Annual Report 2008

2008

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SNS Bank

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Registered at the Trade Register of the Chamber of Commerce in Utrecht under no. 16062338

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SNS Bank in brief

Profile

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

SNS Bank ranks among the largest banking companies in the Netherlands, with a balance sheet total of € 76,695 billion and 3,245 employees (FTEs).

Responsible banking

SNS Bank's roots date back approximately 130 years to regional savings banks with a public utility function. As a purely Dutch bank, we wish to be close to our clients, know what moves them and offer them accessible and transparent products. We are aware that we must never take our clients' trust for granted. We want to earn that trust by handling the funds entrusted to us in a responsible manner.

Corporate sustainability is in our organisation's genes, which is manifested by our moderate risk profile. We deliberately opt for specific products, clients and investments and deliberately apply certain restrictions. SNS Bank conducts business based on the core values client focus, integrity, professionalism and commitment.

Coherence and focus

SNS Bank has built strong positions in the Dutch market with SNS Bank (as a retail bank), SNS Property Finance and its other labels. We combine a clear focus on client groups and markets with sound coherence between systems, distribution and supporting services aimed at generating cost and income synergies.

SNS Bank sells its products in the field of residential and commercial mortgages, savings, investments and insurance through its own distribution channels, SNS Regio Bank and other intermediaries.
ASN Bank is market leader in the Netherlands in the field of sustainable savings and investments.
SNS Property Finance is one of the major financiers of property investments and projects in the Netherlands.
SNS Property Finance is, to a limited extent, also active internationally.

Key figures SNS Bank

In € millions	2008	2007	2006	2005	2004
Total assets	**76,695**	**70,584**	**64,382**	**53,098**	**47,242**
Loans and advances to customers	65,794	60,236	56,248	45,225	41,645
Of which retail mortgage loans	48,685	46,172	44,930	42,558	38,937
Loans and advances to banks	2,783	1,092	3,607	4,118	2,478
Amounts due to customers	32,043	27,025	20,697	19,827	17,900
Of which savings	21,859	19,179	13,678	12,333	10,973
Amounts due to banks	6,491	5,066	7,299	3,103	2,295
Debt certificates	30,282	32,182	30,841	25,465	23,198
Shareholders' equity	2,134	2,209	2,097	1,440	1,313
Capital base	4,083	3,887	3,545	2,590	2,480
Net interest income	773	783	567	595	571
Other income	183	155	201	169	125
Of which net commission and management fees	116	129	120	114	109
Net results	**144**	**272**	**214**	**204**	**151**
Net result Retail Banking	**116**	**186**	**208**	**204**	**151**
Net result Property Finance	**28**	**86**	**6**	**--**	**--**

In percentages	2008	2007	2006	2005	2004
Ratios					
Return on shareholders' equity	6.7%	12.6%	14.1%	14.9%	12.0%
Efficiency ratio	62.8%	60.3%	62.6%	59.8%	63.1%
BIS ratio [1]	14.0%	11.5%	11.2%	11.9%	11.7%
Tier 1 ratio [1]	10.5%	8.4%	8.2%	8.7%	8.7%
Number of branches SNS Bank	140	146	167	167	176
Number of agencies SNS Regio Bank	672	727	438	422	377
Number of cash dispensers	571	513	308	325	324
Number of employees (FTE's, average)	3,212	3,223	3,197	3,158	3,328

[1]) 2008 figures are calculated based on Basel II, taking into account the 80% floor as of 1 January 2009, 2007 figures are calculated based on Basel I.

Mission, strategy and objectives

SNS Bank strives to be the preferred financial specialist for retail and SME clients[1] in the Netherlands. SNS Bank wants to help its clients grow in terms of their financial opportunities by offering accessible and transparent banking products. SNS Bank focuses mainly on the Dutch market. Its activities cover two main product groups: mortgages and property finance and asset growth (i.e. savings and investments).

Mission

SNS Bank wants to distinguish itself in the market it operates in by:

- Strong market positions based on a tight focus on core product and client groups.
- Recognisable governance based on the core values integrity, client focus, accessibility and commitment.
- Innovative capacity.
- Largely standardised products and operational processes.
- Complementary brands and distribution methods.

Strategy

SNS Bank has a clear, straightforward strategy. Clear choices were made in our marketing strategy regarding product groups, client groups and market regions. SNS Bank also decided to optimise client access by using complementary brands and distribution channels. In this regard, SNS Bank uses shared centres for product development and administrative processing for its core product groups.

In implementing this strategy, SNS Bank and SNS Property Finance make their own choices regarding the best possible products, services, product/market combinations, labelling and distribution channels. They do so in order to achieve their operational and financial objectives, while using joint purchasing options within SNS REAAL and using each other's market and product knowledge and distribution channels.

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

Strengths

- Focus on the Netherlands, client groups and core products.
  SNS Bank has developed a great deal of expertise in developing, selling and distributing financial retail products in the Netherlands. Resources and management focus are concentrated on core product and client groups, which to a certain extent explains the organisation's great innovative capacity. SNS Bank is one of the big players in the Dutch market for retail mortgages, savings and property finance.
- Innovation.
  Thanks to its efficient organisation, its good client and market information, its specialisation in the retail and SME markets and a stimulating business culture, SNS Bank is frequently able to create outstandingly innovative products and services.
- Distribution.
  Diversification in distribution channels leads to a high return on sales effort, by capitalising on specific opportunities in each distribution channel and on cross-selling opportunities. Cooperation with intermediaries is also strong. This is important particularly in the mortgage markets.
- Moderate risk profile.
  Focusing on a limited number of banking products for retail and SME clients in the Netherlands, and properly balancing risk, capital and return by means of continuous and proactive risk management, mitigates the risk profile.
- Operational organisation and ICT infrastructure.
  In the Dutch banking sector, SNS Bank has a strong efficiency ratio. SNS Bank is a flexible and efficient organisation, partly because of its increasing

1) The Dutch authorities consider 250 employees the upper limit of a medium-sized company. With some products, SNS Bank also focuses on larger companies. This is the case, in particular, with property finance.

automation, with short time-to-market for products. It is capable of rapidly making a good return on the companies it acquires, inter alia, through cost synergies, as has been demonstrated in recent years.
- Supply of sustainable products.
  ASN Bank has a solid position in the retail market for sustainable products.

Weaknesses

- Dependence on mortgages.
  The strong market position in mortgages means that a disappointing performance by this product group would have a relatively major adverse effect on the overall results.
- Scale.
  In comparison to the largest players in the market, in a number of operations, SNS Bank's scale benefits are more limited.

Opportunities

- Growth opportunities in the Randstad urban area.
  As a result of the increasing number of internet sales and the recently enforced network of SNS shops and SNS Regio Bank franchise offices, our market share in the Randstad urban area could be further improved.
- Under-representation in the SME market.
  There are opportunities for applying our knowledge and distribution channels more adequately in the SME market for banking products.
- Corporate responsibility, savings and investment.
  The need for sustainable commercial operations, sustainable savings and investment products is increasing. With its specialist knowledge in this area, SNS Bank could capitalise on this development.
- Distribution of third-party products.
  Selected sales of third-party banking products will contribute to improving our total product range and to profitable growth.
- More efficient use of client contacts.
  By sharing and analysing the joint client contacts, we will be able to offer products and services that are more adequately tailored to individual needs and to sell more to existing clients.
- 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.

Threats

- The international credit crisis.
  Should the credit crisis continue, it will remain costly to attract and maintain the required liquidities and capital. Also could the value of the investment portfolios further decrease and more supervisory rules could limit entrepreneurial freedom.
- The recession in the Netherlands.
  Reduced spending and investments may have a negative impact on sales in all our product groups.
- Price competition in mortgages and savings.
  Our margins are permanently under pressure as a result of strong price competition in the market for mortgages and savings.
- Vulnerability in the event of unfavourable interest and stock market developments.
  Banks are dependent on the interest rates on the money and capital markets and thus on the risks that accompany volatile interest rates.
- Increasingly legislative environment.
  In the financial sector, changes in legislation and regulations demand frequent changes to products and data management. This leads to an increase in staffing and IT costs. Moreover, the risk of legal claims is also increasing.

Strategic challenges

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

- SNS Bank employs its strong operational efficiency and its experience with business integration by improving the cost structure of its activities.
- SNS Bank uses the diversity in market positions, specialised brands and client contacts by achieving more synergy benefits through joint purchasing, product development, flexible distribution and more unity in the trademark policy.
- SNS Bank capitalises on the diversification and effectiveness of its flexible distribution channels by reinforcing the range of banking and insurance products with third-party products, enhancing the distribution share in a cost-efficient way.
- SNS Bank reduces its dependence on mortgages by increasing its focus on growth markets, including sustainable asset growth.
- SNS Bank offsets its limited cost benefits from economies of scale with short time-to-market for its products and services thanks to an efficient organisation and the efficient use of the joint client contacts of the business units.

Strategic priorities

Also based on the SWOT analysis, SNS Bank has determined a main strategic course with three priorities: structural value development, focus on retail and SME clients in the Netherlands, and structural growth.

1 *Structural value development*

SNS Bank aims to create value for all its stakeholders: in particular clients, employees, shareholder, bondholders and society in general. We create growth and return for our shareholder while adequately controlling risks; we create accessible and transparent products for our clients that allow them to manage their financial future. Our staff is best served in this capacity by offering them the scope to develop their talents, while we serve society best through the sustainable development of our company based on a balanced concern for social, ethical and environmental issues.

Central features of SNS Bank's value management are: diversification of income, the distribution function, synergy and sufficient return with a moderate risk profile.

2 *Focus on retail and SME clients in the Netherlands*

SNS Bank primarily targets retail and SME clients in the Netherlands and confines itself to two product groups: mortgages and property finance and asset growth (savings and investment). In 2008 almost all income was generated in the Netherlands. This leads to the efficient use of resources, distinctive brands and market positioning, and a moderate risk profile.

3 *Structural growth*

SNS Bank seeks profitable growth in its activities. This is necessary to ensure continuity and to maintain and improve our market positions. In a competitive market like the Netherlands, scaling up can often make an important contribution to achieving risk and return improvements. Broadening income flows and looking for new sources of income, for example, through alliances, is a central point of focus.

For mortgages, in which we have already attained leading market positions, we expect a limited growth in the coming years. SNS Bank wants to generate growth for the coming years mainly through: savings and investment, sustainable products, the SME market.

Strategy per business unit

Within SNS Bank, the retail business SNS Bank and SNS Property Finance, the property finance business, each pursue their own strategy. The strategies of the business units are explained in the chapter Developments SNS Bank.

Objectives

For the financial and operational objectives and the extent to which these objectives have been achieved in 2008, we refer to the chapter Strategy Update on page 13.

Supervisory and Management Boards

Supervisory Board

Joop Bouma (chairman until 16 april 2008)
Hans van de Kar (chairman ad interim)
Jos van Heeswijk (until 16 april 2008)
Bas Kortmann
Robert-Jan van de Kraats
Jaap Lagerweij
Henk Muller
Herna Verhagen (as of 16 april 2008)

Management Board

Rien Hinssen
Henk Kroeze
Hessel Dikkers (as of 1 december 2008)
Rob Langezaal
Mark Straub
Marius Menkveld

Report of the Management Board

Strategy update

SNS Bank is continuously working on the implementation of its strategy. In this chapter, we report on our performance and strategic initiatives in 2008 in relation to our strategic priorities and operational and financial objectives.

Strategic priorities

1 Structural value development

Central features of SNS Bank's value management are:

- Diversification of income.
  The increased income diversity was mainly accomplished by a strong increase of income in savings.
- The distribution function.
  SNS Bank reinforced its distribution through improved purchasing options and information services on its website. The service process for opening and managing online savings accounts was almost fully automated and the central sales function through customer service was enhanced. The growth of ASN Bank and SNS Regio Bank also contributed to the reinforcement of distribution.
- Synergy.
  In the product group of mortgages, the focus on cost synergies was intensified. In the growth markets, focus is on income synergies. Examples include the introduction of the 'sustainable ASN current account', which runs on SNS Bank's systems, and the introduction of the Groen Pensioen ('green pension') of Zwitserleven on the basis of ASN investment funds.
- Sufficient return with a moderate risk profile.
  Return on shareholders' equity (ROE) decreased from 12.6% to 6.7%, mainly due to depreciation of the investment portfolios and due to higher costs for attracting and maintaining liquidities and capital. It was disappointing that the risk profile proved unable to withstand the enormous impact of the volatility on the financial markets. In the market of our retail and SME products SNS Bank did manage to set off the negative impact of the credit crisis. Positive factors were particularly growth in savings balances. Negative factors were mainly the decreases in sales of unit-linked mortgages, despite increased market shares.

2 Focus on retail and SME clients in the Netherlands

- Client groups.
  As a result of SNS Property Finance's growth, the share of income from banking activities in respect of corporate clients further increased.
- Product groups.
  SNS Bank's top priorities comprised savings campaigns and optimisation of her savings products.
- The Netherlands.
  SNS Bank will continue to focus primarily on the Dutch market. At year-end 2008, 86.3% of the total loan portfolio of the banking activities consisted of loans in the Netherlands. Only SNS Property Finance has a limited focus on foreign operations.

3 Structural growth

SNS Bank wants to generate structural growth mainly through savings and investment, distribution and strategic partnerships.

- Savings and investments.
  Our share of the savings market increased from 8.3% to 8.8%. New funds amounted to € 2.7 billion net, mainly thanks to successful campaigns and marketing campaigns aimed at retaining clients. SNS Bank's savings portfolio including SNS Regio Bank increased with € 1.4 billion (+ 8.7%) and the savings portfolio of ASN Bank increased with € 1.3 billion (+ 37.9%). SNS Regio Bank delivered 20.4% of the total net growth of savings balances. The assets managed by the SNS and ASN investment funds decreased from € 4.2 billion to € 3.3 billion (– 21.4%), mainly due to sharp price falls. On balance, the new inflow amounted to € 137 million, to which particularly SNS Bank contributed positively. The income from investment fees on transactions and management decreased to € 14.6 million (– 45.7%) due to the deteriorating stock exchange climate. The assets managed by SNS Fundcoach, our digital investment fund supermarket, decreased from € 802 million to € 381 million (– 52.5%).
- Corporate market.
  SNS Bank increased the number of specialist advisors for SME commercial mortgages, which has provided a much broader basis for growth in this market.
- Property finance.
  SNS Property Finance's total new loan production decreased from € 5.6 billion to € 4.7 billion (– 16.1%). The total value of the property finance portfolio increased from € 11.6 billion at year-end 2007 to € 13.6 billion at year-end 2008. In the second half of 2008 the growth objectives were subordinated to

margin goals, due to changing market conditions.

- Distribution.
  SNS Bank is improving the effectiveness and efficiency of its distribution by starting a three-year upgrading programme. This programme aims at increasing direct sales via the website and by telephone, more options for the client, automation of sales, marketing and service processes and centralised high-quality advice. In 2008, the website was redesigned. It is now easier for clients to quickly obtain product information according to their own situation and wishes and to purchase products more frequently without assistance. SNS Bank automated a major part of the sales and service processes, particularly with regard to savings. The sales and advice function of the central customer service was dovetailed with the improved DIY ('Do It Yourself') options for the client. The integration of SNS Regio Bank positively contributed to the growth in savings. ASN Bank, the 100% internet bank for sustainable capital growth, reaped the fruits of consistent marketing and a high service level for clients. Again the number of clients increased significantly with 15.7%.

Objectives

In connection with the developments in the financial markets and their huge impact on the financial results, SNS Bank will adjust its objectives in the course of 2009.

Table 1: Financial targets

Efficiency	2008	2007	Target
Return on total equity after tax	6.7%	12.6%	15% on average per year after taxation
Efficiency ratio SNS Bank	62.8%	60.3%	55% at year-end 2009
Solvency	**2008**	**2007**	**Medium-term target**
BIS ratio SNS Bank [1]	14.0%	11.5%	≥ 11%
Tier 1 ratio [1]	10.5%	8.4%	≥ 8%

[1]) 2008 figures are calculated based on Basel II, taking into account the 80% floor as of 1 January 2009
2007 figures are calculated based on Basel I

Table 2: Operational targets

	2008	2007	Target 2009
Market share new mortgages	7.5%	7.4%	8 to 10%
Market share savings	8.8%	8.3%	7 to 9%

Outlook 2009

Market conditions continue to be extremely challenging in 2009. SNS Bank wants to maintain a strong capital and liquidity position and is taking measures to further limit the balance sheet risk and the negative impact of market volatility on solvency levels and net profit.

Turmoil in 2008

The market turmoil of 2008 had a great impact on SNS Bank's financial results. The credit crisis gained momentum at the end of the third quarter of 2008, following the forced bankruptcy of the US investment bank Lehman Brothers. Uncertainty about the viability of financial institutions grew exponentially. Risk-free interest rates plummeted whilst spreads rocketed, the equity markets' loss rates hit double digits in only a short period of time and the mutual extension of credit among banks came to a standstill. This effect spread to companies and consumers, causing all non-essential spending to be suspended. In the fourth quarter in particular, this caused a strong downturn in the US economy and unemployment rates were rising fast. The Euro zone has formally been experiencing a recession since the second quarter of 2008.

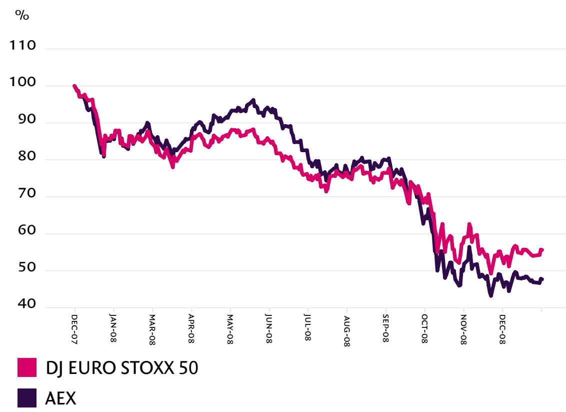
The graphs on the right show the highly increased risk surcharges in general and those for financial institutions in particular. They indicate a great reluctance among market players to extend funding capital. This resulted in high capital financing costs for all financial institutions, including SNS Bank.

In the United States, the Dow Jones index lost 33.8%. In Europe, the DJ Stoxx 600 index had to give up 45.6% and the DJ Euro Stoxx 46.3%. It was striking that many emerging markets experienced dramatic losses. The India stock exchange, for example, lost 52.2% and the Shanghai stock exchange as much as 57.9%. In Japan, the Nikkei dropped by 42.1%. Our own AEX lost 52.3%.

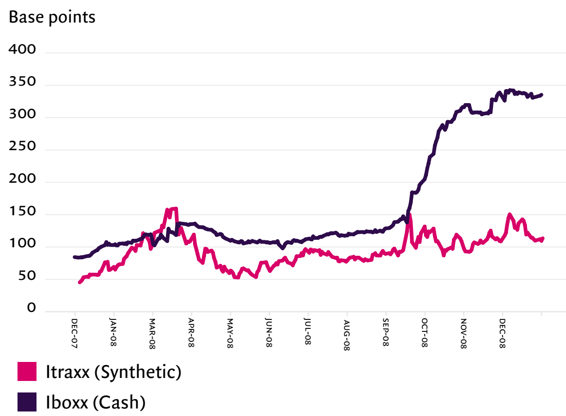
The sharp price falls on stock exchanges across the globe led to losses in the value of the investment portfolios of SNS Bank.

The solvency level of SNS Bank raised to 14.0% mainly due to capital injections from SNS REAAL, which should allow SNS Bank to effectively respond to continuous turmoil on the financial markets in 2009, if necessary.

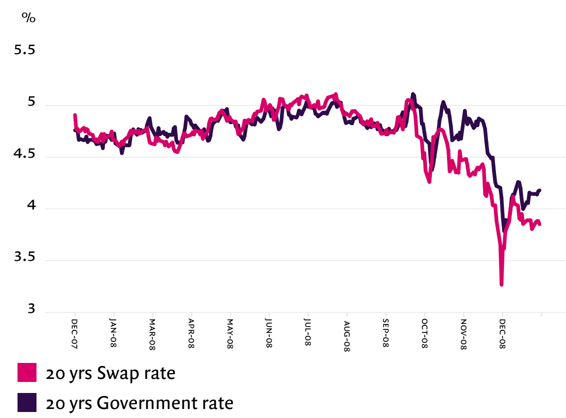
1 **Stock indices**



2 **Credit risk surcharge**



3 **Risk free interest rates**



Financial markets in 2009

Practically all Western economic regions are experiencing a recession in the beginning of 2009, which makes the downturn all the more worrying. The growth in consumption and production in the emerging countries also showed a clear decrease. The economic momentum is negative, and particularly the first part of 2009 will be difficult.

Governments all over the world take severe measures to counter a collapse in demand. The measures are not a coordinated effort, but the problems' concurrence creates a kind of consensus that stimulates policy-makers everywhere to take action. The US introduced a highly extensive set of incentive measures. Together with the supportive effect that lower inflation rates will have on purchasing power, will enable the US economy to stabilise in the second half of the year, according to our most positive scenario. In this scenario, we assume that the effects of the monetary incentives will also begin to manifest themselves by then. However, it is exactly because of the credit crisis' disruption of normal cyclic patterns that the uncertainties are greater than usual.

It will be difficult for the European economies to restore themselves independently. It also holds true for Europe that lower inflation rates stimulate purchasing power, but they have less impact than in the US. Tax incentives are limited in Euroland and the impulse will have to come from dynamic economies outside the zone.

Equity markets tend to be somewhat ahead of the economy, but in view of the seriousness of the economic downturn, investors will probably be considerably more sceptical this time. One positive aspect is that shares are reasonably priced according to practically all valuation standards. Both in the US and in Europe, dividend yields exceeded the 10-year interest rates. Compared to realised profits, share prices are relatively low in all major regions. One counterargument could be that the applied profit standards are perhaps too high.

SNS Bank keeps a cautious view as regards the equity market. During the first half of the year, the markets will go through a bottoming-out process before they will start to rise again later in the year. It is vital for a definite recovery of the equity markets and the economy that the interbanking market and, secondly, the lending operation will pick up again.

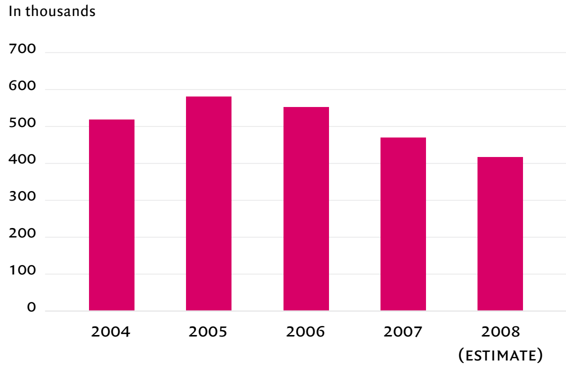
Product markets in 2009

The Dutch economy will probably be experiencing a strong growth slowdown in 2009. The impact of the economic climate has various effects on our product markets.

Mortgages

In the Netherlands, the mortgage market is showing indications of saturation. Graph 4 shows the new mortgage production of the past five years in the Netherlands.

4 **Production of new mortgages**



Source: The Netherlands' Cadastre, Land Registry and Mapping Agency, NVM and CBS

For 2009, we expect to see a sharp decline in new production on the mortgage market. Profitability will also continue to be under pressure. This is mainly due to falling home sales, pressure on residential property prices, low interest rates, flat yield curves and pressure on margins due to high costs for capital funding and growing competition.

In 2009, SNS Bank will capitalise on the trend towards more security and guarantees for the long term. That is why the range of savings mortgages and mortgages with long maturities will be enhanced.

Property finance

The credit crisis left deep marks on the (inter) national real estate markets in 2008. Transaction volume decreased substantially, particularly due to a reduction of the number of potential buyers and due to a deterioration of the credit facilities. Many foreign investors who financed their transactions based on relative large debt leverage, disappeared from the market. Fundamental market factors, such as the property's quality, the location and the attractiveness for sale and lease, became more important again. The high-net-worth long-term investors have returned to the market but remained rather hesitant.

In 2009 too, transaction volume will be under pressure due to the aforementioned factors. We expect that impairments in the credit portfolio will be significant for the coming period.

SNS Property Finance intensified its focus on active management of the current loan portfolio and the pricing of loans, so that there is adequate return on the capital requirement. For investment loans, the primary focus is on relatively small projects with renowned parties on a break-even basis.

Growth markets

Growth markets for SNS Bank include savings and sustainable asset growth. This is demonstrated by the development of these markets in the past five years until 2007.

For 2009, we expect to see a further growth of total savings deposits on the Dutch market. The economic uncertainties and risk perception with regard to investment are the main factors in this respect.
The banking activities are positioned well with a view to further growth, despite intensified price competition since the second half of 2008. The savings market will remain competitive in 2009. Due to the worldwide recession and damaged confidence among many investors, the investment market will not improve until the second half of 2009. Large-scale investment appetite can only slowly pick up again and will possibly not return until after 2009.

The causes and effects of the international credit crisis are stimulating demand for sustainable asset growth products. ASN Bank is market leader in this field in the Netherlands. The competition from non-sustainable banks introducing sustainable products is increasing. ASN Bank, which applies sustainability criteria for all its products and for the entire process chain, is well-positioned to face this competition and continue to grow, partly as a result of the introduction of a sustainable current account at the end of 2008.

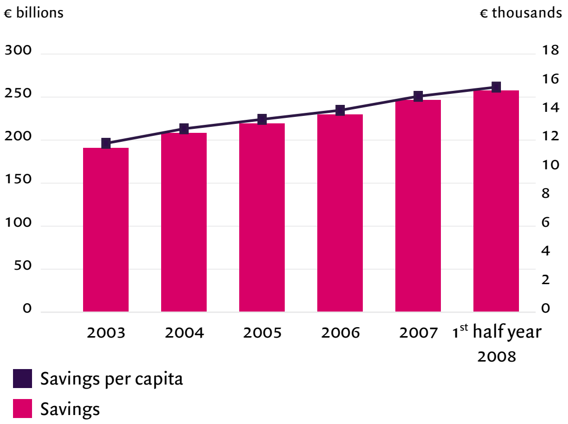
Objectives

Our long-term operational and financial objectives are set out in the chapter Mission, strategy and objectives on page 7. SNS Bank will not be able to realise the current financial objectives in 2009. In the course of the year, SNS Bank will set and communicate new financial objectives.

Development of results

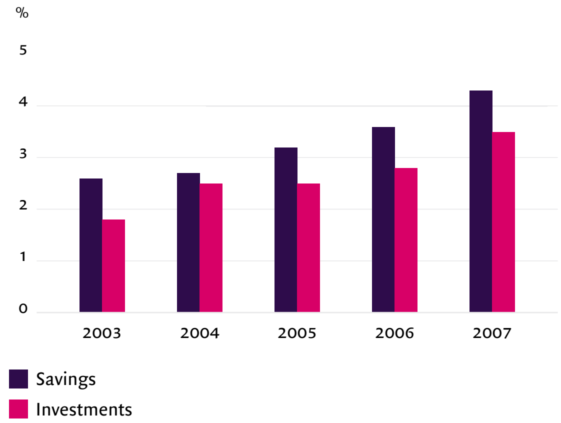
The impairments of SNS Property Finance are expected to stay at a level similar to that of 2008. In addition to capitalising on the aforementioned commercial possibilities, we also focus on additional efficiency and improvement programmes in order to reduce operating costs. In view of the continuing turmoil and volatility on the financial markets, we do not give any concrete forecast of the profit and revenue development of SNS Bank in 2009.

5 **Total savings deposits**



Source: DNB statistical bulletin September 2008

6 **Marketshare sustainable investment products**



Source: VBDO report: Sustainable savings and investments in the Netherlands 1987-2007

Financial outlines

In 2008 SNS Bank reported a net profit of € 144 million. Underlying net profit amounted to € 215 million, a decrease of € 61 million compaired to 2007 (– 22.1%), mainly due to the adverse net impact of increased impairment charges at SNS Property Finance of € 75 million.

Result

The adverse net impact of volatile financial markets on the result of SNS Bank was € 42 million. The estimated net impact of the negative interest margin on the extra cash position maintained during 2008 and other increased funding costs amounted to € 56 million. Furthermore, an unrealised loss of € 4 million related to SNS Bank's trading portfolio, impairments on investments of € 4 million and SNS Bank's share in the Icesave claim of € 5 million were charged to the income statement. These adverse impacts were partly compensated by € 27 million positive buy-back results on Hermes and SNS funding securities. In 2007, the impact of volatile financial markets on SNS Bank was limited, amounting to negative € 4 million.

One-off items

In 2008, SNS Retail Bank took a restructuring charge of € 29 million net of which € 26 million in the second half year. This was related to the repositioning of SNS Bank as announced in June 2008.

Reinforcement of capital position

In December 2008, SNS REAAL strengthened its capital with € 500 million in capital securities issued to Stichting Beheer SNS REAAL ('the trust') and € 750 million in capital securities issued to the Dutch State. SNS REAAL used part of the proceeds of these transactions to increase SNS Bank's core capital by € 260 million. Of this amount, € 104 million has the same terms as the Stichting Beheer SNS REAAL ('the trust'), and € 156 million has the same terms as the Dutch State.

Solvency

SNS Bank's total capital increased from € 3,889 million to € 4,093 million (+ 5.2%), mainly due to the injected core capital by SNS REAAL of € 260 million, net profit of € 144 million and an increase of the fair value reserve of € 108 million due to lower interest rates. Furthermore, the capital base was reinforced with subordinated loans (€ 11 million) and other capital developments (€ 1 million). The introduction of Basel II (with a floor of 90% in 2008) has lowered SNS Bank's capital requirement significantly. This allowed a dividend upstream to SNS REAAL of € 320 million, which was executed in the first half of 2008. In the coming years SNS Bank may be able to realise additional capital releases, however the timing and amount of these releases are subject to developments with regard to capital requirements set by regulators in response to the distressed financial markets. Tier 1 capital amounted to € 2.7 billion (+ 3.8%) as at 31 December 2008.

As at 31 December 2008, based on the applicable 90% floor, SNS Bank's Core capital ratio was 7.2%, Tier 1 ratio 9.4% and the BIS ratio 12.4%. Based on a floor of 80%, which became applicable on 1 January 2009, the Core capital ratio was 8.1%, the Tier 1 ratio 10.5% and the BIS ratio 14.0%.

Funding of SNS Bank

In 2008, a significant focus was placed on reinforcing the funding position of SNS Bank in addition to strengthening the bank's solvency position. At the end of 2008, the total available liquidity position amounted to € 10.7 billion, compared to € 14.3 billion at the end of June and € 8.7 billion at year-end 2007. The cash position amounted to € 1.6 billion and SNS Bank had € 9.1 billion in liquid assets and assets eligible for collateral with the ECB. In the second half of 2008 SNS Bank used part of its extra cash position built up in the first half, while at the same time increasing the liquid assets and assets eligible for collateral with the ECB by € 2.5 billion. At the end of 2008, € 2.1 billion of the ECB facility has been drawn upon. SNS Bank improved its retail funding position during the year, with retail funding as a percentage of retail loans increasing from 56% at year-end 2007 to 61%. Furthermore, in January 2009, SNS Bank successfully issued a three year Note under the Credit Guarantee Scheme of the Dutch State to a widely spread range of national an international investors. This Note has a total size of € 2 billion and carries an effective coupon rate of 3% and a surcharge from the Dutch State of 0.87%. In addition in February 2009 a back-up facility of € 1 billion was closed with a renowned counterparty. In March 2009, SNS Bank again issued a note (in the amount of € 1.6 billion) under the Credit Guarantee Scheme of the Dutch State. The five year note carries a coupon rate of 3.5% and is issued to a widely spread range of national and international investors. As a result, the bank's wholesale funding is secured into 2010.

For more information on funding we refer to the chapter on Funding and credit ratings.

Balance sheet

SNS Bank's balance sheet total grew by € 6.1 billion, from € 70.6 billion at year-end 2007 to € 76.7 billion at the end of 2008 (+ 8.6%). No impairments on goodwill from the acquisitions of SNS Property Finance and Regio Bank were necessary.

The size of the total retail mortgage portfolio rose from € 46.2 billion to € 48.7 billion (+ 5.4%). The total number of outstanding mortgages in the Netherlands decreased. SNS Bank's market share in mortgages, including BLG and SNS Regio Bank, rose in this bear market from 7.4% to 7.5%. As a result of the credit crisis, several providers withdrew.

The joint savings balances of SNS Bank, ASN Bank and SNS Regio Bank, including accrued interest, rose from € 19.2 billion to € 21.9 billion (+ 14.1%). ASN Bank contributed € 1.3 billion (+ 37.9%) to this growth; SNS Regio Bank contributed € 550 million (+ 11.1%). The increase in savings translated into an increase in retail funding as a percentage of the retail loan book to 61% (year-end 2007: 56%). The growth of both loans and advances to banks of € 3.1 billion and liabilities due to banks of € 3.7 billion was due to increased structured tax investments.

SNS Property Finance's total loan production decreased from € 5.6 billion to € 4.7 billion (– 16.1%). The total value of the property finance portfolio increased from € 11.6 billion at year-end 2007 to € 13.6 billion at year-end 2008 (+ 17.2%), with the growth particularly manifesting itself in the first half year of 2008. In the second half year of 2008, growth was deliberately curbed. At year-end 2008, the total loan portfolio consisted for € 7.5 billion of investment loans (+ 8.5%) and for € 6.1 billion of project financing (+ 29.8%). The portfolio's focus continued to be on the Netherlands (72%).

Table 3: Liquidity position SNS Bank

€ millions	December 2008	December 2007
Cash	1,649	3,022
Liquid assets	9,058	5,688
Total Liquidity position	**10,707**	**8,710**

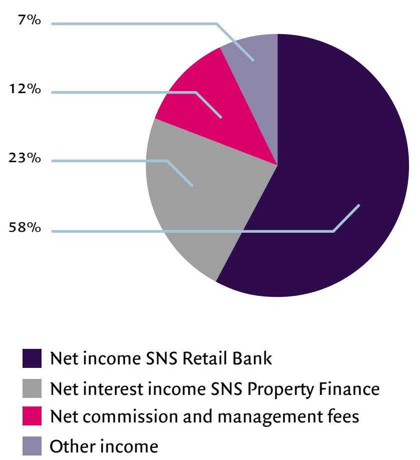
Developments SNS Bank

The net result decreased by € 128 million to € 144 million (– 47.1%). This result includes the negative impact of volatile financial markets of € 42 million, impairments of SNS Property Finance of € 75 million and € 29 million in incidental restructuring costs.

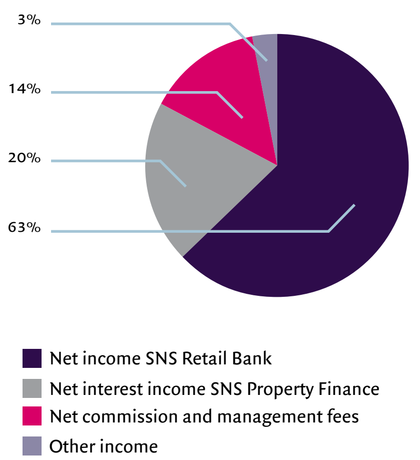
Table 4: Key figures SNS Bank

in € milions	2008	2007	Change
Income SNS Retail Bank	738	751	(1.7%)
Income SNS Property Finance	218	187	16.6%
Total income	956	938	1.9%
Expenses SNS Retail Bank	592	525	12.8%
Expenses SNS Property Finance	181	76	138.2%
Total expenses	773	601	28.6%
Underlying net profit SNS Retail Bank	187	190	(1.6%)
Underlying net profit SNS Property Finance	28	86	(67.4%)
Total underlying net profit	215	276	(22.1%)
Net profit	144	272	(47.1%)
Total assets	76,695	70,584	8.7%
Return on shareholders' equity	6.7%	12.6%	(46.8%)

7 **Distribution of income SNS Bank 2008**



8 **Distribution of income SNS Bank 2007**



SNS Retail Bank

Strategy

The clients of SNS Retail Bank comprise private individuals and SME in the Netherlands. Its key product groups are mortgages, savings and investments. Distribution takes place mainly through the internet, location-independent advisers, SNS shops, SNS Regio Bank franchises, and independent intermediaries. SNS Retail Bank uses different brands for its products, each having a distinct market position. Each brand is linked to the most suitable distribution channel or to an optimum mix of distribution channels. SNS Retail Bank also distributes third-party products and uses REAAL Verzekeringen's distribution channels. Joint and central product development and data administration for the brands of the retail banking business result in a cost efficient and flexible organisation.

SNS Retail Bank's strategy mainly focuses on the further development of distribution capacity. Other strategic spearheads include expansion in the Randstad urban area, in savings, commercial mortgages, as well as sustainable asset growth through ASN Bank.

Financial developments

Result

SNS Retail Bank's net result declined by €70 million to €116 million (–37.6%) mainly as a result of the negative impact of volatile financial markets of €42 million and €29 million of one-off restructuring costs. These mainly concern the balance of a redundancy provision of gross €26 million and gross €15 million impairments of furniture and fixtures.

The underlying net result of €187 million was in line with the previous year. The positive contribution of SNS Regio Bank of €20 million was offset by lower net fee and commission income and higher total net impairment charges.

Income

Total income at SNS Retail Bank of €738 million decreased by €13 million (–1.7%) from €751. Without the impact of the volatile financial markets and the one-off item (totalling €35 million) the underlying income increased by €22 million (+2.9%), mainly caused by higher interest income and increased investment income. Interest income was up due to the €46 million contribution of SNS Regio Bank. Interest income from savings was up considerably, partly offset by lower interest income on mortgages and the SME portfolio. Margins in the mortgage business remained low, although there was an increase in the second half of the year.

The difficult capital market circumstances were noticeable in lower net fee and commission income. Insurance commissions decreased compared to 2007 mainly due to a decline in sales of insurance products related to retail mortgages and the absence of non-recurring profit-sharing commissions received in 2007. In total, net fee and commission income declined by €16 million (–12.5%).

Investment income increased by €69 million. Adjusted for the impact of volatile financial markets (mainly positive buy-back results on funding paper), underlying investment income increased by €24 million to €46 million, mainly due to realised gains on the fixed income investment portfolio, €12 million increased results on bond portfolios and the sale of SNS Retail Bank's participation in Equens (€8 million).

The result on financial instruments decreased by €27 million to €15 million negative. The impact of volatile financial markets was €11 million negative in 2008 compared to €17 million positive in 2007. Adjusted for this, the underlying result on financial instruments of €4 million negative remained stable.

Expenses

Total expenses at SNS Retail Bank increased with €67 million from €525 million to €592 million (+12.8%). Impairment charges to loans and advances increased by €17 million to €37 million. The impairment charges on mortgages increased by €13 million to €33 million, of which €4 million was the result of methodology changes due to the implementation of Basel II and €9 million was due to the downturn of the economic environment in the second half of 2008. The impairment charges for retail loans as a percentage of risk-weighted assets showed an increase from 11 basis points in 2007 to 20 basis points in 2008, both based on Basel I for comparative reasons.

The other impairment charges of €20 million consisted of one-off restructuring costs of €15 million and a €5 million impairment of investments resulting from the impact of volatile financial markets.

SNS Retail Bank's operating expenses increased by €30 million mainly due to the restructuring provision of €26 million. Underlying operating expenses decreased by €3 million; within this, underlying staff costs increased by €13 million (+4.4%) due to the addition of SNS Regio Bank and underlying other expenses showed a decrease of €18 million (–10.0%) due to lower marketing, advisory and integration costs. Total staff at SNS Retail Bank at year-end was 2,966 FTEs, up by 38 FTE. The planned restructuring programme, as announced in June 2008, will lead to a reduction of 380 FTEs by the end of 2010.

The efficiency ratio of SNS Retail Bank deteriorated to 72.5% for 2008, (2007: 67.2%) due to the impact of volatile financial markets and the restructuring costs. However, the underlying efficiency ratio improved by 2.3 percentage points to 64.4%.

Organisation and distribution

In June, SNS Retail Bank started a three-year programme to improve distribution capacity. The programme focuses on a high-quality web shop which enables the client to make purchases in five clicks, location-independent advisers, centralisation of the advisory organisation, more third-party products in the product range, nationwide branch coverage and withdrawing and depositing money by using cash machines, depositing machines and pickup and delivery service. The internet and telephone will become even more important sales channels. Our clients can make an appointment with our advisers at home, in an SNS shop or somewhere else. With its network of SNS Regio Bank branches, its own SNS shops, and SNS shops with a strict franchise formula, SNS Retail Bank wants to offer national coverage for advice and service in 2010.

The inflow of new clients also continued in 2008. SNS Retail Bank and ASN Bank obtained approximately 162,000 new clients. In 2008, the SNS website was greatly improved and the major part of the purchase and service processes was automated, the savings process in particular. Data processing for existing clients is entirely paperless. The improvement of the DIY options for clients and the process automation entail that a large part of the personal process support becomes obsolete. That is why a decrease in staffing levels of approximately 380 FTEs is estimated for 2010. The restructuring costs in 2008 were € 29 million, particularly in relation to laying-off of employees, training and education and in relation to changing locations.

At the beginning of 2008, SNS Regio Bank had some start-up problems when switching to systems and products of SNS Bank. Partly for this reason, the commercial objectives for mortgages and insurance could not be achieved. After the summer, the problems were solved. SNS Regio Bank was very successful in attracting savings deposits. The growth potential continues to be good. SNS Regio Bank benefits from SNS Retail Bank's efforts in the areas of joint purchasing, front office applications and process automation.

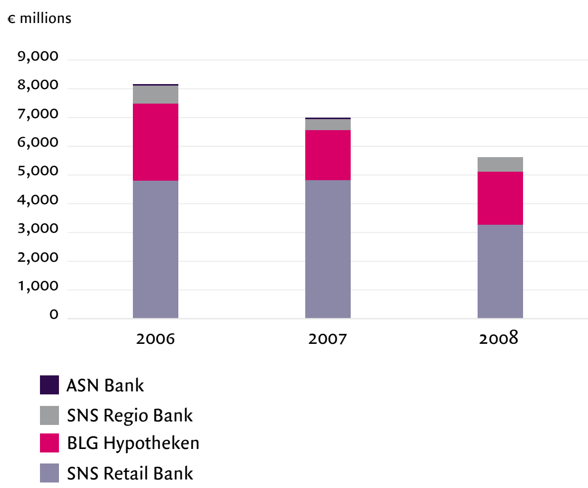
SNS Retail Bank is adjusting its payment system to international developments and participates in the Single Euro Payments Area (SEPA). SEPA is an initiative of the joint European banks and will result in a single European payment market. Within SEPA, there is no longer any difference between domestic payments and foreign payments in euros in Europe. In January 2008, SNS Retail Bank received the first new European funds transfers.

The number of clients at ASN Bank showed another sharp increase (+15.7%). This growth increasingly generates synergy benefits for ASN Bank within SNS Retail Bank and SNS REAAL. In December, ASN Bank launched a sustainable current account. The corresponding debit card will obtain all payment functions in the course of 2009. Furthermore, ASN Bank entered into a partnership with Zwitserleven to link its investments funds with Zwitserleven mortgages.

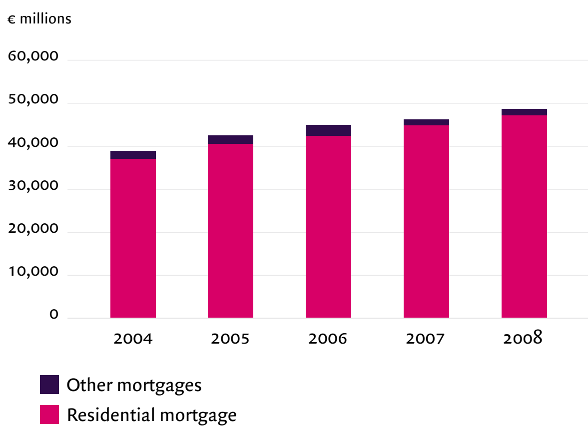
Mortgages

The size of the total mortgage portfolio rose from € 46.2 billion to € 48.7 billion (+5.4%). The total number of outstanding mortgages in the Netherlands decreased. SNS Retail Bank's market share in mortgages, including BLG and SNS Regio Bank, rose in this bear market from 7.4% to 7.5%. As a result of the credit crisis, several providers withdrew.

9 **Volume of new mortgages SNS Bank**



10 **Mortgage loans SNS Bank**



The amount of newly registered mortgages in the Netherlands was € 97.9 billion in 2008 (2007: € 115 billion). The mortgage refinancing market decreased because the rates of many outstanding mortgages are lower than the rates upon refinancing. The deteriorating economic climate resulted in reservations of potential buyers to enter the residential property market, while house prices hardly decreased (yet). As a result the transaction market decreased.

Due to economic uncertainties, the demand for savings mortgages and mortgages with long fixed-rate periods increased. These trends ensure stable housing costs and reduce the risk of payment problems. The foundations of the Dutch mortgage market continue to be sound, partly due to the structural housing shortage, the mortgage interest tax relief and appropriate governmental regulation. Particularly the lower and middle segments of the residential market, in which SNS Retail Bank is well represented, has relatively limited sensitivity for a decline in prices. The average mortgage amount for residential property at SNS Retail Bank was € 218,000 compared

Table 5: Distribution of mortgages and savings products (new products/inflow)

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

[1]) New production
[2]) New inflow

to a national average of € 250,000. The amount of SME corporate mortgages rose and the (still moderate) market share in this segment increased. The expansion of the number of SME advisers resulted in new sectors being entered and will mainly bear fruit as of 2009.

SNS Retail Bank capitalised on the increasing demand for mortgages with a long fixed-rate period, starting at 10 years, with third-party products. The SNS Budgethypotheek is particularly competitive with shorter fixed-rate periods. In collaboration with partner Maatwerk, SNS Retail Bank introduced SNS Hypotheekservice, allowing clients to apply for an appraisal, a structural survey, inspection upon completion, mortgage deed, energy label and an Energy Performance Certificate.

BLG's mortgages, which are sold only through intermediaries, are specialised products that have achieved good penetration in a number of niche markets. Accordingly, BLG's mortgages are a good addition to SNS Budgethypotheek. BLG won a Zilveren Spreekbuis award for good development in 2008, partly because of better brand recognition and a growing preferential position with intermediaries. The award was issued by market research bureau Blauw Research.

Savings

The total Dutch savings market grew from € 234.7 billion to € 251.3 billion (+7.1%) in 2008. The joint savings balances of SNS Bank, ASN Bank and SNS Regio Bank, including accrued interest, rose from € 19.2 billion to € 21.9 billion (+14.1%). ASN Bank contributed € 1.3 billion (+37.9%) to this growth; SNS Regio Bank contributed € 550 million (+11.1%). The joint market share increased from 8.3% to 8.8%. The total number of savings accounts (withdrawal on demand) at SNS Retail Bank, ASN Bank and SNS Regio Bank rose from 2.2 million to 2.3 million (+4.5%).

In the first half year, SNS Retail Bank, SNS Regio Bank and ASN Bank were very successful in deposit actions. In the second half year, there was a sharp increase in competition, mainly as a result of the credit crisis. An increasing number of banks experienced rising costs for other forms of financing. In the second half year, the turmoil and mobility in the savings market also increased sharply following Icesave's bankruptcy. When rates sharply increased, our banks managed to consolidate their market shares without being drawn into price competition. Success factors were successful retention measures aimed at maturing deposits, active acquisition, a personal approach, and the separate deposit guarantees for SNS Retail Bank, SNS Regio Bank and ASN Bank. The risk of savings funds flowing out is relatively limited at our banks as a result of a low average savings amount per client.

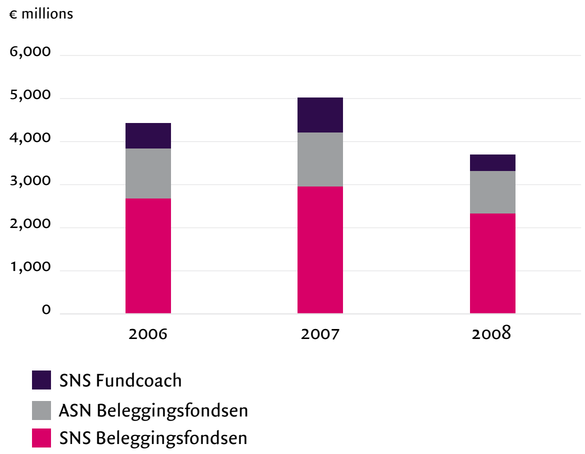
SNS Retail Bank, SNS Regio Bank and ASN Bank were considered safe havens by the largest part of our clients. In its autumn campaigns, SNS Bank focused more on information relating to savings in general and introduced Spaarplan. By using a simple programme on the website, clients can choose and combine the best forms of saving based on their own needs and possibilities.

At ASN Bank, deposited savings increased from € 3,553 million to € 4,964 million (+37.9%). The popularity of sustainable asset growth is still gaining momentum, and ASN Bank is well-positioned to benefit, being the market leader. ASN Bank particularly 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. ASN Bank devotes a lot of attention to optimising its service levels. In 2008, this was reflected once again in the quality research by Independer, which granted ASN Bank the highest average customer satisfaction score, with the highest scores for 'availability to clients' and 'value for money'. For more information, see http://weblog.independer.nl.

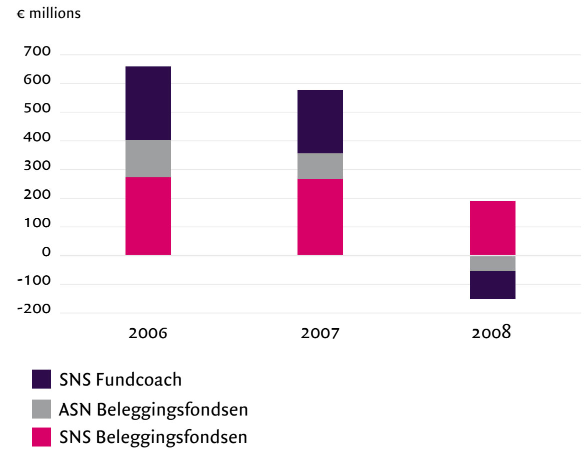
Investments

The assets managed by the investment funds of SNS Retail Bank decreased from € 3.0 billion to € 2.3 billion (–23.3%). On balance, an amount of € 0.2 billion was added, which was negated by the decrease in share

11 Distribution invested capital SNS Retail Bank



12 New net inflow investment funds SNS Retail Bank



prices. The assets managed through the ASN funds decreased from € 1.2 billion to € 1.0 billion (– 16.7%) due to a decrease of both the new net inflow and the market value. The decrease of the market value was relatively limited and significantly better than the average decrease of the market.

SNS Retail Bank aims at an above-average return with a sound risk for the SNS funds. The Elsevier Top 100 scoreboard of December 2008 listed ten SNS funds, two of which in the top 10. Elsevier measures the stock market return adjusted for the risk that a fund shows major negative peaks. The SNS investment funds also received good reviews from the Dutch Investors' Association (VEB). The VEB rating measures the returns achieved, but also takes into account the costs and risks. The ten investment funds with a maximum score of five stars included both the SNS Wereld Aandelenfonds and the SNS Euro Obligatiefonds. In total, ten SNS investment funds currently have a VEB rating. At the Gouden Stieren awards, organised by the Dutch securities sector, SNS REAAL was the financial institution that scored best with three Gouden Stier awards. Fund manager Corné van Zeijl of the SNS Nederlands Aandelenfonds was the best investment expert, ASN Milieu & Waterfonds the best sustainable product and SNS Fundcoach the best investment fund provider.

The presentation of investment products on the SNS website was improved, and SNS Fundcoach became a more distinct part of the SNS investment product range. Clients can now see the differences and similarities between the various investment options more quickly and more easily. The assets invested via the funds of SNS Fundcoach decreased, both due to lower share prices and due to reduced investment appetite. The new inflow fell from € 221 million to an outflow of € 97 million. The number of clients decreased from 27,400 to 26,900 (– 1.8%).

When investing for investment funds and savings accounts, ASN Bank only chooses companies, organisations and governments that meet the investment criteria for a sustainable society. The bank uses unequivocal admission and exclusion criteria. These 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. However, ASN Bank obviously also strives for optimal financial return.

In 2008, ASN Bank was the first Dutch bank that had a study conducted into the carbon dioxide emissions of the companies included in the investment funds. The funds concerned were the ASN Aandelenfonds, the ASN Small & Midcap Fonds and the ASN Milieu & Waterfonds. For this purpose, 190 companies were investigated. By using strict investment criteria, ASN Bank wants to

Table 6: Investment options via SNS Retail Bank

Independent investment	Joint investment	Asset management
SNS Effectenrekening ('investment account')	SNS Privérekening met depot ('current account with deposit')	SNS Vermogensbeheer ('asset management')
SNS Fundcoach	SNS Effectenadvies ('investment advise')	SNS Managed Account
	SNS Spaarmix ('savings mix')	

contribute to keeping the climate burden of the funds to a minimum. See for more details on this study: www.asnbank.nl. ASN Bank's high service levels and effective marketing communication contribute to high customer loyalty. One of the initiatives for 2008 was setting up the social internet platform www.voordewereldvanmorgen.nl, a meeting place for people who want to contribute to a sustainable society by discussing about or taking action for humans, animals and the environment.

SNS Securities managed to keep its profit contribution stable in the deteriorating stock market climate, particularly thanks to its strong position in the bonds trade. Securities broker FBS Bankiers, which was acquired in late 2007 and has meanwhile been integrated, also contributed to the profit. Due to the credit crisis, the markets for assisted share transactions and private asset management clearly lagged behind compared to 2007. Joining the European Securities Network (ESN) in 2007 generated greater interest from Dutch and foreign institutional investors. ESN has joint research information at its disposal from more than a thousand listed companies in Europe. SNS Securities has a relatively small market position in private asset management, which will be boosted in 2009 when joining the market for independent asset managers.

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.

SNS Property Finance

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 participates in several projects as a risk-bearing participant in the results if a number of conditions are strictly complied with. SNS Property Finance does not provide loans to property companies that are not secured by mortgages and usually does not provide working capital funding.

Project financing comprises short-term loans for building land, (re)development of offices, shopping centres, shops, industrial premises, residential housing and mixed projects, as well as bridging loans. Project financing partly takes place abroad. The clients are professional project developers, property entrepreneurs and building contractors who are also developers themselves. In participation projects, this concerns both relatively small projects and knowledge-intensive, large-scale and long-term projects. Part of the portfolio, 28% at year-end 2008, comprises projects and participations abroad, in particular in the United States, Germany, France, Spain and Belgium. The majority of these transactions relate to foreign activities by Dutch clients.

Investment loans are medium or long-term loans for existing residential housing, 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 occasionally uses structured loan solutions, such as syndicated loans. SNS Property Finance acts as an expert centre for commercial property finance within SNS REAAL.

Financial developments

Result

Net result decreased with € 58 million from € 86 million to € 28 million (–67.4%). The net result before impairment charges increased 17.5% to € 114 million, due to higher net interest income. However, the net negative impact of higher impairments was € 75 million (pre-tax increase: € 101 million).

Income

Total income increased by € 31 million from € 187 million to € 218 million (+16.6%). Interest income experienced significant growth of € 29 million to € 216 million (+15.5%) due to organic growth, re-pricing of the loan portfolio and the transfer of a portfolio from SNS Retail Bank. The re-pricing enabled SNS Property Finance to pass on most of the higher costs of funding to its customers. Recurring interest revenue accounted for 94% of total net interest income, with the remainder sourced from transaction-related income. Furthermore, non-recurring income, included in commissions and management fees and other income, increased by € 2 million.

Expenses

Total expenses increased with € 105 million from € 76 million to € 181 million (+138.2%). Impairment charges increased sharply to € 116 million, mainly due to higher provisioning for international project finance in the second half of 2008. The impairment charges as a percentage of risk-weighted assets (for comparison purposes based on Basel I) increased by 77 basis points to 90 basis points. The impairment charges in the second half of 2008 were mainly related to impairments in North America and Spain plus a limited number of loans in other European countries. SNS Property Finance continues to monitor all projects carefully and the impairment charges in 2008 were based on a thorough analysis of the portfolio.

Total operating expenses increased to € 65 million from € 61 million (+ 6.6%). In spite of the growth of the loan portfolio operating expenses were kept under control. Staff costs were up with € 9 million and other operating expenses decreased with € 4 million because of the absence of restructuring costs which were accounted for in 2007. Depreciation and amortisation of property and equipment decreased by € 1 million. Total staff increased to 268 FTE (2007: 247 FTE).

Combined with the significant increase in total income, the increase in operating expenses led to a considerable improvement in the efficiency ratio of SNS Property Finance to 29.8% for 2008, compared to 32.6% in 2007.

Organisation

SNS Property Finance reinforced its organisation in 2008. Centralisation of supporting tasks for the different departments resulted in more transparency, efficiency and effectiveness in the finance department, risk management and decision-making. The transfer of the portfolio of larger business loans (€ 1.8 billion) from the SNS Retail Bank to SNS Property Finance was completed in early 2008. The corresponding administration could be incorporated into existing processes and systems.

Portfolio growth

Whereas the demand for property finance was still at a stable level in the first half of 2008, it decreased substantially during the second half year. Under the influence of the effects of the credit crisis several foreign investors withdrew from the Dutch market. As the market potential decreased, SNS Property Finance's relative market position improved as a result. After a period of several years of decreasing margins and increasing volumes, 2008 marked a turning point. The focus on better margins, a better risk/return ratio and efficient capital requirement for new transactions was intensified. With regard to interest rate reviews of existing agreements and renewals, the prices were adjusted to the changing market conditions. The market conditions and the strict acceptance policy resulted in a lower organic volume growth than in 2007. In 2009, the focus will also be on management of risk, returns and existing portfolios.

SNS Property Finance's total loan production decreased from € 5.6 billion to € 4.7 billion (– 16.1%). The total value of the property finance portfolio increased from € 11.6 billion at year-end 2007 to € 13.6 billion at year-end 2008 (+ 17.2%), with the growth particularly manifesting itself in the first half year of 2008. In the second half year of 2008, growth was deliberately curbed. At year-end 2008, the total loan portfolio consisted for € 7.5 billion of investment loans (+ 8.5%) and for € 6.1 billion of project financing (+ 29.8%). The portfolio's focus continued to be on the Netherlands (72%).

The total share of the portfolio that relates to residential property decreased slightly to 34%, compared to 37% at year-end 2007. Compared to year-end 2007, the portfolio in North America grew by 1 percentage point to 8% of the total portfolio, whereas Spain remained unchanged at 3%. SNS Property Finance aims for a limitation of the balance-sheet risk by reducing exposure to projects for international project financing, particularly in Spain and the US. In the second half year of 2008, a very limited amount of new loans was extended in this area, and in the first half of 2009, a decrease is expected in the advances.

Project financing

The project financing portfolio increased to € 6.1 billion (+ 34%). The domestic portfolio, including participation finance, increased to € 2.3 billion (+ 36%). Particularly in the second half of 2008, there was a reduction in the number of new projects and participations in the order book. In the offices market, used properties on less attractive locations mainly faced sharply declining prices or non-occupancy. This problem could partly be resolved by redeveloping these properties.
Property prices have decreased and are expected to further decrease in 2009. However, supply declined over the year. SNS Property Finance applies strict criteria to offices, shopping centres and residential property in respect of pre-leasing and pre-sale. New projects often involve redevelopment of inner city areas. These are usually complex projects with mixed-use functions. SNS Property Finance shows its added value in such projects by offering creative, structured solutions.
An example is the redevelopment of the former public library in Amsterdam. SNS Property Finance financed the purchase and redevelopment. The former public library of Amsterdam at Prinsengracht is included in the city's plans for more representative accommodation for the creative sector. An innovative concept was

designed in which the new functions of the building are geared to the needs of this sector, including a museum, a design hotel and office space in the Creative Industry section.

The foreign property finance portfolio, which almost entirely consists of project loans, increased to € 3.9 billion (+32.2%). At year-end 2008, 29% of these loans originated in North America, 19% in Germany, 11% in Spain, 12% in France, 8% in Belgium and 21% in other countries. Most projects relate to foreign activities by Dutch clients and to office buildings, shopping centres and logistics centres.

Investment finance

The investment finance portfolio increased to € 7.5 billion (+8.5%). The production dropped by 24%, but this was offset by better margins and value creation as a result of lower solvency requirements. After several years of pressure, the initial yields started to rise again in most markets. Interest from major investors, such as pension funds and insurance companies, remained stable, but the number of transactions continued to be low, for reasons including the increased relative share of property in investment portfolios as a result of the substantial decreases in value of shares and bonds.

Risk and Capital management

In 2008, the financial markets showed a negative development and a volatility that is rare in historic perspective. The effects were more extreme than anticipated. A number of risk management measures taken by SNS Bank had a mitigating effect. Despite these decisions, the 2008 results were significantly lower than in 2007.

Main developments for 2008

Capital and solvency

SNS REAAL's solvency was strengthened by the issue of € 500 million capital securities to the Stichting Beheer SNS REAAL ('the trust') and € 750 million securities capital to the Dutch State. With part of the proceeds of these two transactions SNS REAAL strengthened SNS Bank's core capital position with € 260 million.

Liquidity

In the first half year of 2008 a solid liquidity buffer was set up, significantly contributed by rapid growth of savings, caused by increase in customer base, and high retention rates.
At the end of 2008, the liquidity position amounted to € 10.7 billion. In addition in January 2009 SNS Bank issued a three year notes of € 2 billion under the Credit Guarantee Scheme of the Dutch State. Furthermore, in February 2009 a back-up facility was closed of € 1 billion with a renowned counterparty. In March 2009 SNS Bank issued a five year note of € 1.6 billion under the Credit Guarantee Scheme of the Dutch State. This secures the wholesale funding into 2010.

Credit risk

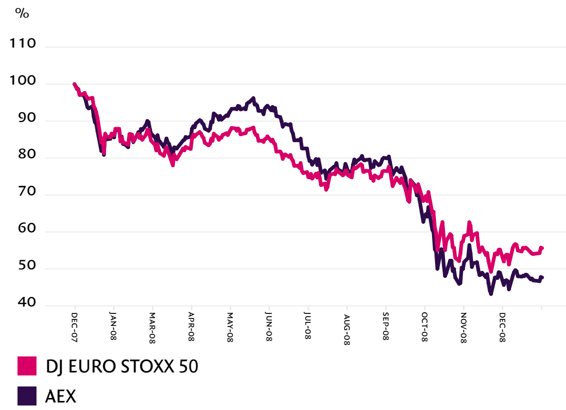
SNS Retail Bank loan book remained sound. The loss indicators for retail mortgages showed only a limited rise. The impairments at SNS Property Finance increased, mainly due to developments in international real estate markets.

Tighter focus on reducing risks

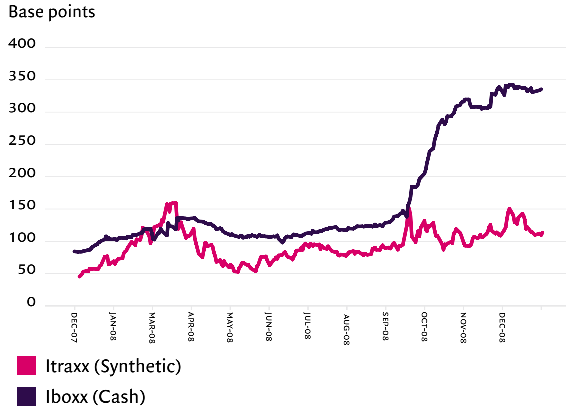
The credit crunch, which started in 2007, continued and intensified significantly in the second half of 2008. With this, volatility in global capital markets increased. The turmoil and volatility on the stock, bond and derivative markets caused balance sheets and income statements of many financial institutions to be severely impacted. At the same time, the global macro economic climate deteriorated sharply into a pronounced slowdown in many countries and an outright recession in some.

The charts on the right illustrate the large movements and extreme volatility in credit spreads, equity prices and

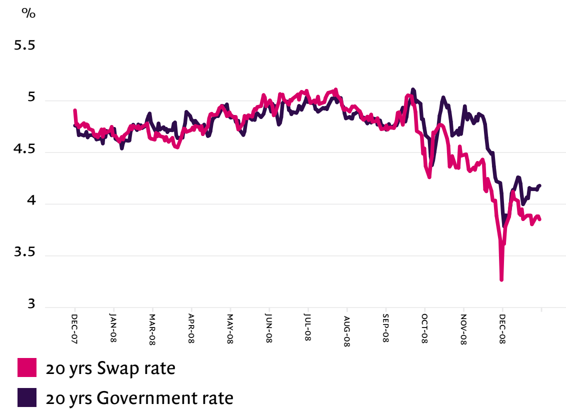
13 **Equity prices**



14 **Credit spreads**



15 **Interest rates**



interest rates during 2008, especially in the last quarter of the year.

The unprecedented market conditions have severely tested risk management within all financial services companies. In response, many financial companies, including SNS Bank, are re-evaluating their strategic, tactical and operational risk management. The major adjustments within SNS Bank are:

- De-risking of balance sheet exposures by issuing more capital.
- Re-evaluating the possible impact of correlated shocks on diversified business portfolios.
- More collaboration between risk management and the businesses.
- More elaborate evaluation of model assumptions and stress test scenarios.
- Reviewing compensation arrangements for senior management and employees.

SNS Bank's business activities have inherently a moderate risk profile as SNS Bank sells straightforward banking products and services with little exposure to higher risk activities (for example, proprietary trading), complex products or foreign exchange. The predominantly Dutch customer base is well diversified within the retail and SME market segments. Furthermore, the asset portfolios of SNS Bank have very little exposure to so-called 'toxic' asset classes, including no exposure to US sub-prime mortgages.

SNS Bank's commitment to maintaining a moderate risk profile is even more important in these times of extremely volatile financial markets. This is why SNS Bank wants to further de-risk the balance sheet, while maintaining higher capital levels. In 2009 SNS Bank will take the appropriate steps, principally relating to the international project finance loan book of SNS Property Finance.

In addition, in 2008 the following improvements in operational risk management systems have been implemented within SNS Bank:

- Tighter monitoring of counterparty risks, bank liquidity.
- Coordination and centralisation of management of the investment portfolio.
- Increased frequency of the meetings of the risk committees.
- Greater focus on Earnings-at-Risk (EaR) and Solvency-at-Risk.

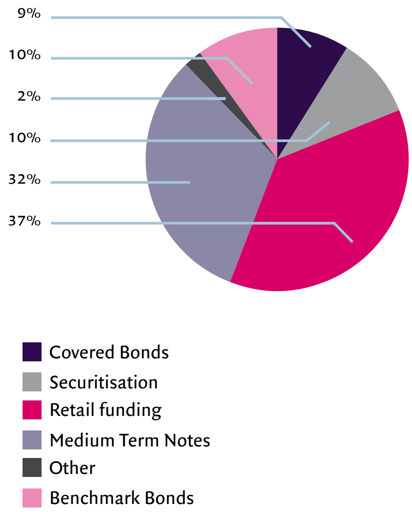
Capital and solvency

The issued securities have considerably strengthened the capital position and solvency of the banking activities. The solvency ratios of the bank activities as at year-end 2008, based on the applicable 90% transition floor were 7.2% for the core capital ratio, 9.4% for the Tier 1 ratio and 12.4% for the BIS ratio. Based on a transition floor of 80%, which became applicable on 1 January 2009, the Core capital ratio was 8.1%, the Tier 1 ratio 10.5% and the BIS ratio 14.0%.

Liquidity Risk

SNS Bank increased its liquidity buffers significantly in the first half of 2008. A series of long-term funding transactions in the financial markets raised € 4.6 billion of new wholesale funding. Furthermore, SNS Bank carried out three on-balance sheet securitisations. As almost all of the notes were retained and as they can be pledged as ECB collateral, this contributed to the liquidity buffer.

16 **Distribution funding instruments 2008**



In addition SNS Bank attracted significant new savings. Retail funding increased by € 2.7 billion to € 21.9 billion

Table 7: Development liquidity position SNS Bank

In € millions	December 2008	December 2007
Cash	1,649	3,022
Liquid assets	9,058	5,688
Total Liquidity position	**10,707**	**8,710**

(+14.1%). SNS Bank's share of the Dutch savings market grew from 8.3% at year-end 2007 to 8.8%.

At the end of 2008, the total available liquidity position amounted to € 10.7 billion, compared to € 8.7 billion at year-end 2007. The cash position amounted to € 1.6 billion and the amount of other liquid assets was € 9.1 billion, including assets eligible for collateral with the ECB. Furthermore, in the beginning of 2009 the liquidity position was strengthened by the successful issue of a 3-year note under the Credit Guarantee Scheme of the Dutch State to several national and international investors. The note has a total size of € 2 billion and an effective coupon rate of 3.0% and a surcharge to the Dutch State of 87 basis points. Besides this, in February 2009 a back-up facility of € 1 billion was closed with a renowned counterparty. In March 2009, SNS Bank again issued a note (in the amount of €1.6 billion) under the Credit Guarantee Scheme of the Dutch State. The five year note carries a coupon rate of 3.5% and is issued to a widely spread range of national and international investors. As a result, the bank's wholesale funding is secured into 2010.

Market risk: SNS Bank

Interest rate risk

The main market risk faced by SNS Bank is interest-rate risk. SNS Bank uses duration of equity and the Earnings-at-Risk (95% confidence level) as the main indicators for managing interest rate risk.

The yield curve declined in 2008. Furthermore, it steepened in the last quarter of 2008 significantly exposing SNS Bank to changes in short-term interest rates. Anticipating a drop in short term interest rates, SNS Bank lowered its EaR and lowered the EaR limit to € 25 million (net income) in September 2008. Furthermore, the duration limit of SNS Bank was raised in 2008 from 8 to 10 to capture the opportunities arising from the steepening of the yield curve. SNS Bank steered its EaR in the fourth quarter to below the new limit. The average EaR amounted to € 27 million (2007: € 25 million). At year-end 2008 the EaR amounted to € 20 million. The duration of equity was raised to 8.4 (year-end 2007: nil). Overall these measures resulted in a more balanced interest-rate sensitivity over the entire yield curve.

In line with the increased duration of equity the average level of the Value-at-Risk (VaR) with a 99% confidence level in 2008 was € 204 million (2007: € 109 million).

Trading portfolio

The trading portfolio of SNS Bank is small and matches SNS Bank's risk profile. Reflecting this profile, the total limit, in terms of VaR (99% confidence level on a daily basis), was set at only € 3.3 million. As in 2007, little use was made in 2008 of the allowable limit.

Credit Risk

The total credit portfolio of the banking activities amounted to € 65.8 billion at the end of 2008, the majority of which (71.7%) consisted of Dutch residential mortgages. The total volume of commercial mortgages at year-end of 2008 was € 13.6 billion.

SNS Retail Bank

SNS Retail Bank's loan portfolio at year-end 2008 was € 52.2 billion, of which € 48.7 billion consisted of Dutch residential mortgages. Of these mortgages, 10.5% fell under the Dutch National Mortgage Guarantee Scheme (NHG mortgages), which carries a 0% risk weighting. In addition, 43.4% of the Dutch residential mortgage portfolio has been securitised. Of the securitised mortgages 37.1% 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) showed that credit quality deteriorated slightly in 2008. The default percentage of the Dutch retail mortgage portfolios rose from 0.54% to 0.61% and the LGD rose from 11.1% to 12.6%.

SNS Property Finance

At SNS Property Finance the loan portfolio at year-end 2008 was € 13.6 billion, of which 72% originated in the Netherlands.

Table 8: Risk standards of SNS Bank

	Standard	Year-end 2008	Limit
Banking activities			
Interest rate risk Bank book	Duration fair value of total equity	8.4	0 < d < 10
EaR Bank book	Effect EaR (95%)	€20 million	€25 million
Solvency	BIS ratio	14.0%	≥11%
	Tier 1 ratio	10.6%	≥8%
	Core capital ratio	8.1%	≥6%

The infection rate for SNS Property Finance, a measure of credit quality, rose in 2008 compared to 2007. At year-end 2008, the infection rate stood at 3.3% versus 0.9% at year-end 2007. This is higher than the historical long-term average and reflects the difficult circumstances in several markets.

Of SNS Property Finance's total loan portfolio 8% is outstanding in the USA and 3% in Spain. In connection with the current economic environment in the these countries SNS Property Finance has intensified its monitoring of the loan portfolio, in particular as regarding loans for the construction of residential housing. In addition, SNS Property Finance has also significantly tightened its lending criteria and has ensured that at a revision of interest rates, a large part of the higher costs of funding can be passed on to the customer. The existing portfolio has been reviewed on a line-by-line basis, with regard to cash generation ability and the value of the collateral.

By a reduction of the international project finance portfolio in terms of commitments to borrowers, especially in Spain and the USA the balance sheet risk of the banking activities will be reduced in 2009. Very limited new loans were granted in the second half of 2008 and we expect to see a further decline in the first half of 2009.

Consequences of Basel II for the banking activities

In 2008, SNS Bank reviewed the capital adequacy for the banking activities of SNS REAAL in accordance with the Basel II supervisory framework. The review is compliant with the 'ICAAP policy' in which all internal and external aspects are considered that may affect the level of capital required. The economic capital calculations, the results of the stress tests and the Basel II pillar I calculations provide valuable information for the decision making process on capital adequacy. Besides this quantitative information, it is also important to consider the business forecasts, the situation on the financial markets and the discussions held between SNS Bank and the supervisory authority, analysts and rating agencies to determine what SNS REAAL should pursue as minimum level of capital required.
The 2008 quarterly reports, in which we compare the results from the economic capital calculations against the capital available, showed that the transfer to the Basel II supervisory framework resulted in a substantial release of required capital. This is due to, on the one hand, the application of advanced models for SNS Bank's major loan portfolios and, on the other, the relatively low risk profile of SNS Bank's activities. In the Basel II supervisory framework, this low risk profile translates into a lower level of capital required, compared to the Basel I supervisory framework. Such a release can be seen in both the pillar I and the pillar II calculations.
As a number of the models used are still relatively new, SNS Bank applies prudential surcharges to the economic capital calculations. SNS Bank will take into account that its clients' credit quality may deteriorate in the years ahead. For this reason, the release of capital will be lower in the next few years, which will be used to strengthen our buffers.
SNS Bank adopts the Basel II conceptual framework and compares the ICAAP capital required with the entire capital available ('eligible capital'). The established ICAAP capital required is the standard and must be higher than the economic capital determined using models (including model risk). The capital available must, at all times, be at least equal to the level of ICAAP capital required. This is in line with the calibration of the economic capital model to SNS REAAL's current rating ambition, as well as the requirement that we accept a very small chance that SNS Bank may no longer be able to meet its interest payment and repayment obligations. Within the capital required, a standard for Tier 1 capital required has also been established. Up till the third quarter in 2008, the capital available (Tier 1 plus Tier 2) exceeded the ICAAP capital required, and the Tier 1 capital available exceeded the Tier 1 capital required. The economic capital information regarding the fourth quarter was not yet available upon publishing the annual report.
In 2008, SNS Bank calculated the value of its activities in terms of the risk adjusted return on capital (RAROC). The RAROC measures the performance of the bank and its units, taking into account the amount of risk that was taken. The amount of risk affects the ICAAP capital required. When looking ahead in the annual budgeting round as well as when looking back in the quarterly performance assessment, the RAROC is compared against the return requirements imposed by the parties providing the capital available.

Capital adequacy

In assessing capital adequacy SNS REAAL, including SNS Bank, takes into account the economic risks of the underlying activities. These are assessed using economic capital and stress tests. SNS Bank aims for capitalisation that allows a 'A'-rating. SNS Bank's capital management comprises the following main activities: determining the required economic capital, performing stress tests on the capital adequacy and a qualitative capital adequacy assessment.

Required economic capital

SNS Bank uses economic capital in as far as possible to gear the management of the company and the business units towards 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 components of the economic capital formulas and the economic capital calculations themselves. The economic capital thus calculated provides a basis for value creation and performance management. The capital adequacy assessment takes into account any uncertainties in the economic capital calculations. These uncertainties are translated into separate surcharges and added to the unadjusted economic capital. For more information on determining economic capital we refer to the financial statements as from page 88.

Stress tests

Annually, a stress test analysis is performed in order to assess whether the banking activities could endure stress scenarios. In addition, the outcome of the stress tests can be a reason to improve the economic capital models. The 2008 stress test for SNS Retail Bank and SNS Property Finance, showed that the losses in the various stress scenarios, in all relevant risk categories, could be offset within the existing capital buffers. The scenarios for SNS Property Finance and SNS Retail Bank take into account the specific nature of their businesses. Besides this annual analysis, SNS Retail Bank performs additional stress tests, if necessary.

Integrated risk management

SNS REAAL including SNS Bank, integrated its risk management into the day-to-day operations. In this context, SNS REAAL continuously aims for the right balance between commercially high-potential initiatives and limitation of risks. The key preconditions are to guarantee adequate liquidity and solvency. SNS REAAL monitors its risk appetite by using a system of standards and limits. SNS REAAL coordinates the management of the product-independent risks as much as possible at group level, particularly through liquidity risk management, capital management, capital finance and asset and liability management. The ALCO Group has a leading role in this process. For product-dependent risks, such as credit risk, duty of care and operational risk, the risk management is primarily performed by the business units, with the frameworks being determined for SNS REAAL. Within the business units, special risk management committees work on pricing, portfolio management and non-financial risks. The staff departments have a supporting role in this process.

SNS REAAL distinguishes as main risk types credit risks, market risks, liquidity risks, strategic risks, operating risks and integrity risks. These are explained in the financial statements on page 69. SNS REAAL uses a balanced risk management framework which comprises three lines of defence:

- Line management, which manages the risks and is ultimately responsible.
- Staff departments, such as Group Risk Management, Compliance and Operational Risk Management, Legal Affairs and the internal audit departments.
- Group Audit which reviews the process and performance of the risk organisation and reports to the Executive Board.

The staff departments and internal audit departments advice line management and may inform the Executive Board of SNS REAAL if predefined standards are exceeded.

The total risk management is embedded in the day-to-day operations via policy, jobs and committees. The processes of guaranteeing (control of) the risk management are comprehensible and relatively simple for SNS REAAL due to the focus on the Netherlands and on the retail and SME markets. For that reason, SNS REAAL has a transparent risk management process and transparent information on risk is very well possible to provide. For a summary of risk management committees and departments we refer to page 70 of the financial statements.

Standards for risk tolerance

SNS Bank uses a framework of risks and checks in the management of market risks. Table 8 provides an overview.

SNS Bank uses the following risk indicators for measuring and analysing market risks:

Fair value duration of total equity

This indicates the sensitivity of the fair value of total equity. A duration of 7 indicates that the fair value of total equity increases (decreases) by 7% if the yield curve decreases (increases) in a parallel line by 1%.

EaR and VaR

The EaR is based on scenario models. These models generate scenarios for market prices for the future and are calibrated based on historical market data. For EaR, the interest rate margin (before costs, after tax) is calculated for each scenario in a scenario set for a period of twelve months. EaR is the 5% worst outcome compared to the basic scenario.

Solvency

Solvency of the banking activities is calculated on the basis of both the Basel I and the Basel II guidelines.

There is a transition scheme in place for the transition from Basel I to Basel II. The Basel I guideline imposes the highest capital requirement on SNS Bank. In 2008, the risk-weighted assets of SNS Bank were determined with a transition floor of 90% under Basel I. As per 1 January 2009, the transition floor is reduced to 80%.

Economic Capital

Furthermore, SNS REAAL has an integrated risk model, Economic Capital, which generates the capital requirements based on internal models for the major financial risks. For SNS Bank the required Economic Capital must be covered by the existing qualifying capital. SNS Bank and SNS Property Finance also use the Economic Capital model for the calculation of the risk-weighted performance based on RAROC.

The above risk standards are reviewed and calibrated, if necessary, by the ALCO Group of SNS REAAL once every year. The risk standards reflect SNS Bank's risk appetite for possible volatility of the results, economic value and solvency ratios.

Managing non-financial risks

The types of non-financial risk that SNS Bank distinguishes are strategic risks, integrity risks and operational risks. See the financial statements on page 69 for more information.

Compliance and integrity

Integrity is essential to keep the trust of clients, employees, shareholder and other stakeholders. In 2008, too, we paid much attention to the integrity of employees, clients, products (including duty of care) and partnerships.

Employee integrity

SNS Bank does not only want employees to gain insight into our standards and values, but also that they learn how to deal with dilemmas in day-to-day activities. Through workshops, training, discussions following soap strips developed especially for this purpose, and other methods, they focused on the practical application of the code of conduct 'Gezond verstand, gezond geweten' ('Common sense, clear conscience') and the business principles, as well as on how to proceed when confronted with a dilemma, and making integrity measurable by reviewing performance on the basis of integrity requirements.

Client integrity

One of SNS Bank's key business principles is client focus. However, it is also important to assess clients' integrity. SNS Bank does not want to participate in any possible criminal activities, money laundering, fraud or terrorist financing. For that purpose, we limit our services by not providing services or providing only limited services to certain sectors or business activities. In 2008, the policy was again compared against market conditions and laws and regulations, and the harmonisation between business units was improved. The principles of our integrity policy in respect of clients are: knowing the client, the client's integrity as a precondition for doing business, the client's meeting standards of decency, meaning that clients must refrain from expressing threats or showing violent behaviour, and the client's providing honest and transparent information. SNS Bank teaches its employees how to deal with the relevant risks and incidents.

Product integrity

SNS Bank systematically tests its products, the design of new products and its services against legal and social requirements. Central issues are transparent product structure, accessible product information, cautious return forecasts, more protection against negative market factors, more guarantees on terminal funding capital and fewer options for the consumer.

Improvements to operational risk management

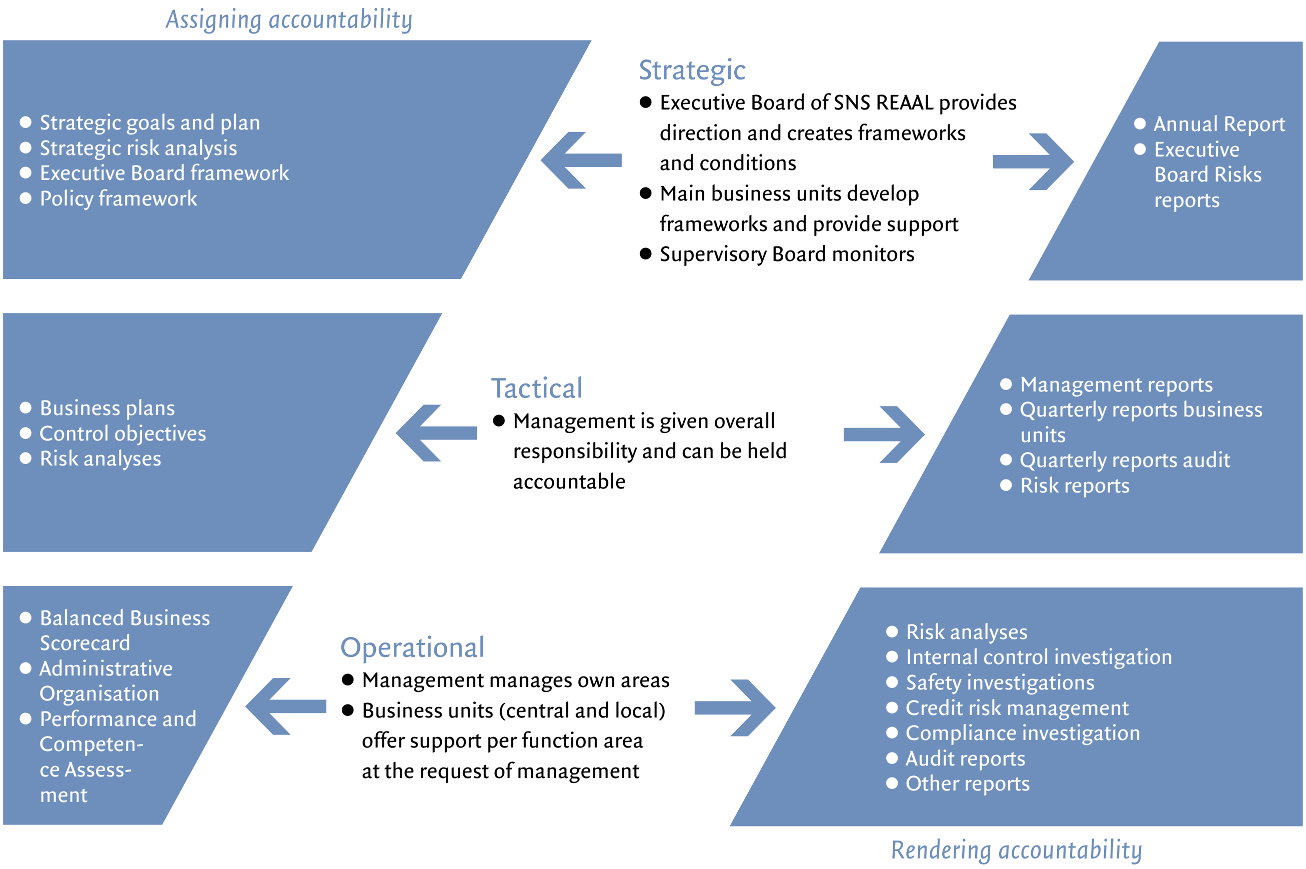
The logical access security for all employees of SNS Bank was improved by structuring and centrally administrating and monitoring the rights of access to the operational systems. A separation of duties combined with smart cards limits the chances of abuse.

SNS Bank updated its prevention, detection and follow-up policy for countering third-party fraud and its policy for the prevention of internal fraud by having the coordination investigation take place at an earlier stage and by safeguarding the interests of stakeholders that may be directly involved. Senior management will follow the developments via regular reports.

Framework for business control

Doing business always 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. This framework is fully applied within SNS Bank. The framework principles 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 and managing risks.



- The management structure, to streamline management focus, to allocate tasks and responsibilities, and to deal with changes e.g. through takeovers and reorganisations.
- Management development programmes, to manage staff quality and appoint 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 board of SNS Bank is responsible for day-to-day operations within these frameworks and each year draw up operational plans that are approved by the Executive Board of SNS REAAL.

The internal risk management and control system is geared towards the strategic objectives of SNS REAAL and inherent risks are amongst others exposure to financial markets. The framework for business control (see Figure 17) sets out how responsibility is awarded within SNS REAAL and how accountability is assumed. This process is similar to the COSO Enterprise Risk Management system (ERM). 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 is based on an assessment of risks and 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 review of risks in the business operations and if necessary the measures taken in this respect. Key inputs for this procedure are the regular in-control reports per business unit.
In each half-year report the management board of SNS Bank declares, 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 of SNS REAAL assesses the internal statements by the various business units and 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.

In-control statement

The design of SNS Bank's risk management and control systems, as described in the framework for business control, supplemented with frequent research into the effectiveness of essential control measures gives the Management Board reasonable assurance that the main risks are recognised and controlled adequately.

SNS Bank is active in different financial markets and is exposed to movements and changes, such as interest rates, capital markets and actuarial assumptions. The unprecedented downward trend of these markets in 2008 has strongly influenced our financial results, also intensified by the IFRS framework. As far as we know, risk management systems in the financial sector were not immune to these extreme circumstances.

Based on these insights the key issues are:

- The public has lost confidence in the financial sector. In spite of all its efforts and the increase in number of clients, SNS Bank has been unable to escape this development. Working to restore lasting confidence in a time of recession is essential in the coming years. A new balance will be found between the interests of customers, shareholder, employees and other stake-holders.
- SNS Bank is still known to savers and investors in bonds. In 2008 savings continued to increase. This can be adversely influenced by negative perceptions on SNS Bank. Focus on communication with stakeholders wherever possible is a means in preventing this.
- The speed and extent of the credit crisis has surprised many including SNS Bank. We have learned important lessons and have taken measures in the areas of risk management, stress testing, risk information and risk models. SNS Bank aims at maintaining the moderate risk profile, with consistent market capital ratios as expected by the market.
- It is essential to SNS Bank's success to have – and keep – the right staff on board. A positive mindset is needed to emerge from the crisis stronger than before. Against the backdrop of the recession and the announced staff reductions, this is a major point of attention.
- The national and international real estate markets are under great pressure and prices and demand are dropping. SNS Bank has extensive loan portfolios collateralised by real estate. It mainly concerns Dutch residential property, but also some other properties,including Spain and the USA. Risk management systems are already adapted and are regularly reviewed and improved.

The system of demonstrable measures for controlling the financial reporting risk functioned adequately throughout 2008. Based on that, we have obtained a reasonable degree of certainty 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 should not work adequately in 2009.

A major point of attention for 2009 is the difficulty of determining the correct fair value of non-liquid funds. Although all measures have been taken and a cautious approach was adopted, it cannot be ruled out that differences may arise between the valuation included now and the ultimate value upon realisation.

Transparancy statement

SNS Bank prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU) and with Title 9 of the Dutch Civil Code. To the best of our knowledge they give a true and fair view of the assets, liabilities, financial position and financial result of SNS Bank and its consolidated companies.

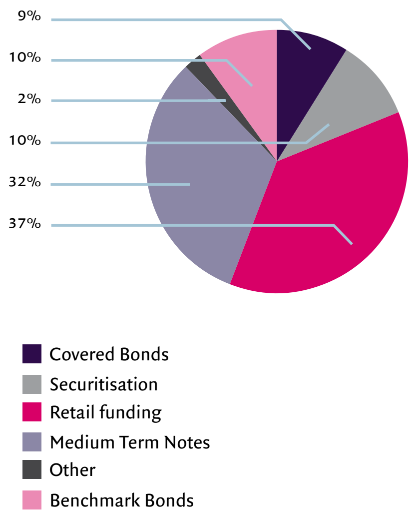
The annual report gives, to the best of our knowledge, a true and fair view of the position as per the balance sheet date and the development during the financial year. The principle risks SNS Bank faces are described in the annual report.

Funding and credit ratings

Money and capital markets were difficult to access throughout the year. In connection with the uncertain situation on these markets, SNS Bank maintained an above-average liquidity buffer, while SNS REAAL availed itself of the opportunity to attract additional capital from Stichting Beheer SNS REAAL ('the trust') and the Dutch State.

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

18 **Composition funding instruments 2008**



Key developments

In the past year, the bank's liquidity position was very carefully managed. In anticipation of deteriorating market conditions, the cash position was already increased considerably in 2007 by way of precaution. In 2008 on average, it was approximately four times as much as under normal circumstances. In addition, the liquidity position of SNS Bank comprised liquid assets and assets eligible for collateral with the Dutch Central Bank. In total, the liquidity position amounted to € 10.7 billion at year-end 2008.
Money and capital markets were difficult to access throughout the year. The capital market presented some incidental opportunities. SNS Bank was the only 'A'-party who successfully realised a public transaction: a two-year floating note of € 800 million. In the second half of 2008, it became impossible for any financial party to attract capital, whether in the form of senior unsecured loans or in the form of subordinated loans. It was not until the national governments provided guarantees for their major retail banks that funding opened up a bit.

In 2008 SNS Bank was also successful in attracting savings deposits, totalling a net amount of approximately € 2.7 billion, or 37% (2007: 42%) of total funding. As a result, the scope of retail funding expressed as a percentage of retail loans rose from 56% at year-end 2007 to 62% at year-end 2008. A number of private placements were also made in Europe, the largest one amounting to € 600 million with a maturity of six years.

On 11 December 2008, SNS REAAL issued € 750 million worth of non-voting tier 1 capital securities to the Dutch State. In addition, € 500 million worth of non-convertible and non-voting tier 1 capital securities were issued to the trust. Part of the proceeds where used by SNS REAAL to raise SNS Bank's tier 1 capital by € 260 million as per 31 December 2008.

Liquidity risk management

Group Risk Management department has created stress scenarios in collaboration with SNS Financial Markets. In the Treasury and ALM meetings, the scenarios and outcomes are frequently tested and assessed.

Public funding 2008

In the first half year, SNS Bank succeeded in continuing all its money market programmes and commercial financing programmes. A securitisation transaction of NHG mortgages was implemented for an amount of € 800 million. NHG is short for Nationale Hypotheek Garantie, or National Mortgage Guarantee.

Four private placements amounting to approximately € 700 million were made under the covered bond programme, with maturities varying from two to ten years. The covered bond programme was introduced at SNS Bank at the end of 2007. It was given an AAA-rating by Moody's, S&P and Fitch. Covered bonds are a special kind of bonds that give 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 addition, SNS Bank was the first and only European bank with an 'A'-rating to successfully issue a public senior unsecured bond in May worth € 500 million with a maturity of two years under its EMTN programme (European Medium Term Notes). The value of this bond was even increased to € 800 million in June.

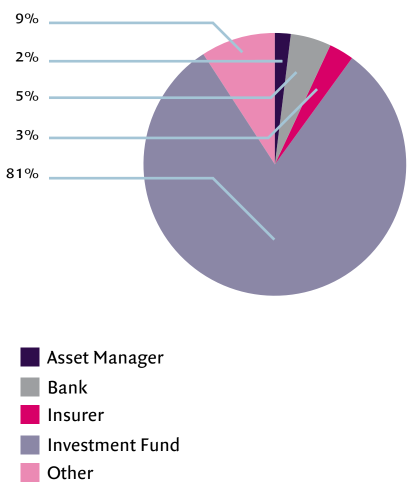
In the second half of 2008, SNS Bank managed to complete a limited number of transactions under the EMTN programme, particularly short-term issues. SNS Bank also effected a second transaction on the Italian retail market, with a maturity of six years.

In January 2009, SNS Bank successfully issued a note with a maturity of three years under the guarantee scheme of the Dutch State. The note, comprising € 2 billion and an effective coupon rate of 3.0%, was well oversubscribed. The premium paid to the Dutch State amounted to 87 basis points. In March 2009, SNS Bank again issued a note (in the amount of € 1.6 billion) under the Credit Guarantee Scheme of the Dutch State. The five year note carries a coupon rate of 3.5%. The note was issued to a widely spread range of national and international investors.

SNS Bank has two commercial paper programmes - a European and a French programme - each with a maximum size of € 4 billion. Commercial papers have maturities of one to twelve months. SNS Bank used these short-term money programmes to a limited extent to attract liquidities. However, as SNS Bank uses this source of funding to a very limited extent only, the fact that this market dried up did not create any problems. The amount outstanding under the European programme was nil at year-end 2008 and the funding through the French programme amounted to € 750 million.

Issues of liquid benchmark bonds contribute to the broadening of the investor base. These benchmark bonds can be actively traded on the European exchanges. 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.

19 **MTN funding according to type of investor**



20 **Regional distribution MTN funding 2008**

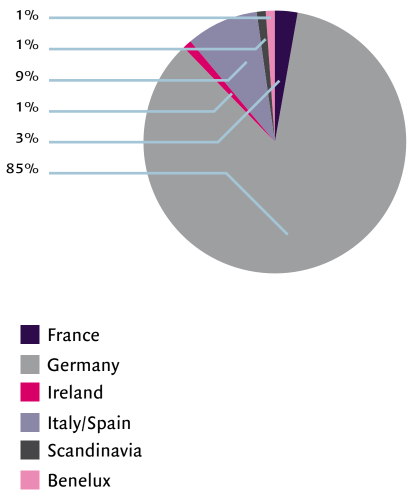


Table 9: Benchmark bonds outstanding at year-end 2008

Funding	Redemption date
€ 1.25 billion floating rate note	October 2009
€ 1 billion fixed rate 6.125%	April 2010
€ 800 million floating rate note	June 2010
€ 800 million floating rate note	October 2011
€ 1.25 billion floating rate note	February 2012
€ 500 million fixed rate 5.625%	June 2012
€ 900 million fixed rate 4.625%	February 2014

Risk surcharge

In 2008, confidence in the international capital markets, which had fallen in 2007 as well, continued its downward trend. This, in turn, resulted in even higher risk surcharges for financial institutions. As from

Table 10: Credit ratings

Long-term	S&P	Moody's	Fitch
SNS Bank	A (negative)	A2 (stable)	A (negative)
Short-term	**S&P**	**Moody's**	**Fitch**
SNS Bank	A–1	P–1	F1

August 2008, the markets became practically inaccessible and locked up entirely following the insolvency of Lehman Brothers. Worldwide measures by central banks and governments, varying from capital injections and liquidity support to the option of issuing bond loans under a government guarantee, sadly failed to enable interbanking lending and borrowing to recover in 2008. One of the objectives of these support operations was to enable banks to maintain their credit facility to private individuals and businesses. In January 2009, SNS Bank availed itself of the guarantee scheme set up by the Dutch State.

The price development on the secondary capital market for securities based on residential mortgages (Residential Mortgage Backed Securities (RMBS) notes) did not offer any possibilities for new issues. The spreads for these secondary RMBS notes greatly increased, not so much reflecting the increased credit risk, but rather as a consequence of forced sales of hedge funds and, in some cases, of conduits and SIVs. It is expected that the secondary RMBS market will again not be accessible or will be very difficult to access in 2009.

Credit ratings

In November 2008, Moody's changed all long-term prospects of the ratings of SNS Bank from stable to negative. Standard & Poor's and Fitch also changed all long-term prospects of the ratings from stable to negative in December 2008. In the beginning of 2009, Moody's announced that it had lowered SNS Bank's long-term rating from A1 to A2. The long-term prospect was changed to stable. Moody's expects that the bank's profitability will be under pressure due to the deteriorating economic climate. In the beginning of March, Fitch lowered the short-term and long-term ratings.

Utrecht, 12 March 2009

Rien Hinssen
Henk Kroeze
Hessel Dikkers
Rob Langezaal
Mark Straub
Marius Menkveld

Report of the Supervisory Board

Report of the Supervisory Board

In addition to the usual topics, the Supervisory Board mainly focused on the consequences of the credit crunch for SNS Bank. This was, in the second half-year, in an increasing difficult and uncertain climate, an important agenda item. The consequences of the crunch on the results are disclosed elsewhere in this report and in the financial statements.

Composition of the Supervisory Board

The composition of the Supervisory Board was changed during the year under review. At the closing of SNS REAAL's general meeting of 16 April 2008, Joop Bouma, the Supervisory Board's chairman, and Jos van Heeswijk, chairman of the Audit Committee, resigned. Hans van de Kar, vice chairman of the Supervisory Board, is (co-)chairman ad interim as of the AGM. At the AGM Herna Verhagen is appointed under condition of consent by the supervisor, the Dutch Central Bank. This consent has been obtained. In august it appeared that Henjo Hielkema who was also appointed at the AGM under condition of consent by the supervisor, would not join the Supervisory Board due to a difference of opinion with the supervisory authority. In the fourth quarter of 2008 SNS REAAL announced the nomination of three new members.

Composition of the Management Board

The composition of the Management Board changed during the year under review. In April, Bob Janssen resigned, and Rien Hinssen temporarily managed his portfolio. In August, Cor van den Bos resigned in good agreement from the Management Board. The Supervisory Board approved the appointment of Hessel Dikkers as per 1 December 2008.

Meetings of the Supervisory Board

The Supervisory Board convened seven times in 2008 for an ordinary meeting and eight times for an additional meeting.

Apart from the interim and full-year figures, other topics of discussion included the developments in the financial markets, in particular focusing on liquidity, solvency and funding, achievement of key financial projects, in-control programmes, continuity of operations and compliance, management development and talent development.

Committee meetings

Audit Committee meetings

The Audit Committee ('AC') met six times, the meeting of May being the first one chaired by its new chairman, Robert-Jan van de Kraats. In accordance with its mandate, the AC mainly assessed the design and operation of the risk management organisation. SNS REAAL's chairman of the Executive Board, SNS REAAL's CFO, the head of the Group Audit department and the external auditor attended the meetings. SNS REAAL's Executive Board, Group Audit, the external auditor and the certified actuary provide the AC with information.

At the meeting of January, the AC discussed the preliminary results of 2007, the status of the annual report, the Management Letter of the external auditor, the half-year report on (potential) high-risk claims and litigation and the report from the Group Audit department on the fourth quarter of 2007.

In February, the AC discussed a report on the supervision of the company by DNB, the internal management reports, the press release on the 2007 results and the reports by the external auditor and external actuary. Operational risk management, in particular with regard to data protection and continuity of operations, was discussed based on the corporate in-control statement.

In the meetings of January and February, the operational risk management of SNS Fundcoach was discussed.

At the meeting of May, the AC spoke with the management of SNS Property Finance about risk management at international SNS Property Finance projects. The AC also discussed tax issues, the organisation's liquidity position and the first quarterly report of Group Audit, including its findings on the quarterly closing. The report on the GriB project (automated authorisation management) was also discussed.
In August, discussion focused on the situation on the markets, the subjects of rating agencies and reporting – press release, half-year figures, reports by the external auditor and the external actuary – and the litigation statement for the first six months of 2008 including the relevant provision. The bank's mortgage foreclosure procedures were discussed with the CFO

of SNS Bank. In addition, the AC dealt with the audit engagement for KPMG and the Audit Plan.

In November, discussion focused on the subjects of liquidity and solvency, the trading update for the third quarter and risk management at SNS Fundcoach. The AC also discussed current issues with regard to the supervision by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB). The AC dedicated itself to the quality of SNS REAAL's financial management.

In December, discussion focused on the operational plan for the budget year 2009. The AC exchanged thoughts with the Group Audit department and the external auditor, each separately, on the course of affairs at the company in terms of risk management.

Credit Committee meetings

The Credit Committee met twice, in May and December, each time in the presence of, inter alia, the chairman of the Management Board of SNS Bank and the CFO of SNS Bank and the management of SNS Property Finance. In both meetings, loan proposals exceeding € 100 million were presented and assessed. In the meantime, the Credit Committee devoted much time to the periodic loan proposals of SNS Property Finance.

Meetings of the Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment Committee ('RSA Committee') met eight times: in January, February, March, May, August, October, November and December. That is three times more than in 2007.

Contacts with the Central Works Council

Two members of the Supervisory Board twice attended a Central Works Council meeting, including the December meeting, in which the operational plan for 2009 was discussed.

The Supervisory Board is well aware of the tough circumstances SNS Bank faced and therefore explicitly expresses her gratitude and appreciation to management and employees for their dedication in this difficult year.

Utrecht, 12 March 2009
On behalf of the Supervisory Board,
Hans van de Kar, chairman ad interim

Financial Statements 2008

Contents

Consolidated balance sheet

In € millions	31-12-2008	31-12-2007
Assets		
Cash and cash equivalents 1	1,692	3,141
Loans and advances to banks 2	2,783	1,092
Loans and advances to customers 3	65,794	60,236
Derivatives 4	1,113	1,041
Investments 5	3,942	4,056
Investment properties 6	10	6
Investments in associates 7	47	53
Property and equipment 8	119	139
Intangible assets 9	291	285
Deferred tax assets 10	227	128
Corporate income tax 11	106	100
Other assets 12	571	307
Total assets	**76,695**	**70,584**
Equity and liabilities		
Savings 13	21,859	19,179
Other amounts due to customers 14	10,184	7,846
Amounts due to customers	32,043	27,025
Amounts due to banks 15	6,491	5,066
Debt certificates 16	30,282	32,182
Derivatives 4	2,144	938
Deferred tax liabilities 10	285	151
Other liabilities 17	1,327	1,316
Other provisions 18	30	17
Participation certificates and subordinated debts 19	1,689	1,678
Share capital	381	381
Other reserves	1,691	1,686
Retained earnings	62	142
Shareholders' equity 20	2,134	2,209
Equity attributable to securityholders 20	260	--
Minority interests	10	2
Total equity	2,404	2,211
Total equity and liabilities	**76,695**	**70,584**

Reference is made to the notes in subsection 2.3 of the accounting principles for the consolidated balance sheet and income statement.
The numbers next to the balance sheet items refer to the notes starting on page 91.

Consolidated income statement

In € millions	2008	2007
Income		
Interest income	3,883	3,359
Interest expense	3,110	2,576
Net interest income 21	773	783
Fee and commission income	152	163
Fee and commission expense	36	34
Net fee and commission income 22	116	129
Share in the result of associates 23	(4)	(3)
Investment income 24	84	14
Result on financial instruments 25	(15)	13
Other operating income 26	2	2
Total income	**956**	**938**
Expenses		
Impairment charges 27	173	35
Staff costs 28	380	332
Depreciation and amortisation of fixed assets 8/9	32	31
Other operating expenses 29	188	203
Total expenses	**773**	**601**
Result before taxation	**183**	**337**
Taxation 30	36	64
Net result for the financial year	**147**	**273**
Attribution:		
Net result for the financial year	147	273
Net profit attributable for shareholders	--	--
Net profit attributable to minority interests	3	1
Net profit for the year	**144**	**272**
Earnings per share (*in €*) 31	163	324
Diluted earnings per share (*in €*) 31	163	324
Net result per security 'State-like' (*in €*) 31	8.17	--
Net result per security 'Trust-like' (*in €*) 31	6.10	--
Weighted average number of shares outstanding	840,008	840,008

Reference is made to the notes in subsection 2.3 of the accounting principles for the consolidated balance sheet and income statement.
The references next to the income statement items relate to the notes starting on page 107.

Consolidated statement of changes in total equity

In € millions	Issued share capital ordinary shares	Share premium reserve ordinary	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital	Third party interests	Group equity
Balance as at 1 January 2007	381	688	6	--	(19)	917	124	2,097	--	--	2,097
Transfer of 2006 net profit	--	--	--	--	--	124	(124)	--	--	--	--
Unrealised revaluations	--	--	1	4	(33)	--	--	(28)	--	--	(28)
Realised revaluations through equity	--	--	(7)	--	--	5	--	(2)	--	--	(2)
Realised revaluations through income statement	--	--	--	(1)	1	--	--	--	--	--	--
Revaluation deferred taxation due to change in the statutory tax rate	--	--	--	--	--	--	--	--	--	--	--
Other changes	--	--	--	--	--	--	--	--	--	--	--
Amounts charged directly to equity	--	--	(6)	3	(32)	5	--	(30)	--	--	(30)
Net profit 2007	--	--	--	--	--	--	272	272	--	2	274
Net result 2007	--	--	(6)	3	(32)	5	272	242	--	2	244
(Interim) dividend paid	--	--	--	--	--	--	(130)	(130)	--	--	(130)
Transactions with shareholders	--	--	--	--	--	--	(130)	(130)	--	--	(130)
Total changes in equity 2007	--	--	(6)	3	(32)	129	18	112	--	2	114
Balance as at 31 December 2007	**381**	**688**	**--**	**3**	**(51)**	**1,046**	**142**	**2,209**	**--**	**2**	**2,211**
Transfer of 2007 net profit	--	--	--	--	--	142	(142)	--	--	--	--
Unrealised revaluations	--	--	4	(3)	112	--	--	113	--	--	113
Realised revaluations through equity	--	--	--	--	--	--	--	--	--	--	--
Realised revaluations through income statement	--	--	--	1	(5)	--	--	(4)	--	--	(4)
Revaluation deferred taxation due to change in the statutory tax rate	--	--	--	--	--	--	--	--		--	--
Other changes	--	--	(1)	--	--	--	--	(1)	--	8	7
Amounts charged directly to equity	--	--	3	(2)	107	--	--	108	--	8	116
Net profit 2008	--	--	--	--	--	--	144	144	--	--	144
Total result 2008	--	--	3	(2)	107	--	144	252	--	8	260
Securities issue							(7)	(7)	260		253
(Interim) dividend paid	--	--	--	--	--	(245)	(75)	(320)	--	--	(320)
Transactions with shareholders and securityholders	--	--	--	--	--	(245)	(82)	(327)	260	--	(67)
Total changes in equity 2008	--	--	3	(2)	107	(103)	(80)	(75)	260	8	193
Balance as at 31 December 2008	**381**	**688**	**3**	**1**	**56**	**943**	**62**	**2,134**	**260**	**10**	**2,404**

The share premium reserve includes the paid-up capital that has been contributed in addition to the nominal value on the ordinary issued.

The revaluation reserve concerns land and buildings in own use.

The cash flow hedging reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedging instruments for hedged transactions that have not yet taken place. In cash flow hedge accounting, the changes in the fair value of derivatives are accounted for in the cash flow hedging reserve. This cash flow hedging reserve is released during the period that the cash flows from the hedged risk are realised.

The fair value reserve comprises the accumulated net change in the fair value of investments available for sale.

The other reserves mainly comprise retained profits.

For more information, please refer to the statement of changes in equity notes to the company balance sheet of SNS Bank (page 116).

Consolidated cash flow statement

In € millions	2008	2007
Cash flow from operating activities		
Operating profit before taxation	183	337
Adjustments for:		
Depreciation and amortisation of fixed assets	27	32
Changes in other provisions	48	(67)
Impairment charges/ (reversals)	173	36
Unrealised results on investments through profit and loss	(6)	114
Retained share in the result of associates	8	(8)
Tax paid	3	(9)
Change in operating assets and liabilities		
Change in loans and advances to customers	(3,220)	(1,519)
Change in loans and advances to banks	(266)	1,443
Change in savings	2,680	2,531
Change in trading portfolio	1,386	(636)
Change in other operating activities	(669)	(83)
Net cash flow from operating activities	**347**	**2,171**
Cash flow from investing activities		
Proceeds from the sale of intangible assets	--	--
Proceeds from the sale of property and equipment	5	29
Proceeds from the sale of subsidiaries	13	--
Proceeds from the sale of investment property	--	1
Proceeds from the sale and redemption of investments and derivatives	1,447	652
Purchase of intangible fixed assets	(13)	(7)
Purchase of property and equipment	(21)	(29)
Purchase of subsidiaries	(19)	32
Purchase of investment property	(3)	--
Purchase of investments and derivatives	(1,679)	(2,048)
Net cash flow from investing activities	**(270)**	**(1,370)**
Cash flow from financing activities		
Proceeds from issue of shares	--	--
Proceeds from issue of capital securities	260	--
Proceeds from issue of subordinated loans	337	255
Proceeds from issue of debt certificates	8,889	11,406
Redemption of subordinated loans	(305)	(19)
Redemption of debt certificates	(10,387)	(9,859)
Dividends paid on ordinary shares	(320)	(130)
Net cash flow from financing activities	**(1,526)**	**1,653**
Cash and cash equivalents as at 1 January	3,141	687
Change in cash and cash equivalents	(1,449)	2,454
Cash and cash equivalents as at 31 December	**1,692**	**3,141**
Additional disclosure with regard to cash flows from operating activities		
Interest income received	3,865	3,314
Dividends received	2	--
Interest paid	2,882	2,417

Accounting principles for the consolidated financial statements

Adoption financial statements

The consolidated financial statements of SNS Bank N.V. (SNS Bank) for the year ended on 31 December 2008 were authorised for publication by the Management Board following their approval by the Supervisory Board on 12 March 2009.

1 General information

SNS Bank N.V., incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SNS Bank N.V. is a wholly owned subsidiary of SNS REAAL N.V. and a group entity of SNS REAAL. SNS Bank's registered office is located at Croeselaan 1, 3521 BJ Utrecht. The consolidated financial statements of the SNS Bank N.V. (referred to as the 'Group' or 'SNS Bank') comprise the accounts of all the companies controlled by SNS Bank and the interest of SNS Bank in associated subsidiaries and entities.

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

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

2 Basis of preparation

2.1 Statement of IFRS compliance

SNS Bank prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU).

Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, SNS Bank prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements.

2.1.1 *Changes in published Standards and Interpretations effective in 2008*

As of the financial year 2007, SNS Bank applies IFRS standard 8 Operating Segments early.
IFRS 8 requires that information by segment is recognised in the same way as in the internal management reporting. The application of this standard only impacts the notes, but not the recognition, presentation or accounting principles.

On 13 October 2008, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. The amendment to the standard permits an entity to reclassify non-derivative financial assets (other than those designated by the entity upon initial recognition at fair value through profit or loss) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to reclassify a financial asset that would have met the definition of loans and receivables at initial recognition out of the available for sale category into the loans and receivables category, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendment is retroactive to 1 July 2008. The effect on the consolidated financial statements of SNS Bank is disclosed in paragraph Changes in presentation.

IFRIC 11 Group and Treasury Share Transactions has been published and is effective as of the accounting periods starting on or after 1 March 2007. This standard has no material effect on the consolidated financial statements of SNS Bank.

IFRIC 12 Service Concession Arrangements and IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction have been published and are effective as of the accounting periods starting on or after 1 January 2008, IFRC 12, unlike IFRC 14, has not been adopted yet by the European Union (EU).These standards have no material effect on the consolidated financial statements of SNS Bank.

2.1.2 *Interpretations of existing standards or changes in standards, not yet effective in 2008*

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 (early adoption is permitted), and yet has to be adopted by the EU. The amendment affects transactions as of the effective date and not the current consolidated financial statements of SNS Bank.

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'. It also determines that all cancellations, whether by the entity or by the other party or both, should receive the same accounting treatment. This amendment will be effective as of the financial year 2009 (early adoption is permitted) and is adopted by the EU. SNS Bank is investigating the effects of the amendments.

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. This amendment will be effective as of the financial year 2009 (early adoption is permitted), and is adopted by the EU. The amendment will have no material effect on the consolidated financial statements of SNS Bank.

On 22 May 2008, the IASB published 'Improvements to IFRSs', a collection of minor changes to a number of IFRS standards. These amendments have different effective dates and have no material effect on SNS Bank. 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. This amendment will be effective as of the financial year 2009 (early adoption is permitted), and yet has to be adopted by the EU. The amendment will have no material effect on the consolidated financial statements of SNS Bank.

The amendment to IAS 1 Presentation of Financial Statements published in September 2007 is effective for accounting periods beginning on or after 1 January 2009, with early adoption permitted. The standard separates owner and non-owner changes in shareholders' equity. The statement of changes in shareholders' equity will only include details of transactions with owners. All non-owner changes in shareholders' equity are presented on a single line. In addition, the standard introduces the statement of comprehensive income. It contains all income and expenses recognised in the income statement, and is presented together with all other income and expenses directly recognised in shareholders' equity. This amendment is adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

IAS 23 Borrowing Costs, issued in March 2007, supersedes IAS 23 Borrowing Costs (revised in 2003). IAS 23 is effective for accounting periods beginning on or after 1 January 2009, with early adoption permitted. The main change compared to the previous version is the cancellation of the option to directly recognise as expenses borrowing costs relating to assets with a considerable lead time prior to their sale. This amendment is adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

The amendment to IAS 39 Financial Instruments: Recognition and Measurement published on 31 July 2008 is effective for accounting periods beginning on or after 1 July 2009, with early adoption permitted. 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. This amendment yet has to be adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

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. This amendment is adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

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. This amendment yet has to be adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

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. This amendment yet has to be adopted by the EU, and will have no material effect on the consolidated financial statements of SNS Bank.

Except for IFRS 8, all other amendments in published standards and interpretations effective as of 2009 are not adopted early by SNS Bank.

2.2 Accounting principles used in the preparation of the financial statements

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements, except in the key figures for 2004. The 2004 key figures have been restated for IFRS, excluding IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instruments: Recognition and Measurement), accepted by IFRS 1.

SNS Bank has 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 and for derivatives. All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities that are measured at amortised cost that are part of a fair value hedge is restated to reflect the change in fair value that is attributable to the hedged risk. Non-financial assets and liabilities are generally measured at historical cost. Except for the cash flow information, the financial statements have been prepared on an accrual basis.

2.3 Changes in principles, estimates and presentation

2.3.1 *Changes in presentation*

As a result of the distressed financial markets SNS Bank changed its intention to actually hold a part of the investments for trading purposes. During October 2008 SNS Bank decided to reclassify the investments held for trading purposes at fair value through profit or loss into available-for-sale category for an amount of € 590 million. In accordance with the IAS 39 amendment, the reclassification was effected as from 1 July 2008.
As from the date of reclassification the negative fair value change of these investments amounts to € 23 million and is charged to the fair value reserve. If the reclassification had not occurred, this fair value change was recognised in the income statement. Some of the comparative figures have been restated for comparison purposes.

2.4 Principles of consolidation

2.4.1 *Subsidiaries*

Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which SNS Bank has the power to determine the financial and operating policies, whether directly or indirectly, are consolidated. This is the case if more than half of the voting rights may be exercised, or if SNS Bank has control in any other manner.

Subsidiaries are fully consolidated from the date on which control is transferred to SNS Bank. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated, with uniform accounting principles being applied. The interests of third parties are separately included in the consolidated balance sheet and income statement.

2.4.2 *Joint ventures*

Joint ventures are entities over which SNS Bank has joint control, this control is laid down in an agreement, and strategic decisions on the financial and operational policy are taken unanimously. These entities are accounted for in the financial statements in accordance with the same method as used for the investments in associates (see 3.7), from the date that SNS Bank first obtained joint control to the moment that control ceases.

2.4.3 *Associates*

Investments in associates are those entities in which SNS Bank has significant influence on the operational and financial policy, but no control. This is generally the case when SNS Bank has between 20% and 50% of the voting rights.

The consolidated financial statements include SNS Bank's share in the total results of associated companies, from the date that SNS Bank acquires significant influence to the date that significant influence ceases. The result is accounted using the equity method, after adjusting the result to comply with SNS Bank's accounting principles.

A number of investments in associated companies and joint ventures hold commercial property projects, as well as housing projects under construction or under development. Property under development for third parties is valued at the sum of direct costs incurred up to the balance sheet date, including the interest incurred during the construction phase and less any impairments. Profits are recognised on completion date (completed contract method).

Property under development for third parties, whereby a specific contract has been concluded with a third party, is valued according to the percentage of completion method.

Expected losses are recorded directly in the income statement.

Commercial and residential property held for sale is measured at cost price or lower fair value. The fair value is the estimated sales price under normal conditions, less any relevant variable sales costs. If the fair value is lower than the book value, an impairment is recognised in the income statement.

2.4.4 *Securitisations*

SNS Bank has securitised mortgage receivables in special purpose entities (SPEs). With these transactions, the economic ownership of the mortgage receivables is transferred to separate entities. SNS Bank does not have direct or indirect interests in these entities.

SNS Bank fully consolidates these SPEs in its financial statements if, on the basis of the economic reality of the relationship between SNS Bank and the SPE, SNS Bank controls the SPE, or if SNS Bank retains the majority of the risks and rewards.

2.4.5 *Elimination of group transactions*

Intra-group transactions, intra-group balances and unrealised gains arising from intra-group transactions were eliminated in the preparation of the consolidated financial statements of SNS Bank.

Unrealised gains on transactions between SNS Bank and its associated companies and joint ventures are eliminated to the extent of SNS Bank's interest in these investments.

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

2.5 The use of estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires SNS Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. It mainly concerns the methods for determining the provisions for insurance contracts and capitalised acquisition costs, determining the provisions for bad debts, 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 with respect to current events and actions 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 further details about these accounting principles, please refer to the corresponding notes to the consolidated financial statements and to the information below.

2.6 Accounting based on transaction date and settlement date

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised on the transaction date, in other words, the date on which SNS Bank commits itself to buy or sell the asset or liability. All other purchases or sales are recorded as forward transactions (derivatives) until they are settled.

2.7 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.

2.8 Conversion of foreign currencies

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

Upon initial recognition, transactions in foreign currencies are converted into euros at the exchange rate at the transaction date. Balance sheet items denominated in foreign currencies are translated into euros at the exchange rate applicable on the reporting date. Exchange rate differences from these transactions and from converting monetary balance sheet items into foreign currency are recorded in the income statement under 'Investment income' or 'Result on financial instruments', depending on the balance sheet item to which they relate.

The exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to the income statement, are accounted for as part of these changes in the value of the asset in question. Exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to shareholders' equity, are incorporated in shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

2.9 Information by segment

A segment is a clearly distinguishable component of SNS Bank that provides services with a risk or return profile (business segment) that differs from other segments, or that delivers the services to a particular economic market (market segment) that is subject to a risk and return profile that differs from other segments.

The activities of SNS Bank are organised in two primary business units. The Management Board 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 Executive Board. The business segments are:
- Retail Banking
- Property Finance

More information on the different segments can be found in the section 'Segmented financial statements' starting on page 66.

3 Specific balance sheet principles

3.1 Cash and cash equivalents

Cash and cash equivalents include the demand deposits with the Dutch Central Bank and at other banks. Demand deposits that SNS Bank has with other banks are included under loans and advances to banks.

3.2 Loans and advances to banks

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

3.3 Loans and advances to customers

3.3.1 *Mortgages and mortgage-backed property finance*

These are defined as loans and advances to customers with mortgage collateral. These loans and advances are measured at amortised cost using the effective interest method. Loans and advances adjusted after renegotiations or otherwise adjusted 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 and advances are concerned, a provision for impairment is made if there are objective indications that SNS Bank will not be able to collect all the amounts in accordance with the original contract. For loans and advances that are individually significant, the provision made equals the difference between the book value of the total position and the recoverable amount. The recoverable amount equals the present value of the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances.

Smaller homogenous loans and advances (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 historic loss data of SNS Bank, 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 relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the income statement.

3.3.1.1 Credit guarantees

SNS Bank has concluded a credit guarantee for the credit risk of part of the mortgage portfolio. As a result, impairment losses of the mortgage portfolio in question can be recovered from the guarantor. Impairment of mortgages is included under 'Impairment charges/(reversals)'. The amount receivable under the guarantee is also recognised on this line in the income statement.

3.3.2 *Non-mortgage backed property finance and other loans and advances*

This comprises loans and advances to business and retail customers without mortgage collateral. Loans and advances are measured at amortised cost on the basis of the effective interest method. Loans and advances adjusted after renegotiations or otherwise adjusted due to financial restructuring of the borrower are measured on the basis of the original effective interest rate before the terms and conditions were revised.

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

The criteria for impairment are applied to the entire loan portfolio, except to smaller, homogenous loans, such as consumer credit, which are assessed collectively for impairment. Smaller business loans managed in a portfolio are also assessed collectively for impairment.

For loans and advances that are individually significant, the provision made equals the difference between the book value of the total position and the recoverable amount. The recoverable amount equals the present value of the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances.
The provision with respect to the collective approach is calculated using a range of model-based instruments, including risk-rating models for homogenous pools of consumer and SME loans. The loss factors developed using these models are based on historic loss data of SNS Bank, and are adjusted according to clear current information that, in the opinion of the management, can affect the recoverability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred on the loan portfolio (IBNR: incurred but not reported). These are estimated on the basis of historic loss patterns in every division and the creditworthiness of the borrowers, and are a reflection of the current economic climate in which the borrowers operate.

If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the income statement.

When a loan is uncollectible, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision in the income statement.

3.3.2.1 Lease

SNS Bank as lessee
The lease agreements that SNS Bank enters into are operational leases. The total amounts paid under the lease agreements are accounted for according to the straight-line method over the term of the agreement.

SNS Bank as lessor
SNS Bank has entered into a number of financial lease agreements. These are agreements for which SNS Bank has transferred almost all of the risks and benefits of the property to the lessee. The balance sheet value of the lease receivable is equal to the present value of the lease instalments, calculated on the basis of the implicit interest rate and, if applicable, any guaranteed residual value.

3.4 Derivatives

Derivative financial instruments, such as currency contracts, interest rate futures, forward contracts, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments are measured at fair value upon entering into the contract.

The fair value of publicly traded derivatives is based on listed bid prices for assets held or liabilities to be issued, and listed offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a discounted cash flow model or an option valuation model. SNS Bank recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Adjustments in the fair value of derivatives held for trading are accounted for in the income statement under 'Result on financial instruments'.

3.4.1 *Embedded derivatives*

An embedded derivative is treated as a separate derivative if there is no close relation between the economic characteristics and risks of the derivative and the host contract, if the host contract is not measured at fair value through profit or loss and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value, while changes in value are recognised in the income statement.

3.4.2 *Hedge accounting*

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

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

Hedge accounting in accordance with IAS 39 is applied for derivatives that are thus designated and that satisfy the conditions set by SNS Bank. SNS Bank sets the following conditions for the application of hedge accounting:

- Formal documentation of the hedging instrument, the hedged position, the risk management objective, strategy and relationship of the hedge is completed before hedge accounting is applied;
- The documentation shows that the hedge is expected to be effective in offsetting the risk in the hedged position for the entire hedging period;
- The hedge continues to be effective during the term.

A hedge is considered to be effective if SNS Bank, at the inception of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position will be almost fully offset by adjustments in the fair value or cash flows of the hedging instrument, insofar as they are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

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

3.4.2.1 Fair value hedge accounting

Derivatives designated as a hedge of the fair value of recognised assets or of a definite obligation are stated as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedge are recognised immediately in the income statement and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

If the hedge no longer meets the conditions for hedge accounting, an adjustment in the book value of a hedged financial instrument is amortised and taken to the income statement during the expected residual term of the hedged instrument.

If the hedged instrument is no longer recognised, in other words, if it is sold or redeemed, the non-amortised fair value adjustment is taken directly to the income statement.

3.4.2.2 Cash flow hedge accounting

Derivatives can be designated as a hedge of the risk of future variability of the cash flows of a recognised asset or liability or highly likely expected transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as a cash flow hedge and that meet the conditions for cash flow hedge accounting are stated in the cash flow hedging 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 hedging 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 hedging 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, the accumulated gain or loss that was included in the cash flow hedging reserve, remains in the cash flow hedging reserve until the expected transaction actually takes place. If the hedging instrument no longer satisfies the conditions for hedge accounting, the accumulated gain or loss that was included in shareholders' equity remains in shareholders' equity until the expected transaction takes place.

If the transaction in question is no longer expected to take place, the accumulated result reported in shareholders' equity is immediately transferred to the income statement.

3.5 Investments

3.5.1 *Classification*

SNS Bank classifies its investments in one of the following categories: (1) loans and receivables, (2) available for sale and (3) at fair value through profit or loss. The category depends on the purpose for which the investments were acquired. The management decides in which category they will be placed.

Upon recognition, investments are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', where transaction costs are taken directly to the income statement. The fair value of investments is based on listed bid prices or derived from cash flow models.

3.5.2 *Loans and receivables*

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

3.5.3 *Available for sale*

Investments that do not meet the criteria defined by management for 'fair value through profit or loss', are classified as available for sale.

After recognition, investments available for sale are restated at fair value in the balance sheet. Unrealised gains and losses resulting from the fair value adjustments of investments available for sale are recognised in shareholders' equity, taking account of deferred taxes. Investments in the form of shares of which the fair value cannot be estimated reliably are measured at cost less impairment.

When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as 'Investment income'.

SNS Bank uses the average cost method to determine the results.

3.5.4 *Fair value through profit or loss*

An 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 from the valuation of assets or liabilities or from the recognition of the profits and losses on those instruments based on various principles; or
2. SNS Bank manages and assesses the investments on the basis of fair value.

Upon initial recognition, the attributable transaction costs are recognised as a loss in the income statement at the time they are incurred. 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' at SNS Bank. Dividend received is recorded under 'Investment income'.

3.5.5 *Impairment charges / (reversals)*

At each balance sheet date, SNS Bank assesses whether there are objective indications of impairment of investments classified as available for sale and loans and receivables. Impairment losses are recognised directly in the income statement under 'impairment charges / (reversals)'. With investments available for sale, any revaluation of shareholders' equity is first deducted.

An equity investment is considered to be impaired if the book value exceeds the recoverable amount in the long term, in other words, a decline in the fair value of:

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

The recoverable amount of the investments in the form of unlisted shares is determined using well-established valuation methods. The standard method used is based on the relationship in the market between the profit and the value of comparable companies. The recoverable amount of listed investments is determined on the basis of the market price of the shares.

Investments in debt securities are tested for impairment if there are objective indications of financial problems with the counterparty, dwindling markets or other indications.

If, during a subsequent period, the amount of the impairment of an investment classified as available for sale 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 following impairment is treated as a revaluation.

3.6 Investment properties

Investment properties, comprising retail and office properties and land, are held to generate long-term rental income. If property is held partly as investment property and partly for own use, the property is included under tangible fixed assets, unless the part in own use is less than 20% of the total number of square metres.

Investment properties are measured at fair value, including transaction costs, upon initial recognition. Property investments are treated as long-term investments and measured at fair value, being the value of the property in a let state. The fair value is based on the appraisals performed at least every three years by independent external appraisers with sufficient expertise and experience in property locations and categories. These appraisal are based on recent market transactions. In the time between the three-yearly external appraisal, SNS Bank uses alternative valuation methods based on the total net annual rental income of that property and, where applicable, the associated costs.
Changes in the fair value of investment property are recognised in the income statement under 'Investment income'.

3.7 Investments in associates

Investments in associates are entities in which SNS Bank generally owns between 20% and 50% of the voting power, or of which SNS Bank does not have control, but can exercise significant influence.

Upon recognition, participations in associated companies are initially accounted for at the cost price and subsequently according to the equity method. The item also includes goodwill paid upon acquisition less accumulated impairment losses, where applicable.

Under the equity method, the share of SNS Bank in the result of the associated companies is recognised in the income statement under 'Share in the result of associates'. The share of SNS Bank in changes in the reserves of associates, after the acquisition, is recognised directly in shareholders' equity. The value of the associates is adjusted for these results and changes in reserves.

If the book value of the associated company falls to zero, no further losses are accounted for, unless SNS Bank has entered into commitments or made payments on its behalf.

Where necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by SNS Bank.

3.8 Property and equipment

3.8.1 *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 every three years based on a rotation schedule, as a result one third of the portfolio is appraised annually.

The fair value of property for own use is determined based on the market value of the vacant property. In determining the market values, use is made of observable prices of recent transactions.
Increases in the fair value exceeding the cost price as a result of the appraisals 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 property.

Repairs and maintenance expenses are recognised under 'Other operating expenses' when the expense is incurred. Expenses after the property has been recognised in the accounts are capitalised if it is probable that the future advantages will accrue to SNS Bank and the costs can be determined in a reliable manner.

Upon the sale of a property, the part of the revaluation reserve related to the sold property is transferred to 'Other reserves'.

3.8.2 *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.

The cost of the other tangible fixed assets 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'.

3.9 Intangible fixed assets

3.9.1 *Goodwill*

Acquisitions by SNS Bank are accounted for according to the purchase method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and SNS Bank's interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible fixed asset. Any negative goodwill is recognised immediately in the income statement.

If the provisionally determined fair value of acquired assets or liabilities is adjusted within a year of the acquisition date, the adjustment is recognised as an adjustment charged to goodwill. Any subsequent adjustments that occur after a period of one year are recognised in the income statement. Adjustments to the purchase price that are contingent on future events, insofar as not already included in the purchase price, are included in the purchase price of the acquisition at the time when the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if there are indications of impairment. For this impairment test, goodwill is attributed to cash-generating units. The book value of the cash-generating unit (including goodwill) is compared to the calculated recoverable amount. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell, and its value in use. The recoverable amount of a cash-generating unit is determined by the calculation of the present value of the expected future cash flows of the cash-generating unit. 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 line item 'Value adjustments' in the income statement.

3.9.2 *Software*

Costs that are directly related to the development of identifiable software products that SNS Bank controls, and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible fixed assets. The direct costs comprise external costs and staff costs directly attributable to software development. All the other costs associated with the development or maintenance of computer software are included as an expense in the period during which they are incurred.

The capitalised development costs for computer software are amortised on a straight-line basis over the useful life, with a maximum of three years. An impairment test is carried out at every reporting date for possible value adjustments.

3.9.3 *Other intangible fixed assets*

The other intangible fixed assets include intangible 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.

3.10 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 are realised or the deferred 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 SNS Bank and participating interests, unless SNS Bank can determine the time at which these temporary differences are realised or settled and if it is likely that these differences will not be realised or settled in the near future.

Deferred tax assets are assessed at balance sheet date and if it is no longer likely that the related tax asset can be realised, the asset is reduced to the recoverable amount.

The most significant temporary differences arise from the revaluation of tangible fixed assets, certain financial assets and liabilities, including derivatives contracts and the application of hedge accounting, provisions for pensions and other post-retirement employee plans, technical provisions, deductible losses carried forward; and, as far as acquisitions are concerned, from the difference between (a) the fair value balance of the acquired assets and obligations entered into and (b) the book value.

Tax due on profits is recognised in the period during which the profits were generated, based on the applicable local tax laws. 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.

3.11 Corporate income tax

Corporate income tax is tax levied on taxable profits. Current tax receivables are measured at nominal value according to the tax rate applicable at the reporting date. Dividend withholding tax recovered through the corporate income tax return is also included in this item.

3.12 Other assets

Other assets consist of receivables from property under development, 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.
Property under development included in other assets consists of property under development for third parties. No specific contract has been concluded with a third party related to the property under development. The property under development for third parties is valued at the sum of direct costs incurred up to the balance sheet date, including the interest incurred during the construction phase and development and guidance costs of SNS Bank, less any impairments. Profits are recognised on completion date (completed contract method).

3.13 Savings

This item consists of balances on savings accounts, savings deposits and term deposits of retail customers. 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, in the income statement during the term of the savings.

3.14 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 banks.

3.15 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 customers.

3.16 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. The conditions for applying hedge accounting for derivatives to hedge outstanding debt certificates are described in 3.4.

A specific category of outstanding debt certificates are initially included at fair value whereby subsequent value adjustments are accounted for in the income statement so that an inconsistency in the valuation is eliminated that would otherwise arise from the valuation of assets and liabilities.

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

3.17 Derivatives

See 3.4 of these notes.

3.18 Deferred tax liabilities

Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. See 3.10 for detailed information.

3.19 Corporate income tax

Corporate income tax relates to tax on the taxable profit for the period under review, and taxes due from previous periods, if any. Dividend withholding tax recovered through the corporation tax return is also included in this item.

3.20 Other liabilities

Other liabilities primarily consist of interest accrued on financial instruments that are stated at amortised cost. This item also includes creditors, other taxes and accrued liabilities, which item also includes amounts due by SNS Bank to customers and the clearing house in respect of option positions.

3.23 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.

3.23.1 *Restructuring provision*

The restructuring provision consists of anticipated severance payments and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or actual obligation to make the payment arises. No provision is formed for costs or future operating losses stemming from continuing operations.

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

- Termination of the employment contract of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- Payment of termination benefits as a result of an offer to encourage voluntary redundancy.

Benefits that are due after more than twelve months after the balance sheet date are discounted.

3.23.2 *Other provisions*

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

3.24 Participation certificates and subordinated debt

3.24.1 *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 and part of the subordinated debts 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.

3.24.2 *Subordinated debt*

The subordinated (bond) loans are included under the subordinated loans. The Dutch Central Bank takes these loans into consideration 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.

3.25 Total equity

3.25.1 *Issued share capital*

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

3.25.2 *Share premium reserve*

The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary and B shares.

3.25.3 *Ordinary share dividend*

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

3.25.4 *Revaluation reserve*

Revaluations of property in own use (see 3.8.1) are included in the revaluation reserve.

3.25.5 *Cash flow hedging reserve*

The cash flow hedging reserve consists of the effective part of cumulative changes to the fair value of the derivatives used in the context of cash flow hedges, net of taxes, providing the hedged transaction has not yet taken place (see 3.4.2).

3.25.6 *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, less deferred taxes. If the particular asset is sold or redeemed, in other words, the asset is no longer recognised, the corresponding cumulative result will be transferred from the fair value reserve to the income statement (see 3.5.3.).
In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are stated in this reserve.

3.25.7 *Other reserves*

Other reserves mainly comprise SNS Bank’s retained profits.

3.25.8 *Securities capital*

The securities capital comprises the securities capital issued and paid up at SNS REAAL. Costs directly attributable to the issue of the securities capital are deducted net of tax from the share issue income of the securities.

3.25.9 *Securities capital share premium reserve*
The securities capital share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued securities.

3.25.10 *Securities dividend*
Securities 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'.

4 Specific income statement accounting principles

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

4.1.1 *Interest income*
The interest income comprises interest on monetary financial assets of SNS Bank attributable to the period. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price.

The effective interest method is based on the estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and the direct costs and income, such as the transaction costs charged, brokerage fees and discounts or premiums. If the risk of early redemption cannot be reliably determined, SNS Bank calculates the cash flows over the full term of the financial instruments.

Commitment fees, together with related direct costs, are deferred and recognised as an adjustment of the effective interest on a loan if it is likely that SNS Bank will conclude a particular loan agreement. If the commitment expires without SNS Bank extending the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment term.

Interest income on monetary financial assets that have been subject to impairment and written down to the estimated recoverable amount or fair value is subsequently recognised on the basis of the interest rate used to determine the recoverable amount by discounting the future cash flows.

4.1.2 *Interest expenses*
Interest expenses comprise the interest expenses arising from financial liabilities of the banking operations. Financial liabilities not classified at fair value through profit or loss are recognised using the effective interest method. Financial liabilities that are classified at fair value through profit or loss are accounted for based on the nominal interest rates.

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

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

4.1.5 *Share in the result of associates*
The share in the result of associates concerns the share of SNS Bank in the results of the participations. If the book value of the associated company falls to zero, no further losses are accounted for, unless SNS Bank has entered into commitments or made payments on its behalf.

Where necessary, the accounting principles applied by the associated company have been adjusted to ensure consistency with the accounting principles applied by SNS Bank.

4.1.6 *Investment income*
The investment income consists of Dividend, Rental income and Revaluations.

4.1.6.1 Dividend
Dividend income is recognised in the income statement as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which the dividend is paid out.

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

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

4.1.7 *Results on financial instruments*
The result on derivatives and other financial instruments is recognised under this item. Derivatives are measured at fair value. Gains and losses from readjustments 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.

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

4.2 Expenses
4.2.1 *Impairment charges / (reversals)*
This item include downward revaluations of assets for which the book value exceeds the recoverable value. Intangible fixed assets, tangible fixed assets, associated companies, investments, 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.

4.2.3 *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.

4.2.4 *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.

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

5 Contingent liabilities and commitments
Contingent liabilities are liabilities not recognised in the balance sheet because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of SNS Bank. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees given by SNS Bank 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 profit before taxation is adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in (consolidated) subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at acquisition date in these interests are deducted from the purchase price.

In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

Information by segment

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

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

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

SNS Bank has drawn up the information by segment under application of IFRS 8 Segmented information. SNS Bank has availed itself of the possibility to adopt this standard earlier than the 1 January 2009 effective date.

1 SNS Bank

1.1 Retail Banking

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

1.2 Property Finance

This business segment carries out banking activities in the field of investment and property finance.

Allocation of costs of SNS REAAL

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

Balance sheet by segment

In € millions	Retail banking		Property Finance		Eliminations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Assets								
Cash and cash equivalents	1,686	3,134	6	7	--	--	1,692	3,141
Loans and advances to banks	16,349	11,883	670	14	(14,236)	(10,805)	2,783	1,092
Loans and advances to customers	52,211	48,661	13,583	11,575	--	--	65,794	60,236
Derivatives	1,113	1,041	--	--	--	--	1,113	1,041
Investments	3,942	4,056	--	--	--	--	3,942	4,056
Investment properties	1	--	9	6	--	--	10	6
Investments in associates	--	--	47	53	--	--	47	53
Property and equipment	118	138	1	1	--	--	119	139
Intangible assets	288	281	3	4	--	--	291	285
Deferred tax assets	211	128	16	--	--	--	227	128
Corporate income tax	106	100	--	--	--	--	106	100
Other assets	468	254	192	53	(89)	--	571	307
Total assets	**76,493**	**69,676**	**14,527**	**11,713**	**(14,325)**	**(10,805)**	**76,695**	**70,584**
Equity and liabilities								
Savings	21,859	19,179	--	--	--	--	21,859	19,179
Other amounts due to customers	10,841	8,001	--	--	(657)	(155)	10,184	7,846
Amounts due to banks	6,491	4,825	13,579	10,805	(13,579)	(10,564)	6,491	5,066
Debt certificates	30,282	32,182	--	--	--	--	30,282	32,182
Derivatives	2,144	938	--	--	--	--	2,144	938
Deferred tax liabilities	269	141	16	10	--	--	285	151
Other liabilities	1,270	1,264	146	138	(89)	(86)	1,327	1,316
Other provisions	30	15	--	2	--	--	30	17
Participation certificates and subordinated debt	1,689	1,678	--	--	--	--	1,689	1,678
Equity attributable to shareholders	1,348	1,451	786	758	--	--	2,134	2,209
Equity attributable to securityholders	260	--	--	--	--	--	260	--
Minority interests	10	2	--	--	--	--	10	2
Total equity	1,618	1,453	786	758	--	--	2,404	2,211
Total equity and liabilities	**76,493**	**69,676**	**14,527**	**11,713**	**(14,325)**	**(10,805)**	**76,695**	**70,584**

Income statement by segment

In € millions	Retail banking		Property Finance		Eliminations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Income								
Interest income	3,682	3,174	782	578	(581)	(393)	3,883	3,359
Interest expense	3,125	2,578	566	391	(581)	(393)	3,110	2,576
Net interest income	557	596	216	187	--	--	773	783
Fee and commission income	148	162	4	1	--	--	152	163
Fee and commission expense	36	34	--	--	--	--	36	34
Net fee and commission income	112	128	4	1	--	--	116	129
Share in result of associates	--	(1)	(4)	(2)	--	--	(4)	(3)
Investment income	82	13	2	1	--	--	84	14
Result on financial instruments	(15)	12	--	1	--	--	(15)	13
Other operating income	2	3	--	(1)	--	--	2	2
Total income	**738**	**751**	**218**	**187**	**--**	**--**	**956**	**938**
Expenses								
Impairment charges/ (reversals)	57	20	116	15	--	--	173	35
Staff costs	335	296	45	36	--	--	380	332
Depreciation and amortisation of fixed assets	31	29	1	2	--	--	32	31
Other operating expenses	169	180	19	23	--	--	188	203
Total expenses	**592**	**525**	**181**	**76**	**--**	**--**	**773**	**601**
Result before tax	**146**	**226**	**37**	**111**	**--**	**--**	**183**	**337**
Taxation	27	39	9	25	--	--	36	64
Minority interests	3	1	--	--	--	--	3	1
Net result attributable to shareholders and securityholders	**116**	**186**	**28**	**86**	**--**	**--**	**144**	**272**

Risk management

1 Key points risk profile SNS Bank

1.1 Maintaining a moderate risk profile

SNS Bank proved not immune to market disruptions, in spite of its profile. In these times of highly volatile financial markets, SNS Bank emphasises that it attaches great importance to maintaining a moderate risk profile. This means that the balance sheet risks will be further limited and higher capital levels will be maintained.
SNS Bank's commercial activities, such as offering accessible banking products, involve low risks, while the exposure to high-risk activities, such as proprietary trading, complex products or foreign currencies, is limited. The mainly Dutch clients are well-diversified within the retail and SME market segments.
SNS Bank's investment portfolios have very little exposure to what are known as 'toxic investments'. SNS Bank holds no American subprime mortgages. Various hedging strategies are in place to mitigate the impact of the negative market developments on the investments.

The loan portfolio of SNS Bank's retail activities amounted to € 52.2 billion at year-end 2008, 90% of which comprised Dutch residential mortgages. The second half of 2008 saw a slight decrease in this portfolio's credit quality and the average house prices. Nevertheless, the average house prices in the Netherlands remained fairly stable. The impairments on residential mortgages amounted to 20 basis points (11 basis points in 2007) of the risk-weighted assets.

SNS Property Finance's loan portfolio amounted to € 13.6 billion at year-end 2008, 72% of which originated in the Netherlands. At year-end 2008, the contamination rate exceeded the historical long-term average, reflecting the difficult circumstances in the US and Spain in particular. In 2008, the impairments amounted to € 116 million, primarily in connection with international project financing and corresponding with 90 basis points (13 basis points in 2007) of the risk-weighted assets.

1.2 Risk management in pessimistic, volatile markets

The main developments in 2008 were as follows:

Capital and solvency

- Issue of € 500 million worth of securities capital to Stichting Beheer and € 750 million worth of securities capital to the Dutch State to reinforce solvency levels. SNS REAAL used the proceeds of these transactions to increase SNS Bank's core capital by € 260 million. Split in an amount of €104 million from Stichting Beheer SNS REAAL, and € 156 million from the Dutch State.
- SNS Bank: Core capital ratio of 8.1% and Tier 1 ratio of 10.5% as per 1 January 2009.

Liquidity

- A liquidity buffer was created in the first half of 2008 due to a sharp increase of savings.
- The position in the savings market was positively affected by the increased number of clients and a high retention rate.
- Total liquidity of € 10.7 billion at year-end 2008.
- Successful note issue of € 2 billion and € 1.6 billion under the Credit Guarantee Scheme of the Dutch State in the beginning of 2009.
- In addition in February 2009 a back-up facility of € 1 billion was closed with a renowned counterparty.
- Wholesale financing secured until 2010.

Credit risk

- The retail business' loan portfolio remained healthy. Limited increase in loss indicators for retail mortgages.
- Impairments increased at SNS Property Finance, particularly due to the international property markets.

1.3 Risk management organisation

SNS REAAL has defined a number of risk principles for its risk management process in order to ensure a consistent approach to risk management. These principles ensure an integral risk management, geared to maintaining a moderate risk profile.
The risk principles are:

- One group-wide risk type classification.
- A preset risk tolerance per risk type.
- Scenario analyses for stress situations and contintency planning with regard to the key risks.
- Testing and validating models that are used for risk management.
- Risk owners have been appointed for all defined risks.
- Monitoring and assessment of risks independently of commercial activities.

The responsibilities within the risk management structure have been clearly defined, whereby the ultimate responsibility for risk management lies with the Executive Board of SNS REAAL. SNS REAAL's Chief Financial Officer is also the Chief Risk Officer.
Risk owners have been appointed within the Executive Board and the Management Board of SNS Bank and SNS Property Finance. These risk owners are responsible for the formulation and execution of the risk policy for the appointed areas of attention.

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

1.4 Risk committees

The following committees operate within the risk management structure:
- Audit Committee.
  This committee is comprised of members of the Supervisory Board and also supervises the quality and the activities associated with risk management.
- SNS REAAL Risk Policy Committee (CRG).
  This committee determines the strategic risk policy, structures the group-wide risk management organisation, translates the risk appetite of SNS REAAL into standards and limits, and determines the mandates of the other risk committees.
- Risk policy committees.
  The SNS Bank Risk Policy Committee (CRB) and the SNS Property Finance Risk Policy Committee (CR PF) manage the risks on an operational level.
- Integrity and Compliance Committee.
  This committee supervises the creation and safeguarding of the integrity levels desired by the Executive Board.
- SNS REAAL Asset & Liability Committee (ALCO Group).
  As a result of the turmoil on the financial markets, the ALCO Group has been given a more central role within its area of attention: the management of market risks, liquidity and solvency. In the last quarter, the ALM departments monitored all relevant positions on a daily basis and adjusted them where necessary. The board of the banking activities was closely involved in this process. For the time being, the frequency of the ALCO Group meetings has been increased to once every week. Due to the more central role of the ALCO Group, the tasks of the ALCO Bank have been integrated into the ALCO Group.
- Credit committees.
  Separate credit committees at SNS Bank and SNS Property Finance take credit decisions and advise on credit limits, counterparty limits and the approval of large credit facilities.
- Price risk committees.
  The SNS Bank Price Risk Committee provide advice on client rates and manage the volume, risk and return of product portfolios.

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 activities. With regard to the risks, they are responsible for modelling, measuring, monitoring, reporting and advising. They are not responsible for formulating definitions and determining the policy. SNS REAAL has the following risk management departments:

Group Risk Management (GRM)

GRM supports the Executive Board and the management boards in:
- Identifying changed as well as changing market conditions and regulations that are relevant to the strategy and policy.
- Determining the desired risk profile of the SNS REAAL entities.
- Translating the desired risk profile into internal standards and risk limits.
- Choosing products and services that correspond with the desired risk profile.
- Determining the value 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 banking activities.
- Structuring and implementing the capitalisation and funding policies.
- Portfolio management and modelling credit risk.
- Setting frameworks for drawing up models and techniques and safeguarding their quality.
- Central and the independent implementation of model validation.

Compliance & Operational Risk Management (C&O)

C&O advises the Executive Board and the management boards of the business units on the management of non-financial risks. These are the risks that are related to the conduct of persons and the structure of the business processes. The main duties of the department are drawing up policies, providing recommendations for ethical and controlled business conduct, and coordinating and promoting operational risk and integrity risk management. The SNS REAAL policy is detailed further by specialist staff departments, which support the line management in the execution of that policy. The key business units each have their own compliance officer. These local compliance officers functionally report to the C&O director.

Legal Affairs (LA)

Legal Affairs prepares policy and supports activities for risk management. The main responsibilities of this department are:

- Identifying and advising on present and future legislation and regulations.
- Advising on aspects of integrity and the duty of care.
- Preparing and implementing policy with respect to the exercise of integrity and the duty of care.

Credit Risk Management (CRM)

Within SNS 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 SNS Bank and SNS Property Finance. 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 that issues (binding) recommendations for credit facilities that do not satisfy the standard acceptance criteria.
- Administration and management of credit facilities and collateral.
- Administration and settlement of loans in arrears or in default.
- Preparing reports on the operational management in the area of credit risk.

Internal Control

The Internal Control department of SNS Bank assess the effectiveness of the control measures in the procedures on behalf of line management. Their findings are 'weighed' against a pre-set standard, generating adequate management information in relation to the organisational and process goals.

Group Audit Department of SNS REAAL (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 for the Executive Board. These audits are based on a predetermined risk analysis. The audits focus on internal risk management and control systems, the related processing procedures and the (reliability of the) management information. In addition, various types of audits are performed at the request of the management boards, including certification activities for external parties.

2 Risk management Bank

2.1 Credit risk

Credit risk is the risk that a debtor defaults entirely or partly, or that its position deteriorates, resulting in negative consequences for SNS Bank's result or net financial position.

Credit risk profile SNS Bank

SNS Bank recognises various categories of credit risk. The main categories are loans and advances to customers, loans and advances to banks, and investments. More than 90% of the loans and advances to customers are backed by mortgage security.

Approximately three quarters of all loans and advances to clients concern private residential property financing. Private residential property financing is characterised by very low credit losses and inflation-proof collateral. The change in the tax regime in 2004, aimed at surplus residential property values, and the code of conduct of the Netherlands Bankers' Association affect loan agreements concluded since that time. This has meanwhile led to a noticeably lower risk profile of the entire portfolio. Risk acceptance was also professionalised further in 2008.

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.

Commercial mortgage loans increased in 2008. These property loans are concentrated at SNS Property Finance. The growth of the portfolio entails a relatively higher amount of loans related to the first phase of financing. These loans have a somewhat higher risk profile, which decreases as the projects progress. Not only did we realise growth, we were also able to realise a margin that is in line with the slightly higher risk profile. At the same time, the existing portfolio's credit quality decreased as a result of last year's unfavourable market conditions.

Diversification benefits are realised as SNS Bank's risks are spread across corporate and retail debtors. The credit quality of the portfolio develops more regularly than that of the various components of the portfolio.

The majority of the loans portfolio comprises loans secured by mortgages. The other loans, which are not secured by mortgages, are mainly amounts due by banks and investments (mainly, bonds). The investments in connection with the company's own liquidity management and held for trading have good ratings (see the table on page 73).

Overview of credit risk SNS Bank

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

In € millions	2008	2007
Investments	3,942	4,056
Derivatives	1,113	1,041
Mortgages and other loans and advances to customers	52,358	48,806
Property finance	13,681	11,637
Total loans and advances to customers	66,039	60,443
Loans and advances to banks	2,783	1,092
Other assets, no lending operations	1,447	1,018
Cash and cask equivalents	1,692	3,141
Total	**77,016**	**70,791**
Off-balance sheet commitments		
Liabilities from pledges and guarantees given	331	485
Liabilities from (ir)revocable facilities	3,614	2,187
Total	**80,961**	**73,463**

Credit management SNS Bank investments

The investments are held particularly for the company's own liquidity management. No investments have been made in (American) subprime mortgages, whether directly or indirectly.

The investments have been classified according to industry as follows:

In € millions	Fair value through profit or loss				Available for sale		Total	
	Held for trading		Designated					
	2008	2007	2008	2007	2008	2007	2008	2007
Shares and similar investments								
Banks	--	1	2	--	--	--	2	1
Trade, industry and other services	5	13	--	--	--	20	5	33
Other	6	6	--	--	16	4	22	10
	11	20	2	--	16	24	29	44
Interest-bearing investments								
Loans and receivables:								
Banks	--	1	--	--	--	--	--	1
Bonds and fixed-income investments								
Public sector - domestic	--	--	32	51	836	660	868	711
Public sector - foreign	2	27	88	451	1,981	1,648	2,071	2,126
Banks	119	844	8	10	533	66	660	920
Trade, industry and other services	21	55	--	--	129	111	150	166
Other	14	88	--	--	150	--	164	88
	156	1,015	128	512	3,629	2,485	3,913	4,012
Total	**167**	**1,035**	**130**	**512**	**3,645**	**2,509**	**3,942**	**4,056**

SNS Bank decided to reclassify the investments held for trading purposes at fair value through profit or loss into available-for-sale category. For more information we refer to page 94.

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

In € millions	Fair value through profit or loss				Available for sale		Total	
	Held for trading		Designated					
	2008	2007	2008	2007	2008	2007	2008	2007
AAA	34	85	94	512	3,040	2,409	3,168	3,006
AA	23	155	--	--	178	--	201	155
A	62	656	34	--	323	12	419	668
BBB	6	9	--	--	2	2	8	11
Below BBB	--	105	--	--	72	5	72	110
Other	31	5	--	--	14	57	45	62
Total	**156**	**1,015**	**128**	**512**	**3,629**	**2,485**	**3,913**	**4,012**

Credit management SNS Bank loans and advances to customers

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

Loans to private clients consisting of mortgage loans or consumer credit are approved by the relevant authorised officers on the basis of acceptance standards and policy rules. The acceptance standards and policy rules are determined by the Bank Price Risk Committee. The acceptance procedure for mortgage loans is carried out at the central level, as this contributes to uniformity and efficiency. Acceptance score models are used as support.

Credit management for established private clients takes place at client level by actively monitoring and following up on payments in arrears. This process is supported by automated systems that categorise and prioritise clients 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.

For SNS Bank's mortgage portfolio, the weighted average LtFV at year-end 2008 was 92% (2007: 90%), based on an indexed LtFV of 83% (2007: 79%). The foreclosure value known at the time of application is indexed for this purpose with the Land Registry Office's WoningWaardeIndex. That index is updated every month. The WoningWaardeIndex is broken down into province and type of residence. 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 estimate for residential mortgages is that almost everybody can meet their obligations. However, due to the deteriorating economic situation, the losses are increasing compared to the past year.

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

PD (Probability of Default) %	2008	2007
1	87.0%	87.4%
2-4	5.4%	4.8%
5-7	0.0%	0.0%
8-10	4.8%	5.0%
11-13	0.0%	0.0%
14-17	0.0%	0.0%
18-99	1.9%	2.0%
100	0.9%	0.8%

Acceptance standards and policy rules also apply to property finance and other corporate clients. Moreover, acceptance score models are being developed for loans up to € 1 million. Property loans in excess of € 1 million is mainly provided by SNS Property

Finance, although SNS Bank does occasionally provide property finance up to € 5 million. Where loans over € 1 million are concerned, the loan proposal is always analysed by SNS Property Finance's risk management department, which attaches its advice. Any deviation from the advice must be supported in writing. Participation finance is always submitted to the SNS Property Finance Risk Committee. SNS Bank does not engage in participation finance itself.

Property finance clients and other corporate clients mainly have receivables in the 'Construction and Real Estate' industry. This generally concerns mortgage-backed finance of commercial property, business premises and residential/retail premises. The value of other securities is negligible.

For the property loans clients and other corporate clients, credit monitoring takes place at client level, using an information system geared to the identification and monitoring of overdrafts and compliance with the provisions in the loan agreement. By quickly contacting the borrower, adequate steps can then be taken. In highly exceptional circumstances, the loan agreement may be amended.

SNS Property Finance has guidelines in place on how to identify default indicators and on relevant decision-making. If notice of default needs to be given, this is done by the body that gave approval.

At portfolio level, the risks of property loans and other corporate clients are monitored on the basis of detailed reporting of the developments in the portfolios. In addition to the contamination rate, the distribution across various segments, countries and the type of property investment are monitored, and adjusted where necessary. Adjustments are made by revising the pricing, easing or in fact tightening loan conditions, and by making choices when acquiring new clients. In addition, SNS Property Finance may manage projects itself under special circumstances.

The loans and advances to customers can be specified as follows according to type of security and credit risk:

In € millions	Mortgages		Property Finance		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Residential property inside of the Netherlands:								
- Mortgages ≤ 75% of foreclosure value	20,272	21,008	862	1,055	--	--	21,134	22,063
- Mortgages > 75% of foreclosure value	9,058	4,638	1,548	1,239	--	--	10,606	5,877
- Mortgages with National Mortgage Guarantee	4,973	5,579	--	--	--	--	4,973	5,579
Securitised mortgages	12,865	13,538	--	--	--	--	12,865	13,538
Residential property outside of the Netherlands	137	175	1,538	1,271	--	--	1,675	1,446
Non-residential property in the Netherlands								
- Mortgage-backed loans	1,446	1,292	6,358	6,336	--	--	7,804	7,628
- Issued to goverment	--	--	--	--	733	784	733	784
- Other collateral	--	--	766	224	--	--	766	224
- Unsecured loans	--	--	--	--	2,874	1,792	2,874	1,792
Non-residential property outside of the Netherlands								
- Mortgage-backed loans outside the Netherlands	--	--	2,017	1,287	--	--	2,017	1,287
- Other collateral	--	--	592	225	--	--	592	225
Provisions for bad debt								
- Specific provisions	(60)	(56)	(91)	(59)	(75)	(80)	(226)	(195)
- IBNR	(7)	(2)	(7)	(3)	(5)	(7)	(19)	(12)
Total	**48,684**	**46,172**	**13,583**	**11,575**	**3,527**	**2,489**	**65,794**	**60,236**

The line item securitised mortgages in the above-mentioned table comprises only securitised mortgages of which the notes issued by the SPV have been sold to investors. The underlying mortgages of securitisations which have been kept on-balance, € 7,644 million (2007: € 1,948 million) are included in the line item mortgages.

The distribution of loans and advances to customers can be specified according to type branche or counterparty as follows:

In € millions	Book value		RWA	
	2008	2007	2008	2007
Construction and property	13,583	10,714	12,703	10,641
Public sector	736	784	13	25
Agriculture	57	57	42	61
Industry	347	144	258	265
Service sector companies	919	1,638	1,418	717
Banks	2,876	1,342	700	488
Other commercial	274	789	191	216
Private clients	47,002	44,768	5,140	5,103
Total	**65,794**	**60,236**	**20,465**	**17,516**
Off-balance sheet items	--	--	622	484
Total	**65,794**	**60,236**	**21,087**	**18,000**

The distribution of loans and advances to customers can be specified as follows according to region:

In € millions	Book value		RWA	
	2008	2007	2008	2007
The Netherlands	56,813	52,679	16,921	14,892
EMU	5,117	5,082	2,435	1,752
Canada	131	56	122	47
United Kingdom	1,729	1,060	191	252
United States of America	1,536	923	1,167	778
Other	468	436	251	279
Total	**65,794**	**60,236**	**21,087**	**18,000**

Special Credits department SNS Bank

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

The Special Credits department, which is part of Credit Risk Management, focuses on retail clients and SME. It applies a uniform working method that is aimed at identifying items with risk exposure.

The management of retail and SME client payment arrears has been almost completely computerised. 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.

Obviously, 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. This uniform procedure is aimed at rapid foreclosure.

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

At SNS Property Finance, the default notice decision is made on the basis of established default indicators. In the event of default, Risk Management develops a settlement and restructuring plan. In addition, a proposal is immediately made on the amount of the provision. The provisions are determined by the Risk Committee.

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 and receivables in arrears
2008						
Mortgages and other loans and advances to customers	51,049	1,309	(135)	(12)	52,211	1,223
Property finance	13,129	552	(91)	(7)	13,583	529
Total	**64,178**	**1,861**	**(226)**	**(19)**	**65,794**	**1,752**
2007						
Mortgages and other loans and advances to customers	47,567	1,239	(136)	(9)	48,661	1,618
Property finance	11,354	283	(59)	(3)	11,575	449
Total	**58,921**	**1,522**	**(195)**	**(12)**	**60,236**	**2,067**

In 2008, 202 foreclosure sales were made in respect of private homes (2007: 167), which generated approximately 69% cover for the outstanding debt (2007: 70%).

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).

In the event of a default in property loans, a proposal is made for each debtor with regard to the amount of the provision. The provision is made by the Credit Committee of SNS Bank or by the Risk Committee of SNS Property Finance. For private customers, the provision for credit in default is determined on the basis of a computer model, instead of for each individual debtor. The model takes various factors into account, e.g. the number of months in arrears.

The credit provision in relation to the risk-weighted assets of SNS Bank increased from the 2007 value of 0.67% to 0.87%.

SNS Bank's mortgage portfolio's credit quality shows a stable picture over 2008. In 2008, the credit quality of SNS Property Finance deteriorated to some extent. The growth of the portfolio entails a relatively higher amount of loans related to the first phase of financing. These loans have a somewhat higher risk profile, which decreases as the projects progress.
In addition, last year's unfavourable market conditions are affecting the credit quality of SNS Property Finance's existing portfolio. In order to further limit the balance sheet risk, SNS Property Finance decided to reduce the international project financing portfolio as regards liabilities vis-à-vis debtors, particularly in Spain and the US.

During 2008, the default percentage[1] remained stable at 0.61%. In 2007, this rate was lower on average (0.54%).

Financial assets in arrears SNS Bank:

In € millions	No arrears	≤ 3 Months	> 3 Months ≤ 6 Months	> 6 Months ≤ 1 Year	> 1 Year	Provision	Total
2008							
Investments	3,942	--	--	--	--	--	3,942
Derivatives	1,113	--	--	--	--	--	1,113
Mortgages and other loans and advancess to customers	51,049	876	119	111	203	(147)	52,211
Property finance	13,129	--	552	--	--	(98)	13,583
Loans and advances to banks	2,783	--	--	--	--	--	2,783
Other assets	2,942	--	197	--	--	(76)	3,063
Total	**74,958**	**876**	**868**	**111**	**203**	**(321)**	**76,695**

1) The default percentage in the mortgage portfolio is the total number of clients with payment arrears of more than 3 months divided by the total number of clients

In € millions	No arrears	≤ 3 Months	> 3 Months ≤ 6 Months	> 6 Months ≤ 1 Year	> 1 Year	Provision	Total
2007							
Investments	4,056	--	--	--	--	--	4,056
Derivatives	1,041	--	--	--	--	--	1,041
Mortgages and other loans and advancess to customers	47,567	770	124	96	249	(145)	48,661
Property finance	11,354	--	283	--	--	(62)	11,575
Loans and advances to banks	1,092	--	--	--	--	--	1,092
Other assets	4,159	--	--	--	--	--	4,159
Total	**69,269**	**770**	**407**	**96**	**249**	**(207)**	**70,584**

Credit management SNS Bank with regard to loans and advances to banks 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, among others, derivative transactions for the hedging of interest rate and currency risks. Derivative transactions that are subject to a Credit Support Annex (CSA) of the International Swaps and Derivatives Association agreement, have terms to maturity varying from 1 year to a maximum of 20 years. The emphasis is on longer maturities. These 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 counterparty in question. In addition, a system with counterparty limits applies. This system reduces the concentration risk.

Credit risk SNS Bank

The table below gives an indication of the credit risk of SNS Bank, based on the weighting percentages used in regular reporting to the Dutch Central Bank (DNB). In 2007, these weighting percentages were based on Basel I for the last time. As from 2008, SNS Bank will be reporting based on the weighting percentages of Basel II. These percentages depend on the external credit rating of the counterparty. 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 and fully covered by mortgages (at an LtFV equal to or below 75%) and 100% for the other loans and advances. Retail mortgages are weighted in accordance with the IRB method.

In € millions	Risk weighted assets		Capital requirements	
	2008	2007	2008	2007
Standardised approach				
Central Government and Central Banks	13	25	1	2
Institutions	700	488	56	39
Corporates	14,613	11,900	1,169	952
Retail	1,163	1,688	93	135
Equity	63	75	5	6
Other non credit obligations	772	611	62	49
Securitization positions	975	--	78	--
Internal ratings based approach				
Retail mortgages secured by real estate	2,788	3,213	223	257
	21,087	18,000	1,687	1,440
Capital requirement for position, foreign exchange and commodity risks	125	613	10	49
Operational risk	1,638	1,613	131	129
Other and transitional Capital requirements	5,200	8,987	416	719
Total	**28,050**	**29,213**	**2,244**	**2,337**

2.2 Market risk

Market risk is the risk that changes in market prices will have a negative impact on the results and net asset value of SNS Bank. Market prices include interest rates, stock prices and exchange rates.

Interest rate risk is a significant component of SNS Bank's moderate risk profile. Interest rate risks arise due to the fact that SNS Bank's assets and liabilities have a different interest rate sensitivity. The assets on the bank's balance sheet generally have a longer duration than the liabilities. Given this balance sheet structure, SNS Bank will normally benefit from a decreasing interest rate environment. The bank's market risks, including those of SNS Property Finance, are managed by the ALCO Group. When managing SNS Bank's interest rate position, assessments are made to establish whether the risks fall within pre-set limits. Managing within those limits takes place on the basis of risk/return considerations in conjunction with the short-term and medium-term expectations for interest rate movements.
When managing interest rate risk, SNS Bank looks at the total of interest-bearing assets and liabilities, including interest rate swaps and not at separate balance sheet items. Interest rate swaps are used to steer the sensitivity of the present value of the cash flows of mostly (new) mortgages arising from changes in interest rates. See paragraph 5.1 'Hedging SNS Bank' and 5.2 'Hedge accounting SNS Bank' for more information.

Market risk of SNS Bank's bank book

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 gapping analyses.

The yield curve sharply fell and steepened in the final quarter of 2008, increasing SNS Bank's sensitivity to changes in short-term interest rates. In anticipation of a decline in short-term interest rates, SNS lowered its Earnings-at-Risk limit to € 25 million in September 2008. In addition, SNS Bank's duration limit was extended from 8 to 10 in the final quarter of 2008. This bandwidth is reviewed by the ALCO Group at least once a year. This promotes a more effective use of opportunities presenting themselves when the yield curve steepens, whilst maintaining a low Earnings-at-Risk. SNS Bank proactively steered the profit's interest rate sensitivity of the net financial results to below the new limit. This resulted in a more balanced interest rate sensitivity across the entire yield curve.

The duration of shareholders' equity amounted to 8.4 at year-end 2008 (year-end 2007: nil). During the year 2008, the duration of total equity amounted to a maximum of 8.5.

During 2008, the Value-at-Risk was € 204 million on average, with a maximum of € 526 million at the end of November, and a minimum of € 75 million at the end of January. At year-end 2008, the VaR was € 501 million.

The Earnings-at-Risk limit was changed as per September 2008 from a level of € 40 million to € 25 million (95%). On average, the EaR was approximately € 27 million, with a maximum of € 38 million in February 2008. At year-end 2008, the EaR was € 20 million.

Both VaR and EaR are determined based on scenario analyses. Changes in the fair value of total equity and changes in the interest margin are determined for many underlying interest rate scenarios. The fair value of total equity is obtained by discounting the cash flows from the total balance sheet with the cost-of-fund curve of SNS Bank. This curve is also used as the base 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 total 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, too, the balance sheet position at the reporting date is used for simulating the value adjustments. VaR and EaR are both calculated using a one-year horizon calculated as from the reporting date. The VaR figures are before taxation and the EaR figures are after taxation.

Quotation risk is the risk that the bank runs 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 risk exposure of SNS Bank as a result of this quotation risk. The quotation risk has a VaR limit of € 16 million. The average quotation VaR amounted to € 4 million in 2008. The quotation VaR remained within the limit throughout 2008.

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

In € millions	Balance debit		Balance credit		Balance		Hedge derivatives	
	2008	2007	2008	2007	2008	2007	2008	2007
US dollar	1,048	848	1,579	1,928	(531)	(1,080)	474	1,051
Japanese yen	35	1	419	266	(384)	(265)	357	258
Pound Sterling	131	90	335	451	(204)	(361)	187	379
Swiss franc	3	12	222	108	(219)	(96)	218	97
Canadian dollar	135	55	98	143	37	(88)	(43)	92
Australian dollar	3	15	501	781	(498)	(766)	494	766
Hongkong dollar	4	7	341	383	(337)	(376)	300	391
Danish krone	194	256	7	3	187	253	(192)	(253)
Other	6	6	494	500	(488)	(494)	496	504
Total	**1,559**	**1,290**	**3,996**	**4,563**	**(2,437)**	**(3,273)**	**2,291**	**3,285**

The maturity of the hedged positions and of the hedge derivatives is practically the same.

Sensitivity test SNS Bank

The market risks of SNS Bank can be illustrated by the results of a sensitivity analysis. This analysis shows the impact of an immediate parallel shift of the interest rate curve of +1 and –1%, and an immediate shock in stock prices of –10% and +10% on total equity, the result and the fair value of total equity. In 2008, an improvement was made to the interest rate sensitivity model of the fair value of total equity. The table shows the effects of the immediate parallel interest rate shift at year-end 2008 on the fair value of total equity, including embedded options. The duration of total equity at year-end 2008 is higher than at year-end 2007, which is expressed by the increased 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 for 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 statistic method: for the first 12 monthly gaps in the year-end 2008 balance sheet, the refinancing expenses and income is 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		Total equity	
	2008	2007	2008	2007	2008	2007
Interest rate +1%	(84)	13	24	42	(147)	118
Interest rate –1%	(10)	(8)	(21)	(42)	147	118
Shares +10%	1	2	--	--	1	2
Shares –10%	(1)	(2)	--	--	(1)	(2)

Interest maturity calendar of SNS Bank

In addition to the duration of total equity, Value-at-Risk and Earnings-at-Risk, the bank uses a gap profile as a risk management tool. A gap profile outlines the net position of redeeming nominal amounts per interest rate maturity from both assets and liabilities. The table below illustrates the interest maturity gap profile of SNS Bank on the basis of expected remaining interest maturity. This includes the estimates for early redemption behaviour in the mortgage and loan portfolios of SNS Bank and SNS Property Finance. An estimate is also made of the outflow of savings and loans at SNS 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 total equity and the interest maturity gaps are the main tools to manage the interest rate position of SNS Bank.

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Provision	Total
2008							
Assets							
Investments (interest-bearing)	107	438	461	747	2,160	--	3,913
Derivatives	187	543	225	56	102	--	1,113
Loans and advances to customers	14,283	5,696	7,496	22,919	15,645	(245)	65,794
Loans and advances to banks	1,615	1,044	124	--	--	--	2,783
Other assets	1,281	166	--	30	--	(76)	1,401
Cash and cash equivalents	1,692	--	--	--	--	--	1,692
	19,165	**7,887**	**8,306**	**23,752**	**17,907**	**(321)**	**76,696**
Off-balance sheet products	8,058	22,740	6,730	243	2,616	--	40,387
Total assets	**27,223**	**30,627**	**15,036**	**23,995**	**20,523**	**(321)**	**117,083**
Liabilities							
Participation cetificates and subordinated debts	150	304	1,235	--	--	--	1,689
Debt certificates	3,196	22,517	895	2,391	1,283	--	30,282
Derivatives	494	318	278	563	491	--	2,144
Savings	1,404	2,811	6,433	7,305	3,906	--	21,859
Other amounts due to customers	4,460	1,616	1,124	1,415	1,569	--	10,184
Amounts due to banks	1,827	2,546	2,118	--	--	--	6,491
Other liabilities	1,642	--	--	--	--	--	1,642
	13,173	**30,112**	**12,083**	**11,674**	**7,249**	**--**	**74,291**
Off-balance sheet products	9,153	5,988	5,235	10,758	9,253	--	40,387
Total liabilities	**22,326**	**36,100**	**17,318**	**22,432**	**16,502**	**--**	**114,678**
Interest rate sensitivity gap (assets-liabilities)	**4,897**	**(5,473)**	**(2,282)**	**1,563**	**4,021**	**(321)**	**2,405**
2007							
Assets							
Investments (interest-bearing)	197	58	429	779	2,549	--	4,012
Derivatives	336	400	246	16	43	--	1,041
Loans and advances to customers	14,118	5,105	8,170	20,747	12,303	(207)	60,236
Loans and advances to banks	633	410	49	--	--	--	1,092
Other assets	1,062	--	--	--	--	--	1,062
Cash and cash equivalents	3,141	--	--	--	--	--	3,141
	19,487	**5,973**	**8,894**	**21,542**	**14,895**	**(207)**	**70,584**
Off-balance sheet products	9,450	11,265	6,931	453	1,213	--	29,312
Total assets	**28,937**	**17,238**	**15,825**	**21,995**	**16,108**	**(207)**	**99,896**
Liabilities							
Participation cetificates and subordinated debts	100	472	1,106	--	--	--	1,678
Debt certificates	3,642	19,427	2,148	4,448	2,517	--	32,182
Derivatives	54	132	263	260	229	--	938
Savings	1,011	2,021	5,412	6,809	3,926	--	19,179
Other amounts due to customers	3,965	753	538	1,154	1,436	--	7,846
Amounts due to banks	3,533	1,183	350	--	--	--	5,066
Other liabilities	1,484	--	--	--	--	--	1,484
	13,789	**23,988**	**9,817**	**12,671**	**8,108**	**--**	**68,373**
Off-balance sheet products	19	160	8,843	11,851	8,439	--	29,312
Total liabilities	**13,808**	**24,148**	**18,660**	**24,522**	**16,547**	**--**	**97,685**
Interest rate sensitivity gap (assets-liabilities)	**15,129**	**(6,910)**	**(2,835)**	**(2,527)**	**(439)**	**(207)**	**2,211**

Effective interest rates SNS Bank

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

In percentages	2008	2007
Assets		
Investments held for sale (interest bearing)	4.3%	4.2%
Mortgages	4.9%	4.8%
Property finance	5.8%	5.7%
Other loans and advances to customers	6.8%	9.7%
Loans and advances to banks	3.5%	3.0%
Liabilities		
Participation cetificates and subordinated debts	6.1%	5.9%
Debt certificates	4.7%	4.1%
Savings	3.7%	3.1%
Other amounts due to customers	3.8%	4.3%
Amounts due to banks	2.8%	2.5%

Market risk - SNS Bank's trading portfolio

The market risk of SNS Bank's trading portfolio is calculated daily in terms of Value-at-Risk (99%) and stress tests. The following tables show the limits for the different trading portfolios. The total limit in terms of VaR for the trading portfolio amounted to € 3 million. The system of limits functioned well in 2008. The Value-at-Risk 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	
	2008	2007	2008	2007
Client desk	100	100	300	300
Money market desk foreign currency	600	700	1,800	2,100
Money market desk euro	150	500	450	1,500
Capital market desk	600	400	1,800	1,200
Interest rate desk	150	250	450	750
Off-balance desk	300	800	900	2,400
Equity desk	500	750	1,500	2,250
Bond desk	850	600	2,550	1,800
Total	**3,250**	**4,100**	**9,750**	**12,300**

2.3 Liquidity risk

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

The bank has a broad investor base, an extensive range of financing instruments, and relatively easy access to the international money and capital markets. Due to the credit crisis, a number of instruments and markets were (temporarily) unavailable in 2008. In the first half of 2008, SNS Bank effected a large number of funding transactions, attracting € 4.6 billion of new funding. To further reinforce its liquidity position, SNS Bank effected three on-balance securitisation transactions in 2008, keeping practically all securities issued in its own books. These securities may serve as collateral for loans taken out at the ECB. In addition, SNS Bank greatly improved its position on the savings market, thanks to successful savings campaigns. Total savings volume increased by € 2.7 billion in 2008. In the beginning of 2009, SNS Bank further reinforced its liquidity position by issuing three-year State guaranteed funding in the amount of € 2 billion. For more information on funding methods on the capital market in 2008, see the chapter on Funding and credit ratings.
SNS Bank's low risk profile is emphasised as SNS Bank has no subprime mortgages, conduits / asset-backed commercial paper (ABCP) or Special 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

SNS Bank's liquidity risk management is based on the composition of its funding portfolio as a going concern. The daily cash management activities of the central treasury are in line with the operational requirements of SNS Bank and take place in accordance with the regulatory guidelines in this field. An important indicator of liquidity risk is the surplus in the liquidity test of the Dutch Central Bank (weekly and monthly). A going concern situation is assumed with expiration of existing funding and a certain degree of stress on savings and credits.

SNS Bank strives to diversify the funding portfolio with respect to maturity, instrument, currency and type of investor. SNS Bank also has a large portfolio of very liquid assets, such as government bonds. The graph below presents the development of the liquidity position (cash position + liquid assets) for 2008. The graph shows that during 2008, SNS Bank succeeded in maintaining a strong liquidity position in spite of unfavourable market conditions.

In addition to the above, SNS Bank also has a liquidity contingency plan that contains planning for unforeseen events. The bank also periodically carries out stress tests across the bank in which liquidity risk plays an important role. This test takes into account the drying-up of funding on the money and capital markets as well as a downgrade of SNS Bank with 2 notches by the rating agencies. For a more detailed description of the stress tests, reference is made to capital management in Chapter 7, Risk Management.

21 **Development Liquidity position SNS Bank**

Management of liquidity risks
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 table below represents the gap profile of SNS Bank at year-end 2007 and 2008 on the basis of the remaining contractual maturity. With regard to the table below, it should be noted that deposits and savings due on demand are presented in the 'less than one month' bucket. In practice, the products are presented with 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
2008							
Assets							
Investments (interest-bearing)	110	91	550	1,261	1,901	--	3,913
Derivatives	34	45	209	437	388	--	1,113
Loans and advances to customers	1,998	446	2,390	4,704	56,501	(245)	65,794
Loans and advances to banks	2,752	4	6	21	--	--	2,783
Other assets	2,972	--	--	196	--	(76)	3,092
	7,866	**586**	**3,155**	**6,619**	**58,790**	**(321)**	**76,695**
Liabilities							
Share holders' equity	--	--	--	--	2,404	--	2,404
Participation certificates and subordinated debts	--	--	136	422	1,131	--	1,689
Debt certificates	574	1,531	3,111	9,397	15,669	--	30,282
Derivatives	46	64	265	909	860	--	2,144
Savings	13,404	1,916	3,828	2,207	504	--	21,859
Other amounts due to customers	6,040	417	1,285	1,145	1,297	--	10,184
Loans and advances to banks	2,542	185	1,221	1,234	1,309	--	6,491
Other liabilities	1,642	--	--	--	--	--	1,642
	24,248	**4,113**	**9,846**	**15,314**	**23,174**	**--**	**76,695**
Nett liquidity gap	**(16,382)**	**(3,527)**	**(6,691)**	**(8,695)**	**35,616**	**(321)**	**--**

In € millions	≤ 1 Month	> 1 Month ≤ 3 Months	> 3 Months ≤ 1 Year	> 1 Year ≤ 5 Years	> 5 Years	Provision	Total
2007							
Assets							
Investments (interest-bearing)	185	178	513	1,383	1,753	--	4,012
Derivatives	27	47	106	475	386	--	1,041
Loans and advances to customers	1,683	995	1,429	3,075	53,261	(207)	60,236
Loans and advances to banks	500	--	14	8	570	--	1,092
Other assets	4,203	--	--	--	--	--	4,203
	6,598	**1,220**	**2,062**	**4,941**	**55,970**	**(207)**	**70,584**
Liabilities							
Share holders' equity	--	--	--	--	2,211	--	2,211
Participation certificates and subordinated debts	--	--	5	501	1,172	--	1,678
Debt certificates	566	892	2,648	11,624	16,452	--	32,182
Derivatives	58	23	303	325	229	--	938
Savings	17,367	75	779	758	200	--	19,179
Other amounts due to customers	5,731	233	208	533	1,141	--	7,846
Loans and advances to banks	1,293	1,375	207	775	1,416	--	5,066
Other liabilities	1,484					--	1,484
	26,499	**2,598**	**4,150**	**14,516**	**22,821**	**--**	**70,584**
Nett liquidity gap	**(19,901)**	**(1,378)**	**(2,088)**	**(9,575)**	**33,149**	**(207)**	**--**

3 Valuation methods for recognition at fair value

A major part of the financial instruments are included in the balance sheet at fair value. The table below distributes these instruments among level 1, level 2 and level 3; in other words, the fair value is based on published stock prices or quotes in an active market, based on available market data or not based on available market data.

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 2008	Total 2007
Financial assets					
Investments					
- Fair value through profit or loss: held for trading	11	141	15	167	1,035
- Fair value trough profit or loss: designated	117	13	--	130	512
- Available for sale	2,899	746	--	3,645	2,509
Derivatives	13	1,100	--	1,113	1,041
Financial liabilities					
Derivatives	--	2,144	--	2,144	938

Since it is not possible to retrospectively distribute the investments among the above levels in an unambiguous manner, no comparative data is presented. It should be noted that most markets were still active at year-end 2007.

Based on published stock prices or quotes in an active market

For all financial instruments in this valuation category, published prices or quotes are available from stock exchanges, brokers or pricing institutions. In addition, these financial instruments are traded on an active market, which allows for the stock prices or quotes to accurately reflect current and regularly recurring market transactions between independent parties.

The investments in this category include mainly listed shares and government bonds.

Based on available market data
This category includes investments for which prices or quotes have been issued by a broker, but which are also identified as involving inactive markets. In that event, the available prices or quotes are largely supported and validated using market data including market rates, spreads related to the various credit ratings and sector distinction. These are mainly corporate bonds.

The category also comprises financial instruments for which no issued prices or quotes are available, but whose fair value is determined using models with available market data as their input variables. These instruments mainly include non public traded interest rate derivatives.

Not based on available 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, prices for similar instruments and, for more than an insignificant part, information unavailable to the market.

The following table shows the breakdown of this category into types of investment.

In € millions	Fair value not based on available market data (Level 3)
Bonds issued by financial institutions	15

Impairments broken down by level
The table below shows how impairments are broken down into the categories 'Based on published stock prices in an active market', 'Based on available market data' and 'Not based on available market data'.

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	
				2008	2007
Impairments					
Equities	2	--	--	2	1

SNS Bank recognises impairments on shares if the market value has fallen to 25% or more below its cost, or below its cost for at least 9 months.
SNS Bank recognises impairments on debt instruments upon the occurrence of events generating a loss (loss event). For this purpose, SNS Bank assesses the instruments in relation to which:

1. there is an objective indication from the counterparty that the coupon will be lowered or that the debt will not or will only partly be repaid;
2. an extreme downgrade or decrease in fair value of the debt instrument has occurred;
3. SNS Bank is otherwise of the opinion that a loss event has occured.

Debt instruments meeting any of the above criteria have each been assessed individually and, where there was a loss event, an impairment to the fair value has been recognised.

4 Hedging and hedge accounting

SNS Bank uses derivatives to manage market risks on an economic basis. SNS Bank uses various hedge strategies to cover its interest rate, market value and exchange rate risks. To achieve this, it uses instruments such as currency swaps, (foreign currency) interest rate swaps and (interest rate) options. Under IFRS, derivatives must be valued at fair value in the balance sheet and any changes in the fair value must be accounted for in the income statement. In the event that changes in fair value of hedged risks are not accounted for through the income statement, a mismatch occurs in the accounting of results, making these results more volatile. In these cases, hedge accounting is applied as much as possible to mitigate accounting mismatching and volatility.
SNS Bank makes a distinction in hedge accounting between so-called micro hedges, whereby risks on separate contracts are hedged, and so-called macro hedges, whereby the risk of a portfolio of contracts is hedged.

In fair value hedge accounting, the developments in fair value of the hedged risk are processed through profit or loss. This compensates for the fair value movements of the accompanying derivatives. In cash flow hedge accounting, the movements in fair value of the derivates are accounted for in a separate (revaluation) reserve in total equity. This cash flow hedge reserve is released over the period in which the cash flows from the hedged risk are realised.

The notional amounts of the derivatives for hedging purposes reflect the degree to which SNS Bank is active in the relevant markets. Derivatives held for trading purposes are not included in this overview.

	Notional amounts				Fair value	
In € millions	Total	≤ 1 year	>1 year ≤ 5 years	> 5 years	Positive	Negative
2008						
Interest rate contracts:						
- Swaps and FRAs	70,328	5,789	19,499	45,040	537	(1,454)
- Options	911	425	511	(25)	15	(9)
Currency contracts						
- Swaps	2,891	946	1,524	421	236	(333)
- Forwards	--	--	--	--	--	--
Total	**74,130**	**7,160**	**21,534**	**45,436**	**788**	**(1,796)**
2007						
Interest rate contracts:						
- Swaps and FRAs	59,208	13,280	17,078	28,850	740	(330)
- Options	2,390	1,660	534	196	84	(69)
Currency contracts						
- Swaps	4,103	1,389	2,298	416	82	(416)
- Forwards	--	--	--	--	--	--
Total	**65,701**	**16,329**	**19,910**	**29,462**	**906**	**(815)**

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.

4.1 Hedging SNS Bank

SNS Bank uses interest rate swaps to manage the interest rate risk of the bank book. The policy here is that the duration of interest-bearing total equity must be between 0 and 10 and the Earnings-at-Risk must stay below the limit of € 25 million. In addition, SNS Bank uses interest rate derivatives to hedge specific embedded options in mortgages by means of options. This relates to mortgages of which the interest rate is capped or where movements in interest rates are transferred to clients gradually. SNS Bank also uses interest rate derivatives to hedge the quotation risk of the mortgages offered. SNS Bank also uses (foreign currency) swaps to convert non-euro funding into euro funding and to convert fixed-rate funding into floating-rate funding.
SNS Bank also uses options to hedge the risks relating to hybrid savings products. Finally, SNS Bank applies interest rate swaps to hedge investment portfolio risks.

4.2 Hedge accounting SNS Bank

For the hedging activities described above, SNS Bank applies the following hedge accounting methods:

Fair value hedge accounting for bank book interest rate risk (macro hedge)

The portfolio hedged consists of fixed-rate mortgages of SNS Bank. These are mortgages that have a fixed-rate interest period of a minimum of 1 year and a maximum of 20 years. The hedging instruments are interest rate swaps entered into within the framework of the management of interest rate risk 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.

Fair value hedge accounting for embedded derivatives (macro hedge)

SNS Bank sells mortgages with interest rate derivatives embedded in the mortgage. These ‘embedded options’ are hedged by purchasing a reverse type of interest rate derivatives in the market. The two products to which hedge accounting is applied are the ‘Rentedemperhypotheek’ and the ‘Plafondhypotheek’ mortgages. The hedge prevents to a great extent fluctuations in the result caused by volatility in the six-month interest rate.

Fair value hedge accounting funding and investments (micro hedge)
SNS Bank uses micro hedges to swap fixed-rate funding with interest rate swaps to 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, use is also made of derivatives to convert structured funding to floating-rate funding. In structured funding, the funding charge is tied 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.
To a limited degree SNS Bank also hedges fixed-income instruments by swapping the coupon to a floating rate. Through these instruments, the interest rate and foreign exchange risks are hedged.

Cash flow hedge accounting for quotation risk
SNS Bank hedges the mortgage quotation risk with swaptions and forward starting swaps. The risk that is hedged here is the variability of the interest rate up to the time of financing. The intrinsic market value movements of the derivatives until the moment of payment of the mortgage (up to 3 months) are taken to total equity. Our policy is subsequently to settle the derivatives in cash, after which the value accrued during the duration of the funding is amortised to the result. The accrued value in total equity was € 2 million negative on 31 December 2008.

5 Fair value of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS Bank. In a number of cases, estimates are used. The balance sheet items not included in this table do not satisfy the definition of a financial asset or liability. The total of the fair value presented below does not reflect the underlying value of SNS Bank and should therefore not be interpreted as such.

In € millions	Fair Value		Book-value	
	2008	2007	2008	2007
Financial assets				
Investments:				
- Fair value trough profit or loss: held for trading	167	1,035	167	1,035
- Fair value trough profit or loss: designated	130	512	130	512
- Available for sale	3,645	2,509	3,645	2,509
Derivatives	1,113	1,041	1,113	1,041
Loans and advances to customers	65,417	60,492	65,794	60,236
Loans and advances to banks	2,783	1,091	2,783	1,092
Other assets	571	307	571	307
Cash and cash equivalents	1,692	3,141	1,692	3,141
Total financial assets	**75,518**	**70,128**	**75,895**	**69,873**
Financial liabilities				
Participation certificates and subordinated debts	1,223	1,835	1,689	1,678
Debt certificates	30,267	32,315	30,282	32,182
Securities lending liabilities	--	--	--	--
Derivatives	2,144	938	2,144	938
Savings	21,629	18,254	21,859	19,179
Other amounts due to customers	9,343	7,447	10,184	7,846
Amounts due to banks	6,529	5,079	6,491	5,066
Other liabilities	1,327	1,316	1,327	1,316
Total financial liabilities	**72,462**	**67,184**	**73,976**	**68,205**

The fair values represent the value of the financial instruments on the balance sheet date on a real economic basis, i.e. 'at arm's length'. The fair value of financial assets and liabilities is based on market prices, insofar as these are available. If the market prices are not available, various techniques have been 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. In addition, calculation of the estimated fair value based on market circumstances at a certain moment is possibly an inadequate way of approximating future fair value.
For financial assets and liabilities valued at amortised cost, the fair value is shown excluding accumulated interest.
The accumulated 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 prices or quotes. Where possible, the fair value of listed interest-bearing securities is based on prices or quotes available in the market. If prices or quotes are not available or in the event prices or quotes do not provide a reliable fair value, the fair value is determined on the basis of the present value of the 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 mortgage loans has been estimated by determining the present value of the expected future cash flows, taking into account a chance of early redemption. The yield curve used for determining the present value of the expected cash flows is the swap rate increased by risk surcharges derived from the development of mortgage rates compared to the swap rate. This yield curve deviates from the SNS Bank cost-of-funds curve that was used previously. In view of the extraordinary market situation, the cost-of-funds curve is considered inadequate. Changes in the credit rating of loans and advances are not taken into consideration in determining the fair value, as the effect of the credit risk is accounted for separately by deducting the provision for bad debts from both book value and fair value.

The fair value of other loans and advances to customers and banks is estimated on the basis of the present value of future cash flows, making use of the cost-of-fund curve of SNS Bank.

Other assets

The book value of the other assets is also a reasonable approximation of fair value.

Cash and cash equivalents

The book value of the liquid assets is also a reasonable approximation of fair value.

Financial liabilities

Participation certificates and subordinated debt

The fair value of the participation certificates and subordinated debts is determined on the basis of the present value of the cash flows, making use of the prevailing interest rate for similar instruments.

Debt certificates

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

Amounts due to customers and banks

The book value of the demand deposits and deposits without specific maturities are also a reasonable approximation of fair value.
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 determined 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 liabilities is also 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.

6 Capital management

The capital management of SNS Bank forms an integral part of SNS REAAL's capital management. This is aimed at maintaining a A-rating at the rating agencies. In addition, capital management is increasingly contributing to a systematic analysis and improvement of our activities' return.

In order for SNS REAAL to maintain its A-rating, a minimum capital level is required for absorbing unexpected losses in unusually adverse circumstances. This is referred to as the economic capital. The economic capital forms the basis for calculating the Risk Adjusted Return on Capital and is used for assessing the results of SNS REAAL's business units.

Objectives and standards framework

SNS Bank's capitalisation policy focuses on the optimisation of the capital structure in such a manner that it contributes to the realisation of the company's strategic goals. At the same time, SNS Bank also seeks to maintain a healthy balance between the amount of capital and the risks that it runs. The IPO of SNS REAAL in 2006 has increased the company's strategic flexibility.

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.

Major developments

In view of the volatile market environment and the fact that the market therefore now imposes higher solvency requirements on financial institutions, SNS REAAL decided to reinforce its solvency levels in November. SNS REAAL reinforced its capital through the issue of € 750 million worth of securities capital to the Dutch State and € 500 million worth of securities capital to Stichting Beheer. Both transactions were finalised on 11 December 2008. SNS REAAL used the proceeds from these transactions to reinforce SNS Bank's tier 1 capital by € 260 million.

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

Solvency standards

	Realisation		Internal target
Standard	2008	2007	
BIS-ratio	14,0%	11.5%	>11%
Tier 1-ratio	10.5%	8.4%	>8%

Basel II has the following consequences:

- Under the calculation methodology of Basel II, Pillar 1, SNS Bank's BIS ratio at year-end 2008 amounts to 15.3%, as opposed to 12.4% under Basel I. 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. The increase of the BIS ratio shows that the application of Basel II risk measuring results in a decrease of the risk-weighted assets. As a result, solvency ratios increase at a stable capital level.
- As of 1 January 2009, the solvency ratios of the bank will rise due to the phased introduction of Basel II. Since the capital requirements are lower under Basel II than under Basel I, the capital requirement is set at 80% for the risk-weighted assets under Basel I as per 1 January 2009. The solvency ratios as per 1 January 2009 are then 14.0% (BIS ratio), 10.5% (Tier 1 ratio) and 8.1% (core capital ratio).

The second pillar of the new Basel II Capital Accord comprises the process with which banks and investment firms assess the adequacy of their internal capital (the so-called Internal Capital Adequacy Assessment Process or ICAAP) and the assessment of that process by the supervisory authority (the so-called Supervisory Review and Evaluation Process or SREP). The regulatory capital (ICAAP capital) determined by SNS Bank follows from the ICAAP. The ICAAP capital is the outcome of the internal capital calculation of SNS Bank for all risks that are relevant for the company based on the internal rating target, taking into account diversification effects. The SREP capital is the outcome of the dialogue between the Dutch Central Bank and SNS Bank and reflects the desired capital from a regulatory perspective. The SREP capital is the ICAAP capital rescaled to a confidence level of 99.9%, which can be increased by the supervisory authority with a prudential surcharge.

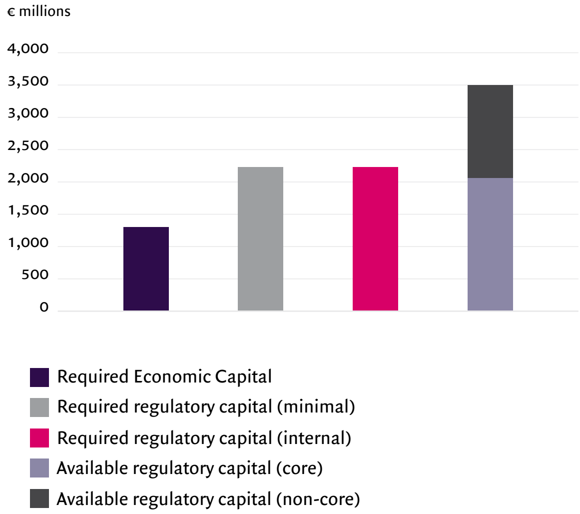
Capital management framework

In assessing capital adequacy, SNS Bank, as part of SNS REAAL, takes into account the economic risks of the underlying activities. These are assessed using economic capital and stress tests. The capitalisation is aimed at maintaining the A-rating. SNS REAAL's capital management comprises the following main activities: determining the required economic capital, performing stress tests on the capital adequacy and a qualitative capital adequacy assessment.

Required Economic Capital

SNS REAAL and SNS Bank uses economic capital as far as possible to gear the management of the company and the business units towards 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 components of the economic capital formulas and the economic capital calculations themselves. The thus calculated economic capital provides a basis for value creation and performance management. The capital adequacy assessment takes into account any uncertainties in the economic capital models. These uncertainties are translated into separate surcharges and added to the unadjusted economic capital.

22 **Available versus required capital**



A confidence level of 99.96% is used in determining the economic capital, calibrated to the default probability of a company with an AA-rating. In the calculation of economic capital, diversification effects between risk categories are taken into account. These diversification effects occur due to the fact that not all risks manifest themselves simultaneously. In the calculation of the economic capital of SNS Bank, diversification effects between between the group's different operations is not taken into account. The capital adequacy of the economic capital of SNS Bank is assessed separately.

Graph 22 compares the required economic capital as per the end of September 2008 with the required regulatory capital and the available regulatory capital as per the end of December 2008. These figures provide an indication of SNS Bank's risk profile. SNS Bank is constantly working on the improvement of the internal economic capital models. As per the beginning of 2008, SNS Bank has been using new models for the economic capital calculations for the major part of its loan portfolio (residential mortgages and property finance) and for the interest rate risk of the banking activities. This resulted in a decrease in economic capital. However, this is offset by SNS Bank maintaining an additional risk surcharge for parameter and model uncertainties on top of its economic capital calculations for reasons of prudence.

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

Stress tests

Annually, a stress test analysis is performed in order to assess whether SNS Bank could endure stress scenarios. In the 2008 stress test, a number of exceptional, but plausible scenarios were tested for credit risk, interest rate risk, trading risk, liquidity risk, business risk and operational risk. The scenarios for credit risk, interest rate risk and trading risk also took into account an immediate abolition of the mortgage interest tax relief.

In the 2008 stress test, the losses in the various stress scenarios, corresponding to all relevant types of risk, could be absorbed within the available regulatory capital of € 3.5 billion. In addition, the existing control measures are adequate, in the opinion of the Mangement Board of SNS Bank. The results of the stress test calculations were also compared with the economic capital calculations. Although the stress test's calculation method is different from the calculation method used for the economic capital, it offers additional insight into the quality of the economic capital calculations. The results of the stress test calculations are lower than the results of the economic capital calculations.

Qualitative assessment of capital management

In its capital management process, SNS Bank prepares operational plans each year with a three-year horizon. A capital management plan is then prepared that covers the same period, in which the capital requirements and their fulfilment are set such that SNS Bank can satisfy the internal and external standards. Instruments to lower the risk-weighted assets and to increase the available capital are used for capital management. SNS Bank's capital 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 subsidiaries in accordance with the internal and external solvency standards. This allows SNS REAAL 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 permitted sources of capital, which consist of shareholders' equity, subordinated loans and hybrid forms of capital. In determining the available capital, the restrictions that the regulators and rating agencies require with regard to the composition of the sources of capital must be complied with.

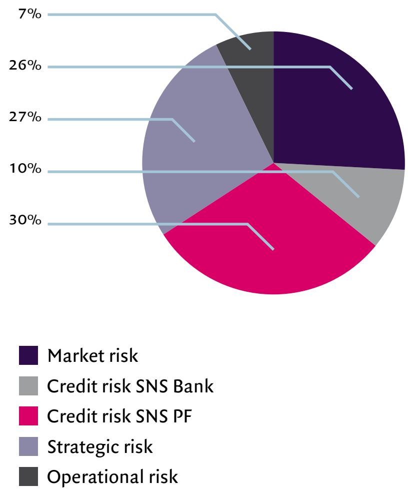
SNS Bank's senior management assesses the results of economic capital calculations, the requirements of regulators and rating agencies, the outcomes of stress tests and capital planning. Based on these assessments, it will be decided whether additional measures are needed. In terms of the abovementioned standards, SNS Bank is adequately capitalised.

The assessment of the capital adequacy comprises the following:

- The economic capital is calculated and reported to the ALCO Group and the Management Board of SNS Bank on a quarterly basis.
- The capital requirements, derived from stress tests, are compared with the existing qualifying capital on an annual basis.
- The results of the stress tests are compared to the economic capital on an annual basis.

The diagram on the right shows SNS Bank's risk profile. It can be concluded that the spread according to risk source can be considered well-balanced.

23 **Economic capital composition per risk type SNS Bank (September 2008)**



Value creation

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

Notes to the consolidated balance sheet

Assets

1 Cash and cash equivalents

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

In € millions	2008	2007
Deposits at DNB	1,511	2,710
Short term bank balances	89	347
Cash	92	84
Total	**1,692**	**3,141**

2 Loans and advances to banks

These relate to loans and advances to banks, excluding interest-bearing securities, with a remaining maturity longer than three months.

In € millions	2008	2007
Long term bank balances	2,783	1,092
Total	**2,783**	**1,092**

3 Loans and advances to customers

Loans and advances to customers can be specified as follows:

In € millions	Gross amount		Provisions		Net amount	
	2008	2007	2008	2007	2008	2007
Mortgages	48,751	46,230	(67)	(58)	48,684	46,172
Property Finance:						
- Project finance	6,300	4,628	(81)	(54)	6,219	4,574
- Investment finance	6,609	6,148	(12)	(6)	6,596	6,142
- Financial lease	772	874	(5)	(2)	768	872
Other	3,607	2,563	(80)	(87)	3,527	2,476
Loans and advances to customers	**66,039**	**60,443**	**(245)**	**(207)**	**65,794**	**60,236**

€ 16.8 billion (2007: € 15.5 billion) of the loans secured by mortgages has been provided as collateral to third parties under the securitisation programmes Hermes and Pearl.
The collateral transactions occurred under normal market conditions.

€ 12.3 billion (2007: € 11.2 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 can be specified as follows in gross and net advances to clients.

In € millions	2008	2007
Gross investments in financial leases		
Overview maturities		
- Shorter than one year	52	71
- From one to five years	184	241
- Longer than five years	632	684
Total	**868**	**996**
Unearned income from financial lease agreements	(100)	(124)
Net investments in financial leases	**768**	**872**
Overview maturities		
- Shorter than one year	28	39
- From one to five years	135	182
- Longer than five years	605	651
Net investments in financial leases	**768**	**872**

The financial lease agreements concern property finance in the Netherlands.

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

In € millions	Mortgages		Property finance		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Balance as at 1 January	46,230	44,989	11,650	8,876	2,563	2,593	60,443	56,458
Acquisitions	--	1,749		--	--	113	--	1,862
Changes in the composition of group companies	--	(1,081)	--	1,357	--	(276)	--	--
Reclassifications	(34)	--	(176)	46	(15)	8	(225)	54
Advances	6,337	7,472	4,751	4,974	1,116	288	12,204	12,734
Redemptions	(5,141)	(6,592)	(2,771)	(3,399)	(148)	(79)	(8,060)	(10,070)
Change in fair value as a result of hedge accounting	1,383	(351)	--	--	--	--	1,383	(351)
Exchange rate differences	--	--	(7)	(137)	--	--	(7)	(137)
Movement in current accounts	--	--	--	--	--	--	--	--
Other changes	(24)	44	234	(67)	91	(84)	301	(107)
Balance as at 31 December	**48,751**	**46,230**	**13,681**	**11,650**	**3,607**	**2,563**	**66,039**	**60,443**

SNS Bank has securitised a part of the mortgage loans. With these securitisation transactions, the economic ownership of mortgages is transferred to separate companies. These loans are transferred at nominal value plus a deferred selling price.
A positive result within the separate companies creates a positive value of the deferred selling price. In this way, SNS Bank retains an economic interest in the companies, and consolidates these companies in its consolidated financial statements in full.
The remaining principal of the securitised portfolio amounts to € 20.5 billion (2007: € 15.5 billion), of which € 7.6 billion (2007: € 1.9 billion) is in own position. Further information on securitisation transactions is provided under debt certificates.
SNS Bank has also structured a synthetic securitisation in the form of credit guarantees, whereby the credit risk protection has been bought for a mortgage portfolio of €431 million (2007: € 502 million).

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

	Mortgages		Property finance		Other		Total
	Specific	IBNR	Specific	IBNR	Specific	IBNR	
2008							
Balance as at 1 January	56	2	59	3	80	7	207
Reclassification	--	--	(76)	--	--	--	(76)
Acquisitions	--	--	--	--	--	--	--
Usage	(23)	--	(5)	--	(14)	--	(42)
Additions	45	5	114	4	28	--	196
Releases	(17)	--	(7)	--	(19)	(2)	(45)
Other changes	(1)	--	6	--	--	--	5
Balance as at 31 December	**60**	**7**	**91**	**7**	**75**	**5**	**245**
2007							
Balance as at 1 January	54	5	46	5	83	17	210
Reclassification	--	--	--	--	--	--	--
Acquisitions	1	--	--	--	4	--	5
Usage	(22)	--	(2)	--	(18)	--	(42)
Additions	40	--	27	--	11	--	78
Releases	(17)	(3)	(17)	(2)	--	(10)	(49)
Other changes	--	--	5	--	--	--	5
Balance as at 31 December	**56**	**2**	**59**	**3**	**80**	**7**	**207**

During the financial year, SNS Bank obtained majorit control of several property participations. The property participations are consolidated and the loans and advances to these participations have been reclassified to the item other assets as property under development for third parties, including the related provision for impairments.

4 Derivatives

Derivatives are financial instruments whose value depends on one or more underlying primary financial instruments. Derivatives contain rights and obligations whereby one or more of the financial risks to which the underlying primary financial instruments are subject, are exchanged between parties. The transactions do not lead to the transfer of the underlying primary financial instrument at the conclusion of the agreement, neither does transfer have to take place when the agreement expires. Most derivatives are held to hedge against unwanted market risks. This is explained in Risk Management subsection 5. The derivatives are unlisted.

In € millions	Positive fair value		Negative fair value		Balance	
	2008	2007	2008	2007	2008	2007
Summary of derivatives						
Derivatives held for cash flow hedge accounting	14	3	1	--	13	3
Derivatives held for fair value hedge accounting	722	829	1,799	756	(1,077)	73
Derivatives held in the context of asset and liability management that does not qualify for hedge accounting	46	74	10	59	36	15
Derivatives held for trading	331	135	334	123	(3)	12
Total	**1,113**	**1,041**	**2,144**	**938**	**(1,031)**	**103**

	2008	2007
Movement in derivatives		
Balance as at 1 January	103	122
Reclassifications	--	
Purchases	(52)	(18)
Acquisitions	--	
Disposals	(1)	31
Revaluations	(960)	232
Exchange rate differences	(174)	(200)
Other	53	(64)
Balance as at 31 December	**(1.031)**	**103**

5 Investments

Investments: overview

In € millions	2008	2007
Fair value through profit and loss (held for trading)	167	1.035
Fair value through profit and loss (designated)	130	512
Available for sale	3,645	2,509
Total	**3,942**	**4,056**

Part of the investments is lent or pledged to third parties. The carrying amount of the investments in collateral to the Dutch Central Bank is €2.2 billion (2007: € 1.3 billion).

Investments: Fair value through profit and loss

	Fair value through profit and loss				Designated				Total	
	Shares and similar investments		Bonds and fixed-income investments		Shares and similar investments		Bonds and fixed-income investments			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Listed	11	18	156	1,015	2	--	128	512	297	1,545
Unlisted	--	2	--	--		--	--	--	--	2
Totaal	**11**	**20**	**156**	**1,015**	**2**	**--**	**128**	**512**	**297**	**1,547**

	Fair value through profit and loss				Designated				Total	
	Shares and similar investments		Bonds and fixed-income investments		Shares and similar investments		Bonds and fixed-income investments			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Movement schedule										
Balance as at 1 January	20	47	1,015	353	--	--	512	--	1,547	400
Reclassifications	--	--	(590)	--	4	--	--	--	(586)	--
Purchases and advances	--	--	--	--	--	--	129	583	129	583
Disposals and redemptions	--	--	--	--	--	--	(512)	(75)	(512)	(75)
Revaluations	--	--	--	--	(2)	--	--	2	(2)	2
Change in investments held for trading	(9)	(27)	(269)	662	--	--	--	--	(278)	635
Other	--		--		--	--	(1)	2	(1)	2
Balance as at 31 December	**11**	**20**	**156**	**1,015**	**2**	**--**	**128**	**512**	**297**	**1,547**

As a result of the distressed financial markets SNS Bank changed its intention to hold investments for trading purposes. In October 2008 SNS Bank decided to reclassify part of these investments for an amount of € 590 million from the category Fair value through profit or loss held for trading purposes into the category Available for sale. Year-end 2008 this portfolio amounts € 562 million.
In accordance with the IAS 39 amendment, the reclassification was effected as from 1 July 2008.

As from the date of reclassification the negative fair value change of these investments amounts to € 23 million and is charged to the fair value reserve. If the reclassification had not occurred, this fair value change would have been recognised in the income statement.

Investments: available for sale

	Available for sale				Total	
	Shares and similar investments		Bonds and fixed-income investments			
	2008	2007	2008	2007	2008	2007
Listed	6	17	3,629	2,485	3,635	2,502
Unlisted	10	7	--	--	10	7
Totaal	**16**	**24**	**3,629**	**2,485**	**3,645**	**2,509**

	Available for sale				Total	
	Shares and similar investments		Bonds and fixed-income investments			
	2008	2007	2008	2007	2008	2007
Movement schedule						
Balance as at 1 January	24	19	2,485	1,619	2,509	1,638
Reclassifications	(4)	--	590	(5)	586	(5)
Reclassifications to investments in associates	--	--	--	--	--	--
Purchases and advances	3	5	1,086	1,429	1,089	1,434
Acquisitions	--	--	--	31	--	31
Disposals and redemptions	(4)	--	(699)	(559)	(703)	(559)
Revaluations	(1)	--	152	(44)	151	(44)
Impairments	(2)	--	--	--	(2)	--
Amortisation	--	--	5	--	5	--
Change in investments held for trading	--	--	--	--	--	--
Other	--	--	10	14	10	14
Balance as at 31 December	**16**	**24**	**3,629**	**2,485**	**3,645**	**2,509**

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

	Shares and similar investments		Bonds and fixed-income securities		Total	
	2008	2007	2008	2007	2008	2007
(Amortised) cost price	15	22	3,480	2,555	3,495	2,577
Unrealised gains in value	1	2	149	(70)	150	(68)
Total	**16**	**24**	**3,629**	**2,485**	**3,645**	**2,509**

A part of the investments held for trading purposes at fair value through profit or loss was reclassified into the available for sale category in 2008. Please refer to the notes to the category fair value through profit or loss.

6 Investment properties

In € millions	2008	2007
Land and buildings used by third parties	10	6

The movement of investment property can be specified as follows:

	2008	2007
Balance as at 1 January	6	6
Revaluations	1	1
Investments	3	--
Divestments	--	(1)
Balance as at 31 December	**10**	**6**

7 Investments in associates

In € millions	2008	2007
Book value of investments	47	53
Market value of investments	47	53

€ 37 million (2007: € 45 million) of the book value of investments concerns associated companies, € 10 million (2007: 8 million) concerns joint ventures.

	2008	2007
Balance as at 1 January	53	34
Acquisitions	--	--
Purchases and expansions	19	2
Disposals and divestments	(13)	--
Share in the result of associated companies	(8)	8
Revaluations	(1)	(2)
Impairments	(4)	--
Other movements	1	11
Balance as at 31 December	**47**	**53**

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

	Country	Interest	Shareholders' equity		Share in the results		Assets		Liabilities		Income	
			2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Significant investments in associated companies:												
CED Holding BV	NL	24%	6	--	1	--	52	44	22	21	77	65
ProCom Desarrollos Urbanos SA	ES	20%	1	6	(4)	3	678	574	680	557	23	46
Project 2 Holding N.V.	BE	17%	3	5	(1)	--	88	9	81	21	8	10
Tarpon Point Associates LLC	US	10%	3	4	--	2	147	111	145	101	2	56
Überseequartier Beteiligung GmbH	DE	33%	12	10	--	--	19	65	11	15	2	6
Other	Various	20–50%	18	20	2	4	319	836	276	(265)	14	(9)
Total			**43**	**45**	**(3)**	**9**	**1,303**	**1,639**	**1,215**	**450**	**126**	**174**

A total amount of € 622 million (2007: € 772 million) of loans was granted to the associates. These have been included under loans and advances to customers. Participating interests with an interest of less than 20% qualify as an associated company since SNS Bank can exercise significant influence, but does not have control.

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

	Country	Interest	Shareholders' equity	Share in the results	Current assets	Fixed assets	Current liabilities	Long-term liabilities	Income	Expenses
2008										
Joint ventures:										
Homburg	CA	50%	6	(1)	73	--	4	57	1	--
Astro Tower NV	BE	50%	--	5	17	--	1	--	16	--
Zom Riveroaks LP	US	50%	8	--	25	15	3	34	--	--
V.O.F. de Boompjes	NL	20%	1	--	5	--	7	--	--	--
Océanis	FR	35%	5	--	136	--	53	69	50	48
Fortress / SNS PF Holding BV (before IMCA/BFP Holding BV)	NL	50%	(2)	--	--	(4)	--	--	--	2
VOF Multi SNS PF (before VOF AM BPF)	NL	50%	(2)	--	14	--	20	--	--	3
Other	Various	15-75%	(6)	(5)	636	227	675	195	82	95
Total			**10**	**(1)**	**906**	**238**	**763**	**355**	**149**	**148**
2007										
Joint ventures:										
Zom Riveroaks LP	US	50%	1	--	--	20	1	16	--	--
Astro Tower NV	BE	50%	3	--	--	62	1	61	7	8
Fortress / SNS PF Holding BV (before IMCA/BFP Holding BV)	NL	50%	(1)	--	--	1	--	--	(1)	--
VOF Multi SNS PF (before VOF AM BPF)	NL	50%	(1)	--	--	16	--	--	(1)	--
Other	Various	50%	6	--	18	292	28	211	1	1
Total			**8**	**--**	**18**	**391**	**30**	**288**	**6**	**9**

Loans and advances have been granted to the joint ventures for a total amount of € 1,049 million (2007: € 518 million). These loans were reported under loans and advances to customers. At year-end 2008, joint ventures have no investment commitment (2007: € 55 million).

8 Property and equipment

In € millions	2008	2007
Land and buildings in own use	70	73
IT equipment	22	25
Other tangible fixed assets	27	41
Total	**119**	**139**

	Land and buildings in own use		IT equipment		Other tangible fixed assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Accumulated acquisition cost	89	96	50	52	83	79	222	227
Accumulated revaluations	5	(2)	--	--	--	--	5	(2)
Accumulated depreciation and impairment	(24)	(21)	(28)	(27)	(56)	(38)	(108)	(86)
Balance as at 31 December	**70**	**73**	**22**	**25**	**27**	**41**	**119**	**139**
Balance as at 1 January	73	88	25	23	41	52	139	163
Acquisition	--	--	--	--	--	--	--	--
Revaluations	6	--	--	--	--	--	6	--
Investments	--	6	13	15	9	8	22	29
Divestments	--	(19)	(5)	(2)	--	(8)	(5)	(29)
Depreciation	(1)	(2)	(11)	(11)	(9)	(11)	(21)	(24)
Impairment	(2)	--	--	--	(14)	--	(16)	--
Other	(6)	--	--	--	--	--	(6)	--
Balance as at 31 December	**70**	**73**	**22**	**25**	**27**	**41**	**119**	**139**

Valuation of land and buildings in own use

The land and buildings in own use are valued by an external surveyor once every three years based on a rotation schedule.

The table below shows the bookvalue of the assessed land and buildings. The final column shows the bookvalue of the assessed land and buildings in the relevant year in relation to the total bookvalue.

	Assessed	Book value	In percentage terms
2008	27	70	39%
2007	27	73	37%
2006	32	88	36%

9 Intangible assets

In € millions	2008	2007
Goodwill	237	233
Software	20	12
Other intangible fixed assets	34	40
Total	**291**	**285**

	Goodwill		Software		Other intangible fixed assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Accumulated acquisition cost	237	233	34	24	43	43	314	300
Accumulated amortisation and impairment	--	--	(14)	(12)	(9)	(3)	(23)	(15)
Balance as at 31 December	**237**	**233**	**20**	**12**	**34**	**40**	**291**	**285**
Balance as at 1 January	233	197	12	10	40	7	285	214
Acquisitions	--	36	--	--	--	37	--	100
Investments	--	--	13	7	--	--	13	7
Divestments	--	--	--	--	--	--	--	--
Depreciation	--	--	(5)	(5)	(6)	(4)	(11)	(9)
Impairments	--	--	--	--	--	--	--	--
Other movements	4	--	--	--	--	--	4	--
Balance as at 31 December	**237**	**233**	**20**	**12**	**34**	**40**	**291**	**285**

The amortisation of software has been included in the income statement under the item depreciation and amortisation of fixed assets.

Client relations and brand names are recognised in other intangible fixed assets. SNS Bank has capitalised € 5.6 million worth of client relations and brand names. The amortisation of the client relations is recognised in the income statement under depreciation and amortisation of fixed assets.

Impairments of intangible fixed assets are included in the income statement under impairment charges/(reversals).

Recoverable amount of goodwill

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

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

	Retail banking		Property Finance		Total	
	2008	2007	2008	2007	2008	2007
Goodwill	67	63	170	170	237	233

In 2008, the definitive acquisition price was determined for the acquisition of FBS Bankiers as announced in 2007 financial statements. The definitive acquisition price did not result in any changes in the valuation of the net assets.

An adjustment was made to the value of SNS Regio Bank's assets and liabilities in respect of the value of client relations and pension commitments. As a result of these adjustments, SNS Regio Bank's opening balance sheet as at 1 July 2007 shows that the intangible fixed assets decreased by € 1.4 million and the other liabilities increased by € 1.3 million. The cumulative effect of the adjustments has been included for an amount of € 2.0 million under goodwill and for € 0.7 million under deferred tax assets.

Value-in-use calculations

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

	Retail Bank	Property Finance
Income developement, average for the period through 2011	3%	7%
Long-term growth used for extrapolation of cash flow estimates	2%	2%
Discount factor	10%	11%

Management has based its income development forecasts on expected future market developments and past experience. The expected long-term growth is consistent with sector forecasts. The discount factor is before tax, and reflects the specific risks of the business segments.

10 Deferred tax assets and liabilities

In € millions	2008	2007
Composition		
- Deferred tax liabilities	(285)	(151)
- Deferred tax assets	227	128
Total	**(58)**	**(23)**

In € millions	1 January 2008	Change through income statement	Change through shareholders' equity	31-dec-2008
Origin of deferred tax assets and tax liabilities				
Intangible fixed assets	3	1	--	4
(Investment) property and equipment	(3)	--	(1)	(4)
Investments	14	--	(38)	(24)
Derivatives	(116)	330	--	214
Loans and advances to customers	105	(352)	--	(247)
Debt certificates	(13)	18	--	5
Provision for employee benefits	3	(1)	--	2
Tax-deductible losses	1	--	--	1
Other	(17)	8	--	(9)
Total	(23)	4	(39)	(58)

The deferred tax asset based on tax-deductible losses is determined as follows:

In € millions	2008	2007
Total tax-deductible losses	4	2
Deferred tax assets calculated on tax-deductible losses	1	1
Average tax rate	25.5%	25.5%

11 Corporate income tax

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

12 Other assets

In € millions	2008	2007
Other assets:		
- Other advances	66	20
- Property under development	120	0
Accrued assets:		
- Accrued interest	337	280
- Other accrued assets	48	7
Total	**571**	**307**

Property under development is specified accordingly:

In € millions	2008	2007
Property under development for third parties	196	--
Accumulated impairments per 31 December	-76	--
Total	**120**	**--**

Liabilities

13 Savings

In € millions	2008	2007
Due on demand	12,279	13,456
Other savings	9,580	5,723
Total	**21,859**	**19,179**

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

14 Other amounts due to customers

In € millions	2008	2007
Non-current debt	3,568	2,444
Available on demand	6,293	5,036
Mortgage deposits	323	366
Total	**10,184**	**7,846**

15 Amounts due to banks

In € millions	2008	2007
Due on demand	1,241	428
Deposits	5,250	4,638
Total	**6,491**	**5,066**

16 Debt certificates

In € millions	2008	2007
Medium Term Notes	17,362	17,494
Certificates of deposits	830	981
Debt certificates issued under Hermes and Pearl Securitisation programs	12,090	13,707
Total	**30,282**	**32,182**

Medium Term Notes

The medium term notes comprise both private loans and public loans that are issued under the SNS Bank EMTN framework.

Debt certificates issued under Hermes and Pearl securitisation programmes

Debt certificates refer to bonds and other debt certificates with a fixed or variable interest rate insofar as they are not subordinated.

SNS Bank has securitised part of the mortgage loans. With these securitisation transactions, the economic ownership of mortgage loans is transferred to separate companies. These loans are transferred at nominal value plus a deferred selling price. A positive result within the separate companies creates a positive value for the deferred selling price. In this way, SNS Bank retains an economic interest in the companies, and has consolidated these companies in its consolidated financial statements in full.

The securitisation transactions with effect from 2001 have what is called a 'call + step-up' structure. This means that after a specific call date, the company will have the right to redeem the bonds prematurely. Additionally, at this specific date, the coupon on the bonds will be subject to a rise in interest rate (step-up). Under normal market conditions, this will create an economic incentive to redeem the bonds early. An overview of the securitisations is provided below:

In € millions	Initial principal	Date of securitisation	Bonds 2008	Bonds 2007	First call-option date	Contractual date of expiry
As at 31 December 2008 the following issues were outstanding:						
Hermes I	437	Nov-1999	--	55	n.a.	Jul-2009
Hermes II	665	Nov-2000	105	156	n.a.	Apr-2012
Hermes III	915	Jun-2001	160	199	18-Jul-2009	Jun-2033
Hermes IV	813	Nov-2001	161	197	18-Jul-2009	Okt-2033
Hermes V	1,118	Nov-2002	272	328	18-Jan-2011	Okt-2034
Hermes VI	1,252	May-2003	334	416	18-Nov-2009	Mei-2035
Hermes VII	1,259	Sep-2003	589	727	18-Feb-2010	Feb-2039
Hermes VIII	1,269	May-2004	682	892	18-Nov-2013	Mei-2038
Hermes IX	1,529	May-2005	1,203	1,455	18-Feb-2014	Feb-2039
Hermes X	1,528	Sep-2005	1,345	1,528	18-Mrt-2015	Sep-2039
Hermes XI	1,528	Feb-2006	1,481	1,528	18-Sep-2015	Sep-2040
Hermes XII	2,241	Oct-2006	1,809	1,991	18-Mrt-2016	Dec-2038
Hermes XIII	2,800	Feb-2007	2,332	2,604	18-Aug-2012	Aug-2039
Hermes XIV	2,000	Sep-2007	1,805	1,973	18-Feb-2013	Nov-2039
Hermes XV	2,900	Apr-2008	2,900	--	18-Apr-2013	Apr-2045
Hermes XVI	3,000	Sep-2008	3,000	--	18-Dec-2013	Okt-2045
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	--	18-Mrt-2013	Mar-2045
Total	**27,883**		**20,807**	**15,871**		
Own position in issued bonds			--	--		
Hermes and Pearl			8,717	2,164		
			12,090	**13,707**		

SNS Bank has purchased subordinated bonds issued by various Pearl companies with a amortised cost of € 29 million (2007: € 22 million), and also taken positions in bonds issued by various Hermes companies with a amortised cost of € 8.6 billion (2007: € 2.1 billion).

The notes issued by Hermes XIV were not placed with third parties and qualify as assets eligible at the Dutch Central Bank. Of the notes issued by Hermes XV and XVI only subordinated notes in the E-tranches were sold to third parties.

17 Other liabilities

In € millions	2008	2007
Other taxes	2	3
Other liabilities	166	300
Accrued liabilities:		
- Accrued interest	1,096	927
- Other accrued liabilities	63	86
Total	**1,327**	**1,316**

The other liabilities include among others coupon payable on securities to SNS REAAL (€ 6.8 million).

18 Other provisions

	2008	2007
Restructuring provision	25	7
Other provisions	5	10
Total	**30**	**17**

In € millions	2008	2007	2008	2007	2008	2007
Balance as at 1 January	8	13	9	11	17	24
Additions	26	1	--	1	26	2
Usage	(3)	(3)	(1)	(1)	(4)	(4)
Acquisitions	--	--	1	--	1	--
Released to results	(3)	(3)	(3)	(2)	(6)	(5)
Other movements	(3)	--	(1)	--	(4)	--
Total as at 31 December	**25**	**8**	**5**	**9**	**30**	**17**

The change in the restructuring provision mainly relates to the planned restructuring programme, as announced in June 2008. The other provisions were made partly with a view to the risk that (legal) claims may not be settled. More details are provided under off balance sheet commitments. The other provisions are mainly of a long-term nature.

19 Participation certificates and subordinated debts

In € millions	2008	2007
Participation certificates	298	298
Subordinated debts	1,391	1,380
Total	**1,689**	**1,678**

Participation certificates

This item includes 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 given by the Dutch Central Bank. Dividend in the form of a coupon rate is fixed for a period of 10 years and is equal to the CBS return on 9 to 10-year Government bonds with a surcharge (CBS: Statistics Netherlands).

Subordinated debts

In € millions	2008	2007
Bond loans	1,072	1,057
Private loans	319	323
Total	**1,391**	**1,380**

			Book value	Nominal value	Book value	Nominal value
			2008		2007	
Bond Loans						
SNS Bank	6,25%	1997/2009	136	136	135	136
SNS Bank	5,13%	1999/2011	125	125	121	125
SNS Bank	4,24%	1999/2019	5	5	5	5
SNS Bank	7,63%	Perpetual	80	81	80	81
SNS Bank	5,75%	Perpetual	206	200	193	200
SNS Bank	Variable	2003/2013	--	--	110	110
SNS Bank	Variable	2005/2015	94	94	100	100
SNS Bank	5,50%	2006/2016	33	31	41	41
SNS Bank	6,75%	2006/2016	105	99	114	119
SNS Bank	Variable	2006/2016	98	99	119	120
SNS Bank	6,63%	2008/2018	198	200	--	--
SNS Bank	Variable	2007/2017	--	--	50	50
Total			**1,080**	**1,070**	**1,068**	**1,087**

			Book value	Nominal value	Book value	Nominal value
			2008		2007	
Own position in bonds						
SNS Bank	Variable	2003/2013	--	--	(8)	(8)
SNS Bank	7,63%	Perpetual	--	--		
SNS Bank	5,13%	1999/2011	(7)	(8)	--	--
SNS Bank	6,25%	1997/2009	(1)	(1)	(3)	(3)
Total			**1,072**	**1,061**	**1,057**	**1,076**

Bond loans

The bonds form part of the regulatory capital used in determining the solvency position of the bank by the Dutch Central Bank. The two subordinated perpetual bonds mentioned above have a term that is open-ended in principle. However, for both bonds, after 10 years a new interest rate will be set. At that time, the bonds can also be redeemed.

Private loans

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

20 Equity attributable to shareholders

In € millions	2008	2007
Equity attributable to shareholders	2,134	2,209
Equity attributable to securityholders	260	--

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

Off-balance sheet commitments

In € millions	2008	2007
Contingent liabilities		
Liabilities from pledges and guarantees given	331	485
Liabilities from (ir)revocable facilities	3.614	2.187

To meet customer requirements, SNS Bank offers loan-related products such as pledges and guarantees. The underlying value of these products is not included as assets or liabilities in the balance sheet. The amounts stated above indicate the maximum potential credit risk SNS Bank faces through these products, assuming that all counterparties are no longer able to meet their commitments and all existing securities will have no value.

The guarantees relate to guarantees that do and do not replace the credit amount. Most guarantees are expected to expire without any claim being made and therefore are not expected to give rise to any future cash flows. The irrevocable facilities consist mainly of credit facilities that are pledged to clients, but against which no claim has been made. These facilities are pledged for a set period and at a variable interest rate. Collateral has been obtained for the majority of the irrevocable credit facilities that have not been called.

On 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. At the same time, the investors' compensation system has replaced the earlier Investors Compensation Scheme. Under the deposit guarantee system, account holders' deposits on current and savings accounts are guaranteed. As per 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. The Investors' Compensation System provides for a maximum payout of € 20,000 per account holder. If a credit institution is unable to pay and insufficient funds remain to repay the guaranteed amounts (in full) to the account holders of the respective institution, the Dutch Central Bank will pay out to the stated maximum. This total amount is then repaid to the Dutch Central Bank by the banks, including those that are part of SNS Bank, according to an apportionment scheme.

Rental commitments

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

In € millions	2008	2007
Breakdown by remaining maturity:		
≤ 1 year	9	8
> 1 year ≤ 5 years	20	18
> 5 years	3	2
Total future minimum lease commitments based on binding leases	**32**	**28**

Legal proceedings

SNS Bank is involved in legal proceedings. Although it is impossible to predict the result of pending or threatening legal proceedings, on the basis of information currently available and after consulting legal advisors, the Management Board believes that the outcome of these proceedings is unlikely to have any material adverse effects on the financial position or operating results of SNS Bank.

Without prejudice to the aforementioned, we point out the following:
SNS Bank has granted loans to a number of clients of an intermediary in the field of financial services. This intermediary advised its clients to invest part of the loan in, among other things, investment funds and securities lease products (neither from SNS REAAL). When the income turned out to be less than expected because of the deteriorating stock exchange climate, clients started legal actions against the intermediary in question and the financial service provider that had offered the securities lease products. Some clients are claiming compensation from SNS Bank. The majority of these claims have been settled. However, it is not certain whether it will be possible to settle the remaining claims, and it is possible that more claims could follow. SNS Bank has recognised a provision in connection with this risk.

Related parties

Identity of related parties

Parties are considered to be related if one party can exert control or significant influence over the other party in deciding financial or operational matters. As part of its ordinary operations, SNS 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 11 December 2008, SNS REAAL effected a securities capital issue with the Dutch State (Ministry of Finance) and the Stichting Beheer SNS REAAL. The costs of the issue were borne by SNS REAAL. SNS REAAL used the proceeds of these transactions to increase SNS Bank's core capital by € 260 million. Split in an amount of € 104 million from Stichting Beheer SNS REAAL, and € 156 milion from the Dutch State.

In 2008 SNS Bank sold subordinated notes in the E-tranches of Hermes XV and XVI to REAAL Levensverzekeringen to the amount of € 61 million.

Remuneration of the Management Board

General policy

The policy of SNS REAAL with regard to the remuneration of the members of the Management Board of SNS Bank is in line with the policy governing other executives within SNS REAAL. The policy is aimed at attracting and retaining high-quality people and to motivate them, in accordance with the strategic and related financial goals. For more information we refer to the remuneration report 2008 in SNS REAAL's Annual report 2008, chapter Corporate Governance.

The remuneration of the members of the Management Board of SNS Bank (regular payments, deferred payments and profit-sharing & bonuses) amounted to € 5.1 million in 2008 (2007: € 4.2 million).

In € thousands	2008	2007
Remuneration of the Management Board		
Fixed salary	2,219	2,045
Bonus:		
- long-term	268	860
- long-term: cost previously granted shares	42	--
- Other	2,093	848
Pensions and other remuneration components	494	419
Total	**5,116**	**4,172**

The long-term bonus granted for 2008 is related to the in 2008 resigned member of the Management Board. The other bonus in 2008 particularly relates to a sign-on bonus and termination fees. The Supervisory Board is paid by SNS REAAL.

Members of the Management Board and the Supervisory Board had received loans and advances of € 1.9 million in 2008 (2007: € 1.7 million).

In € thousands	Outstanding as at 31 December		Average interest rate	
	2008	2007	2008	2007
Loans to members of the Management Board and Supervisory Board				
Mortgage loans	1,854	1,742	4.5%	4.4%

Transactions with individual members of the Supervisory Board of SNS Bank are explained in the Remuneration Report in the annual report of SNS REAAL.

Notes to the consolidated income statement

Income

21 Net interest income

In € millions	2008	2007
Interest income	3,883	3,359
Interest expense	3,110	2,576
Net interest income	**773**	**783**

Interest income

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

	2008	2007
Interest income		
Mortgages	2,519	2,303
Property Finance	782	579
Other loans and advances to customers	181	203
Loans and advances to banks	216	144
Investments	185	128
Other	--	2
Total	**3,883**	**3,359**

The recognised interest income on provisioned loans amounts to € 29 million (2007: € 18 million).

Interest expense

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

	2008	2007
Interest expense		
Savings	795	521
Amounts due to customers	381	353
Amounts due to banks	166	100
Debt certificates	1,664	1,509
Participation certificates and subordinated debts	104	93
Total	**3,110**	**2,576**

22 Net commission and management fees

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

	2008	2007
Received:		
Money transfer and payment charges	35	29
Securities activities	23	34
Insurance agency activities	29	35
Management fees	54	56
Other activities	11	9
	152	**163**
Commission and management fees due	36	34
Total	**116**	**129**

23 Share in the result of associates

Share in the result of associated companies is included here.

24 Investment Income

In € millions	2008	2007
Fair value through profit and loss	62	14
Available for sale	22	--
Total	**84**	**14**

	Fair value through profit and loss				Available for sale		Total	
	Held for trading		Designated					
	2008	2007	2008	2007	2008	2007	2008	2007
Realised revaluations	67	11	(2)	3	14	(1)	79	13
Unrealised revaluations	(3)	--	--	--	6	1	3	1
	--	--	--	--	2	--	2	--
Total	**64**	**11**	**(2)**	**3**	**22**	--	**84**	**14**

A negative exchange rate difference of € 1 million (2007: € 1 million) is included in investments income, comprising results from cash transactions and result from the conversion of assets and liabilities denominated in foreign currency.

A number of investments held for trading purposes at fair value through profit or loss were reclassified into the available for sale category in 2008. Please refer to the notes to the Investments item.

25 Result on financial instruments

In € millions	2008	2007
Fair value movement in derivatives held for fair-value hedge accounting:		
Fair value movement in hedging instruments	(1,164)	260
Fair value movement in the hedged position attributable to the hedged risk	1,162	(240)
Fair value movement in the position of derivatives not classified for hedge accounting maintained for ALM	(9)	(11)
Fair value movement in derivatives held for trading	(4)	4
Fair value movement in other derivatives	--	--
Total	**(15)**	**13**

26 Other operating income

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

In € millions	2008	2007
Other operating income	2	2
Total	**2**	**2**

Expenses

27 Impairment charges/(reversals)

In € millions	Impairments		Reversals		Total	
	2008	2007	2008	2007	2008	2007
Loans and advances to customers	196	78	45	49	151	29
Loans and advances to banks	1	--	--	--	1	--
Investments	2	1	--	--	2	1
Associated companies	4	5	--	--	4	5
Fixed assets	15	--	--	--	15	--
Other assets	--	--	--	--	--	--
Total	**218**	**84**	**45**	**49**	**173**	**35**

28 Staff costs

In € millions	2008	2007
Salaries	188	179
Pension costs	34	35
Social security	23	20
Other staff costs	135	98
Total	**380**	**332**

The pension payments relate to the pension premiums paid to SNS REAAL under the group defined contribution pension scheme.

The average number of employees calculated on the basis of full-time equivalents is 3.212 (2007: 3.223). Other staff costs consist largely of the cost of temporary staff, fleet, travel costs and training and education costs.

29 Other operating expenses

In € millions	2008	2007
Housing	60	57
IT systems	22	21
Marketing and Public Relations costs	29	33
External advisors	10	19
Other costs	67	73
Total	**188**	**203**

The costs in respect of lease and sublease commitments amount to € 8 million (2007: € 7 million).

Other costs includes an amount of € 7 million (2007: nil million) for costs incurred as a result of the contribution to the deposit guarantee system.

30 Taxation

In € millions	2008	2007
Corporate income tax due:		
- In financial year	41	75
- Prior year adjustments	--	(4)
Deferred tax:		
- Due to temporary differences	(5)	(7)
Total	**36**	**64**

In € millions	2008	2007
Reconciliation between statutory and effective tax rate:		
- Result before tax	183	337
- Statutory corporate income tax rate	25.5%	25.5%
Statutory corporate income tax amount	47	86
Effect of participation exemption	(11)	(18)
Revaluation of deferred taxes do to change in the statutory corporate income tax rate	--	--
Prior year adjustments *(including release of tax provision)*	--	(4)
Total	**36**	**64**
Effective tax rate	19.8%	19.0%

31 Net result per share

	2008	2007
Net profit (in € millions)	144	272
Weighted average number of issued shares outstanding *(in thousands)*	840	840
Net result per share *(in €)*	163	324
Diluted net result per share *(in €)*	163	324
Net result per security 'State-like' *(in €)*	8.17	--
Net result per security 'Trust-like' *(in €)*	6.10	--

Utrecht, 12 March 2009

Supervisory Board

Hans van de Kar
Bas Kortmann
Robert Jan van de Kraats
Jaap Lagerweij
Henk Muller
Herna Verhagen

Management Board

Rien Hinssen
Henk Kroeze
Hessel Dikkers
Rob Langezaal
Mark Straub
Marius Menkveld

Company balance sheet

In € millions	2008	2007
Assets		
Cash and cash equivalents	1,641	3,074
Loans and advances tot banks 1	21,232	17,669
Loans and advances to customers 2	17,329	24,019
Derivatives	1,151	1,069
Investments 3	1,100	1,325
Subsidiairies 4	1,826	1,571
Property and equipment 5	101	120
Intangible assets 6	256	246
Deferred tax assets	157	55
Corporate tax	105	95
Other assets	1,110	313
Total assets	**46,008**	**49,556**
Equity and liabilities		
Savings	11,849	11,056
Other amounts due to customers	8,465	6,493
Amounts due to customers 7	20,314	17,549
Amount due to banks 8	8,692	9,581
Debt certificates	9,501	16,318
Derivatives	2,141	937
Deferred tax liabilities	195	86
Other liabilities	1,052	1,182
Other provisions 9	29	15
Participation certificates and subordinated debts	1,690	1,678
Issued share capital	381	381
Share premium reserves	688	688
Revaluation reserves	3	--
Cash flow hedge reserves	1	3
Fair value reserves	56	(51)
Statutory reserves	8	5
Other reserves	935	1,041
Profit for the year	62	142
Equity attributable to shareholders 10	2,134	2,209
Securities capital	260	--
Equity attributable to securityholders 10	260	--
Minority interests	--	--
Total equity	2,394	2,209
Total equity and liabilities	**46,008**	**49,556**

Company income statement

In € millions	2008	2007
Result on subsidiaries after taxation	192	219
Other results after taxation	(48)	53
Net result	**144**	**272**

The references next to the balance sheet items relate to the notes starting on page 112.

Notes to the company balance sheet

General

Principles for the preparation of the company financial statements

SNS Bank prepares the company financial statements in accordance with the statutory provisions of Book 2, Section 402 of the Dutch Civil Code. Based on this, the result on associated companies after taxation is the only item shown separately in the income statement. Use has been made of the option offered in Book 2, Section 362 (8) of the Dutch Civil Code to use the same principles for valuation and the determination of the result that are used in the consolidated financial statements for the company financial statements. Reference is made to the accounting principles on pages 50 to 65.

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 91 to 110.

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.

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

Assets

1 Loans and advances to banks

In € millions	2008	2007
Breakdown by remaining maturity:		
Payable on demand	2,032	887
Not payable on demand:		
> 1 month ≤ 3 months	6,327	4,165
> 3 months ≤ 1 year	2,173	2,382
> 1 year ≤ 5 years	3,790	2,787
> 5 years	6,910	7,448
Total	**21,232**	**17,669**

2 Loans and advances to customers

In € millions	2008	2007
Breakdown by remaining maturity:		
Payable on demand	1,266	589
Not payable on demand:		
> 1 month ≤ 3 months	39	158
> 3 months ≤ 1 year	359	178
> 1 year ≤ 5 years	536	684
> 5 years	15,129	22,410
Total	**17,329**	**24,019**

Loans and advances to customers include receivables from subsidiaries of € 3.2 billion (2007: € 7.3 billion).

3 Investments

In € millions	2008	2007
Fair value through profit and loss	36	787
Available for sale	1,064	538
Total	**1,100**	**1,325**

	Fair value through profit and loss		Available for sale		Total	
	2008	2007	2008	2007	2008	2007
Movement in investments						
Balance as at 1 January	787	223	538	248	1,325	471
Reclassifications	(590)	--	590	--	--	--
Divestments of business	--	--	--	--	--	--
Acquisitions and advances	--	--	13	467	13	467
Disposals and redemptions	--	--	(89)	(174)	(89)	(174)
Revaluations	--	--	12	(9)	12	(9)
Change in investments through profit and loss	(161)	564	--	--	(161)	564
Other	--	--	--	6	--	6
Total	**36**	**787**	**1,064**	**538**	**1,100**	**1,325**

4 Subsidiaries

In € millions	2008	2007
Balance as at 1 January	1,571	1,514
Acquisitions	113	26
Capital increase	6	--
Purchase and expansions	--	(108)
Revaluations	73	--
Result	192	219
Dividend received	(129)	(80)
Total	**1,826**	**1,571**

5 Property and equipment

In € millions	2008	2007
Land and buildings in own use	56	57
IT equipment	21	24
Other tangible fixed assets	24	39
Total	**101**	**120**

	Land and buildings		IT equipment		Other assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Accumulated acquisition cost	68	74	45	50	77	73	190	197
Accumulated revaluations	8	2	--	--	(13)	--	(5)	2
Accumulated depreciation and impairment	(20)	(19)	(24)	(26)	(40)	(34)	(84)	(79)
Balance as at 31 December	**56**	**57**	**21**	**24**	**24**	**39**	**101**	**120**
Balance as at 1 January	57	74	24	23	39	49	120	146
Revaluations	5	2	--	--	--	--	5	2
Investments	--	1	11	13	7	7	18	21
Divestments	--	(19)	(4)	(2)	--	(8)	(4)	(29)
Depreciation	(1)	(1)	(10)	(10)	(8)	(9)	(19)	(20)
Impairments	--	--	--	--	(14)	--	(14)	--
Other	(5)	--	--	--	--	--	(5)	--
Balance as at 31 December	**56**	**57**	**21**	**24**	**24**	**39**	**101**	**120**

6 Intangible assets

In € millions	2008	2007
Goodwill	237	233
Software	19	12
Other intangible fixed assets	--	1
Total	**256**	**246**

	Goodwill		Software		Other intangible fixed assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Accumulated acquisition costs	237	233	19	24	--	1	256	258
Accumulated amortisation and impairments	--	--	--	(12)	--	--	--	(12)
Balance as at 31 December	**237**	**233**	**19**	**12**	**--**	**1**	**256**	**246**
Balance as at 1 January	233	196	12	10	1	7	246	213
Acquisitions	--	63	--	--	--	--	--	63
Investments	--	--	13	7	--	--	13	7
Divestments	--	--	--	--	--	--	--	--
Amortisation	--	(26)	(6)	(5)	--	(6)	(6)	(37)
Other	4	--	--	--	(1)	--	3	--
Balance as at 31 December	**237**	**233**	**19**	**12**	**--**	**1**	**256**	**246**

Equity and liabilities

7 Amounts due to customers

In € millions	2008	2007
Savings	11,849	11,056
Other amounts due to customers	8,465	6,493
Total	20,314	17,549
Breakdown by remaining maturity:		
Due on demand	11,721	15,574
Not due on demand:		
> 1 month ≤ 3 months	1,336	238
> 3 months ≤ 1 year	3,090	163
> 1 year ≤ 5 years	2,607	479
> 5 years	1,560	1,095
Total	**20,314**	**17,549**

8 Amounts due to banks

In € millions	2008	2007
Breakdown by remaining maturity:		
Due on demand	2,533	1,269
Not due on demand:		
> 1 month ≤ 3 months	1,733	5,378
> 3 months ≤ 1 year	2,091	1,038
> 1 year ≤ 5 years	1,053	530
> 5 years	1,282	1,366
Total	**8,692**	**9,581**

9 Other provisions

In € millions	2008	2007
Reorganisation provision	25	7
Other provisions	4	8
Total	**29**	**15**

10 Equity

In € millions	Issued share capital ordinary shares	Share premium reserve ordinary	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Statutory reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Securities Capital
Balance as at 1 January 2007	**381**	**688**	**6**	**--**	**(19)**	**5**	**912**	**124**	**2,097**	**--**
Transfer of 2006 net profit	--	--	--	--	--	--	124	(124)	--	--
Unrealised revaluations	--	--	1	4	(33)	--	--	--	(28)	--
Realised revaluations through equity	--	--	(7)	--	--	--	5	--	(2)	--
Realised revaluations through income statement	--	--	--	(1)	1	--	--	--	--	--
Revaluation deferred taxation due to change in the statutory tax rate	--	--	--	--	--	--	--	--	--	--
Other changes	--	--	--	--	--	--	--	--	--	--
Amounts charged directly to equity	--	--	(6)	3	(32)	--	5	--	(30)	--
Net profit 2007	--	--	--	--	--	--	--	272	272	--
Net result 2007	--	--	(6)	3	(32)	--	5	272	242	--
(Interim) dividend paid	--	--	--	--	--	--	--	(130)	(130)	--
Transactions with shareholders	--	--	--	--	--	--	--	(130)	(130)	--
Total changes in equity 2007	--	--	(6)	3	(32)	--	129	18	112	--
Balance as at 31 December 2007	**381**	**688**	**--**	**3**	**(51)**	**5**	**1,041**	**142**	**2,209**	**--**
Transfer of 2007 net profit	--	--	--	--	--	--	142	(142)	--	--
Unrealised revaluations	--	--	4	(3)	112	--	--	--	113	--
Realised revaluations through equity	--	--	--	--	--	--	--	--	--	--
Realised revaluations through income statement	--	--	--	1	(5)	--	--	--	(4)	--
Revaluation deferred taxation due to change in the statutory tax rate	--	--	--	--	--	--	--	--	--	
Other changes	--	--	(1)	--	--	3	(3)	--	(1)	--
Amounts charged directly to equity	--	--	3	(2)	107	3	(3)	--	108	--
Net profit 2008	--	--	--	--	--	--	--	144	144	--
Total result 2008	--	--	3	(2)	107	3	(3)	144	252	--
Securities issue								(7)	(7)	260
(Interim) dividend paid	--	--	--	--	--	--	(245)	(75)	(320)	--
Transactions with shareholders and securityholders	--	--	--	--	--	--	(245)	(82)	(327)	260
Total changes in equity 2008	--	--	3	(2)	107	3	(106)	(80)	(75)	260
Balance as at 31 December 2008	**381**	**688**	**3**	**1**	**56**	**8**	**935**	**62**	**2,134**	**260**

The share premium reserve is recognised for tax purposes.

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

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

Movements in issued and paid-up share capital:

	Number of shares		Amount (In € millions)	
	2008	2007	2008	2007
Issued share capital as at 1 January	840,008	840,008	381	381
Issuance of shares	--	--	--	--
Issued share capital as at 31 December	**840,008**	**840,008**	**381**	**381**

	Number of securities		Amount (In € millions)	
	2008	2007	2008	2007
Issued securities capital as at 1 January	--	--	--	--
Issuance of securities 'State-like'	29,714,286	--	156	--
Issuance of securities 'Trust-like'	1,040,000	--	104	--
Issued securities capital as at 31 December		--	**260**	--

Utrecht, 12 March 2009

Supervisory Board

Hans van de Kar
Bas Kortmann
Robert Jan van de Kraats
Jaap Lagerweij
Henk Muller
Herna Verhagen

Management Board

Rien Hinssen
Henk Kroeze
Hessel Dikkers
Rob Langezaal
Mark Straub
Marius Menkveld

Overview of principal subsidiaries

The percentage holding is 100, unless stated otherwise.

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

Other capital interests

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

The overview as referred to in Book 2, Sections 379 and 414 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

Guarantees

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

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

Other information

Provisions regarding profit and loss appropriation

Net result 2008: € 144 million.

Profit and loss appropriation provisions in the Articles of Association

Article 33

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

Article 34

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

Profit and loss appropriation provision securities

Payable coupons on securities

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

Since SNS REAAL declared and paid an interim dividend, the security holders will be entitled to a coupon as follows:

Coupon to SNS REAAL under the same terms as the Dutch State:
The coupon is set at 4.25% of the issue price ad € 156 million, total amount € 6.63 million.

Coupon to SNS REAAL under the same terms as the trust:
The coupon is set at 6% of the issue price ad € 104 million. The coupon is paid out pro rata as of the date on which the amount is received. The total amount for 2008 will be € 0.2 million.

Profit appriopriation:
The net profit is accounted for as retained profit of the equity attributable to shareholders, after deduction of the amount paid as interim dividend, and the amounts payable to the holders of the securities.

To the Annual General Meeting of Shareholders of SNS Bank N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of SNS Bank N.V. in Utrecht as included on pages 44 to 117 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 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SNS Bank N.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of SNS Bank N.V. as at 31 December 2008, 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, 12 March 2009
KPMG ACCOUNTANTS N.V.

J.G.J.F. Oudejans RA

Definitions and ratios

Advanced Measurement Approach (AMA)	Method in Basel II for calculating the operational risk. In this method, the bank may develop its own models, based on direct or indirect observations, to quantify the capital requirement for the operational risk.
ALM (asset and liability management)	The management of assets and liabilities with the aim of limiting the level and volatility of market risks, while generating the highest possible return within these limits.
ALM position	The interest rate position ensuing from differences in interest maturity between assets and liabilities.
Banking efficiency ratio	Ratio expressing the relationship between total operating costs and total income excluding value changes.
BIS ratio	The solvency ratio applying to banks in which designated capital components are expressed as a percentage of the risk-weighted assets. The minimum 8% requirement has been set by the Bank for International Settlements (BIS).
Cash flow hedge	A hedging of the risk of fluctuations in future cash flows of an asset, a liability or an expected transaction, resulting from variations in prices or stock prices.
Concentration risk	The risk that the capital, result or continuity are threatened by a one-sided composition of portfolios.
Contamination rate (of mortgages)	The number or mortgages transferred to the Special Credit department divided by the total number of outstanding mortgages.
Core capital	The Tier-1 capital, less the innovative Tier-1 instruments defined by the Dutch Central Bank.
Core capital ratio	This ratio expresses core capital as a percentage of total risk-weighted assets.
Corporate finance	Customised corporate finance services based on the issue of and trade in securities and brokerage in the capital finance market.
Credit risk	The risk of a counterparty not complying with its financial or other contractual obligation, negatively impacting the shareholders' equity and the result.
Credit spread	The interest premium above the risk-free interest that companies must pay on their bonds.
Credit Support Annex (CSA)	A standard agreement between parties trading in over-the-counter derivatives in which the obligation has been laid down that both parties shall maintain the underlying value of the derivatives in liquid instruments as surety to cover the credit risk.
Customer Due Diligence (CDD)	Policy aimed at gaining insight into the relevant aspects of customers in order to secure the integrity of the financial system.
Derivatives	A financial instrument of which the value is derived from one or more underlying values.
Duration	Duration is the weighted average duration of cash flows, whereby the weight of each cash flow is determined by the relative importance of that cash flow.
Duty of due care	The company's duty of due care comprises that in the course of its service provision, the company must observe due care and take the client's interests at heart to the best of its ability.

Earnings-at-Risk (EaR)	Earnings-at-Risk is an indicator that simulates the effect of changes to interest rates and share prices on future results.
Earnings coverage ratio	The ratio gives insight into the degree to which an organisation is able to use its profits to cover all interest expenses related to debt financing.
Economic capital	The economic capital requirement established in accordance with in-house models as the capital necessary to cover the risks of all activities within a period of one year.
Effective interest method	A method to calculate the amortised cost price, interest, costs and income based on the effective interest rate of a financial asset or liability.
Equity and investment property risk	The risk that the value of an equity or a property investment or a portfolio of equities or property investments will decrease in the future.
Exchange rate risk	The risk that the company's shareholders' equity, result or continuity is threatened due to movements in the level or the volatility of exchange rates.
Fair value	The amount for which an asset might be traded or for which an obligation could be settled between well-informed and willing independent parties.
Fair value hedge	Hedging the risk of fluctuations in the fair value of an asset or liability.
Financial lease	A lease agreement which transfers virtually all the risks and benefits of the ownership of an asset to the user (lessee).
Financial instrument	An agreement which results in a financial asset for a company and a financial obligation or shareholders' equity instrument for another company.
Financial leverage	The ratio indicates the degree to which the organisation is financed with debt capital.
Fraud risk	Risk of intentional deceit, misappropriation of ownership or non-compliance with the law.
Greenshoe option	A block of shares that is not immediately offered to interested investors, but is reserved for if and when demand for shares outstrips supply. The banks arranging the flotation maintain these shares in order to be able to manage the share price when demand is high.
Innovative Tier-1 instruments	Assets other than paid-up share capital and reserves, that may be taken into account for determining the Tier-1 capital (core capital).
Institutional brokerage	Brokerage for securities transactions for institutional clients.
Interest rate mismatch	The difference in interest maturity between funds lent and funds borrowed.
Interest rate risk	The risk that the company's shareholders' equity, result or continuity is threatened due to movements in the level or the volatility of the interest rates.
Internal Rating Based Approach (IRBA)	Method in Basel II for calculating the credit risk. With this method, the bank may develop its own models, based on direct and indirect observations, for estimating parameters for the calculation of the risk-weighted assets.
Investment loan	Activities by SNS Property Finance aimed at long-term financing of residential housing, shops, shopping centres, offices and industrial premises.
Investment risk	The risk that the value of an investment or investment portfolio will decrease in the future.
Irrevocable credit facility	A credit facility granted to a client that cannot be cancelled unconditionally.

Liquidity risk	The risk that the company has insufficient liquid resources in the short term to comply with its financial obligations.
Loan to Foreclosure Value (LtFV)	A risk indicator expressing the relationship between the mortgage and the foreclosure value of the collateral.
Loss given default	Parameter used in the calculation of economic capital or the required capital under Basel II which reflects the risk of (maximum) loss due to partial or full non-performance of obligations by borrowers, taking into account any collateral.
Macro hedge	A hedge of a specific risk for a portfolio of assets or liabilities.
Market risk	The risk that the company's shareholders' equity, result or continuity is threatened by movements in the level and volatility of market prices.
Micro hedge	A hedge of a specific risk for a specific asset or liability.
Modified duration	Measure of interest rate sensitivity, i.e. the relationship between the movement of an interest rate change and the resulting movement in the present value of the cash flows.
Notional amount	The notional amount shows the unit of account that, related to derivatives, indicates the ratio to the underlying values of the primary financial instruments.
Operational risk	The risk that the company's shareholders' equity, result or continuity is threatened by inadequate of failed internal processes, or external events.
Private loan	Private loans are funds provided or withdrawn on a debt certificate with a predetermined repayment scheme, not using the capital market.
Probability of default	A parameter used in the calculation of the economic capital or required capital under Basel II, that reflects the risk that borrowers, or parties where investments have been made in debt instruments, fail to fully or partially perform their obligations.
Project finance	Activities by SNS Property Finance comprising short-term loans for the construction of offices, shopping centres, shops, industrial premises, residential housing and mixed projects. These also include trade and bridging loans and loans for land purchase.
Property lease	Activity of SNS Property Finance consisting of sale-and-leaseback transactions of commercial property.
Qualifying capital	The sources of funding which, based on the regulations of the regulator, are taken into account in the calculation of the Tier 1, Tier 2 and Tier 3 capital.
Rating	Quality mark which credit rating agencies award to institutions or bonds. Ratings are expressed in a combination of letters and numbers; a triple A (AAA) rating is the highest. The higher the rating, the lower the credit risk for the investor.
Regulatory capital	Capital that must be maintained pursuant to the solvency supervision of SNS Bank by the Dutch Central Bank.
Return on shareholders' equity (ROE)	ROE is the relationship between net profit and shareholders' equity. ROE indicates the return on invested shareholders' equity.
Risk-weighted assets	Assets weighted for credit risk, based on the weighting ratio used in the regular reports to the Dutch Central Bank.
Securitisation	Securitisation is a transaction or scheme in which the beneficial title to existing assets, e.g. mortgages, is transferred to a separate entity, which then issues tradable property titles which entitle the holder to the cash flows generated by those assets.

Share premium reserve	The capital paid up in addition to the nominal value of the issued shares.
Solvency	Solvency is the degree to which a company is able to meet its financial obligations, expressed in a ratio (BIS ratio).
Standardised Approach	Method under Basel II for the calculation of the operational risk and the bank's credit risk. This method takes a standardised approach whereby the size of the risk weighting of an item is prescribed by the regulator.
Stress test	A stress test analyses the financial resilience of a financial institution in case of realistic but major changes in parameters that are crucial for the company, including macro-economic changes, crises in the financial markets, legal and regulatory changes and changes in liquidity in money and capital markets.
Structured loan	Financial solution tailor-made to the specific borrowing requirement of clients. The solutions are not limited to standard loan agreements. Complex financial transactions are also utilised.
Supplementary capital	See Tier 2 capital
Tier 1 capital	Also referred to as core capital. This capital consists of the fully paid-up share capital, all reserves excluding revaluation reserves, retained earnings, any third party interest and the innovative tier 1 instruments as defined by the Dutch Central Bank. Intangible fixed assets, excluding software purchased and developed under the company's own resources and for own use, and purchased loan servicing rights are deducted from the tier 1 capital.
Tier 1 ratio	Solvency ratio expressing the tier 1 capital as a percentage of total risk-weighted assets.
Tier 2 capital	Also referred to as supplementary capital. This capital comprises the revaluation reserves; under certain conditions the paid-up portion of the long-term subordinated loans; and cumulative preference shares, to the extent that they are part of the paid-up capital.
Tier 3 capital	Also referred to as other capital. This capital consists of the value of the paid-up portion of the short-term subordinated loans. Certain conditions must be met regarding original duration, early redemption and size.
Value-at-Risk	Statistical yardstick which makes a prediction based on many scenarios about possible losses in a portfolio. A VaR of 100 with a confidence level of 99% means that there is a 1% probability of losses exceeding 100.
Yield curve	The line connecting all interest rate levels with varying durations.

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