance policies at the balance sheet date are based on the calculation principles set at the time of the issue of the policy. Using different assumptions for these factors than have been used in preparing these accounts could have a significant effect on the technical provisions and related expenses for insurance contracts (see also under Adequacy test 3.20.2).

3.20.1.1 Life Insurance policies for own account

An obligation to make future contractual payments is recognised as soon as the policy takes effect. The provision for life insurance policies for own account and risk consists of the discounted value of expected future benefits payments (including profit sharing already granted) to policyholders or other beneficiaries, less future premiums (net premium method). Assumptions are used for mortality, interest and in case of some risk products lapse. These assumptions used are based on pricing principles at the outset of the policy. The discount rate remains constant throughout the life for the majority of the policies, and is 3% for contracts issued after 1999 and a maximum of 4% for contracts prior to this time. For savings mortgages and other guaranteed products, the rate of return guaranteed in the contract is used. The actuarial interest for these products equals the investment return achieved on the corresponding investments. In this case, the interest rate risk has been fully hedged. Particularly with regard to the pension portfolio, the provisions may become insufficient due to the extended life expectancy of the insured persons. For this 'long-life risk', additional allocations were made to the provision in the past.

Gross premiums include loadings to cover expenses. When the premiums are received or fall due, the amount of any expenses loading is released and is then available to cover actual expenses, including renewal expenses, acquisition costs and the amortisation of capitalised acquisition costs. The provisions are net of capitalised interest rate rebates. These interest rate rebates are amortised on an actuarial basis.

A provision is maintained for the entitlement to a waiver of premium in the event of disability and for the no-claim disability annuities. This provision is based on a factor times the annual premium that applies for the disability risk. The level of the factor is determined, inter alia, based on IBNR techniques derived from empirical data for claim behaviour. The principles for valuation of disability cover that has entered into force, including the waiver of premium, are the same as the principles for the main insurance policy.

3.20.1.2 Provisions for profit sharing, bonuses and rebates

The present value of any profit sharing that has been awarded but not yet distributed is included under the provision for profit sharing, bonuses and rebates.

3.20.1.3 Life Insurance contracts on behalf of policyholders

These contracts concern insurance policies where the investment risk is borne by the policyholders. The technical provisions for these insurance policies are set equal to the balance sheet value of the related underlying investments. As a result, these technical provisions are recorded at fair value through profit or loss. Transaction costs and commission are not included in the initial valuation but charged to the income statement as these transactions are concluded.

Interest rate guarantees have been issued with a number of unit-linked insurance policies. The guarantee provided is a fixed annual return on the amount invested, and only applies at the maturity date of the insurance policy. Prior to maturity, the provision held for these policies is equal to at least the accumulated amount of premiums paid plus interest less any expense and mortality charge deductions, adjusted for future lapses and early surrenders. If the income from investments is not sufficient to cover the obligations due to guaranteed returns, an additional provision is made and charged to the income statement.

3.20.1.4 Non-life insurance

The provision for unearned premiums reflects premiums related to the period of any unexpired cover as at the balance sheet date. The provision is equal to the unearned gross premiums, whereby the commission paid is deducted from the gross premium. The provision for unearned premiums is calculated separately for each insurance contract using the 365ths method, adjusted where necessary for variations in risk and claim frequencies over the term of the insurance contract. The change in the provision for unearned premiums is recorded in the income statement in order to recognise income over the period of exposure to risk. The provision for current risks is made to meet obligations stemming from:

- ⊙ Claims and claim-handling expenses that may arise after the balance sheet date and which are covered by contracts issued prior to that date, insofar as the amount estimated in connection with this exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts.

- ⊙ The premiums received, be they single or regular, for contracts where the underlying risk increases over time. This is particularly the case for disability insurance.

The provision for claims payable has been set aside to meet claims arising from the current and preceding years that have not been settled as at the reporting date. The provision is determined systematically on a policy by policy basis. In the case of disability claims, this provision is referred to as the 'provision for periodic payments'.

REAAL Verzekeringen holds co-insurance contracts, mainly relating to the transport sector. In the calculation of the technical provision, all risks entered into as of the reporting date are accounted for, as are incurred claims, both reported and unreported. The expected balances for risks covered and losses incurred arising from transport insurance are determined on an underwriting-year basis.

The provision for claims incurred but not reported (IBNR) is intended for events that have occurred prior to the reporting date but have not yet been reported as at that date. In the case of disability contracts, the provision is partially calculated on the basis of risk premiums and claims ratios in recent years and partially based on actuarial analyses of claims development patterns. For other non-life insurance contracts this provision is estimated based on analyses of claims development patterns. In performing this analysis, projected subrogation amounts are deducted from this provision. The actuarial analyses used to calculate the IBNR provision are used in particular for estimating the projected final costs of more complex claims that can be affected by both internal and external factors such as claims handling procedures, inflation, changes in legislation and regulations, court rulings, history and trends.

A separate provision for claims handling costs is formed for claims handling and loss adjustment expenses. This provision provides an estimate of the expenses involved in dealing with payments to be made in respect of claims arising from insured events that have already occurred. In accordance with general practice in the industry, SNS REAAL does not discount the non-life provisions, with the exception of disability claims provisions. This also applies with regard to the provision for claims handling costs. Changes in estimates are reflected in the result in the period during which the estimates are adjusted.

3.20.2 Liability adequacy test for technical provisions on Insurance activities

The technical provisions reported at the balance sheet date are valued using premium calculation principles for interest and mortality (for life insurance contracts) or historically observed claim development patterns (non-life insurance). A combination of both methods is used in relation to the disability insurance contracts. The adequacy of the provisions is tested periodically during the reporting period. For the life activities this test is performed according to two different principles: IFRS and Dutch Central Bank.

Liability adequacy test (LAT) life insurance IFRS

In accordance with IFRS rules an IFRS LAT is performed. This is a test of the balance sheet provision to establish whether it is adequate to be able to meet the commitments vis-à-vis the policyholders with a large degree of certainty. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments of mortality, disability, the behaviour of policyholders, claim handling and management costs, and differences in the valuation of investments (to the extent they are not recognised at fair value). Valuation of the future expected profit sharing and the time value of embedded derivatives is included in these cash flows. Finally the estimate is increased by a risk margin. The Cost of Capital method is used in calculating the risk margin. If the thus calculated realistic provision turns out to be lower than the existing technical provision present in the balance sheet, then it can be ascertained that the existing balance sheet provision is adequate to satisfy the future commitments vis-à-vis the policyholders. Any shortfall is charged directly to the income statement.

This LAT is performed every quarter for the entire life insurance portfolio to determine whether the reported technical provision, based on the most current assumptions, is still adequate. The following current assumptions were used in performing the LAT as at 31 December 2009:

- ⊙ Discount rate calculated on the Dutch Central Bank curve with an add on to ECB all government yields
- ⊙ Profit allocation where surplus interest exceeds the assumed interest plus 0.5%, with tranches of surplus interest running off over time
- ⊙ Cost allocation and distribution of efficiency advantages based on internal assessment
- ⊙ Projected mortality data based on internal research
- ⊙ Lapse and early surrender data based on internal research
- ⊙ Inflation 1.25% in 2010, 1.5% in 2011 and 2% as from 2012
- ⊙ Salary increases in collective labour agreements in accordance with the inflation assumption

Liability adequacy test life insurance Dutch Central Bank

In accordance with the Dutch Central Bank regulations an adequacy test must also be carried out. This test differs on a few aspects with the LAT. The discount rate used is the ECB AAA State Curve and a surrender value restriction of the insurance contracts has been taken into account. The surrender value restriction means that the provision calculated per homogenous risk portfolio may never be lower than the guaranteed surrender values of the insurance contracts. Furthermore, in calculating the risk margin, the cost of capital used is 3% instead of 5%.

Liability adequacy test non-life insurance

A test is carried out twice a year to establish the adequacy of the provisions for non-life claims. This test first determines a best estimate, followed by a risk margin. The best estimate serves as a realistic estimate of future claim payments. The risk margin is based on the cost of capital method.

The test is performed on individual portfolios. The division in portfolios (according to branches and distribution channels) has been carried out in such a manner that the portfolios can be considered homogenous as far as risk is concerned. Practically the entire portfolio is subjected to a quantitative test; only part of the underwriting agents' portfolio is subjected to a qualitative test only. The test is augmented with the assessment of actual claims development results and the effects that the reserve policy for case provisions has on the amount of the claims provision. The adequacy of the non-life provisions for the entire non-life portfolio is assessed by combining these various test elements. Any shortfall is recorded directly to the income statement.

3.20.3 Derivatives embedded in Insurance contracts

SNS REAAL does not separately recognise derivatives embedded in insurance contracts, or options to surrender insurance contracts at a fixed amount, or a fixed amount and an interest rate, and thus closely linked to the basic insurance contract, but recognises these under the main contract from which they stem. The embedded derivatives are measured as soon as the technical provision made for the host contract drops below the guaranteed minimum. The time value of the derivative is not included in the measurement of the contract.

3.21 Employee benefits

3.21.1 Pension benefits

SNS REAAL has different pension plans, most of which are collective defined contribution plans. A defined contribution plan is a pension plan in which SNS REAAL pays fixed contributions to a separate entity, the independent Stichting Pensioenfonds SNS REAAL (the pension fund). SNS REAAL has no legally enforceable or actual obligation to pay extra contributions if the fund has insufficient assets to make all the benefit payments.

For the collective defined contribution plans, SNS REAAL pays contributions to the pension fund. The regular contributions are considered to be net periodic costs for the year in which they are due, and are recognised as such in the staff costs. Employee contributions are deducted from the net period costs.

SNS REAAL also has a number of defined benefit pension plans relating to acquisitions. The pension rights of the (former) employees of SNS Property Finance, Zwitterleven, DBV and of the employees who fall under the old pension scheme of AXA and Winterthur are defined benefit pension plans. SNS REAAL's net commitments arising from defined benefit pension plans are calculated separately for each plan by making an assessment of the pension entitlements that staff have accrued in exchange for their services during the reporting period and prior periods. These pension entitlements are discounted in order to determine the present value, and the fair value of the separate fund investments is deducted from this. The discount rate represents the return as at the balance sheet date of bonds with an AA credit rating whose maturities approach the term of the SNS REAAL's commitments. The present value of the pension entitlements for self-administered pension plans is included separately in the balance sheet. The investments related to these pension plans are recognised under 'investments'.

The actuarial gains and losses arising from defined benefit pension plans, insofar as any non-recognised accumulated actuarial gains and losses exceed 10% of the higher of the present value of the defined benefit obligation, or the fair value of the plan assets, are recognised in the income statement for the average expected remaining period of services rendered of the employees participating in the plan. Otherwise, the actuarial gains or losses are not included in the income statement.

When the calculation results in a positive balance for the SNS REAAL, the asset is stated at an amount no higher than the balance of any non-recognised actuarial losses and past service pension charges and the present value of any future repayments by the fund or lower future premiums.

3.21.2 Other employee commitments

The other employee commitments refer mostly to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The size of the provision is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, a provision has been made for reimbursement of medical expenses.

To qualify for these benefits, the employment contract of the employee should normally have continued until the retirement age, and it should have lasted for a specified minimum period. A liability is taken for the estimated costs of these benefits during the term of employment using a method that corresponds with that used for defined benefit pension plans.

3.21.3 Short-term remunerations for employees

Short-term remunerations for employees include, inter alia, salaries, short paid leave, profit sharing and bonus schemes. These short-term remunerations are accounted for in the income statement over the period in which the services are rendered. In the event that employees have not made use of their entitlements at the end of the period, a liability is formed for the nominal amount.

3.21.4 Share-based remunerations

The costs of share-based remunerations are accounted for over the period in which the services are rendered. The performance period has been determined in the 'Long-Term Bonus Plan' regulations. When the share-based remuneration is settled in shares this results in an increase of shareholders' equity. If the share-based remuneration is settled in cash, a liability is taken into account. The fair value of the share-based remuneration based on shares that will be settled in shares is determined on the date of granting. The number of shares to be granted is determined on each balance sheet date. The fair value of the share-based remuneration that will be settled in cash is also determined on every reporting date.

3.22 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.

3.22.1 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 REAAL recognises severance payments if the SNS REAAL 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.

3.22.2 Legal 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 REAAL 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 REAAL. 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.

3.23 Securities lending liabilities

The requirement to repay the pledged collateral in cash (paragraph 3.7 Invested collateral securities lending) is recognised in the balance sheet as securities lending liabilities. These liabilities are stated at amortised cost.

3.24 Derivatives

See paragraph 3.8 of these notes.

3.25 Deferred tax liabilities

Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. See 3.9 for detailed information.

3.26 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.

3.27 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.

3.28 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.

3.29 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.

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 REAAL. 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 REAAL 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 REAAL will conclude a particular loan agreement. If the commitment expires without SNS REAAL 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 of the banking operations. 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 Premium income

The premium income consists of the premiums that policyholders owe to the Insurance activities for concluded insurance contracts. Premium income is divided into Regular Life (including pensions), Single-premium Life and Non-life premiums. Gross premiums, excluding taxes and other charges stemming from life insurance contracts, are recognised as income when payment by the policyholder falls due. The premiums for single-premium contracts and limited-premium life insurance policies are recognised as income when payment falls due; possible cost, cost loadings and risk coverage are deferred and allocated to results proportionately over the lifetime of the current policy or, in the case of annuities, proportional to the amount of the benefits. Interest rate rebates and rate rebates are included in gross premium income and charged to claims burden and benefits during the amortisation period.

The premiums for non-life policies, usually insurance contracts with a maximum term of twelve months, are recognised as income during the term of the contract in proportion to the elapsed insurance term. The movement in the provision for unearned premium is also accounted for under the net premium income.

4.1.4 Reinsurance premiums

This item represents the premiums on reinsurance contracts. These are recognised as a charge to the income statement proportionally during the term of the contract.

4.1.5 Fee and commission income

Fee and commission income include income from securities transactions for clients, asset management, commission from the insurance operations and other related services offered by SNS REAAL. These are recognised in the reporting period in which the services are performed. Commission related to transactions in financial instruments for own account are incorporated in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the revaluation result.

4.1.6 *Fee and commission expenses*

Commission and management fees due are included under fee and commission expense. These costs are recognised in the reporting period in which the services are provided

4.1.7 *Share in the result of associates*

The share in the result of associates concerns the share of SNS REAAL 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 REAAL 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 REAAL.

4.1.8 *Investment income*

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

4.1.8.1 *Interest*

The item interest comprises the interest income in respect of group activities and the interest income from investments of the Insurance activities.

4.1.8.2 *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.

4.1.8.3 *Rental income*

Rental income consists of the rental income from investment property and property projects. This rental income is recognised as income on a straight-line basis for the duration of the lease agreement.

4.1.8.4 *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.

4.1.9 *Investment income for account of policyholders*

These investments are held on behalf of life insurance policyholders and are measured at fair value. Increases and decreases in the value of investments are recognised in the income statement as 'investment income for account of policyholders'. The dividend and interest on behalf of policyholders are also accounted for in this item.

4.1.10 *Result on financial instruments*

The result on derivatives and other financial instruments is recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are taken directly to the income statement under 'result on financial instruments'. However, if derivatives are eligible for hedge accounting, the recognition of a resulting gain or a resulting loss depends on the nature of the hedged item. The ineffective portion of any gains or losses 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 are accounted under this item.

4.1.11 *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 *Technical claims and benefits*

Net movements in technical provisions are recorded under this item. This includes mainly the addition of required interest and premium payments to cover future payouts, less payments due (life and non-life) and developments in the portfolio, such as the actuarial result on surrender, cancellation and mortality.

4.2.2 *Charges for account of policyholders*

The changes in provisions for insurance contracts for the account and risk of policyholders are accounted for under this item. (See the subsection on life insurance contracts for account and risk of policyholders in the notes to insurance contracts in section 3.) Payments to policyholders are also recorded under this item.

4.2.3 *Acquisition costs for Insurance activities*

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract or the conclusion of a mortgage in combination with an insurance product, including brokerage fees, the costs of medical check-ups and administrative costs for administering new policies in the portfolio. Amortisation of capitalised acquisition costs is included in this item, to the extent that the charge relates to capitalised external costs. The amortisation of capitalised internal costs is included in depreciation and amortisation on tangible and intangible fixed assets. The change in the provision for unearned commissions is also accounted for under acquisition costs.

4.2.4 *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.

4.2.5 *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.

4.2.6 *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.

4.2.7 *Other operating expenses*

This includes office, accommodation and other operating costs.

4.2.8 *Other interest expenses*

Other interest expenses comprise the interest expenses in respect of financial obligations arising from insurance operations and group operations. The interest expenses are recognised in the income statement under the effective interest method.

4.2.9 *Other expenses*

Other expenses comprises all the expenses that cannot be accounted for under other headings in the income statement. These expenses have no direct relation with the primary and secondary business operations, happen occasionally, and occur in any financial year, or arise in any financial year, and are amortised over multiple financial years

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 REAAL. It is not possible to make a reliable estimate of such liabilities. The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

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.

Segments

SNS REAAL is a Dutch financial services provider that focuses mainly on the Dutch retail and SME markets. The product range consists of three core products: mortgages and property finance, asset management (savings and investments) and insurance (life non-life, disability) and pensions. The services to private individuals and the SME clients are mostly rendered through the main brands SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven and through several distribution channels.

In the beginning of 2009 in addition to the Executive Board, a new Management Committee was formed, comprising of the Executive Board, the chairmen of the boards of SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven, the Chief Information Officer and the director of Human Resource Management. 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.

The new segmented structure (business unit structure) follows this approach. The previously used structure consisting of three segments (SNS Bank, REAAL Verzekeringen and Group Activities) has evolved into a structure consisting of five segments (SNS Retail Bank, SNS Property Finance, REAAL, Zwitserleven and Group Activities). The comparative figures are adjusted accordingly. Within the business unit REAAL the focus of REAAL Life will be on the life-portfolio. The business unit Zwitserleven shall focus on the pension-portfolio. The transfer of the pension-portfolio from REAAL Life to Zwitserleven and the transfer of the life-portfolio from Zwitserleven to REAAL Life are ongoing and have not been incorporated in the segmented statements yet.

For a segment, the same principles for valuation and determination of the result are used as set out in the accounting principles for the consolidated balance sheet and the income statement of SNS REAAL. For the settlement of transactions between business units, the prices are used that would ensue from regular market conditions ('at arm's length').

1 SNS Retail Bank

This 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.

2 SNS Property Finance

This 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. It combines financial expertise with expertise in property investments. The strength of this segment is in the analysis and control of risk in the property environment.

3 Zwitserleven

This segment, as a specialist pension insurer, offers products aimed at future income: ranging from pensions to mortgages and investment products. Zwitserleven focuses on both business and private customers. For distribution purposes, Zwitserleven works closely together with intermediaries, which play a vital role in advising consumers and businesses.

4 REAAL

4.1 REAAL Life

This segment offers life and pension insurance to the retail and SME markets. The REAAL Life segment includes REAAL Levensverzekeringen and Proteq Levensverzekeringen. At 1 September 2009 REAAL Levensverzekeringen N.V. has legally merged with Zwitserleven N.V. and was included in the entity SR LEV N.V. Subsequently, 1 November 2009 DBV Levensverzekeringsmaatschappij N.V. legally merged with SR LEV N.V.

4.2 REAAL Non-life

This segment offers non-life insurance for property, mobility, bodily injury, invalidity and disability. This segment includes the units REAAL Schadeverzekeringen and Proteq Schadeverzekeringen.

4.3 REAAL Other activities

This segment includes the activities which are managed separately from the segments REAAL Life and REAAL Non-life. These principally include activities of SNS Verzekeringen, Route Mobiel and DBV Finance.

5 Group activities

Group activities include the business units that are managed directly by the Executive Board and whose income and expenses are not attributed to the other segments. The Group activities segment includes SNS REAAL Invest, SNS Asset Management and Zwitserleven Asset Management.

Allocation of group costs

A number of group staff departments 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 and other specific holding company costs are not allocated to group subsidiaries.

Balance sheet by segment

In € millions	SNS Retail Bank	SNS Property Finance	REAAL	Zwitser- leven	Group activities	Elimina- tions	Total
31 December 2009							
Assets							
Intangible assets	126	117	1,629	807	18	--	2,697
Property and equipment	112	2	151	40	5	66	376
Investments in associates	--	33	65	--	3	(1)	100
Investment properties	1	--	226	33	--	(67)	193
Investments	4,517	--	19,678	8,948	101	(2,659)	30,585
Investments for account of policyholders	--	--	7,343	5,224	--	(2)	12,565
Invested collateral securities lending	--	--	--	540	--	--	540
Derivatives	1,169	--	190	5	17	--	1,381
Deferred tax assets	281	16	67	184	15	(1)	562
Reinsurance contracts	--	--	364	2	--	--	366
Property projects	--	599	--	--	--	--	599
Loans and advances to customers	54,283	13,196	3,869	10	967	(1,868)	70,457
Loans and advances to banks	16,505	777	1,809	76	908	(15,731)	4,344
Corporate income tax	2	--	83	3	79	(126)	41
Other assets	438	202	306	200	255	(741)	660
Cash and cash equivalents	2,534	20	1,625	98	426	(1,231)	3,472
Total assets	79,968	14,962	37,405	16,170	2,794	(22,361)	128,938
Equity and liabilities							
Equity attributable to shareholders	1,428	737	1,442	1,120	(686)	2	4,043
Equity attributable to securityholders	260	--	678	47	14	--	999
Minority interests	9	--	13	--	--	(2)	20
Total equity	1,697	737	2,133	1,167	(672)	--	5,062
Participation certificates and subordinated debt	1,559	--	748	215	600	(1,140)	1,982
Debt certificates	30,739	--	1,976	--	398	(157)	32,956
Insurance contracts	--	--	25,501	12,559	--	(30)	38,030
Provision for employee benefits	--	--	139	202	43	30	414
Other provisions	53	--	36	2	10	--	101
Securities lending liabilities	--	--	--	550	--	--	550
Derivatives	2,247	--	73	3	4	--	2,327
Deferred tax liabilities	307	13	327	232	--	--	879
Savings	24,435	--	--	--	--	--	24,435
Other amounts due to customers	9,654	181	838	6	1,554	(4,179)	8,054
Amounts due to banks	7,816	13,870	4,764	--	700	(16,014)	11,136
Corporate income tax	90	--	--	36	--	(126)	--
Other liabilities	1,371	161	870	1,198	157	(745)	3,012
Total equity and liabilities	79,968	14,962	37,405	16,170	2,794	(22,361)	128,938

In € millions	SNS Retail Bank	SNS Property Finance	REAAL	Zwitser- leven	Group activities	Elimina- tions	Total
31 December 2008							
Assets							
Intangible assets	118	173	1,753	690	173	--	2,907
Property and equipment	118	1	171	50	6	87	433
Investments in associates	--	47	53	--	11	(1)	110
Investment properties	1	9	253	34	--	(87)	210
Investments	3,942	--	19,363	8,482	150	(2,641)	29,296
Investments for account of policyholders	--	--	6,152	4,692	--	(120)	10,724
Invested collateral securities lending	--	--	--	2,310	--	--	2,310
Derivatives	1,113	--	570	50	28	--	1,761
Deferred tax assets	211	16	89	158	13	(4)	483
Reinsurance contracts	--	--	400	2	--	--	402
Property projects	--	120	--	--	--	--	120
Loans and advances to customers	52,211	13,583	3,935	21	956	(2,057)	68,649
Loans and advances to banks	16,349	670	1,854	75	1,210	(15,436)	4,722
Corporate income tax	106	--	194	4	71	(1)	374
Other assets	468	72	240	164	193	(240)	897
Cash and cash equivalents	1,686	6	1,174	40	8	(953)	1,961
Total assets	76,323	14,697	36,201	16,772	2,819	(21,453)	125,359
Equity and liabilities							
Equity attributable to shareholders	1,178	956	1,185	983	(679)	--	3,623
Equity attributable to securityholders	260	--	850	125	14	--	1,249
Minority interests	10	--	13	--	--	(3)	20
Total equity	1,448	956	2,048	1,108	(665)	(3)	4,892
Participation certificates and subordinated debt	1,689	--	752	215	720	(1,251)	2,125
Debt certificates	30,282	--	2,215	--	273	(91)	32,679
Insurance contracts	--	--	24,465	11,631	--	(29)	36,067
Provision for employee benefits	--	--	131	188	41	29	389
Other provisions	30	--	23	2	1	--	56
Securities lending liabilities	--	--	--	2,377	--	--	2,377
Derivatives	2,144	--	194	--	20	--	2,358
Deferred tax liabilities	269	16	265	197	7	--	754
Savings	21,859	--	--	--	--	--	21,859
Other amounts due to customers	10,841	--	595	366	1,013	(4,458)	8,357
Amounts due to banks	6,491	13,579	4,676	--	1,276	(15,410)	10,612
Other liabilities	1,270	146	837	688	133	(240)	2,834
Total equity and liabilities	76,323	14,697	36,201	16,772	2,819	(21,453)	125,359

Income statement by segment

In € millions	SNS Retail Bank	SNS Property Finance	REAAL	Zwitser- leven	Group activities	Elimina- tions	Total
2009							
Income							
Interest income third parties	2,167	569	--	--	--	--	2,736
Interest income group companies	361	--	--	--	--	(361)	--
Interest expense third parties	2,003	--	--	--	--	--	2,003
Interest expense group companies	134	288	--	--	--	(422)	--
Net interest income	391	281	--	--	--	61	733
Premium income	--	--	3,113	1,249	--	--	4,362
Reinsurance premiums	--	--	103	5	--	--	108
Net premium income	--	--	3,010	1,244	--	--	4,254
Fee and commission income third parties	116	--	90	4	10	--	220
Fee and commission income group companies	20	--	7	--	30	(57)	--
Fee and commission expense third parties	24	--	11	(8)	5	--	32
Fee and commission expense group companies	13	--	15	5	--	(33)	--
Net fee and commission income	99	--	71	7	35	(24)	188
Share in result of associates	--	(4)	17	--	--	--	13
Investment income	161	--	1,237	467	119	(237)	1,747
Investment income for account of policyholders	--	--	902	432	--	--	1,334
Result on financial instruments	181	(12)	(31)	16	27	--	181
Income invested collateral securities lending	--	--	--	30	--	--	30
Other operating income	--	1	16	--	13	(13)	17
Total income	832	266	5,222	2,196	194	(213)	8,497
Expenses							
Technical claims and benefits	--	--	2,450	857	--	--	3,307
Charges for account of policyholders	--	--	1,432	994	--	--	2,426
Acquisition costs for insurance operations	--	--	350	17	--	(5)	362
Impairment charges / (reversals)	98	473	188	55	52	(19)	847
Staff costs	304	38	238	75	106	--	761
Depreciation and amortisation of fixed assets	32	2	52	6	11	--	103
Other operating expenses	226	24	112	28	(4)	(30)	356
Interest expense securities lending	--	--	--	20	--	--	20
Other interest expenses	--	--	262	35	122	(159)	260
Other expenses	--	--	4	--	--	--	4
Total expenses	660	537	5,088	2,087	287	(213)	8,446
Result before tax	172	(271)	134	109	(93)	--	51
Taxation	51	(52)	14	29	(13)	--	29
Net result continued operations	121	(219)	120	80	(80)	--	22
Net result discontinued operations	--	--	--	--	--	--	--
Net result for the financial year	121	(219)	120	80	(80)	--	22
Minority interests	1	--	4	--	--	--	5
Net result attributable to shareholders and securityholders	120	(219)	116	80	(80)	--	17

In € millions	SNS Retail Bank	SNS Property Finance	REAAL	Zwitser- leven	Group activities	Elimina- tions	Total
2008							
Income							
Interest income third parties	3,054	782	--	--	--	--	3,836
Interest income group companies	628	--	--	--	--	(628)	--
Interest expense third parties	2,986	--	--	--	--	--	2,986
Interest expense group companies	139	566	--	--	--	(705)	--
Net interest income	557	216	--	--	--	77	850
Premium income	--	--	3,720	664	--	--	4,384
Reinsurance premiums	--	--	79	3	--	--	82
Net premium income	--	--	3,641	661	--	--	4,302
Fee and commission income third parties	124	4	89	3	7	--	227
Fee and commission income group companies	24	--	6	--	28	(58)	--
Fee and commission expense third parties	22	--	--	(1)	4	--	25
Fee and commission expense group companies	14	--	31	--	--	(45)	--
Net fee and commission income	112	4	64	4	31	(13)	202
Share in result of associates	--	(4)	(13)	--	4	--	(13)
Investment income	46	2	1,013	217	127	(199)	1,206
Investment income for account of policyholders	--	--	(1,408)	(308)	--	(5)	(1,721)
Result on financial instruments	21	--	98	39	(3)	--	155
Income invested collateral securities lending	--	--	--	106	--	--	106
Other operating income	2	--	48	--	8	(8)	50
Total income	738	218	3,443	719	167	(148)	5,137
Expenses							
Technical claims and benefits	--	--	2,947	476	--	--	3,423
Charges for account of policyholders	--	--	(627)	(15)	--	--	(642)
Acquisition costs for insurance operations	--	--	371	11	--	(6)	376
Impairment charges / (reversals)	57	116	627	141	79	--	1,020
Staff costs	335	45	285	56	93	--	814
Depreciation and amortisation of fixed assets	31	1	51	5	7	--	95
Other operating expenses	169	19	109	23	(8)	(17)	295
Interest expense securities lending	--	--	--	95	--	--	95
Other interest expenses	--	--	317	23	159	(125)	374
Other expenses	--	--	15	--	--	--	15
Total expenses	592	181	4,095	815	330	(148)	5,865
Result before tax	146	37	(652)	(96)	(163)	--	(728)
Taxation	27	9	(176)	(25)	(43)	--	(208)
Net result continued operations	119	28	(476)	(71)	(120)	--	(520)
Net result discontinued operations	--	--	--	--	22	--	22
Net result for the financial year	119	28	(476)	(71)	(98)	--	(498)
Minority interests	3	--	3	--	--	--	6
Net result attributable to shareholders and securityholders	116	28	(479)	(71)	(98)	--	(504)

Balance sheet Banking activities by segment

In € millions	SNS Retail Bank	SNS Property Finance	Eliminations	Total
31 December 2009				
Assets				
Intangible assets	126	117	--	243
Property and equipment	112	2	--	114
Investments in associates	--	33	--	33
Investment properties	1	--	--	1
Investments	4,517	--	--	4,517
Derivatives	1,169	--	--	1,169
Deferred tax assets	281	16	--	297
Property projects	--	599	--	599
Loans and advances due to customers	54,283	13,196	--	67,479
Loans and advances due to banks	16,505	777	(14,567)	2,715
Corporate income tax	2	--	--	2
Other assets	438	202	(74)	566
Cash and cash equivalents	2,534	20	--	2,554
Total assets	79,968	14,962	(14,641)	80,289
Equity and liabilities				
Equity attributable to shareholder	1,428	737	--	2,165
Equity attributable to securities	260	--	--	260
Minority interests	9	--	--	9
Total equity	1,697	737	--	2,434
Participation certificates and subordinated debt	1,559	--	--	1,559
Debt certificates	30,739	--	--	30,739
Other provisions	53	--	--	53
Derivatives	2,247	--	--	2,247
Deferred tax liabilities	307	13	--	320
Savings	24,435	--	--	24,435
Other amounts due to customers	9,654	181	--	9,835
Other amounts due to banks	7,816	13,870	(14,567)	7,119
Corporate income tax	90	--	--	90
Other liabilities	1,371	161	(74)	1,458
Total equity and liabilities	79,968	14,962	(14,641)	80,289

In € millions	SNS Retail Bank	SNS Property Finance	Eliminations	Total
31 December 2008				
Assets				
Intangible assets	118	173	--	291
Property and equipment	118	1	--	119
Investments in associates	--	47	--	47
Investment properties	1	9	--	10
Investments	3,942	--	--	3,942
Derivatives	1,113	--	--	1,113
Deferred tax assets	211	16	--	227
Property projects	--	120	--	120
Loans and advances due to customers	52,211	13,583	--	65,794
Loans and advances due to banks	16,349	670	(14,236)	2,783
Corporate income tax	106	--	--	106
Other assets	468	72	(89)	451
Cash and cash equivalents	1,686	6	--	1,692
Total assets	76,323	14,697	(14,325)	76,695
Equity and liabilities				
Equity attributable to shareholder	1,178	956	--	2,134
Equity attributable to securities	260	--	--	260
Minority interests	10	--	--	10
Total equity	1,448	956	--	2,404
Participation certificates and subordinated debt	1,689	--	--	1,689
Debt certificates	30,282	--	--	30,282
Other provisions	30	--	--	30
Derivatives	2,144	--	--	2,144
Deferred tax liabilities	269	16	--	285
Savings	21,859	--	--	21,859
Other amounts due to customers	10,841	--	(657)	10,184
Other amounts due to banks	6,491	13,579	(13,579)	6,491
Other liabilities	1,270	146	(89)	1,327
Total equity and liabilities	76,323	14,697	(14,325)	76,695

Income statement Banking activities by segment

In € millions	SNS Retail Bank	SNS Property Finance	Eliminations	Total
2009				
Income				
Interest income	2,528	569	(324)	2,773
Interest expense	2,137	288	(324)	2,101
Net interest income	391	281	--	672
Fee and commission income	136	--	--	136
Fee and commission expense	37	--	--	37
Net fee and commission income	99	--	--	99
Share in result of associates	--	(4)	--	(4)
Investment income	161	--	--	161
Result on financial instruments	181	(12)	--	169
Other operating income	--	1	--	1
Total income	832	266	--	1,098
Expenses				
Impairment charges / (reversals)	98	473	--	571
Staff costs	304	38	--	342
Depreciation and amortisation of fixed assets	32	2	--	34
Other operating expenses	226	24	--	250
Total expenses	660	537	--	1,197
Result before tax	172	(271)	--	(99)
Taxation	51	(52)	--	(1)
Net result continued operations	121	(219)	--	(98)
Net result discontinued operations	--	--	--	--
Net result for the financial year	121	(219)	--	(98)
Minority interests	1	--	--	1
Net result attributable to shareholder and securityholder	120	(219)	--	(99)

In € millions	SNS Retail Bank	SNS Property Finance	Eliminations	Total
2008				
Income				
Interest income	3,682	782	(581)	3,883
Interest expense	3,125	566	(581)	3,110
Net interest income	557	216	--	773
Fee and commission income	148	4	--	152
Fee and commission expense	36	--	--	36
Net fee and commission income	112	4	--	116
Share in result of associates	--	(4)	--	(4)
Investment income	46	2	--	48
Result on financial instruments	21	--	--	21
Other operating income	2	--	--	2
Total income	738	218	--	956
Expenses				
Impairment charges / (reversals)	57	116	--	173
Staff costs	335	45	--	380
Depreciation and amortisation of fixed assets	31	1	--	32
Other operating expenses	169	19	--	188
Total expenses	592	181	--	773
Result before tax	146	37	--	183
Taxation	27	9	--	36
Net result continued operations	119	28	--	147
Net result for the financial year	119	28	--	147
Minority interests	3	--	--	3
Net result attributable to shareholder and securityholder	116	28	--	144

Balance sheet Insurance activities by segment

In € millions	Zwitser- leven	REAAL Life	REAAL Non-life	REAAL Other activities	Elimina- tions	Total
31 December 2009						
Assets						
Intangible assets	807	1,407	219	3	--	2,436
Property and equipment	40	113	--	38	--	191
Investments in associates	--	63	4	(2)	--	65
Investment properties	33	226	--	--	--	259
Investments	8,948	17,974	1,859	64	(244)	28,601
Investments for account of policyholders	5,224	7,343	--	--	--	12,567
Invested collateral securities lending	540	--	--	--	--	540
Derivatives	5	187	--	3	--	195
Deferred tax assets	184	68	2	38	(41)	251
Reinsurance contracts	2	156	208	--	--	366
Loans and advances to customers	10	1,580	9	2,280	--	3,879
Loans and advances to banks	76	1,789	7	13	--	1,885
Corporate income tax	3	46	11	26	(36)	50
Other assets	200	1,403	210	1,359	(3,118)	54
Cash and cash equivalents	98	1,371	148	106	--	1,723
Total assets	16,170	33,726	2,677	3,928	(3,439)	53,062
Equity and liabilities						
Equity attributable to shareholder	1,120	2,067	574	(1,199)	--	2,562
Equity attributable to securities	47	108	--	570	--	725
Minority interests	--	13	--	--	--	13
Total equity	1,167	2,188	574	(629)	--	3,300
Participation certificates and subordinated debt	215	551	162	166	(131)	963
Debt certificates	--	--	--	1,976	--	1,976
Insurance contracts	12,559	24,188	1,381	--	(68)	38,060
Provision for employee benefits	202	13	--	126	--	341
Other provisions	2	15	1	20	--	38
Securities lending liabilities	550	--	--	--	--	550
Derivatives	3	29	--	44	--	76
Deferred tax liabilities	232	292	47	29	(41)	559
Other amounts due to customers	6	717	74	135	(113)	819
Other amounts due to banks	--	4,045	100	619	--	4,764
Corporate income tax	36	--	--	--	(36)	--
Other liabilities	1,198	1,688	338	1,442	(3,050)	1,616
Total equity and liabilities	16,170	33,726	2,677	3,928	(3,439)	53,062

In € millions	Zwitser- leven	REAAL Life	REAAL Non-life	REAAL Other activities	Eliminations	Total
31 December 2008						
Assets						
Intangible assets	690	1,538	215	--	--	2,443
Property and equipment	50	124	--	47	--	221
Investments in associates	--	45	6	2	--	53
Investment properties	34	253	--	--	--	287
Investments	8,482	18,473	1,749	284	(1,415)	27,573
Investments for account of policyholders	4,692	6,152	--	--	--	10,844
Invested collateral securities lending	2,310	--	--	--	--	2,310
Derivatives	50	487	2	87	(6)	620
Deferred tax assets	158	136	9	70	(126)	247
Reinsurance contracts	2	166	234	--	--	402
Loans and advances to customers	21	1,173	10	2,752	--	3,956
Loans and advances to banks	75	1,976	21	(143)	--	1,929
Corporate income tax	4	130	8	56	--	198
Other assets	164	533	38	1,347	(1,678)	404
Cash and cash equivalents	40	995	91	88	--	1,214
Total assets	16,772	32,181	2,383	4,590	(3,225)	52,701
Equity and liabilities						
Equity attributable to shareholder	983	1,705	483	(1,003)	--	2,168
Equity attributable to securities	125	280	--	570	--	975
Minority interests	--	13	--	--	--	13
Total equity	1,108	1,998	483	(433)	--	3,156
Participation certificates and subordinated debt	215	107	1	775	(131)	967
Debt certificates	--	--	--	2,215	--	2,215
Insurance contracts	11,631	23,047	1,484	--	(66)	36,096
Provision for employee benefits	188	32	15	84	--	319
Other provisions	2	16	1	6	--	25
Securities lending liabilities	2,377	--	--	--	--	2,377
Derivatives	--	173	2	25	(6)	194
Deferred tax liabilities	197	326	48	17	(126)	462
Other amounts due to customers	366	1,112	69	427	(1,285)	689
Other amounts due to banks	--	3,987	--	689	--	4,676
Corporate income tax	--	--	--	--	--	--
Other liabilities	688	1,383	280	785	(1,611)	1,525
Total equity and liabilities	16,772	32,181	2,383	4,590	(3,225)	52,701

Income statement Insurance activities by segment

In € millions	Zwitser- leven	REAAAL Life	REAAAL Non-life	REAAAL Other activities	Eliminations	Total
2009						
Income						
Premium income	1,249	2,299	814	--	--	4,362
Reinsurance premiums	5	36	67	--	--	108
Net premium income	1,244	2,263	747	--	--	4,254
Fee and commission income	4	72	2	23	--	101
Fee and commission expense	(3)	10	--	16	--	23
Net fee and commission income	7	62	2	7	--	78
Share in result of associates	--	22	--	(5)	--	17
Investment income	467	1,080	89	102	(43)	1,695
Investment income for account of policyholders	432	902	--	--	--	1,334
Result on financial instruments	16	(31)	--	--	--	(15)
Income invested collateral securities lending	30	--	--	--	--	30
Other operating income	--	--	16	--	--	16
Total income	2,196	4,298	854	104	(43)	7,409
Expenses						
Technical claims and benefits	857	2,014	436	--	--	3,307
Charges for account of policyholders	994	1,432	--	--	--	2,426
Acquisition costs for insurance operations	17	162	190	(2)	--	367
Impairment charges / (reversals)	55	178	10	--	--	243
Staff costs	75	138	68	32	--	313
Depreciation and amortisation of fixed assets	6	42	9	1	--	58
Other operating expenses	28	50	45	17	--	140
Interest expenses securities lending	20	--	--	--	--	20
Other interest expenses	35	206	21	69	(43)	288
Other expenses	--	--	3	1	--	4
Total expenses	2,087	4,222	782	118	(43)	7,166
Result before tax	109	76	72	(14)	--	243
Taxation	29	(1)	18	(3)	--	43
Net result from continued operations	80	77	54	(11)	--	200
Net result from discontinued operations	--	--	--	--	--	--
Net result for the financial year	80	77	54	(11)	--	200
Minority interests	--	4	--	--	--	4
Net result attributable to shareholder and securityholder	80	73	54	(11)	--	196

In € millions	Zwitser- leven	REAAL Life	REAAL Non-life	REAAL Other activities	Eliminations	Total
2008						
Income						
Premium income	664	2,911	809	--	--	4,384
Reinsurance premiums	3	20	59	--	--	82
Net premium income	661	2,891	750	--	--	4,302
Fee and commission income	3	70	2	24	(1)	98
Fee and commission expense	(1)	11	2	18	--	30
Net fee and commission income	4	59	--	6	(1)	68
Share in result of associates	--	(14)	1	--	--	(13)
Investment income	217	842	66	147	(53)	1,219
Investment income for account of policyholders	(308)	(1,408)	--	--	--	(1,716)
Result on financial instruments	39	101	(1)	(2)	--	137
Income invested collateral securities lending	106	--	--	--	--	106
Other operating income	--	42	3	3	--	48
Total income	719	2,513	819	154	(54)	4,151
Expenses						
Technical claims and benefits	476	2,537	410	--	--	3,423
Charges for account of policyholders	(15)	(627)	--	--	--	(642)
Acquisition costs for insurance operations	11	184	190	(2)	(1)	382
Impairment charges / (reversals)	141	600	20	7	--	768
Staff costs	56	174	92	19	--	341
Depreciation and amortisation of fixed assets	5	40	8	3	--	56
Other operating expenses	23	50	43	16	--	132
Interest expenses securities lending	95	--	--	--	--	95
Other interest expenses	23	186	20	153	(53)	329
Other expenses	--	14	--	1	--	15
Total expenses	815	3,158	783	197	(54)	4,899
Result before tax	(96)	(645)	36	(43)	--	(748)
Taxation	(25)	(175)	10	(11)	--	(201)
Net result from continued operations	(71)	(470)	26	(32)	--	(547)
Net result from discontinued operations	--	--	--	--	--	--
Net result for the financial year	(71)	(470)	26	(32)	--	(547)
Minority interests	--	3	--	--	--	3
Net result attributable to shareholder and securityholder	(71)	(473)	26	(32)	--	(550)

Acquisitions

Acquisition FinanCenter

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 initial accounting for the balance sheet was determined provisionally, an amount of € 2.1 million was recognised provisionally as goodwill, pertaining mainly to software. The definitive measurement will be finalised in 2010, any adjustment to the tentative valuation will be charged to goodwill. FinanCenter has contributed € 0.1 million to the results since the acquisition date.

Purchase price adjustments Zwitterleven

In the course of 2009, the calculations in respect of the initial accounting of the item technical provisions (insurance operations) of Zwitterleven were finalised, as announced in the 2008 financial statements. They did not give rise to any adjustment to initial accounting of the assets and liabilities.

Purchase price adjustments Zwitterleven Asset Management B.V.

In 2009, the initial accounting for the acquisition of Zwitterleven Asset Management B.V. was finalised, as announced in the 2008 financial statements. This did not result in any adjustment to the initial accounting of the assets and liabilities.

Risk management

1 Key points risk profile SNS REAAL

1.1 Maintaining a moderate risk profile

SNS REAAL 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 REAAL's commercial activities, such as offering accessible banking and insurance 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 REAAL's investment portfolios have only limited exposure to structured bonds. SNS REAAL 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.

At year-end 2009, the total investment portfolio of the insurance operations amounted to € 28.6 billion, largely invested in fixed-income securities (94%) and partly invested in shares (6%). 75% of the fixed-income portfolio had an A rating or higher. The losses on shares (€ 54 million gross) and on the fixed-income portfolio (€ 56 million gross) decreased sharply.

During 2009, the balance sheet risk of the Insurance activities was reduced further compared to year-end 2008. The interest rate risk was especially reduced further by adjusting the maturity of the fixed-income portfolio and by implementing a swaption programme. This programme is intended to better protect the solvency of the Insurance activities from decreases in interest rates, as well as from extreme interest rate hikes.

1.2 Risk management: main developments

The most important developments are:

Capital and solvency

- ⊙ Issue of ordinary shares of € 135 million.
- ⊙ Repurchase of the Dutch State's and the Foundation's core tier 1 capital securities with a nominal value of € 250 million.
- ⊙ In 2009, SNS REAAL participated in a macro stress test issued by the Dutch Central Bank. Based on the results of this stress test, SNS REAAL believes that it is currently sufficiently able to absorb any further negative developments in the economic conditions and the financial markets for its Banking and Insurance activities.
- ⊙ In consultation with the Ministry of Finance, 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.
- ⊙ At the end of the year, the capital ratios for the Banking and Insurance activities were strong. The double leverage meets the required internal standard of SNS REAAL.
- ⊙ 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.
- ⊙ The Insurance activities reinsured part of its individual term life insurance portfolio for the purpose of efficient capital management.

Liquidity

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

Market risk

- ⊙ The Insurance activities actively reduced their market risk position. They reduced their equity position and created better alignment between the interest rate risk of investments and that of its insurance liabilities by purchasing longer-term bonds and implementing a swaption programme.

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. These projects are consolidated in the consolidated financial statements of SNS REAAL. 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.

In 2009, the activities of the legal entities SNS Bank N.V. and REAAL Verzekeringen N.V. were organised into four business units. The business units for the bank are SNS Retail Bank and SNS Property Finance. The insurer's business units are REAAL and Zwitserleven.

The business units' responsibility is defined using the (risk) policy frameworks which the 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, insurance 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 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 four business units. 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 SNS Retail Bank, SNS Property Finance, REAAL and Zwitserleven 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. There are two committees, one for SNS Property Finance and one for SNS Retail Bank, REAAL and Zwitserleven jointly.

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:

- ⊙ **Investment Risk Committee:** advises and supports the Group ALCO regarding investment-related risks in the insurance portfolios. This relates to strategic investment positions, the risk-return ratio of the investments, and the performance of asset managers. Moreover, the IRC advises on amendments in the investment mandates.
- ⊙ **Actuarial Risk Committee:** is responsible for a uniform and group-wide method of valuing the insurance risks and provisions and is furthermore involved in the implementation of valuation models.
- ⊙ **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 four 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 and insurance 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 for the Group and the Banking and Insurance operations.
- ⊙ 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.
- ⊙ Implementing the reinsurance policy.
- ⊙ Coordinating strategic projects related to the management of financial risks, including stress test, Basel II and Solvency II programmes.

Actuarial department

The actuarial duties are allocated across Group Actuarial Risk Management within GRM and the actuarial departments of REAAL and Zwitserleven. Group Actuarial Risk Management's areas of attention include drawing up policies, drawing up standards and frameworks, and monitoring the risk/return ratio. The main focal points are the supervisory role and advising on developments to the Group and the business. In addition, GRM fleshes out the areas of attention pertaining to Reinsurance and Economic Capital: drawing up policies & frameworks, modelling, implementing and monitoring/advising.

The operational actuarial duties are vested in the actuarial departments of REAAL and Zwitserleven. The duties are modelling and carrying out analyses, providing the business with advice on insurance risk management and implementing the adopted policies.

The Insurance activities manage their insurance risk using a system of procedures and criteria for product development and acceptance. Risks that do not meet the criteria or risks that exceed preset limits – if accepted – are transferred to a reinsurance company as much as possible.

A panel consisting of representatives of the Management Board of the Insurance activities, the Finance & Control department and the Actuarial department regularly monitor the portfolio's development. For life Insurance activities, this includes monitoring developments in expenses, interest and turnover; for the non-life Insurance activities, the development of premiums and loss ratios are analysed by segment.

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 REAAL'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 REAAL 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.

Investment Office

The Investment Office's duties and responsibilities are primarily aimed at investments for own account and risk of SNS REAAL's insurance operations. In the new risk governance structure, the Investment Office has become the central point of contact of the operationally responsible asset managers.

The main responsibilities of the Investment Office are:

- ⊙ Advising and supporting the Group ALCO and the management boards of the insurance operations in their policy preparations
- ⊙ Providing operational support in the implementation of the policy.
- ⊙ Drawing up and monitoring investment mandates approved by the Group ALCO, given the ALM and investment policies.
- ⊙ Supervising asset managers to check that they adhere to their mandates, and assessing their performance.
- ⊙ Actively managing investments that are not managed by the asset managers.

- ⊙ Monitoring security lending and repo activities in the insurance portfolios, the execution of which has been outsourced to professional and specialised parties.

Internal Control

The Internal Control departments of SNS REAAL, SNS Bank and REAAL Verzekeringen assess 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 departments 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 REAAL.

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 REAAL uses an internal risk classification, thereby distinguishing seven 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.
Insurance risk	The risk that the Company's equity, result or continuity is threatened by deviations in timing and size of the cash flows arising from assumed mortality, disability claims, insurance behaviour, or as a result of the impact of catastrophes on mortality, disability, non-life claims and insurance behaviour of the policyholders.
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 REAAL 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

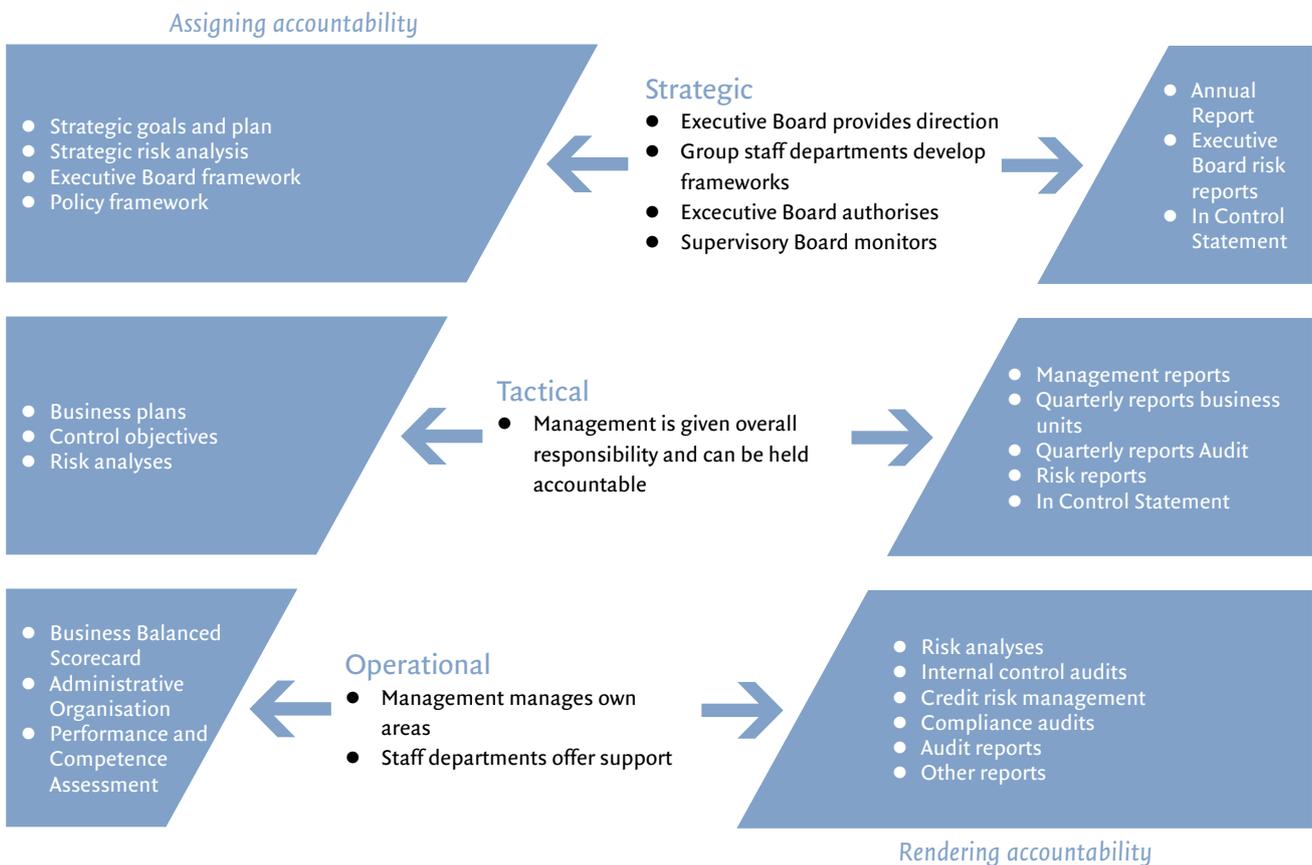
Doing business requires taking risks and demands a consistent and transparent assessment of opportunities and risks, aimed at growth and the continuity of the Company. The Executive Board of SNS REAAL has established frameworks for the management boards in order to properly steer such assessments. The 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.

20 Framework for business control



The internal risk management and control system is geared towards the direction desired by SNS REAAL. The framework for business control sets out how responsibility is awarded within SNS REAAL and how this must be accounted for. This process is similar to the COSO Enterprise Risk Management system (ERM) (see Figure 20).

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 REAAL 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.

1.8 Harmonisation risk management Zwitterleven

Zwitterleven's risk organisation is harmonised with SNS REAAL's risk organisation. During 2009, Zwitterleven's committee structure was adapted to the committee structure at SNS REAAL. Zwitterleven's risk management principles and risk classification dovetail with the principles and classification of SNS REAAL. Duties, responsibilities and powers with regard to the risk management function have been assigned within Zwitterleven in a clear manner. Zwitterleven's ALM and investment policies are determined through the Group ALCO, which is also notified of the ALM position. The Chief Financial Risk Officer of Zwitterleven is a member of the Group ALCO as well.

Operational Risk & Compliance Committee

The duties of the Operational Risk & Compliance Committee are:

- ⊙ adopting the risk management policy;
- ⊙ propagating the group policy;
- ⊙ controlling risks and monitoring the implementation of the measures initiated in this respect; and
- ⊙ ensuring that Zwitterleven complies with and will continue to comply with current and future laws and regulations, as well as with internal standards and values.

Compliance, reputation, integrity and operational risks are recurring subjects on the Operational Risk & Compliance Committee's agenda.

The Operational Risk Management department operates on the basis of the Operational Risk Management Framework. Within this framework, risk management has been vested in the line organisation to the greatest extent possible. The purpose is to increase commitment and safeguard risk management by creating a culture that capitalises on opportunities and recognises and controls risks when they affect the chances of achieving Zwitterleven's goals. The basic principle is that the line is responsible for recognising and measuring risks, making proposals in respect of risk control measures, and implementing and continually monitoring these measures in business operations. In these processes, the line is supported by the Operational Risk Management department and the Operational Risks Coordinators appointed within each division.

Finance Committee & ALM Committee (ALCO)

The Finance Committee & ALCO is responsible for propagating group policy and supervising compliance with this policy, for optimising decisions on important financial issues to benefit Zwitterleven's results and continuity, for managing the obligations structure of own funds to benefit the ALM process and the funding ratio, and for policies with regard to the Separate Accounts (SAs). ALM SAs, SA funding ratio, loans at Zwitterleven and financial risks are recurring issues on the agenda of the Finance Committee & ALCO.

Insurance Risk Committee

The Insurance Risk Committee gives advice on insurance risks in the insurance portfolio. Based on experience and market developments, advice is given on the adjustments necessary and desired to insurance premium calculation principles and the determination of the technical provision. On 1 January 2010, the Insurance Risk Committee was incorporated into the Actuarial Risk Committee.

Audit Committee

The Audit department carries out regular audits to determine whether risks to which the Company is exposed, are sufficiently recognised and adequately controlled on a continuous basis by an effective organisation and functioning of the internal control mechanisms. The purpose is to provide an unbiased opinion on this internal control system. To this end, audits are performed and the outcome is reported to and discussed by the Zwitterleven Audit Committee. All reports drawn up by external and internal auditors and supervisory authorities are discussed by the committee, as well as the follow-up on conclusions and the schedule for upcoming investigations, including the annual audit plan. The audit plan and method of working were increasingly tailored to SNS REAAL's Group Audit in 2009, and the audit results were included in the Group Audit's quarterly reports to the Executive Board and Audit Committee of SNS REAAL.

2 Financial risks Banking activities

2.1 Credit risk

Credit risk profile of Banking activities; general

The Banking activities recognise 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 157).

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 Banking activities

The Banking activities' 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 Banking activities

The table below gives an indication of the credit risk of the Banking activities, based on the weighting percentages used in regular reporting to the Dutch Central Bank (DNB) under Basel II guidelines. The weighting percentages of items under the standardised method depend on the counterparty's external credit rating. Generally, these percentages are 0% for loans and advances to or guaranteed by OECD governments, 20% for loans and advances to or guaranteed by OECD banks, 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 additional 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 by 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 Banking activities 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 'Securitized 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	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% and as a consequence, these projects are fully consolidated in SNS REAAL's financial accounts as at 31 December 2009. 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:

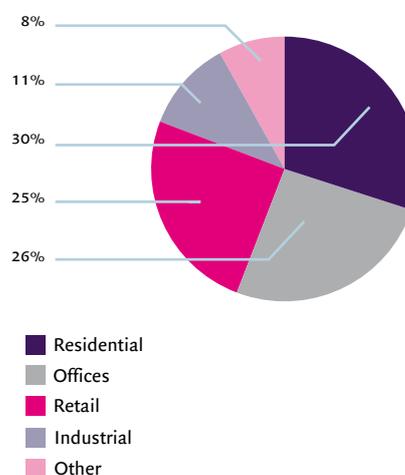
- ⊙ Valuations are performed by reputable firms with international standing or by parties of repute in the countries in question.

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%

21 Portfolio by asset classes SNS Property Finance



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:

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 the Banking activities

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 the Banking activities.

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. 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 the Banking activities' moderate risk profile. Interest rate risks arise due to the fact that the Banking activities' 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, the Banking activities will normally benefit from decreasing interest rates. The banking activities' market risks, including those of SNS Property Finance, are managed by SNS Bank's ALM Committee. When managing the Banking activities' 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, the Banking activities look 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 6.1 Hedging Banking activities and 6.4 Hedge accounting for more information.

Banking activities' market risk 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 the Banking activities. This curve is also used as a basic yield curve to simulate changes in interest rates. At a confidence level of 99%, the VaR is equal to the 1% worst 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 the Banking activities on the basis of the expected remaining term to maturity. This includes the estimates for early redemption behaviour in the mortgage and loan portfolios 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)
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

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Provision	Total
Liabilities							
Participation certificates and subordinated debt	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 the Banking activities' exchange rate positions are measured monthly and hedged on a structural basis. The table below gives an indication of the exchange rate position of the Banking activities.

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 Banking activities

The interest rate risks of the Banking activities 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 Banking activities

The table below shows the average effective interest rates of the Banking activities 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%
SNS Property finance	3.8%	5.8%
Other loans and advances to customers	4.2%	6.8%
Loans and advances to banks	1.0%	3.5%
Liabilities		
Participation certificates and subordinated debt	5.4%	6.1%
Debt certificates	2.7%	4.7%
Savings	3.8%	3.7%
Other amounts due to customers	2.7%	3.8%
Amounts due to banks	1.9%	2.8%

Market risk Banking activities trading portfolio

The market risk of the Banking activities' trading portfolio is measured on a daily basis in terms of Value-at-Risk (VaR) (99%) 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. The Banking activities pay 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 the Banking activities are of absorbing the impact of banking-specific stress factors, such as tension in the money and capital markets.

The Banking activities are the largest borrower within SNS REAAL. The Banking activities have 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 €5.5 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 the Banking activities is based on the composition of its funding portfolio as a going concern. The daily cash management activities of the central treasury are in line with the operational requirements of the Banking activities and take place in accordance with the regulatory guidelines in this field. 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.

The Banking activities strive to diversify the funding portfolio with respect to maturity, instrument, currency and type of investor. The Banking activities also have a large portfolio of highly liquid assets, such as government bonds.

The Banking activities periodically carry 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 the Banking activities by 2 notches by the rating agencies. For a more detailed description of stress tests, reference is made to capital management in chapter 7, 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 the Banking activities 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
Equity and 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
Net 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
Equity and 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
Net liquidity gap	(16,382)	(3,527)	(6,691)	(8,695)	35,616	(321)	--

3 Financial risk management Insurance activities

3.1 Insurance risk

The insurance portfolio has a moderate risk profile. The life portfolio contains insurance policies with both short-life risk and longevity risk. All major non-life sectors are represented in the non-life portfolio. Both the individual life and the non-life insurance portfolios focus on the retail and SME markets in the Netherlands. Zwitserleven focuses on the entire corporate market in the Netherlands.

The insurance risks for Life, Non-Life and the related reinsurance are discussed in more detail below.

3.1.1 Insurance risk Life

Content of the life insurance portfolio

The life insurance portfolio contains individual and group insurance policies. Individual insurance policies are sold as policies with cash benefits (traditional policies) and with payment in units (unit-linked insurance policies). The individual life insurance portfolio primarily focuses on unit-linked policies, mortgage-related endowment policies and life annuity insurance policies. The group insurance portfolio consists of both traditional contracts, for which the insurer bears the investment risk, as well as separate accounts and unit linked insurance contracts, for which the policyholder bears the investment risk.

Category	Main conditions	Main risks	Policyholders guarantees	Policyholder profit sharing/interest rate rebates
Individual insurance policies in cash				
Savings mortgages	Premium (sum of risk premium, savings premium and cost loadings) is fixed as of the commencement date of the contract. With the exception of the savings mortgage: for which the savings premium is based on the mortgage interest rate. When the mortgage interest rate changes, the savings premium also changes.	Mortality, expenses	Interest rate equal to mortgage interest rate	No
Life annuity		Interest, mortality, expenses	Life annuity is fixed	Interest rate rebate upon once-off payment of single premium
Risk		Mortality, expenses	Total mortality benefit upon death and/or maturity is fixed	Partially company profit sharing
Savings insurance		Interest, mortality, expenses		
Funeral insurance		Interest, mortality, expenses		
Individual life insurance policies in investment units	Variable premium, cost and risk loading fixed	Mortality, expenses	A number of insurance contracts carry a minimum guaranteed return on the maturity date	No
Group insurance policies in cash	Premiums and cost loading are set for the duration of the contract (usually 5 years)	Interest, mortality, expenses	Guaranteed minimum return	Partially sharing in surplus interest; partially interest rate rebate
Group insurance policies in investment units	Premiums and cost loading are set for the duration of the contract (usually 5 years)	Mortality, expenses	A number of insurance contracts carry a minimum guaranteed return on the maturity date	No
Collective separate accounts	Premiums and cost loading are set for the duration of the contract (usually 5 years)	Interest, mortality, expenses	On maturity date of contract the premium can be waived	No

Co-insurance

SNS REAAL concludes co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the event of co-assurance, each co-insurer is, in principle, liable for its part of the total obligations. If a co-insurer defaults, its insurance liabilities will be transferred to the remaining co-insurers. The total size of the provisions for incoming co-insurance amounts to € 196 million (2008: € 211 million). In view of the limited interest and the spread over several insurers, the risk is limited.

Concentration of risk

In life insurance, concentration of risks is mainly consists in the group insurance portfolio. The participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risks.

Such concentration of risk has been partly offset in 2009 by the use of reinsurance. For more information see paragraph 3.1.3 'Insurance risk reinsurance'.

The scope of the various insurance categories is presented below in terms of the most important financial units:

In € millions	Annual premium		Insured capital		Insured annuity		Technical provisions for insurance contracts		Risk capital	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Individual insurance policies in cash	721	739	63,568	61,095	751	756	18,440	18,181	48,084	46,320
Savings mortgages	301	302	15,733	15,778	6	6	4,136	3,977	11,648	11,832
Life annuity	1	1	--	--	680	675	4,674	4,620	393	356
Risk	134	123	30,616	27,495	54	63	343	348	31,178	27,873
Savings insurance	241	266	14,719	15,084	11	12	8,342	8,295	3,025	4,169
Funeral insurance	44	47	2,500	2,738	--	--	945	941	1,840	2,090
Individual life insurance policies in investment units	871	933	49,267	50,836	383	498	7,636	6,504	46,196	48,569
Group insurance policies in cash	285	263	10,091	10,004	1,840	1,584	5,614	5,730	26,038	23,627
Group insurance policies in investment units	349	331	9,072	9,384	1,123	1,133	5,405	4,567	15,285	15,513
	2,226	2,266	131,998	131,319	4,097	3,971	37,095	34,982	135,603	134,029
Reinsurance risk	(6)	(8)	(297)	(476)	--	--	(11)	(13)	(1,368)	(1,962)
Proportional reinsurance	(100)	(11)	(402)	(540)	--	--	(147)	(154)	(43,770)	(2,083)
Total	2,120	2,247	131,299	130,303	4,097	3,971	36,937	34,815	90,465	129,984

The increase in the proportional reinsurance relates to the quota share contract on the individual life portfolio, closed in 2009.

Insurance risks for the life insurance portfolio

A life insurance policy entitles the policyholder to death benefits and/or a benefit payable on the maturity date of the policy.

The most distinctive risk with respect to life insurance policies is the mortality risk. This risk mainly affects the duration and timing of the payment of the insured cash flows. The mortality risk indicates the death benefit risk of the policyholder dying earlier than expected (short-life risk). In case of an endowment policy, the mortality risk for the insurer is that the policyholder might live longer than expected (longevity risk). The financial impact of the difference between the calculated timing of mortality and the realised mortality can be substantial, particularly with longevity risk.

SNS REAAL periodically reviews the level of longevity-mortality compensation that is inherent in its portfolios. For an adequate assessment of these compensation effects, SNS REAAL monitors the profit/loss development in time of its mortality assumptions. The liability adequacy test largely depends on the movements of the risk-free interest rate curve. Therefore, the liability adequacy test does not function as an adequate basis to assess longevity-mortality compensation. Furthermore, the current present value of surpluses or deficits on mortality assumptions does not imply any guarantee for future deficits.

Other insurance risks for the life insurance portfolio are the risk of disability (the policyholder becomes incapacitated for work) and risks associated with the insurance behaviour of policyholders, such as early surrender (termination of the policy before the maturity date), and conversion to a paid-up status (whereby the policyholder terminates the periodic premium payment before the maturity date). For the disability risk, see also paragraph 3.1.2 'Insurance risk Non-life'.

Life insurance portfolio - Investment risk and interest rate guarantees

With both traditional and unit-linked insurance contracts, the policyholder pays regular premiums and/or a single premium. For traditional policies, the insurer bears the investment risk of its commitments to policyholders. When a benefit or annuity payment is due, the insurer pays the policyholder a predetermined nominal amount. In contrast, on unit-linked contracts the insurer does not run a risk for the amount paid out. This insured amount is dependent on the value of the funds in which the units have been invested. The policyholder therefore bears the investment risk.

In a number of cases, interest rate guarantees were issued for individual unit-linked insurance contracts. At REAAL Life, these interest rate guarantees relate to a provision amounting to € 4.2 billion. See also the final table of paragraph 3.2.1 'Interest rate risk'. A guaranteed minimum return at maturity applies to the individual unit-linked insurance policies with guarantee. In the case of group insurance policies with segregated pools, the contracting party bears the investment risk in principle. On the expiry date of the contract, however, there should at least be a provision for contractual accrued rights. To compensate for investment losses (up to a certain amount), a provision is created from premium loadings for a number of contracts where necessary. If this buffer turns out to be insufficient on the expiry date of the contract, the remaining shortfall is then for the risk of the insurer.

Managing insurance risks in the life insurance portfolio

Risks are managed by means of risk policy (see also 3.1.3 'Insurance risk reinsurance' and 3.2 'Market risk'), by understanding the factors involved and by review.

Developments in the insurance risks of mortality and early surrender are investigated annually. The results of this investigation are used for setting prices for new life insurance contracts and for the valuation of the insurance portfolio (embedded value). Risk diversification in the composition of the life insurance portfolio is another goal. Furthermore, an active reinsurance policy is pursued.

Changes in the parameters which are used in actuarial calculations provide insight into the portfolio's sensitivity to changes in the parameters. With regard to the operational parameters, susceptibility resulting from changes in mortality and disability probabilities, surrender probabilities and costs were investigated. This has shown that, relatively speaking, the insurer is less sensitive to changes in assumptions on mortality and disability than the other assumptions. With regard to mortality, the longevity risk in, for example, annuities and pension insurance is set off, from a present value perspective, by the short-life risk in the other insurance policies. Current insights show that going forward, the portfolios will retain adequate compensation between longevity and mortality risk.

As the technical provisions have been calculated on the basis of original premium calculation principles, changes in the above-mentioned parameters do not immediately lead to an adjustment of the provisions, but these will become visible gradually in the results, spread over the years to come.

At reporting dates, the adequacy of technical provisions for financial reporting is tested using the criteria set by the IFRS and by the Dutch Central Bank guidelines. This test shows the overall effect of the risk parameters. The outcome is included in the solvency assessment.

For an explanation of investment and interest rate risk control, see paragraph 3.2 'Market risk'. The insurer also seeks to maintain sufficient solvency (see chapter 7).

The sensitivity of the solvency of the Insurance activities for changes in the financial markets is explained in chapter Risk and Capital management in the annual report.

3.1.2 Insurance risk Non-life

Contents of the Non-life insurance portfolio

The emphasis of the insurer's non-life insurance portfolio is on the main segments: Fire, Motor Vehicles, and Accident and Health. Apart from these segments, the insurer also operates in the Transport segment, mainly within the co-insurance unit. The insurance policies are mostly sold through authorised agents, intermediaries and SNS Bank's distribution channel to retail and SME clients.

Co-insurance

REAAL Non-life is represented at the Rotterdam Insurance Exchange through its co-insurance unit. Risks in the segments Fire, Transport (including Marine) and Miscellaneous are underwritten there. REAAL Non-life mainly focuses on the middle segment and the small enterprises segment of the corporate insurance market. In 2009, REAAL Non-life co-insurance portfolio posted a gross earned premium income of € 104 million.

Catastrophe

The insurer reinsures its catastrophe risk resulting from perils of nature, such as storms, and terrorism (see paragraph 3.1.3 'Insurance risk reinsurance'). Catastrophes resulting from acts of violence, nuclear incidents or flooding are excluded under the standard policy conditions.

Combined ratio and claims ratio

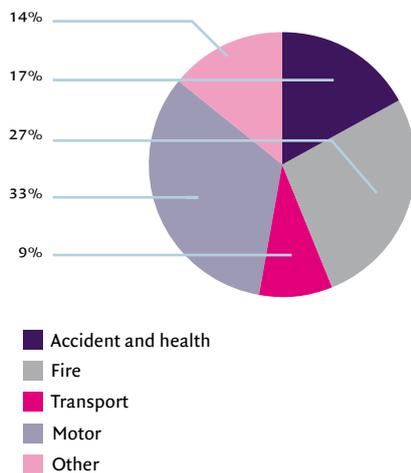
In 2009, the combined ratio was 92.6% (2008: 92.3%) and the loss ratio was 53.4% (2008: 50.1%). This means that the combined ratio remained well within the long-term target of 97%.

Concentration of risk

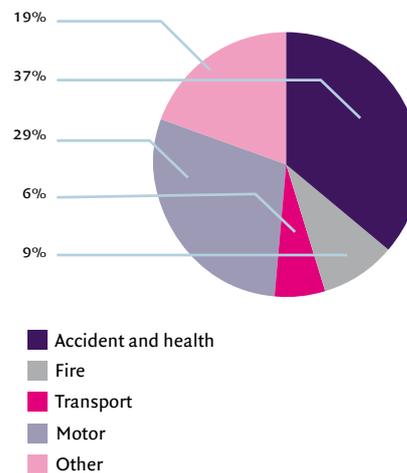
Geographically, the insurer's non-life portfolio risk is almost entirely concentrated in the Netherlands. The concentration of insurance risks is in the Fire segment, where storm risk plays an important role. The concentration of risk can also be associated with blocks of flats, rows of houses and office buildings.

The concentration of risk is also present in the group accident portfolio and the group disability schemes. The underwriting of group disability policies related to the WIA disability act ('Wet werk en inkomen naar arbeidsvermogen'- the Work and Income (Fitness for Work) Act) is effectuated through an alliance with another Dutch insurer. In this alliance, each insurer bears half of the insurance risk and the other insurer carries out the administration. See paragraph 3.1.3 'Insurance risk reinsurance' for more information about retention and reinsurance of these risks.

23 Gross premium income Non-life 2009



22 Gross claims reserves Non-life 2009



The diagrams above illustrate the distribution of gross premium income and gross claims reserves across the various product categories. The premium volume and the claims reserves for the Transport segment comes almost entirely from co-insurance. The diagrams illustrate the long-term non-life obligations of disability insurance policies compared to the limited shares of the Accident and Health segment. In the total premium, the disability insurance policies have a relatively large claims reserve. The opposite applies to the Fire segment. Due to the rapid settlement of fire claims, this product category, which generates more than a quarter of the premium income, only represents a small part of the total claims reserve.

The total gross premium income of the non-life Insurance activities in 2009 amounted to € 814 million (2008: € 809 million). In 2009, € 64 million (2008: € 59 million) was paid in reinsurance premium. This is 7.9% (2008: 7.3%) of the gross premium income. At year-end 2008, the gross claims reserve amounted to € 1,235 million (2008: € 1,332 million). For more information on retention and incoming reinsurance, see paragraph 3.1.3 Insurance risk reinsurance.

The following table provides an analysis of the technical results of the non-life insurance operations:

In € millions	Total		Fire		Accident and health		Motor vehicles		Transport		Other segments	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Gross earned premium	814	809	221	216	137	128	268	289	77	68	111	108
Gross claims incurred	439	408	112	113	61	40	190	165	55	54	21	36
	375	401	109	103	76	88	78	124	22	14	90	72
Reinsurance balance	(54)	(64)	(17)	(13)	(4)	(9)	(1)	(2)	(8)	(1)	(24)	(39)
	321	337	92	90	72	79	77	122	14	13	66	33
Operational expenses and profit sharing	(310)	(332)	(94)	(100)	(47)	(46)	(107)	(121)	(26)	(25)	(36)	(40)
Other technical expenses	(9)	3	0	0	0	0	1	(1)	(1)	0	(9)	4
Operating result	2	8	(2)	(10)	25	33	(29)	0	(13)	(12)	21	(3)
Investment income	50	20	5	1	17	8	14	6	3	1	11	4
Technical result	52	28	3	(9)	42	41	(15)	6	(10)	(11)	32	1

The claims incurred (claim payments including changes to claims reserves) per segment is compared to the gross premium, while the development of the ratio between the two, the claim payment ratio, serves as an indicator.

Insurance risks of non-life insurance portfolio

The insurance risk for the insurer's non-life portfolio is primarily concentrated on covering the risks resulting from third-party liability (WA), bodily injury, general third-party liability, disability and catastrophe. This is mainly because of the size and the long-term character of the claims.

⊙ Motor vehicle third-party injury liability

Motor vehicle liability is a third-party liability insurance to cover bodily injury, medical care and/or loss of income following a road traffic accident. The insurer sells these products through all of its distribution channels.

⊙ General third-party liability (GTPL)

The insurer provides liability insurance for both private individuals and the business segment; the latter may go together with professional indemnity coverage. The insurer sells these products through all of its distribution channels.

⊙ Disability

The disability coverage in the insurer's portfolio includes both individual coverage for self-employed people and (semi-)group coverage for employees. The latter group also includes additional cover to the WIA disability act, which is offered through the abovementioned co-insurance with another Dutch insurer. The insurer sells these products through all of its distribution channels.

⊙ Fire and other damage to property

Fire insurance offers policyholders financial protection against damage to their property and material consequences of interruption of operations as a result of the damage sustained. The insurer sells these products through all of its distribution channels.

Insurance risk management for the non-life insurance portfolio

Risks are managed by means of risk policy (see also 3.1.3 Insurance risk reinsurance and 3.2 Market risk), by understanding the factors involved and by review.

Every year, the developments in the non-life insurance risks are examined and Economic Capital calculations are made. The results of the examination are used to determine rates and the acceptance conditions of non-life insurance policies. Furthermore, an active reinsurance policy is pursued.

The effects of changes in parameters, which can be observed in connection with the Economic Capital calculations, provide insight into the degree of risk. The table below shows the sensitivity of the profit after tax in the event of a 10% increase or a 10% decrease in non-life claims. The sensitivity is based on a one-off increase or decrease of the realised claims of non-life insurance policies.

In € millions	Result		Shareholders' equity	
	2009	2008	2009	2008
Claim +10%	(32)	(31)	(32)	(31)
Claim -10%	32	31	32	31

The IBNR and the provision for claims handling costs are evaluated at least twice a year and, where necessary, adjusted. The technical provisions are completely reviewed every year, which includes a quantitative assessment of the majority of the portfolio.

Non-life insurance portfolio fraud risks management

Fraudulent claims are defined as claims submitted by policyholders for non-events or claims in which the extent of the damage is exaggerated. Fraud prevention and detection is the responsibility of Fraud, a separate operational department. In addition, decentralised supervision of internal fraud is conducted by various departments, such as Acceptance, Claims and Claims Handling.

Realised claims with a run-off of more than one year

The insurer has assigned specialised departments to the handling and run-off of (bodily injury) claims. The experts in these departments handle claims on an item-by-item basis, make estimates on the size of the claim and monitor the progress of claims settlement. Claims with a run-off period of more than one year include disability claims, bodily injury claims and liability claims.

Characteristics of the Provision for recurrent disability annuity benefits

For non-life, disability liabilities include in-force payments for claims that stem from the individual and the semi-group insurance portfolio. Disability benefits in actual payment relating to life insurances concern supplementary coverages within a life insurance contract. The table below provides a summary of the key figures for the regular disability benefits provision at year-end 2009.

In € thousands	Life insurance		Non-life insurance		Total	
	2009	2008	2009	2008	2009	2008
Provision for periodic payments	60,090	61,950	248,313	248,364	308,403	310,314
Number of commenced annuities	1,271	1,339	4,653	4,396	5,924	5,735
Average annual annuity	10.1	9.7	14.9	14.4	13.8	13.3

Characteristics of the claims reserve for other claims with a run-off of more than one year

Other claims with a run-off longer of than one year generally comprise bodily injury and liability claims. These risks are more diverse than disability risks. This diversity also applies to the expected duration of the claims payments. REAAL Non-life pursues a strict policy with regard to the settlement of these claims. The aim is to settle them within a maximum of five years. In addition, claims on earlier claim years undergo accelerated settlement. This has resulted in the settlement of a large number of claim files that had been pending for some time.

Claims development history

The table below provides a summary of the run-off on claims reserves for earlier claim years. The earn-out scheme concluded on behalf of the former NHL portfolio, has not been included in the claims reserve trends outlined below. Neither has the run-off on the provisions for the reinsurance captive. The size of the gross provisions for this captive was € 28 million at year-end 2009 (year-end 2008: € 28 million).

In € thousands	Provision as of 1 January	Acquisitions	Interest added	Payments	Provision as of 31 December	On balance release/ run-off
2009						
Claim years:						
- 2000 and earlier	327,080	--	3,518	31,212	294,952	4,434
- 2001	38,185	--	618	5,085	32,902	816
- 2002	31,720	--	432	7,954	28,206	(4,008)
- 2003	54,671	--	661	8,733	45,464	1,135
- 2004	51,839	--	465	6,412	40,860	5,032
- 2005	65,439	--	606	10,885	50,391	4,769
- 2006	74,476	--	546	15,539	53,878	5,605
- 2007	134,877	--	1,091	38,797	93,830	3,341
- 2008	294,632	--	1,363	113,708	131,953	50,334
Total through 2008	1,072,919	--	9,300	238,325	772,436	71,458
Total 2009		--	611	259,549	256,283	
Total net of reinsurance		--	9,911	497,874	1,028,719	
2008						
Claim years:						
- 2000 and earlier	358,315	9,160	4,581	28,069	327,080	16,907
- 2001	43,331	1,191	713	16,699	38,185	(9,649)
- 2002	40,651	1,105	547	7,942	31,720	2,641
- 2003	72,845	1,838	806	6,983	54,671	13,835
- 2004	72,947	2,049	581	11,552	51,839	12,186
- 2005	79,123	1,407	596	15,607	65,439	80
- 2006	119,855	1,135	706	21,574	74,476	25,646
- 2007	304,083	--	1,400	113,926	134,877	56,680
Total through 2007	1,091,150	17,885	9,930	222,352	778,287	118,326
Total 2008		--	711	237,724	294,632	
Total net of reinsurance		17,885	10,641	460,076	1,072,919	

3.1.3 Insurance risk reinsurance

Reinsurance policy

The reinsurance policy provides protection against technical insurance risks in the various insurance portfolios of both the life insurance and non-life insurance business. Reinsurance can be divided into two main fields: traditional reinsurance that is taken out based on a risk perspective and reinsurance from the perspective of capital management. So far, the reinsurance policy mainly aimed at minimising losses ensuing from calamities to a level befitting the risk profile, which means that traditional reinsurance was emphasised. We see a market-wide trend towards reinsurance from within capital management, which is also acknowledged at the Insurance activities. The proportional reinsurance contract concluded for the Insurance activities' individual life portfolio on 1 October 2009 is a good example of this. The reinsurance policy is determined based on risk analysis for the various portfolios, the size of the portfolios, the nature of the insurance risks, the results, the risk appetite and the financial strength of the Company.

The risk of terrorism is reinsured through the Nederlandse Herverzekeringsmaatschappij voor Terrorisemeschaden (Netherlands Terrorism Risk Reinsurance Company (NHT)). In order to align the cover in the policy and the reinsurance cover through the NHT, the cover for the terrorism risk in the policy has been limited to the maximum capacity of the NHT, € 1 billion.

REAAL Reassurantie SA

A number of risks from the non-life portfolio in particular are partially reinsured with the Luxembourg-based reinsurance captive REAAL Reassurantie SA, such as fire, catastrophe and Proteq's portfolio. The captive offers reinsurance cover for risks of REAAL Non-life and Proteq Non-life.

The reinsurance captive is used, in principle, to cover the difference in risk appetite and financial strength of the different entities and in relation to the Group.

The retentions and reinsured parts as indicated below reflect the consolidated figures of REAAL Reassurantie and the Insurance activities.

REAAL Life reinsurance

The Insurance activities have a thoroughly integrated reinsurance programme for the mortality and disability portfolio. Separate reinsurance programmes were purchased for the REAAL Life, Zwitserleven and DBV portfolios for 2009. An exception was the catastrophe reinsurance contract, which was concluded group-wide for the different entities.

The Insurance activities purchase reinsurance for every risk separately from a relatively high level upwards (see the table below). In view of the risk profile and the size of the portfolio, the retention of both the mortality and disability risks is in accordance with the underlying portfolio.

The mortality risk of the individual life portfolio of REAAL is proportionally reinsured by a quota share contract.

As a result of the portfolio transfers between the various business units and the legal mergers within SRLEV N.V., the 2010 reinsurance programme has been combined with and adjusted to the new structure as much as possible. As from 1 January 2010, the various sub-portfolios are reinsured by means of reinsurance contracts for the individual portfolio, the group portfolio and the catastrophe risk. Furthermore, a reinsurance contract is in place for the disability portfolio.

The Insurance activities have concluded their reinsurance contracts at reinsurance companies that have at least an A-rating (S&P). An exception to this is Zwitserleven's reinsurance contract which was purchased within Zwitserleven's former parent company, which has a BBB+ rating.

In € thousands	2009			2010 ¹	
	REAAL	DBV	Zwitserleven	REAAL	Zwitserleven
Life insurance retention (including Proteq)					
Coverage:					
- Mortality (risk capital) per risk	1,500	100	--	--	--
- Mortality (risk capital) (quota share) per risk; individual portfolio	30%	--	--	30%	--
- Mortality (risk capital) per risk (DBV, concluded before 1 January 2007 respectively 2009)	--	58-70	--	58-70	--
- Mortality (risk capital) per risk; individual portfolio	--	--	390	3,000	1,500
- Mortality (risk capital) per risk; group portfolio	--	--	800	1,800	900
- Disability (annual annuity) per risk	--	3	--	--	--
- Disability (risk capital) per risk	1,500	30	--	--	--
- Disability (risk capital) per risk; individual portfolio	--	--	390	1,500	1,500
- Disability (risk capital) per risk; group portfolio	--	--	800	900	900
- Catastrophe per event	15,000	150	2,000	15,150	2,000

¹⁾ In 2010 DBV will be fully integrated within REAAL

REAAL Non-life reinsurance

The non-life insurance operations have set the retention of the reinsurance contracts in line with the size of the various portfolios. The 2009 reinsurance programme made no specific distinction between the various sales channels, but large risks were reinsured at segment level.

In addition to the regular protection of individual portfolios, REAAL Non-life has a catastrophe contract for natural perils (storm, hail) and accumulation within the fire portfolio.

Where applicable, Proteq Non-life is included in the reinsurance programme of REAAL Non-life for segments. In addition, Proteq has purchased a number of underlying reinsurance covers from REAAL Reassurantie, the Insurance activities' reinsurance captive.

The 2010 reinsurance programme is largely a continuation of the programme as it was in force in 2009. The capacity of the catastrophe programme has been expanded due to the increased underlying exposure. The limits for the Fire segment have also been adjusted to a more competitive level. The various retention amounts were not changed compared to 2009.

In € thousands	REAAL	
	2009	2010
Retention of REAAL Non-Life (including Proteq)		
Coverage:		
Fire per risk	2,500	2,500
Motor third-party liability per risk	2,500	2,500
Personal / business liability per risk	750	750
Accidents per risk	500	500
Transport (up to 2006 NHL) per risk	1,000	1,000
Disability (risk capital) per risk	1,500	1,500
Catastrophe per event	40,000	40,000

The non-life insurer carries out an active policy with regard to placing its reinsurance contracts. A distinction is made in the panel of reinsurers as to the 'property' programme (fire and catastrophe) and the 'casualty' programme (motor liability, general liability and accidents). In the casualty programme, the claims handling is characterised by its long lead time. Because of this long-term nature, the continuity of the panel is the main consideration in the placement of this programme. The minimum rating of this reinsurance panel is A. A minimum rating of A- applies for the reinsurance of Fire and Catastrophe. The price aspect plays an important role in this.

Proteq Non-life: Incoming disability reinsurance

Proteq Non-life has an incoming reinsurance contract that has bearing on a portfolio of disability-related annuity cover. This contract has not been renewed since 2004 and is in a run-off phase. The premium in 2009 is therefore nil (2008: nil). At year-end 2009, the gross claims reserve amounted to €92 million (2008: €102 million), after retrocession the reserve amounts to €33 million (2008: €38 million).

3.2 Market risk

The market risk of the insurance operations is created by the fact that when the financial markets change, the value changes of investments (equities, property, fixed-income investments) do not change with the same amount as the liabilities. This means that changes in financial markets affect the results and capital position of the insurer.

The market risks are measured and managed by the department Asset & Liability Management (ALM). This department reports monthly to the Group ALCO through the Investment Risk Committee. The main objective in 2009 was to make solvency levels more manageable. The Group Risk Management department implemented a special programme for this purpose, which comprised a number of projects that further improved the process surrounding the status and the sensitivity of the insurer's solvency. The programme focused on the standardisation of methods and techniques as well as on the optimisation of processes.

The table below shows the investment mixes. It should be noted that, within the fixed-income investment portfolio, a strategic mix is determined based on the various fixed-income rating categories.

In € millions	2009		2008	
Interest-bearing investments	26,919	82%	25,457	80%
Equities and options	1,682	5%	2,116	7%
Property	259	1%	287	1%
Mortgages	3,880	12%	3,956	12%
Total	32,740	100%	31,816	100%

The point of departure for the ALM policy is the ALM plan, which is drawn up annually and sets out the strategic investment policy. The ALM plan seeks a balance between risk and return within the preconditions that apply with regard to the Value at Risk (VaR), solvency and profitability.

The financial market risks of the portfolio for own account and risk are managed using the VaR system. VaR is a risk indicator that records the balance of all market risks (interest, equities, etc.). The VaR, expressed as a percentage of the market value of shareholders' equity, decreased from 54.9% as at year-end 2008 to 29.0% as at year-end 2009, dropping below the current limit of 40%. This was partly caused by the adjustments made in the fixed-income portfolio in combination with the implementation of a swaption programme. As a result, the interest rate sensitivity of the investment portfolio reflects the liabilities portfolio more effectively.

The portfolio on which the Insurance activities run a risk can be divided into the following:

In € millions	2009	2008
Property investments	259	287
Interest-bearing investments	26,919	25,457
Equities and options	1,682	2,116
Invested collateral securities lending	540	2,310
Derivatives	195	620
Reinsurance contracts	366	402
Loans and advances to customers	3,886	3,960
Loans and advances to banks	1,885	1,929
Other assets, no lending operations	3,047	3,566
Cash and cash equivalents	1,773	1,214
Total	40,502	41,861

3.2.1 Interest rate risk

Interest rate risk is a significant component of the insurance operation market risk profile. There is an interest rate risk when the interest rate sensitivities of the assets and liabilities are not completely equal and it is expressed as movements in the result and/or capital position if market rates fluctuate. Main sources for interest rate risk are the return guarantees given to policyholders. This risk is partly mitigated by the use of interest rate derivatives to hedge the guarantees in traditional life insurance with guarantees and profit sharing. See paragraph 6.2 Hedging Insurance activities for more information.

For products without profit sharing, the fixed-income investments are matched with liabilities as closely as possible. The table below gives a breakdown of the provision for own account and risk per type of profit sharing for the Insurance activities.

In € millions	2009	2008
Insurance in cash		
With profit sharing (company or surplus interest)	10,456	10,696
With interest rate rebate	4,404	4,385
Without profit sharing	6,573	4,808
Savings mortgages balance	2,463	3,855
Total	23,896	23,744

The most significant quantification of interest rate risk is done by using duration analyses, scenario analyses and VaR analyses.

The duration of shareholders' equity indicates the impact on the fair value of shareholders' equity in the event of a minor parallel shift in the yield curve. In its analysis, the insurer ignores those investments and liabilities that are already nearly matched to each other. This category includes savings policies built up with savings mortgages and the part of the balance items that is kept for own account and risk of the policyholders.

Market rate movements rapidly change both the value and interest rate sensitivity of the return guarantees given to customers. This makes the duration of equity extremely volatile and hard to interpret, which is why it was decided not to conduct management based on this indicator. The actual interest rate management (and accompanying hedging policy) is currently driven by the results of the sensitivity calculations related to solvency.

The table below reflects the duration of assets and liabilities.

	2009	2008
Duration of assets	6.2	6.2
Duration of liabilities	8.3	10.1

Scenario analyses periodically test the impact of changes in market rates on solvency and results. The table below shows the impact of parallel shifts in interest rates of 1% in the various balance sheet items (indicative).

In economic reality, all balance sheet items (both assets and liabilities) with an underlying cash flow schedule change in value when the interest rate changes. With a 1% decrease in the interest rate, the fair value of shareholders' equity increases by € 188 million (2008: decrease by € 213 million). With a 1% interest rate increase, the fair value of shareholders' equity decreases by € 251 million (2008: increase by € 7 million). The table below shows the impact net of taxation.

In € millions	Interest +1%		Interest -1%	
	2009	2008	2009	2008
Interest rate sensitivity of the fair value shareholders' equity Insurance activities				
Investments	(1,451)	(1,440)	1,770	1,685
Technical provisions	1,059	1,364	(1,428)	(1,804)
Other assets and liabilities	141	83	(154)	(94)
Shareholders' equity	(251)	7	188	(213)

The accounting result and shareholders' equity change as a result of value changes in interest rate derivatives and the fixed-income portfolio classified as available for sale.

The effect of a 1% increase in interest rates on the result is € 20 million negative (2008: € 204 million) and the effect of a 1% decrease in interest rates on the result is € 125 million positive (2008: € 258 million positive).

In respect of shareholders' equity, this is € 1.406 million negative in the event of a 1% increase in interest rates (2008: € 1,142 million negative). A 1% decrease in the interest rate has an effect of € 1,724 million positive (2008: € 1,226 million positive).

The increase in interest rate sensitivity of shareholders' equity is explained by more fixed income investments than year end 2008, and they also have a greater interest rate sensitivity. These adjustments were made to protect solvency, which is calculated in a different manner than IFRS shareholders' equity, against an interest rate decrease.

The overview below shows the average effective interest rates of the financial assets, the financial liabilities and the technical provisions of the Insurance activities as per the balance sheet date.

In percentages	2009	2008
Financial assets (not valued at fair value through profit or loss)		
Investments for own account		
- Held to maturity	--	4.3%
- Available for sale (excluding equities)	4.3%	4.8%
- Loans and advances	5.2%	3.3%
Loans and advances to customers	1.7%	5.4%
Financial liabilities at amortised cost		
Subordinated debt	7.0%	7.4%
Debt certificates	2.0%	5.6%
Technical provisions insurance operations for own account and risk¹⁾		
Individual insurance policies in cash	4.2%	4.2%
- Savings mortgages	4.3%	4.2%
- Life annuity	5.6%	5.6%
- Other	3.4%	3.4%
Group insurance policies in cash	3.9%	3.8%
	3.6%	3.9%

¹⁾ Before any interest rate rebate and initial costs

Insurance contracts on account of policyholders

For insurance policies for which policyholders carry the investment risk, the insurer does not, in principle, bear any risk relating to interest rates, prices, exchange rates or credit. Nevertheless, for some portfolios within this category, the insurer has given policyholders a minimum guarantee. As a result, the insurer bears the risks for these contracts regarding interest rates, pricing and exchange rates. The value of the guarantees within the portfolio 'on behalf of policyholders' is measured periodically. In 2009 no transactions were concluded to hedge the risk associated with the guarantees that were provided. The table below shows the portions of the technical provisions in the Insurance activities' portfolio where some form of guarantee has been given.

In € millions	2009	2008
Life insurance contracts on behalf of policyholders		
Without guarantee	6,031	6,717
With guarantee	4,211	4,354
	10,242	11,071

3.2.2 Equity and investment property risk

The equity and similar investments of the Insurance activities amounted to € 1.684 million at year-end 2009 (2008: € 2.116 million). The sharp decline was caused in particular by the policy conducted in 2009 which was aimed at limiting the market risk.

The IFRS classification of equities also includes investment funds that invest in other types of securities. The ALM policy is adjusted for this.

The insurer periodically calculates the impact of changes in equity markets and property markets on the result and on shareholders' equity. As is the case for the interest rate risk, scenario analyses are used here as well. The table below shows the results of this analysis at the balance sheet date net of taxation (indicative).

In € millions	Result		Total equity	
	2009	2008	2009	2008
Equities and options +10%	--	19	138	62
Equities and options -10%	(128)	(16)	(127)	(58)
Property +10%	26	21	17	21
Property -10%	(26)	(21)	(17)	(21)

3.2.3 Exchange rate risk

The Insurance activities face exchange rate risk through a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to the fixed-income investments, the policy of the Insurance activities is to permit only a very limited exchange rate risk. The exchange rate risk on fixed-income investments with a foreign currency denomination is therefore hedged completely with currency swaps.

Exchange rate risk also manifests itself in the equity investments of the Insurance activities. Of this exchange rate risk, after netting the exchange rate risk in other non-fixed income investments and liabilities, at least 80% is structurally hedged using forward exchange rate contracts. The table below gives an indication of the Insurance activities' exchange rate position.

In € millions	Balance debit		Balance credit		Balance		Hedge derivatives	
	2009	2008	2009	2008	2009	2008	2009	2008
Foreign exchange position Insurance activities								
US dollar	90	449	23	24	67	425	(56)	(369)
Japanese yen	--	20	--	--	--	20	--	(19)
Pound Sterling	122	133	--	5	122	128	(105)	(121)
Swiss franc	32	29	--	--	32	29	--	(19)
Australian dollar	--	--	28	33	(28)	(33)	--	--
Other	12	47	--	1	12	46	--	(7)
Total	256	678	51	63	205	615	(161)	(535)

The impact of changes in foreign exchange rates on the result, on shareholders' equity and solvency are measured periodically using scenario analyses. The table below shows the results of these analyses net of taxation.

In € millions	Result		Equity	
	2009	2008	2009	2008
Currencies +10%	3	6	3	6
Currencies -10%	(3)	(6)	(3)	(6)

3.3 Credit risk

REAAL and Zwitserleven are exposed to various types of credit risk. The main types are the credit risks in the investment portfolio and in the loan portfolio to intermediaries. The mortgage loans of REAAL are well covered and it concerns a relatively aged portfolio. Consequently, the likelihood of non-payment is low and therefore the risk profile of the mortgage portfolio of REAAL is very low.

In the policy documents for the specific credit risk categories, the roles, authorities and responsibilities of employees and committees are established, following a successively more senior layer of authorisation.

Management of credit risk within the fixed-income investment portfolio of the Insurance activities

The credit risk within the fixed-income investment portfolios of the Insurance activities is the risk that an issuer of a bond or a debtor of a private placement loan can no longer meet its obligations. The strategic scope of the various investment grade categories within the fixed-income portfolio is determined in an ALM context and laid down in mandates with the investment managers. Periodically, the Investment Office checks whether the asset managers adhere to the mandates and reports on this.

The fixed-income investment portfolios of the Insurance activities have predominantly European and North American debtors, whereby no one represents an interest of more than 10% in the fixed-income investment portfolio.

In € millions	Designated as fair value through profit or loss		Available for sale		Loans and receivables		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Public sector - domestic	109	132	1,885	3,004	15	15	2,009	3,151
Public sector - foreign	86	143	11,292	8,699	--	2	11,378	8,844
Financial institutions	806	905	3,323	4,439	5,842	5,595	9,971	10,939
Trade, industry and other services	--	--	2,150	1,380	14	5	2,164	1,385
Other	80	40	1,052	880	265	218	1,397	1,138
Total	1,081	1,220	19,702	18,402	6,136	5,835	26,919	25,457

The following overview provides a breakdown of the fixed-income investment mix (excluding mortgages) across the various rating categories. The strategic mix of the various categories within the fixed-income portfolio is set annually in the ALM-investment plan. The category without any rating mainly consists of investments related to savings mortgages.

In € millions	Designated as fair value through profit or loss		Available for sale		Loans and receivables		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
AAA	624	563	11,474	11,565	161	78	12,259	12,206
AA	170	407	3,307	2,270	10	45	3,487	2,722
A	287	184	3,541	3,540	521	3,103	4,349	6,827
BBB	--	66	1,070	588	1,073	27	2,143	681
Below BBB	--	--	229	74	26	--	255	74
Unrated	--	--	81	365	4,345	2,582	4,426	2,947
Total	1,081	1,220	19,702	18,402	6,136	5,835	26,919	25,457

Securities Lending Programme

Zwitserleven has a Securities Lending Programme, under which securities are lent in exchange for compensation. The counterparties provide collateral as security in the form of liquidities, government bonds and other bonds with high ratings. At the end of 2009, € 540 million in securities were lent and € 550 million of collateral was received in return for which € 212 million in government bonds and € 537 million in liquidities were received as collateral. The Lending Agent reinvests the aforementioned liquidities, on behalf of Zwitserleven, in Money Market Funds with investments with a certain credit risk. The margin between the returns from the Money Market Funds and the compensation to the other parties accrues to Zwitserleven. Any losses from the Money Market Funds will also be borne by Zwitserleven. The current programme made a positive contribution to Zwitserleven result in the amount of € 24 million. The programme was further reduced in 2009, from € 2.3 billion at year-end 2008 to € 0.7 billion at year-end 2009. A percentage of 31% of the current reinvestment portfolio in the Money Market Funds comprises liquidities.

CDO's and CLO's

The Insurance operations do not include any direct or indirect investment in the US subprime mortgages market. Outside the United States, only a limited amount (€ 1.5 million) has been invested in subprime SME and retail mortgages. In addition, the portfolio includes investments in CDOs and CLOs. These structured securities, however, comprise less than 1% of the entire investment portfolio for own account and risk. Furthermore, more than 30% of the CDO/CLO portfolio has a credit rating of AA or more.

Management of credit risk in the portfolio with loans to intermediaries

The Insurance activities manage the process of providing loans to intermediaries by a credit committee and the application of strict acceptance criteria.

Management of credit risk with regard to derivative positions

The credit risk on the fair value of all derivatives held by SNS REAAL with a counterparty is managed through a so-called Credit Support Annex, or CSA, agreement. In accordance with standard industry practice, this agreement stipulates that the underlying value of the derivatives in liquid instruments, such as cash and government bonds, must be held as collateral to cover the credit risk.

Management of credit risk relating to advances to the reinsurer

To reinsure third-party car insurance and liability insurance for individuals and companies, the Insurance activities use a panel that consists of reinsurers with a minimum credit rating of A. For the reinsurance of fire and catastrophe risks, it uses reinsurers with a minimum credit rating of A-. A minimum rating of A also applies for the reinsurance of Life and Disability. An exception was made to this general policy for Zwitserleven, in respect of which a reinsurance contract was purchased from the former parent company (rating BBB+).

Management of credit risk in the mortgage portfolio

The Insurance activities run a limited credit risk on its mortgage portfolio. Part of this portfolio is guaranteed by the National Mortgage Guarantee fund. Moreover, the property price increases of the last few years have led to a strong increase in the foreclosure value of the collateral. In the event of non-payment by a debtor, the loans can nearly always be recouped through the sale of the collateral.

The table below shows the mortgages (loans and advances to customers) on the balance sheet of the Insurance activities by the nature of the security:

In € millions	2009	2008
Residential property in the Netherlands:		
- Mortgages ≤ 75% of foreclosure value	1,290	1,132
- Mortgages > 75% of foreclosure value	1,260	1,256
- Mortgages with National Mortgage Guarantee	1,315	1,551
Corporate mortgages	21	21
Specific provision for bad debts	(7)	(1)
Total	3,879	3,959

A major part of the mortgage portfolio of the Insurance activities was securitised or sold. In the event of securitisation, the Insurance activities still run some credit risk, as part of the purchase price is to be paid from the future margin. The Insurance activities have a limited credit risk in respect of the mortgages that have been sold. The credit risk of the mortgages of the Insurance activities is limited, partially due to NHG guarantees and low Loan-to-Foreclosure Values, but mainly due to the prudent acceptance policy of the Insurance activities. Furthermore, a large part of the portfolio stems from the period 2000-2005, so that the foreclosure values of the properties that serve as collateral have increased. The table below shows a breakdown of the portfolio of the Insurance activities into securitised and not securitised:

In € millions	2009	2008
Securitised	2,095	2,205
Not securitised	1,784	1,128
Total	3,879	3,333

3.4 Liquidity risk

The Insurance activities must have sufficient cash to be able to meet claims arising from its insurance portfolio. The table below presents cash flows arising from assets and derivatives and technical provisions, net of reinsurance (liabilities) per maturity bucket. The figures give insight into the liquidity risk management that is part of the ALM policy.

The table only includes the portfolio for own account and risk. The portfolio on behalf of policyholders is not relevant in this context, since the premiums accumulated in the investment funds are paid to the policyholders at maturity date. The accrued balances of savings policies and savings mortgages are also not taken into account as these are perfectly matched. The cash flows from investments presented in the table include interest flows. The cash flows arising from the technical provisions are estimated on a best-estimate basis pursuant to European Embedded Value principles. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table below. In increase or decrease of 10% of the assumptions results in materially different cash flows.

These cash flows do not include future profit sharing. Equity and other non-fixed income investments are not included in the table. The table shows that the net cash flows of the insurer will be positive for the technical provisions in the coming years. Since, moreover, the investment portfolios largely comprise liquid investments, which can immediately be liquidated in times of stress, the insurer runs only a limited liquidity risk.

In € millions	≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years ≤ 10 Years	> 10 Years ≤ 15 Years	> 15 Years ≤ 20 Years	> 20 Years	Total
2009							
Investments:							
- Fair value through profit or loss	569	270	84	27	26	520	1,496
- Available for sale	2,746	5,927	6,378	3,995	4,921	8,581	32,548
- Loans and receivables	1,942	591	374	444	331	2,555	6,237
Derivatives	16	85	113	87	55	12	368
Loans and advances to customers	409	724	482	169	100	73	1,957
Total	5,682	7,597	7,431	4,722	5,433	11,741	42,606
Technical provisions Life ¹	1,171	4,905	5,404	4,495	3,918	11,446	31,339
Technical provisions Non-life	60	664	288	225	136	64	1,437
Total	1,231	5,569	5,692	4,720	4,054	11,510	32,776
Difference in expected cash flows	4,451	2,028	1,739	2	1,379	231	9,830
2008							
Investments:							
- Fair value through profit or loss	902	206	93	73	70	438	1,782
- Available for sale	3,217	5,776	6,192	3,578	3,482	6,546	28,791
- Loans and receivables	863	232	199	189	80	283	1,846
Derivatives	76	42	(77)	(67)	14	28	16
Loans and advances to customers	274	552	404	165	91	69	1,555
Total	5,332	6,808	6,811	3,938	3,737	7,364	33,990
Technical provisions Life ¹	1,122	4,934	5,266	4,321	3,721	11,948	31,312
Technical provisions Non-life	71	676	314	244	138	66	1,509
Total	1,193	5,610	5,580	4,565	3,859	12,014	32,821
Difference in expected cash flows	4,139	1,198	1,231	(627)	(122)	(4,650)	1,169

¹⁾ The technical provisions Life concern REAAL Life including Zwitterleven.

4 Non-financial risk management

Apart from financial risks, SNS REAAL also recognises non-financial risks, i.e. operational and integrity risks. With regard to these risks, SNS REAAL'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, and in the future Solvency 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 REAAL 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 REAAL. The basic principles for integrity and ORM form the control framework for major changes within SNS REAAL. 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 REAAL manageable.

To calculate the capital requirement on the basis of operational risk, the standardised approach for Banking activities 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.

5 Disclosures on financial instruments

5.1 Fair value of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS REAAL. In a number of cases, estimates are used. The balance sheet items not included in this table do not meet the definition of a financial asset or liability. The total of the fair value presented below does not reflect the underlying value of SNS REAAL and should therefore not be interpreted as such.

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	fair value	book value	fair value	book value	fair value	book value	fair value	book value	fair value	book value
2009										
Financial assets										
Investments										
- Fair value through profit or loss: Held for trading	140	140	--	--	--	--	(15)	(15)	125	125
- Fair value through profit or loss: Designated	107	107	1,091	1,091	--	--	--	--	1,198	1,198
- Available for sale	4,270	4,270	21,448	21,448	101	101	(138)	(138)	25,681	25,681
- Loans and advances	--	--	6,202	6,062	--	--	(2,538)	(2,481)	3,664	3,581
Investments for account of policyholders	--	--	12,567	12,567	--	--	(2)	(2)	12,565	12,565
Invested collateral securities lending	--	--	540	540	--	--	--	--	540	540
Derivatives	1,169	1,169	195	195	17	17	--	--	1,381	1,381
Loans and advances to customers	69,566	67,479	3,898	3,879	968	967	(1,877)	(1,868)	72,555	70,457
Loans and advances to banks	2,715	2,715	1,892	1,885	879	908	(1,168)	(1,164)	4,318	4,344
Other assets	566	566	54	54	255	255	(215)	(215)	660	660
Cash and cash equivalents	2,554	2,554	1,723	1,723	426	426	(1,231)	(1,231)	3,472	3,472
Total financial assets	81,087	79,000	49,610	49,444	2,646	2,674	(7,185)	(7,114)	126,158	124,004
Financial liabilities										
Participation certificates and subordinated debt	1,433	1,559	1,022	963	491	600	(1,210)	(1,140)	1,736	1,982
Debt certificates	30,575	30,739	1,976	1,976	404	398	(157)	(157)	32,798	32,956
Liability related to collateral securities lending	--	--	550	550	--	--	--	--	550	550
Derivatives	2,247	2,247	76	76	4	4	--	--	2,327	2,327
Savings	24,259	24,435	--	--	--	--	--	--	24,259	24,435
Other amounts due to customers	9,244	9,835	819	819	1,556	1,554	(3,904)	(4,154)	7,715	8,054
Amounts due to banks	7,110	7,119	4,764	4,764	707	700	(1,447)	(1,447)	11,134	11,136
Other liabilities	1,458	1,458	1,616	1,616	157	157	(219)	(219)	3,012	3,012
Total financial liabilities	76,326	77,392	10,823	10,764	3,319	3,413	(6,937)	(7,117)	83,531	84,452

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	fair value	book value	fair value	book value	fair value	book value	fair value	book value	fair value	book value
2008										
Financial assets										
Investments										
- Fair value through profit or loss: Held for trading	167	167	--	--	--	--	(11)	(11)	156	156
- Fair value through profit or loss: Designated	130	130	1,264	1,264	--	--	--	--	1,394	1,394
- Available for sale	3,645	3,645	20,474	20,474	150	150	(88)	(88)	24,181	24,183
- Loans and advances	--	--	5,850	5,835	--	--	(2,270)	(2,270)	3,580	3,563
Investments for account of policyholders	--	--	10,844	10,844	--	--	(120)	(120)	10,724	10,724
Invested collateral securities lending	--	--	2,310	2,310	--	--	--	--	2,310	2,310
Derivatives	1,113	1,113	620	620	28	28	--	--	1,761	1,761
Loans and advances to customers	65,417	65,794	3,964	3,956	641	956	(2,683)	(3,002)	67,339	67,704
Loans and advances to banks	2,783	2,783	1,936	1,929	992	1,210	(982)	(1,200)	4,729	4,722
Other assets	571	571	404	404	193	193	(151)	(151)	1,017	1,017
Cash and cash equivalents	1,692	1,692	1,214	1,214	8	8	(953)	(953)	1,961	1,961
Total financial assets	75,518	75,895	48,880	48,850	2,012	2,545	(7,258)	(7,795)	119,152	119,495
Financial liabilities										
Participation certificates and subordinated debt	1,223	1,689	648	967	502	720	(932)	(1,251)	1,441	2,125
Debt certificates	30,267	30,282	2,215	2,215	285	285	(103)	(103)	32,664	32,679
Liability related to collateral securities lending	--	--	2,377	2,377	--	--	--	--	2,377	2,377
Derivatives	2,144	2,144	194	194	20	20	--	--	2,358	2,358
Savings	21,629	21,859	--	--	--	--	--	--	21,629	21,859
Other amounts due to customers	9,343	10,184	688	689	1,007	1,013	(4,256)	(4,474)	6,782	7,412
Amounts due to banks	6,529	6,491	4,676	4,676	1,292	1,276	(1,831)	(1,831)	10,666	10,612
Other liabilities	1,327	1,327	1,525	1,525	133	133	(151)	(151)	2,834	2,834
Total financial liabilities	72,462	73,976	12,323	12,643	3,239	3,447	(7,273)	(7,810)	80,751	82,256

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 redemptions 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 REAAL 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 clients 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.

5.2 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	Fair value based on published stock prices in an active market (Level 1)		Based on observable market data (Level 2)		Not based on observable market data (Level 3)		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Financials assets								
Investments	17,366	16,958	9,546	8,666	92	107	27,004	25,731
Investments for account of policyholders	4,156	5,700	8,409	5,024	--	--	12,565	10,724
Invested collateral securities lending	--	--	540	2,310	--	--	540	2,310
Derivatives	2	307	1,379	1,454	--	--	1,381	1,761
Loans and advances to customers	--	--	2,280	2,745	--	--	2,280	2,745
Financial liabilities								
Fair value through profit or loss: debt certificates	--	--	1,976	2,215	--	--	1,976	2,215
Derivatives	--	--	2,327	2,358	--	--	2,327	2,358

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.

The loans and advances to customers relate to the mortgages of the Holland Homes MBS securitisation programme. The fair value is calculated on the basis of the current swap curve increased by risk surcharges that have been derived from the development in mortgage rates compared to the swap rate. In addition, estimates of early redemption are taken into account.

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.

In € millions	Fair value through profit and loss: held for trading	Available for sale	Total
Balance as at 1 January 2009	15	92	107
Total gains or losses:			
- in profit or loss	(3)	(38)	(41)
- realised revaluations through profit or loss	--	25	25
- in other comprehensive income	--	16	16
Settlements	--	(13)	(13)
Other	--	(5)	(5)
Transfer out of Level 3	--	3	3
Balance as at 31 December 2009	12	80	92
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(3)	(38)	(41)

The Not based on observable market data category includes investments in CDOs and CLOs. The following table shows the breakdown of this category into types of investment.

In € millions	Not based on available market data (Level 3)	
	2009	2008
Bonds issued by financial institutions	12	15
Collateralised debt obligation	38	39
Collateralised loan obligation	42	53
Total	92	107

The fair value of financial instruments classified in level 3 is partly based on non-observable market data. The fair values of CDO's and CLO's classified in level 3 have been determined by calculating scenarios with the use of best estimates of the 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.

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	2009	2008	2009	2008	2009	2008
	Impairments							
- Equities	179	625	--	69	--	--	179	694
- Bonds issued by financial institutions	--	--	47	80	--	--	47	80
- Collateralised debt obligations	--	--	--	--	38	7	38	7

SNS REAAL 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 REAAL 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.

Reclassifications between level 1, 2 and 3

Compared to the previous financial year, reclassifications occurred between the level 1, 2 and 3 instruments due to changing market conditions. These movements are reflected in the table below.

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	2009	2009	2009
From:				
Fair value based on published stock prices in an active market (Level 1)	--	1,942	--	1,942
Based on available market data (Level 2)	(1,942)	--	3	(1,939)
Not based on available market data (Level 3)	--	(3)	--	(3)

5.3 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	--	(8)	(287)	(716)	(1,459)	(2,470)
Debt certificates	(571)	(2,883)	(5,699)	(15,307)	(17,348)	(41,808)
Securities lending liabilities	(550)	--	--	--	--	(550)
Savings	(19,354)	(1,722)	(1,749)	(1,965)	(538)	(25,328)
Total	(20,475)	(4,613)	(7,735)	(17,988)	(19,345)	(70,156)

The table below shows the non-discounted cash flows ensuing from all derivatives 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	(27)	(206)	(1,188)	(912)	(381)	(2,714)
Currency contracts	(10)	(4)	(25)	(1)	--	(40)
Total	(37)	(210)	(1,213)	(913)	(381)	(2,754)

For further explanation with regard to the management of the liquidity risk of the Banking activities and Insurance activities we refer to paragraph 2.3 and 3.4

6 Hedging and hedge accounting

SNS REAAL 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 REAAL 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	78,523	7,386	47,576	23,561	862	(1,901)
- Options	18,836	9,205	8,233	1,398	180	(12)
Index contracts						
- Options	350	97	253	--	1	--
Currency contracts						
- Swaps	2,989	628	2,022	339	88	(163)
- Forwards	193	193	--	--	--	(1)
Total	100,891	17,509	58,084	25,298	1,131	(2,077)
2008						
Interest rate contracts:						
- Swaps and FRAs	78,393	6,467	20,795	51,131	746	(1,629)
- Options	10,559	425	9,626	508	105	(9)
Index contracts						
- Options	1,382	353	1,029	--	294	--
Currency contracts						
- Swaps	2,989	972	1,531	486	263	(344)
- Forwards	465	465	--	--	30	(36)
Total	93,788	8,682	32,981	52,125	1,438	(2,018)

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.

6.1 Hedging Banking activities

The banking activities use 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.

6.2 Hedging Insurance activities

The Insurance activities use derivatives to protect the market value of shareholders' equity and solvency from undesired market developments. For example, receiver swaptions are used to partially hedge the risk of the guarantees in the traditional life insurance with profit sharing. Currency swaps are used to hedge the exchange rate risk of the equity portfolio.

6.3 Hedging SNS REAAL

SNS REAAL uses interest rate swaps to convert fixed-rate funding into floating-rate funding.

Where non-euro funding is concerned, foreign exchange swaps are used to convert this type of funding into euro funding. The market value of these swaps amounted to € 12 million at year-end 2009.

SNS REAAL has swapped part of the funding (of € 300 million) from a floating-rate to a fixed-rate coupon by means of interest rate swaps. The market value of these interest rate swaps was € 0.1 million at year-end 2009.

6.4 Hedge accounting

With regard to the majority of the hedge strategies explained above, SNS REAAL applies hedge accounting. In addition to the main distinction between fair value hedges and cash flow hedges, there is also a distinction between micro hedges and macro hedges in hedge accounting. In micro hedges, risks on separate contracts are hedged. In macro hedges, the risk of a portfolio of contracts is hedged. SNS REAAL applies the following hedge accounting methods:

Fair value hedges

Hedging the interest rate risk in the bank book (macro hedge)

The portfolio hedged consists of the fixed-rate mortgages of SNS Retail Bank. These are mortgages that have a fixed-rate interest period of more than 6 months. The hedging instruments are interest rate swaps entered into within the framework of the interest rate risk management in the ALM process. The risk hedged is the risk of change in the value of the portfolio as a result of movements in the market interest rates.

Hedging of embedded derivatives in mortgages (macro hedge)

The Banking activities sell 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 extent counters fluctuations in the result caused by volatility in the six-month interest rate.

Hedging of interest rate risk on funding (micro hedge)

SNS REAAL uses micro hedges to convert fixed-rate funding with interest rate swaps into floating interest rates. If the funding is in foreign currency, foreign exchange swaps are applied. In addition to converting the foreign currency into 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)

The Banking activities also hedge 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.

Hedging the foreign exchange risk in equity portfolio

The Insurance activities have hedged the foreign exchange risk in its equity portfolio at a macro level using foreign exchange futures contracts.

Cash flow hedges

Hedging the quotation risk of mortgages

The Banking activities hedge 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

The Banking activities cover 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.

Hedging interest rate risk in future reinvestments

The insurance activities have lengthened the effective maturity of its investment portfolio at a macro level with the use of interest rate swaps. This achieves the effect of fixing interest income over a longer period. The risk that is hedged here is the variability of

the interest rate at the time of reinvestment. The cash flow hedge consists of a combination of a short-term buyer swap and a long-term receiver swap. At year-end 2009, 14 of these combinations are outstanding (year-end 2008: 19 combinations). At the time of reinvestment (in this case, the end of the maturity of the short-term swap), the long-term swap is sold, and the proceeds are reinvested in fixed-income assets. The characteristics of this reinvestment (maturity, coupon dates) are largely similar to those of the sold swap.

The reinvestment calendar can be summarised as follows:

In € millions	Notional amounts			
	Total	< 1 Year	>1 Year =<5 Years	> 5 Years
Interest rate swaps 2009	1,969	1,359	420	190
Interest rate swaps 2008	4,031	563	1,172	2,296

At year-end 2009, a positive realised market value and deferred interest income of € 89 million (2008: € 107 million) had been built up in shareholders' equity. This positive market value and interest is released to the income statement at the reinvestment points indicated above, over a period that is equal to the remaining maturity of the long-term swap in question.

At year-end 2009 there were no future transactions to which previously hedge accounting had been applied, but which will probably not occur. No hedge accounting is applied to the equity options of REAAL, nor is it applied to the swaptions of REAAL.

7 Capital management

SNS REAAL'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 REAAL 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. In addition, SNS REAAL has the ambition to fully redeem the capital support it received from the Dutch State and Stichting Beheer SNS REAAL at the end of 2008.

Objectives and standards framework

SNS REAAL'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 REAAL 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.

SNS REAAL applies a 115% ceiling for its double leverage. This standard limits the degree to which debt raised by the Group can be reallocated to subsidiaries as shareholders' equity. This double leverage fell from 113.7% at year-end 2008 to 113.1% at year-end 2009.

Main developments

In September 2009, SNS REAAL issued shares, which raised € 135 million of new shareholder equity. The objective of the issue was to redeem part of the support received from the State and the Stichting. In December 2009, SNS REAAL repurchased € 185 million in securities of the Dutch State and € 65 million in securities of Stichting Beheer SNS REAAL.

In November, SNS Bank and SNS REAAL 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 REAAL reinforced its capital position with this transaction.

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

Solvency Standards

	Standard	Target	Realisation	
			2009	2008
SNS REAAL	Double leverage	<115%	113.1%	113.7%
Insurance activities	Regulatory solvency (minimum)	>150%	230%	176%
Banking activities	BIS ratio	>11%	13.9%	14.0%
	Tier 1 ratio	>10%	10.7%	10.5%
	Core capital ratio	>6%	8.3%	8.1%

SNS Retail 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.

Regarding the Insurance activities, the solvency ratios for the various insurance units all exceeded the internal standards as at year-end 2009: 246% for REAAL Life and 379% for REAAL Non-life. After consolidation, the solvency ratio amounted to 230% and the capital funding ratio to 314% at year-end 2009. The available solvency in both the solvency ratio and the capital funding ratio includes (part of) the available excess value of the technical provisions in the life insurance operations. The calculation methods used to determine this excess value vary in a number of respects for both ratios. The capital funding ratio is based on the excess value as determined on the basis of the IFRS Liability Adequacy Test (LAT). The solvency ratio includes the excess value as determined in the adequacy test performed in accordance with DNB guidelines. The main differences between determining the excess value in both tests include the use of a surrender value floor under the adequacy test and the use of a different nominal risk-free term structure for discounting future cash flows.

Capital management framework

In assessing capital adequacy, SNS REAAL takes into account the economic risks of the underlying activities. These risks are assessed using stress tests, Basel II pillar 1 calculations and economic capital calculations. SNS REAAL's capitalisation is aimed at achieving a single A rating. SNS REAAL's capital management comprises the following main activities: determining the minimum level of required capital, performing stress tests on the capital adequacy and a qualitative capital adequacy assessment.

Required economic capital

SNS REAAL 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 REAAL takes into account any uncertainties in the economic capital models. These uncertainties are translated into separate surcharges and added to the unadjusted economic capital.

A confidence level of 99.96% is used in determining the economic capital. This confidence level is calibrated to the default probability of a company with an AA rating. SNS REAAL deliberately chooses this higher confidence level over the level related to the rating ambition in order to be more confident that it will achieve the single A rating. In the economic capital calculation, diversification effects between risk categories are taken into account. These diversification effects occur because not all risks manifest themselves simultaneously. In the calculation of the economic capital of both the Banking and the Insurance activities, diversification effects between the banking and insurance operations are not taken into account. The capital adequacy of the Banking activities and the Insurance activities is assessed separately.

Results of European and Dutch stress tests:

DNB stress tests

In March 2009, SNS REAAL performed a stress test for both its banking and its insurance operations 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 REAAL exceeds the minimum statutory solvency and liquidity requirements in respect of both its Insurance and its Banking activities.

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 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 REAAL received a relatively modest amount of support only once. That is why SNS REAAL does not have to submit a restructuring plan, but a viability plan.
- ⊙ Burden sharing. Stichting Beheer SNS REAAL makes a substantial contribution by injecting 500 million euros at less favourable terms than the State. SNS REAAL itself also shares in the burden by implementing cost-saving programmes and limiting bonuses.
- ⊙ The size of the institution / market share. In virtually all markets, except for project loans of SNS Property Finance, SNS REAAL has a modest market share (less than 20%). In order to avoid market disruptions due to the state support, SNS REAAL 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 REAAL's Banking and Insurance activities. 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 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. The Insurance activities' solvency recovers due to the recovery observed in the financial markets and a decrease of the long-term interest rates in 2009, and the expected development of the yield curve. However, sensitivity analyses show that the insurer's solvency can still experience severe fluctuations due to yield curve changes.

In January 2010, SNS REAAL obtained definitive approval from the European Commission for the State capital support received in 2008.

Going concern capital management

In its capital management process, SNS REAAL 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 REAAL 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 the Banking and Insurance activities 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 REAAL capitalises its business units and subsidiaries in accordance with the internal and external solvency standards. This allows the Group 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.

In 2009, the Insurance activities implemented a programme that allows it to determine the solvency level and market sensitivity of its solvency much better than before. The solvency level is available at least every month, and the market sensitivity is available four times a year. Both elements are used in the operational capital management of the Insurance activities.

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 abovementioned standards, SNS REAAL is adequately capitalised.

The assessment of capital adequacy comprises the following elements:

- ⊙ The economic capital is calculated and reported to the Group ALCO 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, the Banking activities 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 the Banking activities and the yield requirements of the providers of capital, the Banking activities determine the required return. These calculations are applied in the Banking activities' pricing policy, portfolio management and performance measurement.

Since the Insurance activities enter into many long-term contracts for its life insurance products, adequately estimating the added value of product sales in advance is crucial. To achieve this, the Insurance activities have taken a number of measures. The actuarial department Pricing first tests each new product for its profitability, which is assessed in terms of value and impact on the income statement. Decisions on actually marketing the product, special deals or contracts with sales organisations are partly based on the input and advice given by this department and are taken by the Pricing Advisory Committee, which includes the responsible members of the board.

The value realisation is checked afterwards with embedded value calculations. In this context, the Value of New Business calculated on a 'best estimate' basis is assessed as well as the value of the total life insurance portfolio (Value in Force). The outcome is reported to the Management Boards of the Insurance activities, who then decide on any action to be taken.

Preparations for Solvency II

In 2009, SNS REAAL took further steps in its preparations for Solvency II by setting up the Valu8 group-wide programme. The most significant parameters of the internal EKAP model were aligned in 2009, an important step in the implementation of the internal Solvency II model.

One of the objectives of the Valu8 programme is making SNS REAAL compliant with Solvency II. After completion of the programme, Solvency II will be an integral part of the business operations of the Insurance activities. In addition, the Valu8 programme is also intended to further embed the value creation, based on the new Solvency II foundation. In 2010, SNS REAAL will participate in the pre-application for internal models and in QIS 5.

Notes to the consolidated financial statements

Assets

1 Intangible assets

In € millions	Banking activities		Insurance activities		Group activities		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Goodwill	184	237	554	554	17	17	755	808
Software	31	20	32	5	1	30	64	55
Capitalised acquisition costs Insurance activities	--	--	541	588	--	--	541	588
Value of business acquired (VOBA)	--	--	1,028	1,124	--	--	1,028	1,124
Other intangible fixed assets	28	34	281	172	--	126	309	332
Total	243	291	2,436	2,443	18	173	2,697	2,907

	Goodwill		Software		Capitalised acquisition costs		VOBA		Other intangible fixed assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Statement of change												
Accumulated acquisition costs	810	808	94	73	1,162	1,082	1,099	1,232	333	348	3,498	3,543
Accumulated amortisation and impairments	(55)	--	(30)	(18)	(621)	(494)	(71)	(108)	(24)	(16)	(801)	(636)
Balance as at 31 December	755	808	64	55	541	588	1,028	1,124	309	332	2,697	2,907
Balance as at 1 January	808	607	55	25	588	584	1,124	701	332	199	2,907	2,116
reclassifications	--	--	--	(4)	--	--	--	--	2	4	2	--
Acquisitions	2	203	--	35	--	--	--	506	--	148	2	892
Investments	--	--	48	14	96	141	--	--	3	--	147	155
Divestments	--	--	(31)	(1)	--	--	--	--	--	--	(31)	(1)
Depreciation	--	--	(8)	(14)	(143)	(137)	(96)	(83)	(18)	(16)	(265)	(250)
Impairments	(55)	(4)	--	--	--	--	--	--	(10)	(3)	(65)	(7)
Other movements	--	2	--	--	--	--	--	--	--	--	--	2
Balance as at 31 December	755	808	64	55	541	588	1,028	1,124	309	332	2,697	2,907

The amortisation of software and capitalised internal acquisition cost has been included in the income statement under the item depreciation and amortisation of fixed assets. The amortisation of capitalised external acquisition costs has been included in the income statement under the item acquisition costs for insurance operations. The amortisation of VOBA is reported under the item technical claims and benefits in the income statement.

Client relations and brand names are recognised in other intangible fixed assets. SNS REAAL has capitalised € 231 million (2008: € 252 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. The amortisations mainly concern the client portfolios from ex-AXA, Winterthur and DBV worth € 102 million (2008: € 112 million), which are recognised at the Insurance activities. SNS REAAL has one brand name capitalised with an indefinite use. This concerns the brand name Zwitserleven which is recognised as from 2009 at the Insurance activities in the amount of € 126 million (2008: € 126 million). In November 2009 SNS REAAL hired an external consultant who performed an impairment test on the value of the brand name Zwitserleven. The realisable value according to this test exceeds the book value and as a consequence the brand name has not been impaired.

The impairments of intangible fixed assets are included in the income statement under impairment charges / (reversals). In 2009 the brand name DBV is entirely impaired for the amount of € 9 million due to the decision to integrate with REAAL Life. Furthermore the goodwill of the cash generating unit 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 and 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 unit is determined by value-in-use calculations.

	2009	2008
Goodwill allocation		
SNS Retail Bank	69	67
SNS Property Finance	115	170
REAAL Life	258	258
Zwitzerleven	186	186
REAAL Non-life	110	110
Group activities	17	17
Total	755	808

Value-in-use principles

	SNS Retail Bank	SNS Property Finance	REAAL Life	Zwitzerleven	REAAL Non-Life	Group-activities
Income per year for the budget period	8.9%	0.0%	(3.2%)	(4.3%)	2.0%	6.3%
Income after forecast period	2.0%	2.0%	2.0%	2.0%	2.1%	2.0%
Discount rate	11.6%	12.0%	10.0%	10.0%	9.2%	10.0%
Pre-tax discount rate	14.5%	15.0%	12.5%	12.5%	11.6%	12.5%

SNS REAAL has performed value-in-use calculations for its cash flow generating units. 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, premium income and return on investments
- ⊙ long term interest margin property finance portfolio
- ⊙ provisions and risk-weighted assets
- ⊙ (operating) expenses
- ⊙ assumptions in the technical provisions
- ⊙ required solvency
- ⊙ return on equity

The influence of these parameters differs depending on the cash flow generating unit.

The discount rate was 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 budgets for the three-year period 2010-2012.

The budgets are based on expected future market developments and experience.

The gross premium income of the different insurance activities are within a range of -14.7% to +10.0% for the three-year period 2010-2012. At SNS Property Finance the assumption is made of stabilising income generated from the gradual reduction of the international portfolio for the coming period of three to five years.

2 Property and equipment

In € millions	Banking activities		Insurance activities		Group activities		Consolidation adjustments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Land and buildings in own use	66	70	150	172	--	--	66	87	282	329
IT equipment	26	22	12	16	5	6	--	--	43	44
Other assets	22	27	29	33	--	--	--	--	51	60
Total	114	119	191	221	5	6	66	87	376	433

A number of investment properties owned by the insurer are used by other group companies and have been reclassified in the consolidated figures from investment property to land and buildings in own use (for an amount of €66 million, 2008: €87 million).

	Land and buildings		IT equipment		Other assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Statement of change								
Accumulated acquisitions costs	270	311	111	97	140	152	521	560
Accumulated revaluations	47	68	--	--	--	--	47	68
Accumulated amortisation and impairments	(35)	(50)	(68)	(53)	(89)	(92)	(192)	(195)
Balance as at 31 December	282	329	43	44	51	60	376	433
Balance as at 1 January	329	299	44	43	60	76	433	418
Revaluations	(12)	9	--	--	--	--	(12)	9
Reclassifications	(19)	(2)	--	--	3	2	(16)	--
Acquisitions	1	48	--	1	--	1	1	50
Investments	4	5	24	27	10	11	38	43
Divestments	(13)	--	--	(5)	--	(1)	(13)	(6)
Depreciation	(5)	(5)	(25)	(22)	(16)	(15)	(46)	(42)
Impairments	(3)	(20)	--	--	(6)	(14)	(9)	(34)
Other movements	--	(5)	--	--	--	--	--	(5)
Balance as at 31 December	282	329	43	44	51	60	376	433

Rental income

Included in land and buildings are 21 properties that are partly rented out.

	2009	2008
Future rental income based on irrevocable operational leases		
Less than one year	4	5
From one to five years	9	13
More than five years	13	17
Total	26	35

Impairments on property and equipment are recognised in the income statement under impairment charges / (reversals).

Valuation of land and buildings in own use

The land and buildings in own use are valued by an external surveyor at least once every three years on a rotation based schedule.

	Banking activities	Insurance activities	Group activities	Total	In percentages
Book value of the assessed land and buildings in own use					
2009	57	96	66	220	78%
2008	27	153	87	267	81%
2007	27	148	85	260	87%

3 Investments in associates

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Book value of associates	33	47	65	53	3	11	(1)	(1)	100	110
Market value of associates	33	47	68	48	3	11	(2)	(1)	102	105

€ 88 million (2008: € 100 million) of the book value of investments concerns associated companies, € 12 million (2008: € 10 million) concerns joint ventures.

	2009	2008
Statement of change		
Balance as at 1 January	110	127
Reclassifications	3	--
Purchases and expansions	20	21
Disposals and divestments	(8)	(14)
Share in result of associates	13	(21)
Revaluations	--	3
Dividend received	(7)	--
Impairments	(20)	(5)
Other movements	(11)	(1)
Balance as at 31 December	100	110

Overview of the most significant investments in associates of SNS REAAL

	Country	Interest	Share in equity		Share in result		Assets		Liabilities		Income	
			2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Significant investments in associates:												
Ducatus N.V.	NL	30%	64	46	22	(14)	180	197	--	--	97	(8)
Masterlease N.V.	NL	40%	--	6	--	--	--	138	--	122	--	64
CED Holding B.V.	NL	24%	4	6	--	1	53	52	24	22	91	77
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 Beteiligungs GmbH	DE	33%	16	12	--	--	13	19	13	11	--	2
Prospect Village LP	US	30%	3	--	--	--	13	--	2	--	--	--
Other	Various	20-50%	1	24	(6)	2	355	1,046	327	977	30	53
Total			88	100	15	(12)	871	1,667	604	1,358	219	198

A total of €488 million (2008: €622 million) of loans was granted to 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 REAAL can exercise significant influence, but does not have control.

Overview of the most significant joint ventures of SNS REAAL

	Country	Interest	Share in equity	Share in result	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 B.V.	NL	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 N.V.	BE	50%	--	5	17	--	1	--	16	--
Zom Riveroaks LP	US	50%	8	--	25	15	3	34	--	--
V.O.F. de Boompjes	NL	20%	--	--	5	--	7	--	--	--
Océanis	FR	35%	5	--	136	--	53	69	50	48
Fortress / SNS PF Holding B.V. (formerly IMCA/BFP Holding B.V.)	NL	50%	(2)	--	--	(4)	--	--	--	2
V.O.F. Multi SNS PF (formerly V.O.F. AM BPF)	NL	50%	(2)	--	14	--	20	--	--	3
Other	Various	15-75%	(5)	(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 are reported under the loans and advances to customers. At year end 2009, the joint ventures have no investment commitments (2008: likewise). SNS REAAL exercises joint control of the joint ventures together with participants, without any unilateral control by one of the participants.

4 Investment properties

In € millions	Banking activities		Insurance activities		Consolidation adjustments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Land and buildings used by third parties	1	10	259	287	(67)	(87)	193	210

A range of yields is used to discount for the determination of the fair value of property investments. This range moves between 6.5% and 10.2%, depending on quality, maturity and marketability.

Property rented out by the insurer to other group companies is recognised as investment property by the insurer. At group level, this investment property is included in property and equipment under the item Land and buildings in own use and therefore reclassified from the investment property (2009: € 66 million; 2008: € 87 million).

	2009	2008
Statement of change		
Balance as at 1 January	210	169
Reclassifications	(9)	--
Investments	8	10
Divestments	(6)	(10)
Acquisitions	--	37
Revaluations	(10)	4
Balance as at 31 December	193	210

5 Investments

Investments: overview

In € millions	Fair value through profit or loss				Available for sale		Loans and receivables		Total	
	Held for trading		Designated		2009	2008	2009	2008	2009	2008
	2009	2008	2009	2008						
Banking activities	140	167	107	130	4,270	3,645	--	--	4,517	3,942
Insurance activities	--	--	1,091	1,264	21,374	20,474	6,136	5,835	28,601	27,573
Group activities	--	--	--	--	101	150	--	--	101	150
Eliminations	(15)	(11)	--	--	(64)	(88)	(2,555)	(2,270)	(2,634)	(2,369)
Total	125	156	1,198	1,394	25,681	24,181	3,581	3,565	30,585	29,296

Part of the investments is lend or pledged to third parties. The book value of the lend investments amounts to €0.7 billion as at 31 December 2009 (2008: €2.3 billion). The book value of the investments used as collateral to the European System of Central Banks (ESCB) is €2.6 billion (2008: €2.2 billion). In addition, SNS Reaal entered into repurchase transactions for the amount of €2.7 billion (2008: €2.9 billion).

Investments: fair value through profit or loss

In € millions	Held for trading				Designated				Total	
	Shares and similar investments		Fixed income investments		Shares and similar investments		Fixed income investments		2009	2008
	2009	2008	2009	2008	2009	2008	2009	2008		
Banking activities	9	11	131	156	--	2	107	128	247	297
Insurance activities	--	--	--	--	10	44	1,081	1,220	1,091	1,264
Group activities	--	--	--	--	--	--	--	--	--	--
Eliminations	--	--	(15)	(11)	--	--	--	--	(15)	(11)
Total	9	11	116	145	10	46	1,188	1,348	1,323	1,550

	Held for trading				Designated				Total	
	Shares and similar investments		Fixed income investments		Shares and similar investments		Fixed income investments		2009	2008
	2009	2008	2009	2008	2009	2008	2009	2008		
Listing										
Listed	9	11	116	145	1	44	1,000	644	1,126	844
Unlisted	--	--	--	--	9	2	188	704	197	706
Total	9	11	116	145	10	46	1,188	1,348	1,323	1,550
Statement of change										
Balance as at 1 January	11	104	145	993	46	129	1,348	1,310	1,550	2,536
Reclassifications	2	--	--	(590)	(2)	(115)	23	84	23	(621)
Purchases and advances	--	--	--	--	2	9	1,797	2,459	1,799	2,468
Acquisitions	--	--	--	--	--	1	--	23	--	24
Disposals and redemptions	--	--	--	--	(36)	(11)	(1,984)	(2,528)	(2,020)	(2,539)
Revaluations	4	(4)	50	5	--	(6)	11	(6)	65	(11)
Change in investments held for trading	(8)	(50)	(79)	(263)	--	--	--	--	(87)	(313)
Other	--	(39)	--	--	--	39	(7)	6	(7)	6
Balance as at 31 December	9	11	116	145	10	46	1,188	1,348	1,323	1,550

As a consequence of the volatile financial markets SNS REAAL decided in October 2008 to reclassify part of the investments worth €590 million in the category fair value through profit or loss held for trading purposes into the category available for sale. The reclassification was effected as from 1 July 2008. At 31 December 2009 this portfolio has decreased to €341 million (2008: €562 million) as a consequence of disposals and revaluations. The negative change in fair value over the year 2009 amounted to €5 million (2008: €23 million negative) and has been included in 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

In € millions	Available for sale				Total	
	Shares and similar investments		Fixed income investments		2009	2008
	2009	2008	2009	2008		
Banking activities	8	16	4,262	3,629	4,270	3,645
Insurance activities	1,672	2,072	19,702	18,402	21,374	20,474
Group activities	101	150	--	--	101	150
Eliminations	--	--	(64)	(88)	(64)	(88)
Total	1,781	2,238	23,900	21,943	25,681	24,181
Listing						
Listed	860	1,431	23,867	21,708	24,727	23,139
Unlisted	921	807	33	235	954	1,042
Total	1,781	2,238	23,900	21,943	25,681	24,181
Statement of change						
Balance as at 1 January	2,238	2,543	21,943	9,831	24,181	12,374
Reclassifications	1	61	(9)	2,981	(8)	3,042
Purchases and advances	1,172	1,666	12,695	4,954	13,867	6,620
Acquisitions	--	610	--	6,829	--	7,439
Disposals and redemptions	(1,687)	(1,784)	(10,805)	(3,271)	(12,492)	(5,055)
Revaluations	271	(190)	111	441	382	251
Impairments	(212)	(694)	(86)	(87)	(298)	(781)
Amortisation	--	--	35	35	35	35
Other	(2)	26	16	230	14	256
Balance as at 31 December	1,781	2,238	23,900	21,943	25,681	24,181

	Shares and similar investments				Fixed income investments				Total			
	Cost price		Revaluation		(Amortised) cost price		Revaluation		Accrued interest			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
Valuation												
Banking activities	7	15	1	1	4,165	3,480	18	75	79	74	4,270	3,645
Insurance activities	1,528	2,175	144	(103)	19,148	17,874	272	82	356	446	21,448	20,474
Group activities	99	153	2	(3)	--	--	--	--	--	--	101	150
Eliminations	--	--	--	--	(141)	(102)	3	14	--	--	(138)	(88)
Total	1,634	2,343	147	(105)	23,172	21,252	293	171	435	520	25,681	24,181

Investments: loans and receivables

In € millions	Insurance activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008
Private loans linked to savings mortgages	2,608	2,519	(558)	(551)	2,050	1,968
Private loans	3,535	3,322	(1,997)	(1,719)	1,538	1,603
	6,143	5,841	(2,555)	(2,270)	3,588	3,571
Provision for bad debts	(7)	(6)	--	--	(7)	(6)
Total	6,136	5,835	(2,555)	(2,270)	3,581	3,565

In € millions	2009	2008
Statement of change		
Balance investments as at 1 January	3,571	3,716
Reclassifications	(66)	(150)
Purchases and advances	4,694	1,074
Acquisitions	--	118
Disposals and redemptions	(4,817)	(1,405)
Amortisation	6	5
Other	200	213
Balance investments as at 31 December	3,588	3,571
Balance provisions as at January 1	(6)	(17)
Reclassifications	--	14
Acquisitions	--	--
Addition	(1)	(3)
Balance provisions as at 31 December	(7)	(6)
Total	3,581	3,565

6 Investments for account of policyholders

Investments for account of policyholders include separate deposits for the account and risk of policyholders, investments for unit-linked insurance contracts and separate accounts for large group pension contracts.

In € millions	2009	2008
Listing		
Shares and similar investments:		
- Listed	4,182	4,583
- Not listed	5,641	3,524
Fixed income investments:		
- Listed	2,270	2,434
- Not listed	472	183
Total	12,565	10,724
Statement of change		
Balance as at 1 January	10,724	7,235
Purchases and advances	3,880	2,499
Acquisition	--	5,239
Disposals and redemptions	(3,109)	(2,436)
Revaluations	1,044	(1,844)
Other movements	26	31
Balance as at 31 December	12,565	10,724

7 Invested collateral and securities lending liabilities

In € millions	2009	2008
- Invested collateral securities lending	540	2,310
- Securities lending liabilities	(550)	(2,377)
Total (liability)	(10)	(67)
Statement of change invested collateral securities lending		
Balance as at 1 January	2,310	--
Acquisitions	--	3,815
Advances	64	--
Disposals/redemptions	(1,873)	(1,453)
Revaluations	42	(52)
Exchange rate movements	(3)	--
Balance as at 31 December	540	2,310

SNS REAAL lends securities to third parties in return for cash or securities collateral. SNS REAAL has implemented various policy guidelines for the collateral obtained from the securities lent. Requirements for the collateral vary according to the type of facility. The minimum level varies according to the type of collateral: more risky facilities require a higher quality of collateral. The collateral obtained in cash is invested in money market funds. These funds are set up for the investment and reinvestment of such collateral. The purpose of these investment funds is to provide investors with the highest possible return which can be reconciled with the retention of capital and maintaining sufficient liquidity to meet the expected wishes of the investor. SNS REAAL has the economic risk and obtains the risks and rewards from the investments in these funds.

The investments are characterised by a limited risk of value movement. Approximately 51% (2008: 31%) of the investments in these funds has a Standard & Poor's rating of AAA, 2% AA (2008: 33%), 14% A (2008: 24%), while 33% (2008: 12%) has no rating.

SNS REAAL cannot freely dispose over the investments in the funds. The investments can only be used for the redemption of the collateral provided by the borrower on the basis of lending and borrowing agreements. The obligation to repay the collateral is included in the balance sheet under securities lending liabilities.

The agent effecting the lending and borrowing transaction and investing the collateral has indemnified SNS REAAL against the borrower in default. If the borrower defaults in returning the securities lent under a lending and borrowing transaction, the agent will be subrogated and assume all rights and legal remedies that are exercised on the collateral invested in these money market funds.

	2009	2008
Statement of change in securities lending liabilities		
Balance as at 1 January	2,377	--
Acquisitions	--	3,843
Advances	66	--
Disposals/redemptions	(1,889)	(1,466)
Exchange rate movements	(4)	--
Balance as at 31 December	550	2,377

The fair value of the liabilities does not differ from the book value.

8 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 the transfer have to take place when the agreement expires. Most derivatives are held to hedge against undesired markets risks. This is explained in Risk management's paragraph 6. The derivatives are unlisted.

In € millions	Positive fair value		Negative fair value		Balance	
	2009	2008	2009	2008	2009	2008
Derivatives held for cash flow hedging	102	108	16	16	86	92
Derivatives held for fair value hedging	867	840	1,993	1,819	(1,126)	(979)
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	162	490	68	183	94	307
Derivatives held for trading	250	323	250	340	--	(17)
Total	1,381	1,761	2,327	2,358	(946)	(597)

2009	2008
------	------

Statement of change

Balance as at 1 January	(597)	202
Reclassifications	--	129
Purchases	169	(18)
Acquisitions	--	11
Disposals	(255)	(60)
Revaluations	(335)	(739)
Exchange rate differences	71	(137)
Other	1	15
Balance as at 31 December	(946)	(597)

9 Deferred tax assets and liabilities

In € millions	2009	2008
Deferred tax liabilities	(879)	(754)
Deferred tax assets	562	483
Total (liability)	(317)	(271)

	1 January	Change through profit or loss	Change through shareholders' equity	Other movements	31 December
2009					
Intangible assets	(121)	(7)	--	34	(94)
Value of business acquired	(152)	(27)	--	(35)	(214)
(Investment) property and equipment	(58)	1	4	--	(53)
Investments	(89)	23	(94)	(3)	(163)
Derivatives	167	61	(3)	3	228
Loans and advances to customers	(247)	(69)	--	--	(316)
Debt certificates	(9)	43	--	--	34
Insurance contracts	(11)	84	--	1	74
Provision for employee benefits	27	(13)	--	--	14
Tax-deductible losses	162	(81)	--	--	81
Other	60	32	--	--	92
Total liabilities	(271)	47	(93)	--	(317)

	1 January	Change through profit or loss	Change through shareholders' equity	Other movements	31 December
2008					
Intangible assets	(69)	(52)	--	--	(121)
Value of business acquired	(138)	(14)	--	--	(152)
(Investment) property and equipment	(63)	6	(1)	--	(58)
Investments	54	(79)	(64)	--	(89)
Derivatives	(131)	322	(24)	--	167
Loans and advances to customers	126	(373)	--	--	(247)
Debt certificates	(13)	18	--	(14)	(9)
Insurance contracts	66	(77)	--	--	(11)
Provision for employee benefits	29	(2)	--	--	27
Tax-deductible losses	3	159	--	--	162
Other	(42)	88	--	14	60
Total liabilities	(178)	(4)	(89)	--	(271)

	2009	2008
Change through shareholders' equity		
Change in revaluation reserve	4	(1)
Change in cash flow hedge reserve	(3)	(24)
Change in fair value reserve	(94)	(64)
Total liabilities	(93)	(89)

The deferred tax assets related to tax-deductible losses amount to €81 million (2008: €162 million), which reflects 25.5% (2008: 25.5%) of the total tax-deductible losses of €330 million (2008: €637 million).

10 Property projects

In € millions	2009	2008
Property projects	649	127
Cumulative impairments	(50)	(7)
Total	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
Statement of change		
Balance property projects as at 1 January	120	--
Reclassifications	9	--
Foreclosures	522	127
Impairments	(50)	(7)
Exchange rate differences	(2)	--
Balance property projects as at 31 December	599	120

11 Loans and advances to customers

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Mortgages	50,878	48,684	3,879	3,956	--	--	--	--	54,757	52,640
Property Finance:										
- Project finance	5,696	6,219	--	--	--	--	--	--	5,696	6,219
- Investment finance	6,873	6,596	--	--	--	--	--	--	6,873	6,596
- Financial leases	627	768	--	--	--	--	--	--	627	768
Other	3,405	3,527	--	--	967	956	(1,868)	(2,057)	2,504	2,426
Total	67,479	65,794	3,879	3,956	967	956	(1,868)	(2,057)	70,457	68,649

	Loans		Provision		Net amount	
	2009	2008	2009	2008	2009	2008
Mortgages	54,862	52,714	(105)	(74)	54,757	52,640
Property Finance:						
- Project finance	5,907	6,300	(211)	(81)	5,696	6,219
- Investment finance	6,899	6,608	(26)	(12)	6,873	6,596
- Financial leases	629	773	(2)	(5)	627	768
Other	2,602	2,508	(98)	(82)	2,504	2,426
Total	70,899	68,903	(442)	(254)	70,457	68,649

An amount of €2,280 million (2008: €2,745 million) of the mortgages was recognised at fair value through profit or loss. The amount exposed to credit risk is the above amount less the securitised part and totals €297 million (2008: €642 million). The cumulative adjustment in the fair value of these mortgages resulting from adjustments to the credit risk is limited, as are the credit risk adjustments for the current year.

SNS REAAL has securitised a part of the mortgage loans. The remaining principal of the securitised portfolio amounts to €24.3 billion (2008: €22.7 billion), of which €11.0 billion (2008: €7.6 billion) is on own book. Further information on securitisation transactions is provided under debt certificates.

SNS REAAL has also structured a synthetic securitisation in the form of credit guarantees, whereby the credit risk protection has been bought for a mortgage portfolio of €398 million (2008: €431 million).

An amount of €20.1 billion (2008: €19.0 billion) of the mortgage loans have been provided as collateral to third parties under the securitisation programmes Hermes, Pearl and Holland Homes. The collateral transactions occurred under normal market conditions.

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.

An amount of €13.0 billion (2008: €12.3 billion) of the property finance concerns mortgage secured loans.

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 relate to the financing of property in the Netherlands.

	Gross		Unearned income		Net	
	2009	2008	2009	2008	2009	2008
Investments in financial leases						
Overview maturities:						
- Less than one year	53	52	(17)	(24)	36	28
- From one to five years	235	184	(40)	(49)	195	135
- More than five years	415	632	(19)	(27)	396	605
Total	703	868	(76)	(100)	627	768

	Mortgages		Property finance		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Statement of change								
Balance as at 1 January	52,714	50,147	13,681	11,650	2,508	2,096	68,903	63,893
Acquisitions	--	20	--	--	--	--	--	20
Changes in the composition of group companies	--	1	--	--	--	--	--	1
Reclassifications	11	(35)	--	--	--	151	11	116
Foreclosure	--	--	(528)	(176)	--	--	(528)	(176)
Advances	5,975	7,328	1,831	4,751	943	202	8,749	12,281
Redemptions	(4,141)	(6,059)	(1,548)	(2,771)	(358)	(349)	(6,047)	(9,179)
Change in fair value as a result of hedge accounting	254	1,384	--	--	--	--	254	1,384
Exchange rate differences	--	--	(17)	(7)	--	--	(17)	(7)
Change in mortgage loans at fair value through profit or loss	44	1	--	--	--	--	44	1
Movement in current accounts	--	--	--	--	(486)	313	(486)	313
Other movements	5	(73)	16	234	(5)	95	16	256
Balance as at 31 December	54,862	52,714	13,435	13,681	2,602	2,508	70,899	68,903

In 2009, SNS Retail Bank purchased part of the REAAL mortgages held for trading at fair value as then recognised in the REAAL balance sheet. As a result, management changed the intention to hold these mortgages for trading purposes and decided to hold these mortgages for the foreseeable future or until maturity. SNS REAAL used the reclassification option of IAS 39.50d, reclassifying €680 million of mortgages from fair value through profit or loss to loans and receivables.

As per 31 December 2009, the portfolio has a value of €674 million as a result of sales and redemptions. The fair value adjustment of the portfolio was nil and did not affect results. At the time of reclassification, the weighted average effective interest rate on the reclassified mortgages was 5.22%, with expected recoverable cash flows amounting to €700 million.

	Mortgages		Property finance		Other		Total
	Specific	IBNR	Specific	IBNR	Specific	IBNR	
Statement of change provision 2009							
Balance as at 1 January	67	7	91	7	77	5	254
Foreclosure	--	--	(220)	--	--	--	(220)
Withdrawal	(27)	--	(3)	--	(14)	--	(44)
Addition	71	1	354	7	41	1	475
Release	(13)	--	(12)	--	(12)	--	(37)
Other movements	(2)	1	15	--	--	--	14
Balance as at 31 December	96	9	225	14	92	6	442
Statement of change provision 2008							
Balance as at 1 January	61	2	59	3	84	7	216
Reclassifications / foreclosure	3	--	(76)	--	--	--	(73)
Withdrawal	(23)	--	(5)	--	(14)	--	(42)
Addition	45	5	114	4	26	--	194
Release	(17)	--	(7)	--	(19)	(2)	(45)
Other movements	(2)	--	6	--	--	--	4
Balance as at 31 December	67	7	91	7	77	5	254

Through foreclosure of a part of the property finance portfolio, SNS Property finance has acquired control over a number of international property projects. The relevant items and the related provisions are included in the tables above under 'foreclosure' and have been recognised in the balance sheet under property projects. For more information, please refer to the notes on property projects.

12 Loans and advances to banks

This item relates to loans and advances to banks, excluding interest-bearing securities, with a remaining maturity longer than three months. 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. The book value of the loans and advances to banks provided as collateral is €1.4 billion (2008: €1.2 billion).

13 Other assets

In € millions	2009	2008
Amounts due from direct insurance:		
- Policyholders	77	164
- Intermediaries	55	70
- Reinsurers	4	54
Other taxation	15	--
Other advances	202	273
Accrued assets:		
- Accrued interest	300	324
- Other accrued assets	7	12
Total	660	897

14 Cash and cash equivalents

The cash and cash equivalents are specified as follows:

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	1,127	358
Cash	71	92
Total	3,472	1,961

Liabilities

15 Total equity

In € millions	2009	2008
Equity attributable to shareholders	4,043	3,623
Equity attributable to securityholders	999	1,249
Minority interest	20	20
Total	5,062	4,892

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

16 Participation certificates and subordinated debt

In € millions	2009	2008
Participation certificates	298	298
Subordinated debt	1,684	1,827
Total	1,982	2,125

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 granted 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 debt

In € millions	2009	2008
Bonds	1,566	1,696
Private loans	95	104
Final bonus account	23	27
Total	1,684	1,827

Bonds

The subordinated bonds from SNS Bank form part of the regulatory capital used in determining the solvency position of the bank. The bonds are specified as follows:

	Coupon rate	Period	Book value	Nominal Value	Book value	Nominal value
			2009		2008	
Bonds						
SNS Bank	6.250%	1997-2009	--	--	135	136
SNS Bank	5.125%	1999-2011	122	120	118	118
SNS Bank	4.238%	1999-2019	5	5	5	5
SNS Bank	7.625%	2000-2049	39	39	80	81
SNS Bank	5.750%	2003-2049	11	11	206	200
SNS REAAL	Floating	2005-2012	200	200	198	199
SNS Bank	Floating	2005-2015	72	72	94	94
SNS Bank	5.500%	2006-2016	36	34	33	31
SNS Bank	6.750%	2006-2016	128	125	105	99
SNS Bank	Floating	2006-2016	124	124	98	99
SNS REAAL	6.258%	2007-2049	248	250	347	350
SNS Bank	6.625%	2008-2018	194	196	198	200
SNS REAAL	8.450%	2008-2018	75	69	79	62
SNS Bank	11.250%	2009-2049	312	318	--	--
Total			1,566	1,563	1,696	1,674

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 and the 6.258% subordinated SNS REAAL bond reflects bondholders having availed themselves of this opportunity.

Private loans

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

Final bonus account

The subordinated final bonus account commitments were entered into by REAAL Life and form part of the regulatory capital in determining the solvency position of REAAL Life. The final bonus account is largely of a long-term nature.

17 Debt certificates

In € millions	2009	2008
Medium Term Notes	19,464	17,544
Certificates of Deposit	1,647	830
Debt certificates issued under Hermes and Pearl Securitisation programmes	9,869	12,090
Debt certificates classified at fair value through profit or loss (Holland Homes Securitisation programmes)	1,976	2,215
Total	32,956	32,679

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

Medium Term Notes

In € millions	Coupon rate	Book value	Nominal value	Book value	Nominal value
		2009		2008	
SNS Bank	Fixed	9,395	9,305	5,474	5,383
SNS Bank	Structured	1,613	1,614	2,152	2,193
SNS Bank	Floating	7,030	7,064	8,543	8,593
SNS Bank	Zero	1,028	1,092	1,090	1,208
SNS REAAL	Fixed	298	300	--	--
SNS REAAL	Structured	--	--	35	--
SNS REAAL	Floating	100	100	250	250
Total		19,464	19,475	17,544	17,627

The Medium Term Notes have a maturity of less than five years and comprise both private loans and public loans that are issued under the EMTN programme. The guarantee scheme of the Dutch State was used for part of the fixed and floating debt certificates issued by SNS Bank in 2009. As a result, the total outstanding volume of debt certificates within the scope of the guarantee scheme is €5.4 billion.

Certificates of Deposit

In € millions	Coupon rate	Book value	Nominal value	Book value	Nominal value
		2009		2008	
SNS Bank	Zero	1,647	1,649	830	834
Total		1,647	1,649	830	834

Debt certificates issued under Hermes and Pearl securitisation programmes

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. In this way, SNS REAAL retains an economic interest in the companies, and has consolidated these companies in its consolidated financial statements.

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. An overview of the securitisations as at 31 December is provided below:

In € millions	Initial principal	Date of securitisation	Book value 2009	Book value 2008	First call-option date	Contractual date of expiry
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	Feb-2006	1,361	1,481	18-Sep-2015	Sep-2040
Hermes XII	2,241	Oct-2006	1,699	1,809	18-Mar-2016	Dec-2038
Hermes XIII	2,800	Feb-2007	2,180	2,332	18-Aug-2012	Aug-2039
Hermes XIV	2,000	Sep-2007	1,692	1,805	18-Feb-2013	Nov-2039
Hermes XV	2,900	Apr-2008	2,900	2,900	18-Apr-2013	Apr-2045
Hermes XVI	3,000	Sep-2008	3,000	3,000	18-Oct-2013	Oct-2045
Hermes XVII	3,500	May-2009	3,500	--	18-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
	31,383		22,610	20,807		
Issued bonds Hermes and Pearl on own book			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). SNS Bank has purchased subordinated bonds issued by various Pearl companies with an amortised cost of €29 million (2008: €29 million). In 2009 REAAL purchased bonds issued by various Hermes companies with an amortised cost of €74 million (2008: €74 million). Hermes XIV, XV, XVI and XVII were not placed with third parties and qualify as assets eligible at the ESCB. In transactions involving the securitisation of savings-linked mortgages, REAAL has a (sub)participation equal to the accrued savings. At the end of 2009, this participation amounted to €238 million (2008: €176 million).

Debt certificates classified at fair value recognised through profit or loss (Holland Homes securitisation programme)

Through DBV Finance, SNS REAAL also securitised part of its mortgages by means of the Holland Homes transactions. The companies formed under these transactions (special purpose entities) were funded by long-term notes issued by these companies. The obligations to noteholders and income from the mortgages were matched using interest rate swaps. As these derivative contracts were concluded with parties outside SNS REAAL, an accounting mismatch would have arisen after consolidation of the companies given that the derivatives are recognised at fair value through profit or loss, unlike the notes and mortgages. This mismatch is resolved by also recognising the notes and mortgages at fair value through profit or loss.

The securitisation transactions include a call + step-up construction, to the effect that, when the amount of outstanding notes falls below 10% of the initially outstanding notes (notional), the issuer has the option of redeeming the notes.

A number of the securitisation transactions include not only the above call + step-up construction, but also a put + step-down construction, to the effect that the noteholder is entitled to early repayment of the note as from a pre-determined date (put). The interest rate of the coupon is increased if both SNS REAAL which, being the initiating party, is offered the notes first, and any third party does not repurchase the notes when the noteholder exercises this right. The coupon rate on the note will also be lowered after this date in case the noteholders do not avail themselves of this right. Under normal circumstances, the company and the noteholder will then be financially motivated to repay the bonds prior to maturity.

In € millions	Initial principal	Date of securitisation	Book value	Book value	Date put-option	Contractual date of expiry
Holland Homes MBS 2000-1	350	Nov-2000	144	164	n.a.	24-Sep-2030
Holland Homes MBS 2003-1	435	Dec-2003	211	241	30-Dec-2013	31-Dec-2080
Holland Homes MBS 2005-1	757	Nov-2005	571	633	20-Dec-2015	31-Dec-2083
Holland Homes MBS (Oranje) 2005-1	1,601	Apr-2006	1,050	1,177	20-Jan-2018	31-Dec-2083
Total	3,143		1,976	2,215		

The contractual non-discounted amount that will have to be paid at the end of the maturity of the bonds mentioned above amounts to €2,040 million (2008: €2,215 million).

18 Insurance and reinsurance contracts

In € millions	Gross		Reinsurance	
	2009	2008	2009	2008
Composition by segment				
REAAL Life, for own risk	17,013	16,804	156	165
Zwitserleven, for own risk	6,985	7,035	2	2
Life, for own risk	23,998	23,839	158	167
REAAL Life, for account of policyholders	7,175	6,243	--	--
Zwitserleven, for account of policyholders	5,574	4,596	--	--
Life, for account of policyholders	12,749	10,839	--	--
Non-life	1,381	1,484	208	235
Eliminations	(68)	(66)	--	--
Total Insurance activities	38,060	36,096	366	402
Reclassification to provision for employee benefits	(30)	(29)	--	--
Total	38,030	36,067	366	402

In € millions	Gross		Reinsurance	
	2009	2008	2009	2008
Composition by type of contract				
Provision for life insurance obligations	24,346	24,143	158	167
Unamortised interest rate discounts	(500)	(489)	--	--
Provision for profit sharing, bonuses and discounts	152	185	--	--
Life, for own risk	23,998	23,839	158	167
Technical provisions	12,749	10,839	--	--
Life, for account of policyholders	12,749	10,839	--	--
Provision for premium shortfalls and current risks	5	11	--	--
Provision for unearned premiums	141	141	3	4
Provision for claims payable	886	945	137	155
Provision for claims incurred but not reported	349	387	68	76
Non-life	1,381	1,484	208	235
Eliminations	(68)	(66)	--	--
Total Insurance activities	38,060	36,096	366	402
Reclassification to provision for employee benefits	(30)	(29)	--	--
Total	38,030	36,067	366	402

Insurance contracts are predominantly of a long-term nature. Part of the pension rights of the employees, especially the entitlements of former employees of Zürich and NHL built up in previous years, are administered in-house at REAAL. This portfolio is included in the consolidated figures of SNS REAAL in the provision for employee benefits.

	Gross		Reinsurance	
	2009	2008	2009	2008
a. Statement of change life insurance obligations				
Balance as at 1 January	24,143	16,297	167	187
Portfolio reclassification	(258)	--	--	--
Acquisitions	--	6,919	--	2
Benefits paid	(2,204)	(2,014)	(37)	(32)
Premiums received	2,088	2,331	41	23
Interest added	967	766	9	10
Technical result	(188)	22	(8)	(5)
Release of expense loading	(190)	(185)	(3)	--
Other movements	(12)	7	(11)	(18)
Balance as at 31 December	24,346	24,143	158	167
			Life own risk	
			2009	2008
b. Statement of change unamortised interest rate discounts				
Balance as at 1 January			489	295
Acquisitions			--	78
Discounts given in the financial year			72	169
Amortisation			(61)	(53)
Balance as at 31 December			500	489
c. Statement of change provision for profit sharing, bonuses and discounts				
Balance as at 1 January			185	73
Acquisitions			--	85
Profit sharing, bonuses and discounts granted in the financial year			(33)	27
Balance as at 31 December			152	185

	2009	2008
d. Statement of change technical provision for insurance on behalf of policy holders		
Balance as at 1 January	10,839	7,390
Portfolio reclassification	258	--
Acquisitions	--	4,709
Premiums received	1,460	1,244
Benefits paid	(690)	(586)
Exchange rate differences	1,259	(1,593)
Technical result	(41)	3
Release of expense loading	(242)	(240)
Other movements	(94)	(88)
Balance as at 31 December	12,749	10,839

	Gross		Reinsurance	
	2009	2008	2009	2008
e. Statement of change premium shortfalls and current risks				
Balance as at 1 January	11	5	--	1
Additions during the year	1	2	--	(1)
Added to the results	(7)	--	--	--
Other movements	--	4	--	--
Balance as at 31 December	5	11	--	--

f. Statement of change provision for unearned premiums				
Balance as at 1 January	141	158	4	5
Additions during the year	141	141	3	5
Added to the results	(141)	(150)	(4)	(3)
Other movements	--	(8)	--	(3)
Balance as at 31 December	141	141	3	4

g. Statement of change provision for claims payable				
Balance as at 1 January	945	1,147	155	269
Disposals	--	--	--	(18)
Reported claims, current period	409	451	22	28
Reported claims, prior periods	53	4	(5)	(26)
Claims paid, current period	(272)	(240)	(13)	(12)
Claims paid, prior periods	(264)	(286)	(26)	(54)
Added to the results	--	(77)	(1)	(25)
Interest added	15	16	5	4
Other movements	--	(70)	--	(11)
Balance as at 31 December	886	945	137	155

h. Statement of change provision for claims incurred but not reported				
Balance as at 1 January	387	309	76	58
Additions during the year	284	77	38	5
Added to the results	(322)	(66)	(46)	7
Other movements	--	67	--	6
Balance as at 31 December	349	387	68	76

19 Provision for employee benefits

In € millions	2009	2008
Pension commitments	381	359
Other employee commitments	33	30
Total	414	389

Pension commitments

The pension rights of the majority of the SNS REAAL employees have been transferred to the independent Stichting Pensioenfonds SNS REAAL. The pension scheme to which SNS REAAL employees are entitled can be designated as a defined collective contribution scheme. Under this scheme, SNS REAAL pays a fixed agreed amount to Stichting Pensioenfonds. As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have no longer been included in the balance sheet since 2005. In 2009 an agreement was reached on the pension premium for a period of 5 years, effective 1 January 2010 until 31 December 2014.

The accrual of new pension rights of former employees of Zürich, NHL and Regio Bank have also been transferred to Stichting Pensioenfonds. As of 1 January 2009, the same applies to the accrual of new pension entitlements of former employees of AXA and Winterthur. The pension rights of these employees built up in previous years have remained with SNS REAAL. However, employees born before 1 January 1950 who fall under the old pension scheme of AXA or Winterthur will continue their active accrual of pension rights under the pension scheme of AXA or Winterthur. As of 1 January 2010, the accrual of pension rights of most employees of Zwitterleven has been transferred to Stichting Pensioenfonds SNS REAAL.

The pension rights of (former) employees of SNS Property Finance, Zwitterleven (until 31 December 2009), DBV and of employees continuing under the old pension scheme of AXA and Winterthur can be designated as defined benefit schemes.

SNS Property Finance's scheme is administrated by the ABP as a multi-employer plan. The scheme can be considered a defined benefit scheme and provides for the option of pension portability. However, the pension scheme does not provide a consistent and reliable basis for charging the liability, mutual fund investments and costs of the scheme to individual employers taking part. That is why this pension scheme is treated as a defined contribution scheme for reporting purposes. Since the scheme does not provide any option of additional payments to and/or withdrawals from the fund, any surplus or deficit in the scheme cannot affect the amount of future contributions. There is an annual possibility to change the premium, but any such change will be limited.

The pension benefits of former AXA employees have been transferred to Stichting Pensioenfonds AXA Verzekeringen. The rights of participants who were inactive at the time of formation of the pension fund on 1 January 2001 were transferred by means of deferred pension schemes to a number of insurers or remained with SNS REAAL. These pension commitments and the relating separated investment account have been included in the provision.

The pension schemes of Zwitterleven, DBV and former Winterthur are administered in-house. For these pension schemes, the present value of the pension obligations has been included in the provision for employee commitments. This was also done for the rights of former employees of Zürich and NHL that were built up in previous years, as well as for the rights of former employees of Winterthur born before 1 January 1950. To the extent that the investments relating to the pension scheme have been included in a separated investment account, they are offset against the commitments. The non-separated investments have been recognised under the item Investments.

In € millions	2009	2008
Composition of the pension commitments		
Present value of defined benefit obligations	612	614
Fair value of plan assets	285	271
Present value of the net liabilities	327	343
Unrecognised actuarial gains or losses	54	16
Total	381	359
Change in present value of pension obligations		
Present value as at 1 January	614	406
Acquisitions	--	179
Increase and interest accrual	42	39
Adjustment pension plan (curtailment)	--	--
Benefits paid	(22)	(21)
Other movements	3	(3)
Expected value as at 31 December	637	600
Movement of unrealised actuarial gains or losses	(25)	14
Present value as at 31 December	612	614

In € millions	2009	2008
Change in fair value of the plan assets		
Fair value as at 1 January	271	253
Acquisitions	--	--
Investment income	10	14
Premiums	9	14
Benefits paid	(18)	(16)
Expected value as at 31 December	272	265
Movement of unrealised actuarial gains or losses	13	6
Fair value as at 31 December	285	271
The main actuarial parameters		
Discount rate	4.9%	5.1%
Expected salary increase	2.3%	2.5%
Expected return on plan assets	3.8%-3.9%	5.5%-5.7%
Breakdown investments		
Shares and similar investments	83	56
Fixed income investments	169	185
Other	33	30
Total	285	271

Expected return

The expected return is determined by the yield curve as a reference for the expected bond returns. For equities, a risk surcharge is added.

In € millions	2009	2008
Change in other employee commitments		
Balance as at 1 January	30	24
Acquisitions	--	4
Allocation to other employee benefits	2	3
Other movements	1	(1)
Total	33	30

20 Other provisions

In € millions	Banking activities		Insurance activities		Group activities		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Restructuring provision	33	25	21	5	10	1	64	31
Other provisions	20	5	17	20	--	--	37	25
Total	53	30	38	25	10	1	101	56

The change in the restructuring provision mainly relates to additional cost reduction programmes.

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.

	Restructuring provision		Other provisions		Total	
	2009	2008	2009	2008	2009	2008
Change in other provisions						
Balance as at 1 January	31	15	25	31	56	46
Reclassifications	4	--	1	--	5	--
Additions	35	27	19	--	54	27
Withdrawal	(5)	(3)	(4)	(4)	(9)	(7)
Acquisitions	--	--	--	5	--	5
Released to results	(1)	(6)	(3)	(7)	(4)	(13)
Other movements	--	(2)	(1)	--	(1)	(2)
Balance as at 31 December	64	31	37	25	101	56

21 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, saving deposits and term deposits of retail clients. The interest payable on savings is included under other liabilities.

22 Other amounts due to customers

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Non-current debt	3,674	3,568	796	660	299	321	(2,425)	(2,452)	2,344	2,097
Available on demand	5,942	6,293	--	--	1,255	692	(1,729)	(1,077)	5,468	5,908
Mortgage deposits	219	323	23	29	--	--	--	--	242	352
Total	9,835	10,184	819	689	1,554	1,013	(4,154)	(3,529)	8,054	8,357

23 Amounts due to banks

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Due on demand	1,357	1,241	2,030	1,676	--	--	(717)	(566)	2,670	2,351
Deposits and certificates	5,762	5,250	2,734	3,000	700	1,276	(730)	(1,265)	8,466	8,261
Total	7,119	6,491	4,764	4,676	700	1,276	(1,447)	(1,831)	11,136	10,612

The debts of insurance activities to banks comprise liabilities ensuing from repo agreements and structured transactions. These liabilities are offset by structured investments, mainly including government bonds with the highest rating. These debts will be settled at the same time as the corresponding investments.

24 Other liabilities

In € millions	2009	2008
Debts in relation to direct insurance	668	549
Debts to reinsurers	(30)	(13)
Other taxes	58	54
Other liabilities	1,157	1,090
Accrued interest	1,159	1,154
Total	3,012	2,834

Off balance sheet commitments

In € millions	2009	2008
Contingent liabilities		
Liabilities from pledges and guarantees given	350	428
Liabilities from irrevocable facilities	1,983	3,614
Repurchase commitments	1,830	1,830

To meet customer requirements, SNS REAAL offers loan-related products such as pledges and guarantees. The underlying value of these products is not recognized as assets or liabilities in the balance sheet. The amounts stated above indicate the maximum potential credit risk SNS REAAL faces through these products, assuming that all counterparties are no longer able to meet their commitments and all existing securities will have no value. The guarantees relate to 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 floating interest rate. Collateral has been obtained for the majority of the irrevocable credit facilities that have not been called.

Part of the collateralised loans and advances that were sold or securitised under the Holland Homes programme includes a repurchase obligation of the loans and advances on the interest review date. The determination of the maturity schedule below takes account of an early prepayment risk on mortgages of 7% per annum. Besides a repurchase obligation on the interest review date of the loans and advances, the Holland Homes transactions are also expected to be repurchased on the put date, which is included in the maturity calendar.

	2009	2008
Maturity calendar		
Less than one year	149	43
From one to five years	411	508
More than five years	1,270	1,279
Total	1,830	1,830

Guarantee- and compensation systems

As of 1 January 2007, the Financial Supervision Act (Wft) came into force. A part of this relates to the deposit guarantee system, 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 financial institution is unable to pay and insufficient funds remain to repay the guaranteed amounts (in full) to the account holders of the respective institution, the Dutch Central Bank will pay out the remaining amount to the stated maximum. The total amount is then repaid to the Dutch Central Bank by the banks, including those that are part of SNS REAAL, according to an apportionment scheme.

Netherlands Terrorism Risk Reinsurance Company

In 2010, SNS REAAL will take a 7.15% (2009: 7.47%) share in the Nederlandse Herverzekeringsmaatschappij voor Terrorisemeschaden N.V. (Netherlands Terrorism Risk Reinsurance Company).

Earn-out scheme NHL

With the acquisition of NHL in 2005, it was contractually agreed that over a period of five years, the former owner is entitled to a significant portion of the positive and negative run-off results from the non-life portfolio as at 31 December 2004.

Rental commitments

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

In € millions	2009	2008
Future minimum lease payments based on irrevocable operational leases		
Less than one year	32	28
From one to five years	55	58
More than five years	3	3
Total	90	89

Legal proceedings

SNS REAAL is involved in legal proceedings. Although it is impossible to predict the result of pending or threatening legal proceedings, on the basis of information currently available and after consulting legal advisors, the Executive Board believes that the outcome of these proceedings is unlikely to have any material adverse effects on the financial position or operating results of SNS REAAL.

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 a part of its ordinary operations, SNS REAAL maintains various sorts of ordinary business relations with related companies and parties, particularly in the areas of insurance, banking, and asset management. Other parties related with SNS REAAL are the Dutch Ministry of Finance, subsidiaries, associated companies, joint ventures, managers in key positions and close family members of these related parties. Transactions with related parties are conducted at arm's length.

Related-party transactions

On 30 November 2009 SNS REAAL repurchased € 250 million of core tier 1 capital securities at related parties, of which € 65 million was issued to the Stichting Beheer SNS REAAL and € 185 million core tier 1 capital securities was issued to the Dutch State.

Stichting Beheer SNS REAAL participated for € 10 million in the SNS REAAL share issue on 29 September 2009.

In the transactions with related parties, Best Practices provisions II.3.2, II.3.3, II.3.4, III.6.1, III.6.3 and III.6.4 were complied with.

Transactions between SNS REAAL and Stichting Beheer SNS REAAL

In € millions	2009	2008
B-shares	--	600
Securities capital	(65)	500
Dividend	--	(128)
Coupon	--	(2)
Share issue September 2009	10	--

Dividend in any year consists of final dividend for the previous financial year and the interim dividend for the financial year.

Transactions between SNS REAAL and the Dutch State

In € millions	2009	2008
Securities capital	(185)	750
Coupon	(7)	(32)

Transactions with managers in key positions of SNS REAAL

The composition of managers in key positions with SNS REAAL has changed. In 2008 management in key positions comprise the members of the Executive Board of SNS REAAL and the board members of SNS Bank and REAAL Verzekeringen (total 17 persons). As from 2009 management in key positions comprise the members of the Executive Board of SNS REAAL, the CIO, the director HR and the board of the Business Units (SNS Retail Bank, SNS Property Finance, REAAL Verzekeringen and Zwitserleven), in total 30 persons. The expenses concerning board members ad interim are also included.

In € millions	2009	2008
Remuneration		
Fixed salary	7,700	4,664
Bonus:		
- long term	--	268
- long term: cost previously granted shares	153	113
- other	3,499	2,093
Pension and other remuneration components	1,581	1,078
Total	12,933	8,216

Besides a short term variable bonus, termination fees, retention bonuses, a performance bonus and the reimbursement of moving expenses were paid in 2009. The other bonuses paid in 2008 mainly concern a sign-on bonus and termination fees.

In € thousands	Outstanding as at 31 December		Average interest rate		Redemptions		Advances	
	2009	2008	2009	2008	2009	2008	2009	2008
Loans to managers in key positions								
Mortgage loans	9,847	5,514	3.96%	4.28%	11	39	1,039	2,589

Transactions with individual members of the Executive Board and the Supervisory Board of SNS REAAL are explained further in the Annual Report 2009 under the Report of the Supervisory Board. This information is part of the consolidated financial statements.

Notes to the consolidated income statement

Income

25 Net interest income

In € millions	2009	2008
Interest income	2,736	3,836
Interest expenses	2,003	2,986
Net interest income	733	850

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. The interest income also includes the results from derivative positions that are established with the aim of limiting interest rate risk on hedged financial instruments.

	2009	2008
Composition interest income		
Mortgages	1,853	2,508
Property finance	538	766
Other loans and advances to customers	140	146
Loans and advances to banks	58	232
Investments	147	184
Total	2,736	3,836

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.

	2009	2008
Composition interest expenses		
Debt certificates	721	1,664
Participation certificates and subordinated debt	75	86
Savings	916	811
Other amounts due to customers	184	274
Amounts due to banks	107	151
Total	2,003	2,986

27 Net fee and commission income

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

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Fee and commission income:										
- Money transfer and payment charges	40	35	1	--	--	--	--	--	41	35
- Securities activities	21	23	2	1	--	--	--	--	23	24
- Insurance agency activities	25	29	18	23	--	--	(17)	(20)	26	32
- Management fees	50	54	23	48	40	35	(40)	(38)	73	99
- Other activities	--	11	57	26	--	--	--	--	57	37
	136	152	101	98	40	35	(57)	(58)	220	227
Fee and commission expense	37	36	23	30	5	4	(33)	(45)	32	25
Total	99	116	78	68	35	31	(24)	(13)	188	202

28 Share in result of associates

This item represents the share in result of associated companies. The positive result of € 13 million over the financial year relates to the profits of associates of € 15 million and impairments of joint ventures worth € 2 million negative. In 2008 the negative result of associated companies in the amount of € 13 million relates to the impact of associates (€ 12 million) and joint ventures (€ 1 million).

29 Investment income

In € millions	Fair value through profit or loss		Available for sale	Held to maturity	Loans and receivables	Investment property	Total
	Held for trading	Designated					
2009							
Banking activities	71	--	90	--	--	--	161
Insurance activities	--	38	1,026	--	623	8	1,695
Group activities	--	--	21	--	92	6	119
Eliminations	--	(1)	(19)	--	(198)	(10)	(228)
Total	71	37	1,118	--	517	4	1,747
2008							
Banking activities	27	(2)	22	--	--	1	48
Insurance activities	--	4	424	178	589	24	1,219
Group activities	--	--	--	--	127	--	127
Eliminations	--	(1)	--	--	(185)	(2)	(188)
Total	27	1	446	178	531	23	1,206

	Fair value through profit or loss		Available for sale	Held to maturity	Loans and receivables	Investment property	Total
	Held for trading	Designated					
Specification result from investments 2009							
Interest	--	64	865	--	517	--	1,446
Dividend	--	--	45	--	--	--	45
Rental income	--	--	--	--	--	14	14
	--	64	910	--	517	14	1,505
Realised revaluations	71	(44)	209	--	--	5	241
Unrealised revaluations	--	17	(1)	--	--	(15)	1
	71	(27)	208	--	--	(10)	242
Total	71	37	1,118	--	517	4	1,747
Specification result from investments 2008							
Interest	--	26	499	178	531	--	1,234
Dividend	--	--	99	--	--	--	99
Rental income	--	--	--	--	--	19	19
	--	26	598	178	531	19	1,352
Realised revaluations	30	31	(158)	--	--	--	(97)
Unrealised revaluations	(3)	(56)	6	--	--	4	(49)
	27	(25)	(152)	--	--	4	(146)
Total	27	1	446	178	531	23	1,206

Rental income from investment property includes both rental income and directly allocated operating expenses. The operating expenses amounted to € 4 million (2008: € 5 million).

The recognised interest income on the devaluation of investments amounts to € 1 million (2008: € 1 million).

30 Investment income for account of policyholders

In € millions	2009	2008
Interest	117	85
Dividend	190	79
	307	164
Revaluations	1,027	(1,885)
Total	1,334	(1,721)

31 Result on financial instruments

In € millions	Banking activities		Insurance activities		Group activities		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Result on derivatives held for cash flow hedge accounting								
- Revaluations transferred from shareholders' equity	--	--	2	1	--	--	2	1
- Interest income transferred from shareholders' equity	--	--	2	1	--	--	2	1
Fair value movement in derivatives held for fair value hedge accounting:								
- Fair value movements in hedging instruments	(274)	(1,164)	(9)	(2)	--	--	(283)	(1,166)
- Fair value movements in hedged item attributable to hedged risks	305	1,162	12	2	--	--	317	1,164
Fair value movements in the position of derivatives not classified for hedge accounting maintained for ALM	(2)	(9)	(100)	(100)	--	--	(102)	(109)
Fair value movement in derivatives held for trading	--	(4)	(1)	--	--	--	(1)	(4)
Fair value movement in other derivatives	--	--	3	46	--	--	3	46
Share options	--	--	76	189	--	(3)	76	186
Loans sold	(12)	--	--	--	--	--	(12)	--
Repurchase debt instruments	152	36	--	--	27	--	179	36
Total	169	21	(15)	137	27	(3)	181	155

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.

32 Other operating income

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

Expenses

33 Technical claims and benefits

Technical claims and benefits include benefits paid, surrenders, claims paid, claim handling costs and changes in insurance contracts. This item also includes profit sharing and discounts.

In € millions	2009	2008
Life insurance:		
- Benefits paid and surrenders for own account	2,265	2,065
- Change in life insurance obligations for own risk gross	437	899
- Change in life insurance obligations for own risk reinsurance	9	22
- Profit sharing and discounts	160	27
	2,871	3,013
Non-life insurance:		
- Claims paid for own account	498	460
- Change in provision for reported claims	(41)	(114)
- Change in provision for claims incurred but not reported	(30)	67
- Other technical expenses	9	(3)
Total	3,307	3,423

Benefits paid and surrenders for own account include an amortisation of VOBA of €98 million (2008: €86 million). Profit sharing and discounts include an amount for amortisation of interest rate discounts of €66 million (2008: €21 million).

Technical claims and benefits in 2008 included an amount of €104 million regarding compensation to unit-linked insurance policyholders. In 2009 an amount of €28 million was included, because of accrual of interest and rights.

34 Expenses for account of policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit sharing and discounts.

In € millions	2009	2008
Life insurance:		
- Benefits paid and surrenders for insurance contracts for account of policyholders	690	586
- Change in life insurance obligations for account of policyholders	1,736	(1,228)
Total	2,426	(642)

35 Acquisition costs for Insurance activities

In € millions	Insurance activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008
Life insurance						
REAAAL Life	162	183	(5)	(6)	157	177
Zwitsersleven	17	11	--	--	17	11
Non-life insurance						
REAAAL Non-Life	206	203	--	--	206	203
Reinsurance	(16)	(12)	--	--	(16)	(12)
REAAAL Other	(2)	(3)	--	--	(2)	(3)
Total	367	382	(5)	(6)	362	376

Acquisition costs include amortisation of capitalised external acquisition costs for an amount of €113 million (2008: €111 million).

36 Impairment charges / (reversals)

In € millions	Impairments		Reversals		Total	
	2009	2008	2009	2008	2009	2008
Intangible assets	65	7	--	--	65	7
Property and equipment	9	34	--	--	9	34
Investments in associates	20	5	--	--	20	5
Investments	264	781	--	--	264	781
Property projects	50	7	--	--	50	7
Loans and advances to customers	475	190	37	45	438	145
Loans and advances to banks	3	41	2	--	1	41
Total	886	1,065	39	45	847	1,020

In Group activities is included an impairment of €22 million related to the investment in Van Lanschot N.V.

37 Staff costs

In € millions	Banking activities		Insurance activities		Group activities		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Salaries	195	188	187	175	55	48	437	411
Pension costs	39	34	47	47	11	11	97	92
Social security	20	23	22	22	5	5	47	50
Other staff costs	88	135	57	97	35	29	180	261
Total	342	380	313	341	106	93	761	814

Other staff costs consist largely of the costs of temporary staff, fleet, travel costs and training and education costs.

The other staff costs related to lease and sublease commitments of the fleet, amount to € 14 million (2008: € 14 million).

Transactions with individual members of the Executive Board and the Supervisory Board of SNS REAAL are further explained in the Annual Report 2009 under the report of the Supervisory Board.

	2009	2008
Pension costs broken down		
- Pension schemes based on defined benefits	19	16
- Pension schemes based on defined contributions	78	76
Total	97	92

	2009	2008
Composition pension costs		
Pension premiums	81	78
Employee contributions	(14)	(11)
Allocation to other employee benefits	2	4
Accrual of present value	40	35
Return on investments	(12)	(14)
Total	97	92

All staff are employed by SNS REAAL N.V. In the table below is indicated in which section.

	2009	2008
The average number of employees calculated on the basis of full-time equivalents		
Banking activities	3,270	3,212
Insurance activities	3,469	3,358
Group activities	781	717
Total	7,520	7,287

38 Other operating expenses

In € millions	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Housing	62	60	39	32	(38)	(36)	(11)	--	52	56
IT systems	26	22	27	26	19	12	(7)	(2)	65	58
Marketing and public relations	23	29	10	19	2	1	--	(4)	35	45
External advisors	19	10	13	14	19	14	--	--	51	38
Other costs	120	67	51	41	(6)	1	(12)	(11)	153	98
Total	250	188	140	132	(4)	(8)	(30)	(17)	356	295

The other operating expenses include costs related to lease and sublease commitments, which amount to € 23 million (2008: € 29 million).

Other costs include an amount of € 38 million (2008: € 7 million) for costs incurred as a result of the contribution to the deposit guarantee system. This contribution in 2009 is mainly due as a consequence of the bankruptcy of DSB. Furthermore, € 13 million of the other expenses relate to a provision made by SNS Retail Bank in connection with an offer for compensation to investors for losses incurred on foreign investment funds.

39 Other interest expenses

In this item interest expenses recognised in the financial year are included, which are not related to Banking activities.

In € millions	Insurance activities		Group activities		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Bonds	43	121	37	51	--	(1)	80	171
Private loans	87	132	52	39	(130)	(103)	9	68
Interest on reinsurance deposits	22	24	--	--	--	--	22	24
Investments	145	52	33	69	(29)	(10)	149	111
Total	297	329	122	159	(159)	(114)	260	374

40 Taxation

In € millions	2009	2008
Corporate income tax due:		
- In financial year	70	(204)
- Prior year adjustments	6	(7)
Deferred tax:		
- Due to temporary differences	(47)	3
Total	29	(208)
	2009	2008
Reconciliation between the statutory and effective tax rate:		
- Result before tax	51	(728)
- Statutory income tax rate	25.5%	25.5%
Statutory corporate income tax amount	13	(186)
Effect of participation exemption	(12)	(16)
Due to temporary differences	--	(1)
Prior year adjustments (including release of deferred taxes)	6	(7)
Other tax facilities	22	2
Total	29	(208)
Effective tax rate	56.6%	28.6%

41 Net result discontinued operations

The net result on discontinued operations is negligible. In 2008 the net result of discontinued operations was € 22 million from the sale of Swiss Life België.

42 Net result per share / core tier 1 capital security

In € millions	2009	2008
Net result	17	(504)
Attributable to ordinary shares	10	(504)
Attributable to B-shares	--	--
Attributable to core tier 1 capital securities Stichting Beheer SNS REAAL	--	--
Attributable to core tier 1 capital securities Dutch State	7	--

	Ordinary shares		B-shares		Capital securities			
	2009	2008	Stichting Beheer		Stichting beheer		Dutch State	
			2009	2008	2009	2008	2009	2008
Issued shares / capital securities								
Outstanding as at 1 January	261,472,608	261,472,608	6	--	5,000,000	--	142,857,140	--
Issues in the financial year	26,147,259	--	--	6	--	5,000,000	--	142,857,140
Repurchased in the financial year	--	--	--	--	(650,000)	--	(35,238,095)	--
Outstanding as at 31 December	287,619,867	261,472,608	6	6	4,350,000	5,000,000	107,619,045	142,857,140
Weighted average number of diluted shares / capital securities								
Weighted average number of issued shares / capital securities as at 31 December	268,209,369	261,488,582	6	4.11	4,943,014	286,885	139,767,773	8,196,721
Effect of ordinary shares provided long-term remuneration policy Board of Directors	--	6,185	--	--	--	--	--	--
Effect right of conversion capital securities (year 2012)	139,767,773	8,196,721	--	--	--	--	--	--
Weighted average number of diluted shares / capital securities as at 31 December	407,977,142	269,691,488	6	4.11	4,943,014	286,885	139,767,773	8,196,721
Result per share / capital securities								
Net result per weighted average number of shares / capital securities outstanding	0.03	(1.93)	--	--	--	--	0.05	--
Net result per weighted average number of diluted shares / capital securities outstanding	0.03	(1.93)	--	--	--	--	0.05	--

The core tier 1 capital securities to the Dutch State include a conversion right. This conversion right did not result in dilution in the 2009 financial year (anti-dilutive).

Dividend payments on the core tier 1 capital securities issued to the Dutch State are charged to the net result for the year. The B-shares and core tier 1 capital securities issued to Stichting Beheer SNS REAAL did not generate any earnings per share or core tier 1 capital security in 2009, because no dividend is paid to ordinary shareholders.

We refer to the chapter on Capital structure in the Annual Report for more information on SNS REAAL's capital.

Utrecht, 10 March 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

Executive Board

R.R. Latenstein (chairman)
M.W.J. Hinssen
F.K.V. Lamp
D.J. Okhuijsen

Company balance sheet

Before result appropriation and in € millions	2009	2008
Assets		
Intangible assets	17	17
Property and equipment	5	6
Subsidiaries ¹	5,698	5,540
Receivables from subsidiaries ²	1,844	2,151
Investments ³	77	99
Derivatives ⁴	16	28
Deferred tax assets	14	12
Loans and advances to banks	15	13
Corporate income tax	22	42
Other receivables and accrued assets	116	171
Cash and cash equivalents	414	2
Total assets	8,238	8,081
Equity and liabilities		
Shareholders' equity ⁵		
- Issued share capital	469	426
- Share premium reserve	1,363	1,275
- Fair-value reserve	--	(18)
- Statutory reserves associates	804	478
- Other reserves	1,397	2,198
- Result for the year	10	(736)
	4,043	3,623
Securities capital	999	1,249
Subordinated debt ⁶	600	720
Capital base	5,642	5,592
Debt certificates ⁷	398	285
Provision for employee benefits	43	41
Other provisions	10	--
Derivatives	4	20
Other amounts due to customers ⁸	1,309	751
Amounts due to banks ⁹	700	1,265
Other liabilities	132	127
Total equity and liabilities	8,238	8,081

The references next to the balance sheet items relate to the notes to the company balance sheet starting on page 235.

Company income statement

In € millions	2009	2008
Result on subsidiaries after taxation	91	(466)
Other results after taxation	(74)	(38)
Net result	17	(504)

Principles for the preparation of the company financial statements

SNS REAAL prepares the company financial statements in accordance with the statutory provisions of Book 2, Section 402 of the Dutch Civil Code. Based on this, the result on associated companies after taxation is the only item shown separately in the income statement. Use has been made of the option offered in Book 2, Section 362 (8) of the Dutch Civil Code to use the same principles for valuation and the determination of the result that are used in the consolidated financial statements for the company financial statements. Reference is made to the accounting principles on pages 115 to 135.

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 198 to 223.

The overview as referred to in Book 2, Sections 379 and 414 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

Subsidiaries are all companies and other entities in respect of which SNS REAAL has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by SNS REAAL. The subsidiaries are accounted for using the equity method.

Changes in balance sheet values of subsidiaries due to changes in the revaluation, cash flow, fair value and profit sharing reserve of the subsidiaries are reflected in the 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 REAAL 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, amounts held by the Insurance activities at other banks and advances from the Banking activities to credit institutions with a remaining maturity of less than one month.

Notes to the company balance sheet

Assets

1 Subsidiaries

In € millions	2009	2008
SNS Bank N.V.	2,424	2,395
REAAL Verzekeringen N.V.	3,287	3,143
Other	(13)	2
Total	5,698	5,540
Statement of change in subsidiaries		
Balance as at 1 January	5,540	4,172
Acquisition	--	8
Repurchase capital	(251)	--
Capital contribution	257	1,936
Revaluations	292	241
Result	91	(466)
Dividend received	(231)	(351)
Balance as at 31 December	5,698	5,540

2 Receivables from subsidiaries

In € millions	2009	2008
Time to maturity receivables:		
- Less than three months	504	11
- From three months until one year	--	200
- From one year until five years	200	700
- More than five years	1,140	1,240
Total	1,844	2,151

3 Investments

In € millions	2009	2008
Investments available for sale	77	99
Statement of change in investments		
Balance as at 1 January	99	136
Purchases and advances	--	10
Revaluations	(22)	(47)
Balance as at 31 December	77	99

4 Derivatives

In € millions	Positive fair value		Negative fair value		Total	
	2009	2008	2009	2008	2009	2008
Derivatives held for fair value hedge accounting	16	28	4	20	12	8

In € millions	2009	2008
Statement of change in derivatives		
Balance as at 1 January	8	(6)
Revaluations	6	6
Exchange rate differences	(2)	6
Other	--	2
Balance as at 31 December	12	8

Equity and liabilities

5 Equity

In € millions	Issued capital ordinary and B-shares	Share premium reserve ordinary and B-shares	Fair value reserve	Statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital
Balance as at 1 January 2009	426	1,275	(18)	478	2,198	(736)	3,623	1,249
Transfer of 2008 net result	--	--	--	--	(504)	504	--	--
Transfer of distributed final dividend 2007	--	--	--	--	(120)	120	--	--
Transfer of distributed interim dividend 2008	--	--	--	--	(112)	112	--	--
	--	--	--	--	(736)	736	--	--
Unrealised revaluations from cash flow hedges	--	--	--	8	--	--	8	--
Deferred interest income from cash flow hedges	--	--	--	2	--	--	2	--
Unrealised revaluations	--	--	(22)	334	--	--	312	--
Impairments	--	--	40	82	--	--	122	--
Realised revaluations through profit or loss	--	--	--	(165)	--	--	(165)	--
Change in profit-sharing reserve	--	--	--	--	--	--	--	--
Other movements	--	--	--	65	(65)	--	--	--
Amounts charged directly to equity	--	--	18	326	(65)	--	279	--
Net result 2009	--	--	--	--	--	17	17	--
Total result 2009	--	--	18	326	(65)	17	296	--
Share issue	43	92	--	--	--	--	135	--
Repurchase securities capital	--	--	--	--	--	--	--	(250)
Cost related to share issue	--	(4)	--	--	--	--	(4)	--
Coupon paid on securities capital	--	--	--	--	--	(7)	(7)	--
(Interim) dividend paid	--	--	--	--	--	--	--	--
Transactions with shareholders and securityholders	43	88	--	--	--	(7)	124	(250)
Total changes in equity 2009	43	88	18	326	(801)	746	420	(250)
Balance as at 31 December 2009	469	1,363	--	804	1,397	10	4,043	999

In € millions	Issued capital ordinary and B-shares	Share premium reserve ordinary and B-shares	Fair value reserve	Statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital
Balance as at 1 January 2008	426	675	19	185	1,912	371	3,588	--
Transfer of 2007 net result	--	--	--	--	465	(465)	--	--
Transfer of distributed interim dividend 2007	--	--	--	--	(94)	94	--	--
	--	--	--	--	371	(371)	--	--
Unrealised revaluations from cash flow hedges	--	--	--	61	--	--	61	--
Deferred interest income from cash flow hedges	--	--	--	7	--	--	7	--
Unrealised revaluations	--	--	--	(525)	--	--	(525)	--
Impairments	--	--	(37)	577	--	--	540	--
Realised revaluations through profit or loss	--	--	--	123	--	--	123	--
Change in profit-sharing reserve	--	--	--	(3)	3	--	--	--
Other movements	--	--	--	53	(54)	--	(1)	--
Amounts charged directly to equity	--	--	(37)	293	(51)	--	205	--
Net result 2008	--	--	--	--	--	(504)	(504)	--
Total result 2008	--	--	(37)	293	(51)	(504)	(299)	--
Share issue	--	600	--	--	--	--	600	--
Core tier 1 securities capital issue	--	--	--	--	--	--	--	1,250
Cost related to securities capital issue	--	--	--	--	--	--	--	(1)
Coupon payable on securities capital	--	--	--	--	(34)	--	(34)	--
(Interim) dividend paid	--	--	--	--	--	(232)	(232)	--
Transactions with shareholders and securityholders	--	600	--	--	(34)	(232)	334	1,249
Total changes in equity 2008	--	600	(37)	293	286	(1,107)	35	1,249
Balance as at 31 December 2008	426	1,275	(18)	478	2,198	(736)	3,623	1,249

Issued share capital

The share capital issued comprises ordinary shares and B-shares

The nominal value of the ordinary shares and the B-shares is € 1.63. The number of issued shares as at 31 December 2009 is 287,619,867 ordinary shares and 6 B-shares.

	Number of ordinary shares		Amount of ordinary shares (in € million)		Number of B-shares		Amount of B-shares (in € millions)	
	2009	2008	2009	2008	2009	2008	2009	2008
Authorised share capital	1,044,005,143	1,044,005,143	1,702	1,702	6	6	--	--
Share capital in portfolio	756,385,276	782,532,535	1,233	1,276	--	--	--	--
Issued share capital as at 31 December	287,619,867	261,472,608	469	426	6	6	--	--
Change in ordinary shares and B-shares								
Issued share capital as at 1 January	261,472,608	261,472,608	426	426	6	--	--	--
Share issue	26,147,259	--	43	--	--	6	--	--
From final dividend	--	--	--	--	--	--	--	--
From interim dividend	--	--	--	--	--	--	--	--
Issued share capital as at 31 December	287,619,867	261,472,608	469	426	6	6	--	--

Securities capital

The securities are issued to Stichting Beheer SNS REAAL and to the Dutch State.

The Stichting Beheer holds 4,350,000 securities, each with a nominal value of €100.

As at 31 December 2009 the Dutch State holds 107,619,045 securities, each with a nominal value of €1.63

In € millions	Total	
	2009	2008
Securities capital Stichting Beheer SNS REAAL	435	500
Securities capital Dutch State	564	749
Total	999	1,249
Change in securities capital Stichting Beheer SNS REAAL		
Balance as at 1 January	500	500
Repurchase securities	(65)	--
Balance as at 31 December	435	500
Change in securities capital Dutch State		
Balance as at 1 January	749	--
Repurchase capital securities	(185)	--
Issue nominal	--	233
Share premium	--	517
Costs related to capital securities issue	--	(1)
Balance as at 31 December	564	749

6 Subordinated debt

This relates to debt that is subordinate to other commitments

In € millions	2009	2008
Bond floating interest rate 2005/2012	199	199
Bond 6.258% perpetual 2007/2049	248	347
Bond 8.45% 2008/2018	75	79
Private loans	78	95
Total	600	720

The group companies hold a negligible amount of subordinated bonds (2008: €11 million). The balance of subordinated debt with a maturity of more than five years amounts to €353 million (2008: €521 million). The private loans have an average interest rate of 6.4% (2008: 6.4%)

The decrease in the outstanding volume of the subordinated 6.258% bond of the group operations is due to bondholders having availed themselves of the exchange offering.

7 Debt Certificates

In € millions	2009	2008
EMTN loans	398	285
Total	398	285

The European Medium Term Notes (EMTN) have a maturity of less than five years. The fixed-income component worth €298 million has an average interest rate of 4.1%. The floating interest component is worth €100 million.

8 Other amounts due to customers

In € millions	2009	2008
Private loans	54	54
Cash loans	1,255	697
Total	1,309	751
Maturity private loans		
Less than three months	555	721
From three months until one year	724	30
From one year until five years	30	--
Total	1,309	751

The private loans have an average interest rate of 5.7% (2008: 5.5%). The cash loans relate to loans to subsidiaries.

9 Amounts due to banks

This item relates to amounts owed to subsidiaries, which are callable within three months (€ 500 million) and within one to five years (€ 200 million).

Guarantees

SNS REAAL has provided guarantees as referred to in Book 2, Section 403 of the Dutch Civil Code for SNS Bank, SNS Asset Management and SNS REAAL Invest. This guarantee is also provided by SNS REAAL for most of the subsidiaries of SNS Bank N.V. and SNS REAAL Invest. REAAL Verzekeringen N.V. has provided such guarantees for some of its subsidiaries, with the exception of SNS Verzekeringen B.V. for which a 403-statement has been provided by SNS REAAL.

SNS REAAL N.V., together with most of its subsidiaries, constitutes a single tax entity for corporate income tax and a single tax entity for VAT purposes. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts stemming from the relevant tax entities.

Notes to the company income statement

Audit fees

In the financial year, the following fees of the audit firm KPMG Accountants N.V. and the other KPMG companies were charged to the organisation, its subsidiaries and other companies it consolidates, all this as referred to in Book 2, Section 382A of the Dutch Civil Code:

In € thousands	KPMG Accountants N.V.	Other KPMG Network	Total
2009			
Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities	3,530	--	3,530
Other assurance services	619	21	640
Tax advisory services	--	469	469
Other non-audit services	5	1,710	1,715
Total	4,154	2,200	6,354
2008			
Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities	3,650	--	3,650
Other assurance services	879	226	1,105
Tax advisory services	--	536	536
Other non-audit services	15	1,859	1,874
Total	4,544	2,621	7,165

Utrecht, 10 March 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

Executive Board

R.R. Latenstein (chairman)
M.W.J. Hinssen
F.K.V. Lamp
D.J. Okhuijsen

Overview of principal subsidiaries

An overview is provided below of the main subsidiaries, categorised under Banking activities, Insurance activities and Group activities of SNS REAAL. Participation in the subsidiaries is 100%.

Banking activities

SNS Bank N.V.	Utrecht
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

Insurance activities

REAAL Verzekeringen N.V.	Utrecht
SRLEV N.V.	Alkmaar
REAAL Schadeverzekeringen N.V.	Zoetermeer
Proteq Levensverzekeringen N.V.	Alkmaar
Proteq Schadeverzekeringen N.V.	Alkmaar
REAAL Reassurantie S.A.	Luxemburg
DBV Finance B.V.	Zeist
SNS Verzekeringen B.V.	Zoetermeer
RM B.V.	Utrecht

Group activities

SNS REAAL Invest N.V.	Utrecht
SNS Asset Management N.V.	Utrecht
Zwitserleven Asset Management B.V.	Amstelveen

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 on pages 200 to 202.

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.

Provisions regarding profit or loss appropriation

Result 2009: € 17 million

Provisions of the Articles of Association regarding profit or loss appropriation for ordinary shares and B-shares:

Profit or loss appropriation for ordinary shares and B-shares

The profit appropriation will be determined in accordance with article 34 of the Articles of Association of SNS REAAL N.V. This article stipulates that the Executive Board may reserve as much profit as it deems necessary, subject to approval by the Supervisory Board. The remaining amount of the profit, after deduction of the dividend accruing to the B-shares, is at the disposal of the General Meeting of Shareholders. Distributions can only be made to the extent that shareholders' equity exceeds the amount of the issued capital, augmented by the statutory reserves.

The capital of the company comprises ordinary shares and B-shares, with a nominal value of € 1.63. The B-shares are issued to the Stichting Beheer SNS REAAL.

The B-shares entitle the holder to a dividend that depends on the dividend distributed on ordinary shares, such that the dividend yield of the B-shares (expressed as a percentage of the total nominal amount of the B-shares and the share premium reserve and share premium recovery reserve) will amount to ninety percent (90%) of the dividend yield of the ordinary shares (expressed as a percentage of the average closing price of the ordinary shares in the final three months of the relevant financial year).

The dividend on B-shares is calculated by multiplying the entitlement with the distribution percentage on ordinary shares, with the distribution percentage maximised at 45%.

The Executive Board has resolved, with the approval of the Supervisory Board, to pass over the dividend for 2009 and to fully reserve the distributable profit. This means no dividend will be distributed on issued shares.

Provisions regarding profit or loss appropriation for core tier 1 capital securities

Payment on securities coupon

The distribution to the holders of the securities issued on 11 December 2008 (Stichting Beheer SNS REAAL and the Dutch State) is dependent on payment of (interim) dividend to ordinary shareholders or on B-shares. In relation to the early repurchase of the core tier 1 capital securities issued to the Dutch State of €185 million in 2009, in accordance with the conditions agreed upon at the issuance of the core tier 1 capital securities, as of 9 June 2009 SNS REAAL paid a coupon of €7.5 million distributed from profit of the financial year 2009.

No coupon was paid to Stichting Beheer SNS REAAL regarding the early repurchase of core tier 1 capital securities of €65 million.

Profit appropriation

The profit for the financial year 2009 is credited to the profit reserves of the Company.

Auditor's report

To the Annual General Meeting of Shareholders of SNS REAAL N.V.

Report on the financial statements

We have audited the accompanying financial statements 2009 of SNS REAAL N.V. in Utrecht as included on pages 105 to 241 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 REAAL 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 REAAL 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, 10 March 2010
KPMG ACCOUNTANTS N.V.

D. Korf RA

Definitions, ratios and abbreviations

Definitions

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 <i>(asset and liability management)</i>	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.
Average pay pension plan	A pension plan whereby the pension is based on the average salary that the employee earned during his period of active service with the company.
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).
CAR ratio	The Capital Adequacy Reserve ratio (CAR ratio) is the quotient of the available risk-adjusted capital and the required risk-adjusted capital and is thus an indication of financial resilience. The adjustments are calculated in accordance with the rules of the rating agency in question.
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.
Claims ratio	The claims ratio is a reflection of the gross own-risk claims in relation to gross premium income. Non-life insurance covered by the compensation scheme for takeovers are disregarded.
Combined ratio	The combined ratio for the non-life insurance operations indicates the percentage of the own-risk claims, commission and operating expenses compared to the net premium earned. The components all relate to the same reporting period. Non-life insurance covered by the compensation scheme for takeovers are disregarded.
Company profit sharing	Type of profit sharing whereby, based on a life insurance agreement, part of the profit generated by the insurer is paid to the policyholder in the form of a return of premium, premium decrease or increase of the insured capital.
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 of 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.
Co-insurance	Co-insurance takes place when a number of insurers bear a certain percentage or a part of an insurance contract and all risks related to it.
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.
Defined contribution plan	A defined contribution plan is a plan whereby an employer makes an agreed premium available to the employee in order to insure his pension rights. In this plan, the employer does not guarantee the amount of the pension benefits to be insured.
Deposit guarantee scheme (DGS)	Dutch law that provides limited protection to retail customers and small enterprises, should a financial institution with a license in the Netherlands not be able to fulfil its obligations on current and savings accounts.
Derivatives	A financial instrument of which the value is derived from one or more underlying values.
Double leverage	This solvency ratio represents the relationship between the book value of holdings in subsidiaries and SNS REAAL's shareholders' equity.
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 earnings coverage 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.
Embedded value	Method for determining the value of an insurance business on the basis of the present value of future profits plus the capital to be maintained and available capital, less the costs of capital.**
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.
Economic Value Added	Economic Value Added is the profit earned by the firm less the cost of financing the firm's capital, taking into account taxes.
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.
Final pay pension plan	The final pay pension plan is a pension plan based on the last earned salary. Future benefits are guaranteed. Every salary raise is retroactively included in the calculation of the pension benefit.
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 financial leverage 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.
IBNR provision	The provision for claims incurred but not reported (IBNR) is intended for events that have occurred prior to the balance sheet date, but have not yet been reported as at that date, as well as the incurred but not enough reported (IBNER) provision.
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.
Insurance technical risk	The risk that the company's shareholders' equity, result or continuity are threatened by deviations in timing and size of the cash flows arising from assumed mortality, disability claims, insurance behaviour, or as a result of the impact of catastrophes on mortality, disability, non-life claims and insurance behaviour of the policyholders.
Interest rate mismatch	The difference in interest maturity between funds lent and funds borrowed.
Interest rate rebate	The interest rate rebate is a lump sum premium discount (including a single premium) related to the expected surplus interest (future surplus interest settled in the premium).
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 (SNS Property Finance)	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.
Investor compensation scheme	Dutch law that provides protection to retail customers and small enterprises, should a bank of financial institution not be able to fulfil its obligations on investment services.
Irrevocable credit facility	A credit facility granted to a client that cannot be cancelled unconditionally.
Lapse and early surrender	The cancellation or lowering of insurance at the request of the policyholder. This cancellation or lowering does not ensue directly from the policy conditions.
Liability Adequacy test	The liability adequacy test is a test of the book value of the insurance commitments, establishing whether it is adequate to be able to meet the commitments vis-à-vis the policyholders with a large degree of certainty.
Life and disability risk	The insurance risk for life and disability insurances of a financial loss due to the size of the cash flows in relation to payments in case of situations as included in the life insurance or disability contract, being greater or not corresponding to expectations.
Life-cycle scheme	The life-cycle scheme is a statutory regulation under which employees can save in order to pay for a future period of unpaid leave.
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.
Longevity risk	The risk whereby a decrease of the probability of mortality is lower than the probability of mortality according to the rate, and leads to a deterioration of the result.
Loss given default (LGD)	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.
Mortality risk	The risk that the company's shareholders' equity, result or continuity is threatened as a result of deviations in the timing and size of cash flows resulting from assumed mortality.
New annual premium equivalent (NAPE)	The NAPE concerns the sum of the new annual premium and the single premium in terms of annual premium for new production.
Non-life risk	The risk of financial loss as the size of the future cash outflows in relation to reported damage does not match expectations. Non-life insurance covered by the compensation scheme for takeovers are disregarded.
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.
Operating cost/premium ratio	Efficiency ratio of REAAL Verzekeringen reflecting the relationship between the corrected operating costs and the corrected premium income received.
Operational risk	The risk that the company's shareholders' equity, result or continuity is threatened by inadequate or 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 (PD)	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 (SNS Property 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.
Purchase Price Allocation	Calculation method to be applied to acquisitions, joint ventures and investments in associates, whereby the identifiable assets acquired and liabilities assumed will be measured at their acquisition-date fair value.
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.
RAROC	RAROC is defined as the ratio of risk adjusted return to economic 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 and REAAL Verzekeringen by the Dutch Central Bank.
Reinsurance contract	An insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the assignor) in connection with losses on one or several contracts issued by the assignor.
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	Assets weighted for credit risk, based on the weighting ratio used in the regular reports to the Dutch Central Bank.
Securities capital	The issued securities (equity) on 11 December 2008 to the Dutch State and Stichting Beheer SNS REAAL.
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 in surplus interest	Type of profit sharing whereby, based on an insurance agreement, part of the surplus interest generated by the insurer is paid to the policyholder in the form of a return of premium, premium decrease or increase of the insured capital.
Share premium reserve	The capital paid up in addition to the nominal value of the issued shares.
Short-life risk	The risk whereby an increase of the probability of mortality exceeds the probability of mortality according to the rate, and leads to a deterioration of the result.
Single premium products	Single premium products are life insurance policies whereby the premium only takes the form of a single payment.
Solvency	Solvency is the degree to which a company is able to meet its financial obligations, expressed in a ratio (solvency ratio).
Solvency ratio	The solvency ratio shows the ratio between the actual solvency margin and the statutory standard. In other words: the existing solvency margin divided by the required solvency margin (%).
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.
Underwriting agent	An agent who is authorised to conclude agreements for the company's risk, and, within certain limitations, carries out the acceptance and loss procedure on behalf of the company, either under its own brand or otherwise.
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.
Value in force (ViF)	The present value of future distributable results of the life insurance operations.
Value New Business (VNB)	The value of new life insurance products at the time of conclusion, extension or policy amendment.
VOBA	The Value of Business Acquired is the net present value of future gross profits from acquired insurance contracts as at the acquisition date.
Yield curve	The line connecting all interest rate levels with varying durations.

List of abbreviations

ABCP	Asset Backed Commercial Papers	NHG	Nationale Hypotheek Garantie
ABS	Asset Backed Securities	PAP	Product Approval Process
AC	Audit Committee	PD	Probability of Default
AGM	General Meeting of Shareholders	PDP	Product Development Process
ALM	Asset Liability Management	PPA	Purchase Price Allocation
AOV	Arbeidsongeschiktheidsverzekering	QIS	Quantitative Impact Study
CDO	Collateralised Debt Obligation	RAROC	Risk Adjusted Return on economic Capital
CLA	Collective Labour Agreement	RC	Risk Committee
CLO	Collateralised Loan Obligation	RMBS	Residential Mortgage Backed Securities
'Code'	Corporate Governance Code	ROE	Return on shareholders' Equity
CSA	Credit Support Annex	SIV	Structured Investment Vehicle
DIA	Disability Insurance Act	SME	Small and Medium sized Enterprises
DIY	Do-It-Yourself (bank)	SREP	Supervisory Review and Evaluation Process
EaR	Earnings-at-Risk	STP	Straight Through Processing
EEV	European Embedded Value	TD	Talent Development
EL	Expected Loss	TDP	Talent Development Programme
EMTN	European Medium Term Note	TRT	Toereikendheidstoets
EpS	Earnings per Share	VaR	Value-at-Risk
EVA	Economic Value Added	VNB	Value New Business
HR	Human Resources	VOBA	Value of Business Acquired
IBNR	Incurred but not Reported	Wft	Wet financieel toezicht
ICAAP	Internal Capital Adequacy Assessment Process		
IRB	Internal Rating Based		
ISDA	International Swaps and Derivatives Association		
LL	Legal Liability		
LAT	Liability Adequacy Test		
LGD	Loss Given Default		
LtFV	Loan to Foreclosure Value		
MBS	Mortgage Backed Securities		
MCEV	Market Consistent Embedded Value		
NAPE	New Annual Premium Equivalent		
NGO	Non Governmental Organisations		

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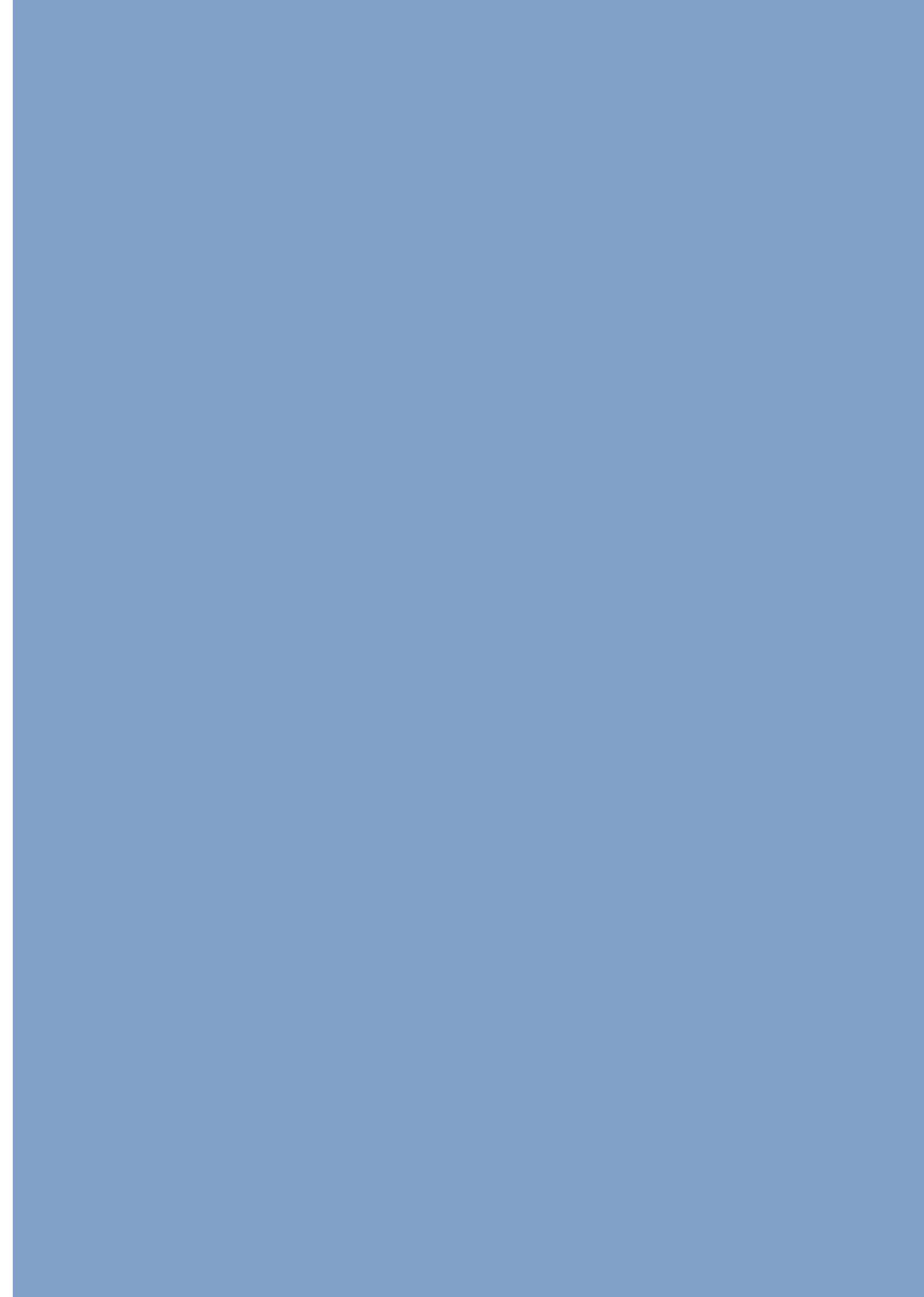
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