

2013

ANNUAL REPORT

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Key figures SNS REAAL

In € millions

	2013	2012	2011	2010	2009
Result					
SNS Bank	190	88	257	162	120
REAAL Life	(439)	72	247	208	49
REAAL Non-Life	-	(84)	32	16	54
REAAL Other	(43)	(15)	1	(18)	(11)
REAAL	(482)	(27)	280	206	92
Zwitserleven	(141)	(120)	(87)	36	104
Insurance activities	(623)	(147)	193	242	196
Group activities	19	(100)	(93)	(71)	(80)
SNS REAAL Core activities	(414)	(159)	357	333	236
Property Finance	(1,536)	(813)	(243)	(593)	(219)
SNS REAAL	(1,950)	(972)	114	(260)	17
Total income	6,291	7,270	6,119	7,068	8,497
Total expenses	6,737	7,415	5,954	7,384	8,446
Balance Sheet					
Total assets	124,574	133,663	131,836	127,713	128,900
Investments	33,377	34,175	31,435	31,001	31,166
Investments for account of policyholders	13,440	13,227	12,420	12,637	12,038
Loans and advances to customers	55,032	64,334	67,552	69,117	70,457
Total equity	4,496	3,285	5,090	4,719	5,062
Savings	33,276	32,815	30,341	27,397	24,435
Insurance contracts	40,846	41,769	38,827	38,814	38,030
Ratios					
Double Leverage	114.9%	130.1%	115.1%	115.4%	113.1%
Number of internal employees (FTE)	6,379	6,724	6,928	7,113	7,520
Absenteeism	3.9%	4.3%	4.4%	4.3%	4.2%
Banking activities					
Efficiency ratio SNS Bank	49.7%	57.4%	49.9%	57.8%	57.0%
Core Tier 1 ratio	16.6%	6.1%	9.2%	8.1%	8.3%
Tier 1 ratio	16.6%	7.7%	12.2%	10.7%	10.7%
BIS ratio	16.7%	9.3%	14.4%	16.7%	13.9%
Insurance activities					
Operating cost/premium ratio REAAL	14.2%	11.9%	11.5%	12.2%	13.0%
Operating cost/premium ratio Zwitserleven	14.9%	14.5%	15.2%	15.4%	14.0%
Regulatory solvency Insurance activities	172%	176%	203%	195%	230%
Regulatory solvency SRLEV	187%	211%	223%	205%	246%
Regulatory solvency Non-Life	235%	490%	464%	398%	379%

Core Tier 1 ratio, Tier 1 ratio and BIS ratio are calculated based on Basel II.

1 Foreword

'A new foundation for the future'

SNS REAAL has undergone a year of radical change following its nationalisation on 1 February 2013. The nationalisation had far-reaching consequences for society, for our shareholders and subordinated creditors. At the same time, nationalisation brought clarity for both our customers and employees. We have worked hard on a new reality, and to lay a foundation for the future.

It is therefore appropriate that we adopt a modest stance. The aid provided by the Dutch State, the taxpayer, has enabled SNS REAAL to devote its attention to regaining the trust of its customers and society. This is something we will continue to build upon during 2014, amongst other by consciously choosing to focus on our utility function in society. During the coming year we will play an active part in the social debate about the future of the banking sector. We aim to be the challenger in the Dutch banking sector to widen the range of choice.

We are very much aware of the impact that events in 2013 have had on our employees. Staff in daily contact with customers, for instance in customer contact centres and our bank shops, on occasion faced unacceptable treatment. The wave of media coverage at the time of and following the nationalisation have had a big impact.

Nonetheless, I am proud of the positive manner in which employees throughout the company have rolled up their sleeves and made every effort to restore customer satisfaction. In the coming year we will again be calling upon the flexibility and resilience of our employees.

The reported net loss of 2013 is mainly caused by Property Finance, including the necessary impairment after nationalisation. Besides, impairments on intangible assets and a lower underlying result resulted in a net loss at the Insurance activities. SNS Retail Bank posted a solid profit and its capital base improved to robust levels. The Core Tier 1 ratio of SNS Bank NV improved to 16.6% compared to 6.1% at year-end 2012. The regulatory solvency of the Insurance activities decreased from 176% at year-end 2012 to 172%, slightly below our set target level of at least 175%. In anticipation of the divestment, REAAL NV is currently investigating all possible alternatives to strengthen and protect its solvency level.

This year was dominated by dealing with the aftermath of the nationalisation that took place on 1 February 2013. Following the European Commission's provisional approval of the State aid in February 2013, SNS REAAL worked constructively with the Ministry of Finance in drawing up a restructuring plan.

On 19 August 2013, the Ministry of Finance submitted this restructuring plan to the European Commission. London's Tower Bridge served as a metaphor in the plan: two towers – in our case, a bank and an insurer – linked together by exchanging their products and knowledge and sharing a common road, namely the bridge. This bridge represents the connectedness of the organisational and financial elements that characterise the SNS REAAL holding company. The bridge is gradually being raised so that an independent bank and insurer will remain. The restructuring plan lays a foundation for the future that provides clarity for SNS REAAL's customers, employees and its brands. In due course, SNS REAAL will cease to exist in its current form.

Following submission of the plan, preparatory work was undertaken during the remainder of 2013. The European Commission granted its final approval of state aid and for the restructuring plan on 19 December 2013. The spin-off of Property Finance became a reality on 31 December.

As a result of the thorough preparation undertaken in 2013, significant progress can be achieved during 2014 in creating an independent bank and insurer. Furthermore, the Insurance activities are being prepared for divestment. Based on the principle of 'people follow jobs', employees of the holding company will move either to the bank or insurer. We anticipate that, with the exception of the IT department, the allocation process will be completed around the summer of 2014.

In parallel with the aftermath of the nationalisation and preparing the restructuring plan, attention has also been devoted to further strengthen our core activities.

The bank has focused on restoring trust among its customers. We intend to return to our origins and values as a thorough-going retail bank, providing our customers with a choice between simple savings, checking account and mortgage products. The essence is best described by the following motto: 'The customer knows best what he wants and requires, selects the most appropriate product and understands what it costs and what it delivers'.

For the insurer, this means cutting back on the number of products and simplifying their terms and conditions. Considerable attention has also been devoted to a more customer-focused approach and a range of processing improvements were implemented during 2013. In addition, Zwitserleven introduced a savings product and the PPIs. Taking our mission of 'Simplicity in finance' as their compass, our brands will continue to strive to look after the interests and needs of our customers in the best ways possible.

In 2013, SNS REAAL made the conscious choice to return to its social origins that were founded in savings banks and the trade union movement. The company's social utility is embedded in SNS Retail Bank's Manifesto and in the new strategies of REAAL ('Financial resilience') and Zwitserleven ('The benefit of thinking ahead'). Together with our mission of CARE!, this ensures that Corporate Responsibility is integrated into our business strategy.

In the area of sustainability we were also able to achieve progress on a number of fronts during 2013. BLG Wonen, a brand of SNS Retail Bank, drew up its vision for sustainable housing based on assessing the living requirements of its customers and thereby assisting them in making improvements. In the insurance field, our investment policy, executed by SNS Asset Management, was again recognised as being the most socially responsible among all insurers in the Netherlands.

Our Advisory Council, established in 2012, has continued to meet several times a year. With this Council, we discuss dilemmas and issues with which the company is confronted. Members of the Council are drawn from a range of sectors in mainstream society. Most members have different banking and insurance expertise, others have experience in different fields altogether. This serves to provide us with additional critical opinions and advice.

Despite the considerable increase in workload, SNS REAAL's management paid attention to managing the various risks to which the company is exposed. Due to a changing external environment, new laws and regulations (Solvency II, Basel II/III), an increased number of inquiries from regulators and regulatory requirements, the necessary focus on the business unit Property Finance, necessary investments in the data warehouse infrastructure and organizational changes within SNS REAAL, there was pressure on the available qualitative attention for the internal control framework. Specifically with respect to the linkage between internal control at the group and at the business units level. The internal control framework currently consists of individual components through which the actual risks are managed and of which the effectiveness is tested. In the new governance structure, the management teams of the bank and insurer will give further substance to an integrated control framework.

With the publication of our annual results and this annual report we are, thankfully, able to close the book on the year of nationalisation.

We have thus laid the foundation for the future, starting with a clean slate. The year 2014 will be taken up with implementing the restructuring plan and expanding our core activities.

We are facing our new future with confidence.

Gerard van Olphen

2 Profile and brands

SNS REAAL is a financial service provider in the field of banking and insurance. With its Banking and Insurance activities SNS REAAL offers a balanced range of brands like SNS Bank, ASN Bank, RegioBank and Zwitserleven, Zelf and REAAL. All our brands focus primarily on the Dutch savings, investment, mortgage, insurance and pension markets.

2.1 General

2.1.1 Back to our social roots

SNS REAAL is strongly rooted in Dutch society. SNS and REAAL date back 200 years when the first savings banks with a public utility function were founded. After this, the trade unions founded insurance companies Concordia and de Centrale, which later merged into REAAL. Predecessor banks of SNS Bank include many regional savings banks.

The credit crisis caused governments to interfere in companies, of which we were one. In the years that lay behind us society was focused too much on prosperity growth and income. SNS REAAL wants to take up its role in society and return to its social roots: a financial services provider that makes people conscious of money matters and insures them against risks in an affordable manner. We have an important social utility function that requires us to uphold the highest ethical standards. After all, SNS REAAL watches over other people's money; money that will often be needed at a future moment, when people are weak (ill, damage, old age, demise). Keeping an eye on our moral compass allows us to arrive at a well operating sector, embedded in society. Only if financial service providers, together with their stakeholders, take simplicity in finance seriously, we can contribute to restoring faith and to a healthier Netherlands.

SNS REAAL has a balance sheet total of €124 billion and approximately 6,400 employees (FTEs), making it a relevant player in the Dutch market. SNS REAAL has its headquarters in Utrecht. Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments, 'NLF') is the sole shareholder of SNS REAAL.

2.1.2 Bank and insurer go their own way

With the approval of the European Commission, the Banking and Insurance activities of SNS REAAL will each steer their own course. From an organisational point of view, the split up of SNS REAAL means that the Group support to the business units will be dismantled. To the extent and time that SNS Retail Bank, REAAL and Zwitserleven do not operate individually, SNS REAAL will continue to manage and control financial solvency, the risk profile and our common values from a group perspective.

2.1.3 Simplicity in finance

SNS REAAL aims to make banking business simple, understandable and transparent. We do this by actively engaging our customers in developing our products and services. But also with the assistance of committed employees, who believe in these products and services.

2.1.4 Customer focus

We work hard to earn our customers, who encompass both private individuals and business customers. By offering sound customer service and support, we favour an optimal relationship with each and every customer: accessible, transparent and fairly priced. We ultimately aim for sustainable relationships with our customers but also with society.

2.1.5 A brand for every customer

There is no such thing as the average customer. Everyone has different desires, needs and preferences. We want to serve our customers in the way that best fits their needs. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them best. Each brand has its own way of working, image, mentality and products, from savings and investments through to insurance. For example, customers of SNS Bank can visit one of our more than 200 shops; ASN Bank is the sustainable bank, Proteq Dier & Zorg enables customers to choose the best insurance cover for their pet, while RegioBank works with personal advisors.

2.2 Banking activities

2.2.1 SNS Bank



SNS Bank was founded in 1817 with a view to increasing people's financial independence. This assignment and challenge are just as relevant today as they were back then. As a broad, accessible bank for consumers and small businesses, we allow our customers to choose for themselves how they manage their banking business: via the website, over the telephone, with a financial advisor at home or at one of the 200 SNS Shops or via the mobile channel. Products: current accounts, savings, mortgages, insurance, loans, investments and bank savings. www.snsbank.nl

2.2.2 RegioBank



RegioBank is the SNS REAAL regional bank format to which some 530 independent advisors are affiliated. RegioBank is the local bank without the fuss or hassle. With great personal attention, a sense of service and a full range of banking products all under one roof. Products: mortgages, savings, payments, loans and investments. www.regiobank.nl

2.2.3 ASN Bank



ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for 50 years. Money is invested in projects and companies that respect people, animals and the environment. ASN Bank aims to demonstrate that sustainable banking goes perfectly hand-in-hand with competitive results. Products: savings, payments, investments and asset management. www.asn.nl

2.2.4 BLG Wonen



BLG Wonen is a financial service provider whose aim is to allow its customers to live as comfortably as possible. Carefree home ownership makes you feel at home. Now and in the future. BLG Wonen achieves this by making our customers' living wishes come true via transparent services and professional, personal advice from the best independent advisors. Products: mortgages, savings and insurance. www.blg.nl

2.3 Insurance activities

2.3.1 REAAL



REAAL believes that financial services can be improved upon and puts all its efforts into helping its customers to get ahead. Putting the interests of the customer first, our service is personal, clear and equal, whether you are buying a house, running a business or managing your financial future. REAAL cooperates with financial advisors who guarantee objective advice. Products: savings, investments, insurance (individual life, non-life and disability). www.reaal.nl

2.3.2 Zwitserleven



Zwitserleven has been the leading Dutch pension provider since 1901. Zwitserleven looks after the pension capital of people and applies its knowledge and expertise to give its customers a responsible future. By thinking ahead now, Zwitserleven aims to enable its customers to enjoy an unconcerned retirement and to experience the Zwitserleven Feeling. Product: pensions, savings www.zwitserleven.nl

2.3.3 Proteq Dier & Zorg



Proteq Dier & Zorg is the largest provider of accident and health insurance for cats and dogs in the Netherlands. And with good reason. For example, customers choose the type of insurance cover that best suits their pet, while supplementary coverage provides even greater security. Product: accident and health insurance for dogs and cats. www.proteqdierenzorg.nl

2.3.4 Zelf



Zelf is intent on keeping costs as low as possible. It therefore shuns costly commercials and has just one simple office. And with Zelf, you arrange your own insurance. Quickly and easily. Products: non-life and funeral insurance. www.zelf.nl

2.3.5 Route Mobiel



Route Mobiel, an initiative by Proteq, offers roadside assistance for motorists through an efficient organisation and an extensive network of roadside assistance services in the Netherlands and more than 40 other European countries. Route Mobiel also provides supplementary car and travel insurance which fits in seamlessly with its roadside assistance cover. Products: road assistance services, car and travel insurance. www.routemobiel.nl

2.4 Group activities

2.4.1 SNS Asset management



SNS Asset Management is the leading responsible asset manager of institutional investors, with a focus on the brands of SNS REAAL. SNS Asset Management achieves investment objectives by delivering sustainable performance, service and advice by taking sustainability as a starting point for its investment process. Products: asset management for institutional investors. www.snsassetmanagement.nl

3 SNS REAAL Executive Board

Gerard van Olphen, Chairman of the Executive Board

Gerard van Olphen (1962) has been Chairman of the Executive Board since February 2013. In addition, he is responsible for the Group staff departments Group Audit, Corporate Communications, Corporate Strategy, Human Resources and Compliance, Security & Operational Risk Management. More on [Gerard van Olphen](#).



Maurice Oostendorp, CFRO

Maurice Oostendorp (1956) has been Chief Financial and Risk Officer (CFRO) since February 2013. Additionally, he is responsible for the Group staff departments Group Finance, Group Risk Management, Investor Relations, Tax and Insurance Treasury & Investment Management. More on [Maurice Oostendorp](#).



Dick Okhuijsen

Dick Okhuijsen (1965) has been a member of the Executive Board since December 2009 and focuses on all of SNS REAAL's Banking activities. More on [Dick Okhuijsen](#).



Wim Henk Steenpoorte

Wim Henk Steenpoorte (1964) has been a member of the Executive Board since September 2011 and focuses on all of SNS REAAL's Insurance activities. Additionally, he is responsible for IT & Change and the Group staff departments Legal Affairs and Facility Management. More on [Wim Henk Steenpoorte](#).



4 Strategy and Organisation

4.1 Bank and insurer go their own way

The business units of SNS REAAL are preparing themselves for a separate future. As a result SNS REAAL does not have an operational strategy for the Group as a whole. The strategy for the various business units is described in the chapters on SNS Retail Bank, REAAL and Zwitserleven.

The Executive Board has been instructed by the Minister of Finance to implement the restructuring plan submitted to the European Commission in August 2013, which received final approval in December 2013. The plan consists of measures to ensure the long-term viability of the activities and to limit the distortions of competition resulting from the State aid.

4.1.1 Separation of Property Finance and sale of the Insurance activities

The restructuring plan consists of two structural measures: the separation of Property Finance, and the divestment of the insurance activities. The legal separation of Property Finance was effected on 31 December 2013. Since 31 December, this entity has been operating entirely independently of SNS Bank and SNS REAAL under its new name Propertize. The new entity continues to be supported by the Group in certain areas on the basis of service provision agreements, such as legal affairs. Under shareholdership of the Dutch State (NLFI), Propertize will continue to phase out its finance portfolio, a process that will certainly take several years.

The insurance activities of REAAL and Zwitserleven are incorporated into REAAL NV. The asset manager SNS Asset Management, which is still a Group activity at the end of 2013, will be added to REAAL NV in the course of 2014. REAAL NV will be divested in accordance with the decision of the European Commission. REAAL NV may be able to play a part in the expected consolidation in the insurance market. The Dutch State and SNS REAAL have committed themselves to use the proceeds of REAAL NV to reduce the double leverage in SNS REAAL's balance sheet. The holding company of SNS REAAL will be dismantled.

In organisational terms, the separation of SNS REAAL means that the support from the Group to the business units will be phased out, including accounting, control, human resources, tax, legal and IT. To the extent that and for as long as SNS Retail Bank, REAAL and Zwitserleven do not stand on their own, SNS REAAL will continue to provide support from the group in the area of management and control of financial viability, the risk profile and shared values.

4.1.2 Good starting position for SNS Retail Bank

The nationalisation and separation of Property Finance improved the capital position and decreased the risk profile of SNS Bank. This will lead to renewed access to capital markets funding. The future envisaged for SNS Retail Bank is that of an independent bank for retail customers, self-employed persons and the SME market, so that the Dutch consumer banking market remains competitive, with an adequate number of players. SNS Retail Bank is not prohibited by the European Commission to become a price leader in certain markets. With the approval of the European Commission, subject to the conditions set, SNS Retail Bank is well positioned for further development. With the four retail brands (SNS Bank, RegioBank, ASN Bank and BLG Wonen), SNS Retail Bank is close to our customers. By engaging them, SNS Bank Retail will further improve our services and strengthen our market positions. In the longer term, the intention of the Dutch State is to privatise SNS Retail Bank.

The approval from the European Commission commits SNS REAAL to a number of limitations, please refer to section 5.4, that will apply until the end of the restructuring period, unless otherwise determined.

4.2 Separation of Group activities has begun

In the second half of 2013, a number of measures were taken to strengthen the equity position of the insurance activities (REAAL NV) and to reduce the interdependency between SNS Bank NV and REAAL NV.

As a result of the separation SNS REAAL will change its corporate model. The SNS REAAL Executive Board will still bear final responsibility for the Group and for the transition the Group has to go through. Responsibility for the implementation of the separation of the Banking and Insurance activities will, as far as possible, be anchored in the management teams of the bank and the insurer. This has already led to a reallocation of duties within the Executive Board in October 2013. The organisational responsibilities will be combined with responsibilities under the Articles of Association as much as possible. In the transitional phase towards the independence of the bank and the insurer, SNS REAAL will gradually change the governance structure, starting in 2014, after obtaining the approval of the Central Works Council. This will include the transfer of the Group activities, the formation of independent risk and control functions, and the preparation of the transfer of IT functions in the course of 2015.

The separation process will mean that the synergy benefits realised as a result of combining activities in the Group will cease. On the other hand, the organisational structure will be simplified. The aim is that the organisational and legal separation will not adversely affect cooperation between the brands. The usage of each other's distribution and production potential and market expertise will continue to be an important source of synergy for the Banking and Insurance activities. Only the legal frameworks within which this cooperation takes place will change.

4.3 Mission, core value and social responsibility

SNS REAAL's mission is Simplicity in finance. This reflects the origins of our company, which began nearly 200 years ago. Even then, transparency, simplicity and solidarity were our guiding principles. We care about the fundamentals in people's lives, such as housing, education, a buffer for unexpected expenses, compensation in the event of losses and an adequate pension. With Simplicity in finance, SNS REAAL works towards this. We want to act responsibly for all stakeholders in our company. The core value CARE! stands for the responsibility SNS REAAL wants to take for its customers, for each other, for our profits and for society.

Dutch financial institutions are subject to an extensive system of laws and regulations that safeguard the quality and security of financial products and services. Compliance is obviously required. Corporate responsibility (CR), however, goes beyond this. Based on our convictions and our sense of responsibility, and in dialogue with our stakeholders, we hope to have a positive effect on society in two ways: boost financial resilience through our products and advice and improve the environment in which people live. In policy-related choices, SNS REAAL also lets itself be guided by the (potential) positive social impact that it can achieve as a company.

4.3.1 Financial resilience

Most importantly, we stimulate people to become financially resilient by the quality of our service. The guiding principle in this respect is the concept of putting customer's interests first. SNS REAAL strives to offer our customers insight, clarity and prospects, so that they can make the right financial decisions, big or small. Key elements of this service are:

- providing simple, accessible and safe products and services with limited risk;
- ensuring that customer experiences and complaints are used for improvement;
- enabling customers to make responsible choices by providing comprehensible product information and/or appropriate advice;
- systematic testing of customer's interests and customer integrity;
- measuring and improving customer satisfaction.

In order to increase people's financial resilience and independence, SNS REAAL also strives to provide financial education to those who need it most, whether they be adults, young people or children. We do this through our foundations *Geldinzicht*, *Weet wat je besteedt*, *Samen voor Later*, our guest teaching programme *Eurowijs* and our participation in *Bank voor de klas*.

SNS REAAL offers appropriate assistance to customers in financial difficulties, and strives to contribute to the reform of the financial sector with initiatives designed to promote well-being and the restoration of confidence. We wish to increase our transparency and social contribution, ensure stability, and to offer services that put the well-being of our customers first.

4.3.2 Sustainable living environment

SNS REAAL endeavours to achieve a sustainable living environment by:

- promoting sustainable innovation in society, through products and marketing that contribute to sustainable living, personal well-being and energy efficiency, and by financing sustainable infrastructure, social facilities and power generation;
- responsible investment of our own funds and the funds of our customers. A significant portion of our balance sheet, more than € 46.8 billion, consists of customer investments and our own investments. We only invest in companies, government bodies and institutions that respect the principles we have established with respect to the environment, the climate, social issues and corporate governance. The principles are established in the Fundamental Investment Principles of SNS Asset Management and the investment policy of SNS Bank, which are available for inspection at www.snsam.nl and www.snsbank.nl;
- ensuring the responsible conduct of our business, whereby potential environmental effects are taken into account and where we positively affect our environment and the well-being of our employees.

4.4 Putting the customer's interests first

In 2013, our services were primarily focused on putting the customer's interests first. SNS REAAL shares the methods designed to achieve and ensure this as well as the results in detail with the Dutch Authority for the Financial Markets (AFM). AFM requests SNS REAAL to carry out a self-assessment each year, and provides feedback on the results. This has led to many improvements each year, the most important of which can be found at www.snsreaal.nl. SNS Retail Bank, REAAL and Zwitserleven took a large number of initiatives to better serve and guarantee the customers' interest.

In 2013, the AFM researched putting customer's interest first of parts in the services. The reports received concern SNS Bank and partly also our other bank brands. The AFM investigated the policy on savings, mortgages and complaints management. SNS Retail Bank significantly outperformed on most important items compared to last year. Moreover, for savings and mortgages SNS Retail Bank scored higher than the market benchmark. On the elements consumer credit and cost information of investments, that are less relevant at SNS Retail Bank, it scored as well as or slightly lower compared to the previous year. The cost information of investments scored considerably higher than the market benchmark and consumer credit slightly less. SNS Retail Bank underperformed the market benchmark on the item customer contact. In 2013 SNS Retail Bank made a substantial effort to improve its communication with customers, however it can make a further impact by renewing all of its conditions.

The self-assessments shared by the business units with the AFM state a number of points of interest as well as the numerous improvements achieved in 2013. These points of interest lead to the conclusion that the progress in putting customer's interest first, that SNS Retail Bank should wish to accomplish, is less than anticipated. SNS Retail Bank distinguished three points of interest in its analysis for 2013: dilemmas, conduct and legislation. Dilemmas arise from the choices that have to be made from limited resources. Optimising the price/quality ratio and customer satisfaction must not stand in the way of a decent profit and sound solvency, since the profitability of the business is also in the interests of customers (and others) and needs to be safeguarded in the future. Changes in behaviour cannot be achieved in one or two years. They require more time, despite the intensive encouragement that we provide.

For example in the form of HR tools such as management based on personal leadership and performance assessment linked to the customer's interests. Finally, changes to legislation sometimes limit the ability of the organisation to make room for the customer's interests in all its processes that SNS Retail Bank considers necessary.

The AFM investigated six large insurers in the area of customer's interest in 2013. Beginning in 2014, REAAL received feedback on a number of items like customer information, aftercare in unit-linked insurance and complaints management. On all these points REAAL scored clearly higher than 2012. In addition to describing the many improvements achieved in 2013, REAAL also describes the points of interest in its self-assessment. We were not sufficiently able to motivate customers to assess their unit-linked insurance policies and, with the help of an advisor, adjust them as necessary, despite an intensive communication policy (see section 9.2.3). The wide range of products that are no longer sold are an obstacle to efficient and customer-oriented management. REAAL is working on standardising its systems and products to improve this situation. REAAL trusts that its efforts in recent years will translate into increased customer satisfaction based on the Net Promotor Score (NPS) (see section 4.5).

Zwitserleven has initiated changes in its conduct and process management, but these are time consuming. As with REAAL, Zwitserleven would like to have more insight in customer data in order to more effectively meet the customer's needs. Zwitserleven would like to have an integrated CRM system offering a complete overview of communications and products for each customer. However, this requires substantial investment in IT. The primary investment focus is currently on a new administration system, which will improve efficiency, and thereby the costs of product management. This is also in the customers' interests.

4.5 Customer satisfaction

We want to assess correctly paying attention to our customers and improvement of our performance. SNS REAAL brands therefore use the NPS method (Net Promoter Score) to measure customer satisfaction. This measures the number of customers who are so enthusiastic about the brand that they would recommend it to friends and acquaintances. The number of customers that advise friends and acquaintances to avoid the brand is deducted from the result. The uniform NPS measurements, based on a representative sample, are carried out by an external agency twice a year.

Customer satisfaction in the financial sector as a whole has been under pressure due to the developments relating to the financial crisis. A limited number of Dutch banks and insurers had a positive NPS score out of all those surveyed in 2013, one of which was ASN Bank. It is likely that most brands have seen a reduction in their NPS score in the light of developments associated with the nationalisation. The measurements show that customers who have more recently been in contact with the brand, for example via the telephone helpdesk, are on average more satisfied than other customers. Measurements at the business units also indicate this. The brands therefore aim at intensifying customer contact, also through various types of dialogue.

Table 2: Customer satisfaction based on NPS

	2013	2012
SNS Bank	(39%)	(35%)
ASN Bank	19%	22%
RegioBank	(7%)	(7%)
BLG Wonen	(15%)	(30%)
REAAL	(48%)	(51%)
Zwitserleven - employees of customers	(43%)	(41%)

See chapter 8 [Developments at SNS Retail Bank](#) for details of the NPS at the banking brands, chapter 9 [Developments at REAAL](#) for details of the NPS for REAAL and chapter 10 [Developments at Zwitserleven](#) for details of the NPS for Zwitserleven.

4.6 Management and policy development for Corporate Responsibility

The Executive Board has delegated the implementation of Corporate Responsibility (CR) to the Director of CR, who will work with a CCR steering group consisting of two members of the Executive Board, the management teams of SNS Retail Bank, REAAL, SNS Asset Management and Zwitserleven and the directors of certain Group staff departments. The steering group, led by the Chairman of the Executive Board, met on five occasions in 2013 and discussed matters including progress at the business units and the further development of Group-wide themes such as performance indicators and the encouragement of a positive social impact. Also, an analysis was done on diversity of employees and the way to promote this. Based on the results diversity guidelines have been introduced for recruitment, appointment and for the talent programmes. Also a discussion took place on the way to improve the energy performance of our buildings. Concrete agreements were made to compensate for the CO₂-emission in 2013, and to procure green electricity certificates.

SNS REAAL regularly reviews its policy and results in the light of the opinions of its stakeholders. We carried out a materiality analysis (stakeholder consultation) in 2012. This brought to light a number of themes that SNS REAAL has prioritised in our policy and reporting: financial accountability, our involvement with the community, product responsibility, chain responsibility, customer satisfaction, the stakeholder dialogue, ethics and integrity, and our role as an employer. We focus our discussions on exactly those issues (in more detail) that are important to our stakeholders. To test our policy against the opinions of CR-stakeholders in other sectors, SNS REAAL also makes use of an advisory council.

SNS REAAL became affiliated to the Grote Bedrijven Netwerk (Large Companies Network, or GBN) of CR Netherlands. As a member of the GBN, SNS REAAL can benefit more from the networks and expertise of CR Netherlands, which offers master classes, workshops, training courses and (multi-year) sustainability programmes.

SNS REAAL has integrated the reporting of its corporate social responsibility in its annual report. The reporting also presents the additional information required under the standards of the Global Reporting Initiative (GRI). Within set frameworks, our business units are responsible for their own results. Most of the information on our CR performance can therefore be found in chapters 8 to 11. Our policy and results as a responsible employer are discussed in chapter 15 [Our People](#). Targets for the Group as a whole are stated at the end of this chapter.

The further development of CR will include further improvements to our reporting. Our integrated CR report for 2012 scored 170 points out of a possible 200 points in the Ministry of EL&I's Transparency Benchmark, compared to a score of 162 points a year earlier. SNS REAAL was one of the top 50 companies of the 460 Dutch companies assessed.

The Fair Bank Guide and the Fair Insurance Guide publish empirical studies of the investment policies of banks and insurers. The studies indicate there are shortcomings in the transparency provided on the investment policy of SNS Bank, REAAL and Zwitserleven. SNS Asset Management adjusted its Fundamental Investment Principles to more closely reflect the transparency criteria of the bank and insurance guides at the end of 2013.

4.7 Realisation of CR targets for 2013

In its previous annual report, SNS REAAL announced four CR initiatives. A brief evaluation of the progress of each initiative is given below.

1 Integration of CR into the entire business, i.e. in management objectives and profit targets for our brands and staff departments.

SNS REAAL included the following new targets in the management reporting and achieved the following scores in 2013:

- The number of product conditions with simplified information using simple language should be at least 80%. This target corresponds to the GRI indicator FS15. The 2013 score differs per brand and shows a mixed picture. REAAL Non-life was the only brand to meet the target and revised and improved almost all its retail product range.

The other brands did not achieve the target of 80%, but did make considerable improvements. In May 2013, REAAL Life revised the proposition information, the terms and conditions and the product chart of term life insurance to B1 level. It did not concern the launch of a new product, but the rewriting of existing communication. At Zwitserleven, the introduction of simple banking products contributed to this target. In this reporting year, SNS Bank put effort in the revision of information in relation to bank savings for REAAL Banking Services, like example calculations, reading guide and process guide.

- The number of indicators in the programme for quality, integrity and continuity (QIC) that measure and improve the relationship with and wishes of our intermediaries. This target has been changed into obtaining a qualitative indication of the quality, integrity and continuity of the intermediaries.
REAAL and Zwitserleven use a number of indicators to monitor distribution in the QIC programme, in order to ensure - together with their distribution partners – that a further increase in quality can be achieved for customers. Cooperation with partners who also consider quality to be important is thus essential. In 2013 therefore, in the interests of our customers, the insurers transferred several hundred portfolios of distribution partners with no active cooperation agreement, to distribution partners with whom an active and good-quality relationship is maintained.
- The percentage of employees taking integrity training should be at least 80%. Score in 2013: 90%. This target corresponds to the GRI indicator SO2/3.
- The percentage and number of companies in portfolio with which we communicate on environmental and social aspects should be at least 10 per business unit or Group staff department. This target was adjusted over the year to the number of instances of communication on environmental and social aspects with stakeholders per business unit or Group staff department. This target corresponds to the GRI indicator FS10. In 2013 we succeeded to a limited extent in a systematic registration of the number of communication moments for the business units as well as the group staff departments. In annex 2.4 Consultation with stakeholders, the contacts by the brands on environmental and social aspects are elaborated.
- Total direct and indirect emission of greenhouse gases (CO2 emissions) by weight. Per FTE, this should fall by at least 3% for energy usage in office buildings, at least 2% for travel between home and work and for business travel, and at least 2% for external data centres and IT equipment used by SNS REAAL. Scores in 2013: 1.7% (based on energy usage), 14% (based on CO2 emissions) and 19% (based on energy usage) respectively.

2 Continuing to improve the quality (simplicity, convenience) of our products, so that our customers are in an even better position to make the choices that are most suited for their options and objectives. In addition to the information under item 1, the brands of SNS Retail Bank, REAAL and Zwitserleven have improved the product information on their websites, frequently on the basis of customer contacts. Much of the product information has also been rewritten in simpler language. REAAL has improved and simplified its retail non-life products (see [section 9.2.4](#)) and disability products (see [section 9.2.5](#)). Zwitserleven introduced its straightforward and transparent NuPensioen product in early 2014 (see [section 10.5.3](#)).

3 Further sustainability in the distribution chain, including:

- expanding our contacts with stakeholders, such as customers and distribution partners, in order to achieve improvements collectively. For their customers, our brands do this by means of customer panel, see chapter [8](#), [9](#) and [10](#).

RegioBank continuously measures customer satisfaction with respect to the Independent Advisers. In 2013, 1,777 customers completed an online survey. An improvement procedure is initiated for NPS scores of less than 80%. RegioBank has a profile for advisers with required levels of knowledge, skills, training, integrity, compliance and personality. During 2013, RegioBank encouraged its advisers to take the Financial Supervision Act e-learning modules that focus on compliance, integrity, and putting the customer's interests first. RegioBank provided 'BAAT' training courses focusing on customer contact and maintaining a positive customer relationship for 857 advisers in 2013.

BLG Wonen performs checks on a weekly basis to ascertain whether advisers have the correct licences from the AFM. In 2013 BLG also started to conduct customer satisfaction surveys, which included questions regarding satisfaction with the customer's own intermediary. In addition to the regular contacts with advisers, BLG organised various meetings in 2013, at which meetings knowledge was transferred to 550 advisers. BLG Wonen parted company with over 100 intermediaries in 2013.

- better safeguarding the quality of advice provided by the intermediaries working with our brands.

SNS Asset Management conducted a dialogue on environmental and social aspects with 24 stakeholders.

4 Stichting Geldinzicht, a new social initiative of SNS REAAL designed to increase people's ability to manage their own financial affairs, particularly through education.

Stichting Geldinzicht started in 2013. This foundation gears its activities towards people between the ages of 25 and 55 who are only just managing to make ends meet each month. The purpose of Geldinzicht is to make people financially independent and aware, and able to manage their own affairs, by organising training courses and workshops. These courses and workshops are positive, preventive and accessible. People learn how to make their own decisions in the interests of their financial health. Geldinzicht focuses on knowledge, attitude and behaviour. Motivation at the time of application is important. Course fees are therefore charged, and this also means that the foundation can cover its costs. 200 people took a training course or attended a workshop in 2013. See www.geldinzicht.nl for further information. With Stichting Geldinzicht, SNS REAAL is now also supporting financial education for adults. Previous initiatives by the brands were (and are) targeted at children and young people.

4.8 CR targets for 2014

SNS REAAL will maintain the targets stated under 1, 2 and 3 in section 4.7. We are also adding the following targets:

- A higher NPS-score per brand, see also section 4.5.
- New or revised products will 100% be tested by or developed in cooperation with a customer panel.
- 95% of the customer assets under management by SNS Asset Management complies with the updated Fundamental Investment Principles of SNS Asset Management.
- An improvement in the average score by employees for SNS REAAL as an employer as shown in the annual employee survey.

5 Nationalisation and its implications

5.1 Nationalisation

In January 2013, the Dutch Central Bank (DNB) informed SNS REAAL of its conclusion that the capital position of SNS Bank NV was insufficient to cover the company's current and possible future risks. SNS Bank NV was requested to present by 31 January 2013 a final solution for its capital position that according to the judgement of DNB would provide a sufficient degree of certainty of succeeding and that would furthermore result in supplementing the capital deficit that existed according to DNB. SNS Property Finance BV (Property Finance) had been an important factor in the arising of the capital deficit. In the opinion of DNB, the proposal of SNS REAAL NV offered insufficient certainty that the identified capital deficit could be addressed in the short term. DNB subsequently informed the Ministry of Finance that it no longer considered it sound for SNS Bank NV to continue to carry out its banking operations.

On 1 February 2013, the Minister of Finance (the Minister) decreed (the Decree) by virtue of Articles 6:2 and 6:4 of the Dutch Financial Supervision Act to expropriate:

- all issued shares in the capital of SNS REAAL NV;
- all core Tier 1 capital securities issued by SNS REAAL NV to Stichting Beheer SNS REAAL (Stichting securities);
- all subordinated bonds of SNS REAAL NV and SNS Bank NV, including the participation certificates issued by SNS Bank NV;
- subordinated private debts of SNS REAAL NV and SNS Bank NV.

In the Decree the Minister set out that he had concluded that the stability of the financial system had been placed at serious and imminent risk by the situation in which SNS REAAL found itself prior to 1 February 2013.

All shares, Stichting securities and subordinated bonds were expropriated for the benefit of the Dutch State (the State). The expropriation of subordinated private debts was effected by expropriating the corresponding debts relating to liability capital components of SNS REAAL NV and SNS Bank NV for the benefit of Stichting Afwikkeling Onderhandse Schulden SNS REAAL (Private Debt Settlement Foundation SNS REAAL, 'Stichting AOS'). In the Decree, the Minister explained that the capital components of the subordinated private debts had been expropriated in the name of a separate foundation in order to avoid these debts being transferred to the State. Through a provision under Article 6:1 of the Financial Supervision Act, SNS REAAL has been appointed as sole director of Stichting AOS. The Decree came into effect at 08.30 a.m. on 1 February 2013. At that moment, the expropriated securities and capital components were legally transferred to the State and Stichting AOS respectively.

Following the expropriation of the shares, Stichting securities, subordinated bonds and subordinated private debts, the following measures were taken in line with the Minister's nationalisation decree in 2013:

- A paid-in share premium of € 2.2 billion by the State in SNS REAAL NV, € 1.9 billion of which was passed through as share premium to SNS Bank NV.
- The conversion of B shares of SNS REAAL NV into ordinary shares.
- The conversion of the core Tier 1 capital securities issued to the State and Stichting Beheer SNS REAAL into share premium on ordinary SNS REAAL NV shares.
- The expropriated subordinated bonds of SNS REAAL NV and SNS Bank NV were injected by the State as share premium capital into SNS REAAL NV. As a result of this measure, € 1,038 million (net of tax) of third-party debt was converted into shareholders' equity.
- The expropriated subordinated private debts of SNS REAAL NV and SNS Bank NV were expropriated in the name of Stichting AOS. As a result of this measure, € 49 million was incorporated into capital through profit and loss.
- A bridge loan to SNS REAAL NV of € 1.1 billion.

- The shares in Property Finance were transferred on 31 December 2013 to an asset management organisation in combination with a State guarantee on the temporary loan that is provided by SNS Bank NV to this asset management organisation. Following the transfer, the State injected € 0.5 billion in Property Finance.
 - As a result of the transfer of the activities of Property Finance to an asset management organisation and in combination with the State guarantee on the loan, SNS Bank NV released around € 4.5 billion in risk-weighted assets
 - Property Finance was transferred at a transfer value as determined by the Minister, which resulted in a devaluation of the real estate financing portfolio of € 2.8 billion compared to the book value as at 30 June 2012.

On 19 December 2013, the European Commission (EC) approved the measures of the Minister as submitted by the Ministry of Finance in the restructuring plan on 19 August 2013. The change in capital structure is set out in section 5.2, the separation of Property Finance in section 5.3 and a more detailed explanation of the EC's decision is provided in 5.5.

Changes to the Executive Board and Supervisory Board

Executive Board members Ronald Latenstein (CEO) and Ference Lamp (CFRO) and the chairman of the Supervisory Board, Rob Zwartendijk, resigned from their positions on 1 February 2013. They were not given a notice period nor any severance pay. The vice chairman of the Supervisory Board, Piero Overmars, temporarily acted as chairman of the Supervisory Board until he stepped down on 1 November 2013.

On 4 February 2013, the following Executive Board members were nominated and appointed by the State: Gerard van Olphen as chairman of the Executive Board and Maurice Oostendorp as CFRO and member of the Executive Board.

On 1 November 2013, Piero Overmars, Jaap Lagerweij, Robert Jan van de Kraats and Herna Verhagen resigned from the Supervisory Board of SNS REAAL NV. At the Extraordinary General Meeting of Shareholders held on 18 October 2013 it was decided to reduce the number of Supervisory Board members of SNS REAAL NV per this date to seven members. With effect from 1 November 2013, Jan Nooitgedagt, Jan van Rutte and Monika Milz were appointed as Supervisory Board members to the ensuing three remaining vacancies on the Supervisory Board. Mr Nooitgedagt was also appointed Chairman of the Supervisory Board. The new members were also appointed to the Supervisory Board of SNS Bank NV, SRLEV NV and REAAL NV. Mrs Milz was appointed in accordance with the reinforced right of recommendation of the Central Works Council.

Role NLFI in governance structure

Since 31 December 2013, Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments, 'NLFI') holds 100% of the shares in SNS REAAL NV. NLFI is responsible for the management of the shares and the exercise of all rights associated with the shares, including voting rights, in accordance with the law and the articles of association of NLFI. Despite possessing all voting rights attached to the shares, in accordance with the law and the articles of association of NLFI all significant and fundamental decisions must first be approved by the Minister.

Based upon the law and the articles of association of NLFI, NLFI does not possess the right to dispose of nor encumber the shares; these rights can only be obtained after receipt of formal authorisation from the Minister.

Dividend policy

SNS REAAL has established a dividend policy that is determined and can be amended by the General Meeting of Shareholders (NLFI). The Executive Board, with approval of the Supervisory Board, has the right to submit herefore a proposal.

The following sections set out specific legal aspects of the nationalisation, procedures and investigations.

5.1.1 Council of State

A considerable number of stakeholders lodged appeals against the Decree with the Administrative Jurisdiction Division of the Dutch Council of State. On 25 February 2013, the Council of State decided that the appeals largely do not have a legal base and therefore upheld the expropriation decree. The Council of State judged that the Minister has expropriated the securities and assets lawfully but not the corresponding liabilities or obligations of SNS REAAL NV and SNS Bank NV towards expropriated parties insofar as these obligations or liabilities are related to the (former) ownership of the securities referred to. Therefore, any such claims can still be made against SNS REAAL NV and/or SNS Bank NV respectively.

A number of stakeholders have referred the appeal procedure at the Council of State to the European Court of Human Rights (ECHR) for review.

5.1.2 Enterprise Chamber

The holders of the securities and capital components, as mentioned above, by law have a right to compensation by the State at the level of the actual value of the affected enterprise at the time of the expropriation. The level of compensation is to be established by the Enterprise Chamber of the Amsterdam Court of Appeal. The Minister's current offer is a compensation of € 0, against which various holders have lodged an appeal at the Enterprise Chamber. On 11 July 2013, the Enterprise Chamber issued an interim ruling and appointed experts to assess the value of the expropriated securities and capital components. On 9 October 2013, the State lodged an appeal against this ruling. It did so also because this was the first time that the Intervention Act had been applied and the State attaches importance to the Supreme Court's ruling on how certain aspects of the law should be interpreted before the assessment by experts, as recommended by the Enterprise Chamber, gets underway. At the request of the State, the Enterprise Chamber has postponed the procedure until a decision on the appeal has been made. It is not yet known when the Supreme Court will issue its ruling. In the event that the Enterprise Chamber rules that compensation is due, this compensation will be paid by the State.

5.1.3 Private debt settlement Foundation SNS REAAL

In his Decree, the Minister explained that the capital components of the subordinated private debts were expropriated for the benefit of a separate foundation, Stichting AOS, in order to avoid these debts being transferred to the State. Since Stichting AOS was not provided with any assets, either on incorporation or thereafter, it has not been able to meet its obligations assigned to it under the Decree, resulting from the private loans issued to SNS REAAL NV and SNS Bank NV at the time.

In his Decree, the Minister appointed SNS REAAL NV as director of Stichting AOS. Stichting AOS was incorporated by and for the State to arrange the legal settlement of (the expropriation of) private subordinated debt and not with the purpose to carry out activities for SNS REAAL.

On 12 November 2013, at the request of one of the lenders, the District Court for the Central Netherlands declared Stichting AOS bankrupt. The trustee in bankruptcy is considering the procedure for settling this bankruptcy as well as the roles of the State and director SNS REAAL NV.

5.1.4 Participation certificates

Among the subordinated bonds of SNS Bank NV expropriated by the State are so-called third series participation certificates (€ 57 million). Shortly after the nationalisation, the Minister requested management to conduct a fact-finding investigation to ascertain whether there had been any irregularities in the offer of and/or advice concerning these certificates in the past and, if required, to draw up a proposal for compensating those affected. Based on the investigation performed, SNS Bank NV made a proposal for compensation to the clients in question on 11 July 2013. At the time of publication of this annual report, 97% of the clients had accepted SNS Bank NV's offer. From the total provision of € 53 million, which was recognised for the payment of the compensation in the first half of 2013, the amount of € 51.3 million was paid out in the course of 2013.

5.1.5 Other legal procedures and investigations

5.1.5.1 General

Various former holders of expropriated securities and capital components have initiated legal proceedings to seek compensation for damages. At the time of drawing up the financial statements, no court proceedings had (yet) been initiated against SNS REAAL NV and/or SNS Bank NV other than those stated below. Currently, it is not possible to make an estimate of the probability that possible legal proceedings of original holders or other parties affected by the nationalisation may result in liability, or the level of the financial impact on SNS REAAL NV and/or SNS Bank NV. For this reason, at year-end 2013 no provisions have been made in respect of possible legal actions by holders concerning the expropriated securities and capital components and other affected parties. As the outcomes of possible legal proceedings cannot be predicted with certainty, it is not possible to rule out that a negative outcome may have a material negative financial impact on the capital position, results and/or cash flows of SNS REAAL NV and/or SNS Bank NV.

5.1.5.2 Frijns/Hoekstra Commission

On 5 March 2013, the Minister announced an inquiry into the actions of DNB and the Ministry of Finance and the interaction between them with regard to SNS REAAL. For that purpose, an inquiry commission was set up, chaired by Dr J.M.G. Frijns and R.J. Hoekstra, LL.M. (the Commission).

The Commission heard former Executive and (former) Supervisory Board members of SNS REAAL and inspected documents of SNS REAAL. The report was published on 23 January 2014. The conclusions and recommendations relate to the primary subjects of the inquiry, the Ministry of Finance and DNB. Following the publication of the report various parties emphasised the desirability of a further inquiry directed specifically at SNS REAAL.

5.1.5.3 Stichting Beheer SNS REAAL

Stichting Beheer SNS REAAL, the former holder of the majority of the shares in SNS REAAL NV, claims, amongst other, that it does not have sufficient information to determine its asserted value in the compensation proceedings against the State (see section 5.1.2). SNS REAAL contests this claim on substantive and procedural grounds. On 11 November 2013, the Stichting filed a petition for a provisional witness hearing at the District Court in Amsterdam. In addition to the officers of SNS REAAL, the witnesses named in the petition include officials of the State and DNB. The court session planned for 11 February 2014 following the request by Stichting Beheer SNS REAAL for a provisional witness hearing has been postponed.

5.1.5.4 Arbitral proceedings on subordination of a loan

A lender of one of the private loans included among the liabilities placed by the Decree of 1 February 2013 in Stichting AOS (see section 5.1.3) disputes the subordination of that loan and started an arbitral proceeding at the Netherlands Arbitration Institute in December 2013. Since SNS REAAL NV was the original contractual party for this expropriated loan, it is a formal party to these proceedings and will conduct the defence.

5.2 Change in the capital structure

This section discusses the impact of the nationalisation on the capital structure of SNS REAAL NV and SNS Bank NV.

5.2.1 B Shares

An amendment to the Articles of Association of SNS REAAL NV came into effect on 5 February 2013 whereby the B shares that were expropriated from Stichting Beheer SNS REAAL by the State on 1 February 2013 were converted into 6 ordinary shares. The number of ordinary shares has therefore increased from 287,619,867 to 287,619,873. The six B shares had a denomination of € 100 million (totalling: € 600 million), but the nominal value per B share was equal to the nominal value of the ordinary shares (€ 1.63 per B share). To the extent that the issue price of the B shares was higher than the nominal value, the excess was considered share premium on the B shares. The share premium allocated to the B shares was converted to share premium on ordinary shares at the conversion of the B shares to ordinary shares.

5.2.2 Core Tier 1 capital securities

The Stichting securities that were issued in 2008 were expropriated. The core Tier 1 securities which SNS REAAL issued to the State in 2008 (book value as at 1 February 2013: € 565 million) and the Stichting securities (book value as at 1 February: € 313 million) were added to share premium on ordinary shares in SNS REAAL in 2013. The Minister's letter to Parliament states that the conversion of the core Tier 1 securities of the State affected the EMU balance by € 0.8 billion. This takes into account financial penalties which SNS REAAL would have owed at repayment.

5.2.3 Expropriation of subordinated bonds and private debts

5.2.3.1 Subordinated bonds

The State injected the expropriated subordinated bonds into SNS REAAL in the form of share premium on 1 February 2013. Thereafter, with economic effect on the same day, SNS REAAL transferred the expropriated subordinated bonds issued by SNS Bank NV in the form of share premium to SNS Bank NV. The resulting merger of debt extinguished all debt claims including all ensuing payment obligations to the State. The value of the expropriated subordinated bonds was recognised directly to equity, and is for the most part not subject to corporation taxation. The result which arose from cancelling the derivatives associated with the expropriated items was, through profit and loss, recognised in shareholders' equity.

The definite taxable result of these measures as based on an advanced tax ruling by the Dutch Tax Authority has led to a net capital increase of € 1,038 million in 2013 (pro forma estimate in the financial statements of 2012: € 987 million).

5.2.3.2 Subordinated private debts

Subordinated private debts were expropriated. The liability capital components of SNS REAAL NV and SNS Bank NV corresponding to these debts were also expropriated on behalf of Stichting AOS. The subsequent release in the balance sheet was, through profit and loss, recognised in shareholders' equity.

The definite taxable result of these measures as based on an advanced tax ruling by the Dutch Tax Authority has led to a net capital increase of € 49 million in 2013 (pro forma estimate in the financial statements of 2012: € 71 million).

5.2.4 Capital injection of € 2.2 billion

In his Letter to Parliament, the Minister explained that SNS REAAL required a capital injection totalling € 2.2 billion: € 1.9 billion for SNS Bank NV and € 300 million for SNS REAAL NV. A paid-in share premium of € 2.2 billion in SNS REAAL NV was made on 11 March 2013, € 1.9 billion of which was passed by SNS REAAL NV as share premium to SNS Bank NV on the same day.

5.2.5 Bridge loan from the State to SNS REAAL of € 1.1 billion

In his letter to Parliament, the Minister explained that DNB expected that SNS REAAL, as a result of the expropriation, would for some time experience difficulties in attracting external funding. To offset this, the State provided SNS REAAL with a bridge loan of € 1.1 billion. This sum was received on 4 March 2013. This loan was used to redeem € 485 million of external debt and € 615 million of internally draw down loans.

5.2.6 Resolution levy contribution

The Minister requested all banks to make a contribution in the form of a one-off resolution levy. Based on the most recent estimate, SNS Bank NV's contribution is estimated to be € 76 million. This amount will fall due in 2014 and will be charged to profit or loss in that year.

5.3 Separation of Property Finance

5.3.1 Introduction

The separation of the Property Finance activities was part of the restructuring plan, which was submitted to the EC by the Ministry of Finance on 19 August 2013. The EC approved the transfer on 19 December 2013. DNB issued a Declaration of no objection for the separation of Property Finance on 24 December 2013.

On 31 December 2013, the shares of Property Finance were transferred to the State for the amount of € 1, followed by the transfer of the Property Finance shares by the State to NLF1.

On 1 January 2014, Property Finance changed its name to Propertize BV. As an independent organisation, split off from SNS REAAL, Propertize will focus on run-off of the real estate financing and property projects portfolio.

In the starting phase, SNS Bank NV will continue to fund Propertize. The credit risk on Propertize after the separation is covered by a State guarantee covering SNS Bank NV's total exposure to Propertize of € 4.1 billion as at 31 December 2013. It is the aim of Propertize to refinance the entire funding provided by SNS Bank in the course of 2014 through issuing State guaranteed Medium Term Notes and Commercial Paper to institutional investors. In 2014 Propertize has three times successfully placed Medium Term Notes with a volume of € 2.3 billion.

5.3.2 Developments in 2013 in relation to the nationalisation

Property Finance was an important factor in the decision to nationalise SNS REAAL. The continuing losses in Property Finance's real estate and real estate finance portfolio amongst other resulted in SNS Bank NV's capital position becoming inadequate in the opinion of DNB. In the Decree it was, therefore, decided to transfer Property Finance's activities to a separate asset management organisation, isolated from SNS REAAL.

The Minister determined that Property Finance had to be transferred at a transfer value determined by the Minister, at a value which is € 2.8 billion lower than the book value of the real estate finance portfolio as at 30 June 2012. As a result of impairments recognised between 30 June 2012 and 31 December 2013, the portfolio has been written-down by a total of € 1,833 million. An impairment of € 776 million was recognised in the second half of 2012, followed by an impairment of € 1,057 million in 2013.

To enable Property Finance to also absorb the remaining expected gross write-off of € 967 million (€ 2.8 billion less the impairments of € 1,833 million already recognised), SNS REAAL increased the capital of Property Finance through a paid-in share premium of € 725 million net before transfer. This increased the capital of Property Finance to such a level that Property Finance is able to absorb expected future losses of up to € 967 million gross. The total impairments of € 1,833 million on the total assets of Property Finance, increased by the additional net capital of € 725 million, is equal to the total write-down of € 2.8 billion as determined by the Minister at the time of expropriation.

On 31 December 2013, the shares of Property Finance were transferred to the State for € 1. At the transfer SNS Bank NV therefore recognised an additional loss of € 725 million net, the amount of Property Finance's shareholders' equity.

Up until the time of separation on 31 December 2013, Property Finance was part of the fiscal unity of SNS REAAL. Based on the advanced tax ruling with the Dutch Tax Authority, it was determined that the impairments of €1,057 million over 2013 and the anticipated future losses of € 967 million can be regarded as deductible losses. All financial relationships associated with tax between Property Finance and SNS REAAL was settled at year-end 2013. The initial estimate in the pro forma figures in the 2012 financial statements was based on a tax deduction for the impairments of € 1.7 billion. Following consultation with the Dutch Tax Authority, the tax deductible amount was raised to € 2.71 billion. The final deduction corresponds with the amount of € 2.8 billion as determined by the Minister, adjusted by € 90 million for non-deductible losses. The increase in tax deductibility has led to an additional capital increase of € 252 million, compared to the previous estimate in the 2012 pro forma figures.

As a result of the regular redemptions, the settlement of the tax position (including tax credits over the entire write-off of € 2.8 billion) and paid-in share premium by SNS Bank NV, Property Finance's debt to SNS Bank NV at year-end 2013, directly preceding the transfer to the State, decreased to € 4.5 billion.

Following the transfer, the State provided a € 0.5 billion capital injection into Property Finance, € 0.4 billion of which was used to redeem the outstanding debt to SNS Bank NV. This decreased the outstanding debt from € 4.5 billion to € 4.1 billion as at 31 December 2013. To protect the capital position of SNS Bank NV, the State provided SNS Bank NV with a guarantee on the funding to Property Finance. The funding therefore has no effect on the risk-weighted assets of SNS Bank.

5.3.3 Guarantees

Following the share transfer on 31 December 2013, SNS Bank NV withdrew the 403 declaration for Property Finance on 31 December 2013 and initiated the proceedings provided for in Article 2:404 of the Dutch Civil Code to terminate the remaining guarantees. SNS Bank NV and SNS REAAL, respectively, also withdrew the 403 declarations for four subsidiaries of Property Finance on 31 December 2013, and initiated the proceedings to terminate the remaining guarantees. Some creditors have announced that they will object to the termination of the remaining guarantees.

SNS Bank NV issued separate guarantees to a number of counterparties of Property Finance in the past. Following the withdrawal of the 403 declaration and termination of the remaining commitments arising from the 403 declaration, these guarantees will remain in place. SNS Bank NV expects Property Finance to be able to meet its obligations to these counterparties as Property Finance is adequately capitalised at the time of the share transfer. SNS Bank NV, therefore, deems it unlikely that a guarantee will be invoked.

Some counterparties of Property Finance who conduct legal proceedings against Property Finance have thereby also arraigned SNS REAAL NV and / or SNS Bank NV. The legal basis of this is unclear and SNS REAAL NV and SNS Bank NV consider the likely success of these claims against SNS REAAL NV and/or SNS Bank NV to be limited. No specific agreements were made about these claims upon the transfer of Property Finance on 31 December 2013.

5.4 Overview financial impact of the nationalisation measures

The financial impact of implementing the nationalisation measures on the capital is shown below.

Table 2: Effects nationalisation measures on income statement SNS REAAL

In € millions	HY 2012	2013			Total	
	Income statement	Equity	Income statement	Debt capital	Equity	Debt capital
Property Finance						
Impairments Property Finance	(776)	-	(1,057)	-	(1,833)	-
Transfer Property Finance	-	-	(967)	-	(967)	-
Subtotal Property Finance	(776)	-	(2,024)	-	(2,800)	-
Capital structure						
Capital injection Dutch State	-	2,200	-	-	2,200	-
Conversion subordinated bonds	-	946	84	-	1,030	-
Expropriation subordinated private debts	-	-	62	-	62	-
Participation certificates	-	57	(53)	-	4	-
Conversion accrued interest	-	31	3	-	34	-
Subtotal capital structure	-	3,234	96	-	3,330	-
Bridge loan Dutch State	-	-	-	1,100	-	1,100
Tax effect	192	(7)	448	-	633	-
Total	(584)	3,227	(1,480)	1,100	1,163	1,100

The amount reported in the column HY 2012, is the 2012 impairment related to Property Finance after determination of the transfer value.

There is also an effect within the shareholders' equity (€ 878 million), which relates to the core Tier 1 securities issued to the Dutch State and Stichting Beheer SNS REAAL which were deposited as share premium on ordinary shares. The effect is in addition to the total effect on shareholders' equity of € 3,227 million as reported in the table. The total effect on the share premium as a result of these measures is € 4,105 million.

5.5 Temporary and final decision of the European Commission

In its decision of 22 February 2013, the European Commission granted temporary approval for the capital injection of € 2.2 billion in SNS REAAL NV, € 1.9 billion of which was to be passed through to SNS Bank NV, and the bridge loan issued by the State to SNS REAAL NV in the amount of € 1.1 billion. Final approval was granted on 19 December 2013, based on the restructuring plan submitted by the Ministry of Finance on 19 August 2013.

In line with the restructuring plan submitted, the State commits to two structural measures regarding (the balance sheet of) SNS REAAL:

- Separation of the Property Finance activities
- Divestment of the insurance subsidiary REAAL NV, which includes all insurance and asset management activities of SNS REAAL.

The separation of the Property Finance activities results in a substantial reduction of risk-weighted assets and is an important measure to further restore viability of SNS REAAL. It will also facilitate access to capital market funding for SNS Bank NV. The transfer of the Property Finance activities to the State took place on 31 December 2013.

SNS REAAL commits itself to the divestment of the insurance subsidiary REAAL NV, taking into account the risk that this divestment could result in a significant loss. The State and SNS REAAL commit to use the future proceeds of the divestment of REAAL NV to reduce the double leverage on the balance sheet of SNS REAAL. The holding company SNS REAAL will be wound down. The entity resulting from the restructuring will be a standalone bank focused on banking for retail and self-employed clients. In the course of time, the State is committed to privatising SNS Bank NV.

The decision of 22 February 2013 stipulated amongst other that until the final decision SNS REAAL was not permitted to carry out any acquisitions (acquisition ban) or make payments on hybrid instruments (hybrid debt call and coupon ban). In its final decision of 19 December 2013, the EC set a number of conditions and restrictions which, unless otherwise

stated, will apply until the end of the restructuring period in December 2017. The principal conditions and restrictions amongst other are:

- An acquisition ban will apply for a period of three years starting from the date of the EC decision.
- SNS REAAL will not advertise the fact that it is State-owned or make any reference to any State support received in its communications with existing or potential customers or investors.
- SNS REAAL will refrain from making any payments on the hybrid debt instruments outstanding at the time of the EC decision, unless those payments stem from a legal obligation, and will not call or buy back those instruments without prior approval of the European Commission.
- Restrictions apply to the remuneration of employees and senior management until the end of the restructuring period or until SNS REAAL has repaid the State aid.
- SNS REAAL commits to transfer the administrative structure currently borne by the holding company to the bank and the insurance company
- SNS REAAL commits to the phasing out of any financial interdependence between the banking and the insurance activities.

6 Outlook for 2014

Consumer and producer confidence are increasing in the Netherlands and in the rest of the eurozone. The eurozone continues to see economic growth. In the Netherlands, however, growth will be modest because consumers, banks and the government are giving priority to the further restoration of their financial situation. Unemployment and the housing market could stabilise in 2014.

With a stronger capital position, SNS Retail Bank can focus on growth in savings and payments and regaining market share in new mortgage production. Further strengthening of the capital position is also important in view of tighter regulatory requirements and changing laws and regulations. The focus on savings continues to be important in order to keep our dependence on the capital market at an acceptable level. In addition to this, however, SNS Retail Bank wishes to create new possibilities for public funding in the capital market by means of solid financial performance.

REAAL and Zwitserleven are increasing the viability of their activities with a new strategy, and, together with SNS Asset Management, they are preparing for a future outside the Group. REAAL and Zwitserleven have been incorporated into REAAL NV. SNS Asset Management will be added to this entity in the course of 2014. REAAL NV will phase out its dependence on support from the Group staff departments of SNS REAAL. Although there is a possibility of a slight increase in interest rates, the solvency of the life insurer will continue to remain under pressure due to the low level of long-term interest rates.

6.1 Financial markets

6.1.1 General

The global economy is gaining momentum in the wake of the United States. Continuing new job creation is leading to an acceleration in wage growth. Higher consumption can then generate increased economic activity, initiating an upward spiral. Growth of the eurozone is continuing, mainly due to good performance by the German economy. The question is whether France will be able to benefit from this, as reforms in that country are long overdue. In the peripheral euro countries, confidence, and thereby the potential for recovery, is increasing.

The current phase of the economic cycle is generally favourable for equities. The chance of downside corrections is becoming somewhat greater now that the US central bank (the Fed) is beginning to phase out its policy of purchasing bonds. This means, however, that the situation is returning to normal, and that is ultimately not a bad thing. The price/earnings ratios of many shares rose significantly in the course of 2013; in comparison to other investment categories, however, their value is still attractive. The outlook for equities is slightly better than the outlook for bonds.

6.1.2 Short-term interest rate will remain low, long-term rate could rise

A further increase in long-term interest rates is likely. The US is the leading market here. The US long-term interest rate is too low in relation to economic growth and inflation. The Fed's 'tapering' of its bond purchases could cause long-term rates to rise. We expect to see German 10-year yields in a range between 1.75% and 2.25%. Based on the outlook of the ECB, the modest economic growth and the low forecast for inflation, the potential for higher yields is limited.

6.2 Impact of laws and regulations

New legislation and regulation are resulting in increasing costs in the financial sector, for the maintenance of capital, risk management, internal organisation, the resolution levy and/or taxation. Good and close supervision is a good thing, but not always effective and efficient.

The introduction of Basel III means that banks have to hold more capital in relation to their risk and the volume of their loans and investments. The requirements entail a tripling of the capital requirement over six years in comparison to 2010 and will thereby increase the costs of lending, including mortgages. The uncertainty surrounding the timeframe and final requirements that Solvency II will bring makes it difficult for the Insurance activities to determine the right strategy for an adequate and efficient capitalisation.

A bank tax came into effect in October 2012, which amounted to € 8 million (2012: € 8 million) for SNS REAAL in 2013. The funding of the deposit guarantee scheme will also change. As from July 2015, banks must deposit monies in advance in a fund that will be managed by Stichting Depositogarantiefonds. The 2014 Resolution Levy Act as a result of the nationalisation of SNS REAAL, concerns a temporary and one-off bank levy of € 1 billion on the deposits that were guaranteed on the basis of the Dutch deposit guarantee system and that were held by the banks on 1 February 2013. The banks are allowed to postpone payments into the deposit guarantee scheme in return for the levy. The contribution for SNS REAAL into this levy is estimated at € 76 million, with which a contribution will be made to the costs of our own nationalisation.

Zwitserleven is dealing with numerous changes to its products and administration in connection with the Witteveenkader, which sets the maximum amount that can be deducted from tax for the accrual of a pension. The arrangements approved by the Dutch Senate at the end of 2013 on the basis of the Pensions Agreement are also putting pressure on the organisation.

6.3 SNS Retail Bank

6.3.1 The mortgage market stabilises

In December 2013, the Dutch Senate gave its approval to the Housing Agreement previously announced by the Cabinet. The agreement consists of, firstly, a gradual limiting of the tax-deductibility of mortgage interest over the long term, and secondly, a series of measures to boost the housing market in the short term and reduce the debt burden of households. We expect the number of new mortgages to increase in 2014, whereby the downward trend in house prices may come to a halt. For the overall mortgage market, we expect stability or slight growth.

The prospects are that the number of mortgage holders with payments in arrears will rise further, although the increase will not be as strong as in 2013. By means of more detailed analysis of customer data and proactive management, in 2014, we will be better positioned to consult with customers that may encounter problems with their payments at an early stage.

SNS Bank, BLG and RegioBank are focusing on rebuilding sales of new own-brand mortgages and mortgages from third parties. The margin on mortgages remains at a healthy level. With our services, we will strive to promote sustainable housing.

Diversity in advisory fees

A ban on commissions has applied to mortgages and other complex financial products since January 2013. Instead of this commission, the advisory body (bank, insurer, or intermediary) will receive a fee based on an agreement with the customer. Both consumers and financial institutions are still looking for the best way to deal with the new situation. Our brands want to help their customers decide whether they need advice or not, and they also intend to offer less detailed advice at a lower price. We want to avoid a situation in which customers make the wrong choices because they want to save money on advice, but we also want to avoid a situation in which customers pay for a (full) advisory service when they themselves have already collected most of the relevant information they need to make the best choice.

6.3.2 Savings virtually stable, growth in sustainable investing

The continuing economic crisis continues to make saving attractive; however, savings growth is expected to flatten further as the economy picks up. Additional mortgage repayments and continuing low interest rates, combined with a recovery of confidence in the equity markets, could put the savings market under pressure. Furthermore, some savers may have to draw down their savings as a result of continuing unemployment and lower house prices.

Growth in the market for bank savings accounts will also probably level off. As from 1 January 2014, redundancy payments to employees will be taxable immediately. The abolition of the periodic payments entitlement exemption means that new savings accounts for accrual and payment, the golden handshakes, will only be sold under certain conditions. Tax-free payments into annuity accrual accounts will also be limited. The effect of this measure will not be significant, since the payments of most of our customers still fall within the tax-free band. Bank savings based on advice have become less attractive for relatively small amounts since the introduction of the fixed advisory fee in 2013.

Sustainable investing continues to become more popular. The ASN investment funds, with approximately € 1.6 billion of assets under management at year-end 2013, will be able to benefit from this.

Ban on distribution fees for investment funds providers

Distribution fees paid by Dutch investment funds to distribution partners have been banned with effect from 2014. As prescribed, SNS Bank, RegioBank and ASN Bank charge a separate service fee with effect from 2014, but they do set their own fee level. The effect of these changes on customer behaviour is difficult to predict. SNS Bank and RegioBank offer a range of five profile funds, focusing mainly on straightforward and low-threshold investing for a broad target group. ASN Bank is still the specialist in sustainable investing, and expects to see little or no change with respect to sales through its own distribution channel. Sales of ASN investment funds through other banks could be affected by the pricing policies of the banks in question.

6.3.3 Trends: mobile, social media and online communities

Usage of mobile banking and the number of its users continue to grow, partly due to the extra functionalities that are becoming available. This is convenient for customers and instructive for the bank, as it provides information on usage times and transaction types. More and more customers are using social media or an online community to communicate with each other and with the bank on money matters. This is also a win-win situation, because the bank can obtain greater understanding of customer needs. This improves the services provided.

6.4 REAAL NV

6.4.1 REAAL: More direct contact and dialogue with customers

REAAL has introduced a new strategy in 2014 that focuses on more direct contact and dialogue with customers, including dialogue via an online customer community. With more market and customer information, REAAL can defend and strengthen its market positions more effectively. The new production platform for non-life products also plays an important part in this. REAAL wants to strengthen the distribution via qualified intermediaries, with different service concepts that fit well into the needs of customers and intermediaries. For its existing life portfolio, REAAL is focusing on optimising value through cost control by means of standardising its products and systems.

The total market for individual life insurance policies is shrinking systematically due to the gradual maturing of unit-linked insurance policies that were concluded in the past. Sales of term life insurances will gradually move towards the banks and the direct channel at the expense of sales via the intermediary advisory channel. REAAL will take measures to respond to this trend so that it can defend its leading position in this market.

The retail non-life market is expected to remain stable and a slight fall is expected for the market for disability insurance. Consumers are increasingly purchasing simple products such as non-life policies without using an intermediary. Gathering information and comparing products oneself has become easier as a result of the improvement and expansion of websites. REAAL will take extra steps to reflect this trend in 2014.

6.4.2 Zwitserleven: lower costs and more personalisation of pensions

The pensions market remains under pressure in 2014 and is expected to fall slightly. Growth of contribution income will be negatively affected by new tax restrictions on pension accrual, limited salary increases and lower confidence in group pension accrual. The capping of pension reduction above € 100,000 will be offset in the Pensions Agreement to some extent by a so-called 'net annuity', which reflects the trend towards more flexibility and optional features based on personal responsibility. Zwitserleven takes a positive view of this measure and hopes to see further personalisation of the pensions market.

Due to the low level of long-term interest rates, the liabilities remain high and the solvency and profitability of pension insurers remain under pressure.

With a new [strategy](#), Zwitserleven intends to respond to the changing market conditions. The priorities in 2014 are:

- less tailor-made work and more cost-effective standardised products;
- simple products focusing on personal supplementary accrual;
- cost reductions through standardisation of systems and processes and purchase from third parties;
- encouragement of the transition from guaranteed pensions to defined-contribution schemes, which will mean that pensions continue to be more sustainable and affordable.

7 Financial outlines

7.1 Results 2013 compared to 2012

Adjusted for the impact of one-off items, net profit from the core activities of SNS REAAL declined to € 386 million from € 443 million in 2012. The decline was driven by lower realised gains on bonds and lower underlying performance at the Insurance activities.

One-off items negatively impacted SNS REAAL's 2013 net result of the core activities by € 800 million compared to € 602 million negative impact in 2012, in both years for the majority consisting of impairments of intangible assets at the Insurance activities. Including one-off items, SNS REAAL's net result of the core activities amounted to € 414 million negative (2012: € 159 million negative).

Property Finance posted a net loss of € 1,536 million (2012: € 813 million), which included a write-off of € 2,024 million gross (€ 1,538 million net) in the first quarter of 2013, to bring the valuation of the real estate finance portfolio in line with the transfer value as determined by the Dutch State.

Taking into account the significant loss at Property Finance and negative one-off items, SNS REAAL reported a total net loss of € 1,950 million, compared to a total net loss of € 972 million for the year 2012.

7.2 Impact of one-off items

Table 3a: Impact of one-off items on SNS REAAL's net result

In € millions

	2013	2012
Net result SNS Retail Bank	190	88
Net result REAAL	(482)	(27)
Net result Zwitserleven	(141)	(120)
Net result Insurance activities	(623)	(147)
Net result Group activities	19	(100)
Total net result SNS REAAL Core activities	(414)	(159)
Net result Property Finance	(1,536)	(813)
Total net result for the period SNS REAAL	(1,950)	(972)
Impact of one-off items SNS Retail Bank	(79)	(36)
Impact of one-off items REAAL	(575)	(325)
Impact of one-off items Zwitserleven	(172)	(224)
Impact of one-off items Group activities	26	(17)
Impact of one-off items Property Finance	(1,538)	(47)
Total one-off items	(2,338)	(649)
Adjusted net result SNS Retail Bank	269	124
Adjusted net result REAAL	93	298
Adjusted net result Zwitserleven	31	104
Adjusted net result Insurance activities	124	402
Adjusted net result Group activities	(7)	(83)
Total adjusted net result SNS REAAL Core activities	386	443
Adjusted net result Property Finance	2	(766)
Total adjusted net result SNS REAAL	388	(323)

Table 3b: Breakdown impact of one-off items on SNS REAAL's net result 2013*In € millions*

	SNS Retail Bank	Insurance activities	Group activities	SNS REAAL Core activities	Property Finance	SNS REAAL
Net result 2013	190	(623)	19	(414)	(1,536)	(1,950)
Impact nationalisation:						
Direct impact of nationalisation measures	7	(6)	57	58	(1,538)	(1,480)
Impairments:						
VOBA REAAL Life and Zwitserleven	-	(439)	-	(439)	-	(439)
Goodwill REAAL Life	-	(150)	-	(150)	-	(150)
Client portfolio REAAL Non-Life	-	(12)	-	(12)	-	(12)
Software Zwitserleven	-	(15)	-	(15)	-	(15)
Subtotal impairments	-	(616)	-	(616)	-	(616)
Other one-off items:						
Derivatives securitisations	(86)	-	-	(86)	-	(86)
Addition provision shortfall IFRS LAT	-	(110)	-	(110)	-	(110)
Provision unit-linked policies	-	(15)	-	(15)	-	(15)
Pension charge	-	-	(31)	(31)	-	(31)
Subtotal other one-off items	(86)	(125)	(31)	(242)	-	(242)
Total one-off items 2013	(79)	(747)	26	(800)	(1,538)	(2,338)
Adjusted net result 2013	269	124	(7)	386	2	388

One-off items in 2013 amounted to € 2,338 million negative, mainly consisting of the impact of nationalisation measures of € 1,480 million negative, impairments of intangible assets at the Insurance activities of € 616 million and other one-off items of € 242 million negative.

7.2.1 Impact of Nationalisation

The impact of nationalisation measures amounted to € 1,480 million negative, of which € 1,538 million negative at Property Finance and € 58 million positive at the core activities.

At Property Finance, a provision of € 2,024 million (€ 1,538 million net) was made in the first quarter of 2013 in line with the transfer value of Property Finance. The total assets of Property Finance have been separated at a considerably lower value than the book value. As part of the transfer, a write-off of € 2.8 billion was required on the total assets of Property Finance, valued as per 30 June 2012. This € 2.8 billion write-off has been determined by the Dutch State. Therefore, in addition to the € 776 million impairments and discounts in the second half of 2012, an additional write-off of € 2,024 million gross was taken.

In the first half of 2013 the impact amounted to € 1,790 million negative. The impact in the second half was € 252 million positive and related to a tax adjustment of the write-off. In the third quarter of 2013, SNS REAAL concluded a settlement agreement with the Dutch Tax Authorities relating to corporate tax refunds. This ruling clarified the principles upon which the corporate tax refunds for SNS REAAL are to be established, including the tax treatment of the nationalisation measures. In this ruling, it has been ruled that the € 2.8 billion write-off on the total assets of Property Finance is largely tax deductible (€ 2.7 billion), while the 2013 first-half figures were based on a tax deductible amount of € 1.7 billion. This resulted in a € 252 million tax gain.

The impact of nationalisation measures on net profit from the core activities amounted to € 58 million positive: € 7 million positive at SNS Retail Bank, € 6 million negative at REAAL Life and € 57 million positive at Group activities.

The € 7 million positive impact of the nationalisation measures at SNS Retail Bank consisted of the impact of the expropriation of privately placed subordinated debt and gains from unwinding derivatives related to subordinated debt partly offset by a charge for the compensation to the holders of expropriated participation certificates. The impact in the first half of 2013 amounted to € 20 million positive, while the impact in the second half of 2013 was € 13 million negative.

This related to a tax charge as it was concluded that the charge for the compensation of the holders of expropriated participation certificates is not tax deductible.

REAAL Life's result included a € 6 million net one-off loss, due to the expropriation of a subordinated bond of SNS Bank that was included in the investment portfolio.

The impact of the nationalisation measures at Group activities of € 57 million positive consisted of a € 40 million positive impact of the expropriation of privately placed subordinated debt, € 11 million gains from unwinding derivatives related to expropriated debt and a € 6 million adjustment for the subordinated loan in SNS Bank held by REAAL Life.

7.2.2 Impairments of intangible assets

The net impact of impairments of intangible assets amounted to € 616 million negative, entirely at the Insurance activities. This mainly consisted of an impairment of the remaining VOBA (€ 439 million net) driven by the outcome of the IFRS liability adequacy test (LAT). This LAT compares the market value and the IFRS carrying amount of insurance liabilities and related assets. By using shadow accounting, the positive fair value reserve of the fixed-income portfolio is used to increase the IFRS carrying amount of the insurance liabilities. In 2013, the LAT shortfall decreased compared to year-end 2012 due to an increase in interest rates, partly mitigated by adjustments in models and parameters. However, the fair value reserve of the fixed-income portfolio decreased even more sharply. As a result, the fair value reserve of the fixed-income portfolio could not fully compensate the LAT shortfall. The remaining shortfall of € 732 million pre-tax was charged to the income statement of which € 157 million at Zwitserleven and € 392 million at REAAL Life, as an impairment of the remaining VOBA of € 585 million pre-tax (€ 439 million net), which is irreversible and for the remaining shortfall by an addition to the technical provision for an amount of € 147 million pre-tax (€ 110 million net). The latter is reversible in case of a future decrease in the IFRS LAT shortfall.

Figures for the second-half of 2012 had also included an impairment of the VOBA of € 129 million net related to the shortfall of the IFRS LAT.

Furthermore, at REAAL Life there was an impairment charge of € 150 million net (€ 150 million pre-tax) of the remaining goodwill following a partial impairment in the second half of 2012. The additional goodwill impairment was driven by decreasing volumes for life products resulting in increased competition and margin pressure in the Life market, the structural additional cost allocation from the holding company and the pressure on the capital position. At REAAL Non-Life there was an impairment of € 12 million net (€ 16 million pre-tax) of the capitalised client portfolio, driven by the ongoing difficult circumstances in the Non-Life market. The capitalised client portfolio related to disability, which amounted to € 56 million pre-tax at year-end 2013, has not been impaired, while all other capitalised client portfolios have been impaired entirely.

Finally, at Zwitserleven, there was an impairment of € 15 million net (€ 20 million pre-tax) of internally developed and capitalised software in the light of its changed strategy. Zwitserleven's management chose a new strategic direction, with an increased focus on the Defined Contribution (DC) market and with an increased number of products outside the second pillar. The result is a new balance between new markets in which DC, PPI and individual products prevail and the more traditional markets.

7.2.3 Other one-off items

In addition to the one-off impact of nationalisation measures and impairments of intangible assets, the net impact of other one-off items amounted to € 242 million negative, of which € 110 million consisted of an addition to the technical provision at Zwitserleven related to the IFRS LAT shortfall.

At SNS Retail Bank, other one-off items amounted to € 86 million negative. This consisted of results of derivatives related to securitisations of the legacy DBV mortgage portfolio. The securitisations involved are not part of SNS Bank's regular securitisation programmes and are structured differently in a number of key components. These securitisations contain conditions that the expenses for early settlement of the derivatives contracts under current market circumstances lead to a negative result. In total, a provision of € 86 million net was made to reflect the potential early settlement expenses of all these securitisations.

Furthermore, there was an additional € 15 million net charge (€ 20 million pre-tax) at REAAL Life related to the unit-linked policies settlement reached in 2008.

At Group activities there was a one-off pension charge of € 31 million net (€ 41 million pre-tax) related to the buy-out of pension rights of employees continuing under the acquired pension scheme of AXA, which is designated as a defined benefit scheme.

7.3 SNS Retail Bank

SNS Retail Bank's net profit increased sharply. The main factor behind this increase was a higher net interest income driven by lower interest expenses due to the expropriation of subordinated debt, declining interest rates offered on savings accounts and the redemption of term deposits. This was partly offset by a lower gain on financial instruments due to a one-off charge related to the revaluation of derivatives related to securitisations of the legacy DBV mortgage portfolio. Furthermore an additional cost allocation from the holding company had a negative impact. Impairments on loans remained high at 39 basis points compared to 40 basis points for 2012. The 2013 loan impairments included a charge related to additional provisioning for lower recovery amounts due to the weak housing market, while 2012 included a charge related to the implementation of more stringent risk assessment models.

7.4 Insurance activities

Table 4: Underlying results Insurance activities

In € millions	REAAL		Zwitserleven	
	2013	2012	2013	2012
Net result for the period	(482)	(27)	(141)	(120)
Impact of one-off items	(575)	(325)	(172)	(224)
Adjusted net result for the period	93	298	31	104
Gains, losses and impairments on equity portfolio	19	16	15	6
Gains, losses and impairments on fixed-income securities	96	75	29	114
Result on financial instruments	16	79	29	(60)
Changes in insurance contracts due to movements of fair value items	(59)	(20)	(59)	14
Total net impact investment portfolio and hedges	72	150	14	74
Amortisation VOBA and other intangible assets	(33)	(48)	(2)	(16)
Underlying net results	54	196	19	46

Results on equity hedges are included in gains/losses on equity portfolio instead of result on financial instruments.

Changes in insurance contracts due to movements of fair value items includes releases of/additions to provisions for interest rate guarantees in unit-linked portfolio and separate accounts, the impact of shadow accounting and the impact of the hedging of inflation.

7.4.1 REAAL

Adjusted for one-off items, REAAL's 2013 result of € 93 million was sharply lower due to a lower net impact from gains, losses and impairments on the investment portfolio and hedges and a lower underlying result (see table 3) at both REAAL Life and Non-Life. This was partly compensated by lower amortisation of VOBA and other intangible assets following impairments of VOBA in 2012 and 2013.

The total net impact from gains, losses and impairments on the investment portfolio and hedges declined to € 72 million positive driven by a substantially lower result on financial instruments and higher negative results of changes in insurance contracts due to movements of fair value items which mainly consisted of the impact of shadow accounting. This was partly compensated for by higher realised gains on bonds and higher gains on the equity portfolio.

REAAL's underlying result of € 54 million was € 142 million lower. At REAAL Life, the underlying profit was down mainly driven by lower direct investment income due to the absence of a gain on the settlement of Lehman collateral, lower reinvestment yields and the impact of an additional cost allocation from the holding company. At REAAL Non-Life, the underlying result was negatively impacted by high claims ratios at fire and motor and also by an additional cost allocation from SNS REAAL holding. Furthermore, the absence of a release of provisions for unearned premiums contributed to this decrease.

REAAL's reported net result of € 482 million negative also declined due to a higher negative impact from one-off items which consisted of impairments of VOBA (€ 392 million), goodwill (€ 150 million), a part of the client portfolio (€ 12 million), a € 6 million loss due to the expropriation of a subordinated bond of SNS Bank and a € 15 million charge for settlement of unit-linked policies. The 2012 net result had also been negatively impacted by impairments of goodwill and the distribution network and an additional provision for the unit-linked policies based on the settlement reached in 2008.

7.4.2 Zwitserleven

In 2013, Zwitserleven's net result adjusted for one-off items of € 31 million positive decreased sharply driven by a lower net impact from gains, losses and impairments on the investment portfolio and hedges and a lower underlying result, partly compensated for by sharply lower amortisation of VOBA.

The total net impact from gains, losses and impairments on the investment portfolio and hedges declined to € 14 million positive driven by sharply lower realised gains on bonds and results on changes in insurance contracts driven by shadow accounting. This was partly compensated for by higher realised gains on the equity portfolio and higher results on financial instruments, mainly consisting of unrealised gains on derivatives used for hedging interest rate risk.

Amortisation of VOBA and other intangibles decreased from € 16 million to € 2 million, following impairments of VOBA in 2012 and 2013 and an impairment of internally developed and capitalised software in 2013.

Zwitserleven's underlying profit was € 19 million, a sharp decline compared to 2012 due to lower mortality, interest and cost results (including the additional cost allocation from the holding company). Furthermore, the result for the first-half of 2013 included an additional charge for a provision related to compensation for investment-based pension contracts.

Zwitserleven reported a net loss of € 141 million that was due to one-off items consisting of an additional impairment of VOBA (€ 47 million) and an addition to the technical provision (€ 110 million), both related to the IFRS LAT shortfall and an impairment of internally developed and capitalised software (€ 15 million). The 2012 net result had been negatively impacted by an impairment of its brand name and a partial impairment of the VOBA.

7.5 Group activities

Adjusted for one-off items, the net result of Group activities posted in at € 7 million negative, compared to € 83 million negative for 2012. This improvement was due to a higher allocation of operating expenses from the holding company to the Banking and Insurance activities and lower interest charges on expropriated debt. The net result of Group activities improved from € 100 million negative to a net profit of € 19 million. This improvement was partly driven by one-off items: in 2013 there was a one-off gain from nationalisation measures of € 57 million, partly offset by a one-off pension charge of € 31 million net. Furthermore, the 2012 result had included an impairment on the stake in Van Lanschot of € 17 million (2013: € 2 million).

7.6 Property Finance

The net loss at Property Finance amounted to € 1,536 million, including a write-off of € 1,538 million net to bring the valuation of the real estate finance portfolio in line with the transfer value as determined by the Dutch State. The total assets of Property Finance have been separated at a lower value than the book value. As part of the transfer, a write-off of € 2.8 billion was required on the total assets of Property Finance as per 30 June 2012. Therefore, in addition to the € 776 million in impairments and discounts in the second half of 2012, in the first quarter of 2013 a constructive obligation of € 2.024 million gross (€ 1.790 million net) was taken to bring the valuation of the real estate finance portfolio in line with the transfer value. In the second half of 2013, an additional tax gain of € 252 million related to the write-off of Property Finance was recorded based on an advance Tax ruling with the Dutch Tax Authorities resulting in a total write-off of € 1,538 million net. In this ruling, it has been ruled that the € 2.8 billion write-off on the total assets of Property Finance is largely tax deductible (€ 2.710 million), while the figures for the first half of 2013 were based on a tax deductible amount of € 1.7 billion.

Impairments and discounts in 2013 were offset by releases from the constructive obligation related to the write-off on the total assets of Property Finance. A release of € 1,057 million compensated for loan impairments and discounts for the year 2013, while a release of € 967 million compensated for the loss on the transfer of the real estate portfolio to the Dutch State on 31 December 2013 (transfer result). The latter consisted of the difference between the transfer value and the book value of the real estate portfolio at year-end 2013, after absorbing the impairments for the year 2013.

The net result from Property Finance, including impairments and discounts and excluding the transfer result of € 967 million gross (€ 725 million net), amounted to € 811 million negative, compared to a € 766 million net loss adjusted for a goodwill impairment for 2012, mainly due to a marked increase in loan impairments and a decrease in net interest income, partly compensated for by lower operating expenses.

7.6.1 Deconsolidation of Property Finance

The nationalisation on 1 February 2013 included the decision to transfer Property Finance to a separate asset management organisation. Therefore, assets and liabilities of Property Finance were classified as held for sale in the balance sheet as at end June 2013. Following the actual transfer of Property Finance to NLF1 on 31 December 2013, assets and liabilities of Property Finance are no longer consolidated at year-end 2013. In the income statement of 2013, the total result of Property Finance is classified as a net result from discontinued operations. Comparative figures in the income statement have been adjusted accordingly.

7.7 Operating expenses

Table 5: Total operating expenses SNS REAAL

<i>In € millions</i>	2013	2012	Change
Total operating expenses SNS REAAL Core activities	1,077	1,032	4%
Total operating expenses Property Finance	77	116	(34%)
Total operating expenses SNS REAAL	1,154	1,148	1%
Adjustments			
Restructuring charges	-	56	
SNS Retail Bank's share in savings guarantee scheme	(7)	(15)	
Expenses related to the strategic restructuring	22	16	
Provision charge for compensation participation certificates	53	-	
Pension charge	41	-	
Total adjustments	109	57	
Total adjusted operating expenses SNS REAAL Core activities	968	981	(1%)
Total adjusted operating expenses Property Finance	77	110	(30%)
Total adjusted operating expenses SNS REAAL	1,045	1,091	(4%)

Total operating expenses Property Finance are included in the result discontinued operations.

Total operating expenses increased slightly, by € 6 million, compared to 2012, mainly due to higher one-off expenses of € 109 million (2012: € 57 million). The one-off expenses consisted of a charge of € 53 million for the compensation of holders of expropriated participation certificates, a one-off pension charge of € 41 million and costs of strategic restructuring plans at Group activities of € 22 million, partly compensated for by a release of € 7 million related to adjusted calculations of SNS Retail Bank's share in the savings guarantee scheme for DSB Bank. Total adjusted operating expenses decreased by € 46 million to € 1,045 million (-4%), due to a decrease in the number of internal staff and considerable lower operating expenses at Property Finance. Total FTE decreased by 345 FTEs to 6,379, of which 109 due to the separation of Property Finance.

7.7.1 Additional cost allocation from SNS REAAL holding to Banking and Insurance activities

In the first half of 2013, an additional amount of operating expenses was structurally allocated from SNS REAAL holding to the Banking and Insurance activities in order to reflect a more accurate stand-alone cost level of these entities. In the second half of 2013, anticipating the separation of the Banking and Insurance activities, it was decided to allocate all regular operating expenses from the holding company to the Banking and Insurance activities. Only expenses related to the separation of the Banking and Insurance activities will remain at the holding company and in 2013 also a one-off pension charge. In 2013, approximately € 92 million of operating expenses have been additionally allocated, of which € 24 million occurred in the first half of 2013. Of the additional allocation, € 37 million related to SNS Retail Bank, € 35 million to REAAL, € 16 million to Zwitserleven, € 2 million to SNS Asset Management and € 2 million to Property Finance.

8 Developments at SNS Retail Bank

8.1 Strategy SNS Retail Bank

8.1.1 SNS Retail Bank

SNS Retail Bank wants to be relevant for its customers. This will be the case as more customers who bank with us are satisfied and we can welcome more customers. We are preparing ourselves for a future as an independent bank that can develop its services in a customer-oriented and profitable way without any form of government support. In the coming years, therefore, SNS Retail Bank will strive to realise further growth in the number of customers and to strengthen its customer relations.

The brands of SNS Retail Bank, i.e. SNS Bank, ASN Bank, RegioBank and BLG Wonen, focus on banking in a personal way, with a human touch. The bank wants to achieve this with simple and accessible products, an efficient and robust organisation and a responsible, focused service in which we put the customer's interests and perception first. We are thus continuing along the same course taken by our brands and their predecessors for many years. In our Manifesto, this is expressed in four themes:

- Usefulness instead of return, so that the fundamental things in life, such as housing, education and a buffer for unexpected expenses, are safeguarded. This requires products that are designed with our customers' personal objectives, risk tolerance and possibilities in mind.
- Financial resilience, so that people can take well-informed financial decisions themselves with clear insights and information. This requires planning and calculation tools, messages and warnings on websites, cost transparency, product information in plain language, the promotion of frugality and the provision of or support for financial education.
- In a personal way, so that everyone can arrange their financial affairs in a way that meets their wishes, possibilities and objectives. We want to bring the human dimension back to financial matters. This means retaining bank branches in small villages, personal telephone contact rather than multiple choice menus, or personal advice if this is needed.
- Sustainability, so that we do the right thing, now and for future generations. For instance, promoting sustainable investment and finance, monitoring the customer's interests by means of mortgage checks, and encouraging sustainable housing.

The Manifesto is the guiding principle for the entire SNS Retail Bank organisation, for the brands as well as for the service centres, the IT departments and the central service departments.

8.1.2 Closer to the customer by deploying multiple brands

The Manifesto sets out the common values endorsed by the brands SNS Bank, ASN Bank, RegioBank and BLG Wonen. The various brands focus on specific customer groups on the basis of these values. The Netherlands is a diverse society. Approaching the market with several brands means we can be relevant to a greater number of people.

- SNS Bank is the general consumer brand for people looking to manage their financial affairs with an accessible service. SNS Bank wants to compete in the banking market for consumers and self-employed persons, with distinguishing customer propositions that break through existing conventions. The core products are payments, savings, mortgages and insurance. Customers can manage their finances through www.snsbank.nl, mobile applications, customer service, shops and financial advisers.
- ASN Bank is the brand for sustainable savings, investments and payments. ASN Bank focuses primarily on retail customers, but also counts social organisations and companies among its customers that wish to manage or invest their money in a responsible manner. Customers can manage their finances through www.ansbank.nl, mobile applications, customer service and the post.

- RegioBank is the brand for people who consider a local and personal service and a link with the local community to be important. Customers manage their affairs through independent advisers, www.regiobank.nl and mobile applications.
- BLG Wonen is the brand for people who prefer to take a wide range of advice on financing their home from their independent adviser. Customers manage their affairs through their independent adviser and www.blg.nl.

8.1.3 Strategy

We want more satisfied customers to bank with us and we want to welcome more customers. If we do so with our Manifesto as a guiding principle, growth will make us increasingly socially relevant as well. Our strategic priorities for this are:

- Multiple brands, focusing on specific customer groups. The product range, the approach to customer service and the service itself thus vary per brand.
- Low and partly variable costs due to collective central services, IT and service centres and flexible distribution, partly based on franchising and intermediary formats.
- Focus on serving retail customers and self-employed people in the Netherlands with a comprehensible and straightforward product range. The main range of SNS Retail Bank consists of payments, savings, mortgages and insurance, with the addition of financial advice. Sustainable investing and financing are the main priorities at ASN Bank. Investing is an additional activity of SNS Bank and RegioBank.

These strategic priorities form the basis for potential growth, since they contribute to the following goals:

- Increasing customer loyalty. We will achieve this by making good use of our knowledge of our existing customers, so that we can inform them regarding additional products from other categories that could meet their needs.
- Winning new customers. On average, consumers are doing business with more banks than they used to, meaning that there are opportunities for smaller brands with a strong focus.
- Appealing to new customer groups, perhaps with new propositions, making use of our common and cost-effective platform for central services, IT and service centres.
- Improving our competitive position in the mortgage market. By increasing our own production, the distribution via third parties will fall in relative terms, which will lead to a greater market share in new own-brand mortgages.
- A flexible organisation that can react quickly and intelligently to changes and innovations in the market.
- Improving our credit rating in order to gain better access to funding in the money and capital markets.

The Manifesto forms the guiding principle and standard for all existing and new activities. We are strengthening our links with social organisations in order to design our services to be customer-oriented and profitable.

Strategic choices involve strategic risks. SNS Retail Bank is relatively limited in terms of both size and diversification. The low diversification of the savings and mortgages products makes SNS Retail Bank sensitive for fluctuations in net interest income. By spreading in funding, multiple brands and conservative balance management, we try to reduce our dependency. On the other hand, due to the less complex infrastructure, simple and standard products can be marketed relatively quickly. These simple and standard products meet current market demands. Cooperation with franchisees and intermediaries provides a strong distribution position and keeps costs low and variable, although this does involve additional operational risks.

8.2 Targets

SNS Retail Bank aims at:

- Increasing customer satisfaction, as expressed by an upward trend of the Net Promoter Score (NPS) for all brands, [see section 4.5](#)
- A credit rating of at least A.

Table 6: Capital and liquidity

	2013	Ambition
Core Tier 1 ratio	16.6%	> 13%
Loan-to-deposit-ratio	122%	between 110% and 130%

Table 7: Market Share SNS Retail Bank

	2013	Ambition
Savings	10.1%	> 10%
Mortgages, new sales own products	1.8%	5% to 8%

8.3 SNS Retail Bank financial developments

Table 8: SNS Retail Bank

In € millions

	2013	2012	Change
Result			
Net interest income	954	702	36%
Net fee and commission income	50	54	(7%)
Investment income	38	23	65%
Result on financial instruments	3	47	(94%)
Other operating income	6	9	(33%)
Total income	1,051	835	26%
Impairment charges to loans and advances	214	224	(4%)
Other impairment charges	10	4	150%
Total operating expenses	522	479	9%
Other expenses	8	8	0%
Total expenses	754	715	5%
Result before tax	297	120	148%
Taxation	107	31	245%
Minority interests	-	1	(100%)
Net result for the period	190	88	116%
One-off items	(79)	(36)	
Adjusted net result for the period	269	124	117%
Efficiency ratio	49.7%	57.4%	
Impairment charges to loans and advances as a % of gross outstanding loans to customers	0.39%	0.40%	
Risk-weighted assets Basel II	14,578	13,081	11%
Savings	33,276	32,815	1%
Loans and advances to customers	53,417	55,179	(3%)

8.3.1 Results 2013 compared to 2012

SNS Retail Bank's net profit in 2013 increased by € 102 million to € 190 million (+116%). Net profit included a € 7 million one-off gain from the nationalisation measures, consisting of the impact of the expropriation of privately placed subordinated debt and gains from unwinding derivatives related to subordinated debt, partly offset by a € 53 million charge for compensation of holders of expropriated participation certificates. Furthermore, the 2013 net result included a one-off charge of € 86 million net, consisting of results of derivatives related to securitisations of the legacy DBV mortgage portfolio. The securitisations involved are not part of SNS Bank's regular securitisation programmes and are structured differently in a number of key components. These securitisations contain conditions that the expenses for early settlement of the derivatives contracts under current market circumstances lead to a negative result. In total, a charge of € 86 million net was taken to reflect the potential early settlement expenses of these securitisations.

The 2012 net result had included a € 9 million loss on the exchange of Greek government bonds and restructuring charges of € 27 million net. Adjusted for these one-off items, net profit of SNS Retail Bank was € 269 million compared to € 124 million for 2012. The main factor behind this increase was higher net interest income.

8.4 Income

Net interest income showed a considerable increase of € 252 million (+36%) driven by lower interest expenses due to the expropriation of subordinated debt, declining interest rates offered on savings accounts and redemption of relatively expensive term deposits.

In total, retail savings balances increased slightly from € 32.8 billion to € 33.3 billion. After a decline of € 1.3 billion in January, retail savings showed a gradual growth and SNS Retail Bank's market share in savings recovered to 10.1% (year-end 2012: 10.3%). Bank savings, included in retail savings, continued to increase from € 2.4 billion at year-end 2012 to € 3.0 billion (+25%).

Also SME savings, included in 'Other amounts due to customers', rebounded after the nationalisation to € 3.1 billion compared to € 2.9 billion at year-end 2012.

SNS Retail Bank's residential mortgage portfolio decreased to € 47.0 billion (year-end 2012: € 49.4 billion), due to redemptions in combination with limited sales of new mortgages. Redemptions were significantly higher than 2012 driven by a higher level of prepayments. SNS Retail Bank's market share in new mortgages was at 1.8% again limited (2012: 2.1%). Given SNS Retail Bank's improved financial strength after nationalisation, it aims to gradually increase its market share. The distribution share in mortgages already showed a growth in the last months of 2013.

The decrease in loans and advances to customers, in combination with a modest increase in retail funding, led to an improvement of the loan-to-deposit ratio of SNS Retail Bank from 132% at year-end 2012 to 122%.

Net fee and commission income showed a limited decrease to € 50 million compared to 2012 driven by lower fees for payments.

Investment income increased by € 15 million to € 38 million mainly due to € 12 million gains from the expropriation of privately placed subordinated debt and the absence of a loss of € 13 million gross on the exchange of Greek government bonds, partly offset by lower realised gains on fixed-income investments.

The result on financial instruments decreased by € 44 million to € 3 million, mainly driven by a € 115 million gross negative result related potential early settlement expenses securitised mortgage portfolios. This was partly compensated by € 68 million gains from unwinding derivatives related to expropriated subordinated debt. Buy-back results on own funding paper amounted to € 44 million compared to € 49 million in 2012, in both years benefitting from the situation on financial markets.

8.5 Expenses

Total operating expenses increased by € 43 million. Operating expenses included a charge of € 53 million for compensation of former holders of the third tranche of participation certificates, as well as a structural additional cost allocation from SNS REAAL holding of € 37 million. This was partly compensated by a release of € 7 million related to adjustments of SNS Retail Bank's share in the savings guarantee scheme for DSB Bank. In 2012 there had been a release of € 15 million related to DSB Bank and Icesave. Operating expenses in 2012 had also included a restructuring charge of € 37 million. Adjusted for these items, total operating expenses decreased by € 18 million (-4%) mainly driven by a reduction in the number of staff.

The efficiency ratio improved from 57.4% in 2012 to 49.7% driven by higher net interest income, more than absorbing the additional cost allocation from the holding.

Table 9: Breakdown impairment charges SNS Retail Bank

<i>In € millions</i>	2013	2012	Change
Impairment charges of retail mortgages	173	161	7%
Impairment charges of other retail loans	5	19	(74%)
Impairment charges of SME loans	36	44	(18%)
Total impairment charges to loans and advances	214	224	(4%)
Other impairment charges	10	4	150%
Total impairment charges	224	228	(2%)

Total impairment charges to loans and advances remained high and relatively stable at € 214 million. This equates to 39 basis points of gross outstanding loans compared to 40 basis points in 2012. The high level of impairment charges reflects the fragile economic situation in the Netherlands and lower recovery amounts on mortgages as a result of the pressure on housing prices.

Impairment charges of retail mortgages increased by € 12 million to € 173 million. This equates to 37 basis points of gross outstanding retail mortgages compared to 31 basis points in 2012. Impairment charges in 2013 included an additional provisioning for lower recovery amounts due to the weak housing market, while 2012 included a charge related to the implementation of more stringent risk assessment models.

Impairment charges of other retail loans decreased from € 19 million to € 5 million. Impairment charges in 2012 had included an amount of € 11 million due to the default of one major debtor.

Impairment charges of SME loans decreased to € 36 million compared to € 44 million in 2012, with both years impacted by the fragile economic situation and lower recovery amounts as a result of the pressure on prices of collateral.

8.6 Credit risk

Housing prices in 2013 were on average 6.4% lower compared to 2012 and the number of houses sold was down 6.1%. A positive note was that the number of houses sold in the second half of 2013 surpassed both the number of houses sold in the first half of 2013 and the second half of 2012. As a result housing prices stabilised in the second half of 2013 compared to the first half. However, overall the housing market was weak in 2013, resulting in lengthy recovery periods of loans in default and lower recovery amounts.

Rising unemployment and declining disposable incomes are important drivers for the development of loans more 90 days in arrears, which rose to € 1.2 billion compared to € 0.9 billion at the year-end of 2012. SNS Retail Bank proactively contacts mortgage clients with higher risk mortgages, for instance due to high Loan-to-Values (LTV), and provides information and advice to avoid consecutive missed payments, if necessary in combination with a personal budget coach.

The quality of the new mortgage inflow is, however, improving thanks to stricter standards and an increase in mortgages covered by the National Mortgage Guarantee Scheme (NHG). At SNS Retail Bank, 75% of mortgage origination in 2013 was covered by the NHG. Of the total mortgage portfolio, 21% (including the securitised part) is now covered by the NHG. At the end of December 2013, the weighted average indexed LtV of the retail mortgages stood at 89%, compared to 87% at year-end 2012.

Table 10: Loans and advances to customers SNS Retail Bank

<i>In € millions</i>	2013	2012	Change
Retail mortgage loans	47,328	49,574	(5%)
Retail other loans	293	346	(15%)
Provision	(342)	(252)	(36%)
Total retail loans	47,279	49,668	(5%)
Commercial mortgage loans	1,143	1,282	(11%)
Commercial private and other loans	2,805	2,041	37%
Provision	(111)	(103)	(8%)
Total commercial loans	3,837	3,220	19%
Private and cash loans to the public sector	2,301	2,291	0%
Loans and advances to customers SNS Retail Bank	53,417	55,179	(3%)

Table 11: Loans and advances to customers in arrears SNS Retail Bank

<i>In € millions</i>	December 2013		December 2012		Change
No arrears	51,432	96%	53,346	97%	(4%)
< 3 months	1,205	2%	1,247	2%	(3%)
3 - 6 months	296	1%	287	1%	3%
6 - 12 months	346	1%	265	0%	31%
> 1 year	591	1%	390	1%	52%
Subtotal arrears	2,438	5%	2,189	4%	11%
Provision	(453)	(1%)	(356)	(1%)	(27%)
Total	53,417	100%	55,179	100%	(3%)

8.7 Distribution and organisation

8.7.1 Central development and support

The total number of unique customers of the banking brands rose, from 2.7 to 2.8 million (+3%), despite the turbulent period during the nationalisation. The highest growth occurred at ASN Bank (+3.0%) and RegioBank (+4.9%). After the nationalisation of SNS REAAL and our subsequent communication, we saw a recovery in confidence because of the growth in the number of customers.

Management and employees devoted much attention to implementing the Manifesto. How do we translate these themes into a better customer service? How do we make sure that we do not stray once again from the course that SNS Retail Bank and its brands established 200 years ago? The internal dialogue with employees and managers led to numerous ideas and much enthusiasm. Sticking to one's course requires effective management and processes, an ethic of continuous improvement, and a culture based on the themes of our Manifesto. Many of the changes to the organisation were designed to achieve this. A lot has already been achieved in the past couple of years with the simplification of savings products, the systematic testing of new products to establish their usefulness to customers, and the use of customer experiences as the basis for improvements. Many new improvements followed in 2013, such as Budgethelp, a Mortgage Assistance Team, the financing of sustainability improvements to homes and more information and convenience on the websites and the mobile banking applications.

SNS Bank, ASN Bank, RegioBank and BLG Wonen have developed a collective vision with respect to sustainable housing. The Tomorrow's World (Voor de Wereld van Morgen) platform of ASN Bank has hosted focused crowdsourcing, conclusions from which were also included. There have also been discussions of this theme with NGOs and other stakeholders. The central features of our vision are quality, affordability and sustainability. With a shared vision, the brands can share each other's expertise and contacts more effectively, and work together on the development of our housing-related services more frequently. This could involve the funding of energy-saving measures, or the offering of energy performance advice.

New functionalities were added to the mobile applications of SNS Bank, ASN Bank and RegioBank in 2013. SNS Bank was the first Dutch bank to provide an app to bypass geoblocking when abroad. Geoblocking is the automatic switching off of paying by bank card when abroad that was introduced previously in 2013 to reduce the risk of bank card fraud. The app allows the customer to switch paying by card abroad on or off. Mobile banking has really caught on to our customers. At the end of 2013, nearly 30% of SNS Retail Bank customers were using mobile banking. Users of the app have been able to give their opinions of mobile banking since December 2013. More than 5,000 customers had done so by the end of 2013. These users gave the app an average score of 8.4, and 90% of them recommended it to other customers.

Over 70 employees of SNS Retail Bank and Zwitserleven worked together on three savings products for retail customers and on the development and market launch of a related customer services facility for Zwitserleven. This introduced a series of products for a customer group that until now had hardly been served by the SNS Retail Bank brands.

Dealing responsibly with money

The products and service of our brands contribute to our customers' ability to have a greater understanding and awareness of their financial affairs. But people also need to have the personal knowledge, motivation and encouragement to be able to handle money sensibly. SNS Retail Bank is actively promoting this in society. In 2013, SNS Bank, RegioBank and BLG Wonen collectively launched Eurowijs, a teaching package on financial affairs for children between the age of seven to nine in primary education. The package was developed together with partners and meets the educational principles of NIBUD. After the launch at the end of 2013, more than 200 of our employees signed up to give guest lectures.

For young people aged between 12 and 25, the Stichting Weet Wat Je Besteedt (Stay on top of your spending Foundation, WWJB) is developing educational initiatives together with partners, and often with the young people themselves. Along with SNS REAAL, SNS Bank is participating in the initiative as the senior partner. SNS Retail Bank forms part of the foundation's board and made one employee available on a full-time basis in November 2013. Employees of BLG Wonen and RegioBank also contribute to this initiative. In September, WWJB and SNS Retail Bank launched the simulation game MoneyMatters at a lower secondary education school. The game gives young people a taste of financial matters in real life. Four SNS employees act as the experts in the help line videos that can be consulted. See www.wwjb.nl for further information.

Safeguarding the customer's interests

The brands of SNS Retail Bank make use of collective service centres and IT platforms. Collective standards and performance indicators for the safeguarding of the customer's interests have also been in use since 2013. This especially applies to the new product approval process and the regular testing of products that are no longer sold, the use of simple language in product information, the testing of the quality of advisers and independent intermediaries, complaints procedures, customer satisfaction surveys, assessments of employees, and the application of other P&O tools. Customer orientation has become an even more important part of the training of advisers. The criteria for quality and knowledge of franchisees and advisers have been tightened. Each brand has its own complaints management, although the reporting and procedures are largely the same. Since 2013, all the brands have used a continuous list of top five complaints that are addressed with special vigour.

Also in 2013, the brands tested all their products using the Group-wide SNS REAAL standards to measure whether the customer's interests were adequately prioritised according to the 'KNVB' criteria, which (in English) are: cost-efficiency, usefulness, security and comprehensibility. The test also assesses whether the brands' marketing and product communication with customers meets all in-house and external regulations. The use of customer panels for product testing was better organised in 2013, along with more accurate recording of customer contact experiences.

The brands of SNS Retail Bank have an active policy of preventing and solving customer problems. When the Cabinet decided to permit a temporary tax-free gift of €100,000 for the repayment of mortgages, SNS Retail Bank was the first to announce that this would be without penalty for our brands. After an appeal from the Minister to follow this example, virtually all Dutch banks scrapped the penalty. This measure contributes to the avoidance of remaining mortgage debts.

Dilemma

With the introduction of a separate advice fee for complex products, many customers are investigating whether they can purchase such products without taking advice. This is possible, but things can go wrong if the customer's knowledge and understanding are not as extensive as he thinks. This poses a dilemma for the bank. We want to offer customers what they are asking for, but we also feel responsible for the consequences associated with freedom of choice by the customer. For this reason, our banking brands do not (as yet) sell life insurance and bank savings products without advice. First of all, we want to be more certain regarding the reliability of tests that indicate whether the customer is buying a product that is actually suitable for his situation.

Proactive dialogue with stakeholders

SNS Retail Bank wishes to enter into a dialogue with interest groups and other external parties regarding the best way to put the Manifesto into practice (stakeholder engagement). In 2013 we had informal consultations with (among others) Vereniging Eigen Huis regarding assistance to mortgage customers experiencing problems with payments, the NIBUD, the senior citizens' organisation Anbo regarding the retention of ATMs and bank branches in small municipalities, and the Vereniging voor Openbaar Onderwijs regarding financial education in schools.

The Manifesto was explained at the Hearing on the Future of Banking in the Dutch House of Representatives in November 2013. On behalf of SNS REAAL, Gerard van Olphen spoke in response to the Wijffels Commission report Towards a Serviceable and Stable Banking System and the Cabinet's reaction thereto.

SNS Retail Bank supports an integrated approach to the reform of the Dutch housing market. SNS Retail Bank argues that there should be a change of behaviour: first save, then borrow. Various lobby discussions took place in this context with the Consumers' Association, Vereniging Eigen Huis, Bouwend Nederland, VNO-NCW and the Insurers' Association. Our views were brought to the attention of the political parties and the Ministries of Finance and of Internal Affairs.

The House of Representatives organised a Hearing on online payments traffic in May 2013 as a result of several disruptions, including DDoS attacks. An explanation of the methods used to ensure the security and availability of digital funds was given on behalf of SNS Retail Bank.

8.7.2 SNS Bank: customer dialogue improves services

The website www.snsbank.nl provides customers with various tools to help them gain a good understanding and awareness of their financial affairs, including a cash book, savings targets, interest rates change messages, automatic replenishment for negative balances, and a savings manager. There were also numerous improvements in 2013, partly thanks to the SNS Community. The mortgages page has been entirely changed. The customer's requirement is now the central feature instead of the product, with subjects such as The Mortgage Steps Plan, Your First Home, Renewing Your Mortgage and Buying A New Home. Customers can also calculate how much of their own money they need for a purchase, and they can check to see whether their current mortgage could lead to financial problems.

SNS Bank also wishes to be accessible for those with a handicap. For several years, SNS Bank has been the only bank in the Netherlands with the Drempeelvrij quality mark. The Stichting Waarmerk Drempeelvrij gives this quality mark to websites that can be accessed by people with a visual limitation.

The SNS Shops continue to be important for personal contact, advice and the visibility of SNS Bank. The free Budgethulp service was added as part of the service to mortgage customers in 2013. Customers are offered help and tips in the shops to increase their understanding and awareness of financial matters.

Listening better to the customer, better customer service

In August and September, SNS Bank organised sessions with customers at ten locations across the country in order to ask them what they expect from the bank and to give their own views regarding the bank's direction.

The SNS Community focuses on promoting co-creation with customers, answering questions, and providing a platform for discussion and exchange of news. Members are also actively approached to ask them to give their opinions of new initiatives. In 2013, the SNS Community was opened to all customers wishing to think about or discuss our services and current financial issues. The number of participants rose from more than 1,000 at the end of 2012 to more than 6,000 at the end of 2013. On Facebook too, we saw a sharp growth in customer interaction. The number of Facebook fans rose from 2,500 to nearly 11,000. In 2013, the community was directly linked to Mijn SNS (My SNS), so that customers can gain access to the Community while Internet banking with a single mouse click. In Mijn SNS the customer can now immediately see which topics are being discussed in the community. Hot topics were the nationalisation, the changes at SNS Fundcoach, improvements to Mijn SNS and questions on customer service. Many questions were about the regular processes, but also about transparency of products and policy, and the means of communication to customers. Why are interest rates going up or down? Why was my application rejected? SNS Bank is pleased to see the increase in customer involvement, and adjusts its communications regularly on the basis of member reactions. Mijn SNS was updated at the end of 2013, on the basis of input from the community. The cash book function was improved, target saving savings accounts were added, and annual statements and credit card statements that previously were sent only by post can now be accessed online. In December, SNS Bank and BinckBank organised a webinar on the transfer of SNS Fundcoach to BinckBank in 2014. Around 400 participants put over 335 questions during an interactive session.

The SNS Customer Panel acts as a sounding board for the management of SNS Bank. The panel consists of approximately 20 customers who meet with members of the management of SNS Bank at least four times a year. The issues discussed in 2013 included: the nationalisation, the concept of a new advertising campaign, mobile banking, the local role of SNS Bank and its franchisees, and the DDoS attacks in April, which led to situations whereby online banking was, on occasion, unavailable at various banks, including SNS Bank.

Complaints management and development

Complaints management at SNS Bank contributes to improving the organisation in three ways:

- Increasing customer satisfaction with respect to the handling of complaints and the quality of advice of the various channels;
- Increasing customer loyalty, as expressed in a positive NPS score when a customer's complaint is dealt with to his satisfaction;
- Reducing the number of complaints submitted by improving processes and increasing quality.

The management of SNS Bank took direct responsibility for the Complaints Management department in 2013 in order to emphasise the priority of complaints management. The maximum response time was reduced, from four weeks to three. During peak loads, such as during the nationalisation, the maturity of the third series of SNS Participation Certificates and the changes at SNS Fundcoach, this shorter response time was not achieved in all cases. SNS Bank informed its customers on the occasions when this response time was not feasible. Communication campaigns for shop staff were designed to resolve complaints as soon as possible after being heard, with the underlying problem being dealt with thereafter. The total number of directly received complaints fell from 14,889 to 14,751 (-0.93%). The number of appeal cases fell by 24%. The number of directly received complaints was considerably higher than usual immediately prior to and after the nationalisation, and during the changes at SNS Fundcoach.

The main improvements as a result of the analysis of complaints were:

- better explanation regarding changing a contra account and a power of attorney;
- better application and delivery process of digital cards (digipas);
- conversion of a joint account to a personal account is free of charge for the first three months;
- changes to customer mailings and other texts now include more explanation of the reasons for a rule;
- announcements are made regarding both increases and reductions to interest rates on savings;
- messages are sent to customers regarding their new monthly payment after additional mortgage repayments.

Customer satisfaction

Customer satisfaction with SNS Bank on the basis of the Net Promoter Score (NPS) fell from -35% to -39%. While satisfaction rose or was high in many areas, the nationalisation of SNS REAAL still affected the total opinion of many customers with regard to SNS Bank. SNS Bank is analysing the measurements in order to enable improvements where possible. Frequently mentioned wishes included better service, and having an SNS Shop in the neighbourhood. SNS Bank wishes to follow and record customer contacts more effectively, so that employees can manage customer expectations better, and it intends to improve the national coverage of the SNS Shops in accordance with its strategy.

8.7.3 ASN Bank continues to grow to 608,000 customers

The number of ASN Bank customers rose from 588,000 to 608,000 (+3.4%) in 2013. Years of consistent sustainability policy, product policy, customer service and marketing ensure a strong brand reputation and a high level of customer satisfaction. According to a survey by the MarketResponse agency, ASN Bank was the most customer-friendly bank in the Netherlands in 2013, as it was in 2011 and 2012. In addition, ASN Bank was again a frontrunner in responsible banking according to the Fair Bank Guide.

On its website, with its 'WAAR(de) op de kaart' feature, ASN Bank shows in a new and accessible way where in the world it creates sustainable value, through financing, investment, sponsoring, donations, knowledge exchange and joint ventures. The effects can be seen both per region and per theme. The central themes of ASN Bank are: sustainable energy, fair trade, housing, nature, and health & wellness and actions against child labour and arms trade.

ASN Bank attaches great importance to a dialogue with its customers and other stakeholders regarding its mission and sustainability themes. The community of ASN Bank is called 'For Tomorrow's World' (Voor de Wereld van Morgen), in which customers and other interested parties actively contribute to the sustainability of society. ASN Bank encourages and facilitates discussions and initiatives, and is thereby aware of the issues that interest people who are dedicated to a sustainable society. The other way around the community members become well aware of what ASN Bank stands for. At the end of 2013, the number of community members had risen to 53,000. At the General Meeting of Shareholders of the investment funds, there were separate sessions at which customers discussed issues with the management including the nationalisation of SNS REAAL and the position of ASN Bank. ASN Bank organised customer surveys and discussions at various locations around the country. In early May, ASN Bank held a meeting at its head office with a group of people who are in frequent dialogue with the bank through social media. The issues discussed included the nationalisation of SNS REAAL, the relationship between ASN Bank and SNS Retail Bank, the sustainability policy, and potential and actual new products. One of the starting points of the annual Ethical Investing Day is the dialogue with visitors.

A large customer survey was organised at 12 different locations in the Netherlands in May, June and July. The purpose was to assess the extent to which customers were satisfied with the products and the service, their level of knowledge and expectations, their opinions about sustainability, their experience of the ASN Bank brand, and their expectations for the further development of ASN Bank. The survey showed that for many customers sustainability is a broad and powerful concept, covering social issues, ethics, decency, idealism, no child labour, no weapons, optimism, responsibility for the future, environmental awareness, a focus on 'doing something good' (not just making a profit) and a focus on human values. Many customers believe that working towards a more sustainable society involves cooperation with reliable

organisations with similar goals. Customers want to see what we are investing in and how we work with others and share our knowledge. ASN Bank can develop further in the areas of care for those in need and energy-efficient affordable housing, for instance by investing in these areas and financing projects. The emphasis could be on projects close to home, in the Netherlands. The parties that we invest in must be properly screened to establish that they run a responsible business.

In 2013, ASN Bank continued to be a co-leader in the assessments made by the Fair Bank Guide, mainly due to a high score on transparency in customer assets under management and the bank's own investments, which are mainly funded through savings.

If ASN Bank performs well, its social partners will benefit too. The contribution to these partners, including that of the ASN Foundation, came to €2.6 million. This was 4.0% (2012: 7.4%) of the net profit. The number of complaints received by ASN Bank was relatively small in comparison to the total number of customers and compared to other brands.

Customer satisfaction

ASN Bank is one of the few Dutch banks to get a positive rating on customer satisfaction based on the NPS method. Its score fell slightly, from 22% at year-end 2012 to 19% at the end of 2013. The nationalisation of SNS REAAL is the most likely reason that the score has not yet returned to the higher level seen in previous years. The actions taken by ASN Bank on the basis of various customer satisfaction surveys included the following: giving more information on what ASN Bank does with customer funds and its relationship with SNS REAAL, better monitoring of website usage, and offering more response options on the website.

8.7.4 RegioBank focuses on personal contact and local facilities

At a time when other banks are leaving the villages, RegioBank's presence here is growing. In 2013, the number of customers increased from 530,000 to 556,000 (+4.9%). Growth was limited by the effects of the nationalisation of SNS REAAL, as a result of which the name recognition campaign and the marketing action were not rolled out until the end of the year. With a network of 530 independent advisers, RegioBank is the bank with the largest number of branches in municipalities with fewer than 10,000 residents. In addition to personal contact, many RegioBank customers also value the cashier function at the branches. Approximately 80% of the branches have a cashier.

RegioBank has improved its telephone customer service. Since September 2013 the employees at the head office and at the branches have had complete customer profiles available on their screens as an additional resource whenever customers get in touch. This enables them to help customers even faster and to make more appropriate product suggestions. Support for the advisers has also been improved. RegioBank had a qualitative assessment of customer experiences conducted, and used this information in September for a door-to-door folder giving '10 reasons to choose RegioBank'. The response was good, and contributed to a strong increase in the number of customers in the last quarter. RegioBank has changed the way it deals with complaints by giving priority to complaints that have the greatest effect on customer interests. The total number of directly received complaints dropped by approximately 5.9%.

RegioBank is dedicated to maintaining local facilities in smaller municipalities. It is not only a fact that villages are losing bank branches, but also a fact that the number of ATMs is also declining. Many people still prefer to pay with cash; in many cases, however, there are no longer any ATMs in their own villages. RegioBank held discussions with municipalities, mainly in contracting areas, regarding the placement of ATMs that can contribute to the viability of these locations. Contact has been continued with 40 small communities since 2013, including Niekerk (Groningen), Vogelwaarde (Zeeuws Vlaanderen) and Westerhaar (Twente).

RegioBank introduced www.voordebuurt.nl in December 2013, an online platform designed to encourage local connectivity and vitality within the local community. The platform will be a place that links practical solutions, people and organisations, with themes such as community life, senior citizens, young people and facilities.

In December 2013 RegioBank organised the first of a series of meetings on the future of community life. The meeting was attended by representatives of the Ministry of the Interior and Kingdom Relations, the National Association of Small Communities (Landelijke Vereniging van Kleine kernen), Scouting Nederland, NOC*NSF and approximately 35 local sporting and other associations. RegioBank wishes to support associations and local society in villages and small towns.

In July, RegioBank organised meetings for advisers at 12 locations around the country on the banking profession and the future of RegioBank. The dilemmas of the profession were also discussed. When can you recommend a product to a customer, and when should you not do so? When should you inform your customers? When should you make a report to the AFM? There was also an opportunity to take the bankers' oath, which up to now was taken by 115 advisers.

Customer satisfaction

Based on the NPS method, customer satisfaction for RegioBank remained stable at -7%. RegioBank is not satisfied with a negative NPS, although this score is better than that of the large banks and is surpassed only by the sustainable banks. Customers are particularly satisfied with the personal approach, the commitment and the customer care offered by the bank. Adviser satisfaction with the RegioBank formula and organisation was unchanged at 87%.

8.7.5 BLG Wonen: from mortgage sales to housing advice

From now on, BLG Wonen will focus on housing advice rather than mortgage sales. The organisation has been made more professional, in order to strengthen and expand customer relationships, in concert with our intermediaries. The website has been improved, and is now designed with the focus on meeting customer needs rather than on the offering of products. With Mijn BLG, customers have a personal environment with an overview of all the products and they can effect transactions and make changes as well. This means convenience for customers and less administrative work for intermediaries. Customer contact with the BLG Wonen head office increased, mainly due to the rising interest in savings products that were introduced in 2012. It is partly for this reason that BLG Wonen has set up a customer services department. Among other improvements, BLG Wonen has upgraded its quotation process so that customers now receive a quote within two business days of their application. BLG Wonen also used customer reactions to increase clarity in its quotations. At the end of 2013, BLG Wonen introduced the Woonbalans, a free app for housing-related expenses such as energy, water, Internet, telephone and maintenance for house and garden. Customers can set their own priorities, such as low cost or sustainability, for making links. Users enter their data for each housing wish, and receive tips that suit their situation.

The total number of directly received complaints rose from 379 to 765 (more than 100%). BLG Wonen has brought its complaints management in line with the other brands of SNS Retail Bank. Reporting has been improved, so that problems can be dealt with faster and more specifically. The reports also now give more information on the customer's experience of the service provided by their intermediary. This helps BLG Wonen to develop its management and monitoring of the quality of advice.

BLG Wonen devoted much attention to coaching its intermediaries, mainly to encourage them to invest in customer relationships. The new offering from BLG Wonen, with an expansion from mortgage sales to housing advice, gives intermediaries more possibilities than they used to have. Maintaining customer relationships is especially important at this time, due to the developments in the housing market. Identifying potential or actual payment problems at an early stage can avoid escalation.

Customer satisfaction

BLG Wonen has started to survey customer satisfaction on a continuous basis, which has led to various improvements. From now on, customers will first be called by their adviser with respect to an interest extension proposal, the website has been improved, and wording has been simplified. The surveys also generate assessments of the advisers. An NPS score was assigned for the first time. During the year, this rose from -20% to -15%.

8.8 Developments per product group

8.8.1 Savings and payments

The total Dutch savings market, including bank savings, increased from € 323 billion to € 325 billion (+0.7%). There was a significant withdrawal of funds in the period immediately prior to the nationalisation. This was followed by a strong recovery, but a large amount of savings was used to repay mortgages at the end of the year. SNS Retail Bank's market share of retail deposits ultimately fell slightly, from 10.3% at the end of 2012 to 10.1% at the end of 2013. Total retail savings deposits increased slightly from € 32.8 billion at year-end 2012 to € 33.3 billion at year-end 2013.

There was little change to the product range. The number of products had already been sharply reduced in previous years, and products had already been simplified. Zilvervloot Sparen, a savings account for children and young people introduced in 2012, developed positively. The number of accounts rose from 31,000 at the end of 2012 to 69,000 at the end of 2013. With Zilvervloot Sparen, SNS Bank and RegioBank want to encourage interest in saving by parents and grandparents, and children and grandchildren. ASN Bank organised a savings campaign in cooperation with the National Foundation for the Elderly. ASN Bank makes a contribution to the fund for each deposit of more than € 1,000 and for each new account. The customers of ASN Bank thus treated 30,000 senior citizens to a day out.

The Eigen Huis Sparen product of RegioBank is unique in the savings market in the Netherlands. The interest rate is higher than on other savings accounts, and funds can be withdrawn immediately. The condition is that withdrawals are used to repay a mortgage, or to pay for a house or a building plot. It encourages customers to reduce their risk by contributing more of their own money and taking a lower mortgage, which also usually has a lower rate of interest. RegioBank has launched a business account for self-employed persons, foundations and associations. The advisers have taken a workshop so that they can explain the product properly to their customers.

Bank savings at SNS Bank, RegioBank and BLG Wonen rose from € 2.4 billion to € 3.0 billion (+25%). The figures do not include bank savings for mortgage redemptions. Bank savings products are simple, transparent products with relatively low risks and low costs, which allow our customers to benefit from tax allowances to the maximum extent.

8.8.2 Mortgages

Turning point reached in sales of own mortgages

The market volume for new residential mortgages in the Netherlands fell from € 47 billion in 2012 to € 37 billion in 2013. The number of mortgage transactions fell by approximately 15% to 169,992. The average transaction amount fell by around 7%. The total mortgage portfolio of SNS Retail Bank, with a size of € 48.2 billion, declined by 4.9%.

The turning point in the decline in sales of new own mortgages appears to have been reached. The market share fell heavily in 2012 to 2.1%, as a result of a lack of available capital due to the problems at Property Finance. After price cuts and marketing campaigns in the second half of the year, the distribution share towards the end of 2013 began to show growth. Nevertheless, the market share of new own mortgages fell to 1.8% at the end of 2013. With the mortgages from its own brands and other providers, SNS Bank can make a good offer to virtually any type of customer. SNS Bank is the only Dutch bank that also offers mortgages from other banks.

Preventing problems and helping to solve problems

Payment arrears and write-offs are increasing, due to further decline of house price in combination with higher unemployment. The number of mortgages in arrears rose by 12.0%. Write-offs declined from € 98 million in 2012 to € 71 million in 2013. The write-offs are high compared to the market, because many mortgage sales were made during the peak years in the housing market. The number of forced home sales was 1,227 in 2013, compared to 990 in 2012.

SNS Retail Bank is identifying customers with potential problems more effectively, mainly on the basis of their mortgage amount, the WOZ value and their known savings. SNS Bank offers customers a mortgage test that can be taken online or in an SNS Shop. RegioBank and BLG Wonen also approached many customers to ask them to check their mortgages. Customers can get free advice and tips, either online or offline, in order to help them improve their financial situation. By taking the right steps in good time, many problems can be avoided. If there is a serious threat of payment difficulties, the Mortgage Assistance Team will, together with the customer and his financial adviser, look for creative and human solutions.

8.8.3 Investments

Introduction of separate fee for fund distribution costs

With effect from January 2014, the AFM prohibits Dutch banks from charging the commission for offering investment funds to customers via the unit price, since these costs are not very transparent to the customer. For this reason, at the end of 2013 SNS Bank started to convert all the funds it offers into new funds in which only the management fees for the fund provider are included. Instead of commissions, since January 2014, customers of SNS Bank pay a service fee of 0.5% per year of their capital invested, up to a maximum of € 200. The change to net funds also applied at ASN Bank, RegioBank and REAAL Banking Services, although the service fees vary for each brand. ASN Bank uses a lower service fee in combination with a charge per transaction.

SNS Bank: simpler offering of investment funds

The total assets under management of the SNS investment funds rose from € 5.1 billion to € 5.4 billion (+5.5%). Declining bond prices and a net outflow of investments were offset by stock price increases for equities. SNS Bank simplified its offering of investment funds with the introduction of *SNS Profiel Beleggen* (Profile Investing) and the sale of SNS Fundcoach.

SNS Profiel Beleggen is a form of online asset management designed to offer convenience and security. Customers' money is invested according to a profile established in advance by the customer and SNS Bank. The customer finds the profile that suits their situation best by completing an online questionnaire. The five profiles available range from very defensive to very aggressive. *SNS Profiel Beleggen* thus offers an accessible and simple alternative to saving, and allows customers to take slightly higher risks with some of their money in order to achieve a higher return. With its *Doelbeleggen* product, RegioBank offers its customers access to the five profile funds of SNS Bank. Personal investing at RegioBank continues to be available only to customers who already do this.

The wide variety of funds from Fundcoach is targeted at a relatively small group of investors who are prepared to devote much time and attention to the composition of an investment portfolio. This activity is no longer suitable for SNS Bank. It was therefore decided to sell Fundcoach to BinckBank at the end of 2013. Besides *SNS Profiel Beleggen*, investors can still choose *SNS Beleggingsfondsen* (Investment Funds) or *SNS Zelf Beleggen* (DIY investing) to invest in equities, bonds, options and a limited number of investment funds.

Responsible investments and responsible performance

SNS investment funds are actively managed funds. This means that they do not automatically track the index for the sectors in which they invest. SNS Asset Management (SNS AM), the manager of the SNS Investment Funds, thus aims to achieve two key objectives:

- Exclusion of investments that do not meet the ESG criteria (Environment, Social, Governance) and thus do not adequately respect the principles of SNS Asset Management with respect to human rights, the environment and good governance.
- To outperform, on average, the so-called tracker funds, thus justifying the slightly higher charges for active management.

SNS Bank sets out the social and environmental aspects of its investment policy on its website and also shows the extent to which its investment funds comply with the ESG criteria. SNS Bank publishes a quarterly report on its website regarding excluded companies and active shareholdings.

Most customers with equity funds from SNS Bank were able to benefit from rising share prices. Four of the six equity funds of SNS Bank outperformed their benchmark after deduction of costs. The *SNS Euro Aandelenfonds* realised a net return of 20.6%, which was 0.80% better than the benchmark. The *SNS Opkomende Landenfonds* (Emerging Markets fund) was the only equity fund to achieve a negative return, even though its performance was slightly better than the benchmark. The returns on bonds were lower than on equities. The *SNS Mixfondsen* (Mix Funds) benefited mainly from the higher share prices, but also from their overweight in equities as a result of the tactical allocation policy. The *SNS Profielfondsen* (Profile Funds) were launched in mid-February 2013. Three of the five funds performed slightly better than their benchmarks. The two most aggressive funds slightly underperformed.

Research agency Morningstar gives investment funds star ratings using a quantitative method based on historical returns. According to this rating as well, SNS investment funds scored well, with five funds holding the maximum five stars, four with four stars, five with three stars and one with two stars at the end of 2013. The *SNS Profielfondsen* launched in 2013 will only be rated after they have had a track record of at least three years.

ASN Bank: sustainable investing continues to become more popular

Assets under management in the ASN investment funds rose from € 1,377 million to € 1,602 million (+16.3%), due to both share price increases and net inflow. The decline in the value of bonds had a limited effect. ASN Bank's criteria for sustainable investments go further than the criteria of SNS Bank, REAAL and Zwitserleven. ASN Bank has more specific investment policies for each sector and theme, for example in relation to agriculture and animal welfare. ASN Bank sets out the exclusion and inclusion criteria on its website. The bank also makes every effort to encourage responsible investment in general, in part through the Groenberaad Banken (Green Banking Platform), the Association of Investors for Sustainable Development, the United Nations Environment Programme Finance Initiative (UNEP FI) and the Carbon Disclosure Project.

People who invest according to principles of sustainability are not primarily concerned with the performance of a fund. However, for many investors, it is still an important bonus that the performances of the ASN investment funds compare favourably with those of other funds, and that the ASN funds are sometimes among the best performers. For instance, the *ASN Duurzaam Aandelenfonds* (sustainable equity fund) was the second-best performing Dutch investment fund among globally investing funds over the last three and five years (source: Elsevier, October 2013). This fund also won a Gouden Stier award for the best Dutch investment fund in 2013.

8.8.4 Sustainable funding

ASN Bank on-balance new business finance fell from € 309 million in 2012 to € 208 million (-32.8%) in 2013. The total on-balance business finance portfolio rose from € 2,073 million to € 2,094 million at the end of 2013. ASN Bank tests projects for business loans against the sustainability criteria of human rights, climate and biodiversity. Large projects, especially for sustainable energy generation, are also tested against the international Equator Principles. In addition to the business finance, investments increased from € 3,210 million to € 3,705 million, which includes € 50 million in new green bonds from the European Investment Bank (EIB). The cash received upon the issue of the bonds is being used by the EIB to fund projects in the fields of wind and solar energy and energy efficiency, which will contribute to reducing CO2 emissions in Europe. ASN Bank also invests in affordable housing through retail mortgages. These investments are part of the renewed policy for sustainable housing developed by ASN Bank together with SNS Bank, RegioBank and BLG Wonen in 2013. The total investments in mortgages amounted to approximately € 4.5 billion at the end of 2013. According to the risk criteria used by ASN Bank, the average value of the mortgages in portfolio may amount to up to 110% of the forced sale. At the end of 2013, this percentage was 86.1%.

A further € 598.6 million in new business finance was lent through the Green Projects Fund, in which customers can invest. The first loans for the Energie Fonds Overijssel were made in 2013, in an amount of € 67.3 million.

ASN Bank invests in making homes sustainable

ASN Bank invested € 50 million in the Nationaal Energiebespaarfonds (National Energy Saving Fund) set up by the Dutch government in 2013 on the basis of the Housing Agreement and the Energy Agreement. The fund offers 7 or 10-year loans of between € 2,500 and € 25,000 to home owners to finance energy-saving measures. ASN Bank was one of the two banks that were eligible to participate. The National Energy Saving Fund has a total size of € 300 million, with the government itself contributing € 75 million. The fund is viable because when the money borrowed is repaid, it is returned to the fund. As from the beginning of 2014, private home owners can apply for a loan from the National Energy Saving Fund. The loans lead to lower energy bills and contribute to improving the environment. The interest payable is low and deductible from income tax, meaning that housing costs do not rise in the short term, and after the loan is repaid they will decline on a permanent basis.

8.8.5 Insurance

Sales of new non-life insurances by SNS Bank rose strongly once again, by approximately 54%. SNS Bank has intensified its marketing and sales via its website, the SNS Customer Service, and in particular through the SNS Shops. It is a simple matter to expand a check for banking products in one of our shops to include an insurance check. Using the Internet facility in the shop, and with the assistance of employees, customers can immediately purchase the products they have chosen. SNS Bank ran a campaign to attract more customers into our shops. A Woonwekenactie (Housing Weeks Campaign) on the website and in the shops also brought more customers into the shops. Compared to 2012, SNS Bank managed to strongly improve its retention of previously sold products. Combined with the rise in new sales, this has led, for the first time in several years, to growth of the total portfolio.

BLG Wonen introduced net home insurance policies, meaning policies whereby no commission is paid to intermediaries. The advantage for customers is that they can be sure of getting a lower rate and independent advice. The intermediaries have various arrangements for their fees. These can be in the form of a subscription, a separate fixed fee or a fee based on an hourly rate.

8.8.6 Other activities

SNS Securities, a subsidiary of SNS Bank, offers securities services for professional investors, and assists SMEs and larger companies in private and public capital markets transactions. The securities research carried out by SNS Securities focuses in particular on the Dutch small and midcap funds.

The contribution of SNS Securities to earnings remained more or less unchanged, despite a higher cost base as a result of the sale of the private banking asset management business and the investment consultancy business. These activities were sold to Bank ten Cate & Cie in September. The 26 employees concerned have entered employment with the new owner. The strong position in the corporate bond market was the main contributing factor to the result.

9 Developments at REAAL

The activities of REAAL comprise three business segments: REAAL Life, REAAL Non-Life and REAAL Other activities. These segments are discussed separately in this chapter.

Table 12: Net result REAAL

<i>In € millions</i>	2013	2012	Change
REAAL Life	(439)	72	(710%)
REAAL Non-life	0	(84)	100%
REAAL Other	(43)	(15)	(187%)
REAAL	(482)	(27)	(1685%)

9.1 Strategy of REAAL

REAAL develops and distributes individual life insurance, non-life insurance and disability insurance policies, as well as bank savings products. REAAL achieves this with simple, clear and efficient services, putting the customers' interests first. REAAL's customer base comprises mainly retail customers, and also small and medium-sized enterprises.

The mission of REAAL is to help people make deliberate choices. Deliberate choices require insight. REAAL helps customers gain insight into their financial position, their needs, the risks relevant to them, the product options and the pros and cons of self-reliance and outsourcing to intermediaries.

REAAL applies two methods to help its customers make deliberate choices:

- a Reinforcing distribution via qualified intermediaries. REAAL wants to introduce a variety of service concepts that match the needs of customers and intermediaries and offer REAAL potential value. In that context, REAAL wants to reinforce the commercial strength of its intermediaries by means of client referral, online sales support and proactive portfolio management. REAAL also wants to help intermediaries broaden their advisory role with online tools, education and application of their own brands. REAAL aims for seamless collaboration with intermediaries based on knowledge sharing, joint claims control and co-creation. Customers should feel confident in choosing REAAL and their intermediary.
- b Intensifying direct contact with customers and getting to know them better. This will enable REAAL to continue to improve its products, services and returns also in the long run.

A variety of brands and distribution channels allows REAAL's insurance operations to respond to the needs of various groups of customers and keep pace with the market. REAAL distributes a large part of its non-life products via SNS Bank. In addition, the Zelf brand is a specialist online provider of non-life products. Dier & Zorg offers accident and health insurance for dogs and cats. Route Mobiel offers roadside assistance insurance for motorists. These brands place us close to our customers, while central development and brand support create economies of scale.

In its current portfolio, REAAL aims to further increase efficiency benefits going forward based on harmonisation and standardisation.

9.2 Commercial developments and organisation

9.2.1 Preparing for the future

The separation of the Banking and Insurance activities of SNS REAAL puts organisational pressure on REAAL, particularly as from 2014. The Group incorporates relatively many staff functions. REAAL improved its services to customers, finalised the payments for compensation of overpaid unit-linked insurance costs and called over 28,000 customers to advise them to check their unit-linked insurance policies.

REAAL improved the organisation's efficiency, mainly by harmonising and standardising its systems and products. Operating costs remained stable despite additional cost allocations from the group amounting to € 18 million. On a like-for-like basis, costs fell by around 13%. At the end of 2013, a new platform for non-life products was introduced improving REAAL's services by means of far-reaching automation and process optimisation and thus create cost savings in the years ahead.

9.2.2 New sales of term life insurance and bank savings products are stable

REAAL offers its customers a transparent and complete range of life insurance products. The risk insurance policies and bank savings products complement each other well. In term life insurance, REAAL maintains its position as market leader with a share of 25% at year-end 2013. There was growing competition from providers selling their products directly to the market. As a whole, the market remained stable. REAAL rewrote the product information for new and altered products in plain language and then tested its comprehensibility in a customer panel. The customer panel judged that 75% of the products had clearly comprehensible information.

REAAL's bank savings products are life annuity products to accumulate and return capital and to postpone returns on capital. The bank savings market grew again, but at a slower pace than in 2012. REAAL purchases its bank savings products from SNS Bank and reaches many new customers through its intermediaries. REAAL's total new sales remained flat. The ban on commissions and the separate consultancy fee spurred demand for term life insurance and bank savings products without advice.

9.2.3 REAAL urges customers to check their unit-linked insurance

REAAL completed the execution of the scheme for compensation of costs for customers who had purchased unit-linked insurance policies in the past. An initial amount was paid up on current insurance policies. In the period until the expiry date of the insurance, REAAL annually deposits a constant amount into the policy. For insurance policies already terminated, the cost compensation amount was paid as a lump sum. The compensation scheme applies to customers of REAAL, SNS Bank, Zwitserleven and all their predecessors in title.

The capital accumulated on unit-linked insurance policies was adversely affected in recent years by low returns on investment. Returns in the past decade were much lower than in the preceding 30 years. As a result, customers are running the risk that their monthly premium investments are insufficient to reach their target capital. For that reason REAAL informed all customers with a unit-linked insurance policy twice by letter, advising them to perform a check via the website. This insurance check gives customers insight into their current policy, including wealth creation, and the options and alternatives. Customers may obtain free rebalancing advice on their insurance via their financial advisor.

After consultation with the Netherlands Authority for the Financial Markets (AFM), REAAL developed a method to approach vulnerable groups even more actively. Customers whose policies were most vulnerable to insufficient capital accumulation were contacted by REAAL by telephone. These included mostly customers who pay high premiums and whose policies are due to expire within 10 years. Before this campaign was completed, the AFM and DNB arrived at a new definition of most vulnerable policies: policies with a projected maturity value that is lower than the current value plus the sum of future deposits. This increased the size of the group designated for particularly active approach to 50,000. These customers were called by telephone wherever possible, followed by email confirmation if possible.

Many customers appreciated REAAL's phone calls. Customers who could not be contacted by telephone received a final letter with urgent advice from REAAL. By year-end 2013, approximately 60% of the group of 50,000 customers had been approached. All other customers with unit-linked insurance policies will be contacted in 2014. REAAL records the deliberate choices of customers as much as possible. There are also customers who consciously choose to continue their policy unchanged after having obtained rebalancing advice.

REAAL has a special website with clear information and information videos for customers with a unit-linked insurance policy. Some 10% of the customers contacted took action to check their product on the website. REAAL's aim is for all customers to use this website to obtain information about their personal situation and possible alternatives. In REAAL's view, all customers should in fact assess their complex bank and insurance products every five years, or arrange for such, especially when large sums of money are involved or when a product serves an important financial goal, such as mortgage redemption or pension supplement. An early check may prevent major financial losses. REAAL considers it a prime responsibility to ensure – together with other insurers, industry associations and interest groups and the regulatory authority – that consumer access to maintenance advice is easily accessible. Raising awareness and restoring consumers' trust in insurers and intermediaries are key in this respect.

9.2.4 Online growth in the individual non-life market continues

The size of the non-life market remained stable. Margins continued to be under pressure, particularly in the retail market. The market share in non-life, including distribution via Zelf and SNS Bank, showed considerable growth from 4.5% to 5.9%. This growth was mainly attributable to the sales to retail customers through SNS Bank. New sales of non-life insurance policies through SNS Bank rose by 26%. Currently selling 48% of REAAL's individual non-life insurance policies, SNS Bank has good potential for further growth. Online expert Zelf's market position is still modest, but new sales were up by 22%.

In January 2013, REAAL introduced seven products for a new Goed Geregeld Pakket (a full-coverage insurance package) for the non-life market, aimed at retail customers and self-employed persons. In April, eight other products were added to this package. To customers, the new products entail greater simplicity and convenience, very extensive cover and no additional policy costs or surcharges for payment in instalments. REAAL's home insurance policies, for example, receive high scores on damage cover in a study by the Dutch Consumers' Association, also in exceptional situations. The home insurance policies of REAAL, SNS Bank and BLG Wonen all scored top ratings in the test (source: Consumentengids July/August 2013). The fact that the house insurance and home contents insurance policies link up to such an extent that duplicated cover or shortfalls are not possible, has contributed to the positive score. The home contents insurance policy provides unlimited cover for art, design and audio-visual equipment and does not require customers to fill out an indicator for cover against underinsurance. Other insurance policies also stand out based on cover. The third party liability insurance for retail customers also provides cover for resident blood relatives and relatives by marriage. As to the motor vehicle insurance for bodywork, REAAL applies a generous replacement value for new and used cars.

The extensive cover helps to reduce the number of difficult choices customers have to make and enables them to fill out the application form more quickly. The language used in the terms and conditions has been simplified. The fully automated process from application to policy creation is faster than before, as is the process of paying benefits following a claim. This product package is a major improvement for REAAL in terms of efficiency and returns, as it replaces a large number of old products with quite diverse terms and conditions and management and administration requirements. In late 2013, REAAL started offering the new products to customers who have old products that will be discontinued.

The Goed Geregeld full-coverage package is well received by new customers but put pressure on the existing portfolio. The average pricing was slightly higher due to pressure on the technical results achieved in recent years. Moreover, the product price is risk-based, which means that prices can vary clearly among customers. Another reason for the lower retention rate was the strong shift in the individual non-life market to direct online purchases. The total retail non-life product portfolio decreased by 13% as a result.

At the end of 2012, the corporate portfolio faced great pressure. REAAL's credit rating is important in this market. Following the nationalisation, REAAL managed to partly restore its position in this market.

9.2.5 Disability insurance

With its disability insurance products, REAAL focuses on self-employed persons and highly educated professionals in employed positions. The disability insurance market contracted in the wake of a persistently weak economy. REAAL experienced a drop in the number of new customers and related volume. One key factor in this was REAAL's strong presence in the medical industry, which is severely hit by spending cuts and downsizing. Self-employed persons are also cutting down on their disability insurance. Despite markedly lower volumes, REAAL managed to post a positive technical result by means of good selection and risk pricing.

At the end of 2013, REAAL started converting a few hundred old products for retail customers into new products with better terms and conditions. The maximum age at maturity was raised to 67 years in response to the raising of the state retirement age. The UNIM Plus insurance now includes an extension of pregnancy cover, lower deductions on expiry of the excess period, payment on adoption, run-off cover and payment on death. The indexation options for the UNIM products were expanded. The new policy conditions were drawn up in plain language, at B1 level. In late 2013, the impact on new sales and retention rates was not yet clear. This conversion had already been implemented for self-employed persons at the end of 2012.

REAAL distinguishes itself in the disability insurance market with its prevention programme REAAL Lijfwacht. This programme consists of services aimed at preventing disability. Disability has a major impact on the lives of entrepreneurs who become disabled and can also threaten the future existence of their business. REAAL Lijfwacht offers services aimed at keeping the entrepreneur healthy and at preventing or limiting problems.

9.2.6 Marketing campaign supports intermediaries

In the second half of the year, REAAL conducted a multimedia 'Forgotten question' campaign. Especially in a time that involves greater economic risks, customers must ensure they have the right disability and term life insurance cover. They ask their advisor for advice on this topic. The campaign was a subtle reference to the FAQ lists of standard questions placed on websites where consumers can purchase products directly. They forgot to include the question of the customer, which is actually very important to him. Fortunately, he can now ask his financial advisor.

9.2.7 Providing customers with clear information

REAAL applies three key objectives in providing clear information to customers:

- Clear products, structured according to a fixed and recognisable framework, that clarify what a product does and does not do for the customer;
- Clear product information based on SNS REAAL's style guide, aligning REAAL's style with the manner of communication by the other brands;
- Good accessibility of Customer Service via a central telephone number and answering as many questions of customers as possible in one call.

REAAL frequently measures these three aspects, which are partly based on assessments by customers and customer panels. Permanent information material, such as new brochures and quotation models, is only approved when at least 50% of customer panel assessments are positive about the extent to which customer interests are met.

9.2.8 Customer service and customer contact

Aiming for long-term customer value

REAAL aims to become the most customer-focused insurer in the Netherlands. REAAL Customer Service plays an important part in this respect. Customers increasingly find their way to REAAL Customer Service for their questions and needs. REAAL thus assumes part of the information and administrative tasks previously performed by intermediaries, allowing them to focus more on their advisory role. Customers find the direct contact with REAAL a positive experience, which greatly contributes to customer retention. Furthermore, via REAAL Customer Service, REAAL obtains much valuable information from customers to continually improve its services, products and processes. The point of departure for every change to the process chain is long-term customer value. How can we organise activities differently so as to provide quicker or better service to customers? REAAL expects its employees to identify with customers to such a degree that they themselves suggest possible improvements. These improvements are introduced if they have proven successful. In this way, every REAAL employee contributes to the ongoing improvement of customer focus and efficiency in all service processes.

Improvements may ensue from day-to-day practice but also in response to complaint analysis and customer satisfaction and customer experience surveys. For example, the information on mortgages displayed on the REAAL website has been improved. Customers can use the website to obtain answers to questions on the maintenance of their mortgage or how to make additional monthly repayments on their mortgage. Customers can now receive information about bank savings products via email based on a track-and-trace system. After any purchase or continuation, this informs customers exactly when a deposit takes effect and at what interest rate.

Stricter requirements for the Customer-Focused Insurance Quality Label

REAAL retained the Customer-Focused Insurance Quality Label, which serves as a guarantee of an insurer's consistent quality of services and customer focus. The Dutch Insurers Assessment Foundation, which issues this quality label, checks insurers by means of a random sampling and introduces stricter requirements every year. In 2013, the requirements for claims handling were tightened. REAAL improved the transparency of the claims handling process, including by publishing additional information on the website, making a brochure about the role of the loss adjuster and ensuring that customers always receive this brochure when the loss adjuster comes to visit. Moreover, REAAL reduced the processing time for rejections by means of standard letters for the most common situations. REAAL much more often chose to call customers instead of contacting them by letter or email, which many customers appreciated.

At the end of 2013, REAAL introduced a new email management system in order to gradually meet the more stringent requirements for accessibility and communication by email. REAAL states on its website the follow-up period for emails it receives and must meet a minimum of 90% of its commitments regarding these follow-up periods.

Improvement of complaint management

REAAL set up a complaints committee to further professionalise its complaint management. This committee aims to improve quality measurement in respect of complaint handling, communications regarding complaint handling, the monitoring and optimisation of the complaints processing time and the working method applied by employees when handling complaints. The chairmanship of this committee rotates every six months between the Director Non-Life and the Director Life.

In 2013, REAAL devoted more attention to customers' experiences with a subject, which also led to more phone calls and fewer written communication with customers. The definition of a complaint – and, consequently, the tackling of a problem – was fine-tuned to include every expression of dissatisfaction. Especially with regard to non-life products, this provides greater clarity as to what actions customers may expect from REAAL. REAAL keeps a permanent complaints top 5 to learn more from frequent complaints.

In Life, a large number of complaints pertained to unit-linked insurance, with customers requiring more justification regarding the cost compensation amount offered or disagreeing with the scheme. REAAL then provides a detailed

response stating reasons. In addition, the challenge for unit-linked insurance was to prevent as much as possible the processing time for product changes. Staff availability for this was limited in the first half of 2013 due to the major efforts required for completing the compensation of costs in respect of the unit-linked insurance policies. Processing times were sometimes long, leading to a temporary rise in the number of complaints. In the second half of the year, processing times dropped by 2% and the number of complaints rose by 7% compared to the first half-year.

More complaints due to staff shortage, unit-linked insurance policies and improved registration

The number of complaints rose to 2,423 (+24%) at REAAL Life and to 1,680 (+230%) at REAAL Non-Life. The number of first-line complaints and complaints addressed to departments increased by 78%. The number of complaints directed at the Management Board fell by 11%. The number of complaints that REAAL received via the Financial Services Complaints Institute (Kifid) was down by 10%. Part of the increase in the higher number of complaints related to unit-linked insurance, both with regard to the essence of the compensation scheme and the products and with regard to the long processing time for product conversion. Other contributing factors were the inclusion of more departments in the central complaints administration and improved registration, in particular at Non-Life.

The average complaints processing time increased, with approximately 70% of complaints being processed within the maximum processing time. The number of complaints settled by telephone rose from 17% to 34%. The amount of additional payments based on leniency and settlement was up by approximately 33%.

Customer community launched

REAAL aims to strengthen the relationship with its customers and learn more about what drives them, which would contribute to restoring trust and to greater loyalty and brand preference. For that reason REAAL started a customer community pilot to engage in an online dialogue. In total 180 customers were registered during the pilot, 90 of whom posted at least one response, while nine posted more than five responses. Participants reacted quite positively to the pilot. A typical customer reply was: 'I, too, hope that my participation will contribute to a more honest insurer. This programme seems to me a very positive start, REAAL hereby indicates that it wants to take customer opinions seriously.' For this reason, REAAL decided to set up a permanent customer community, which was launched in late 2013. This involves a semi-open forum where all posts are visible to everyone, but which requires registration for customers who wish to post a response. On this forum, customers create their own topics, addressing questions to each other or REAAL. A REAAL webcare team is available to readily answer questions or encourage discussions. In addition, REAAL will launch WIKI REAAL in early 2014, aimed at clarifying difficult financial concepts together with customers, to enable an effective discussion of important topics with and among customers.

9.2.9 Engagement with intermediaries and other stakeholders

REAAL engages with intermediaries via the closed LinkedIn group Het Distributienetwerk van REAAL ('REAAL's Distribution Network'), which concludes 145 advisors. In 2013, the focus was on the unit-linked insurance portfolio and the 'recovery' advice. Through this group, REAAL intends to stimulate discussion with and between intermediaries, to help each other to improve their performance towards our customers. REAAL discussed the collaboration with intermediaries also in other ways: via group meetings, bilaterally and via Adfiz, OvFD and CFD, the professional associations for financial advisors.

Via REAAL College, REAAL offers regular courses under the Financial Supervision Act, courses in the context of continuing education and other intermediary training. In 2013, REAAL received more than 3,500 applications. Most training takes place at the head office in Utrecht, but additionally many in-company training seminars are given both at SNS REAAL and at the larger distribution partners. Although this involves professional training at commercial rates, these contacts help REAAL to better understand the culture and dilemmas of intermediaries.

Other major stakeholders that are among REAAL's ongoing contacts, are the Dutch Association of Insurers and the AFM. With the AFM, REAAL discussed in detail the problems concerning unit-linked insurance policies. For more information, see Appendix 2.4 – GRI Table 4.14-4.17.

9.2.10 Customer satisfaction

REAAL measures the Net Promoter Score (NPS) for REAAL as a whole and for the individual business units several times per year.

Table 13: Customer satisfaction based on NPS

	2013	2012
REAAL	(48%)	(51%)
REAAL Non-Life	(30%)	(31%)
REAAL Disability Insurance	(31%)	(21%)
REAAL Life	(52%)	(53%)

REAAL also measures average customer satisfaction on a scale of 1 to 10 for Non-life retail and Life.

Table 14: Average customer satisfaction

	2013	2012
REAAL Non-Life retail	7.5	7.6
REAAL Life	6.4	6.5

REAAL measures and monitors the NPS on an ongoing basis for the customer-related processes, which have most relevance and impact. The key scores were as follows:

- Higher NPS for telephone contact with REAAL Customer Service, for claims handling and for opening a bank account.
- Stable NPS for conclusion of disability insurance, for disability insurance claims handling and for settlement of complaints.
- Lower NPS for conclusion and payment of benefits under life products and for conclusion of individual non-life insurance.

Important conclusions and improvements were the following:

- Improved customer focus during telephone communications by deployment of more quality coaches at the Retail Acceptance and Claims Handling departments. By means of a new knowledge system, employees can maintain and expand their specialised knowledge better.
- A new system to offer distribution partners more insight into the status of claims settlement for customers.
- When switching to new products, customers receive the new terms and conditions in simple language at B1 level as well as a service card with service and claims reporting numbers and an overview of the non-life insurance policies concluded with REAAL.

Despite progress in a number of sub areas, REAAL cannot be satisfied with NPS developments in 2013. The main conclusions were: further improvement of service levels, more proactive and relevant contact with customers and further improvement of transparency in products and prices, and information in that regard. Each department has its own improvement plan, partly based on its NPS scores. In addition, REAAL realises that the entire insurance sector still faces a lack of trust due to the consequences of the financial crisis and the unit-linked insurance file. Together with all professional parties in our sector, REAAL will have to keep doing its utmost to improve service levels and regain that trust.

9.2.11 Safeguarding customer interests

REAAL applies performance indicators to test customer interests in product development and promotion, the selling and advisory process, customer service including after sales, and the corporate culture's customer focus. The AFM tests all products of insurers in active sales against the following criteria: cost-efficiency, usefulness, reliability and understandability. REAAL itself then checks again whether these products still meet the criteria at least once every three years. In addition, REAAL reassesses products when internal or external factors change, for example as a result of legislative amendments. This approval and reassessment process is applied to all products and all brands of SNS REAAL.

The introduction of the [Goed Geregeld Pakket](#) in 2013 gave customers the opportunity to switch to non-life products, providing more extensive cover. The [disability insurance products](#) revised in 2013 also provide better cover, serving customers' long-term interests. For all new and revised products, both the products themselves and the language used in the product information have been simplified. In 2013, REAAL developed additional criteria and assessment procedures to better safeguard the quality, integrity and continuity of intermediaries. On this basis, REAAL will be more selective in 2014 in maintaining and retaining relationships with intermediaries.

Switching without advice

REAAL launched a pilot to help customers to continue or change a unit-linked insurance policy or single premium policy without intervention of an advisor. The customer can arrange to switch from a policy to a bank benefits account after maturity directly via REAAL for any amount below € 30,000. Customers must then take knowledge and experience test, sign a document for the provision of services and pay a € 150 service fee. This arrangement is only available to existing customers. Any switch to a different insurer after maturity of a policy must be arranged via an advisor, as REAAL can only properly judge the effects of its own products. The pilot will be continued and further expanded in 2014.

In many other cases, too, REAAL made the rules for product changes more flexible in response to many customer requests. REAAL reminds its customers of the added value of advice, but if customers insist they may change investment funds and terminate a term life insurance policy that is part of a unit-linked insurance policy before maturity without advice as well.

9.2.12 Responsible investment of premiums received

REAAL manages the insurance premiums that it receives from its customers in a responsible manner. This was again the outcome of a survey into responsible investment by insurers conducted by VBDO, the Association of Investors for Sustainable Development, at the end of 2013. Outperformed only by Zwitserleven, REAAL took second place among the 29 Dutch insurers that were assessed in the survey. The responsible management of the investments of REAAL and its customers is performed by SNS Asset Management.

The Fair Insurance Guide assesses the ten largest insurers in two different areas: the policy for unit-linked insurance and that for asset management on behalf of third parties. The Fair Insurance Guide only assesses the parent company of the relevant insurers. For SNS REAAL's scores see [section 11.2.2](#).

9.2.13 Contributions to society

REAAL finances the digitisation project of the International Institute of Social History (IISH). IISH conducts research and collects data on the history of labour, workers and labour relations around the world. The IISH is in the process of digitising a number of important archives and collections of persons and organisations from the socialist, communist and anarchist movements in the 19th and early 20th centuries, such as Karl Marx and Friedrich Engels, Emma Goldman and Karl Kautsky. The digitised collections will be made available on the IISH website and other platforms, including the European digital library Europeana.

REAAL feels connected to the IISH mission. With the rise of industrialisation, we stood at the cradle of insurers such as De Centrale and Concordia, which were founded to support workers and provide them with a social safety net of good insurance. But also Hollandse Koopmansbank, 't Hooge Huys from the Province of Noord-Holland, Proteq and the Dutch business units of Swiss Life, AXA, DBV, Winterthur and Zurich Verzekeringen are among the predecessors in title of the current REAAL, Zwitserleven, Zelf and SNS Asset Management brands. Development and solidarity were major core values at our predecessors. These are values that we now, in a new day and age, wish to revive following a period of reflection on our role in society.

From July 2007 to July 2013, REAAL sponsored a chair at the Earth and Life Sciences faculty of the Free University for research into the risks and insurance of water management.

9.3 Financial developments at REAAL Life

Table 15: REAAL Life

In € millions

	2013	2012	Change
Result			
Regular life premiums	1,110	1,218	(9%)
Single life premiums	221	218	1%
Premium income	1,331	1,436	(7%)
Reinsurance premiums	161	151	7%
Net premium income	1,170	1,285	(9%)
Net fee and commission income	49	52	(6%)
Share in result of associates	1	10	(90%)
Investment income	925	1,051	(12%)
Investment income for account of policyholders	556	694	(20%)
Result on financial instruments	21	93	(77%)
Total income	2,722	3,185	(15%)
Technical claims and benefits	2,662	2,479	7%
Acquisition costs for insurance operations	66	76	(13%)
Impairment charges	176	228	(23%)
Total operating expenses	157	160	(2%)
Other interest expenses	198	126	57%
Other expenses	1	-	0%
Total expenses	3,260	3,069	6%
Result before tax	(538)	116	(564%)
Taxation	(99)	41	(341%)
Minority interest	-	3	(100%)
Net result for the period	(439)	72	(710%)
One-off items	(563)	(215)	
Adjusted net result for the period	124	287	(57%)
Operating cost/premium ratio	10.3%	9.2%	
New annual premium equivalent Life	34	41	(17%)

9.3.1 Result 2013 compared to 2012

REAAL Life posted a net loss of € 439 million with both 2012 and 2013 impacted by significant negative one-off of items, mainly consisting of impairments of intangible assets. One-off items in 2013 amounted to € 563 million negative, consisting of a VOBA impairment of € 392 million net, a goodwill impairment of € 150 million net, an additional € 15 million net charge related to the unit-linked policies settlement and a € 6 million loss due to the expropriation of a subordinated bond of SNS Bank which was included in the investment portfolio.

One-off items in 2012 consisted of a partial impairment of goodwill of € 141 million net and an impairment of € 18 million net related to REAAL Life's distribution network. Finally, one-off items in 2012 included an additional € 56 million net charge related to the unit-linked policies settlement reached in 2008.

Adjusted for one-off items, REAAL Life's net profit decreased sharply to € 124 million. This was due to the total net impact from realised gains, losses and impairments on the investment portfolio and hedges which decreased sharply to € 36 million, mainly driven by a lower contribution from interest rate derivatives. Also, underlying net profit of REAAL Life showed a considerable decrease to € 115 million driven by lower direct investment income due to lower reinvestment yields and an additional cost allocation from SNS REAAL holding.

Table 16: Underlying result REAAL Life

In € millions

	2013	2012	Change
Net result for the period	(439)	72	(710%)
Impact of one-off items	(563)	(215)	(162%)
Adjusted net result for the period	124	287	(57%)
Gains, losses and impairments on equity portfolio	34	18	89%
Gains, losses and impairments on fixed-income securities	45	65	(31%)
Result on financial instruments	16	79	(80%)
Changes in insurance contracts due to movements of fair value items	(59)	(20)	(195%)
Total net impact investment portfolio and hedges	36	142	(75%)
Amortisation VOBA and other intangible assets	(27)	(38)	29%
Underlying net result REAAL Life	115	183	(37%)

Results on equity hedges are included in gains/losses on equity portfolio instead of result on financial instruments.

Changes in insurance contracts due to movements of fair value items includes releases of/additions to provisions for interest rate guarantees in unit-linked portfolio and separate accounts and the impact of shadow accounting.

The total net impact from gains, losses and impairments on the investment portfolio and hedges decreased to € 36 million positive compared to € 142 million positive for 2012, mainly driven by a sharply lower result on financial instruments. In 2012, the result on financial instruments had been positively impacted by high gains on interest rate derivatives due to the strong decline in interest rates.

Gains, losses and impairments on the equity portfolio increased from € 18 million positive to € 34 million positive. This was due to lower impairment charges and higher realised gains.

The impact of gains, losses and impairments on fixed-income securities decreased from € 65 million to € 45 million due to lower realised gains on bonds.

Changes in insurance contracts due to movements of fair value items mainly consisted of the impact of shadow accounting, which (partly) shadows the results on realised gains of fixed-income securities and results on financial instruments, the latter mentioned due to the amortisation of current and historical results on interest derivatives.

Amortisation of VOBA and other intangibles decreased from € 38 million to € 27 million following impairments of VOBA in 2012 and 2013.

9.4 Income

Regular life premiums showed a marked decline, mainly driven by the indemnification of unit-linked policies and transfers of part of the portfolio from REAAL Life to Zwitserleven. In a shrinking Dutch market, the market share of new individual regular premiums increased to 19.3% compared to 18.2% in 2012, supported by term life insurances.

Single life premiums were in line with 2012 and the market share in this segment was at 7.9% above the 2012 level (5.5%), due to pro-active offers to clients in compliance with protecting profitability.

As a consequence of lower regular life premiums, New Annual Premium Equivalent (NAPE) decreased from € 41 million to € 34 million.

Reinsurance premiums paid were higher, due to the in 2013 expanded reinsurance contract to cover a larger portion of the portfolio.

Table 17: Breakdown Investment income for own account REAAL Life

<i>Gross amounts in € millions</i>	2013	2012	Change
Total investment income	925	1,051	(12%)
Realised gains/losses on equities	47	41	15%
Realised gains/losses on fixed income securities	87	107	(19%)
Other realised gains/losses	11	5	120%
Realised gains/losses	145	153	(5%)
Unrealised gains/losses	(26)	(15)	(73%)
Direct investment income	806	913	(12%)

Direct investment income consists of interest, dividend and rental income.

Total investment income for own account showed a marked decrease due to lower direct investment income and lower realised gains on fixed-income securities, partly compensated by higher realised gains on equities. The significant decline in direct investment income was driven by lower reinvestment yields, the transfer of assets and capital of € 900 million to Zwitserleven in April 2013 and a lower investment portfolio due to transfer of part of the portfolio from REAAL Life to Zwitserleven.

Investment income for account of policyholders was significantly lower, due mainly to the negative revaluation of fixed-income securities following the increase in interest rates, partly offset by higher dividend income.

9.5 Expenses

Technical claims and benefits showed a limited increase. A VOBA impairment of € 523 million gross, was largely compensated by lower technical claims and benefits for own account due to the decrease in premium income, conversion of part of the portfolio to Zwitserleven and the impact of a reinsurance transaction. Technical claims and benefits for account of policyholders were lower, corresponding to the decreased investment income for account of policyholders.

Acquisition costs for insurance operations decreased strongly mainly due to the absence of commission fees of new production. This was due to legislation changes related to commission fees for independent financial advisors (Customer Agreed Remuneration).

Table 18: Breakdown impairment charges REAAL Life

<i>In € millions</i>	2013	2012	Change
Impairment charges on equities	4	17	(76%)
Impairment charges in fixed income securities	6	9	(33%)
Impairment charges of intangible assets	152	186	(18%)
Other impairment charges	14	16	(13%)
Total impairment charges	176	228	(23%)

Impairment charges (excluding the VOBA impairment, which is included in technical claims and benefits) showed a strong decline compared to 2012 mainly due to lower impairments of intangible assets, the remaining goodwill of REAAL Life (€ 150 million) was impaired, while in 2012 there had been impairments of goodwill (€ 162 million) and the distribution network (€ 24 million).

Impairment charges of equities were lower supported by higher equity markets in 2013. Impairment charges of fixed-income securities decreased and included the impairment of a subordinated bond of SNS Bank due to the expropriation.

Other impairment charges were also lower and consisted mainly of an impairment of a private loan to a property development company. In 2012, they consisted mainly of impairments of property for own use.

Operating expenses were slightly lower to 2012, despite the impact of an additional cost allocation from SNS REAAL holding of € 18 million. Excluding this impact, operating expenses decreased by € 21 million (-13%) driven by cost reduction measures. Both 2012 and 2013 were impacted by costs related to the implementation of the agreement on cost loadings of investment-based life insurance policies. The operating cost/premium ratio increased from 9.2% to 10.3% due to the decrease in gross premium and the additional cost allocation.

Other interest expenses increased by € 72 million, wholly due to a reinsurance transaction. The higher interest expenses due to the reinsurance contract were compensated by lower technical claims and benefits.

In total, the reinsurance transaction had a net negative effect on the result of € 9 million (2012: € 7 million negative). In 2013 the reinsurance contract was expanded to cover a larger portion of the portfolio, resulting in a decrease in required capital, which positively impacted the solvency ratio.

9.6 Financial developments at REAAL Non-Life

Table 19: REAAL Non-Life

In € millions

	2013	2012	Change
Result			
Non-Life premiums	784	819	(4%)
Reinsurance premiums	59	66	(11%)
Net premium income	725	753	(4%)
Net fee and commission income	1	1	0%
Share in result of associates	1	1	0%
Investment income	129	67	93%
Total income	856	822	4%
Technical claims and benefits	522	473	10%
Acquisition costs for insurance operations	170	180	(6%)
Impairment charges	16	110	(85%)
Total operating expenses	143	128	12%
Other interest expenses	5	7	(29%)
Total expenses	856	898	(5%)
Result before tax	-	(76)	100%
Taxation	-	8	(100%)
Net result for the period	-	(84)	100%
One-off items	(12)	(110)	89%
Adjusted net result for the period	12	26	(54%)
Combined ratio Non-Life operations	107.7%	97.3%	
Claims ratio	67.7%	59.5%	

9.6.1 Results 2013 compared to 2012

REAAL Non-Life posted a net result of nil compared to a net loss of € 84 million for 2012, which had been negatively impacted by a goodwill impairment of € 110 million. The 2013 net result included an impairment of € 12 million on the capitalised client portfolio. Impairments, both in 2012 and 2013 were driven by the persistent difficult circumstances in the Non-Life market. The capitalised client portfolio related to disability, which amounted to € 56 million gross at year-end 2013, has not been impaired, but all other capitalised client portfolios have been impaired entirely.

Adjusted for these one-off items, net profit decreased from € 26 million to € 12 million. This decrease was driven by a € 66 million lower underlying result due to higher claims, most notably in fire and motor, and by the structural additional cost allocation from SNS REAAL holding. Furthermore, the underlying result in 2012 had been positively impacted by a release of provisions for unearned premiums and acquisition costs held for authorised agents of € 11 million.

Table 20: Underlying result REAAL Non-Life

In € millions

	2013	2012	Change
Net result for the period	-	(84)	100%
Impact of one-off items	(12)	(110)	
Adjusted net result for the period	12	26	(54%)
Gains, losses and impairments on fixed-income securities	62	10	520%
Total net impact investment portfolio and hedges	62	10	520%
Amortisation intangible assets	(6)	(6)	0%
Underlying net result	(44)	22	(300%)

The lower underlying result was partly compensated by a € 62 million higher net impact from gains, losses and impairments on the investment portfolio (mainly bonds) and hedges.

9.7 Income

Table 21: Breakdown gross premium income REAAL Non-Life

<i>Gross amounts in € millions</i>	2013	2012	Change
Motor	259	280	(8%)
Fire	214	222	(4%)
Accident & Health	131	130	1%
Transport	54	65	(17%)
Other	126	122	3%
Total gross premium income	784	819	(4%)

In a competitive non-life market, REAAL Non-Life's gross premium income decreased modestly.

In 2012, premium income had been positively impacted by a release of the provision for unearned underwriting premiums held for authorised agents. In 2011 SNS REAAL had changed the calculation of this provision, adopting a more accurate method which takes into account the fact that policyholders had switched more and more to payments on a monthly or quarterly basis instead of annual payments. As a result, in 2012 an amount of € 14 million had been released to the pre-tax result (€ 19 million in premium income partly offset by € 5 million in acquisition costs).

Adjusted for the € 19 million impact of the release of the provision for unearned premiums in 2012, total gross premium income showed a marginal decline, mainly in transport, also due REAAL's policy to phase out some brokers with bad claims ratios. As a result, some major contracts were terminated

Table 22: Breakdown Investment income REAAL Non-Life

<i>Gross amounts in € millions</i>	2013	2012
Total investment income	129	67
Realised gains/ losses on equities	-	1
Realised gains/losses on fixed income securities	83	14
Realised gains	83	15
Direct investment income	46	52

Direct investment income consists of interest, dividend and rental income.

Total investment income showed a sharp increase, due to higher realised gains on fixed-income securities. However, direct investment income decreased due to a smaller investment portfolio following a dividend payment to the REAAL NV and the redemption of an intercompany loan in 2012.

9.8 Expenses

Technical claims increased mainly due to higher claims in fire and motor insurance, including the negative impact of storm damages in the fourth quarter of 2013. This was evident in the entire industry. Results on fire insurances were lower, impacted by some large claims. The overall claims ratio increased to 67.7% (2012: 59.5%, 61.2% excluding the impact of a release of provisions for unearned premiums).

Acquisition costs showed a limited decline due to the release of accrued acquisition costs in 2012 as part of the release of the provision for unearned premiums and acquisition costs. The acquisition expense ratio slightly decreased from 23.3% to 23.0%. Excluding the impact of the above mentioned release of the provision, acquisition costs decreased marginally in line with the lower (adjusted) premium level.

Operating expenses increased by € 15 million mainly due to a structural additional cost allocation from SNS REAAL holding. As a result, the operating cost/premium ratio increased to 17.0% compared to 14.5% for 2012 due to the additional cost allocation. Excluding the additional cost allocation, operating expenses decreased with € 2 million.

The combined ratio increased to 107.7% compared to 97.3% in 2012 (99.2% excluding the impact of the release of the provision for unearned premiums and acquisition costs held for authorised agents).

Impairment charges of € 16 million consisted of an impairment on the capitalised client portfolio. In 2012 there had been an impairment charge on goodwill of € 110 million.

9.9 REAAL Other

The Other activities of REAAL comprise the activities not directly managed by REAAL Life or REAAL Non-Life and holding activities. The net result of € 43 million negative was € 28 million lower compared to 2012 mainly due to a consolidation adjustment of € 26 million negative within the Insurance activities which related to sales of fixed-income investments from REAAL Non-Life to REAAL Life and vice versa. At REAAL Non-Life and REAAL Life level these sale resulted in realised gains on fixed-income investments, while at the REAAL level these gains have not been realised.

10 Developments at Zwitserleven

10.1 Strategy

Pensions have become far too complicated. Complex pension products and communication result in people not adequately understanding their pension situations. They cannot make decisions or take action even though that may be necessary. Zwitserleven is not satisfied with that situation. After all, people entrust us with their money over a period of 40 years, so that they can enjoy the Zwitserleven Feeling afterwards. Indeed, the Zwitserleven Feeling starts now, since having your finances in order, gives peace of mind. To achieve this, we look further than pensions alone. We want to help people financially, now and in the future. This is Zwitserleven's mission. And we can achieve this with Simplicity for Later.

Simplicity for Later is the new strategy by which Zwitserleven responds to the changing market conditions. The market for pension insurers is changing rapidly. Continuing low interest rates, rising life expectancy, shrinking tax facilities and intense price competition are putting returns from guaranteed products under severe pressure. Employers are less and less prepared to pay the high premiums that are needed to make these guarantees possible. Responsibility for building up a decent pension is therefore shifting gradually from employers to employees. People will increasingly have to make their own pension arrangements and continue to work for a longer period of time before commencing their retirement. Zwitserleven wants to help them make the right choices.

The main features of Simplicity for Later are:

- The sale of simple and clear pension products based on a guaranteed contribution. Ultimately, these products will completely replace the traditional products with a guaranteed final sum;
- The sale of supplementary products with accrual protection for personal capital accumulation, partly based on products purchased from third parties;
- Comprehensible and clear information and communication enabling customers to make well-informed choices for the build-up of their pension;
- Excellent service;
- Competitive pricing as a result of organisational cost-cutting measures and the offering of standardised products;
- Multiple distribution channels based on close cooperation with customer advisers and the development of direct sales and advice.

Zwitserleven applies four sustainability principles in meeting its responsibility for the future of individuals:

- My conscience: a financially sound and socially relevant company that takes account of people and the environment.
- You & I Together: listening and acting while considering others. Putting our customers, business partners and employees first.
- Clear & Good: very consciously looking for simplicity in products, services and communication, to put a smile on the other person's face.
- Free & Secure: giving everyone a feeling of freedom and security, because you know you have arranged your financial affairs well, both now and in future.

The customers of Zwitserleven include director-shareholders (DGA's), SMEs, large corporations, their employees and other retail customers. Zwitserleven conducts an active dialogue with its stakeholders, including customers, advisers, supervisory authorities and the media, in order to be able to contribute even more to the ability of customers to manage their own financial affairs and to the sustainability impact of its activities. Zwitserleven invests its customers' pension contributions almost entirely in companies that meet our ESG (Environmental, Social and Governance) criteria. Zwitserleven is a signatory to the Principles of Sustainable Insurance (PSI) of the United Nations. The first report, which covers the period from July 2012 to the end of June 2013, is available on the Zwitserleven website.

10.2 Financial developments

Table 23: Zwitserleven

In € millions

	2013	2012	Mutation
Result			
Regular life premiums	833	865	(4%)
Single life premiums	242	335	(28%)
Premium income	1,075	1,200	(10%)
Reinsurance premiums	3	6	(50%)
Net premium income	1,072	1,194	(10%)
Net fee and commission income	13	13	0%
Investment income	409	483	(15%)
Investment income for account of policyholders	72	817	(91%)
Result on financial instruments	39	(80)	149%
Total income	1,605	2,427	(34%)
Technical claims and benefits	1,597	2,272	(30%)
Acquisition costs for insurance operations	11	15	(27%)
Impairment charges	25	134	(81%)
Total operating expenses	132	137	(4%)
Other interest expenses	28	29	(3%)
Total expenses	1,793	2,587	(31%)
Result before tax	(188)	(160)	(18%)
Taxation	(47)	(40)	(18%)
Net result for the period	(141)	(120)	(18%)
One-off items	(172)	(224)	23%
Adjusted net result for the period	31	104	(70%)
Operating cost/premium ratio	14.9%	14.5%	
New annual premium equivalent Life	138	269	(49%)

10.2.1 Result 2013 compared to 2012

Zwitserleven posted a net loss of € 141 million mainly due to one-off items of € 172 million negative. These were mainly caused by the impact of the shortfall of the IFRS liability adequacy test of € 157 million net, of which € 47 million was charged as an impairment of the remaining VOBA and € 110 million as an addition to the technical provision.

Furthermore, there was an impairment of internally developed and capitalised software of € 15 million net. The 2012 net result had included an impairment of the brand name of € 95 million net and a partial impairment of the VOBA of € 129 million net. At the end of 2013, all Zwitserleven's intangible assets had been impaired.

Adjusted for these one-off items, Zwitserleven's net result decreased from € 104 million in 2012 to € 31 million in 2013 due to a lower net impact of the investment portfolio and hedges, mainly driven by lower realised gains on bonds. Furthermore, Zwitserleven's underlying result declined compared to 2012 (from € 46 million to € 19 million) due to lower results on mortality and disability, and due to an additional charge for a provision related to compensation for investment-based pension contracts. Furthermore, interest results decreased due to lower investment yields and cost results were lower, impacted by a structural additional cost allocation from SNS REAAL holding.

Table 24: Underlying result Zwitserleven

<i>In € millions</i>	2013	2012	Change
Net result for the period	(141)	(120)	(18%)
Impact of one-off items	(172)	(224)	23%
Adjusted net result for the period	31	104	(70%)
Gains, losses and impairments on equity portfolio	15	6	150%
Gains, losses and impairments on fixed-income securities	29	114	(75%)
Result on financial instruments	29	(60)	148%
Changes in insurance contracts due to movements of fair value items	(59)	14	(521%)
Total net impact investment portfolio and hedges	14	74	(81%)
Amortisation VOBA and other intangible assets	(2)	(16)	88%
Underlying net result	19	46	(59%)

Results on equity hedges are included in realised gains/losses on equity portfolio instead of result on financial instruments.

Changes in insurance contracts due to movements of fair value items includes releases of/additions to provisions for interest rate guarantees in unit-linked portfolio and separate accounts, the impact of shadow accounting and the impact of the hedging of inflation.

The total net impact from gains, losses and impairments on the investment portfolio and hedges fell to € 14 million positive (2012: € 74 million positive) driven by sharply lower realised gains on bonds and lower results on changes in insurance contracts driven by shadow accounting. This was partly compensated by higher results on financial instruments, mainly consisting of unrealised gains on derivatives used for hedging interest rate risk.

Gains, losses and impairments on bonds were € 29 million positive compared to € 114 million positive. In 2012, in order to lengthen the duration of the fixed-income portfolio, short-duration fixed-income securities had been sold and long-duration fixed-income securities had been purchased, leading to substantial realised gains. The improved matching of maturities of the fixed-income portfolio and associated insurance liabilities has reduced the sensitivity to changes in interest rates.

Changes in insurance contracts due to movements of fair value items amounted to € 59 million negative compared to € 14 million positive in 2012. This consisted of the net impact of additions to provisions for interest rate guarantees related to separate accounts, the net impact of shadow accounting and technical expenses related the impact of inflation. Amortisation of VOBA and other intangibles decreased sharply from € 16 million to € 2 million following impairments of intangibles in 2012 and 2013.

10.3 Income

Mainly in the second half of 2013 Zwitserleven attracted new clients in both the SME and the Corporate Clients segment. The performance of the existing portfolio remained behind and, as a result of the continued focus on protecting profitability, single pension premiums showed a strong decrease. By retaining a number of large contracts and the conversions of part of the portfolio from REAAL Life to Zwitserleven, the decline in regular premiums was only modest. As a consequence, total premium income was 10% lower and New Annual Premium Equivalent (NAPE) decreased from € 269 million to € 138 million.

Table 25: Breakdown Investment income for own account Zwitserleven

<i>Gross amounts in € millions</i>	2013	2012	Change
Total investment income	409	483	(15%)
Realised gains/losses on equities	23	15	(53%)
Realised gains/losses on fixed income securities	28	151	(81%)
Other realised gains/losses	5	(1)	600%
Realised gains/losses	56	165	(66%)
Unrealised gains/losses	5	2	(150%)
Direct investment income	348	316	10%

Direct investment income consists of interest, dividend and rental income.

Total investment income for own account showed a significant decline due to lower realised gains on fixed-income securities. Direct investment income was markedly higher due to the transfer of part of the portfolio from REAAL Life to Zwitserleven, the transfer of assets and capital of € 900 million from REAAL Life in April 2013 and the conversion of separate account contracts to traditional contracts. This increase was partly offset by lower interest income due to lower investment yields as a consequence of the high level of realised gains on fixed-income securities in 2012 and by lower dividend income.

Investment income for risk of policyholders was sharply lower, due mainly to the conversion of separated account contracts to traditional contracts and negative revaluation of fixed-income securities as a result of the increased interest rates. In 2012, there had been a decrease in interest rates.

10.4 Expenses

Technical claims and benefits decreased due to lower technical claims and benefits for own account due to the decrease in premium income. Technical claims and benefits for account of policyholders were also lower, corresponding to the decline in investment income for risk of policyholders.

Acquisition costs for insurance operations decreased due to the switch in 2012 to non-commission fee-based arrangements for the sale and extension of pension contracts.

Table 26: Breakdown Impairment charges Zwitserleven

<i>Gross amounts in € millions</i>	2013	2012	Change
Impairment charges of equities	3	7	(57%)
Impairment charges of intangible assets	22	126	(83%)
Other impairment charges	-	1	(100%)
Total impairment charges	25	134	(81%)

Impairment charges were sharply lower due to lower impairment charges on intangible assets. Impairment charges in 2013 consisted of an impairment of internally developed and capitalised software, while 2012 included an impairment of the brand name.

Operating expenses decreased to € 132 million, despite an additional structural cost allocation from SNS REAAL holding of € 16 million. Adjusted for the additional cost allocation, operating expenses decreased by € 21 million (-15%) driven by a decrease in staff, lower depreciation expenses and the absence of restructuring charges (2012: € 4 million).

10.5 Commercial developments and organisation

10.5.1 Focus on products with a guaranteed contribution

The pensions market was once again under substantial pressure in 2013. Important factors in this situation included the cost-cutting by businesses, the higher costs and selling prices for guarantee products, and a reduction in the tax allowance for pension products. The uncertainty surrounding SNS REAAL at the end of 2012 and in early 2013 made it difficult for Zwitserleven to attract new customers and to retain customers whose policies were maturing. The nationalisation provided our customers with more transparency, but SNS REAAL's low credit rating and the proposed separation of the Group continued to damage confidence among large corporate clients regarding Zwitserleven's continuity. Moreover, the solvency levels of all the insurers were pressured by increased liabilities, especially because of the continuing low interest rates and the decline in the ECB yield curve.

With its positioning and pricing, Zwitserleven focuses mainly on value, leading to caution with respect to guarantees and insurance of longevity risk. Total sales (including renewals) of regular premium and single premium policies declined by 10%. Zwitserleven's market share in new regular premiums fell from 22.6% in 2012 to around 19.1% in 2013. Strong retention in the immediately payable pensions segment made an important contribution here. The Zwitserleven Exclusive

Pension was once again the most popular product. With this product, the employee knows exactly how much is being invested on his behalf. The employee pays only the costs of management of the investment funds. After deduction of purchase costs and fund management costs, (0.5% on year basis with a max. of 0.34% service fee) 100% of the net premium is invested. Administration costs and the premiums for life insurance and disability insurance are paid by the employer separately.

Guaranteed accrual accounted for approximately 50% of the total Zwitserleven portfolio at the end of 2013, compared to 55% in 2012.

10.5.2 Savings to supplement your pension

In July 2013, Zwitserleven introduced three savings products for retail customers that reflect the new direction of offering simple products for additional capital accumulation. The savings products can only be opened and managed online. They offer a competitive rate of interest that is higher than that offered by the three large Dutch banks. The website includes a calculator that enables customers to work out how much they need to pay in to realise their savings target. The introduction was supported by a marketing campaign based on a survey of savings habits among Dutch people and the realisation of personal dreams. There was also a campaign to help the Nationaal Fonds Kinderhulp (NFK) to help fulfil children's dreams. For each deposit of at least € 2,500 or a lump sum payment of € 2,500, Zwitserleven donated € 5. Zwitserleven Savings is offered via ZwitserlevenBank, a trading name of SNS Bank.

10.5.3 NuPensioen for simple and cost-effective pension accrual

In January 2014, Zwitserleven introduced the Pension Now (NuPensioen) and the Pension Now account (NuPensioenrekening), based on the requirements for a premium pension institution (or PPI). A PPI administers defined contribution schemes formed by savings or by investing the defined contribution on the employee's behalf. The NuPensioen product includes life insurance and disability insurance, in addition to the investment and savings components. Employees use the pension capital accrued in the PPI to purchase a pension benefit from an insurer on their retirement date. Since a PPI is not permitted to insure investment risk or to guarantee benefit payments, the cost structure for Zwitserleven is low and the capital that can be invested for the employees is maximised. This product therefore is very suitable for Zwitserleven's new strategy, which focuses on simple, clear and low product costs and the principle of employees taking responsibility for setting and achieving their financial objectives. Zwitserleven assists them with good service, clear information, calculation tools and straightforward, supplementary products.

10.5.4 Growth in direct sales and tied advice

In the area of direct sales and tied advice, Zwitserleven Pension Services focuses mainly on SME customers. This department was set up in 2012 to offer a solution for customers that were no longer able to find a suitable arrangement with a consultancy firm in connection with the stricter requirements of the AFM. The number of customers increased from 240 to over 450 in 2013. Zwitserleven Pension Services also introduced various new advisory services for director-shareholders and smaller SMEs in 2013. The fees for advisory services are transparent and appropriate for the target groups. With a cost-effective service and online management, Zwitserleven can offer smaller SMEs an attractive price.

The implementation of direct sales, with advice to SMEs, fits the multiple-distribution strategy of Zwitserleven. Pension consultancy firms are still the most important distribution channel. Zwitserleven has held detailed discussions with the pension consultancy firms in 2013 in order to make clear agreements regarding the approach to customers and the use of customer information. Procedures have been changed to avoid any appearance of conflicts of interest. For the same reason, functional segregation will be introduced into the IT systems in 2014.

Zwitserleven also frequently consulted with the pension consultancy firms regarding the introduction of the ban on commissions and new laws and regulations. The pension consultancy business is in flux, although the number of firms that left this business as a result of the stricter requirements in 2013 was limited. Meanwhile, 1,076 firms continue to operate, that meet the new pension insurance professional skills requirements. Zwitserleven does business with almost all these firms.

10.5.5 Better access to pension information

The Zwitserleven website is very important for increasing the ease of access to information on pensions. Animated film clips and tools were added in 2013, covering subjects like 'Will your pension hold its value?', 'The change in the state pension (AOW) age', 'Check your AOW age' and 'Calculate your potential pension'. Besides portals for employers, employees, director-shareholders and advisers, a portal for retail customers has been added in connection with the introduction of Zwitserleven Savings. On each portal, Zwitserleven provides e-magazines and other relevant pension information for the target group. The Zwitserleven website obtained the Free of Hurdles (Drempelvrij) quality label in 2013, showing that the elderly, people with sensory or mental handicaps and people with limited knowledge of Dutch can easily access the site.

Testing for the customer's interests

Zwitserleven developed a questionnaire for employers in 2013 that can be used to test whether an employer properly understands the features, risks and insurance cover of the product for which he has concluded a contract. Proper understanding of product features and conditions at the start of an agreement is important to avoid future misunderstandings. In some cases, the test leads to a dilemma for Zwitserleven.

Dilemma

When purchasing the product, the employer receives advice from an independent adviser who is also paid by the employer for this service. The response to several questionnaires showed that despite taking advice, the employer did not fully understand the product and/or had not purchased the right product. The dilemma for Zwitserleven was that it did not wish to bypass the adviser, since he had been engaged by the employer. For reasons of the customer's interests, however, Zwitserleven did contact the advisers and employers concerned because of the importance of establishing that customers do really understand the products and therefore know what they have bought.

Zwitserleven has a model for life-cycle investing (HorizonBeleggen) that is part of the defined contribution pensions. Based on age and years left until retirement, Zwitserleven invests the contributions received in a mix of shares, real estate and corporate and government bonds. The risk profile of this mix will automatically be reduced as the retirement date approaches. Zwitserleven regularly checks for the best possible balance to use the opportunities for return and to manage the investment risks. The life-cycle model was accordingly adjusted for both existing and new products in 2013.

Zwitserleven's pension products constantly evolve as a result of changes in laws and regulations and customer and employee requirements. Zwitserleven also checked all of its products for new sales in 2013 to measure whether the customer's interests were adequately prioritised according to the so-called CUSC criteria: cost efficiency, usefulness, security and comprehensibility. The comprehensibility of products and product information is tested by a customer panel. The customer's interests also involve the selling and advisory process, customer service including after-sales, and the customer orientation of the corporate culture. Zwitserleven uses performance indicators for these aspects as well.

10.5.6 Simplicity and customer value are the priorities of the new organisation

Zwitserleven is creating a new organisation that reflects the changing market conditions. The central priorities are to have simple and cost-effective products for new sales, some of which to be purchased from third parties, and far-reaching standardisation and automation in the administration and management of old products. Good service, support and communication continue to be essential elements in the new organisation to make the Zwitserleven Feeling accessible to all customers.

Important steps were already taken in 2013. Operating expenses fell from € 137 million to € 132 million (-4%). The number of employees (FTE) declined from 646 to 618 (-4%). Numerous legal and regulatory changes have put pressure on the organisation. However, processes have been more intelligently designed on the basis of lean projects without loss of quality and risk control.

The number of products for new sales with guarantees on the basis of average or final salary schemes decreased from seven to two. Zwitserleven no longer provides tailor-made solutions for customers. The thousands of separate schemes created in the past are too expensive. By understanding customer needs better and listing them differently, Zwitserleven wishes to create products that make tailor-made solutions redundant. A new system for the basic administration of defined contribution products was taken into operation in 2013. In many cases, scheme members can make changes themselves without the intervention of a Zwitserleven employee. Far-reaching automation leads to lower costs and makes better customer service possible, also as a result of the reduced chance of administrative errors. Furthermore, a large number of old products was converted in order to reduce the number of variants. Following completion of these changes are completed in the coming years, the number of systems used for old products will be reduced from seven to two.

10.5.7 Compensation for investment-linked pensions

In July 2013, Zwitserleven completed the implementation of the compensation scheme for investment-linked pensions, with calculations carried out for 372,000 policies. By the end of 2012, approximately half of all policyholders were informed if, and to what extent, they qualified for compensation. The other 50% were informed in the first six months of 2013. The policyholders received the amount credited to their policy not later than two months after receiving notification. All the policies checked, 73,700 qualified for compensation. A total of € 56 million was paid, with an average payment per policyholder of € 765.

In the second half of 2013, Zwitserleven completed a second round of compensation based on time-proportionate charging. In the past, some policies were sold on the basis of high costs in the initial years and much lower costs thereafter. Employees who had only worked at a company for a short time were thus charged for costs that covered practically the entire life of the policy. A later amendment to the Pensions Act put an end to this practice and gave rise to compensation for the years in question. Zwitserleven recalculated the charges for 53,000 policies on the basis of time-proportionate charging over the entire life of the policy. A total of € 7 million was paid out, with an average payment per policyholder of € 1,086.

10.5.8 Responsible investment

Zwitserleven invests its customers' premiums in a responsible way, taking account of the effects on people and the environment. We only invest in companies that observe international agreements. We do this by only investing in companies that pass a sustainability test. That involves evaluation whether the company in question observes agreements with respect to human rights, employment laws, corruption, the environment, arms, and customer and product integrity. Through our investment manager SNS Asset Management, we encourage companies to make decisions that take account of social issues, we engage in dialogue with companies and we exercise our voting rights at shareholder meetings. Zwitserleven reports to its customers with a report on the execution of its investment policy on quarterly basis. The reports contain summaries of voting behaviour and engagement with companies regarding the impact of their policies on human rights and the environment.

According to the annual review of the Dutch Association of Investors for Sustainable Development (Vereniging van Beleggers voor Duurzame Ontwikkeling, or VBDO), Zwitserleven's had the most responsible investment policy of all insurers in the Netherlands in 2013. This makes Zwitserleven the most sustainable insurer in the Netherlands according to the criteria of the VBDO survey. This survey considers the policy, implementation and transparency of the investments. Zwitserleven has held the Eurosif quality label for its transparent and socially responsible investment policy since 2011. The objective of this European organisation is to promote sustainable business conduct in the financial sector.

The Fair Insurance Guide (Eerlijke Verzekeringswijzer) assesses the ten largest insurers on the basis of two elements: the policies for investment-linked insurance and for asset management on behalf of third parties. The Fair Insurance Guide assesses only the parent company of the insurers concerned. Please refer to section 11.2.2 for the results.

10.5.9 Serving customers better

Zwitserleven has improved its service and customer relationship system. Any employee can ask for a complete customer profile at any time, meaning that customers can be served more quickly and follow-up actions can be scheduled more easily. As a result of cost savings, it has not been possible to reduce the average customer waiting time. For important processes and contacts with employers at important times, such as the start of pension payment, the service levels remain up to standard.

Zwitserleven has reorganised its complaints management system, especially for complaints addressed to the management and those received via official institutions such as the Pensions Ombudsman and the Financial Services Ombudsman (Klachteninstituut Financiële Dienstverlening, or KiFid). The line managers have taken over the responsibility for dealing with these complaints from the Legal Affairs department. Zwitserleven can thus deal with customer complaints more quickly and answer them in everyday language. Contact is also made by telephone in case of complaints against management. These changes reduce the likelihood of escalation. Complaints analyses have been discussed on a quarterly basis at the management meetings since 2013. Prior to that, this was done twice a year. The closer involvement of the line managers means that complaints can be more effectively used for improvements to the organisation.

The number of registered complaints has risen from 1,495 in 2012 to 1,722 in 2013 (+15%). Over 65% of all complaints originated from employees of customers, with the remainder coming from advisers and employers. Most of the complaints from employees of customers were related to the surrender of small pensions (not possible on individual request at Zwitserleven), the processing time needed for the commutation of a small pension, failure to meet agreements or failure to deal with a request, and lack of clarity or mistakes in the Uniform Pension Overview, or UPO (Universeel Pensioen Overzicht).

Zwitserleven considers each complaint as an opportunity to learn and improve. Zwitserleven introduced various improvements in 2013 in response to an analysis of the complaints received, including:

- The creation of a UPO portal on the website. This enables customers to find all relevant details of their annual UPO easily, and data can be checked and improved more easily. Links are provided to instructive film clips.
- Better fulfilment of agreements. Overviews of outstanding agreements with customers are discussed daily and employees consult with each other regarding outstanding activities. This gives more assurance that customers will be contacted in a timely manner, in line with the agreements made.

10.5.10 Customer satisfaction

Several times a year, Zwitserleven measures the Net Promoter Score for the company as a whole and for its subfields. The NPS score from SME employers and large corporate employers was established as a combined measurement for the first time. Employers with many employees generally have more frequent direct contact with Zwitserleven, resulting in a better score. This group achieved a positive NPS of 18.2%.

Table 27: Customer satisfaction based on NPS

	2013	2012
Zwitserleven - employees of customers	(43%)	(41%)
Zwitserleven - employers	(13%)	large companies +6.8% SME -24.9%
Zwitserleven - director-shareholders	(37%)	(8%)

10.5.11 Customer dialogue

Frequent contact with customers (employers and employees) on products and service, and related assessments, are essential for the further improvement of service quality. In addition to customer satisfaction surveys and complaints analyses, customer panels play an important role in this process. The results of these activities are used to further improve all of our existing products and communication to employees, and to create and test new products and services along with our customers. The use of everyday language in the product documentation is just one of the aspects that contribute to comprehensible products. Zwitserleven also studies how it can make its product design and general product communication more comprehensible. Input from the customer panels was also used in 2013 to put together educational film clips for the website. All employees of Zwitserleven can improve their understanding of the customer experience by watching the discussions with customers on video.

Via LinkedIn, Zwitserleven keeps employers up to date on pension developments and asks for their opinions through discussions and polls. Employers can also put questions to Zwitserleven online. There were approximately 1,000 followers at the end of 2013. Zwitserleven also has a community for employees of its customers on Facebook, with some 1,200 followers at the end of 2013.

Zwitserleven organised various events for customers in 2013:

- Pension evening sessions for employees of customers approaching retirement, covering all aspects of the transition and the payment of pension benefits.
- Pension Podium, an event for customers and their employees at three locations across the country at which information and entertainment, such as a cabaret show on pensions, were combined.
- A number of on-site UPO days (as a paid service) to provide extensive information to employees on the Uniform Pension Overview and all relevant pension aspects.
- A pensions seminar, at which Zwitserleven discussed current pension issues with pension fund managers, employers, employees and distribution partners. The theme in 2013 was 'Pension to the museum', with future philosopher Adjiedj Bakas sharing his vision of the pensions market in the future with visitors.

10.5.12 Employee dialogue

Zwitserleven developed a new strategy in 2013. Many changes were prepared and implemented, which led to a decline in the number of jobs. Particularly at such a time, an intensive dialogue with employees is essential to get them involved and to motivate them. Zwitserleven organised dialogue sessions, knowledge sessions, management visits and soapbox and other meetings on strategic subjects. There was ample opportunity to ask questions and initiate debate. Furthermore, members of the management regularly attended the normal work meetings and other departmental meetings to understand what issues live among their employees.

10.5.13 Dialogue with other stakeholders

Zwitserleven wants to encourage responsible behaviour in the area of pensions in a broad sense. In this context, Zwitserleven maintains various partnerships and dialogues with stakeholders in order to collectively create sustainable value and to enable people to manage their financial affairs. The future of our pensions system, including a wider range of choice for scheme members, and the restoration of consumer confidence are important themes for Zwitserleven.

In 2013, consultation with De Nederlandsche Bank and the Authority for the Financial Markets took place at management level three times. The discussions include financial information, market developments, strategic choices and projects, dilemmas, problems and specific themes. The topics discussed in 2013 included the Witteveenkader, which determines the annual amount of pension accrual that can be deducted from tax, the communication with respect to pensions, and the additional freedom of choice for the employees of our customers. Responsible business conduct is an agenda item on average twice a year. Zwitserleven also holds regular consultations with members of the Dutch House of Representatives, government officials and organisations such as the Consumers' Association. Furthermore, Zwitserleven takes part, on occasion, in discussions with regulators and the government through the committees of the Dutch Insurers' Association.

10.5.14 Awareness and education

Zwitserleven regularly seeks contact with the professional and public media in order to increase awareness of pensions in the Netherlands, especially amongst younger people, and thereby to emphasise the importance of personal responsibility and the options available to scheme members. Zwitserleven also supports various educational institutions and projects by means of internships, thesis subjects, guest lectures, assistance in structuring of the curriculum and grants. The activities in 2013 included:

- Development of a pension education class in secondary vocational education students, in cooperation with pension administrator PGGM and the foundation Weet Wat Je Besteedt (Stay on top of your spending). Some thirty lessons were given by management members and other employees. Zwitserleven strives to achieve a situation in which - within five years from now – pensions are a standard part of the curriculum for young people. In 2013 Zwitserleven also gave € 11,000 in financial assistance to Weet Wat je Besteedt.
- Together with Stichting Qloud Connect, a platform for students with quantitative interest, companies and institutions, Zwitserleven organises projects focusing on the future of pensions. In 2013 Zwitserleven participated in a brainstorm session at which students considered the question of what pensions would look like in 2020. This led to surprising concepts for new products and methods of distribution.
- Zwitserleven organises guest lectures each year for the business mathematics faculties at the Universities of Applied Sciences in Amsterdam and The Hague. Students are asked to design a pension planner that consumers can use to understand their pension. Zwitserleven offers internships and possibilities for graduation.
- Zwitserleven sponsors the Accenture professional award for the most sustainable innovation, in part to get ideas itself regarding sustainability.

10.5.15 Contributions to society

Zwitserleven wishes to contribute to social objectives with the assistance of its partners, especially regarding the ability of individuals to manage their own financial affairs. The spearhead project is Micropensioen, whereby Zwitserleven and PGGM, at the initiative of Enviu, attempting to establish a pensions company in Ghana. This is a collaboration with local business people, including micro-finance banks and insurers. Zwitserleven contributed € 60,000 to this initiative in 2013.

Zwitserleven supported the three-day Pension Event (Pensioen3daagse) with pension consultations and a cabaret on pensions. Pensioen3daagse is an initiative of the Wise in Money Matters platform (Wijzer in geldzaken) and other participants from the financial sector, the government, information and consumer organisations and the academic community, with the objective of enabling consumers to manage their financial affairs. Zwitserleven contributed € 83,500 and 1,120 hours to this initiative in 2013. Zwitserleven made one FTE available to the Red Cross for six months for the development of the Red Cross EHBO Card. In the immediate neighbourhood of its offices, Zwitserleven was involved in the Amstelveen Summer Academy. In cooperation with the Municipality of Amstelveen and other companies, Zwitserleven contributed to an educational programme for young people between 12 and 18 years during the summer period.

11 Developments Group activities

Group activities comprise the business units and Group staff activities for which the Executive Board has direct management responsibility.

These activities are primarily geared at supporting the business units and include SNS Asset Management and SNS Beleggingsfondsen Beheer. As from 2013, the costs of the Group staff departments are fully crosscharged to the business units. For more information see [section 20.1](#).

11.1 Financial developments

Adjusted for one-off items, the net result of Group activities amounted to € 7 million negative, compared to € 83 million negative for 2012. This improvement was due to the higher allocation of operating expenses from the holding company to the Banking and Insurance activities and lower interest charges on expropriated debt. The net result of Group activities improved from € 100 million negative to a net profit of € 19 million. This improvement was partly due to one-off items: in 2013 there was a one-off gain from nationalisation measures of € 57 million, partly offset by a one-off pension charge of € 31 million net. The 2012 result included an impairment on the interest in Van Lanschot of € 17 million (2013: € 2 million).

11.2 SNS Asset Management

11.2.1 Strategy and activities

SNS Asset Management aims to achieve its customers' investment objectives through sustainable performance, services and advice. Its primary task is the responsible management and administration of the investments of REAAL, Zwitserleven and ASN Bank for own account and risk and the investment funds and pools of SNS Bank, ASN Bank, REAAL and Zwitserleven. The management for SNS Bank, REAAL and Zwitserleven comprises not only the execution, but also advice on the development of a responsible investment policy. To ASN Bank, which has its own sustainability research department, SNS Asset Management is only responsible for the execution. In addition, SNS Asset Management conducts responsible investment management for external institutional customers, such as pension funds and insurers.

In addition to return and risk criteria, SNS Asset Management also applies ESG criteria when selecting investments. ESG stands for Environmental, Social and Governance. This means that aspects such as human rights, fundamental labour rights (including child and forced labour), corruption, the environment, arms, and customer and product integrity are explicitly included in the investment policy. This policy is based on the Fundamental Investment Principles, available at www.snsam.nl, which are based on international treaties, conventions and best practices. In addition, SNS Asset Management wants to influence the policies of companies that it invests in. Through active shareholdership, exercise of voting rights and engagement in controversial topics, SNS Asset Management aims to deliver optimum financial and social value for customers and other stakeholders.

SNS Asset Management outsources a minor part of its investment management (approximately 6%) to specialised third-party managers. In its choices, SNS Asset Management considers responsible investment criteria. Where necessary, these are negotiated with the third-party manager.

As a specialised and responsible investment manager, SNS Asset Management offers its institutional customers two fund types:

- responsible index funds based on ESG criteria and active shareholdership;
- impact investment funds, aimed at improving access to financial services for SMEs and micro businesses in emerging economies.

11.2.2 Organisation and policy for responsible investment

SNS Asset Management's total assets under management dropped limitedly from € 45.9 billion to € 44.2 billion (- 3.7%). 94% Represented assets managed on behalf of internal customers: REAAL, Zwitserleven, the SNS Investment Funds, ASN Bank and the ASN Investment Funds. Negative factors were the declining values of fixed-income portfolios and the dismantling of the portfolios of two external customers, partly compensated by stock price rises.

Innovatively and responsibly into the future

SNS Asset Management enhanced the effectiveness of its organisation, in particular through innovation and process simplification. In concert with its internal customers, SNS Asset Management seeks to earn higher returns at level costs. Cost control is of the essential due to higher costs for supervision and legal compliance and a changed need with the bank and insurance brands. Another key objective was maintaining the high investment performance. Returns at the insurers are under pressure due to the large share of low-yielding government bonds in their portfolios. Part of this portfolio was replaced by less liquid, but high-quality fixed-income investments, including private loans and corporate bonds. These offer better returns at the same amount of capital and the same risk level.

The brands' demand for change support increased. This included the launch of profile funds at SNS Bank, the conversion of gross funds into net funds in connection with the introduction of a separate distribution fee, and preparations for EMIR (European Market Infrastructure Regulation) and the European directive AIFMD (Alternative Investment Funds Marketing Directive). With the introduction of AIFMD, all funds – including funds that were not previously regulated – fall under the same transparency and fund documentation rules. This means more certainty for customers regarding fund properties, including the risk and costs, as well as improved comparability. The directive took effect in July 2013, but the deadline for implementation of all adjustments is July 2014.

SNS Asset Management retained its ISAE 3402 type II quality certification, which indicates that the efficiency and robustness of the organisation are at a proper level and that material risks are controlled effectively.

Making the investment chain more sustainable

Research, voting policy and proactive dialogue with companies (engagement) are crucial in putting responsible investment principles into practice. The investment universe consists of around 2,000 global shares and bonds, primarily from developed regions. At year-end 2013, 41 companies were excluded following ESG-based research. These are companies that clearly violate the Fundamental Investment Principles and where improvement is not possible or expected. SNS Asset Management also applies ESG criteria to investments in government bonds. Countries are assessed through instruments of supranational organisations such as the World Economic Forum or the United Nations. On account of the strong focus on the eurozone, the restrictions have limited impact on actual investment policy.

SNS Asset Management tightened its Fundamental Investment Principles (FIP) in 2013. All FIP components were formally brought in line with the ten principles of the United Nations Global Compact, which focuses on human rights, labour, the environment and anti-corruption. References to treaties and directives were also amended to meet the expectations of interested parties, including the Fair Banking Guide (Eerlijke Bankwijzer) and the Fair Insurance Guide (Eerlijke Verzekeringswijzer). The number of formally excluded arms producers was expanded based on a statutory prohibition on investing in cluster munitions that came into force in early 2013. Although the arms policy was already in effect in spirit as intended by the law, it was tightened in the letter of the policy.

SNS Asset Management introduced ESG policy for the pharmaceutical industry. Companies in this industry are now screened for elements including unethical marketing practices and corruption, environmental aspects, product quality and safety and the outsourcing of clinical trials.

SNS Asset Management also integrated the ESG principles in the decision-making process for investments, for example by requesting ESG themes in combination with financial aspects of companies and discussing these with companies as a correlated whole. SNS Asset Management also worked on improved ESG integration into the fixed-income investment policy, which will lead to new policy in 2014. In anticipation of this, SNS Asset Management subscribed for Climate

Awareness Bonds issued by the European Investment Bank (EIB). With this issue, the EIB finances projects in the areas of wind and solar energy and energy efficiency, that contribute to a reduction of carbon dioxide emissions in Europe.

Proactive engagement with companies

SNS Asset Management engages with a limited number of companies in a constructive dialogue regarding ESG aspects. It focuses on companies in the extractive industries (especially oil, gas and mining) and in the forestry and paper and food, beverage and tobacco industries. These industries involve the greatest social controversies and risks. At the end of 2013, SNS Asset Management had initiated such dialogue with 24 companies.

A dialogue can be conducted through individual conversations with a company's senior management, including relevant experts and/or members of the Executive Board and the Supervisory Board, or through forums of various collaborating shareholders. Confidentiality is a key condition for many companies in order to be successful. In the dialogue, any proposed or fast voting conduct can often be used to strengthen a position. SNS Asset Management prefers to engage with companies on ESG principles on a proactive basis, i.e. before conflict situations arise that could harm the interests of shareholders or other interests.

SNS Asset Management opts for a cautious policy in the exclusion of companies. Many companies are more sensitive to criticism from a committed shareholder than from an outsider. A condition of course, is that the company shows its willingness to accept criticism and make changes. If the engagement ultimately fails to produce any results, SNS Asset Management still has the option of excluding the company. This was done, for example, with the US company Walmart Stores in 2013. In early 2012, SNS Asset Management expressed its concern to this company – the world's largest in retail industry – regarding the violation of labour rights, primarily in the US, and bribery and corruption practices in Mexico. SNS Asset Management was not dissatisfied with Walmart's response to objections in respect of corruption, diversity and employee satisfaction, but Walmart proved unwilling to give employees the right to collective bargaining on employment conditions through a trade union and refused to start discussions on this topic. As a result, Walmart no longer complied with the Fundamental Investment Principles. In late September, SNS Asset Management started selling the 75,337 shares that it held on behalf of its customers. All shares have now been sold.

Voting policy

In 2013, SNS Asset Management casted votes at general and extraordinary shareholders' meetings of around 2,000 companies. Management proposals that are put to the vote are reviewed in terms of corporate governance guidelines. Where possible, SNS Asset Management has incorporated environmental and social criteria in these guidelines. The voting policy is based on international guidelines for best practice, such as the prestigious International Corporate Governance Network and specific national Codes. If any shortcomings are detected, SNS Asset Management uses the opportunity to vote against a management proposal or to support an alternative shareholder resolution.

Engagement with other stakeholders

In August 2013, partly on SNS Asset Management's initiative international investment institutions insisted that the US and Canada introduce reporting requirements for oil, gas and mining companies in Canada. At the same time, warnings were given against erosion of similar regulations in the US. The investors represented an aggregate capital of \$ 5.8 trillion. In letters to the US supervisory authorities SEC and the Canadian Ministry responsible for natural resources, the group of more than 30 investors called for a global standard. This would mean that the companies would be required to publish all tax and royalty payments for all of their activities worldwide. SNS Asset Management's primary aim is to give the local population more insight into projects through disclosure of if this type of information. Secrecy increases the risk of corruption in countries that are rich in natural resources, especially in emerging economies.

SNS Asset Management made reports on ESG aspects of its investment policy more accessible to interested parties. It provides quarterly updates of its investment policy, containing information on exclusions, recent voting conduct, dialogues and real-life examples, to the SNS REAAL brands, which share these reports with their customers through their websites or email. SNS Asset Management increasingly presented itself as a responsible asset manager in professional media, for example in columns on the popular website *iex.nl*. SNS Asset Management acquired a (vice-) board position in the Extractive Industries Transparency Initiative (EITI), a global coalition of governments, companies and civil organisations working together to improve openness and accountable management of revenues from natural resources. In addition, SNS Asset Management belongs to a steering group for fixed-income investments of the Principles of Responsible Investment (PRI), an initiative backed by the UN. Both in its own organisation and through the PRI, SNS Asset Management is committed to further embedding the ESG principles into its fixed-income investment policy.

Other organisations with which SNS Asset Management regularly engages in discussion include Oxfam Novib, ICCO, Amnesty International, the Fair Banking Guide, the Fair Insurance Guide, VBDO, First Peoples Worldwide, London Mining Network, and several pension funds, banks and other asset managers worldwide.

The Fair Banking Guide is a joint initiative set up by Oxfam Novib, Amnesty, Mileudefensie, FNV, Dierenbescherming and IKV Pax Christi. This collaborative partnership assesses private current accounts and savings accounts in the Dutch market in terms of sustainability, while also looking at the banks' investment and financing policies and practices. SNS REAAL scored an 8 on the asset management component in 2013, the second-highest grade of all Dutch banks tested. In 2013, this same partnership introduced the Fair Insurance Guide, intended to demonstrate to what degree insurance companies contribute to a socially just and sustainable world through their investments. SNS REAAL scored average on the various topics and sectors as compared to other insurers. The score was adversely impacted by SNS Asset Management's focus on a limited number of sectors with high ESG impact. Together with two other insurers, SNS REAAL achieved the highest score on the component 'asset management for third parties'.

In the annual survey conducted by the Dutch Association of Investors for Sustainable Development (VBDO), Zwitserleven and REAAL once again ranked first and second. In the first joint practical survey regarding human rights conducted by the Fair Banking and Insurance Guides, SNS REAAL scored a 10 on all components.

Guidelines and conventions

SNS Asset Management endorses the Principles for Responsible Investment (PRI) initiative. The 850 affiliated financial organisations have formally agreed that environmental, social and governance factors affect investment policies and that it is important to integrate these factors in the investment process.

See GRI chapter 4.12 for an overview of all declarations that SNS REAAL and its business units have signed in respect of corporate social responsibility.

See GRI chapter 4.13 for an overview of key memberships.

11.2.3 Asset management for external customers

The assets under management (AUM) of the Responsible Index funds for external customers remained nearly stable at € 1,015 million (2012: € 1,017 million). AUM in impact investing dropped from € 387 million to € 342 million (- 11%), mainly due to the expiration of the first microfinance fund.

The Responsible Index funds are also available for investments for own account by REAAL and Zwitserleven. Since 2013, these have been used for SNS Bank's new profile funds. REAAL previously made a Responsible Index fund available for customers who wish to switch to a cheaper fund as part of their unit-linked insurance.

SNS Impact Investing

SNS Impact Investing is the activity for development financing. Investments have been made in microfinance since 2007, with € 342 million of capital being outstanding at year-end 2013. Since they were launched, the funds have yielded an average annual return of more than 5% after deduction of costs and the management fee. The first fund expired at the end of 2013. A third fund will be created in 2014. Investor interest in microfinance remains positive.

The SNS FMO SME Finance Fund was launched in November 2013. It was developed in collaboration with FMO, an investment bank that focuses on developing countries and in which the Dutch State has a majority interest. The committed capital amounted to € 100 million. This fund is aimed at expanding the financial services rendered to small and medium-sized enterprises in emerging markets.

In addition to a market-competitive financial return, SNS Impact Investing also aims for a measurable social return in order to contribute to increased quality and professionalism of SME financing and microfinance in the sector. The social impact of all micro-credits outstanding is annually reflected in an Eye4Impact overview on www.snsimpactinvesting.com.

11.2.4 Contribution to society

SNS Asset Management supported the initiatives Alpe d'HuZes, Stichting Tour du ALS and PAH Kidsdag, both financially and by employee efforts.

11.3 Sustainable supply chain and the environment

As a large employer, SNS REAAL is part of numerous product and service chains. As a consumer of energy and raw materials, a purchaser of goods and a user and manager of real estate, we wish to minimise all harmful impacts on people and our planet, and make a positive impact wherever possible. We aim to make the supply chain more sustainable by joining efforts with buyers and suppliers. At the same time, we aim to further reduce the costs of our accommodation and the purchase of products and services. For our quantitative targets, see section 4.8.

The New World of Work (NWW) is primarily aimed at increasing productivity and striking a better work-life balance of our staff, but also strongly contributes to cutting costs and adding sustainability. Partly due to the NWW, the average floor space per FTE, excluding SNS Shops, was further reduced from 11 m² at year-end 2012 to 10.5 m² at year-end 2013. The operating expenses for office space decreased from € 35 million at year-end 2012 to € 33 million at year-end 2013, and will decrease further. Before the introduction of NWW, 1,300 employees worked at the Utrecht head office. This number increased to 2,200 at year-end 2013. Since the introduction of NWW, SNS REAAL has reduced its office space nationwide by 20%.

SNS REAAL has ISO-14001 environmental certification for the offices in Alkmaar, Utrecht, Den Bosch, Arnhem and Zoetermeer. In order to retain this certification, SNS REAAL must introduce new improvements every year.

11.3.1 Reduced energy consumption and use of raw materials, carbon emissions and waste volumes

In 2013, we consumed 21 GJ of energy per FTE, compared to 27 GJ in 2012. This represents a drop of 21%. Absolute electricity usage for office buildings was down 26% and gas usage was down 28%, mainly as a result of closing offices and expansion of the New World of Work. Paper consumption per FTE dropped limitedly by 3%, water consumption per FTE dropped sharply by 23% and waste volumes per FTE dropped by 35%. In 2013, 67% of our office waste was suitable for recycling, compared to 71% in 2012. See GRI 2.6 EN03 table. As a result of NWW, part of the reductions achieved at SNS REAAL is mitigated by an increase in employee home energy consumption.

SNS REAAL pursues active energy and carbon dioxide policies. In 2013, SNS REAAL's office buildings consumed 26% less energy compared to 2012. By purchasing green certificates, we managed to compensate the energy consumption for all SNS Bank offices, except for one. The CO2 emission for the number of kilometres driven dropped by 16%. With this performance, SNS REAAL is well within the limits of the MJA-3 energy covenant agreed with the government. SNS REAAL published an annual emissions statement for the first time in 2013 with the aim of reporting more accurately on carbon emissions in the process of developing into a carbon-neutral organisation. In 2013, REAAL decided to increase its consumption of and green electricity to 100% and to fully compensate the CO2 emissions of gas usage in the years ahead. At year-end 2013, 86% of the CO2 emissions of the gas was compensated (2012: 73%) and 94% of the electricity was green (2012: 86%).

When renovations to office buildings are carried out, after relocation or otherwise, much attention is paid to using more sustainable materials and installations. In 2013, for example, some 850 REAAL employees moved into a new office with energy label A in Alkmaar, as a result of which several buildings with energy label G became superfluous. By the end of 2013 baseline BREEAM scans had been made for the Hojel Utrecht, Amsterdam and Alkmaar WB offices. A BREEAM scan helps to identify where improvement measures are needed and increases the market value of a building. BREEAM, which stands for Building Research Establishment Environmental Assessment Method, is an assessment method to determine a building's sustainability performance.

11.3.2 Sustainable purchasing

SNS REAAL is much committed to making the purchasing process for products and services more sustainable. In 60% of all new contracts signed in 2013, a sustainability statement was included. In the field of IT in particular, foreign suppliers were selected for whom such a statement is not always obvious. In 2014, we expect to reach a considerable higher percentage for the new contracts. In the IT category, the score was 31%, compared to 44% in 2012. In the Facilities Management category, the sustainability statement was included in all new contracts. In the other categories primary process, professional services, HRM and marketing & communication the percentage of sustainability statements was 72% at year-end 2013 compared to 75% in 2012.

SNS REAAL aims to promote sustainability of the supply chain by exchanging information with suppliers. Just like in 2012, a round-table meeting was held in 2013 in order to reinforce the collaboration. The discussion pertained to dilemmas regarding the theme 'people, work and responsible business practices'. Where possible, SNS REAAL seeks to align its sustainability criteria with the ESG criteria that SNS Asset Management uses for its asset management. SNS REAAL continuously weighs sustainability in its selection process. If a supplier offering the best value for money is not prepared to sign a sustainability statement, SNS REAAL engages in a dialogue with that supplier after concluding the contract in order to still improve the sustainability.

11.3.3 Facilities Management objectives

SNS REAAL's Facilities Management has the following objectives for the years ahead:

- Before 2016, our buildings Utrecht Hojel, Amstelveen, Alkmaar WB will comply with the BREEAM Label 'very good'.
- Before 2016, our buildings – including shops – and our operations will be fully carbon neutral, with an annual carbon reduction of at least 8% being achieved in comparison with the total annual emissions statement for 2012. In this respect, we avail ourselves of green solutions, sustainability measures and offsetting.
- Before 2015, our offices in Utrecht (Hojel), Amstelveen and both buildings in Alkmaar will offer room for flora and fauna. In this way, we will contribute to biodiversity in and around the buildings.

12 Developments Property Finance

12.1 Financial developments

Table 28a: Property Finance

In € millions

	2013	2012	Change
Result			
Net result discontinued operations	(1,536)	(813)	(89%)
Net result for the period	(1,536)	(813)	(89%)
Risk-weighted assets Basel II	-	7,511	(100%)

Table 28b: Property Finance

In € millions

	2013	2012	Change
Breakdown result discontinued operations			
Net interest income	77	98	(21%)
Result on financial instruments	(4)	(12)	67%
Other operating income	(6)	(2)	(200%)
Total income	67	84	(20%)
Impairment charges	1,053	941	12%
Release constructive obligation	(2,024)	-	0%
Impairment charges goodwill	-	47	(100%)
Total operating expenses	77	116	(34%)
Addition constructive obligation	2,024	-	0%
Other expenses	1	1	0%
Total expenses	1,131	1,105	2%
Result before taxes and transfer	(1,064)	(1,021)	(4%)
Taxation	(253)	(208)	(22%)
Net result before transfer	(811)	(813)	0%
Transfer result	(967)	-	0%
Taxation transfer result	(242)	-	0%
Net result for the period	(1,536)	(813)	(89%)
One-off items	(1,538)	(47)	(3172%)
Adjusted net result for the period	2	(766)	100%

12.2 Results 2013 compared to 2012

The net loss at Property Finance amounted to € 1,536 million, including a write-off of € 1,538 million net to bring the valuation of the real estate finance portfolio in line with the transfer value as determined by the Dutch State. The total assets of Property Finance had been separated at a substantially lower value than the book value. As part of the transfer, a write-off of € 2.8 billion was required on the total assets of Property Finance as per 30 June 2012. Therefore, in addition to the € 776 million impairments and discounts in the second half of 2012, in the first quarter of 2013 a constructive obligation of € 2.024 million gross (€ 1.790 million net) was taken to bring the valuation of the real estate finance portfolio in line with the transfer value. In the second half of 2013, an additional tax gain of € 252 million related to the write-off of Property Finance was recorded based on a settlement agreement with the Dutch Tax Authorities resulting in a total write-off of € 1,538 million net. In this agreement, it has been settled that the € 2.8 billion write-off on the total assets of Property Finance is largely tax deductible (€ 2,710 million).

Impairments and discounts in 2013 were offset by releases from the constructive obligation related to the write-off on the total assets of Property Finance. A release of € 1,057 million compensated for loan impairments and discounts for the year 2013, while a release of € 967 million compensated for the loss on the transfer of the real estate portfolio to the Dutch State on 31 December 2013 (transfer result). The latter consisted of the difference between the transfer value and the book value of the real estate portfolio at the end of 2013, after absorbing the impairments for the year 2013.

The net result, excluding the transfer result of € 967 million gross (€ 725 million net), fell to € 811 million negative, compared to a € 766 million net loss adjusted for a goodwill impairment for the year 2012. The fall was mainly due to a marked increase in loan impairments and a decrease in net interest income, partly compensated by lower operating expenses.

12.3 Income

Net interest income showed a strong decline of € 21 million (-21%) due to the run-off of the loan portfolio and foreclosures of loans.

The result on financial instruments of € 4 million negative was lower compared to 2012 (€ 12 million negative), mainly due to lower discounts on the sale of performing loans, reflecting the slowdown of sales of loans to third parties and limited discounts on realised transactions.

12.4 Expenses

Impairment charges increased by € 112 million (+ 12%) to € 1,053 million due to the weakening of European real estate markets, mainly in the Netherlands and Spain, and an increase in the number of loans in default. The impairment charges consisted mainly of impairments on loans (€ 859 million; 2012: € 718 million). Impairments on property projects amounted to € 158 million (2012: € 210 million). Impairments on participations amounted to € 36 million (2012: € 13 million).

Impairment charges on the Dutch portfolio increased to € 663 million compared to € 569 million in 2012. Impairment charges on the international portfolio rose to € 390 million compared to € 372 million in 2012 and were related mainly to Luxembourg, Spain and Italy.

Operating expenses decreased by € 39 million to € 77 million due to lower legal and advisory costs related to the run-off of the real estate finance portfolio, lower costs related to forensic audits and decreased personnel costs, driven by a decrease in external staff.

The transfer result reflects the loss of € 967 million gross on the transfer of the real estate portfolio to the Dutch State on 31 December 2013. This consists of the difference between the transfer value and the book value of the real estate finance portfolio at the end of 2013, after absorbing the impairments for the year 2013.

12.5 Portfolio development

Total net exposure, excluding transfer result of € 967 million gross, declined by € 1.3 billion to € 5.7 billion (-19%) compared to year-end 2012. This decline was due to impairment charges of € 1.1 billion and transactions (sales, redemptions) of € 0.5 billion. The decline was partly compensated by the impact of new consolidated entities (€ 0.3 billion). Total commitments declined by € 1.2 billion to € 6.7 billion (-15%).

13 Risk and capital management

As a result of the nationalisation, the Ministry of Finance - in close collaboration with SNS REAAL - has submitted the restructuring plan for SNS REAAL to the European Commission (EC). The EC approved this plan on 19 December 2013, after which SNS REAAL transferred the activities of Property Finance to an independent real estate management organisation with the NLF as the shareholder with effect from 31 December 2013. In 2014, banking and insurance activities will be split and the insurance activities will be prepared for divestment. The activities of SNS REAAL holding will be phased out over time.

To prepare for the separation into an independent bank and insurance company, the process plan had already been written and a project organisation had been set up in 2013. The senior management of the Group, bank and insurer were involved in the formulation of this process plan. The plan broadly addresses the (operational) risks involved in separating the company.

As result of the nationalisation and the separation of Property Finance, the risk profile of SNS REAAL substantially changed. The capitalisation and the risk profile improved because the risks involved in the business operations of Property Finance are no longer included in those of SNS REAAL.

Despite the considerable increase in workload, SNS REAAL's management paid attention to managing the various risks to which the company is exposed. Due to a changing external environment, new laws and regulations (Solvency II, Basel II/III), an increased number of inquiries from regulators and regulatory requirements, the necessary focus on the business unit Property Finance, necessary investments in the data warehouse infrastructure and organizational changes within SNS REAAL, there was pressure on the available qualitative attention for the internal control framework. Specifically with respect to the linkage between internal control at the group and at the business units level. The internal control framework currently consists of individual components through which the actual risks are managed and of which the effectiveness is tested. In the new governance structure, the management teams of the bank and insurer will give further substance to an integrated control framework.

Following the separation into a bank and insurer, the financial risks of the separate entities will not be materially different from the current situation. In accordance with the request by the Minister of Finance during the nationalisation, work began in 2013 to reduce the financial interdependency of the bank and insurer. This will continue in 2014.

13.1 Overview of financial risks in 2013

13.1.1 Developments in risk management for Banking activities

Credit risks

2013 was a year of economic contraction and rising unemployment. This led to an increase in the number of defaults throughout the retail mortgage market. The number of mortgages in default increased too. House prices continued to fall, as did the number of sales, which made it difficult to recover mortgages. Under its mission 'customers' interests first' SNS Retail Bank has refined its approach to customer groups. This has improved SNS Retail Bank's ability to offer a prompt and adequate solution to customers who are in, or are facing, default.

The models were regularly updated to gain a clearer understanding of how the credit risk is developing in the various portfolios of SNS REAAL. Updating the models has resulted in the provisions being increased in line with the increasing credit risks.

Quality of the mortgage portfolio

The credit quality of SNS Retail Bank's mortgage portfolio deteriorated in 2013 compared with the mortgage portfolio in 2012. This was the result of the weak economic growth, rising unemployment, a difficult market for owner-occupied houses and falling house prices in the Netherlands. On the other hand, the quality of new inflow in the portfolio is improving due to stricter acceptance standards and a higher share of mortgages covered by the National Mortgage Guarantee.

Regulators

The pressure exerted by regulators on banks was further intensified in 2013. During that year the recovery plan for the bank, the Basel III migration plan, the regulatory stress test, the evaluation of the Risk Appetite Statement, the ICAAP and the ILAAP were completed and work began on the Asset Quality Review for the ECB. Additionally, SNS Retail Bank is on track to meet the Principles for Effective Risk Data Aggregation and Risk Reporting (PERDARR) as drawn up by the Basel Committee (see also section 13.6.1).

Risk management organisation

Further improvements were made to the risk management organisation in 2013. Roles and responsibilities were more clearly defined and separated where required. The bank is thus further defining the 'three lines of defence'. (See also section 22.2)

Property Finance

In 2013, Property Finance performed an in-depth portfolio analysis on the largest part of the portfolio of real estate projects and real estate financing. This analysis was intended to produce a report on the situation of the portfolio, defining new exit strategies and exit data for all complexity relations and to perform a scenario analysis for future developments.

Due to the unfavourable developments in the Dutch and international real estate markets, it has proved necessary to foreclose collateral Property Finance had received. This resulted in the de facto control by Property Finance over several real estate projects that were recognized on the balance sheet of Property Finance.

13.1.2 Developments in risk management for the Insurance activities

Risk criteria

In 2013, as preparation for the new standards known as Solvency 1.5 (such as the Theoretical Solvency Criterion) and Solvency II, internal management reports had already been extended by the risk criteria based on these standards in anticipation of this new legislation. The risk management of the insurer is guided by the Solvency I framework, but the impact of these new risk criteria is (also) taken into account at the same time.

Earnings models

The insurer's earnings models were subject to further analysis in 2013. The contraction in the life insurance market continued as a consequence of the changes to the tax regulations and in customer behaviour. The risk management departments of the insurer were expressly involved in the analyses of these earnings models. Group Risk Management also took part in these discussions on the basis of its second-line role and in continuous dialogue with the Business Units and the Board of Directors. An important conclusion is that the Dutch insurance market is expected to undergo consolidation of which REAAL will be involved. This is also set out in the restructuring plan approved by the European Commission.

Solvency

The solvency of the Insurance activities came under further pressure during 2013. In July 2013, France was downgraded by Fitch, as a result of which it is no longer included in the ECB AAA Curve used to value the insurance liabilities. This led to downward shift in the ECB AAA yield curve and, accordingly, a fall in solvency. Solvency was also adversely affected by the update of parameters (including the impact of the additional structural allocation of Group expenses), methodologies and models. These negative factors were partly compensated for by the development of the interest rate and credit spreads. REAAL has focused closely on the development of solvency and has put mitigating measures in place to maintain the solvency level. (See also section 13.3.2).

Balance sheet management

Solvency pressure leads to a dilemma in the balance sheet management. REAAL seeks to manage the balance sheet on economic grounds, but the current low capitalisation level results in regulatory solvency being the leading metric when managing the balance sheet. In particular, using the Ultimate Forward Rate and the surrender floor value under Solvency I make both the value and the sensitivity of the insurance liabilities different from what would be the case under economic principles. Due to the pressure on the regulatory solvency, REAAL could not place as much emphasis on economic value as desired.

Risk management organisation

Further improvements were made to the risk management organisation in 2013. Roles and responsibilities were more clearly defined and separated where necessary. The insurer is thus broadening the way it implements the 'three lines of defence'. (See also section 22.2)

Unit-linked insurance policies REAAL

Since 2008 there has been widespread public attention for the costs and risks related to unit-linked insurance policies and the question whether insurance companies adequately informed their (prospective) customers in that regard. In response to this, REAAL (just like other insurers) have concluded a compensation scheme with consumer organisations. Based on this scheme, the costs that have been – and will be – withheld until the maturity date will be redeposited into the insurance policy, in so far as these costs are higher than the maximum percentage specified in the compensation scheme. The compensation scheme has been implemented.

The costs of the compensation scheme and flanking policy are substantial and are recognised in the financial statements. Current and possible future subsequent legal proceedings could have a substantial financial and reputational impact. However, it is not possible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings. REAAL, therefore, did not record a provision.

13.2 Future developments in financial risks

13.2.1 Banking activities

- The CPB Netherlands Bureau for Economic Policy Analysis anticipates a slight economic rebound in 2014. House prices are expected to fall less sharply or even stabilise, which will result in increased house sales. Since the recovery in unemployment is lagging behind the economic upturn, SNS Retail Bank will also take a further increase in the number of defaults into account in its risk management in 2014. The initiative taken already in 2013 to provide customers with payment difficulties with faster and better assistance remains important.
- When setting the (mortgage) rates, it is important to focus on achieving the right balance between the pricing of the risks and healthy returns. Special attention will be paid to this in 2014 because, following the nationalisation and the accompanying capital injection, new production is once again possible and mortgage rates have gone down.

- SNS Bank NV was able to demonstrate in the Basel III migration plan and the regulatory stress test that it is currently robustly capitalised. The most recent projections justify the conclusion that SNS Bank NV, with its retail bank earnings model, is expected to meet all capital and liquidity ratio criteria in the years to come. The retail funding level is currently higher than in 2012, and the prospects of gaining access to the capital market were improved by the separation of Property Finance.

For more information see [Chapter 23 Financial risk management Banking activities](#).

13.2.2 Insurance activities

- The earnings model of both the Life and Non-life insurance operations is facing downward pressure owing to contracting and more competitive markets, the transition to other (less profitable) products, exemption from taxes and more rational customer behaviour.
- Market risk, the commutation risk for life and the longevity risk are manifesting themselves in movements in interest and share prices, unforeseen changes in commutation expectations and unforeseen falls in mortality risks, amongst other things. The scope of these risks - in addition to that of other (less tangible) risks - affects the level of capital required under the Theoretical Solvency Criterion (TSC) that came into effect on 1 January 2014 and will also be playing a major role under the Solvency II regime, with effect from (as is currently expected) 2016.
- Social unrest concerning public discontent with investment based insurance contracts is hindering the transition throughout the entire insurance sector.
- Changing legislation and regulations (Solvency II, TSC, etc.) and evolving insight as to how to interpret them (e.g. tax changes, changes to the Ultimate Forward Rate) could lead to unforeseen changes to the financial position.

For more information see [Chapter 24 Risk management financial risks Insurance activities](#).

13.3 Capitalisation

Following the nationalisation in February 2013 and the related capital support from the Dutch State and expropriation of the subordinated debts, the capitalisation of SNS REAAL improved considerably in February 2013. SNS Bank NV's core Tier 1 ratio improved immediately despite a substantial impairment on the real estate portfolio of Property Finance. Since the Insurance activities did not receive any capital support, the nationalisation measures did not directly affect the solvency of the Insurance activities.

The double leverage of SNS REAAL amounted to 115% at year-end 2013, compared to 130% at year-end 2012. The double leverage fell nominally from € 985 million to € 668 million. The main reasons for this decrease were the Dutch State's capital injection of € 300 million and the expropriation of the subordinated loans (€ 386 million). The decrease was partly compensated by the conversion of a subordinated loan of € 150 million provided to REAAL NV into share premium on 16 July 2013.

During the second half of 2013, a number of measures were also put in place to strengthen the capital position of the Insurance activities (REAAL NV) and reduce the interdependency between SNS Bank NV and REAAL NV. The measures are in line with the commitment to gradually eliminate the financial relationship between the bank and the insurer and were approved by De Nederlandsche Bank (DNB). All the measures relate to a reallocation of available capital and funding within SNS REAAL. The measures include a reduction of the exposure of SNS Bank NV to REAAL NV to € 250 million, an extra capital contribution from SNS REAAL in REAAL NV of € 250 million and a dividend payment from REAAL Schadeverzekeringen to REAAL NV of € 250 million. The exposure of SNS Bank NV to REAAL NV will be allocated a high risk weighting and the exposure to SNS REAAL will be deducted in full from the regulatory capital of SNS Bank NV.

13.3.1 Capitalisation Banking activities

The capitalisation of SNS Bank NV significantly improved in 2013. In addition to the positive operational results, this can be attributed mainly to the measures taken in the context of the nationalisation. The negative impact on the capital as result of additional impairment on the real estate portfolio was mitigated by the capital injection of the Dutch State and the expropriation of the subordinated debts. Of the total capital injection of € 2.2 billion for SNS REAAL, € 1.9 billion was contributed as a share premium to SNS Bank NV.

The impairment on the real estate portfolio reduced the risk-weighted assets (RWA) upon nationalisation by approximately € 2 billion and the separation of Property Finance on 31 December 2013 resulted in a further decrease of € 5.5 billion. As the separation Property Finance had not yet attracted any financing of its own at year-end 2013, the entity is currently being financed by SNS Bank NV. This financing is guaranteed by the Dutch State and therefore does not result in RWA.

Although the overall mortgage portfolio decreased by approximately € 2 billion, the RWA on the residential mortgages increased by € 1.4 billion. This latter increase is attributable to the characteristics of the models that take account of declining house prices and several securitisations transactions that were terminated. This was the case regarding Hermes 8, 14, 16 and 17, with a collective volume of nearly € 7.3 billion. Taking into account for the RWA release of the notes for own account, the RWA effect of these calls totalled in excess of € 0.6 billion.

Intercompany transactions also caused the RWA to increase. Although the exposure to REAAL NV has decreased, the loan of € 250 million from SNS Bank NV to REAAL NV has a higher risk-weighting of 500%. This has caused an increase of RWA of € 1.25 billion.

The core capital rose on balance by approximately € 1.1 billion in 2013, and the RWA fell by € 6.0 billion, which caused the core Tier 1 ratio to rise from 6.1% at year-end 2012 to 16.6% at year-end 2013.

13.3.2 Capitalisation Insurance activities

Regulatory solvency (Solvency I) of the Insurance activities at REAAL NV level was 172% at year-end 2013, compared to 176% at year-end 2012. This solvency is slightly below the internally set target of a minimum of 175%. We expect market conditions to remain challenging in the insurance industry. As a result, profit and solvency at the Insurance activities are likely to remain under pressure. REAAL NV is currently investigating all possible alternatives to strengthen and protect its solvency in anticipation of the divestment.

In 2013, a number of significant developments took place which had an impact on the solvency of the Insurer. The solvency ratio was negatively impacted by the downgrade of the credit rating of France by Fitch in July 2013. As a consequence French government bonds were excluded from the ECB AAA curve used to calculate regulatory solvency. The subsequent downward movement of the ECB AAA curve had a negative effect on the solvency ratio of 29 percentage points. In addition, a negative effect of 21 percentage points was caused by using more prudent parameters, mainly by adjusting the cost parameters (including the effect of the additional structural allocation of group expenses), the use of more conservative mortality tables, an increase in the number of homogeneous portfolios and adjustments in the risk margin used in the solvency calculation.

The negative impacts were to a large extent offset by a capital injection of € 250 million by SNS REAAL (positive effect of 18 percentage points) and by the conversion into share premium of € 150 million in subordinated debt issued by REAAL N.V. to SNS REAAL NV (positive effect of 10 percentage points). This subordinated debt could not be included in the regulatory capital of the Insurance activities because the total amount of subordinated debt exceeded the maximum as set by DNB. Finally, the movement of interest rates, credit spreads and the underlying net result had a positive effect.

The Solvency I ratio after (market)stress is calculated monthly by using shocks on interest rates, credit, equities and real estate. At year-end 2013, the solvency after stress is 114% and also below the internal threshold of 125%. As a result of these developments the Executive Board decided to analyse the capital position under various scenarios and define

possible management actions to strengthen and protect it. In this context, a base case projection of the solvency ratio under different capital regimes, amongst other Solvency I and Solvency II, was carried out. Subsequently, the impact on the base case of four stress scenarios was calculated. These scenarios are more severe than the regular monthly market stress calculations. They are severe stress scenarios on underwriting risks (including increased commutation and longevity), market risks and operational risks (profitability). As part of the analysis the recovery capacity in the coming three years has also been examined.

The conclusion is that in severe stress scenarios analysed, the Solvency I ratio at REAAL NV level remains above 100% for the test period of three years. Solvency II requirements and the interpretation thereof are still in development. The pressure on the capital position under this regime is most evident in the most severe stress scenarios tested. However, based on current insights, the Solvency II ratio shows sufficient recovery under these scenarios.

The capital injection, the conversion of subordinated debts and a dividend payment of € 250 million made by REAAL Schadeverzekeringen NV, resulted in a reduction of the double leverage at the level of REAAL NV from 135% (€ 1,013 million) at year-end 2012 to 122% (€ 566 million) at year-end 2013.

Mid-2013 it became clear that the interest rate sensitivity of the solvency exceeded the internal limit, partly due to methodology and model changes. Subsequently, adjustments were made to the investment portfolio in the third quarter which brought the sensitivity of the solvency to a parallel interest shift of 1 percentage point back in line with the limit as set by management. The sensitivity decreased to 7 percentage points at year-end 2013.

13.4 Liquidity

In 2013, SNS Bank NV maintained a high liquidity position in connection with the tightness on the (interbank) money and capital market and the higher liquidity requirement of (future) regulations. The liquidity position fell slightly throughout the year, from € 11.5 billion at year-end 2012 to € 11.6 billion at year-end 2013. The increased outflow of savings in January 2013, just before the nationalisation, gave cause to activate SNS Bank NV's Liquidity Contingency Plan. The relatively high liquidity buffers and the effectiveness of this plan proved to be sufficient to absorb this outflow (see section [23.6.2 Liquidity management policy](#) and [23.6.3 ILAAP](#)).

The capital contribution under the nationalisation (€ 1.9 billion) contributed significantly to the recovery in consumer confidence. Following an outflow of € 1.3 billion in January, retail savings rose steadily throughout the remainder of 2013. This caused the retail savings portfolio to grow in 2013 by € 0.5 billion net. The liquidity position at year-end 2013 was € 11.6 billion, of which € 5.3 billion in cash. As the separated Property Finance had not yet attracted any own funding at year-end 2013, the entity is currently being funded by SNS Bank NV. The Dutch State has guaranteed this funding. The separation has not affected the liquidity position at year-end 2013. When Property Finance will attract independent external funding, the liquidity position will first rise. This rise will subsequently be used to repay the LTRO.

13.5 Non-financial risks

13.5.1 Management of non-financial risks

The social discussion on the financial sector continued unabated in 2013. For SNS REAAL, this was particularly so in view of the nationalisation on 1 February 2013. SNS REAAL was also confronted with a sizeable fraud at Property Finance. There remained as much political and social focus as ever on investment-related insurance products in relation to vulnerable target groups. In addition, SNS REAAL and its customers faced cybercrime more frequently than in the past. Ethical behaviour and integrity in business operations remain vital to restore confidence in the financial services sector. SNS REAAL puts customers' interests first in its mission, core values and strategy. The foundation for integrity and control in business operations is and remains compliance with legislation, regulations and internal rules and the maintenance and promotion of integrity in business culture. SNS REAAL has a code of conduct and a set of measures to guarantee integrity in the conduct of its business. Signs of breaches of integrity are always investigated.

13.5.2 Development in the management of non-financial risks

In 2013, the management of non-financial risks continued to develop in the following areas:

- 2013 once again saw the implementation of another Group-wide integrity survey. This was performed as part of the annual financial audit to assess the quality of the soft controls. This also covered the impact of the nationalisation of SNS REAAL on how integrity is experienced among its employees. The survey showed that the climate of integrity and compliance at SNS REAAL had continued to improve throughout the Group as compared to the previous survey in 2011.
- In 2013 SNS REAAL also faced threats resulting from cybercrime. SNS REAAL consistently puts appropriate measures in place, both independently and in cooperation with the Netherlands Bankers' Association (NVB) and the Electronic Crimes Task Force (ECTF) in order to also protect the interests of its customers. SNS REAAL closely monitors developments in cyber security.
- A start was made with rolling out a Group-wide risk appetite dashboard for non-financial risks within all of the Group's business units.
- Several awareness campaigns were pursued in 2013, including a workshop on ethical and controlled business conduct, a 'train the trainer' module and an e-learning course on the code of conduct 'Common Sense, Clear Conscience'.
- The policy on ethical and controlled business conduct has been further evaluated in an annual process set up for that purpose. Additionally, new policy was formulated in the area of execution-only service and FATCA.
- SNS REAAL's executive management and the Board signed the moral ethics statement in 2013, declaring they would perform their responsibilities with integrity and due professional care and that they would diligently balance the interests between all stakeholders, putting the customer's interests first.
- The measures in the context of the restructuring gave rise to additional stress on the organisation.
- The vision on operational risk management was evaluated and recalibrated. This will be followed up in 2014 and thereafter.

For more information, see Chapter 26: [Risk management non-financial risks](#) in the financial statements.

13.5.3 Property Finance

An investigation into possible conflicts of interest at Property Finance was started in 2012 and continued in 2013. This investigation also looked into the reports identified in the previously initiated forensic investigations. The investigation comprises two components:

- a the reports related to the alleged conflict of interests and irregularities concerning invoices and expense reports of external Property Finance personnel;
- b the detailed investigations to establish whether there were any misappropriations in projects and divestments of Property Finance. This involves a risk-based selection of these projects and divestments based on the available reports.

The investigation has revealed irregularities at Property Finance and has resulted in the termination of the employment of 18 external Property Finance employees, including a former director and some members of the management team. In 2013 SNS REAAL filed four reports on suspicions of criminal offences against several individuals, including offences committed by one of Property Finance's former directors.

Within the relevant statutory frameworks, codes of conduct and professional regulations, SNS REAAL is cooperating as much as possible with the law enforcement authorities that have opened investigations. The investigation into the alleged conflicts of interest, irregularities and misappropriations is being managed at SNS REAAL by Group Audit in close collaboration with Compliance, Security & Operational Risk Management. SNS REAAL has engaged a number of professional external (forensic) parties to carry out the inquiry as effectively as possible.

Property Finance was financially disadvantaged due to irregularities in invoices and statements. The shares of Property Finance, now called Propertize BV, have been held by NLF I since 31 December 2013. In the event that the recoveries are successful, the proceeds will accrue to Propertize BV.

It is possible that the investigation could reveal further matters that could affect the valuation of assets and liabilities of Propertize BV.

The responsibility for the integrity investigation has been transferred due to the separation of Property Finance to Propertize BV as per 31 December 2013.

13.6 New regulations and their implementation

13.6.1 New regulations for Banking activities

CRD IV

The Capital Requirements Directive, or CRD IV, was published by the EU on 27 June 2013 and is being introduced in phases with effect from 1 January 2014. It is a European directive for the implementation of the Basel III regulations published in 2011 aimed at reinforcing the capital and liquidity of banks and investment firms.

CRD IV contains a Directive and a Regulation. The Directive will be incorporated in Dutch legislation around 1 July 2014. As the Regulation came immediately into effect, no separate implementation process into Dutch law is required. In addition to CRD IV, the European Banking Authority (EBA) is preparing technical standards, most of which will also come immediately into effect. The ultimate impact of CRD IV will thus not become apparent until during the course of 2014. SNS Bank NV is anticipating the new capital and liquidity requirements ensuing from this or taking effect in the near future.

To prepare for the implementation of CRD IV, SNS REAAL submitted a new Basel III migration plan to DNB in August 2013 in which the nationalisation measures are incorporated. The migration plan contains future projections of the various capital and liquidity ratios under Basel III. The starting point for these projections is the end of March 2013. Based on these projections, SNS REAAL meets all of the current internal and external capital and liquidity criteria under Basel III.

European supervision

SNS Bank NV is classed as a systemically important financial institution (SIHI). This implies that SNS Bank will be under European supervision with effect from October 2014. In the coming period, the European Central Bank will be carrying out audits at SNS Bank NV to prepare for this supervision. 2013 saw the start of the Asset Quality Review ordered by the ECB in this context.

PERDARR

The Basel Committee has formulated 'Principles for Effective Risk Data Aggregation and Risk Reporting (PERDARR)' for the correct and structured recording of information. The self-assessment on this PERDARR, made compulsory by BIS/DNB, was completed in 2013 and a follow-up programme has been formed. The purpose of this programme is to ensure that SNS Bank NV is PERDARR-compliant with effect from 1 January 2016.

13.6.2 New regulations for the Insurance activities

Solvency II

The date on which the new Solvency II regulations will be applicable for the European insurance sector has been postponed. Solvency II was originally to enter into force on 1 January 2014, but this has been postponed until 1 January 2016. In the meantime, there will be more risk-based supervision in the form of implementing the EIOPA Preparatory Guidelines and the new Theoretical Solvency Criterion (TSC) prescribed by DNB in 2014. A detailed version of the Level-2 regulations will also be published in 2014, in the form of a Delegated Act of the European Commission. In view of the anticipated effective date, agreement must however be reached on the definitive texts in a European context within the next two years.

Various regulatory bodies feel that the aforementioned postponement of Solvency II as a whole is too long. Both DNB and EIOPA will therefore be introducing elements of Solvency II sooner, thus broadening the current solvency regime. In 2014, DNB introduced an Own Risk Assessment, in which the insurer has to meet a minimum solvency requirement following a stress test. In addition, DNB has also prescribed the Theoretical Solvency Criterion, consisting of a combination of Solvency II and Solvency I elements. EIOPA made elements of Solvency II compulsory with effect from 1 January 2014 and 1 January 2015 under the heading of 'Preparatory Guidelines'. Moreover, various governance requirements will also enter into force in 2014.

Solvency II will greatly increase the reporting obligations. SNS REAAL's preparations are therefore currently focusing mainly on putting a structural reporting chain in place. In 2015, SNS REAAL will be drawing up the first Solvency II reports on the financial year 2014.

13.6.3 Developments in the risk management organisation

On 19 December 2013, the European Commission approved the separation of SNS REAAL's Banking and Insurance activities. The Property Finance activities were separated on 31 December 2013.

In the near future the bank and the insurer will continue as separate companies. The current function of the Group (SNS REAAL) will be limited to a financial holding, which will eventually cease to exist when the Insurance activities are sold and the bank is privatised. As a result of this, the Group's role in forming policy and the parameters for risk control will be reduced with effect from 2014. The emphasis will be placed on continuing to improve the quality and efficiency of the risk management organisation at the bank and insurer individually but with no less focus on customer interests and corporate responsibility.

In 2013 we continued to work on improving the risk management organisation. Changes being made in 2013 will be permanently applied and, where necessary, further defined at the bank and insurer in the years to come. The main developments in 2013 were as follows:

- The risk appetite was elaborated and formalised in a risk dashboard in which the extent to which set limits are enforced can be precisely monitored. The Risk Appetite Statement, including the dashboard, was translated into individual dashboards for the bank and insurer respectively.
- The composition and procedures of the risk committees were adapted where necessary in order to achieve balanced representation of both the business and the risk management. The quorum has also been adapted to this.
- Setting up the risk management in keeping with the 'three lines of defence' model was further defined internally. (See also section 22.2 Risk Management Organisation)
- Model risk management was further professionalised and incorporated in the policy and the normal risk management organisation.

The separation into a separate bank and insurer means that the separation of tasks and responsibilities between Group Risk Management and Business Unit Risk Management introduced in 2012 and 2013 need to be reviewed in 2014. This applies also to the functional lines for the risk function of Group Risk Management and the structure and composition of the risk committees. Furthermore, the existing Risk Management Policies will be adapted to the new situation.

For more information, see section 22.2 [Risk Management organisation](#).

14 Funding and credit ratings

SNS Bank's liquidity position remained high in 2013, even in the period just before the nationalisation. The nationalisation led to a capital injection of € 2.2 billion, € 1.9 billion of which was intended for the Banking activities and € 300 million for the Group. Public funding was not necessary in 2013.

14.1 SNS Retail Bank funded mainly by savings

Our customers' savings play an increasingly important role in the total funding of our activities. In 2013, the savings market witnessed a slight growth of 0.7%. Following the nationalisation, the savings inflow at the SNS Retail Bank brands showed an increase, up to € 33.3 billion at year-end 2013, 1.5% more than at year-end 2012.

14.2 Public funding

Public funding may limit the costs and risks of funding our activities. Firstly, public funding contributes to timely and adequate liquidity. In this manner we can avoid the risk that, at a late stage, we need to obtain money under unfavourable conditions. Secondly, it contributes to diversification in terms of funding instruments, types of investors and geographic areas. In this way, SNS Bank can opt for the most suitable instrument, depending on the varying market conditions, capital requirements and the qualifications demanded by De Nederlandsche Bank.

However, public funding is only possible if our credit ratings reflect sufficient long-term confidence in our Banking activities and if the international capital and money markets function properly. Both conditions have made public funding difficult in the past few years, and in 2013 in particular. In the nationalisation process, all of SNS Bank's subordinated debt was expropriated and interest payments on subordinated bonds of SRLEV were suspended. This affected our reputation among investors. With the EC's approval of State aid and the restructuring plan, including the separation of Propertize (the former Property Finance), the path is now clear to restore this confidence. Capital growth through retained profits and prudent growth of the mortgage portfolio are essential in this respect, as these enable improved credit ratings and renewed public funding.

14.3 Funding transactions in 2013

The total liquidity position, including the cash balance, of the Banking activities remained high in 2013. The liquidity position at year-end 2013 amounted to € 11.6 billion compared to € 11.5 billion at year-end 2012. SNS Bank NV carried out two private securitisations under the names Lowlands 2 and Lowlands 3. These bonds continue to be included in the bank's balance sheet and are ECB eligible. Lowlands 2 makes it possible to reduce the amount of outstanding LTRO loans (long-term refinancing operation) in 2014, resulting in a substantial cost advantage. LTROs are an ECB facility with a low variable interest rate. Lowlands 3 replaced Hermes 16, which is a securitisation about to expire.

At the end of 2013, a government-guaranteed programme was prepared under which Propertize can issue State-guaranteed bonds. This allows Propertize to redeem a loan of approximately € 4.1 billion from SNS Bank in 2014. This way, the outstanding LTROs (€ 5.5 billion) can be further reduced in 2014, creating more capacity for selling new mortgages.

Just before the nationalisation and the accompanying improvement of the capital position, Moody's downgraded SNS Bank's rating, as a result of which the rating of the covered bonds was downgraded to A1. As long as this rating does not improve, it will not be possible to issue any new covered bonds.

The risk surcharges for the trade in SNS Bank securities dropped following the nationalisation, but they will remain relatively elevated with SNS Bank's current credit ratings. Given the upward potential of these securities, there was hardly any supply. In 2013, no benchmark bonds were issued and there were no private placements. SNS Bank has two commercial paper programmes, one European programme and one French programme, each with a maximum amount of € 4 billion. This programme was not used in 2013.

14.4 Credit ratings

14.4.1 Gradual recovery of stand-alone ratings

In 2013, the credit ratings of many European financial institutions continued to be under pressure. The nationalisation and the corresponding expropriation of subordinated debt of SNS REAAL and SNS Bank affected the stand-alone ratings of SNS Bank, i.e. the ratings without taking into account external support. Rating agencies dramatically downgraded these ratings. S&P downgraded the SACP (stand-alone credit profile), Moody's the BFSR (Bank Financial Strength Rating) and Fitch the viability rating. Given the extensive State capital support, however, SNS Bank's long-term ratings remained stable. The ratings of the Insurance activities were not immediately affected by the nationalisation, but in the course of 2013 these ratings came under some pressure due to the persistent pressure on solvency within the insurance sector.

In the course of 2013, SNS Bank's stand-alone ratings were raised to a limited extent on the back of the State aid actually received. Following the EC's final decision on the State aid in December 2013 and the actual separation of Property Finance, there is room for further improvement of SNS Bank's stand-alone ratings. As the State aid and other nationalisation measures are gradually incorporated in the stand-alone ratings, the difference compared with the long-term ratings becomes smaller as a result.

14.4.2 Rating changes in chronological order

On 29 January 2013, S&P placed the ratings of SNS REAAL and SNS Bank on 'CreditWatch negative'. On 31 January 2013, Moody's downgraded the BFSR of SNS Bank and lowered the ratings of SNS REAAL, SNS Bank as well as the Insurance activities by one notch. As a result, SNS Bank was assigned a Baa3 rating.

On 4 February 2013, in response to the nationalisation on 1 February 2013, Moody's placed all ratings on a 'review for downgrade'. On 5 February 2013, also in response to the nationalisation, S&P raised the CreditWatch for SNS REAAL and SNS Bank from 'negative' to 'developing' and that of the Insurance activities from 'developing' to 'positive'. The SACP of SNS Bank was lowered from bb+ to ccc+, but because of the State aid, the credit rating of SNS Bank remained unchanged at BBB. Also on 5 February 2013, Fitch raised the 'rating watch negative' on SNS Bank and SNS REAAL to 'rating watch evolving'. The viability rating of SNS Bank was lowered by Fitch from bb to f, but SNS Bank's rating remained unchanged at BBB+. In Fitch's current methodology, SNS Bank's rating cannot be downgraded below BBB+ as long as the Dutch State has an AAA rating and the perception is maintained that the Dutch State supports systemically important banks.

On 29 March 2013, S&P lowered the SACP and thus the credit rating of the Insurance activities from A to BBB (CreditWatch positive) and decided to disconnect the ratings of SNS Bank and the Insurance activities. On 7 May 2013, the ratings of SRLEV and REAAL Non-Life were raised again from BBB to A- and that of REAAL from BBB- to BBB+, all with a 'negative outlook'.

On 21 June 2013, S&P reconfirmed SNS Bank's credit ratings at BBB and downgraded the rating of SNS REAAL from BBB- to BB+. The SACP of SNS Bank was raised from ccc+ to bb- as a result of the capital support that had by then actually been received. In addition to the SACP, S&P awarded two notches of support because of the intended separation of Property Finance and a third notch of support because SNS Bank is considered a bank 'of moderate systemic importance'. Finally, a temporary fourth notch of support was granted because S&P expects access to capital markets to normalise following the EC's final decision regarding State aid. The 'developing' CreditWatch was replaced by a 'negative outlook'.

On 5 August 2013, Fitch reconfirmed SNS Bank's credit rating at BBB+ (stable outlook) and raised the viability rating from f to bb- (Rating Watch Positive). The rating of the Insurance activities (SRLEV and REAAL Non-Life) was lowered from A- to BBB+ (stable outlook).

On 12 September 2013, Moody's reconfirmed the credit ratings of SNS REAAL, SNS Bank and the Insurance activities and replaced the 'Review for further downgrade' with a 'stable outlook'. The BFSR of SNS Bank was raised from E (ca) to D- (ba3), with a 'positive outlook'.

In response to the EC's final decision on State aid and the separation of Property Finance, S&P reconfirmed the ratings of SNS REAAL and SNS Bank on 23 December 2013. Moreover, because of the intended separation of Property Finance, the two notches of support were included in the SACP, which rose to bb+ as a result. Fitch and Moody's announced that the EC's final decision would not have any direct consequences for the credit ratings.

Table 29: Credit ratings as per 31 December 2013

	S&P	Moody's	Fitch
Long-term			
SNS REAAL	BB+ (negative)	Ba2 (stable)	BBB+ (stable)
SNS Bank	BBB (negative)	Baa3 (stable)	BBB+ (stable)
REAAL	BBB (negative)		
SRLEV	A- (negative)	Baa2 (stable)	BBB+ (stable)
REAAL Non life	A- (negative)	Baa2 (stable)	BBB+ (stable)
Short-term			
SNS REAAL	B	N-P	F2
SNS Bank	A3	P-3	F2

15 Our people

SNS REAAL is a genuine 'people company'. It is only thanks to our employees' commitment that we can build long-term relationships with our customers, as they establish and maintain customer contact. We encourage our employees to continue developing and learning new skills. We want to offer them a good work-life balance and responsible remuneration. We feel job satisfaction is important. In 2013, despite sometimes challenging circumstances at the time of the nationalisation, the measured average employee satisfaction remained relatively high with an average score of 7.5, with an improvement on important indicators. We are pleased and proud about this.

15.1 Impact and consequences nationalisation for employees

For our employees, the period prior to the nationalisation of SNS REAAL was hectic and full of uncertainty. The high level of media coverage and the subsequent nationalisation left no employee unaffected. Nonetheless, in the period of the nationalisation, our employees managed to keep their focus on our customers. To enable our customer service centre and webcare team to answer all our customers' queries, many colleagues helped out and opening hours were extended.

After the nationalisation, SNS REAAL started preparations for the organisation restructuring, in line with the plan that was submitted to the European Commission, approval for which was obtained in December. The separation of the Banking and Insurance activities implies that activities and positions are transferred from the Group to the Bank and Insurer. For Propertize, formerly Property Finance, too, this means that support from the Group is phased out. At the close of 2013, just under 24 employees (FTE), transferred to Propertize.

From the point of nationalisation, SNS REAAL provided its employees with as much information about its new course as possible through the intranet and their managers. Employees were given opportunities to raise queries and ask questions at meetings specially organised for this purpose. From April to July, the Executive Board went on a company-wide roadshow to enter into a dialogue with employees on the developments in the organisation.

At top-level management, 'quartermasters' are planning and coordinating the further privatisation of the Banking and Insurance activities. In January 2014, the requests for recommendation submitted to the Central Works Council (CWC), with an elaboration on the proposed structure of the new staff departments of the Bank and Insurer. The requests for recommendation were drawn up in close collaboration with the Group staff departments, the Bank and the Insurer and in coordination with the works councils. The Executive Board expresses its appreciation for the positive participation and contribution of the CWC.

15.2 Putting the customer 's interest first

Our guiding principle in further improving our services is 'putting the interests of our customers first'. Business Units use performance indicators to accurately manage and monitor this principle across all of their services, including product development and promotion, the sales and advisory process, customer service and follow-up care and a customer-oriented culture. In doing so, the attitude of our employees is, of course, paramount. To promote the desired attitude, our Human Resources (HR) department supports managers and employees with various resources and activities. In 2013, putting the client's interests first was more effectively incorporated in job descriptions, job advertisements, recruitment communications and employees' annual PCB. Every year, each employee has at least one result-oriented performance agreement about how the employee's performance serves the interests of the customer.

More than 350 employees of SNS Retail Bank entered into dialogue on their **Manifesto** in 28 sessions. Based on four themes, this Manifesto defines the way in which the bank wants to fulfil its public utility function for its customers and for society. The Manifesto provides direction on the future and connects the four banking brands. Employees could identify themselves with the Manifesto. They were enthusiastic about it as it allows them to really mean something to the customer. Many ideas were generated in these sessions. Of these ideas, fourteen improvement ideas were selected and delegated to a member of management for implementation. In addition, departments participated in team workshops to determine how to implement to the Manifesto in practice.

REAAL held staff meetings too. In special 'Management-in-Dialogue' sessions, employees of many departments discussed REAAL's ambitions with each other and REAAL's management.

15.3 Integrity: compliance with internal and external rules and regulations

Integrity is vital for a financial services provider. In our company, we therefore have a wide range of procedures to ensure all things are done fairly and correctly. A lot of attention is devoted to conduct and business values as well. Despite these efforts, incidents may occur in which procedures and rules and regulations do not work properly or are not fully complied with. In that case, we take adequate action. In 2012, following indications, we questioned the integrity of some external employees of Property Finance. Based on some indications, an internal investigation was conducted into the integrity of Property Finance. Based on the results of this investigation SNS REAAL filed three reports as offences were suspected. As a result, eighteen external temporary employees of Property Finance were forced to leave the organisation.

In the autumn of 2013, KPMG conducted (as part of the financial audit) a company-wide investigation into our integrity. Compared to previous measurements there is an overall improvement.

In recent years, SNS REAAL has increasingly paid more attention to integrity in training programmes and procedures. Partly in response to an earlier study by KPMG, SNS REAAL improved the incident reporting policy and made incident reporting via the intranet much easier. In addition, employees can report suspected violations of rules, such as fraud, inappropriate conduct and conflicts of interest anonymously if desired. Our Code of Conduct, called 'Common sense, clear conscience', gives employees tools to take responsibility ensuring a responsible organisation. The Common sense, clear conscience e-learning programme is both about the code of conduct and the responsible organisation, professional conduct, putting customer interests first and the reporting, discussing and preventing of incidents. In 2013, this e-learning programme was completed by 90% of the employees.

Moreover, news items on the intranet, presentations and workshops, based on interaction and self-analysis, contribute to employees' integrity awareness. In the Responsible Organisation Team Workshop, employees assessed how responsible their department is on the basis of questions and statements for discussion. Does our department devote enough effort to putting the interests of our customers first? Do we comply with all the rules and regulations? Do we call one another to account regarding undesirable conduct? Each department could thus identify their own means of improvement.

Executive Board members, Supervisory Board members and part of the top-level management (in total more than sixty) signed the moral-ethical statement, which is mandatory as of 1 January 2013. The principles included in this moral-ethical statement fit seamlessly into the mission and core value of SNS REAAL and putting the interests of the customer first. Making this statement has symbolic value, but also contributes to the awareness of our conduct in relation to our customers and can thus inspire us to further improve our services and restore confidence in the financial sector.

15.4 Personal leadership

It is our staff who put our mission, Simplicity in finance, into practice, inspired by our core value CARE! We therefore consider it important that our staff are professional, committed and motivated. We expect personal leadership from them in their own work. By this we mean that they are driven by self-motivation to provide customers with the best possible service and to contribute to SNS REAAL's overall result. Each employee is responsible for his own professionalism. This demands a modern leadership style from managers. They are to empower employees to make use of their full potential through support, feedback and discussion.

More freedom means more responsibility and more accountability with regard to personal commitment and performance. Which goals have been achieved and which have not? What went well and what can be improved? With dialogues like these, we create a culture of continuous improvement in our organisation. Over the past three years, SNS Retail Bank, REAAL and Zwitserleven have gained positive experience with personal leadership in lean projects that aim to achieve sustainable customer value and at making the organisation more efficient.

Personal leadership is one of the core competencies every manager must possess. We also assess managers on how customer-oriented and results-driven they are and how their team development is progressing. As of 2014, these competencies are included in the annual Performance and Competency Evaluation (PCB). Every manager in our company, from department head to CEO has to include at least one of these competencies in his objectives and work on the development of these competencies. Each manager must score at least "good" for all four competencies. Managers can conduct a 360 degree feedback to examine how they perform on these competencies. In addition to this, other self-reflection tests are available. In 2013, SNS REAAL started masterclasses with Management as the subject area. These masterclasses are given by its own (senior) managers.

15.4.1 Superpromoters

Our superpromoters are a good example of personal leadership. Superpromoters are employees who positively promote their brand to colleagues and customers. Superpromoters contribute to a customer-driven organisation by giving feedback on plans, solving customer problems and giving presentations and workshops. SNS Bank has been taking initiatives in this field for some years. The idea originates from the customer experience programme of SNS Bank. Other brands also have their superpromoters. The organisation supports superpromoters with training and coaching programmes. During the two-day In-house Superpromoter Academy, held twice in 2013, they learn what the power of enthusiasm is and how they can put it to use to help clients and colleagues. Each time, employees can qualify for a place at the Academy by convincing the Academy in a video interview why they deserve that place. Candidates who pass their final assignment, may call themselves a certified Superpromoter Consultant. Following the Academy they are offered various other training and coaching programmes to help them share their enthusiasm effectively.

15.5 Attractive and responsible employer

SNS REAAL's goal is to be an attractive and responsible employer, with competitive conditions of employment, sustainable employability programmes, training and personal development opportunities, diversity and a good work-life balance. With regard to the latter, the New Way of Working (HNW) is an important instrument. HNW encourages personal leadership; we entrust employees with the responsibility of organising their own work. Employees have a clear focus on results, carry out part of their work at home and use modern media to communicate with their colleagues. The number of employees that switched to HNW rose from more than 3,200 at the end of 2012 to over 4,000 at the end of 2013. Investment costs, mainly for office refurbishment and technical equipment, will be recouped by more economical and effective operations. We save considerably on office space costs and the impact on the environment is reduced.

Knowledge sharing and collaboration are becoming more and more important as developments are taking place in increasingly rapid succession. To promote efficient and effective internal communication, we added social media functions to our intranet. This allows employees to respond to news items and post updates themselves.

15.5.1 Employee satisfaction remains high

In 2013, 82% of our employees participated in SNS REAAL's annual employee survey. While employee satisfaction fell slightly due to the uncertain situation in 2012, it rose again from a score of 7.3 to 7.5 in 2013. There is a need for clarity about the future, but confidence increased as a result of the nationalisation and the new course. Many employees are very pleased with the benefits of HNW, such as flexibility, working from home and finding a better work-life balance. Areas of attention in this field are the social cohesion and availability of workplaces and meeting rooms on the busiest days of the week. Employees are more positive about the development opportunities than last year. Growth opportunities remain another area for attention, as does inter-departmental collaboration. In some departments, employees experience (too) much pressure at work.

15.5.2 Safe working environment

SNS REAAL wants to offer its employees a safe working environment, distinguished by mutual respect. We will not tolerate any inappropriate conduct such as sexual harassment, bullying, discrimination, aggression and violence, neither psychological nor physical. Anyone who faces such inappropriate behaviour can have access to confidential counselling through the health and safety advisory service, or report any such incidents to the Incident Contact Centre. One formal complaint of inappropriate behaviour was submitted to the Confidentiality Committee in 2013. Some 300 employees made use of the company counsellors of our occupational health and safety service. These counsellors give advice on work-related or private problems that affect work. They are also trusted employee representatives for SNS REAAL.

15.5.3 Diversity and inclusivity

Our logo, the kaleidoscope, exudes it: we want to be a colourful organisation, a reflection of society. We strive for quality and want to accommodate the talents of both men and women with different personalities, styles, ages, cultural backgrounds. In 2013, we introduced diversity guidelines for recruitment, hiring, appointments and talent development programmes to promote diversity in a more systematic way. Moreover, diversity monitoring gives us insight in details such as the representation of men and women and their ages per department and team.

The percentage of women in the organisation's Top 30 rose from 18% at the end of 2012 to 21% at the end of 2013. SNS REAAL does not yet meet the balanced distribution of seats provision in the Dutch Management and Supervision Act. This Act, which came into force in 2013, stipulates that large legal entities should strive to have at least 30% of the seats on the executive board and the supervisory board held by women and at least 30% by men. Among the seven members of the Supervisory Board are two women, a fraction below the minimum requirement. The Executive Board is composed entirely of men. At the time of the nationalisation, two members of the Executive Board, both men, were appointed by the Dutch State as sole shareholder of SNS REAAL NV.

SNS REAAL is more than willing to welcome occupationally disabled people in our workforce. In 2013, SNS REAAL employed eight occupationally-disabled persons (SNS REAAL has been compensated for some of the costs), compared to nine in 2012. Although we do offer suitable coaching, we do not create jobs especially for them.

15.5.4 CARE!

CARE! is the core value of SNS REAAL. Through CARE! SNS REAAL calls on its employees to consciously create a bond with our customers, each other, our result and society. CARE! for society, for example, is emphasised by means of educational initiatives carried out by the brands themselves. In 2013, some 400 SNS REAAL employees delivered a total of 500 guest lectures at schools to give children more insight into money matters and teach them to manage money wisely. Apart from this, the CARE! Fund encourages employees to dedicate themselves to a good cause by providing financial support. There is a site on SNS REAAL's intranet that matches supply and demand for volunteer work. SNS REAAL's Mutual Help Fund is an example of how we apply the values of CARE! for each other. This fund supports SNS REAAL employees who run into financial troubles due to unexpected high costs through no fault of their own.

15.6 From work to work

There were many projects to promote working in a more customer-oriented and efficient way throughout the organisation. There were some restructures too. The overall number of employees (FTEs) on SNS REAAL's payroll, including natural attrition, fell by 345, from 6,724 to 6,379 (-5.1%). HR offers workshops and guidelines to support managers and employees in coping with restructures.

Based on agreements with the trade unions, SNS REAAL has a new Social Plan for the period from 1 January 2013 to 1 August 2014. Employees who lose their job due to a restructure will be assisted in their search for a new job inside or outside the organisation for a period of nine months. For those who do not succeed in finding a job within SNS REAAL, there is a financial severance scheme.

At the beginning of 2013, the number of reassignment candidates rose from approximately 100 to 250, in particular due to department mergers, the phasing-out of Property Finance and the SME product portfolio. Throughout 2013, the number of reassignment candidates went up by 373 and the outflow rate amounted to 315. From the latter category, 41% found another job within SNS REAAL, while 15% left the organisation at the end of the reassignment process with a severance payment. As of July 2013, reassignment candidates are assisted by SNS REAAL's internal mobility centre, our so-called LoopBaanPlaza (Career Planning Plaza) which also assists non-reassignment employees with career support.

15.6.1 Flexible deployment through FlexForce

An efficient, flexible and cost-efficient organisation requires flexible deployment of staff. FlexForce is the internal staffing agency of SNS Retail Bank that meets this need. FlexForce consists of a fixed pool of flexible banking professionals supplemented with temporary internal staff. At the launch on 1 January 2013, FlexForce organised Meet & Greet sessions for recruitment and information purposes. At the end of 2013, some 145 FlexForce employees were working at SNS Retail Bank in different departments and positions, including senior management positions. With this new service, professional employees can quickly be deployed on temporary assignments. KennisForce, a new knowledge-related initiative, allows FlexForce employees to broaden their professional knowledge and to work on their personal and professional development. They also learn how to settle into a new job quickly and how to obtain a follow-up assignment themselves. Every quarter, the employee with the greatest 'FlexFactor' can be nominated to receive a challenge cup achieving noteworthy performance. In October, at a seminar on flexibility, some 120 managers, HR Advisors and Works Council members discussed potential FlexForce opportunities for SNS Bank, RegioBank, BLG Wonen and ASN Bank.

15.7 Sustainable employability

Sustainable employability requires vitality and health, training and development and career planning of employees. It also requires vision and planning on the part of managers. Every year, with the help of an integrated staff planning tool, managers map the potential gap between their department's current resources and future needs. This allows them to attune their quantitative and qualitative staffing to future needs in good time, for example by planning training programmes.

15.7.1 Vitality and health

Once every three years, employees are offered a health check free of charge. This check clearly explains what an employee can do to stay healthy and to prevent health problems. In 2013, 1,711 employees took this opportunity. The updated 'Health Plaza' on the intranet gives tips on the relationship between work and health, as well as information on becoming and staying healthy for employees who are (partially) unfit for work. On top of this, SNS REAAL offers training programmes to cope with work pressure more effectively, for both individual employees and departments. Absenteeism decreased in 2013 from 4.3% to 3.9%. This trend in absenteeism at SNS REAAL is in line with comparable organisations in the financial services sector. Only a small proportion of this absenteeism is work-related. Of the first 592 absenteeism consultations in total, 24% was (partly) work related. Of the 483 open consultations, 42% was (partly) work related. The most frequently work-related causes of absenteeism are work pressure or tempo of work, and loss or change of a job.

15.7.2 Training and development

SNS REAAL has a wide range of education, training courses and workshops, including specially developed in-company training programmes. Moreover, we frequently invest in development programmes at team and Group level.

Development is not optional, but essential in order to respond to changes in an organisation. As of 1 January 2013, the Financial Supervision Act (Wft) has tightened requirements for customer facing employees. The new competence requirements will apply as of 1 July 2014 for new advisors and as of 1 July 2015 for advisors with 'old' Wft certificates. Employees who do not yet meet these competence requirements, are given the opportunity to take courses and resit exams.

15.7.3 Career support

In late June, LoopBaanPlaza opened its doors in Utrecht. LoopBaanPlaza is SNS REAAL's internal mobility centre for anyone who seeks continuous professional development. During the opening event, presentations and workshops were held on development and career support. There was also an information market with booths crewed by the Business Units of SNS REAAL and training institutes where employees could 'speed date' with recruiters and have interviews with career counsellors. Enthusiasm for the workshops was so great that they were offered again in autumn and are included in the regular training schedule. Other Business Units also held career events. At Zwitserleven for example, over three hundred employees attended a workshop or conducted an interview with a recruiter or career coach. And over a hundred people attended the event at REAAL.

The LoopBaanPlaza regularly offers walk-in consultation services. This is an accessible way for employees to obtain information about their career, (personal) development and training programmes. They can also get job application tips and career advice from an advisor or coach. There had been a strong demand from employees for internal career counsellors who know the organisation well. LoopBaanPlaza now meets this demand.

SNS REAAL conducted an awareness campaign called 'What is your course? Choose your direction!' to encourage employees to think about their employability, to get in the driver's seat and determine their own course. Employees regularly receive tips, for example, on how to deal with organisational changes on the intranet, in the staff magazine and during career events, workshops and training programmes. The new training programme 'Choose your direction' helps employees manage their employability, competence development and career.

The annual Performance and Competency Evaluation (PCB) acts as the compass for employability. This allows both employee and manager to jointly reflect on the employee's current performance, employability and career opportunities in the future. As we attach great importance to continuous employee development, we will agree one one-year development objective with every employee from 2014. An employability checklist and scan help employees to get better insight into their employability and how to work on this. We also offer a personal development plan or career guidance.

15.8 Attracting and developing talent

In order to give talented candidates the opportunity to get to know us and interest them in joining SNS REAAL, we are active on campuses. We co-operate with colleges, universities and student associations in content-related areas. SNS REAAL's IT & Change department, for example, is Partner in Education of the Fontys Hogescholen and is thus closely involved in the development of sound IT education and the development of students. A number of our IT employees give guest lectures and workshops, advice on drawing up or updating learning courses, act as external experts in examinations and offer students the opportunity to carry out research in the organisation, as well as internships and graduation projects. We regularly organise lunch sessions in which our traineeships are the central topic. In an informal setting, talented candidates get acquainted with the organisation, our colleagues and career opportunities.

Twice a year, SNS REAAL organises an introduction day for trainees, to get acquainted with the organisation and each other. To mark the end of traineeships we organise a special day for trainees to thank them for their commitment, to learn from their experiences and to give them something to take away for their working life. SNS REAAL finds it important to invest in the training and development of young talent. Traineeships play an important role in this. In the past three years, some five hundred students found a work placement at SNS REAAL. On average, we welcome between 50 and 70 students every six months.

In late 2013, three new management trainees and three financial trainees started their traineeships. Moreover, a new group of 48 employees started the Talent Development Programme. Each year a group of selected promising managers of SNS REAAL participate in the Management Development Programme (MD programme). In 2013, the group consisted of 18 managers. An important part of this programme is the Interventures, adventurous learning projects in which participants work in groups both during and outside of the programme. The assignment theme is always innovative and in the interest of SNS REAAL. In 2013, SNS REAAL started the Specialists Development Programme especially for experienced specialists who advise senior management. Recognition of the role of specialists and enhancing their advisory powers are the key objectives.

15.8.1 Future-proof conditions of employment

SNS REAAL aims to provide future-proof and sustainable conditions of employment, allowing us to be an appealing and distinctive employer. The first steps to achieving this goal were taken in the collective labour agreement concluded at the end of 2012. SNS REAAL staff did not receive a collective wage increase and the personal assessment bonus was adjusted.

In connection with the nationalisation, the Executive Board of SNS REAAL considered a further reduction of the variable remuneration to be inevitable. For 2013, therefore, there was no variable remuneration (bonus) for the Executive Board, senior management and employees of SNS Securities, SNS Financial Markets, SNS Asset Management and field staff of REAAL and Zwitserleven, who, under normal circumstances, would be entitled to such remuneration. The Executive Board and senior management were not entitled to variable remuneration in 2012 either. They also waive any entitlement for 2013. Refer to the remuneration report in Chapter 16 Report of the Supervisory Board for more information on the remuneration of the Executive Board and senior management.

At year-end 2013, SNS REAAL reached an agreement with the unions on a new collective pension agreement. The pension agreement includes the following agreements:

- The target retirement age is increased to 67 years.
- The accrual rate of the old-age pension (OP) is increased to 2.15%.
- The surviving dependants pension remains 70% of the OP, but is higher due to a higher OP accrual rate.
- The 'Waiver of premium for disability' is brought within the fiscal frameworks, in which the reduction of the accrual is offset by a later end date of the pension accrual.

By modifying SNS REAAL's pension scheme, it now also fits within the fiscal framework of 2014, which was adjusted with effect from 1 January 2014. Since no agreement was reached on other CLA issues, the revised scheme is included in a separate collective pension agreement or recorded in a deed of amendment to the current collective agreement. As a collective agreement continues to be in force until a new collective agreement is reached, the terms and conditions of employment of the current collective agreement remain applicable to employees.

15.9 SNS REAAL Pension Fund

As of 1 January 2014, the pension fund increased the accrued pensions and retirement benefits by 1.41%. Almost as much as the price increase in 2013 (1.56%). After two years of no indexation, the pensions kept pace with price development. The coverage ratio of the pension fund SNS REAAL at the end of October (reference date for indexation decision) amounted to 117.1%. This is higher than the legally required coverage ratio. After the increase, the coverage ratio remains above 115%, in line with the pension fund's indexation policy.

In 2013, independent Dutch pensions and investor news magazine (Nederlands Pensioen & Beleggingsnieuws (NPN)) proclaimed SNS REAAL's pension fund 'Pension fund of the Year'. The NPN awards are recognition for the efforts made to preserve the Dutch pension system. The pension fund scored well in all areas: management structure, clear communication and reporting to participants, and financial soundness.

In the summer of 2013, the SNS REAAL Pension Fund conducted a survey among participants and pensioners. The survey shows that many employees and pensioners are worried about their pension, while the pension fund currently has sufficient capital at its disposal to meet all of its obligations. The pension fund uses the results of the survey to improve its communication policy. Information on the content and the choices of the pension scheme in particular deserves extra attention. The same is true of the pension fund's financial position. Also, there is still much to do to improve involvement of the pension scheme's participants (especially young people). The first steps have been taken by updating the website and rewriting important letters in plain language and testing them in a participant panel.

15.10 Employee participation

The Central Works Council (CWC) represents employees' interests at Group level on matters that affect multiple business units. Works councils deal with matters that relate to the business unit for which they were set up, i.e. Group Staff Departments, IT&C, Property Finance (until 31 December 2013), SNS Bank, REAAL and Zwitserleven. Members of each of these six Works Councils (WC) are represented in the CWC.

These are turbulent times for SNS REAAL. The many changes demand intensive contact between management and the Central Works Council. Many changes are accompanied by requests for recommendation for the CWC. Important areas of attention for the CWC are: internal and external employment in the long term for as many employees as possible, continuity in the conditions of employment and the Social Plan. The CWC was closely involved in the composition of the restructuring plan.

In 2013, elections for the works councils were held for the period 2013-2016. Prior to the elections, interested employees were informed what sitting on a works council entails. During these meetings, Gerard van Olphen, chairman of the Executive Board, explained the importance of employee participation. Members of the current works councils also shared their experiences with interested employees during 'speed dates'. We were thus able to fill most of the vacancies in the works councils.

In June, six new Works Councils (WC) and one new Central Works Council (CWC) kicked off their terms. Every WC delegates two members to the CWC. Among the new members are a remarkable number of women and young professionals. The elected WC members attended a two-day programme and presented themselves to the employees. WC members called on employees to come to them if they have questions or want to share information. Information from employees is important to enable responsive, proactive or participative action. In addition, committed employees contribute to more support for action by the WCs.

15.11 Key figures of employees

Table 30: Key figures employees

	2013	2012	2011	2010
Average number (FTEs)	6,607	6,827	7,002	7,301
Number of FTEs at year-end	6,379	6,724	6,928	7,113
Male/female ratio	58% / 42%	58% / 42%	58% / 42%	58% / 42%
Female managers	24%	22%	25%	20%
Full-time/part-time ratio	70% / 30%	71% / 29%	71% / 29%	72% / 28%
Temporary contract	8%	9%	9%	10%
Training costs (in € per FTE)	1,753	1,521	1,554	1,393
Absenteeism	3.9%	4.3%	4.4%	4.3%
Response employee survey	82%	84%	85%	74%
Inflow	6.8%	6.1%	7.4%	6.8%
Outflow	9.3%	8.3%	8.8%	11.1%

16 Report of the Supervisory Board

2013 was an exceptional year for SNS REAAL. During the first month of 2013, SNS REAAL fully focused on finding a comprehensive solution for strengthening the capital position of SNS REAAL. The Dutch Minister of Finance finally nationalised SNS REAAL on 1 February 2013. The public outcry over this nationalisation was considerable. In the period after 1 February 2013, SNS REAAL actively worked on the implementation of all nationalisation measures. During that turbulent period, SNS REAAL was also confronted with fraud within Property Finance, which emerged following inquiries initiated in 2012. In the course of the second quarter, most nationalisation measures had been implemented. Preparations for the transfer of Property Finance got underway and Property Finance was transferred to the Dutch State on 31 December 2013. In August 2013, the Ministry of Finance's restructuring plan for SNS REAAL was submitted to the European Commission. Partly in this context, SNS REAAL began the financial disentanglement of the holding company, bank and insurer. The European Commission published its final decision on 19 December 2013 (see chapter 5 of this annual report)

Partly due to the financial crisis, customers, investors, legislators, regulators and other stakeholders demand more from banks with respect to the way in which financial institutions run their business. The Supervisory Board and the Executive Board are constantly aware that SNS REAAL as a whole must continue to adapt to the changing public perception of the financial sector. The financial sector has not yet regained the confidence of politicians and society. Corporate social responsibility in the broadest sense is still an issue and is embedded in SNS REAAL. With its mission, core value and strategy and compliance with the Banking Code and Insurance Code, SNS REAAL takes its responsibility and makes a contribution to restoring trust in and improved functioning of the Dutch financial sector. Continuous awareness of and giving meaning to putting customers and customers' interests first, still remain important. In various places in this annual report, we describe how SNS REAAL gives substance to this responsibility.

16.1 Themes

16.1.1 Main topics and discussions

In continuation of 2012, the first month of 2013 revolved around supporting, advising and supervising the Executive Board in its search for a comprehensive solution. After the nationalisation, key topics discussed at Supervisory Board meetings were the restructuring plan, the consequences of the nationalisation for governance and the remuneration policy, the preparations for the financial disentanglement and also the supervision of SNS REAAL's regular operations. On top of that, the financial statements for the 2012 financial year required more attention from the Supervisory Board than usual. In connection with changes to the members of both the Executive Board and the Supervisory Board (which will be further discussed in the sections below), the Supervisory Board also devoted additional attention to topics such as collaboration and transfer of knowledge.

In the course of the year, the other important subjects included the capital position of SNS REAAL, Property Finance, risk management and risk appetite, the administrative organisation (system of internal control), the solvency, the capital position of REAAL, good customer service, the optimisation of putting the customer and the customer's interests first, the impact of the nationalisation on the personnel of SNS REAAL, changing laws and regulations and the large number of projects. In section 16.3 the content of the meetings is described in more detail.

16.1.2 Supervisory Board composition and duties

Composition

On 1 February 2013, Rob Zwartendijk stepped down as Chairman of the Supervisory Board. As Vice-Chairman, Piero Overmars temporarily fulfilled the role of Chairman until 1 November 2013. The composition of the Supervisory Board changed on 1 November 2013. On that date, Piero Overmars, Jaap Lagerweij, Robert Jan van de Kraats and Herna Verhagen stepped down as Supervisory Board members. An Extraordinary General Meeting resolved to reduce the number of Supervisory Board members to seven as from the aforementioned date. This reduction of the number of members came in response to the 2012 evaluation. The three vacancies on the Supervisory Board arising from this were filled by Jan Nooitgedagt, Jan van Rutte and Monika Milz as from 1 November 2013. Jan Nooitgedagt was also appointed Chairman of the Supervisory Board. The new members were also appointed to the Supervisory Boards of SNS Bank NV, REAAL NV and SRLEV NV. Monika Milz was appointed at SNS REAAL NV in accordance with the reinforced right of recommendation of the SNS REAAL Central Works Council.

The new members who joined the Supervisory Board on 1 November 2013 have been acquainted with their duties through various meetings with the departing Chairman, the incumbent Supervisory Board members, the Executive Board members and key employees of SNS REAAL.

In the Supervisory Board's view, all Supervisory Board members are independent, which means that best practice provision III.2.1 of the Corporate Governance Code has been met.

For more information on the composition of the Supervisory Board and its members in 2013, refer to chapter 17.

Performance

In November and December the Supervisory Board conducts the annual evaluation of its own performance. This year, too, an evaluation was conducted in that period. However, the changes to the composition of the Supervisory Board as from 1 November 2013 naturally impacted the evaluation of the Supervisory Board's performance. The evaluation revealed that all Supervisory Board members feel confident about the composition of the Supervisory Board and they find this composition well-tailored to SNS REAAL. The starting point is a clear delineation of duties, powers and responsibilities of the individual committees and individual members. Given the new composition of the Supervisory Board and its committees, the Supervisory Board will expressly monitor this in the year ahead and conduct an evaluation in November-December 2014.

16.1.3 Co-operation

Co-operation with committees

Working relations between the Supervisory Board and its committees in 2013 were adequate. The committee meetings provide an opportunity to deal with subjects in depth, allowing for a careful preparation for the Supervisory Board's decision-making. Feedback on the content of the committee meetings is provided at the meeting of the Supervisory Board, so that all Supervisory Board members are fully up to date and decisions can be made with due care. In 2012 a small Supervisory Board committee was set up, consisting of a small delegation from the Supervisory Board: three Supervisory Board members designated to that end by the Supervisory Board. The small Supervisory Board committee also met with some regularity during a large part of 2013 to talk with the Executive Board about the restructuring plan and (the preparations of) the disentanglement. The entire Supervisory Board subsequently received feedback on these meetings.

Co-operation with the Executive Board

The Supervisory Board supervises and advises the Executive Board by taking a critical stance where necessary, giving advice where required and giving support where possible. The Supervisory Board assumes responsibility where necessary and desired, for instance in the performance assessment and composition of senior management. The co-operation between the Supervisory Board and the Executive Board is good.

The Supervisory Board holds the view that the Executive Board in its entirety, but its individual members too, has shown special commitment and engagement in 2013. Gerard van Olphen and Maurice Oostendorp familiarised themselves with SNS REAAL quickly. The newly composed Executive Board demonstrated effective cooperation. The Executive Board started preparations for the disentanglement in an expedient and thorough manner. The Executive Board members are fully able to accept responsibilities.

Co-operation with external experts

External expertise is requested when considered necessary for the Supervisory Board to properly perform its supervisory duties, hence the regular contact between the Audit and Risk Committees with the external auditor and actuary. Furthermore, the Supervisory Board has its own legal and financial advisor to consult with, when necessary.

SNS REAAL has appointed its external auditor, KPMG Accountants NV, for an indefinite period. Pursuant to the Act on the Audit Profession, a change of the external auditor will be mandatory in due course. SNS REAAL will prepare itself for this change in good time.

16.1.4 Personnel

The Supervisory Board and the Remuneration Committee frequently discussed the HR policy of SNS REAAL and the appraisal of personnel of SNS REAAL. The impact of the disentanglement of SNS REAAL is another major topic for the Supervisory Board and the Remuneration Committee.

Due to the nationalisation, SNS REAAL received a great deal (negative) media attention and SNS REAAL employees, particularly Property Finance staff, were scrutinised. Despite the circumstances, the 2013 employee survey revealed that satisfaction and enthusiasm have increased again and levels of commitment have risen strongly.

The implementation of the measures resulting from the nationalisation and the preparations for the disentanglement largely form an addition to our staff's regular work. SNS REAAL is proud to see that the hard-working, open and direct culture has survived in spite of everything. In 2013, the Supervisory Board was in contact and consulted frequently with the Central Works Council on that issue. The Central Works Council has greatly contributed to this through its good working relationships and constructive attitude.

The Supervisory Board greatly appreciates the commitment of SNS REAAL's employees. Despite the far-reaching developments SNS REAAL and its staff went through, employees have constantly given their all and expressed confidence in the management. The Supervisory Board is confident that employees will continue to do their very best to demonstrate the responsibility to society that rests upon SNS REAAL under inspiration of SNS REAAL's core value of CARE! in 2014 as well.

16.2 Composition of the Executive Board

On 1 February 2013, Ronald Latenstein and Ference Lamp stepped down from the Executive Board. On 4 February 2013, the Dutch State appointed Gerard van Olphen and Maurice Oostendorp as Chairman of the Executive Board and CFRO of SNS REAAL respectively. For more information on the composition and the division of responsibilities of the Executive Board and its members in 2013, refer to chapter 17.

16.3 Meetings of the Supervisory Board

16.3.1 Main topics

In 2013, the Supervisory Board met more frequently than usual. More than twenty meetings took place in the months of January, February and March. In the period preceding SNS REAAL's nationalisation, effective on 1 February 2013, additional meetings were scheduled in connection with various scenarios regarding the strategic reorientation (focusing on both strategic restructuring and the strengthening and simplification of SNS REAAL's capital base). The subsequent months mainly revolved around identifying the effects of SNS REAAL's nationalisation. Starting in April 2013, the frequency returned to normal, even though the number of meetings was still more than usual. The Supervisory Board met twice in April, three times in May, twice in June and once per month from July to December.

Despite the high frequency of the meetings and the fact that many additional meetings had to be scheduled at short notice, the number of absent Supervisory Board members was always limited. As a rule, absent members of the Supervisory Board gave their input on topics for consideration to the Chairman of the Supervisory Board beforehand, or to the entire Supervisory Board. Based on a normal frequency of six meetings per year, the attendance rate was above average. This attests to the Supervisory Board's high level of commitment. Several Supervisory Board members mentioned this commitment in the annual evaluation as one of the Supervisory Board's strengths.

At every regular Supervisory Board meeting, updates are given on the SNS REAAL business units. Attention is also paid to the theme of Putting the interests of customers first. This subject was separately focussed on in more detail in December.

Despite the considerable increase in workload, SNS REAAL's management paid attention to managing the various risks to which the company is exposed. Due to a changing external environment, new laws and regulations (Solvency II, Basel II/III), an increased number of inquiries from regulators and regulatory requirements, the necessary focus on the business unit Property Finance, necessary investments in the data warehouse infrastructure and organizational changes within SNS REAAL, there was pressure on the available qualitative attention for the internal control framework. Specifically with respect to the linkage between internal control at the group and at the business units level. The internal control framework currently consists of individual components through which the actual risks are managed and of which the effectiveness is tested. In the new governance structure, the management teams of the bank and insurer will give further to substance an integrated control framework.

In the autumn of 2013, the Supervisory Board devoted special attention to the solvency of the insurer and the elaboration of the various strategic solutions to improve the solvency of the insurer.

In 2013, the Supervisory Board's work included the following:

- the strategic reorientation (January)
- (identification of) the impact of the nationalisation (including the preparation of a profile for a new Chairman and the amendments to the regulations in line with the new situation (relaxed large company regime)) (February and March)
- discussion of the contact with De Nederlandsche Bank as regulatory authority and the Ministry of Finance as the new sole shareholder of SNS REAAL (February, March, and onwards)
- discussion of SNS REAAL's new strategy in preparation of the restructuring plan for the European Commission (April)

- the allocation of duties within the Executive Board (May)
- the selection of new members for the Supervisory Board (May)
- the 2012 annual results, the annual report and the financial statements of SNS REAAL NV for 2012 (May and June)
- the assessment and approval of risk appetite (May)
- the amendment of SNS REAAL's Articles of Association (May)
- the EC restructuring plan (June)
- REAAL's capitalisation and solvency (September, October, November, December)
- the changes to the senior management structure of the financial holding company, the bank and the insurer (September)
- the change to the composition of the various committees within the Supervisory Board (November)
- the 2014 – 2016 Operational Plan (December)
- Presentation by the business units on putting the interests of customers first (December)

Feedback on the meetings held by the small Supervisory Board committee, the Audit Committee, the Risk Committee, the Nomination Committee and the Remuneration Committee is provided during the Supervisory Board meetings.

16.3.2 Presence of the Executive Board

The Supervisory Board met in the presence of the members of the Executive Board. Part of the meeting in December 2013 was conducted without the Executive Board. During that part of the meeting, the Supervisory Board discussed its own performance. In addition to this, part of the Supervisory Board meeting in May was conducted in the presence of only the Chairman of the Executive Board. During that part of the meeting, the composition of the Executive Board was discussed.

16.3.3 Presence of the external auditor

The external auditor is present at all Audit Committee meetings and at least once a year at a meeting of the Risk Committee. In 2013 the external auditor attended several meetings of the Risk Committee. The external auditor has a standing invitation to attend meetings of the Supervisory Board. In 2013, the external accountant did not attend any plenary meetings of the Supervisory Board.

16.4 Committee meetings

Until 11 November 2013, the Supervisory Board consisted of the following four committees:

- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination Committee

Below is a description of the duties of the various committees. More details on the composition of the committees and the regulations of each committee are available at www.snsreaal.nl.

Every committee prepares the decision-making of the Supervisory Board in respect of the duties assigned to it and reports to the Supervisory Board.

16.4.1 Audit Committee (AC)

The composition of the AC was as follows as at 31 December 2013: Jos Nijhuis (Chairman), Jan Nooitgedagt, Ludo Wijngaarden and Jan van Rutte. Apart from the AC members, meetings were attended by the Chairman of the Executive Board, the CFRO, the Company Secretary, the Group Audit Director, the CFO Group Finance and the external auditor. The external actuary was also present at two meetings. In 2013, the AC convened twelve times.

In 2013, the AC discussed and assessed in particular the structure and operation of SNS REAAL's financial reporting and the corresponding audits, the financial and audit reports, fiscal issues, the progress of an internal inquiry into Property Finance, the internal reports by Group Audit and management, the reports and activities of the external auditor and the external actuary, including the annual plan, the mandate of the external auditor and Group Audit and the management letter.

16.4.2 Risk Committee (RC)

The composition of the RC was as follows as at 31 December 2013: Jan Nijssen (Chairman), Jan Nooitgedagt, Charlotte Insinger and Jan van Rutte. Apart from the members of the RC, the meetings were attended by the Chairman of the Executive Board, the CFRO, the Company Secretary, the Group Audit Director, the Group Risk Management Director and the Director of Compliance, Security & Operational Risk Management. The external auditor attends part of a meeting at least once a year. The committee convened six times in 2013.

The RC is primarily involved in preparing and monitoring the financial and non-financial risk policies and the operation of risk management. In 2013, the RC devoted its attention to risk appetite, risk reports, litigation risks, compliance with applicable codes and the risk aspects of the remuneration policy.

16.4.3 Remuneration Committee (RemunCo)

Apart from the RemunCo members, meetings were attended by the Chairman of the Executive Board, the Company Secretary and the HR Director and with some regularity the CFRO. In 2013, the committee convened eight times.

The RemunCo has the task of preparing the decision-making with regard to the remuneration policy applicable to the Executive Board members and senior management and with regard to the principles of the remuneration policy for all other SNS REAAL personnel. More details on the main principles of the remuneration policy, including the accountability thereof, are described in the Remuneration Report. In 2013, the subjects to which the RemunCo devoted attention included: the Key Performance Indicators (KPIs) for the Executive Board and senior management (including ex ante risk analysis), the total amount and distribution of the variable remunerations for senior management, ex post risk analysis of (the execution of) the remuneration policy of SNS REAAL, the employment contracts of the members of the Executive Board, the reporting on the annual assessment of the remuneration policy in 2012, the guidelines on sound remuneration pursuant to the Financial Supervision Act (RBB, Wft 2011) for 2012, and the overall direction of the remuneration policy in 2014 and later.

16.4.4 Nomination Committee (NC)

Besides the NC members, committee meetings were attended by the Chairman of the Executive Board, the Company Secretary and the HR Director. In 2013, the committee convened eleven times.

The NC focuses on the selection and appointment of members of the Executive Board and management boards of the business units and is involved in the succession planning of key managers within SNS REAAL. It also prepares the nomination of new members for the Supervisory Board. In 2013, the NC was involved in (i) the selection of a new Chairman of the Supervisory Board, (ii) the determining of profiles for and the selection of two new members of that same Supervisory Board, (iii) the reappointment of Dick Okhuijsen, and (iv) the adjustment of SNS REAAL's senior management structure, including the composition of the management boards of the bank and the insurer. On behalf of the Supervisory Board, the NC monitored and secured the continuity of the management. The Nomination Committee conducted appraisal meetings with members of the Executive Board.

In connection with the unease regarding the fraud revealed at Property Finance, the NC was also engaged in recruiting new members of Property Finance's management and Supervisory Board. The recruitment and selection was primarily carried out by the Property Finance Supervisory Board, but the process was expressly monitored by the NC on account of the special situation.

16.4.5 Remuneration & Nomination Committee

On 11 November 2013, the Supervisory Board resolved to merge the Nomination Committee and the Remuneration Committee into a single new committee: the Remuneration & Nomination Committee. The new committee combines the tasks of the Nomination Committee and the Remuneration Committee. This new committee is composed of: Ludo Wijngaarden (Chairman), Jan Nooitgedagt, Charlotte Insinger and Monika Milz. The meetings are attended by the Chairman of the Executive Board, the CFRO, the HR Director and the Company Secretary. In 2013, the new committee convened three times.

16.5 Financial statements

On 13 February 2014, SNS REAAL published its annual results 2013. Both the 2013 financial results and financial statements were discussed prior to the publication in several meetings of the AC and the Supervisory Board. KPMG, the external auditor, issued an auditor's report approving the financial statements. The financial statements will be presented to the Annual General Meeting of Shareholders.

16.6 Remuneration report

The Remuneration Report deals with the remuneration of the members of the Executive Board and the Supervisory Board of SNS REAAL NV.

For general information on the remuneration policy of SNS REAAL, please refer to the section about Corporate Governance on the SNS REAAL website.

Section 16.6.1 of this Remuneration Report reports on the remuneration policy that was applicable to the Executive Board in 2013, and on the frameworks and basic principles of the remuneration policy.

Section 16.6.2 contains an overview of the remuneration of the Executive Board members in 2013.

Section 16.6.3 contains an overview of the remuneration of the Supervisory Board members in 2013.

16.6.1 Remuneration policy of the Executive Board

The remuneration policy for the Executive Board was implemented on 1 January 2011 and the following aspects have been adjusted with effect on 4 February 2013 within the framework of the nationalisation:

- The total fixed gross salary of the chairman of the Executive Board is € 550,000 per annum.
- For the other members of the Executive Board, the total fixed gross salary is € 440,000 per annum.
- In the event of termination of employment at the initiative of SNS REAAL, the members of the Executive Board will receive payments of no more than total fixed salary for one year.
- In accordance with the Dutch 'Act on the Limitation of Liability DNB and AFM and the Prohibition of Bonuses for State Supported Companies', the members of the Executive Board are not entitled to variable remuneration as long as SNS REAAL falls within the scope of this Act. This incidentally also applied before the nationalisation.
- Members of the Executive Board enter into a contract with SNS REAAL for the duration of a four-year term of office. For Board members appointed after 1 January 2013, this contract takes the form of a contract for services.

Frameworks and basic principles of the remuneration policy

The remuneration policy frameworks have been laid down in the 'SNS REAAL Group Remuneration Policy'.

The SNS REAAL Group Remuneration Policy is applicable to all SNS REAAL business units and employees, including the Executive Board. The Group Policy reflects how SNS REAAL views rewards and wishes to deal with remuneration. It responds to, and gives direction to, the numerous current developments in the area of remuneration.

The SNS REAAL Group Remuneration Policy was implemented on 1 January 2012. This policy was most recently updated on 2 October 2013 and approved by the Remuneration & Nomination Committee of the Supervisory Board on 17 October 2013.

The SNS REAAL Group Remuneration Policy is based on the following principles:

- The remuneration policy is compliant with current legislation and regulations.
- The remuneration policy is characterised by its consideration of all of the Company's stakeholders: customers, employees, shareholder and society.
- The remuneration is transparent and in line with indications that reach SNS REAAL from the outside world.
- The remuneration matches the risk profile of SNS REAAL and the risk profile of the relevant person holding the position.
- The policy is in accordance with and contributes to sound and effective risk management and does not encourage taking more risks than acceptable to the Company.
- The total remuneration package reflects the requested output of the relevant person holding the position.
- The purpose of the policy is to attract and retain good employees, taking SNS REAAL's specific position into account.
- The policy contributes to the realisation of the strategy and long-term interests of SNS REAAL.
- There is an appropriate ratio between the fixed and variable remuneration.
- The policy is as consistent as possible for the entire Group to encourage the exchange and movement of staff to other positions.
- The revised earnings model forced SNS REAAL to moderate remuneration.

Governance

The SNS REAAL Group Remuneration Policy contains a governance framework which includes the division of duties and responsibilities in relation to the remuneration policy of SNS REAAL. Parties concerned are the Supervisory Board, the Remuneration & Nomination Committee of the Supervisory Board (hereinafter: 'ReNoCo'), the Risk Committee of the Supervisory Board, the Executive Board and all audit departments within SNS REAAL.

The Supervisory Board is responsible for the remuneration policy for the Executive Board (it also approves the remuneration policy for Senior Management and the principles of the remuneration policy for other employees). The Supervisory Board approves policy proposals and submits these to the shareholder.

The Supervisory Board approves policy proposals and submits these proposals to the shareholder. The ReNoCo prepares its proposals to the Supervisory Board independently and with due care. If so desired, the ReNoCo is assisted in this process by independent remuneration experts and the Human Resources, Group Risk Management, Compliance, Security & Operational Risk Management, Legal Affairs, Group Finance and Group Audit departments.

The Risk Committee discusses the remuneration policy of SNS REAAL from a risk management perspective once a year.

Every year the Supervisory Board evaluates the purpose and operation of the remuneration policy, and is responsible for the execution and evaluation of the remuneration policy of the Executive Board. Group Audit performs independent research into the purpose and execution of the remuneration policy periodically.

The remuneration policy complies with the relevant legal requirements, the Dutch Corporate Governance Code, the Banking Code, the Insurance Code, Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 (Regeling Beheerst Beloningsbeleid Wft 2011) and the Dutch 'Act on the Limitation of Liability DNB and AFM and the Prohibition on Bonuses for State Supported Companies'.

Remuneration benchmark

The competitiveness of the remuneration is assessed by comparing it to remuneration levels of labour market reference groups.

The Executive Board's remuneration is assessed against remuneration levels of an appropriate reference group consisting of (listed) Dutch financial institutions, as well as a group of medium-sized (listed) Dutch non-financial institutions.

On 4 February 2013, the fixed salary of the Executive Board members was positioned just below the median level of the established labour market reference group. In addition, it was determined that the members of the Executive Board are not entitled to the granting and/or payment of variable remuneration as long as SNS REAAL falls within the scope of the 'Dutch Act on the Limitation of Liability DNB and AFM and the Prohibition of Bonuses for State Supported Companies'. As soon as SNS REAAL falls outside the scope, the Supervisory Board will engage in talks with the shareholder(s) and the Executive Board regarding an amendment of the remuneration policy in respect of variable remuneration. The remuneration policy for the Executive Board is more austere than prescribed in the Banking Code and the Insurance Code, in which the total salary is positioned just below the median level of the established labour market reference group.

In the future, the ReNoCo will continue to monitor whether the composition of the labour market reference group is still adequate or whether an adjustment is called for.

Remuneration components

The remuneration of the Executive Board members consists of the following components: the fixed annual income, the variable remuneration (temporarily not applicable), a pension scheme and a few other fringe benefits. Based on these remuneration components, the remuneration policy will be explained in more detail.

Fixed annual income

The total fixed annual income of the chairman of the Executive Board is € 550,000 as at 4 February. For the other members of the Executive Board, the total fixed annual income is € 440,000 as at 4 February.

The table showing the remuneration of the members of the Executive Board may present higher amounts as social security costs are included in addition to the fixed annual income.

Variable remuneration

In accordance with the Dutch 'Act on the Limitation of Liability DNB and AFM and the Prohibition of Bonuses for State Supported Companies', the members of the Executive Board are not entitled to variable remuneration as long as SNS REAAL falls within the scope of this Act. This incidentally also applied before the nationalisation. Since the introduction of the remuneration policy for the Executive Board on 1 January 2011, no variable remuneration has been awarded to the members of the Executive Board.

Performance targets

Although the members of the Executive Board are not entitled to variable remuneration as long as SNS REAAL falls within the scope of the Dutch 'Act on the Limitation of Liability DNB and AFM and the Prohibition Bonuses for State Supported Companies', performance targets are nevertheless set for the members of the Executive Board on an annual basis. The performance targets must meet several requirements (requirements pursuant to legislation and regulations,

supplemented by a number of requirements set by SNS REAAL). Audit departments check the performance targets prior to the performance period (ex ante risk analysis) and report to the Remuneration & Nomination Committee, after which adjustments can be made. The performance targets are eventually set by the Supervisory Board.

Performance targets are derived from the long-term strategic goals of SNS REAAL and have due regard for the desired risk profile.

When performance targets are determined, all of SNS REAAL's stakeholders, such as customers, employees, the Dutch State and society, are considered, where relevant and possible.

Performance targets are divided into financial performance targets and non-financial performance targets. Financial performance targets include the result, solvency and absolute costs. Important non-financial performance targets are customer interests and employee satisfaction.

For members of the Executive Board, at least 30% of the performance targets should be of a non-financial nature.

The extent to which the performance targets have been achieved by the members of the Executive Board is determined by the Supervisory Board after the end of each performance period.

Pension scheme

The members of the Executive Board participate in the same pension scheme as all SNS REAAL employees. Thus, the members of the Executive Board also pay the 4.5% member's contribution to be paid on the pensionable remuneration in accordance with the SNS REAAL Collective Labour Agreement (CLA).

Pensions are not awarded on a discretionary basis.

Other fringe benefits

SNS REAAL took out three insurance policies for the members of the Executive Board: WIA insurance, disability insurance and mortality risk insurance. The corresponding premiums are paid for by SNS REAAL.

In the table presenting the remuneration of the members of the Executive Board, these premiums form part of the 'Pension and other' component.

The other fringe benefits are in line with the conditions that apply to the majority of the employees.

In accordance with the 2014 Tax Plan and based on the 'Budget Agreement 2013 Tax Measures (Implementation) Act' ('Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013'), SNS REAAL pays a one-off 'crisis tax levy' of 16% in 2014 on the salaries it paid its employees in 2013, in so far as that the salary per employee was more than € 150,000.

In the table presenting the remuneration of the members of the Executive Board, the crisis tax levy is stated as a separate line item.

16.6.2 Remuneration Executive Board in 2013

The Executive Board has 4 members. In 2013, six individuals were part of the Executive Board. Mr Latenstein and Mr Lamp retired as members of the Executive Board effective on 1 February 2013. Messrs Van Olphen and Oostendorp joined the Executive Board on 4 February 2013.

Table 29 provides an overview of the total remuneration paid to each member of the Executive Board.

Table 31: Gross remuneration of the Executive Board 2013

	Fixed salary		Pension and other		Variable remuneration		Total	
<i>In € thousands</i>	2013	2012	2013	2012	2013	2012	2013	2012
G. Van Olphen (chairman)	510	-	90	-	-	-	600	-
M.B.G.M. Oostendorp	409	-	72	-	-	-	481	-
D.J. Okhuijsen	451	477	109	110	-	-	560	587
W.H. Steenpoorte	451	477	130	123	-	-	581	600
R.R. Latenstein	48	581	12	134	-	-	60	715
F.K.V. Lamp	40	479	10	109	-	-	50	588
Total Executive Board excluding crisis tax levy	1,909	2,014	423	476	-	-	2,332	2,490
Crisis tax levy							195	221
Total Executive Board							2,527	2,711

The fixed annual income includes holiday pay, 13th month bonus, health insurance and social security contributions.

The column Pension and other includes: 1. WIA premium, disability insurance premium and term life insurance premiums (starting from 2013 the amount of disability insurance and term life insurance is based on the grossed up benefit for the employee. Comparative information is restated). 2. With effect from this year, the benefit of the private use of a company lease car (comparative figure has been restated). 3. Anniversary bonus (for Mr Steenpoorte).

With effect from 1 September 2013, Mr Okhuijsen has a new contract for services. With effect from 1 February 2013, Mr Okhuijsen's fixed annual income has been brought in line with the policy adjusted on 4 February 2013.

With effect from 1 November, the employment agreement of Mr. Steenpoorte has been adjusted. With effect from 1 February 2013, Mr Steenpoorte's fixed annual income has been brought in line with the policy adjusted on 4 February 2013.

No variable remuneration has been paid to the members of the Executive Board for 2013.

Share ownership

In 2006 and 2007, shares were granted to Mr Latenstein pursuant to the variable remuneration scheme applicable at the time (LTB). The last 2,547 shares were to be released in 2013. The market value of these 2,547 shares at the moment of allocation (13 December 2007) amounted to € 39,000, and at the date of establishment (28 April 2010) € 11,000.

The shares of SNS REAAL were expropriated upon nationalisation. The shareholders did not receive any payment, because the value of the share was set at € 0. This also applied to Mr Latenstein's shares.

No shares were granted to the Executive Board after 2007. The remuneration policy for the Executive Board implemented on 1 January 2011 provides for a partial payment of the variable remuneration in the form of shares. In 2013, this share component as part of the variable remuneration was replaced by what is called a "phantom share" (share substitute).

Since the introduction of the remuneration policy for the Executive Board on 1 January 2011, however, no variable remuneration has been awarded to the Executive Board, and therefore no shares or phantom shares have been awarded to the Executive Board either.

Loans

The table below provides an overview of the loans granted to members of the Executive Board that were outstanding on 31 December 2013. It concerns a residential mortgage loan to Mr Steenpoorte. This loan was provided in the course of ordinary business and under terms and conditions that also apply to other members of staff.

Table 32: Loans to members of the Executive Board

In € thousands	Outstanding as at 31 December		Average interest rate		Redemptions on mortgages	
	2013	2012	2013	2012	2013	2012
W.H. Steenpoorte	1,073	1,183	4.2%	4.2%	100	10
Total	1,073	1,183			100	10

16.6.3 Remuneration Supervisory Board in 2013

The fixed annual remuneration is € 30,000 for each Supervisory Board member, € 35,000 for the vice-chairman and € 45,000 for the chairman of the Supervisory Board.

The annual remuneration for membership of the Risk Committee, the Remuneration Committee and Nomination Committee is € 3,250 and € 7,000 for the Audit Committee.

As of 1 November 2013 the Remuneration Committee and Nomination Committee have been merged into one committee. The annual remuneration for membership of the Remuneration & Nomination Committee is € 3,250.

Members of the Supervisory Board receive a fixed annual expense allowance of € 1,617, whilst the chairman of the Supervisory Board receives a fixed annual expense allowance of € 2,156.

In 2013 no loans were granted to members of the Supervisory Board and at 31 December 2013 no loans were outstanding to members of the Supervisory Board.

The table below provides an overview of the total remuneration of the individual members of the Supervisory Board.

Table 33: Gross remuneration of the Supervisory Board

In € thousands	As Supervisory Board member		As member of a committee		Total	
	2013	2012	2013	2012	2013	2012
J.J. Nooitgedagt (from 1-11-2013)	7	-	3	-	10	-
C.M. Insinger	30	30	14	12	44	42
J.C.M. Van Rutte (from 1-11-2013)	5	-	2	-	7	-
M.R. Milz (from 1-11-2013)	5	-	1	-	6	-
J. A. Nijhuis	30	30	9	9	39	39
J.A. Nijssen	30	30	5	4	35	34
L.J. Wijngaarden	30	30	12	12	42	42
R. Zwartendijk (until 1-2-2013)	4	45	1	12	5	57
H.W.P.M.A. Verhagen (until 1-11-2013)	29	30	7	8	36	38
R.J. van de Kraats (until 1-11-2013)	25	30	10	12	35	42
J.E. Lagerweij (until 1-11-2013)	25	30	4	8	29	38
P. S. Overmars (until 1-11-2013)	37	35	15	12	52	47
Total	257	290	83	89	340	379

Mr Zwartendijk was chairman of the Supervisory Board until 1 February 2013

Mr Overmars was vice chairman of the Supervisory Board until 1 February 2013 and was chairman of the Supervisory Board from 1 February 2013 until 1 November 2013.

As from 1 November 2013 Mr Nooitgedagt is chairman of the Supervisory Board.

Ms Verhagen was vice chairman of the Supervisory Board from 1 February 2013 until 1 November 2013.

16.7 Closing words

The Supervisory Board explicitly wishes to express its gratitude and appreciation to all employees of SNS REAAL, in particular for their engagement and commitment. Great demands have been placed on them over these last months, both inside and outside the office. This has not always been easy for any of the parties concerned. Despite these developments and the persistent negative sentiment towards the financial services industry, SNS REAAL employees continue to dedicate themselves to SNS REAAL with a great deal of enthusiasm. The Supervisory Board is fully aware that this is not simply to be expected and wishes to express its gratitude for this.

Exceptional dedication was also demanded of SNS REAAL's management. Despite everything, working relations with the Supervisory Board were good. For this too, the Supervisory Board wishes to express its gratitude.

Finally, the Supervisory Board wishes to express its special thanks for the unyielding commitment and great dedication that Piero Overmars, Robert-Jan van de Kraats, Herna Verhagen and Jaap Lagerweij have shown to SNS REAAL these past months, and before that too.

Utrecht, 5 March 2014

On behalf of the Supervisory Board

Jan Nooitgedagt, Chairman

17 Corporate governance

17.1 The Executive Board



17.1.1 Composition and duties

As of the date of publication of this Annual Report, the Executive Board of SNS REAAL comprises the following members:

- Gerard van Olphen (Chairman)
- Maurice Oostendorp (CFRO)
- Dick Okhuijsen
- Wim Henk Steenpoorte

The Executive Board's responsibilities include the definition and achievement of Group-wide objectives and the ensuing development of results, compliance policy, risk management policy, corporate communication, IT policy and HR policy of SNS REAAL. The Executive Board is also responsible for the execution of the separation of the Banking and Insurance activities.

The Executive Board takes decisions by a majority of votes. The rules that govern the formal aspects of the functioning of the Executive Board are laid down in SNS REAAL's Articles of Association and in a Regulation for the Executive Board, which also specify the division of duties among the members. The Regulation has been approved by the Supervisory Board. The members of the Executive Board have affirmed their acceptance of the contents of the Regulation and their compliance with the rules set out in the Regulation. The Articles of Association and the Regulation list resolutions that require the approval of the Supervisory Board and the General Meeting of Shareholders.

The Management Committee of SNS REAAL consists of the members of the Executive Board, the chairmen of the management teams of SNS Bank, REAAL, Zwitserleven and SNS Asset Management and the HR Director of SNS REAAL.

17.1.2 Responsibilities, curricula vitae and additional positions

Gerard van Olphen

Gerard van Olphen (1962) has been Chairman of the Executive Board since 4 February 2013. He is also responsible for the following Group staff departments: Group Audit, Corporate Communication, Compliance, Security and Operational Risk Management (CS&O), Corporate Strategy and Human Resources.

Prior to joining SNS REAAL van Olphen held various positions at Achmea, including those of CFRO and Executive Board member. Positions held at SNS REAAL in the past include those of CFO of the SNS REAAL Group from 2000 to 2001 and Chairman of the Managing Board of REAAL Verzekeringen.

Maurice Oostendorp

Maurice Oostendorp (1956) has served on the Executive Board as Chief Financial and Risk Officer since 4 February 2013. He is also responsible for the following Group staff departments: Group Risk Management, Investor Relations, Group Finance, Fiscal Affairs and Insurance Treasury & Investment Management.

Prior to joining SNS REAAL, Maurice Oostendorp held various positions at Coöperatie VGZ and ABN AMRO, including those of Chief Financial Officer and Executive Board member at Coöperatie VGZ and Director General of Group Finance at ABN AMRO.

Additional positions: Member of the Supervisory Board of NWB Bank. Member of the Advisory Board of Women in Financial Services (WIFS). Member of the Board of Inspiration of NIBE-SVV.

Dick Okhuijsen

Dick Okhuijsen (1965) has been a member of the Executive Board since December 2009 and focuses on all aspects of the Banking activities.

Prior to joining SNS REAAL Dick Okhuijsen held various positions at Nationale-Nederlanden and ING Group, including that of CEO of ING Life Insurance in Japan.

Additional positions: Member of the Board of the Dutch Banking Association (NVB), member of the Board of the Foundation for Management Studies (SMS) and member of the Board of Stichting GeldInzicht.

Wim Henk Steenpoorte

Wim Henk Steenpoorte (1964) has been a member of the Executive Board since 15 September 2011 and focuses on all aspects of the Insurance activities. He is also responsible for IT & Change, and the Group staff departments Facility Management and Legal Affairs.

Wim Henk Steenpoorte joined SNS REAAL in 2000. He was appointed first as a member and then as Chairman of the Board of Directors of REAAL in 2006 and 2009 respectively. Prior to joining SNS REAAL, Wim Henk Steenpoorte served as ICT manager at Ogilvy Netherlands and held various positions in the insurance industry at predecessors in title of REAAL.

Additional positions: Chairman of the Supervisory Board of Meetingpoint B.V., member of the Supervisory Board of Verenigde Assurantiebedrijven Nederland NV.

17.2 The Supervisory Board

17.2.1 Composition, appointment and duties

As of the date of publication of this Annual Report, the Supervisory Board of SNS REAAL comprises the following members:

- Jan Nooitgedagt (Chairman)
- Charlotte Insinger
- Jan van Rutte
- Monika Milz
- Jos Nijhuis
- Jan Nijssen
- Ludo Wijngaarden

Monika Milz is a German national. All other members of the Supervisory Board are Dutch nationals.

Members of the Supervisory Board are appointed for a term of four years. Reappointment for a subsequent four-year term is only approved after careful consideration, and at most twice terms. When reappointing Supervisory Board members, due consideration is given to the profile of the Supervisory Board, the performance of the individual concerned, terms of office and other criteria to be determined.

The Supervisory Board meets at least six times a year in accordance with a schedule drawn up annually. The Supervisory Board takes decisions by a majority of votes. The Supervisory Board has drawn up a Regulation that specifies and supplements various provisions of the articles of association. Said Regulation also list additional powers. All members of the Supervisory Board have affirmed their acceptance of the content of this Regulation and compliance with the rules set out in the Regulation.

SNS REAAL is what is known as a two-tier company with a mitigated two-tier entity regime. Following the nationalisation of the company, the General Meeting of Shareholders has the power to appoint members of the Executive Board. This power was formerly exercised by the Supervisory Board. Members of the Executive Board are appointed by the General Meeting of Shareholders based on nominations proposed by the Supervisory Board.

The Supervisory Board has formed three committees from among its ranks. As of 31 December 2013, said committees comprised the following members:

- Audit Committee: Jos Nijhuis (Chairman), Jan Nooitgedagt, Ludo Wijngaarden and Jan van Rutte.
- Remuneration and Nomination Committee: Ludo Wijngaarden (Chairman), Jan Nooitgedagt, Charlotte Insinger and Monika Milz.
- Risk Committee: Jan Nijssen (Chairman), Jan Nooitgedagt, Charlotte Insinger and Jan van Rutte.

The previously separate Nomination Committee and Remuneration Committee were combined to create a single Remuneration and Nomination Committee with effect from 11 November 2013.

The Supervisory Boards of SNS Bank NV, REAAL NV and SRLEV NV comprise the same members as the Supervisory Board of SNS REAAL.

17.2.2 Curricula vitae, terms of office and additional positions

Jan Nooitgedagt

Jan Nooitgedagt (1953) has been working in the financial services sector for more than 35 years. From April 2009 to May 2013 he served as CFO and Executive Board member at Aegon NV. Prior to that, Nooitgedagt spent 28 years working for Ernst & Young, where his positions included those of Chairman and Managing Partner for the Netherlands and Belgium. Nooitgedagt also serves on the Supervisory Boards of Bank Nederlandse Gemeenten, Robeco and Telegraaf Media Groep NV. He is a member of the Executive Board of Vereniging van Effecten Uitgevende Ondernemingen (VEUO) and Chairman of the Supervisory Council of the Nyenrode Foundation.

Nooitgedagt was appointed as member and Chairman of the Supervisory Board on 1 November 2013. He will step down at or before the first General Meeting of Shareholders held after 1 November 2017.

Charlotte Insinger

Charlotte Insinger (1965) acts as an independent management consultant and interim manager. Insinger is a member of the Supervisory Committee of the Rijnland Zorggroep, member of the Supervisory Council of the Luchtverkeersleiding Nederland, Supervisory Board member of Ballast Nedam and member of the Strategic Audit Committee of the Ministry of Foreign Affairs.

Insinger was first appointed as a member of the Supervisory Board on 15 April 2009, having been nominated by the Dutch government, and reappointed on 6 June 2013. She will step down at or before the first General Meeting of Shareholders held after 6 June 2017.

Jan van Rutte

During the course of his long career Jan van Rutte (1950) has served as Chairman of the Executive Board of Fortis Bank Nederland, CFO of ABN AMRO and Executive Board member of the Dutch Banking Association (NVB). He is also Supervisory Board member of ORMIT Holding BV, Advisory Board member of the Koninklijke Schouwburg in The Hague and Executive Board member of the ABN AMRO Foundation.

Van Rutte was appointed as a member of the Supervisory Board on 1 November 2013. He will step down at or before the first General Meeting of Shareholders held after 1 November 2017. Van Rutte was appointed as a member of the Supervisory Board on 1 November 2013. He will step down at or before the first General Meeting of Shareholders held after 1 November 2017.

Monika Milz

Monika Milz (1957) has been acting as a professional regulator and management consultant since 2011. She has been working in the banking industry for thirty years, having spent 20 years at ABN AMRO and in the period from 2000 to 2011 at Rabobank Groep. Her area of banking knowledge and expertise is the services provided for business customers on the one hand and HRM on the other. Milz has been serving regulatory positions for the last two decades and currently holds positions as member of the Advisory Board of the University College of Amsterdam and the University of Amsterdam, as Supervisory Board member of ConQuaestor BV and as Chair of the Green Deal Board.

Milz was appointed as a member of the Supervisory Board on 1 November 2013. She will step down at or before the first General Meeting of Shareholders held after 1 November 2017.

Jos Nijhuis

Jos Nijhuis (1957) is President of Schiphol Group. Prior to that, he served as Chairman of the Executive Board of PwC. Nijhuis holds positions as member of the Supervisory Board of Stichting Kids Moving the World, member of the Executive Board of Stichting Common Purpose, member of the Supervisory Board of Stichting Het Muziektheater Amsterdam and Nijhuis is Non-Executive Board Member of Aeroports de Paris.

Nijhuis was first appointed as a member of the Supervisory Board on 15 April 2009 and reappointed on 6 June 2013. He will step down at or before the first General Meeting of Shareholders held after 6 June 2017.

Jan Nijssen

Jan Nijssen (1953) is a partner and shareholder of Montae (independent pension consultants). From 1978 to 2005 Nijssen held various positions at Nationale Nederlanden and ING Group both in the Netherlands and abroad. He was appointed as a member of the Executive Board of ING Netherlands and ING Europe in 1997 and 2000 respectively and as CEO of ING Insurance & Pensions for Central Europe in 2004. Nijssen is also member of the Supervisory Board of Garanti Emeklilik (Turkey), member of the Internal Supervision Committee of the Shell Pension Fund, chairman of the Board of Directors of Three Wheels United (Bangalore, India), chairman of the board of Stichting *Duurzame Micropensioenen Ontwikkelingslanden* (DMO) and member of the Supervisory Council of Prodeba.

Nijssen was first appointed as a member of the Supervisory Board on 13 September 2011. He will step down at or before the first General Meeting of Shareholders held after 13 September 2015.

Ludo Wijngaarden

Ludo Wijngaarden (1947) served as Chairman of the Board of Nationale Nederlanden and Board member of ING Netherlands until 2008. Prior to that, he served as Chairman of the Board of Postbank and the ING Retail division. He was also Chairman of the Dutch Association of Insurers and held positions on the Board of VNO-NCW and the Bank Council of De Nederlandsche Bank until October 2008. Wijngaarden is currently Chairman of the Supervisory Boards of Oasen, Chairman of the Supervisory Board of LTP, Supervisory Board member of the Rochdale housing corporation, Executive Board member of DAK, Advisory Board member of both the Dutch Data Protection Authority and Oracle Nederland.

Wijngaarden was first appointed as a member of the Supervisory Board on 15 April 2009, having been nominated by the Dutch government, and reappointed on 6 June 2013. He will step down at or before the first General Meeting of Shareholders held after 6 June 2017.

17.3 Corporate Governance Code

All Dutch listed companies are required to comply with the Corporate Governance Code (the Code). The full text of the Code is available at www.commissiecorporategovernance.nl. Now that the company has been nationalised, SNS REAAL NV is no longer officially required to comply with the Code. Nevertheless, SNS REAAL NV continues to adhere to the Code and reports on compliance with the Code in the annual report in accordance with the 'comply or explain' principle. SNS REAAL NV currently complies with all of the provisions.

Until the nationalisation, there were deviations from the Code's best practice provisions II.1.1 and IV.1.5 There was also a deviation from best practice provision II.2.14, which determines that the most important elements of the contract with a member of the company's Executive Board must be published no later than the call for the General Meeting of Shareholders in which the Executive Board member will be appointed. Immediately after the nationalisation, the State appointed Gerard van Olphen and Maurice Oostendorp as chairman of the Executive Board and CFRO of the Executive Board respectively. At the time, the most important elements of their contract were not published, considering that SNS REAAL was no longer a listed company due to the nationalisation. Besides, it was unknown to what extent SNS REAAL would still have to comply with the Code. See Remuneration Report (section 16.6) for further details about the contracts.

SNS REAAL is endeavouring to restore confidence in and improve the functioning of the financial services sector. It does this, inter alia, through its adherence to the Code and the pursuit of its mission, core value and strategy. SNS REAAL continuously pursues initiatives to restore confidence in and improve the functioning of the financial services sector.

The Dutch Banking Code applies to all Banking activities performed by SNS REAAL. The Dutch Insurance Code applies to all Insurance activities performed by SNS REAAL. Compliance with the respective codes is documented in the annual reports published by SNS Bank NV and REAAL NV.

In 2013, members of the Supervisory Board, Executive Board and management boards of the Business Units completed various courses on topics recommended in the Codes. Together with the HR department, the Company Secretary organises a range of internal training courses with guest speakers from inside and outside the organization. Topics covered by the continuing education programme include customer's interests first, risk management and complaints management. The HR department keeps a record of attendance at internal and external training courses. The expertise of the members of the Executive Board and business unit management teams is among the criteria considered during performance appraisal.

17.4 Management statements

The members of the Executive Board state the following:

17.4.1 In-control statement

The Executive Board of SNS REAAL hereby declares that it has ascertained, with a reasonable degree of assurance, that the material risks SNS REAAL is facing have been described. This assurance is based on the risk management organisation described in chapter 22 on [Risk Management and Organisation](#). The effectiveness of essential control measures is reviewed at regular intervals. SNS REAAL has established a structured process of internal In-control statements with corresponding evaluation by senior management. The following material risks have been identified for SNS REAAL as a whole:

- The earnings models for the Insurance activities units need to be adjusted in a timely manner due to changing market conditions. These changing conditions and Solvency II requirements are putting pressure on the capital position of the Insurance activities.
- Unit-linked insurance products sold to vulnerable groups attracted increasing political and social attention in 2013. SNS REAAL adopts a proactive approach in relation to its customers by offering alternatives where relevant. SNS REAAL has also established an effective Product Approval & Review Process to ensure that future product risks are adequately addressed and controlled.
- SNS REAAL is still prone to reputation risks as a result of the nationalisation of the company. The same applies to certain dossiers (Property Finance and unit-linked insurance products). Given the uncontrollable nature of the (social) media this is something that requires ongoing attention.
- Computer crime (cybercrime) continued to increase in 2013. This is a development that also affects SNS REAAL and its customers. Computer crime is a phenomenon that is clearly here to stay. As such, it needs to be tackled by a broad-based and effectively coordinated collaborative effort. SNS REAAL is actively involved in this endeavour (together with parties such as ECTF and NVB), and monitors developments closely, taking appropriate measures where necessary.
- The execution of splitting SNS REAAL into independent banking and insurance operations also has consequences for the personnel. The implementation of the necessary changes will increase their workload. SNS REAAL has chosen to adopt a rapid and meticulous approach and will remain in close contact with its personnel throughout the process.

Despite the considerable increase in workload, SNS REAAL's management paid attention to managing the various risks to which the company is exposed. Due to a changing external environment, new laws and regulations (Solvency II, Basel II/III), an increased number of inquiries from regulators and regulatory requirements, the necessary focus on the business unit Property Finance, necessary investments in the data warehouse infrastructure and organizational changes within SNS REAAL, there was pressure on the available qualitative attention for the internal control framework. Specifically with respect to the linkage between internal control at the group and at the business units level. The internal control framework currently consists of individual components through which the actual risks are managed and of which the effectiveness is tested. In the new governance structure, the management teams of the bank and insurer will give further substance to an integrated control framework.

17.4.2 Control over financial reporting

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

- The Financial Committee, which is responsible for setting policy frameworks as well as the organisation of financial and actuarial administrations and processes.
- The business units and Group staff departments that are responsible for the execution of tasks, and thus for an accurate and faithful recording of the transactions and the reporting thereon.
- A system of financial key controls within the financial accounting and reporting departments in order to monitor the proper operation of financial reporting management and control systems.
- The Financial Committee's assessment of the financial reporting, partly based on the results from the key controls. The findings of the financial reporting process, together with the financial reporting, are discussed in the Audit Committee after approval by the Executive Board,
- The review of the operating effectiveness of these systems by the internal and external auditors. The external auditor reports thereon insofar as it relates to the audit of the financial statements. The findings are discussed with the Financial Committee, the Executive Board and the Audit Committee.

We believe that the measures taken lead to an adequate control over the financial reporting process.

17.4.3 Transparency statement

The members of the Executive Board state the following: "SNS REAAL prepares the consolidated and company financial statements 2013 of SNS REAAL NV in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU) and with Title 9 Book 2 of the Dutch Civil Code and, to the best of our knowledge, they give a true and fair view of the assets, liabilities, size and composition of equity, financial position as per 31 December 2013 and the financial result of the Group and its consolidated companies. The annual report gives, to the best of our knowledge, a true and fair view of the position as per the balance sheet date and the development and performance of the business during the financial year. The principal risks SNS REAAL NV faces are described in the Annual Report."

18 Consolidated financial statements

18.1 Consolidated balance sheet

Consolidated balance sheet

Before result appropriation and in € millions

	Notes*	31-12-2013	31-12-2012
Assets			
Intangible assets	1	170	1,000
Property and equipment	2	221	298
Investments in associates	3	6	49
Investment properties	4	220	181
Investments	5	33,377	34,175
Investments for account of policyholders	6	13,440	13,227
Derivatives	7	3,065	4,139
Deferred tax assets**	8	1,148	1,360
Reinsurance contracts	18	3,998	3,185
Property projects	9	-	416
Loans and advances to customers	10	55,032	64,334
Loans and advances to banks	11	6,392	2,313
Corporate income tax		8	101
Other assets	12	1,075	1,231
Cash and cash equivalents	13	6,422	7,654
Total assets		124,574	133,663
Equity and liabilities			
Share capital		469	469
Other reserves**		5,977	2,799
Retained earnings		(1,950)	(972)
Shareholders' equity	14	4,496	2,296
Equity attributable to security holders	14	-	987
Minority interests		-	2
Total equity		4,496	3,285
Participation certificates and subordinated debts	15	557	1,744
Debt certificates	16	16,395	22,212
Insurance contracts	17	40,846	41,769
Provision for employee benefits**	18	525	527
Other provisions	19	104	129
Derivatives	7	2,792	3,643
Deferred tax liabilities	8	476	1,219
Savings	20	33,276	32,815
Other amounts due to customers	21	11,844	10,983
Amounts due to the Dutch State	22	1,100	-
Amounts due to banks	23	9,431	11,639
Corporate income tax		-	1
Other liabilities	24	2,732	3,697
Total equity and liabilities		124,574	133,663

* The references next to the balance sheet items relate to the notes to the consolidated balance sheet starting from section 28.1.

** Some of the comparative figures have been restated for comparison purposes as a result of the amendment to IAS 19 Employee Benefits. In accordance with this amendment, a total of € 89 million is debited to the shareholders' equity and credited to the provision for employee benefits. Reference is made to the notes in section 19.3.4.1 Changes in principles for the consolidated financial statements.

18.2 Consolidated income statement

Consolidated income statement

<i>In € millions</i>	<i>Notes*</i>	2013	2012**
Income			
Interest income		2,226	2,457
Interest expense		1,178	1,667
Net interest income	27	1,048	790
Premium income		3,190	3,455
Reinsurance premiums		223	223
Net premium income	28	2,967	3,232
Fee and commission income		206	205
Fee and commission expense		73	65
Net fee and commission income	29	133	140
Share in result of associates	30	2	11
Investment income	31	1,378	1,525
Investment income for account of policyholders	32	626	1,510
Result on financial instruments	33	131	60
Other operating income	34	6	2
Total income		6,291	7,270
Expenses			
Technical claims and benefits	35	3,109	2,958
Charges for account of policyholders	36	1,663	2,266
Acquisition costs for insurance operations	37	243	268
Staff costs	38	714	726
Depreciation and amortisation of fixed assets	1	51	69
Other operating expenses	39	312	237
Impairment charges	40	435	721
Other interest expenses	41	201	161
Other expenses	42	9	9
Total expenses		6,737	7,415
Result before taxation		(446)	(145)
Taxation	43	(32)	10
Net result continued operations		(414)	(155)
Net result discontinued operations	44	(1,536)	(813)
Net result for the period		(1,950)	(968)
Attribution:			
Net result attributable to shareholder***		(1,950)	(972)
Net result attributable to minority interests		-	4
Net result for the period		(1,950)	(968)

* The references next to the income statement items relate to the notes to the consolidated income statement starting from section 28.27.

** Some of the comparative figures have been restated for comparison purposes as a result of the decision to transfer Property Finance to NLF. Reference is made to the notes in section 19.3.4.3 Changes in presentation for the consolidated financial statements.

*** The result from discontinued operations of - € 1,536 million (2012: € - 813 million) is attributable entirely to the shareholders. Of the result for continued operations of - € 414 million (2012: - € 155 million) nil euro (2012: - € 109 million) is attributable to the loss absorption / make-whole addition of the core Tier 1 capital securities issued to Stichting Beheer SNS REAAL. The securities of Stichting Beheer SNS REAAL have been expropriated on 1 February 2013 by the Dutch State, and were assigned and transferred by the Dutch State as a contribution of share premium to the ordinary shares of SNS REAAL on 25 February 2013.

18.3 Consolidated statement of comprehensive income

Other consolidated statement of comprehensive income

In € millions

	2013	2012
Items that will not be reclassified subsequently to profit or loss		
Change in revaluation reserve	(4)	-
Remeasurement effects of defined benefit pension plan*	57	(21)
Other changes in comprehensive income	(1)	(2)
Total items never reclassified to profit or loss	52	(23)
Items that may be reclassified subsequently to profit or loss		
Change in revaluation reserve	-	(1)
Change in cash flow hedge reserve	(20)	(63)
Change in fair value reserve	(98)	(703)
Other changes in comprehensive income	-	(1)
Total items that may be reclassified to profit or loss subsequently	(118)	(768)
Other comprehensive income (after tax)	(66)	(791)

* Some of the comparative figures have been restated for comparison purposes as a result of the amendment to IAS 19 Employee Benefits. In accordance with this amendment, on 1/1/2013 a total of € 89 million is debited to the shareholders' equity and credited to the provision for employee benefits. Reference is made to the notes in section 19.3.4.1 Changes in principles for the consolidated financial statements.

Total comprehensive income

In € millions

	2013	2012
Net result continued operations	(414)	(155)
Net result discontinued operations	(1,536)	(813)
Other comprehensive income (after tax)	(66)	(791)
Total comprehensive income for the period	(2,016)	(1,759)
Attribution:		
Total comprehensive income attributable to shareholder*	(2,014)	(1,763)
Total comprehensive income to minority interests	(2)	4
Total comprehensive income for the period	(2,016)	(1,759)

* Of the total comprehensive income of € 2,014 million (2012: - € 1,763 million), nil euro (2012: € 109 million) is attributable to the loss absorption / make-whole addition of the core Tier 1 capital securities issued to Stichting Beheer SNS REAAL. The securities of Stichting Beheer SNS REAAL have been expropriated on 1 February 2013 by the Dutch State, and were assigned and transferred by the Dutch State as a contribution of share premium to the ordinary shares of SNS REAAL on 25 February 2013.

18.4 Consolidated statement of changes in equity

Consolidated statement of changes in equity 2013

In € millions

	Issued share capital*	Share premium reserve*	Sum revaluation reserves	Sum other reserves	Equity attributable to shareholders	Securities capital	Minority interests	Group equity
Balance as at 1 January 2013	469	1,363	298	233	2,363	987	2	3,352
Amendment IAS 19 corridor	-	-	-	(67)	(67)	-	-	(67)
Adjusted balance as at 1 January 2013	469	1,363	298	166	2,296	987	2	3,285
Transfer of net result 2012	-	-	-	109	109	(109)	-	-
Transfers 2012	-	-	-	109	109	(109)	-	-
Unrealised revaluations from cash flow hedges	-	-	(41)	-	(41)	-	-	(41)
Unrealised revaluations	-	-	(936)	-	(936)	-	-	(936)
Impairments	-	-	12	-	12	-	-	12
Realised revaluations through profit or loss	-	-	(191)	-	(191)	-	-	(191)
Remeasurement effects of defined benefit pension plan	-	-	-	57	57	-	-	57
Change in shadow accounting	-	-	1,034	-	1,034	-	-	1,034
Other movements	-	-	-	1	1	-	(2)	(1)
Amounts charged directly to equity	-	-	(122)	58	(64)	-	(2)	(66)
Net result 2013	-	-	-	(1,950)	(1,950)	-	-	(1,950)
Total result 2013	-	-	(122)	(1,892)	(2,014)	-	(2)	(2,016)
Capital injection Dutch State	-	2,200	-	-	2,200	-	-	2,200
Conversion securities capital Dutch State and Stichting	-	878	-	-	878	-	-	878
Conversion subordinated debt	-	1,027	-	-	1,027	(878)	-	149
Transactions with shareholder	-	4,105	-	-	4,105	(878)	-	3,227
Total changes in equity 2013	-	4,105	(122)	(1,783)	2,200	(987)	(2)	1,211
Balance as at 31 December 2013	469	5,468	176	(1,617)	4,496	-	-	4,496

* As a result of the nationalisation the B shares are converted into ordinary shares. The issued share capital and share premium reserve are fully paid and comprise of 287,619,873 ordinary shares with a nominal value of € 1.63 per share.

Statement of revaluation reserve and other reserves 2013

In € millions

	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserve	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2013	45	99	154	298	1,205	(972)	233
Amendment IAS 19 corridor	-	-	-	-	(67)	-	(67)
Adjusted balance as at 1 January 2013	45	99	154	298	1,138	(972)	166
Transfer of net result 2012	-	-	-	-	(863)	972	109
Transfers 2012	-	-	-	-	(863)	972	109
Unrealised revaluations from cash flow hedges	-	(41)	-	(41)	-	-	-
Unrealised revaluations	(4)	-	(932)	(936)	-	-	-
Impairments	-	-	12	12	-	-	-
Realised revaluations through profit or loss	-	(9)	(182)	(191)	-	-	-
Remeasurement effects of defined benefit pension plan	-	-	-	-	57	-	57
Change in shadow accounting	-	30	1,004	1,034	-	-	-
Other movements	-	-	-	-	1	-	1
Amounts charged directly to equity	(4)	(20)	(98)	(122)	58	-	58
Net result 2013	-	-	-	-	-	(1,950)	(1,950)
Total result 2013	(4)	(20)	(98)	(122)	58	(1,950)	(1,892)
Transactions with shareholder	-	-	-	-	-	-	-
Total changes in equity 2013	(4)	(20)	(98)	(122)	(805)	(978)	(1,783)
Balance as at 31 December 2013	41	79	56	176	333	(1,950)	(1,617)

SNS REAAL NV declared not to distribute a dividend for the year 2013.

For more information on the statement of changes in equity please refer to the statement of changes in equity in section of the accounting principles for the consolidated financial statements. For more information on the capitalisation of SNS REAAL please refer to section [13.3 Capitalisation](#) and Chapter [27 Capital management](#).

Consolidated statement of changes in equity 2012

In € millions

	Issued share capital*	Share premium reserve*	Sum revaluation reserve	Sum other reserves	Equity attributable to shareholders	Securities capital	Minority interests	Group equity
Balance as at 1 January 2012	469	1,363	1,065	1,551	4,448	979	1	5,428
Changes in principles deferred acquisition costs	-	-	-	(338)	(338)	-	-	(338)
Amendment IAS 19 corridor	-	-	-	(46)	(46)	-	-	(46)
Adjusted balance as at 1 January 2012	469	1,363	1,065	1,167	4,064	979	1	5,044
Transfer of net result 2011	-	-	-	(7)	(7)	7	-	-
Transfers 2011	-	-	-	(7)	(7)	7	-	-
Unrealised revaluations from cash flow hedges	-	-	7	-	7	-	-	7
Unrealised revaluations	-	-	1,171	-	1,171	-	-	1,171
Impairments	-	-	24	-	24	-	-	24
Realised revaluations through profit or loss	-	-	(280)	-	(280)	-	-	(280)
Remeasurement effects of defined benefit pension plan	-	-	-	(21)	(21)	-	-	(21)
Change in shadow accounting	-	-	(1,689)	-	(1,689)	-	-	(1,689)
Other movements	-	-	-	(1)	(1)	1	(3)	(3)
Amounts charged directly to equity	-	-	(767)	(22)	(789)	1	(3)	(791)
Net result 2012	-	-	-	(972)	(972)	-	4	(968)
Total result 2012	-	-	(767)	(994)	(1,761)	1	1	(1,759)
Transactions with shareholders and securityholders	-	-	-	-	-	-	-	-
Total changes in equity 2012	-	-	(767)	(1,001)	(1,768)	8	1	(1,759)
Balance as at 31 December 2012	469	1,363	298	166	2,296	987	2	3,285

* The issued share capital and share premium reserve comprise ordinary shares and B shares.

Statement of revaluation reserve and other reserves 2012

In € millions

	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserve	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2012	46	162	857	1,065	1,464	87	1,551
Changes in principles deferred acquisition costs	-	-	-	-	(365)	27	(338)
Amendment IAS 19 corridor	-	-	-	-	(46)	-	(46)
Adjusted balance as at 1 January 2012	46	162	857	1,065	1,053	114	1,167
Transfer of net result 2011	-	-	-	-	107	(114)	(7)
Transfers 2011	-	-	-	-	107	(114)	(7)
Unrealised revaluations from cash flow hedges	-	7	-	7	-	-	-
Unrealised revaluations	-	-	1,171	1,171	-	-	-
Impairments	(1)	-	25	24	-	-	-
Realised revaluations through profit or loss	-	(6)	(274)	(280)	-	-	-
Remeasurement effects of defined benefit pension plan	-	-	-	-	(21)	-	(21)
Change in shadow accounting	-	(64)	(1,625)	(1,689)	-	-	-
Other movements	-	-	-	-	(1)	-	(1)
Amounts charged directly to equity	(1)	(63)	(703)	(767)	(22)	-	(22)
Net result 2012	-	-	-	-	-	(972)	(972)
Total result 2012	(1)	(63)	(703)	(767)	(22)	(972)	(994)
Transactions with shareholders and securityholders	-	-	-	-	-	-	-
Total changes in equity 2012	(1)	(63)	(703)	(767)	85	(1,086)	(1,001)
Balance as at 31 December 2012	45	99	154	298	1,138	(972)	166

18.5 Consolidated cash flow statement

Consolidated cash flow statement

In € millions

	2013	2012
Cash flow from operating activities		
Operating profit before taxation	(446)	(145)
Net result discontinued operations	(1,536)	(813)
Adjustments for:		
Depreciation and amortisation of fixed assets	88	308
Changes in technical provisions own risk	(1,572)	2,509
Changes in other provisions	(304)	(394)
Impairment charges / (reversals)	1,488	721
Unrealised results on investments through profit or loss	(467)	(145)
Retained share in the result of associates	724	(8)
Tax (paid) / received	172	(8)
Changes in operating assets and liabilities:		
Change in loans and advances to customers	5,257	2,059
Change in loans and advances to banks	(1,482)	4,252
Change in savings	461	2,474
Change in trading portfolio	9	(589)
Change in other operating activities	(1,459)	(2,519)
Net cash flow from operating activities	933	7,702
Cash flow from investment activities		
Sale of property and equipment	3	9
Sale of investments in associates	(92)	1
Sale of investment property	34	32
Sale and redemption of investments and derivatives	11,055	17,519
Purchase of intangible fixed assets	(3)	(18)
Purchase of property and equipment	(31)	(33)
Purchase of investments in associates	-	(1)
Purchase of investment property	-	(11)
Purchase of investments and derivatives	(11,101)	(17,153)
Net cash flow from investment activities	(135)	345
Cash flow from finance activities		
Issue of shares and share premium	2,200	-
Issue of loans to the Dutch State	1,100	-
Issue of subordinated loans	-	49
Issues of debt certificates	-	4,870
Redemption of subordinated loans	(3)	(513)
Redemption of debt certificates	(5,327)	(10,308)
Net cash flow from financing activities	(2,030)	(5,902)
Cash and cash equivalents as at 1 January	7,654	5,509
Cash discontinued operations	(107)	-
Change in cash and cash equivalents	(1,125)	2,145
Cash and cash equivalents as at 31 December	6,422	7,654
Additional disclosure with regard to cash flows from operating activities		
Interest income received	4,096	3,658
Dividends received	176	143
Interest paid	2,134	2,010

Consolidated cash flow statement discontinued operations

in € millions

	2013	2012
Cash and cash equivalents as at 1 January	203	476
Cash flow from operating activities	(124)	(293)
Cash flow from investment activities	28	20
Cash flow from finance activities	-	-
Cash discontinued operations	(107)	-
Cash and cash equivalents discontinued operations as at 31 December	-	203

19 Accounting principles for the consolidated financial statements

19.1 General information

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

Stichting Beheer SNS REAAL had a 50.00001% interest in SNS REAAL till 1 February 2013. The shares were listed at the NYSE Euronext Amsterdam as part of the Amsterdam Midkap index. As of 1 February 2013, the Dutch State is the sole shareholder of SNS REAAL NV. Subsequently, the Dutch State transferred the shares to Stichting administratiekantoor beheer financiële instellingen (NLF1) on 31 December 2013.

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

19.1.1 Adoption of the financial statements

The consolidated financial statements of SNS REAAL NV for the year ended on 31 December 2013 were authorised for publication by the Executive Board following their approval by the Supervisory Board on 3 March 2014. The financial statements will be submitted to the General Meeting of Shareholders for adoption on 17 April 2014.

19.2 Nationalisation and its implications

19.2.1 Nationalisation

In January 2013, the Dutch Central Bank (DNB) informed SNS REAAL of its conclusion that the capital position of SNS Bank NV was insufficient to cover the company's current and possible future risks. SNS Bank NV was requested to present by 31 January 2013 a final solution for its capital position that according to the judgement of DNB would provide a sufficient degree of certainty of succeeding and that would furthermore result in supplementing the capital deficit that existed according to DNB. SNS Property Finance BV (Property Finance) had been an important factor in the arising of the capital deficit. In the opinion of DNB, the proposal of SNS REAAL NV offered insufficient certainty that the identified capital deficit could be addressed in the short term. DNB subsequently informed the Ministry of Finance that it no longer considered it sound for SNS Bank NV to continue to carry out its banking operations.

On 1 February 2013, the Minister of Finance (the Minister) decreed (the Decree) by virtue of Articles 6:2 and 6:4 of the Dutch Financial Supervision Act to expropriate:

- all issued shares in the capital of SNS REAAL NV;
- all core Tier 1 capital securities issued by SNS REAAL NV to Stichting Beheer SNS REAAL (Stichting securities);
- all subordinated bonds of SNS REAAL NV and SNS Bank NV, including the participation certificates issued by SNS Bank NV;
- subordinated private debts of SNS REAAL NV and SNS Bank NV.

In the Decree the Minister set out that he had concluded that the stability of the financial system had been placed at serious and imminent risk by the situation in which SNS REAAL found itself prior to 1 February 2013.

All shares, Stichting securities and subordinated bonds were expropriated for the benefit of the Dutch State (the State). The expropriation of subordinated private debts was effected by expropriating the corresponding debts relating to liability capital components of SNS REAAL NV and SNS Bank NV for the benefit of Stichting Afwikkeling Onderhandse Schulden

SNS REAAL (Private Debt Settlement Foundation SNS REAAL, 'Stichting AOS'). In the Decree, the Minister explained that the capital components of the subordinated private debts had been expropriated in the name of a separate foundation in order to avoid these debts being transferred to the State. Through a provision under Article 6:1 of the Financial Supervision Act, SNS REAAL has been appointed as sole director of Stichting AOS. The Decree came into effect at 08.30 a.m. on 1 February 2013. At that moment, the expropriated securities and capital components were legally transferred to the State and Stichting AOS respectively.

Following the expropriation of the shares, Stichting securities, subordinated bonds and subordinated private debts, the following measures were taken in line with the Minister's nationalisation decree in 2013:

- A paid-in share premium of € 2.2 billion by the State in SNS REAAL NV, € 1.9 billion of which was passed through as share premium to SNS Bank NV.
- The conversion of B shares of SNS REAAL NV into ordinary shares.
- The conversion of the core Tier 1 capital securities issued to the State and Stichting Beheer SNS REAAL into share premium on ordinary SNS REAAL NV shares.
- The expropriated subordinated bonds of SNS REAAL NV and SNS Bank NV were injected by the State as share premium capital into SNS REAAL NV. As a result of this measure, € 1,038 million (net of tax) of third-party debt was converted into shareholders' equity.
- The expropriated subordinated private debts of SNS REAAL NV and SNS Bank NV were expropriated in the name of Stichting AOS. As a result of this measure, € 49 million was incorporated into capital through profit and loss.
- A bridge loan to SNS REAAL NV of € 1.1 billion.
- The shares in Property Finance were transferred on 31 December 2013 to an asset management organisation in combination with a State guarantee on the temporary loan that is provided by SNS Bank NV to this asset management organisation. Following the transfer, the State injected € 0.5 billion in Property Finance.
 - As a result of the transfer of the activities of Property Finance to an asset management organisation and in combination with the State guarantee on the loan, SNS Bank NV released around € 4.5 billion in risk-weighted assets.
 - Property Finance was transferred at a transfer value as determined by the Minister, which resulted in a devaluation of the real estate financing portfolio of € 2.8 billion compared to the book value as at 30 June 2012.

On 19 December 2013, the European Commission (EC) approved the measures of the Minister as submitted by the Ministry of Finance in the restructuring plan on 19 August 2013. The change in capital structure is set out in section 5.2, the separation of Property Finance in section 5.3 and a more detailed explanation of the EC's decision is provided in 5.5.

Changes to the Executive Board and Supervisory Board

Executive Board members Ronald Latenstein (CEO) and Ference Lamp (CFRO) and the chairman of the Supervisory Board, Rob Zwartendijk, resigned from their positions on 1 February 2013. They were not given a notice period nor any severance pay. The vice chairman of the Supervisory Board, Piero Overmars, temporarily acted as chairman of the Supervisory Board until he stepped down on 1 November 2013.

On 4 February 2013, the following Executive Board members were nominated and appointed by the State: Gerard van Olphen as chairman of the Executive Board and Maurice Oostendorp as CFRO and member of the Executive Board.

On 1 November 2013, Piero Overmars, Jaap Lagerweij, Robert Jan van de Kraats and Herna Verhagen resigned from the Supervisory Board of SNS REAAL NV. At the Extraordinary General Meeting of Shareholders held on 18 October 2013 it was decided to reduce the number of Supervisory Board members of SNS REAAL NV per this date to seven members. With effect from 1 November 2013, Jan Nooitgedagt, Jan van Rutte and Monika Milz were appointed as Supervisory Board members to the ensuing three remaining vacancies on the Supervisory Board. Mr Nooitgedagt was also appointed Chairman of the Supervisory Board. The new members were also appointed to the Supervisory Board of SNS Bank NV, SRLEV NV and REAAL NV. Mrs Milz was appointed in accordance with the reinforced right of

recommendation of the Central Works Council.

Role NLFI in governance structure

Since 31 December 2013, Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments, 'NLFI') holds 100% of the shares in SNS REAAL NV. NLFI is responsible for the management of the shares and the exercise of all rights associated with the shares, including voting rights, in accordance with the law and the articles of association of NLFI. Despite possessing all voting rights attached to the shares, in accordance with the law and the articles of association of NLFI all significant and fundamental decisions must first be approved by the Minister.

Based upon the law and the articles of association of NLFI, NLFI does not possess the right to dispose of nor encumber the shares; these rights can only be obtained after receipt of formal authorisation from the Minister.

Dividend policy

SNS REAAL has established a dividend policy that is determined and can be amended by the General Meeting of Shareholders (NLFI). The Executive Board, with approval of the Supervisory Board, has the right to submit herefore a proposal.

The following sections set out specific legal aspects of the nationalisation, procedures and investigations.

19.2.1.1 Council of State

A considerable number of stakeholders lodged appeals against the Decree with the Administrative Jurisdiction Division of the Dutch Council of State. On 25 February 2013, the Council of State decided that the appeals largely do not have a legal base and therefore upheld the expropriation decree. The Council of State judged that the Minister has expropriated the securities and assets lawfully but not the corresponding liabilities or obligations of SNS REAAL NV and SNS Bank NV towards expropriated parties insofar as these obligations or liabilities are related to the (former) ownership of the securities referred to. Therefore, any such claims can still be made against SNS REAAL NV and/or SNS Bank NV respectively.

A number of stakeholders have referred the appeal procedure at the Council of State to the European Court of Human Rights (ECHR) for review.

19.2.1.2 Enterprise Chamber

The holders of the securities and capital components, as mentioned above, by law have a right to compensation by the State at the level of the actual value of the affected enterprise at the time of the expropriation. The level of compensation is to be established by the Enterprise Chamber of the Amsterdam Court of Appeal. The Minister's current offer is a compensation of € 0, against which various holders have lodged an appeal at the Enterprise Chamber. On 11 July 2013, the Enterprise Chamber issued an interim ruling and appointed experts to assess the value of the expropriated securities and capital components. On 9 October 2013, the State lodged an appeal against this ruling. It did so also because this was the first time that the Intervention Act had been applied and the State attaches importance to the Supreme Court's ruling on how certain aspects of the law should be interpreted before the assessment by experts, as recommended by the Enterprise Chamber, gets underway. At the request of the State, the Enterprise Chamber has postponed the procedure until a decision on the appeal has been made. It is not yet known when the Supreme Court will issue its ruling. In the event that the Enterprise Chamber rules that compensation is due, this compensation will be paid by the State.

19.2.1.3 Private debt settlement Foundation SNS REAAL

In his Decree, the Minister explained that the capital components of the subordinated private debts were expropriated for the benefit of a separate foundation, Stichting AOS, in order to avoid these debts being transferred to the State. Since Stichting AOS was not provided with any assets, either on incorporation or thereafter, it has not been able to meet its obligations assigned to it under the Decree, resulting from the private loans issued to SNS REAAL NV and SNS Bank NV at the time.

In his Decree, the Minister appointed SNS REAAL NV as director of Stichting AOS. Stichting AOS was incorporated by and for the State to arrange the legal settlement of (the expropriation of) private subordinated debt and not with the purpose to carry out activities for SNS REAAL.

On 12 November 2013, at the request of one of the lenders, the District Court for the Central Netherlands declared Stichting AOS bankrupt. The trustee in bankruptcy is considering the procedure for settling this bankruptcy as well as the roles of the State and director SNS REAAL NV.

19.2.1.4 Participation certificates

Among the subordinated bonds of SNS Bank NV expropriated by the State are so-called third series participation certificates (€ 57 million). Shortly after the nationalisation, the Minister requested management to conduct a fact-finding investigation to ascertain whether there had been any irregularities in the offer of and/or advice concerning these certificates in the past and, if required, to draw up a proposal for compensating those affected. Based on the investigation performed, SNS Bank NV made a proposal for compensation to the clients in question on 11 July 2013. At the time of publication of this annual report, 97% of the clients had accepted SNS Bank NV's offer. From the total provision of € 53 million, which was recognised for the payment of the compensation in the first half of 2013, the amount of € 51.3 million was paid out in the course of 2013.

19.2.1.5 Other legal procedures and investigations

General

Various former holders of expropriated securities and capital components have initiated legal proceedings to seek compensation for damages. At the time of drawing up the financial statements, no court proceedings had (yet) been initiated against SNS REAAL NV and/or SNS Bank NV other than those stated below. Currently, it is not possible to make an estimate of the probability that possible legal proceedings of original holders or other parties affected by the nationalisation may result in liability, or the level of the financial impact on SNS REAAL NV and/or SNS Bank NV. For this reason, at year-end 2013 no provisions have been made in respect of possible legal actions by holders concerning the expropriated securities and capital components and other affected parties. As the outcomes of possible legal proceedings cannot be predicted with certainty, it is not possible to rule out that a negative outcome may have a material negative financial impact on the capital position, results and/or cash flows of SNS REAAL NV and/or SNS Bank NV.

Frijns/Hoekstra Commission

On 5 March 2013, the Minister announced an inquiry into the actions of DNB and the Ministry of Finance and the interaction between them with regard to SNS REAAL. For that purpose, an inquiry commission was set up, chaired by Dr J.M.G. Frijns and R.J. Hoekstra, LL.M. (the Commission).

The Commission heard former Executive and (former) Supervisory Board members of SNS REAAL and inspected documents of SNS REAAL. The report was published on 23 January 2014. The conclusions and recommendations relate to the primary subjects of the inquiry, the Ministry of Finance and DNB. Following the publication of the report various parties emphasised the desirability of a further inquiry directed specifically at SNS REAAL.

Stichting Beheer SNS REAAL

Stichting Beheer SNS REAAL, the former holder of the majority of the shares in SNS REAAL NV, claims, amongst other, that it does not have sufficient information to determine its asserted value in the compensation proceedings against the State (see section 5.1.2). SNS REAAL contests this claim on substantive and procedural grounds. On 11 November 2013, the Stichting filed a petition for a provisional witness hearing at the District Court in Amsterdam. In addition to the officers of SNS REAAL, the witnesses named in the petition include officials of the State and DNB. The court session planned for 11 February 2014 following the request by Stichting Beheer SNS REAAL for a provisional witness hearing has been postponed.

Arbitral proceedings on subordination of a loan

A lender of one of the private loans included among the liabilities placed by the Decree of 1 February 2013 in Stichting AOS (see section 5.1.3) disputes the subordination of that loan and started an arbitral proceeding at the Netherlands Arbitration Institute in December 2013. Since SNS REAAL NV was the original contractual party for this expropriated loan, it is a formal party to these proceedings and will conduct the defence.

19.2.2 Change in the capital structure

This section discusses the impact of the nationalisation on the capital structure of SNS REAAL NV and SNS Bank NV.

19.2.2.1 B Shares

An amendment to the Articles of Association of SNS REAAL NV came into effect on 5 February 2013 whereby the B shares that were expropriated from Stichting Beheer SNS REAAL by the State on 1 February 2013 were converted into 6 ordinary shares. The number of ordinary shares has therefore increased from 287,619,867 to 287,619,873. The six B shares had a denomination of € 100 million (totalling: € 600 million), but the nominal value per B share was equal to the nominal value of the ordinary shares (€ 1.63 per B share). To the extent that the issue price of the B shares was higher than the nominal value, the excess was considered share premium on the B shares. The share premium allocated to the B shares was converted to share premium on ordinary shares at the conversion of the B shares to ordinary shares.

19.2.2.2 Core Tier 1 capital securities

The Stichting securities that were issued in 2008 were expropriated. The core Tier 1 securities which SNS REAAL issued to the State in 2008 (book value as at 1 February 2013: € 565 million) and the Stichting securities (book value as at 1 February: € 313 million) were added to share premium on ordinary shares in SNS REAAL in 2013. The Minister's letter to Parliament states that the conversion of the core Tier 1 securities of the State affected the EMU balance by € 0.8 billion. This takes into account financial penalties which SNS REAAL would have owed at repayment.

19.2.2.3 Expropriation of subordinated bonds and private debts

Subordinated bonds

The State injected the expropriated subordinated bonds into SNS REAAL in the form of share premium on 1 February 2013. Thereafter, with economic effect on the same day, SNS REAAL transferred the expropriated subordinated bonds issued by SNS Bank NV in the form of share premium to SNS Bank NV. The resulting merger of debt extinguished all debt claims including all ensuing payment obligations to the State. The value of the expropriated subordinated bonds was recognised directly to equity, and is for the most part not subject to corporation taxation. The result which arose from cancelling the derivatives associated with the expropriated items was, through profit and loss, recognised in shareholders' equity.

The definite taxable result of these measures as based on an advanced tax ruling by the Dutch Tax Authority has led to a net capital increase of € 1,038 million in 2013 (pro forma estimate in the financial statements of 2012: € 987 million).

Subordinated private debts

Subordinated private debts were expropriated. The liability capital components of SNS REAAL NV and SNS Bank NV corresponding to these debts were also expropriated on behalf of Stichting AOS. The subsequent release in the balance sheet was, through profit and loss, recognised in shareholders' equity.

The definite taxable result of these measures as based on an advanced tax ruling by the Dutch Tax Authority has led to a net capital increase of € 49 million in 2013 (pro forma estimate in the financial statements of 2012: € 71 million).

19.2.2.4 Capital injection of € 2.2 billion

In his Letter to Parliament, the Minister explained that SNS REAAL required a capital injection totalling € 2.2 billion: € 1.9 billion for SNS Bank NV and € 300 million for SNS REAAL NV. A paid-in share premium of € 2.2 billion in SNS REAAL NV was made on 11 March 2013, € 1.9 billion of which was passed by SNS REAAL NV as share premium to SNS Bank NV on the same day.

19.2.2.5 Bridge loan from the State to SNS REAAL of € 1.1 billion

In his letter to Parliament, the Minister explained that DNB expected that SNS REAAL, as a result of the expropriation, would for some time experience difficulties in attracting external funding. To offset this, the State provided SNS REAAL with a bridge loan of € 1.1 billion. This sum was received on 4 March 2013. This loan was used to redeem € 485 million of external debt and € 615 million of internally draw down loans.

19.2.2.6 Resolution levy contribution

The Minister requested all banks to make a contribution in the form of a one-off resolution levy. Based on the most recent estimate, SNS Bank NV's contribution is estimated to be € 76 million. This amount will fall due in 2014 and will be charged to profit or loss in that year.

19.2.3 Separation of Property Finance

19.2.3.1 Introduction

The separation of the Property Finance activities was part of the restructuring plan, which was submitted to the EC by the Ministry of Finance on 19 August 2013. The EC approved the transfer on 19 December 2013. DNB issued a Declaration of no objection for the separation of Property Finance on 24 December 2013.

On 31 December 2013, the shares of Property Finance were transferred to the State for the amount of € 1, followed by the transfer of the Property Finance shares by the State to NLF1.

On 1 January 2014, Property Finance changed its name to Propertize BV. As an independent organisation, split off from SNS REAAL, Propertize will focus on run-off of the real estate financing and property projects portfolio.

In the starting phase, SNS Bank NV will continue to fund Propertize. The credit risk on Propertize after the separation is covered by a State guarantee covering SNS Bank NV's total exposure to Propertize of € 4.1 billion as at 31 December 2013. It is the aim of Propertize to refinance the entire funding provided by SNS Bank in the course of 2014 through issuing State guaranteed Medium Term Notes and Commercial Paper to institutional investors. In 2014 Propertize has three times successfully placed Medium Term Notes with a volume of € 2.3 billion.

19.2.3.2 Developments in 2013 in relation to the nationalisation

Property Finance was an important factor in the decision to nationalise SNS REAAL. The continuing losses in Property Finance's real estate and real estate finance portfolio amongst other resulted in SNS Bank NV's capital position becoming inadequate in the opinion of DNB. In the Decree it was, therefore, decided to transfer Property Finance's activities to a separate asset management organisation, isolated from SNS REAAL.

The Minister determined that Property Finance had to be transferred at a transfer value determined by the Minister, at a value which is € 2.8 billion lower than the book value of the real estate finance portfolio as at 30 June 2012. As a result of impairments recognised between 30 June 2012 and 31 December 2013, the portfolio has been written-down by a total of € 1,833 million. An impairment of € 776 million was recognised in the second half of 2012, followed by an impairment of € 1,057 million in 2013.

To enable Property Finance to also absorb the remaining expected gross write-off of € 967 million (€ 2.8 billion less the impairments of € 1,833 million already recognised), SNS REAAL increased the capital of Property Finance through a paid-in share premium of € 725 million net before transfer. This increased the capital of Property Finance to such a level that Property Finance is able to absorb expected future losses of up to € 967 million gross. The total impairments of € 1,833 million on the total assets of Property Finance, increased by the additional net capital of € 725 million, is equal to the total write-down of € 2.8 billion as determined by the Minister at the time of expropriation.

On 31 December 2013, the shares of Property Finance were transferred to the State for € 1. At the transfer SNS Bank NV therefore recognised an additional loss of € 725 million net, the amount of Property Finance's shareholders' equity.

Up until the time of separation on 31 December 2013, Property Finance was part of the fiscal unity of SNS REAAL. Based on the advanced tax ruling with the Dutch Tax Authority, it was determined that the impairments of €1,057 million over 2013 and the anticipated future losses of € 967 million can be regarded as deductible losses. All financial relationships associated with tax between Property Finance and SNS REAAL was settled at year-end 2013. The initial estimate in the pro forma figures in the 2012 financial statements was based on a tax deduction for the impairments of € 1.7 billion. Following consultation with the Dutch Tax Authority, the tax deduction was raised to € 2.71 billion. The final deduction corresponds with the amount of € 2.8 billion as determined by the Minister, adjusted by € 90 million for non-deductible losses. The increase in tax deductibility has led to an additional capital increase of € 252 million, compared to the previous estimate in the 2012 pro forma figures.

As a result of the regular redemptions, the settlement of the tax position (including tax credits over the entire write-off of € 2.8 billion) and paid-in share premium by SNS Bank NV, Property Finance's debt to SNS Bank NV at year-end 2013, directly preceding the transfer to the State, decreased to € 4.5 billion.

Following the transfer, the State provided a € 0.5 billion capital injection into Property Finance, € 0.4 billion of which was used to redeem the outstanding debt to SNS Bank NV. This decreased the outstanding debt from € 4.5 billion to € 4.1 billion as at 31 December 2013. To protect the capital position of SNS Bank NV, the State provided SNS Bank NV with a guarantee on the funding to Property Finance. The funding therefore has no effect on the risk-weighted assets of SNS Bank.

19.2.3.3 Guarantees

Following the share transfer on 31 December 2013, SNS Bank NV withdrew the 403 declaration for Property Finance on 31 December 2013 and initiated the proceedings provided for in Article 2:404 of the Dutch Civil Code to terminate the remaining guarantees. SNS Bank NV and SNS REAAL, respectively, also withdrew the 403 declarations for four subsidiaries of Property Finance on 31 December 2013, and initiated the proceedings to terminate the remaining guarantees. Some creditors have announced that they will object to the termination of the remaining guarantees.

SNS Bank NV issued separate guarantees to a number of counterparties of Property Finance in the past. Following the withdrawal of the 403 declaration and termination of the remaining commitments arising from the 403 declaration, these guarantees will remain in place. SNS Bank NV expects Property Finance to be able to meet its obligations to these

counterparties as Property Finance is adequately capitalised at the time of the share transfer. SNS Bank NV, therefore, deems it unlikely that a guarantee will be invoked.

Some counterparties of Property Finance who conduct legal proceedings against Property Finance have thereby also arraigned SNS REAAL NV and / or SNS Bank NV. The legal basis of this is unclear and SNS REAAL NV and SNS Bank NV consider the likely success of these claims against SNS REAAL NV and/or SNS Bank NV to be limited. No specific agreements were made about these claims upon the transfer of Property Finance on 31 December 2013.

19.2.4 Overview financial impact of the nationalisation measures

The financial impact of implementing the nationalisation measures on the capital is shown below.

Effects nationalisation measures on income statement SNS REAAL

	HY 2012	2013			Total	
In € millions	Income statement	Equity	Income statement	Debt capital	Equity	Debt capital
Property Finance						
Impairments Property Finance	(776)	-	(1,057)	-	(1,833)	-
Transfer Property Finance	-	-	(967)	-	(967)	-
Subtotal Property Finance	(776)	-	(2,024)	-	(2,800)	-
Capital structure						
Capital injection Dutch State	-	2,200	-	-	2,200	-
Conversion subordinated bonds	-	946	84	-	1,030	-
Expropriation subordinated private debts	-	-	62	-	62	-
Participation certificates	-	57	(53)	-	4	-
Conversion accrued interest	-	31	3	-	34	-
Subtotal capital structure	-	3,234	96	-	3,330	-
Bridge loan Dutch State	-	-	-	1,100	-	1,100
Tax effect	192	(7)	448	-	633	-
Total	(584)	3,227	(1,480)	1,100	1,163	1,100

The amount reported in the column HY 2012, is the 2012 impairment related to Property Finance after determination of the transfer value.

There is also an effect within the shareholders' equity (€ 878 million), which relates to the core Tier 1 securities issued to the Dutch State and Stichting Beheer SNS REAAL which were deposited as share premium on ordinary shares. The effect is in addition to the total effect on shareholders' equity of € 3,227 million as reported in the table. The total effect on the share premium as a result of these measures is € 4,105 million.

19.2.5 Temporary and final decision of the European Commission

In its decision of 22 February 2013, the European Commission granted temporary approval for the capital injection of € 2.2 billion in SNS REAAL NV, € 1.9 billion of which was to be passed through to SNS Bank NV, and the bridge loan issued by the State to SNS REAAL NV in the amount of € 1.1 billion. Final approval was granted on 19 December 2013, based on the restructuring plan submitted by the Ministry of Finance on 19 August 2013.

In line with the restructuring plan submitted, the State commits to two structural measures regarding (the balance sheet of) SNS REAAL:

- Separation of the Property Finance activities
- Divestment of the insurance subsidiary REAAL NV, which includes all insurance and asset management activities of SNS REAAL.

The separation of the Property Finance activities results in a substantial reduction of risk-weighted assets and is an important measure to further restore viability of SNS REAAL. It will also facilitate access to capital market funding for SNS Bank NV. The transfer of the Property Finance activities to the State took place on 31 December 2013.

SNS REAAL commits itself to the divestment of the insurance subsidiary REAAL NV, taking into account the risk that this divestment could result in a significant loss. The State and SNS REAAL commit to use the future proceeds of the

divestment of REAAL NV to reduce the double leverage on the balance sheet of SNS REAAL. The holding company SNS REAAL will be wound down. The entity resulting from the restructuring will be a standalone bank focused on banking for retail and self-employed clients. In the course of time, the State is committed to privatising SNS Bank NV.

The decision of 22 February 2013 stipulated amongst other that until the final decision SNS REAAL was not permitted to carry out any acquisitions (acquisition ban) or make payments on hybrid instruments (hybrid debt call and coupon ban). In its final decision of 19 December 2013, the EC set a number of conditions and restrictions which, unless otherwise stated, will apply until the end of the restructuring period in December 2017. The principal conditions and restrictions amongst other are:

- An acquisition ban will apply for a period of three years starting from the date of the EC decision.
- SNS REAAL will not advertise the fact that it is State-owned or make any reference to any State support received in its communications with existing or potential customers or investors.
- SNS REAAL will refrain from making any payments on the hybrid debt instruments outstanding at the time of the EC decision, unless those payments stem from a legal obligation, and will not call or buy back those instruments without prior approval of the European Commission.
- Restrictions apply to the remuneration of employees and senior management until the end of the restructuring period or until SNS REAAL has repaid the State aid.
- SNS REAAL commits to transfer the administrative structure currently borne by the holding company to the bank and the insurance company.
- SNS REAAL commits to the phasing out of any financial interdependence between the banking and the insurance activities.

19.3 Basis of preparation

19.3.1 Statement of IFRS compliance

SNS REAAL prepares the annual accounts in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, SNS REAAL prepares its company financial statements (see also section 29.3 [Principles for the preparation of the company financial statements](#) for the application of section 2:402 of the Netherlands Civil Code) in accordance with the same accounting principles as those used for the consolidated financial statements.

19.3.2 Changes in published Standards and Interpretations effective in 2013

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2013, the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee respectively, became mandatory, and are adopted by the EU. Unless stated otherwise, the changes will have no material effect on the consolidated financial statements of SNS REAAL.

- Amendment to IFRS 1 First time adoption – Government loans
- Amendment to IFRS 7 Financial Instruments Disclosures –Offsetting Financial Assets and Financial Liabilities
- IFRS 13 Fair Value Measurement
- Amendment to IAS 1 Presentation of Financial Statements - Presentation of Items of Other comprehensive Income
- Amendment to IAS 19 Employee Benefits – Post Employment Benefits
- Improvements to IFRS's 2011

Notes to the main changes:

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities.

Taking effect in the current financial year, this standard requires a disclosure on the possibility of offsetting financial

instruments. This disclosure requires a breakdown of instruments which are offset in the balance sheet and a disclosure of instruments which are not being offset, but in which the company has the right to offset under specified conditions. For SNS REAAL this mainly concerns derivatives and repos. The disclosure is included in tabular form in [chapter 27](#) of the financial statements. The changed standard only concerns the disclosures and does not influence shareholders' equity or the income statement.

IFRS 13 Fair Value Measurement

The goal of IFRS 13 is to provide a more consistent and simple application of fair value. Taking effect in the current financial year, IFRS 13 is applicable to measurement and disclosure requirements with respect to fair value, irrespective of which asset or liability it concerns. The standard includes a changed definition of fair values as well as additional disclosure requirements. The standard has no impact on which assets and liabilities have to or may be valued at fair value. The modified definition led to the inclusion in fair value of the credit risk of counterparties as well as the 'own' credit risk in the valuation of derivatives. For the financial year 2013 this did not cause any significant changes to the measurement of fair value of derivatives, as a result of the wide use of collateral agreements and the high creditworthiness of many of the counterparties of these instruments. For the other items in financial statements the new definition of fair value does not significantly deviate from the definition of fair value used by SNS REAAL in the past and therefore does not have any significant impact on shareholders' equity or the income statement. The additional disclosures mainly concern non-financial assets which are measured at fair value in the balance sheet and financial assets and liabilities of which the fair value is disclosed. This is included in [chapter 25](#) of the financial statements.

IAS 19 Employee Benefits - Amendment to IAS 19 Employee Benefits – Post Employment Benefits

The major part of the SNS REAAL staff participates in the defined contribution plan (Pension Fund SNS REAAL). The risks of this plan are on account of the participants. Therefore, the amendment will have a relatively limited effect on SNS REAAL's shareholders' equity and the result. The financial reporting of this defined contribution plan does not change.

In addition there are also several defined benefit pension plans from acquisitions of insurance companies in the past. For these schemes the risks are on account of SNS REAAL. The main changes for these defined benefit pension plans, having almost only so-called dormant participants and retired members, are:

- the corridor method will be eliminated. Actuarial results, which are the result of expected outcomes, the discount rate and actual realisation, will be recognised directly in shareholders' equity (Other Comprehensive Income) and can no longer be deferred via the corridor method; and
- future administrative costs will no longer be included in IAS 19 Employee Benefits. From now on, the annual administrative costs will be recognised directly as pension costs in the result. The return on qualifying pension investments will be determined in a different way from now on. As from 2013, this return will be equated with the interest rate by which the employee benefits are increased. Up to and including 2012, an estimated return on these investments was recognised.

In accordance with this amendment € 89 million is transferred from shareholders' equity to the provision for employee benefits for the accrued actuarial results based on the corridor method, net of the effect of the release of employee benefit liabilities and administration costs, on 1 January 2013. The comparative figures of the year 2012 have been adjusted accordingly. As a result, € 61 million will be recognised retrospectively in shareholders' equity and added to the provision for employee benefits effective 1 January 2012. The effect on the income statement is limited.

19.3.3 Interpretations of existing standards or amendments to standards, not yet effective in 2013

The following new standards, amendments to existing standards and interpretations, published prior to 1 January 2014 and effective for accounting periods beginning on or after 1 January 2014, were not early adopted by SNS REAAL.

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements. (revised 2011)
- IAS 28 Investments in Associates and Joint Ventures. (revised 2011)
- Amendment to IAS 32 Financial Instruments: Presentation – ‘Offsetting Financial Assets and Financial Liabilities’
- Amendment to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
- Improvements to IFRSs 2012
- Improvements to IFRSs 2013.
- IFRIC 21 Levies

Notes to the main changes:

IFRS 9 Financial Instruments

The first adoption date has been postponed by IASB and will not be before 1 January 2017. This new standard is subdivided into three phases. The phases Classification and Measurement and Hedge Accounting have already been published. The phase Classification and Measurement is still subject to changes based on additionally proposed changes. The phase Impairments will probably be published in 2014. The new standard will lead to a complete revision of IAS 39 Financial Instruments. The new standard has not yet been adopted by the EU. It is expected that the standard will affect the classification and measurement of financial assets and liabilities. Its full impact will not become clear until this IASB project has been completed in full, and published.

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest in Other Entities', IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investment in Associates and Joint Ventures'

These IFRS standards have been approved by the EU and will replace the IFRS standards IAS 27 'Consolidated and Separate Financial Statements' with regards to consolidation rules and 'IAS 31 Joint Ventures' as of the reporting year 2014. Meanwhile, IAS 28 is changed from 'Investments in Associates' into Investment in 'Associates and Joint Ventures' and in combination with these changes IFRS 12 'Disclosure of Interest in Other Entities' will be in force.

IFRS 10 redefines the notion of 'dominant control' because of the diverging interpretation and application of this notion under IAS 27 and the interpretation under SIC12 'Consolidation – Special Purpose Entities'.

IFRS 11 determines when and in what way joint arrangements with third parties have to be included in the consolidation of the group. IFRS 11 is, contrary to former IAS 31, applicable to all joint arrangements. Under IFRS 11 only the structure of the joint arrangement determines how this is accounted for in the reporting. IFRS 11 differentiates 'joint operations' and 'joint ventures'. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint operations are consolidated proportionately and joint ventures according to the equity method, which is equal to minority interests under IAS 28.

IFRS 12 requires clear disclosure of the nature of an interest, the considerations of how to classify the interest and any possible restrictions in the exercise of the dominant control or access to the assets.

IAS 27 'Separate Financial Statements' is limited to the separate financial statements because the regulations for

consolidation are included in IFRS 10.

IAS 28 is amended so that the equity method is applicable on minority interests as well as joint ventures.

Expectations are that the consolidation of SNS REAAL as a result of getting into force of the amendments in these IFRS standards will change. We expect no significant influence on the balance sheet and income statement. If required, the disclosures will be adjusted.

19.3.4 Changes in principles, estimates and presentation

19.3.4.1 Changes in principles

In 2013 the EU adopted revisions to IAS 19 entered into force. The nature and effect of the revisions are described in [section 19.3.2](#) 'Changes in published Standards and Interpretations effective in 2013 - IAS 19 Employee Benefits - Amendment to IAS 19 Employee Benefits – Post Employment Benefits'. The presentation of the comparative figures is, due to this change, adjusted for comparison purposes. Per 1 January 2013, an amount of € 89 million has been transferred from the shareholders' equity to the provision for employee benefits. This amendment has no material effect on the result.

19.3.4.2 Changes in estimates

For the valuation of certain derivatives with collateral, in 2013 a more relevant interest rate curve is used. The interest rate curves which are used are Overnight Index Swap (OIS) curves instead of other reference rates, like Euribor or LIBOR. This change is in line with the recent developments in the financial sector related to the valuation of such instruments. The change of the applied curves did not cause any significant changes to the fair values of derivatives compared to the methodology which was used in the past by SNS REAAL. The influence on equity and the result is therefore limited.

19.3.4.3 Changes in presentation

With the enforcement on 25 February 2013 by the Council of State of the nationalisation of SNS REAAL on 1 February 2013 and the announced separation of Property Finance, all requirements have been met to classify Property Finance as held for sale as of 25 February 2013. The comparative figures in the income statement and cash flow statement are adjusted for this purpose. The change in presentation is continued until the moment of split off of the Property Finance activities as of 31 December 2013. To provide more insight in the regular financial developments, in [section 28.44](#) 'The net result on discontinued operations' is specified.

19.3.5 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. All group entities have applied the accounting principles consistently.

19.3.5.1 Accounting principles applied to balance sheet items

In preparing the financial statements, the accounting principles 'fair value', 'amortised cost' and 'historic cost' are used.

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
- investments classified as available for sale
- derivatives

- investments and liabilities on behalf of policyholders
- part of the debt certificates

All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities measured at amortised cost that is part of a fair value hedge accounting relationship 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.

19.3.5.2 Functional currency and reporting currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional currency of SNS REAAL. All financial data presented in euros are rounded off to the nearest million, unless stated otherwise. Counting are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

Upon initial recognition, transactions in foreign currencies are converted into euros at the official exchange rate at the transaction date. Monetary 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 expressed in 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.

19.3.6 Main accounting principles, estimates and assumptions

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

The preparation of the consolidated financial statements requires SNS REAAL to make estimates and assumptions based on complex and subjective opinions and estimates. These estimates have a significant impact on 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. Hereby, management judges situations on the basis of available information and financial data which could potentially alter in the future. Although the estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other propositions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. The resulting impact 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. The main accounting principles involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, determining the provisions for bad debts, determining the fair value of assets and liabilities and determining impairments.

For detailed information and disclosure of the accounting estimates and assumptions we refer to the next sections and the notes to the financial statements items.

19.3.6.2 Insurance contracts

SNS REAAL has continued applying the accounting policies on valuation of the insurance contract liabilities since adoption of IFRS (the historically applied accounting policies). On balance sheet date, liabilities for life insurance will be determined based on a rate basis, and, if applicable, a premium for longevity and interest guarantees (on life insurance, of which the investment risk is borne by the insurance policyholder) and the possible effects of shadow accounting. The liabilities arising from damage insurance contracts are determined based on historically observed damage run-off. For disability insurances a combination of both methods is used.

IFRS requires, for measurements based on historical cost, a liability adequacy test in which the value of the insurance liability is based on historical cost, netted with the related Value of Business Acquired (VOBA); it is compared with the value of the insurance liability under fair value. When this value is higher, there is a shortfall. Under IFRS 4, the book value of the insurance liability has to be supplemented by this shortfall (as described under 'IFRS liability adequacy test on Insurance liabilities - Recognition of a shortfall in the IFRS liability adequacy test'), so that the insurance liability is measured at fair value assumptions.

Liabilities arising from life insurances on a rate basis

Liabilities arising from life insurance contracts on a rate basis are determined on the basis of a sufficiently conservative prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable. The calculation deviates from using a prospective method if the nature of the relevant type of life insurance does not allow the application of this method.

Actual payments and the timing of payments also depend on factors such as social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, and, for life insurance contracts, assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, are also taken into account for some risk products. The assumptions used in the valuation of life insurance policies at the balance sheet date are based on the calculation principles set at the time of the issue of the policy. Using different assumptions for these factors than have been used in preparing these accounts could have a significant effect on the liabilities arising from insurance contracts and insurance related expenses.

Most policies have a fixed discount rate, which is 3% for insurance contracts issued after 1999 and a maximum of 4% for insurance contracts prior to this time. For offset mortgages and other guaranteed products, the rate of return guaranteed in the insurance contract is used. The actuarial interest for these products equals the investment return achieved on the corresponding investments.

IFRS liability adequacy test on Insurance liabilities

The insurance liabilities reported at the balance sheet date are valued using premium calculation principles for interest and mortality (life insurance contracts) or historically observed claim development patterns (non-life insurance). A combination of both methods is used in relation to the disability insurance contracts. The adequacy of the provision is tested periodically during and at the end of the reporting period by means of the IFRS liability adequacy test.

IFRS liability adequacy test life insurance

The test

Under IFRS, the book value of the insurance liability, after deduction of the related VOBA, should be at least equal to the fair value of the insurance liability. Therefore the IFRS liability adequacy test is carried out periodically during and at the end of the financial year, for life insurance and non-life insurance, separately tested whether the book value based on historical cost, supplemented with the effects of shadow accounting (refer to [section 19.5.10.7](#) Shadow accounting and below 'Shadow loss') and any provisions for interest guarantees on life insurances, in which the investment risk is borne by the insurance policyholder, shows a shortfall in comparison with fair value measurement.

In interest rate guarantees in collective contracts where the investment risk for the account and risk of policyholders

comes with a number of employers it is agreed that deficits in relation to the guaranteed interest rate are (partially) borne by the employer. In connection with this replenishment of the employer amounts received or to be received shall be deducted from the deficit of the liability adequacy test.

Recognition of a shortfall

If the outcome of the test is a shortfall, the book value will be supplemented, charged through shareholders' equity, insofar as there are assignable positive revaluations in the revaluation reserve and cash flow hedge reserve (explained in the section 'Shadow loss' below). Should there still be a shortfall remaining, this shortfall will first be charged through the technical insurance costs into the VOBA. Finally, the still remaining shortfall will also, through technical insurance costs, be added to the liabilities arising from insurance contracts. In case of a decrease of the shortfall in the next reporting period, this addition will be reversed from the insurance liabilities through profit and loss (through the technical insurance costs). Charges through the VOBA are definitive and will therefore not be taken back in a next reporting period.

Methodology IFRS liability adequacy test on life insurance liabilities

The IFRS liability adequacy test is performed on the book value of the liabilities arising from life insurance contracts based on historical cost, including the effects of shadow accounting and possible provisions for interest rate guarantees, less the Value of Business Acquired (VOBA). It is tested whether these book values are ultimately adequate, based on actual assumptions, to meet the commitments to the policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments of mortality, disability, the behaviour of policyholders, claims handling and management costs. Valuation of the future expected profit sharing and the time value of embedded options and guarantees is included in these cash flows. The estimate is increased by a risk margin, which is calculated using the Cost of Capital method. Finally the cash flows are discounted against the ECB AAA curve with UFR, as published by DNB. If the thus calculated provision turns out to be higher than the book value of the insurance liabilities presented in the balance sheet increased with differences in the valuation of investments (to the extent that they are not recognised at fair value), a shortfall exists.

Shadow loss

Insofar the shortfall of the insurance liability in the IFRS test is related to an increase in the provision as a result of an interest rate decrease, the necessary addition to book value of the liability, through shadow loss accounting, is charged to the fair value reserve and cash flow reserve. The fair value reserve is only charged; insofar it is related to the fixed income investments related to the technical insurance liabilities. A shortfall resulting from other technical assumptions is not recognised through a shadow loss. A positive outcome of the test in a successive reporting period results in a credit to the fair value reserve or a cash flow hedge reserve of a shadow loss amount previously recognised in the insurance liability, in the amount of the surplus. The fair value reserve or cash flow hedge reserve cannot be negative. Refer to [section 19.5.10.7](#) and [section 28.17](#) for more information on the effects of shadow (loss) accounting.

Test level and frequency

This IFRS liability adequacy test is performed at least once per quarter on the liabilities of the entire portfolio of life insurance contracts.

Assumptions used

The following current assumptions were used in performing the IFRS liability adequacy test as at 31 December 2013:

- Discount rate: ECB (European Central Bank) AAA government curve including the UFR (the Dutch Central Bank curve).
- Profit allocation in accordance with applicable profit sharing arrangements.
- Cost allocation and distribution of efficiency advantages based on internal assessment.
- Projected mortality probability data for the entire population based on 'Prognose Model AG 2012' (CBS statistics)

Netherlands data until 2012) adjusted for experience in the company's portfolio based on internal research.

- Lapse and early surrender data based on internal research.
- Inflation derived from market data.
- Salary increases in collective labour agreements in accordance with the inflation assumption.
- Cost of capital of 4%.

Mortality probabilities

The mortality rates used in the projection of the liabilities is the probability according to the population mortality rate multiplied by a portfolio factor.

To determine the mortality probability for the entire population the AG 2012 model from the Dutch Actuarial Society is used, which is calibrated by SNS REAAL with the CBS mortality observations up to and until 2012.

The portfolio factor measures the difference between population mortality and mortality in the insurance portfolio. Within the framework set by SNS REAAL, this factor is individually determined for each business unit and is also dependent on product characteristics, gender, and elapsed time / age. This portfolio factor is revised annually based on internal research and the mortality quotient of the latest CBS observations.

Liability adequacy test non-life insurance

Test level and frequency

An IFRS liability adequacy test is carried out twice a year to establish the adequacy of provisions for liabilities arising from the total portfolio of non-life insurance policies. This test is performed on the provision for non-life claims, the provision for unearned premiums and the provision for claims-handling expenses.

Methodology IFRS liability adequacy test on non-life insurance liabilities

The testing value of the insurance liability based on fair value assumptions consists of a best estimate, followed by a risk margin. The best estimate is made for each portfolio separately. The classification of portfolios (branch and distribution channel) has been determined in such a way, that there exists a risk homogeneous portfolio. The best estimate serves as a realistic estimate of future claim payments, claim-handling expenses and future expenses arising from insurance contracts. The cash flows of the disability insurance policies are discounted using the ECB AAA interest curve including the UFR. The uncertainty margin is based on the Cost of Capital method (Cost of Capital: 6%). Any shortfall is charged directly to the income statement.

19.3.6.3 Provision for bad debts

As far as the loans and advances with or without mortgage collateral are concerned, a provision for impairment is made if there are objective indications that SNS REAAL will not be able to collect all the amounts in accordance with the original contract. For loans and advances that are individually significant, the provision made equals the difference between the book value and the recoverable value. The recoverable value equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans and advances.

The criteria for impairment are applied to the entire loan portfolio. Homogenous groups of loans and advances with smaller amounts per individual loan or advance (and corresponding credit risk), such as mortgages and consumer credit, are tested collectively for impairment. The same applies to smaller business loans managed in a portfolio. The provision with respect to the collective approach is calculated using models, including risk-rating models for homogenous pools of consumer and SME loans. The loss factors developed using these models are based on historical loss data of SNS REAAL, and are adjusted according to 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'). Losses on mortgages and mortgage-backed property finance are estimated on the basis of historical loss patterns of loans and advances that carry similar risk characteristics as the loans and advances held in the portfolio. Losses on non-mortgage backed property finance and other loans and advances are estimated on the basis of historic loss patterns and the creditworthiness of the borrowers. Both estimates take into account 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 uncollectable, 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.

19.3.6.4 Net realisable value of property projects

Property projects are valued at the lower of cost or net realisable value (NRV). NRV is the estimated sales price less sales costs, in which the projected revenues and costs (including the estimated sales price at the end of the exit period) are discounted at the weighted average cost of capital (WACC) of SNS Bank NV.

The estimated sales price at the exit date in the future is determined based on projections of the rental income, price per square meter, construction costs, interest costs and expected market returns on exit date and is based on valuations provided by professional external appraisers.

19.3.6.5 Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is determined on the basis of quoted list prices where available. Such quoted list prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. SNS REAAL applies a transfer price when determining fair value; therefore financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information on fair value of the instrument is taken into account.

For certain financial assets and liabilities, no market price is available. The fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input into the models is as far as possible based on observable market information. All valuation methods used are assessed and approved in-house according to SNS REAAL governance procedures.

19.3.6.6 Impairment charges of intangible assets and investments in financial instruments

Intangible assets

An asset is subject to impairment if its book value exceeds the realisable value from continued use (value in use) or sale of the asset. The realisable value of assets not classified at fair value through profit or loss is estimated if there are indications of impairment of the asset. Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

Goodwill

Goodwill created with the acquisition of subsidiaries, associated companies and joint ventures is allocated to cash-generating units. The book value of the cash-generating unit (CGU) (including goodwill) is compared to the calculated recoverable value, determined on the basis of value in use. If the recoverable value is lower than the book value, the difference will be recognised as impairment in the income statement. Assumptions used in these goodwill impairment tests:

- The value in use is determined for every CGU individually.
- The value in use is based on the business plans of the CGU concerned.
- The discount rate is determined on the capital asset pricing model, in which the beta is calculated on the basis of a group of comparable companies. This reference group is determined individually per CGU.

Value of Business Acquired (VOBA)

The VOBA is tested simultaneously using the IFRS liability adequacy test for insurance contracts (as described in the sections 'the test' and 'recognition of a shortfall'). Shortfalls from the liability adequacy test will at first be definitively charged through VOBA, until this is completely impaired. Any remaining shortfalls will be charged through profit and loss. VOBA impairments will not be taken back in the reporting periods thereafter in case of a decrease of the test shortfall.

Software and other intangible assets

On each reporting date, the capitalised costs for software, distribution channels and client portfolios are reviewed for indications of possible impairments.

Brand names are tested for impairment once every year. The recoverable value is determined by a value in use calculation. The key assumptions used herein are the discount rate and the royalty rate.

Reversal of impairments on intangible assets

Except for goodwill and VOBA, impairment losses on intangible assets are reversed if there is proof that a change in the estimates of the realisable value occurred after the impairment loss was recognised. The reversal is included under 'impairment charges' in the income statement. The book value after reversal can never exceed the amount before recognition of the impairment loss.

Financial assets

Each reporting date, SNS REAAL assesses whether there are objective indications of impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the income statement under 'impairment charges'. With investments available for sale, any positive revaluation reserve of shareholders' equity is first deducted.

Investments in debt securities

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there are objective indications of financial difficulties at the counterparty, declining markets for the product of the counterparty or other indications. This test comprises both quantitative and qualitative considerations. Debt securities are assessed on aspects including expected credit losses and credit losses already incurred (for example due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

Equity investments

An investment in equity instruments (an investment in shares) is considered to have been subject to impairment if its book value exceeds the recoverable value for an extended period, which means that the fair value:

- decreased 25% or more below cost, or
- has been below cost for 9 months or more.

The fair value of investments in the form of unlisted shares is determined according to the following criteria, depending on the availability of data:

- the price of the most recent transaction as an indication.
- current fair values of other, similar investments (in entities).
- using valuation methods that use market data as much as possible, and that are in accordance with accepted economic methods.

Reversal of impairments on debt securities and equity investments

If the amount of the impairment decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised, the previously recorded impairment loss is reversed in the income statement. This does not apply to investments in shares, where an increase in value is always recognised through shareholders' equity.

19.4 Accounting principles used for consolidation

19.4.1 Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to SNS REAAL. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated, with SNS REAAL accounting principles being applied. The interests of third parties are separately included in the consolidated balance sheet and income statement. Due to the transfer of Property Finance to Stichting administratiekantoor beheer financiële instellingen as of 31 December 2013, the assets and liabilities of Property Finance are no longer consolidated in the financial statements of SNS REAAL.

19.4.2 Special Purpose Entities (SPEs)

SNS REAAL has securitised mortgage receivables in SPEs. With these transactions, the economic ownership of the mortgage loans is transferred to separate entities. SNS REAAL does not have any direct or indirect interests in these entities.

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

19.4.3 Associated companies and joint ventures

Investments in associated companies (associates) are entities in which SNS REAAL generally has between 20% and 50% of the voting power, or over which SNS REAAL can exercise significant influence on the operational and financial policies, but in which it has no control.

Joint ventures are entities over which SNS REAAL has joint control, which control is laid down in an agreement, and strategic decisions on the financial and operational policies are taken unanimously.

The consolidated financial statements include SNS REAAL's share in the total results of associates and joint ventures, from the date that SNS REAAL acquires significant influence to the date that significant influence ceases. The result is accounted for using the equity method, after adjusting the result to comply with SNS REAAL's accounting principles, if needed.

Upon recognition, associates and joint ventures are initially accounted for at the cost price (including the transaction costs) and subsequently according to the equity method. The item also includes goodwill paid upon acquisition less accumulated impairment losses, where applicable.

Under the equity method, the share of SNS REAAL in the result of associates and joint ventures is recognised in the income statement under 'share in the result of associates'. The share of SNS REAAL in changes in the reserves of associates or joint ventures is recognised directly in shareholders' equity (change in share of associates in other comprehensive income).

If the book value of the associate falls to zero, no further losses are accounted for, unless SNS REAAL has entered into commitments, made payments on its behalf or acts as a guarantor.

Associates and joint ventures held for sale are classified as 'held for sale'. These associates and joint ventures are measured at the lower of the book value or the sales price less sales costs. The result on the sale of an investment in an associate or joint venture is presented in the income statement as a total amount, consisting of the sales price less the transaction costs and the book value of the associate.

19.4.4 Elimination of group transactions

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

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

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

19.4.5 Foreign currencies

Upon initial recognition, transactions in foreign currencies are converted into euros at the exchange rate at the transaction date. Monetary 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 expressed in 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.

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

19.4.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is 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 met, amounts will not be offset.

19.4.8 Discontinued operations or assets held for sale

Assets and liabilities that are part of discontinued operations and assets held for sale, of which it is highly probable that, on balance sheet date, the discontinuation or sale is within twelve months, are recognised at the lower of the book value and fair value less expected sales costs.

Property projects of Property Finance held for sale were measured at the lower of cost or net realisable value up until the split-off from SNS REAAL on 31 December 2013. Financial instruments and insurance contracts held for sale follow the measurement of the instrument in accordance with IAS 39 and IFRS 4 requirements, respectively.

19.4.9 Information by segment

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

- SNS Retail Bank
- Property Finance (as of 31 December 2013, these activities have been transferred to NLF)
- Zwitserleven
- REAAL
- Group Activities

The segment REAAL has three subsegments, REAAL Life, REAAL Non-life and REAAL Other. More information on the different segments can be found in the [section 20.1](#) Information by segment.

In case of one-off, Group-directed intercompany transactions, the necessary corrections and eliminations in the consolidated results are incorporated directly in the segment in question. Formerly, these corrections were made in the eliminations column.

In the first quarter of 2013 the entire Property Finance segment was classified as held for sale. Because of this, the assets and liabilities of Property Finance are classified as assets and liabilities held for sale and the total result of the Property Finance segment is presented in the income statement on one line as 'Result from discontinued operations'. On 31 December 2013 the Property Finance activities were split off SNS REAAL and transferred to NLF.

19.4.10 Insurance contracts

In this balance sheet item, liabilities arising from insurance contracts are recorded. Insurance contracts are contracts that bear significant insurance risks. These contracts can also involve investment risks. SNS REAAL has insurance contracts for Life and Non-Life. For detailed information reference is made to section 19.5.10 [Insurance contracts](#) and the [Notes to the consolidated financial statements](#).

19.5 Specific balance sheet principles

19.5.1 Intangible assets

19.5.1.1 Goodwill

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

Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. 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 and insofar these are not already included in the purchase price, are included in the acquisition price at the time 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 (see section 19.3.6.6 [Impairment charges of intangible assets and investments in financial instruments](#)).

19.5.1.2 Software

Costs that are directly related to the development of identifiable software products that SNS REAAL controls, and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible 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 software are included as an expense in the period during which they are incurred.

The capitalised development costs for software are amortised on a straight-line basis over the useful life, with a maximum of five years. Every reporting date an assessment is carried out for possible impairments.

19.5.1.3 Value of Business Acquired (VOBA)

Value of business acquired (VOBA) is the net present value of estimated future cash flows from current insurance contracts of a business or insurance portfolio acquired as at the acquisition date and represents the difference between the fair value and the book value on SNS REAAL principles of the insurance portfolios acquired.

SNS REAAL amortises the VOBA on the basis of the established release pattern of the value of the actuarial calculated surplus value at the date of purchase of the book value of the underlying portfolios at the acquisition date. The amortisation charge is thus in line with the release of this surplus value from the book value of the underlying portfolios.

At each balance sheet date, an IFRS liability adequacy test is performed on the book value of the insurance contracts, after deduction of the capitalised VOBA. For a more detailed explanation on this please refer to section 19.3.6.2 [Insurance contracts](#) and 19.3.6.6 [Impairment charges of intangible assets and investments in financial instruments](#).

19.5.1.4 Other intangible assets

The other intangible assets include assets with a definite and an indefinite useful life, such as distribution channels, trademarks, client portfolios and core deposits. The assets with a definite useful life are either amortised in accordance with the straight-line method over their useful life or on the basis of the profit flows from the underlying portfolios, in general between five and fifteen 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.

19.5.2 Property and equipment

19.5.2.1 Land and buildings in own use

Property in own use mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based yearly valuations, performed by external, independent valuers with sufficient profession expertise and experience in the specific location and categories of properties.

Property in own use is valued at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be transferred between willing parties in a transaction at arm's length. The capitalisation method is used to determine this value. This method uses an expected starting result and the market rental value to determine the fair value of an asset. The determination of the result on property in own use is also dependent on lease incentives, discount rates and expected vacancy, but also location, quality, age and liquidity of the concerning property.

Increase in the fair value exceeding the cost price is 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. The revaluation reserve cannot be negative. All other decreases in the fair value are accounted for in the income statement.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years, taking into account the possible residual value. Land is not depreciated. Regular impairment tests are carried out on land and buildings.

Repairs and maintenance expenses are recognised under 'other operating expenses' the moment the expenses incur. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of land and buildings in own use in relation to their original use, are capitalised and then amortised.

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

19.5.2.2 IT equipment and other property and equipment

All other property and equipment 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 assets and is depreciated on a straight-line basis over the useful life, taking into account any residual value. The estimated useful life can vary from 3 to 10 years.

Regular impairment tests are performed on the other property and equipment. If the book value of the tangible asset exceeds the realisable value, it is written down to the realisable value.

Repairs and maintenance expenses are recognised under 'other operating expenses' the moment the expenses incur.

Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other tangible fixed assets in relation to their original use, are capitalised and then amortised.

Results on the sale of property and equipment are defined as the balance of the realisable value less transaction costs and the book value. These results are recognised as part of 'other operating income'.

19.5.3 Investment properties

Investment properties, comprising retail and office properties, houses and land, are held to generate long-term rental income or capital appreciation or both. If property is held partly as investment property and partly for own use, the property is included under property and equipment, 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 the transaction costs, upon initial recognition. Investment properties are treated as long-term investments and measured at fair value, being the value of the property in a (partial) let state. The fair value is based on the appraisals performed every year by independent external appraisers with sufficient expertise and experience in property locations and categories.

The purpose of a valuation is to determine the value for which the asset would be transferred between willing parties in a transaction at arm's length. The capitalisation method is used to determine this value. This method uses an expected starting result and the market rental value to determine the fair value of an asset. The determination of the result on property in own use is also dependent on lease incentives, discount rates and expected vacancy, but also location, quality, age and liquidity of the concerning property.

Changes in the fair value of investment property are recognised in the income statement in section 28.31 under [Investment income](#).

19.5.4 Financial assets

SNS REAAL classifies its financial instruments 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 financial assets are acquired. Management decides in which category they will be placed.

Upon initial recognition, financial instruments 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 financial assets is based on listed bid prices or derived from cash flow models.

The categories are explained in more detail in the following section.

19.5.4.1 Investments

Loans and receivables (amortised cost)

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

Available for sale (fair value through other comprehensive income)

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

After initial recognition, investments available for sale are restated at fair value in the balance sheet. Unrealised gains and losses resulting from fair value adjustments of these investments are recognised in other comprehensive income (shareholders' equity), taking account of deferred taxes.

When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as 'investment income'. SNS REAAL uses the average cost method to determine the results.

Fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading purposes ('held for trading') or if it was designated as such upon initial recognition ('designated'). Investments are only designated as valued at fair value through profit or loss if:

- a this eliminates or considerably limits an inconsistency in valuation or recognition that would otherwise arise; or
- b SNS REAAL manages and assesses the investments on the basis of fair value.

The investments are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the income statement under 'investment income'.

Interest income earned on securities is recognised as interest income under 'interest income' at the Banking activities and under 'investment income' at the Insurance activities. Dividend received is recorded under investment income.

19.5.4.2 Investments for account of policyholders (fair value through profit or loss)

Investments on behalf of policyholders are classified as measured at fair value through profit or loss. They are designated as such, as the corresponding financial liabilities are also measured at fair value (see section 19.5.10.3 [Life insurance contracts on behalf of policyholders](#)). Amounts due by policyholders in this context are recognised in the income statement as 'premium income'. Adjustments in the value of investments and results on the sale of investments are recorded in the income statement under 'investment income for account of policyholders'.

19.5.4.3 Derivatives

General

Derivatives are recognised 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 present value model or an option valuation model. SNS REAAL recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Adjustments in the fair value of derivatives that do not qualify for cash flow hedge accounting (see section 25.2.2 [Hedge accounting](#)) are accounted for in the income statement under 'result on financial instruments'.

Embedded derivatives

An embedded derivative is treated as a separate derivative if there is no close relationship 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, with changes in value are recognised in the income statement.

Hedge accounting

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

- a a hedge of the risk of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
- b a hedge of the possible variability of future cash flows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is applied for derivatives that are thus designated and are in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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

SNS REAAL ceases the hedge accounting relationship after a management decision to this end or as soon as it has been established that a derivative is no longer an effective hedging instrument; when the derivative expires, is sold or terminated; when the hedged item expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

Fair value hedge accounting

Derivatives designated as a hedge of the fair value of recognised assets or of a firm commitment, are stated as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedge are recognised directly 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 previously hedged financial instrument.

If the hedged item 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.

Cash flow hedge accounting

Derivatives can be designated as a hedge of the risk of variability of the future cash flows of a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as a cash flow hedge and that meet the conditions for cash flow hedge accounting are stated in the cash flow hedge reserve as a separate component of shareholders' equity. The underlying measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses that were previously taken to the cash flow hedge reserve are transferred to the income statement and classified as income or expense in the period during which the hedged transaction influences the result.

When determining the portion of the fair value adjustment of the hedging instrument that is included in the cash flow hedge reserve, the portion of the gain or loss on the hedging instrument that is considered an effective hedge of the cash flow risk is included in shareholders' equity, while the ineffective portion is recognised in the income statement.

If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated result that was included in the cash flow hedge reserve fully remains in the cash flow hedge reserve

(OCI) until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated result reported in OCI is directly recycled to the income statement.

19.5.4.4 Loans and advances to customers

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. The conditions of loans and advances can change as a result of renegotiations or other reasons. If the net present value of the cash flows under the new terms and conditions deviates from the net present value of the cash flows under the current terms and conditions, this is considered an indication for an impairment test. Loans and advances adjusted after renegotiations or otherwise adjusted are measured on the basis of the original effective interest rate before the terms and conditions were revised.

A number securitised mortgages with mortgage collateral, mortgages to be securitised and related derivative and liabilities are measured at fair value with changes through profit or loss. This relates to the mortgages of the Holland Homes MBS securitisation programme and mortgages held for trading. The fair value is determined on the basis of the current swap curve, plus a risk surcharge derived from the development of the mortgage rate in relation to the swap rate. In addition, the probability of prepayment is also taken into account. Further details of these mortgages are provided in the notes.

Credit insurance

SNS REAAL has concluded credit insurance 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 issuer of the credit insurance. Impairment of mortgages and the amount receivable under the credit insurance are included under 'impairment charges' in the income statement.

Non-mortgage backed property finance and other loans and advances

This comprises loans and advances to business and retail clients without mortgage collateral. Loans and advances are measured at amortised cost on the basis of the effective interest method. If the conditions of loans and advances without mortgage collateral change, the resulting actions follow the same criteria as mortgages and mortgage-backed property finance.

Lease

In 2012, SNS REAAL entered (as lessor) into a number of financial lease agreements. These are agreements for which SNS REAAL has transferred almost all of the risks and benefits of the property to the lessee. The book 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. This relates to property finance in the Netherlands provided by Property Finance. With the Property Finance activities split-off on 31 December 2013, as of year-end there is no longer a lease receivable recorded.

Provisions for loans and advances to customers

As far as the loans and advances with or without mortgage collateral are concerned, a provision for impairment is made if there are objective indications that SNS REAAL will not be able to collect all the amounts due in accordance with the original contract. See also section 19.3.6.3 [Provision for bad debts](#).

19.5.4.5 Loans and advances to banks

These concern receivables to banks with a remaining maturity of one month or more, and not in the form of interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

19.5.4.6 Cash and cash equivalents

Cash and cash equivalents include the non-restricted and restricted demand deposits with the Dutch Central Bank (DNB), amounts held by the insurance activities at other banks and advances from the banking activities to credit institutions with a remaining maturity of less than one month. Restricted demand deposits that SNS Bank NV has with other credit institutions are included under loans and advances to banks. These receivables are measured at amortised cost using the effective interest method, less any impairments.

19.5.5 Taxes

19.5.5.1 Deferred tax assets

Deferred tax assets and liabilities are recognised for tax losses carried forward and 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 the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred taxes are measured at nominal value.

Deferred tax assets are only recognised if sufficient tax profits are expected to be realised in the near future to compensate these temporary differences. Deferred taxes are recognised for temporary differences between the book value and the value for tax purposes of investments in group companies and associates, unless SNS REAAL can determine the time at which these temporary differences will end and if it is likely that these differences will not end in the near future.

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

The most significant temporary differences arise from the revaluation of property and equipment, certain financial assets and liabilities, including derivative 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 of the acquired assets and obligations entered into and (b) the book value.

Deferred taxes with respect to the revaluation of the aforementioned assets and liabilities of which value adjustments are recognised directly in shareholders' equity are also charged or credited to shareholders' equity and upon realisation included in the income statement together with the deferred revaluations.

19.5.5.2 Deferred tax liabilities

Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. The treatment is in accordance with the disclosure in the previous section.

19.5.5.3 Corporate income tax

Corporate income tax relates to payable or recoverable tax on the taxable profit for the period under review, and taxes due from previous periods, if any. Current tax receivables and payables are measured at nominal value according to the tax rate applicable at the reporting date.

19.5.6 Other assets

19.5.6.1 Reinsurance contracts

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

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

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

Reinsurance receivables are assessed for potential impairment at the reporting date.

19.5.6.2 Property projects

Property projects comprise property for which no specific sales agreement with a third party exists. Property projects comprise completed and not yet completed projects. These properties are stated at the lower of cost price and net realisable value (NRV). NRV is the estimated sales price less sales costs. If the NRV is lower than the book value, an impairment is recognised in the income statement. Reversals of impairments are also recognised in the income statement.

19.5.6.3 Other assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. The net amount of advances and provisions in relation to the Deposit Guarantee Scheme (DGS) is accounted for under other receivables. 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 NV from clients and the clearing house in respect of option positions.

19.5.7 Equity

19.5.7.1 Issued share capital and share premium reserve

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

The Company also had B shares issued, till 1 February 2013. On that date these shares have been converted into ordinary shares, in accordance with the amended Articles of Association.

19.5.7.2 Dividend ordinary shares

Dividend for a financial year, which is payable after the balance sheet date, is disclosed in section 32.1 [Provision regarding profit or loss appropriation](#) under Other information.

19.5.7.3 Revaluation reserve

Revaluations of property in own use (see section 19.5.2.1 [Land and buildings in own use](#)) are included in the revaluation reserve.

19.5.7.4 Cash flow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes to the fair value of the derivative designated in the context of the application of cash flow hedge accounting, net of taxes, provided the hedged transaction has not yet occurred; see section 25.2.2 [Hedge accounting](#).

19.5.7.5 Fair value reserve

Gains and losses as a result of changes in the fair value of assets that are classified as available for sale are recorded in the fair value reserve, net of taxes. If the particular assets are sold, settled or become due to other reasons, the assets are no longer recognised, the corresponding cumulative result will be transferred from the fair value reserve to the income statement (see section 19.5.4.1 [Investments](#)). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are recorded in this reserve.

19.5.7.6 Other reserves

Other reserves mainly comprise SNS REAAL's retained profits.

19.5.7.7 Securities capital and securities capital share premium reserve

The securities capital comprises the securities capital issued and paid up by the Dutch State and Stichting Beheer SNS REAAL. The securities capital share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued securities. Costs directly attributable to the issue of the securities capital are deducted net of tax from the share issue income of the securities.

The securities capital and its share premium reserve are part of the nationalisation by the Dutch State and are turned into share premium in 2013.

19.5.8 Participation certificates, subordinated debt and final bonus account

19.5.8.1 Participation certificates

Participation certificates are certificates issued by SNS Bank NV to third parties. These certificates have a perpetual term, with SNS Bank NV maintaining the right to early redeem in full after 10 years. The amount of the dividend, in the form of a coupon rate, is fixed over a period of ten years and is equal to the CBS (Statistics Netherlands) return on 9-10 year Government bonds plus a spread. Participation certificates are initially measured at fair value, meaning, the issue income (the fair value of the received payment) net of transaction costs incurred. Thereafter, these are measured at amortised cost, using the effective interest method. Benefit payments on participation certificates are recorded under 'interest expense of the banking activities'.

The participation certificates are presented as debt in the financial statements.

The participation certificates have been expropriated as part of the nationalisation by the Dutch State. In 2013, the participation certificates have subsequently been contributed into SNS REAAL for share premium after which these were contributed into SNS Bank N.V. for share premium. The participation certificates were subsequently terminated pursuant to amalgamation.

19.5.8.2 Subordinated debt

Subordinated debt includes the subordinated bonds and private loans issued by SNS Bank NV, SRLEV NV and SNS REAAL NV. The Dutch Central Bank recognises this debt as Tier 1 and/or Tier 2 capital for the solvency test at SNS Bank NV, and as Tier 2 capital at SRLEV NV. This debt is initially measured at fair value, meaning, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, the debt is measured at amortised cost, using the effective interest method.

The subordinated debt of SNS Bank NV and SNS REAAL NV has been included in the expropriation ruling of the Dutch State. In 2013, the subordinated bonds are contributed into SNS REAAL and SNS Bank respectively for share premium. Subsequently, these subordinated bonds were terminated pursuant to amalgamation. The titles to the subordinated loans are expropriated in favour of Stichting AOS. The extinguishment of the subordinated loans has been accounted for in the income statement.

19.5.8.3 Final bonus account

The final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual insurance contracts that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to a final bonus is cancelled when the insurance contract is surrendered. Entitlements to final bonuses not yet paid out are subordinated to all other debts. It is also stipulated that entitlement to a final bonus is cancelled if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements can or may no longer be complied with.

The final bonus account is determined actuarially based on the same accounting principles that are applied for the valuation of the profit additions, which form part of the liabilities arising from insurance contracts. In addition, the estimated probability of early termination of insurance contracts is taken into account.

Part of the final bonus account is converted annually, according to a fixed method, into an unconditional right of the policyholder and added to the liabilities arising from insurance contracts.

The obligations arising from the final bonus scheme are classified as debt capital in the financial statements. This item is part of the available regulatory capital in the solvency reports to the Dutch Central Bank of the insurance activities.

19.5.9 Debt certificates

Outstanding debt certificates are measured at fair value upon initial recognition, meaning, the issue income (the fair value of the received payment) net of the transaction costs incurred. Subsequently, these are measured at amortised cost, using the effective interest method.

A specific category of outstanding debt certificates (the securitised mortgages through Holland Homes transactions) remains measured at fair value after initial recognition, whereby subsequent value adjustments are accounted for in the income statement so that any mismatch in valuation is eliminated that would otherwise arise from the different valuation principles of the assets and liabilities.

When SNS REAAL purchases its own debt securities, these debt certificates are derecognised.

19.5.10 Insurance contracts

19.5.10.1 Life insurance

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

Life insurance in cash

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

Profit sharing

In addition to non-profit sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights. Discretionary profit sharing schemes are connected to the contractual right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital.

The determination of the amount and timing of these additional benefits is at the discretion of SNS REAAL's Executive Board. The profit-sharing obligations already granted are also included in the liabilities arising from insurance contracts.

Unit linked life insurance

The claims from these insurance contracts are directly linked to the underlying investments. Given this link, the technical provisions held in respect of these policies move in line with movements in the value of these investments. The policyholder determines how SNS REAAL should invest the amount of any premiums paid after deduction of costs and risk premium. To this end, SNS REAAL has created separate investment funds.

The investment risk is borne by the unit linked policyholders. In addition to deciding how funds should be invested, policyholders are also free to alter the policy at any time depending upon their personal and/or financial situation. Within investment insurance, SNS REAAL issues guarantees on returns for a limited number of investment funds.

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

19.5.10.2 Life insurance policies for own account

An obligation to make future contractual payments is recognised as soon as the insurance contract takes effect. The provision for life insurance policies for own account and risk consists of the discounted value of expected future benefits payments to policyholders or other beneficiaries, less future premiums (net premium method).

Assumptions in basis rates

The assumptions used in the valuation of life insurance policies at the balance sheet date are based on the calculation principles set at the time of the issue of the policy. Furthermore, a periodic IFRS liability adequacy test is performed. For estimates, assumptions and an explanation of the test, please refer to 19.3.6.2 [Insurance contracts](#).

Provisions for longevity risk

Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become insufficient on this item due to the extended life expectancy of the insured persons. For this longevity risk, additional allocations were made to the provision in the past and provisions of acquired insurance companies have been maintained. Since 2008, in conjunction with the legal merger of different life entities and the increased possibility of compensation with short-life risk, the provisioning policy has been differently shaped. No additions to the provision for longevity risks are recorded, as long as there is sufficient compensation by positive risk premiums on other risk in the total portfolio. Furthermore, the actual longevity risk forms a part of the liability adequacy test.

Cost surcharges

Premiums include loadings to cover expenses. When the premiums are received or fall due, the surcharges are released and are then available to cover actual expenses, including renewal expenses and acquisition costs.

Interest rate discount

Liabilities arising from insurance contracts are determined net of capitalised interest rate rebates. These interest rate rebates are amortised on an actuarial basis.

Provisions for disability risk

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

19.5.10.3 Life insurance contracts on behalf of policyholders

These contracts concern insurance policies where the investment risk is borne by the policyholders. The liabilities arising from these contracts consist of the technical provisions for the value of the underlying investments, the value of interest rate guarantee and the value of the insurance component.

Technical provisions linked to the investments related component

The technical provisions for the underlying investments of these insurance contracts are set equal to the (fair) book value of the related underlying investments. As a result, these technical provisions (and also the underlying investment) are recorded at fair value through profit or loss. Transaction costs and commission are not included in the initial valuation but charged to the income statement as these transactions are concluded.

Interest rate guarantees

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

Insurance component

The insurance component in these insurance contracts is determined based on the basis rate.

19.5.10.4 Non-life insurance

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

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

Liabilities arising from non-life insurance contracts include:

Provision unearned premiums

This provision reflects premiums related to the period of any unexpired cover as at the balance sheet date. The provision is equal to the unearned gross premiums, whereby the commission paid is deducted from the gross premium. The provision for unearned premiums is calculated separately for each insurance contract in proportion to the unexpired risk period, adjusted where necessary for variations in risk and claim frequencies over the term of the insurance contract.

The change in the provision for unearned premiums is recorded in the income statement in order to recognise income over the period of exposure to risk.

Provision for current risks

The provision for current risks is made to meet obligations stemming from:

- claims and claims-handling expenses that may arise after the balance sheet date and which are covered by contracts issued prior to that date, insofar as the amount estimated in connection with this exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts and;
- the premiums received, be they single or regular, for contracts where the underlying risk increases over time. This is particularly the case for disability insurance.

Provision for claims payable

This provision is intended to meet claims arising from the current and preceding years that have not been settled as at the reporting date. The provision is determined systematically on a claim by claim basis. In the case of disability claims, this provision is referred to as the 'provision for regular payments'.

Provision for co-insurance

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

Provision for claims incurred but not reported (IBNR provision)

This provision is intended for events that occurred prior to the reporting date but have not yet been reported as at that date. Upon measurement, projected subrogation amounts are deducted from this experience-based provision.

Provision for internal claims handling costs

A separate provision for internal claims handling costs is formed as part of the provision for claims payable. This provision provides an estimate of the expenses involved in dealing with payments to be made in respect of claims arising from insured events that have already occurred.

Methodology IBNR and provision for internal claims handling costs

Contrary to the Liability Adequacy Test – which uses actuarial analyses – the IBNR and claims handling costs provision in the balance sheet are measured by reference to the book value of the previous month, adjusted (if needed) for large developments during the month. Twice a year these provisions are reassessed, based inter alia on business information as well as the actuarial analyses from the most recent Liability Adequacy Test.

Discounting

In accordance with general practice in the industry, SNS REAAL does not discount the non-life provisions mentioned in this section, with the exception of disability claims provisions. This also applies with regard to the provision for claims handling costs. Changes in estimates are reflected in the result in the period during which the estimates are adjusted.

19.5.10.5 In insurance contracts embedded options and guarantees

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

19.5.10.6 Profit sharing, bonuses and rebates

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

19.5.10.7 Shadow accounting

SNS REAAL has implemented shadow accounting in accordance with IFRS 4, and therefore ensures that SNS REAAL's financial statements better reflect the economic matching of insurance assets and liabilities. Shadow accounting is applied on:

- Insurance contracts with profit sharing.
- Insurance contracts without profit sharing, in and insofar the current market interest rate is below the interest rate used in pricing the contract when it was entered into, seen at portfolio level. (Shadow loss: refer to section 19.3.6.2)
- Certain interest related options and guarantees in insurance contracts on behalf of policyholders.

The assets on which shadow accounting is applied concern fixed income investments available for sale and interest derivatives.

Shadow accounting is applied on gains and losses on (derivative) assets that match insurance liabilities, regardless of whether these have or have not been realised and regardless of whether the unrealised gains and losses are recognised in the income statement or directly in the fair value reserve (shareholders' equity).

The gains and losses on assets recognised in shareholders' equity have a mirrored change as gains and losses in the insurance liabilities. The gains and losses on assets recognised in the income statement have a mirrored change in the gains and losses presented in the technical claims and benefits.

19.5.11 Employee benefits

19.5.11.1 Short-term remunerations for employees

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

19.5.11.2 Pension benefits

General

SNS REAAL has pension liabilities from defined contributions scheme, where the employer has no actuarial and investment risks and there is no risk that the employer must pay for accrued rights, as well as defined benefit plans, where these risks do exist.

The main pension scheme is a defined contribution scheme at Stichting Pensioenfonds SNS REAAL. New staff is included in this scheme.

In addition, for the staff of SNS REAAL there is a number of defined benefit pension plans of insurance companies acquired in the past. These are no longer open to new entrants.

Defined contribution schemes

A defined contribution plan is a pension plan in which fixed contributions are paid to a separate entity, of which the main entity is the independent Stichting Pensioenfonds SNS REAAL (the pension fund). SNS REAAL has no legally enforceable or actual obligation to pay if this fund has insufficient assets to make all the benefit payments related to employment in the current period or in prior periods.

The regular contributions in the defined contribution plans are considered to be net periodic costs for the year in which they are due, and are recognised as such in the staff costs. Employee contributions are deducted from the net periodic costs.

Defined benefit schemes

SNS REAAL also has a number of defined benefit pension plans relating to acquisitions. This relates to the pension rights on account and risk of SNS REAAL of (former) employees continuing under the old acquired pension schemes of AXA, Winterthur, Zwitserleven, Zürich, NHL and DBV. Only so-called dormant participants and retirees participate in these old schemes.

Net liability (or asset) from defined benefit pension schemes

This is the sum of gross pension entitlements from defined benefit pension schemes less the for deduction qualifying assets of these schemes. Netted an asset can arise, which then is deducted from the sum of liabilities insofar this exceeds the by IFRS determined limit (see hereafter). The net commitment arising from defined benefit pension plans is calculated separately for each plan. Qualifying assets are investments from pension funds or insurance contracts at insurance companies outside the SNS REAAL group.

Gross pension entitlements from defined benefit pension schemes

The present value of gross liability arising from pension entitlements is calculated yearly by an independent actuary based on the 'projected unit credit'-method. In principal this method evenly distributes the pension costs over the period in which an employee performs services for SNS REAAL.

The present value of the pension liability is determined by discounting the expected pension payments with the yield of highly rated corporate bonds ('AA'-rating) which have an equal maturity to the date of payment.

Self-administered pension schemes

Entitlements from self-administered defined benefit pension schemes are insured within the SNS REAAL group at SRLEV (Business Unit Zwitserleven). The investments which Zwitserleven holds for these contracts, do not qualify as pension investments and are therefore included in investments (for own account).

Income statement

General

The costs of defined contributions schemes are recognised when the contributions are due. For defined benefit schemes the following is recognised in the income statement:

- the periodic pension costs of the participants of this scheme who are still employed by SNS REAAL;
- costs of improvement (or from the costs deducted value of brought back entitlements) of these pension schemes, insofar these are related to employment in the past;
- results from definitive settlements of pension entitlements and
- the net interest of the net defined benefit pension liability (or asset).

Net interest defined benefit pension schemes

The net interest is calculated with the actuarial discount rate for the determination of the present value of the gross pension entitlements. This net liability (or asset) is determined at the start of the yearly reporting period, taken into account possible changes as a consequence of contributions from SNS REAAL or employees and pension payments during the year.

Interest costs exist of the actuarial interest costs of the gross liability of defined benefit pension entitlements, the fixed result of qualifying investments (calculated with the discount rate of the gross defined benefit entitlements) and the interest on the excess of the limit which was determined, when netted an asset exists. The interest on the amount with which an arisen asset exceeds the set limit is part of the total change from the effect of not recognising the asset as a consequence of this limit. This interest is determined by multiplying the amount with which the limit is exceeded with the actuarial discount rate. This negative amount is part of the determination of the net interest on one side, on the other side it is part of the revaluation.

Revaluation liabilities from defined benefit pension schemes

In shareholders' equity (Other comprehensive income) the following revaluations of the net pension liability (or asset) are recorded:

- actuarial gains and losses;
- the during the year actually realised gains on qualifying investments of defined benefit pension schemes, after deduction of the fixed result based on the actuarial discount rate which is included in the net interest from defined benefit pension schemes and
- the effect of limit, if applicable, for assets.

Revaluations are not reclassified in the next reporting period to the income statement, but can be transferred to another

component within shareholders' equity, for example to settlement of pension entitlements.

Asset ceiling defined benefit schemes

Under IAS 19 the value of assets (investments) of a pension fund are deducted from the pension liability. If the value of the investments in the pension fund exceeds the pension liability the sum is presented as an asset up to the amount that can flow back to the company in the future (the ceiling) in the form of refunds or through lower contributions.

The amount which exceeds the ceiling is deducted from the asset through the income statement. The interest on this excess amount is taken up as a negative component in the determination of the net interest on a possible remaining asset.

The excess value can arise from investment or actuarial gains or from contributions from the employer based on the financing agreement with the pension fund, which, amongst others, is based on the pension liability which the pension fund calculates themselves based on the parameters set by the supervisor, DNB.

19.5.11.3 Other employee commitments

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

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

19.5.11.4 Share-based remunerations

2012 scheme

SNS REAAL has a share based remuneration plan in which a number of employees of SNS REAAL and its group entities may participate. This share-based remuneration is denominated in SNS REAAL shares. When the share-based remuneration is settled in shares this results in an increase of shareholders' equity. If the share-based remuneration is settled in cash, a liability is taken into account.

The costs of share-based remunerations are accounted for over the period in which the services are rendered for the part that is unconditionally granted. As for the part granted on the condition of continuation of employment during a number of years (the loyalty period) the costs are taken into account in the service period. If the employment is terminated before the end of the loyalty period and the entitlement to the remuneration expires, the costs already expensed are reversed to profit and loss.

The fair value of the share-based remuneration that will be settled in shares is determined on the grant date. The number of shares to be granted is adjusted on each balance sheet date.

The costs of the shares related to the share-based remuneration of staff of group entities are charged by SNS REAAL to these entities.

2013 scheme

As a consequence of the nationalisation the shares of SNS REAAL are expropriated and no longer listed. Under the new scheme, which came into effect as of 1 January 2013, several employees of SNS REAAL and related entities have been provided phantom shares. The change in the value of a phantom share is based on the development of SNS REAAL's result, excluding any possible incidental income and expenses. The value of the phantom share is paid out at maturity date.

The value of the phantom share is recognised as cost in the period in which the services have been delivered. In the subsequent periods the change in value is recorded in the results until the date of payment.

19.5.12 Other provisions

19.5.12.1 General

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.

In February 2013, a constructive obligation was formed in relation to the proposed separation of Property Finance activities in a separate asset management organisation. The pro forma figures in the 2012 financial statements include the constructive obligation. Due to the Property Finance activities split-off on 31 December 2013, this constructive obligation is no longer recorded.

19.5.12.2 Restructuring provision

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

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

- the termination of the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- the 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.

19.5.12.3 Legal provisions

SNS REAAL makes a provision for legal proceedings at the balance sheet date for the estimated liability with respect to ongoing legal proceedings. 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 than not that an obligation exists at the balance sheet date, and a reliable estimate can be made of the obligation.

19.5.13 Financial liabilities

19.5.13.1 Derivatives

See section 19.5.4.3 [Derivatives](#).

19.5.13.2 Savings, other amounts due to customers and amounts due to banks

Savings consist of balances on (bank) savings accounts, savings deposits and term deposits of retail clients.

Amounts due to customers represent unsubordinated debts to non-banks, other than in the form of debt certificates. This item mainly comprises demand deposits and cash, in addition to deposits regarding reinsurance contracts, premium deposits and mortgage deposits.

Amounts due to banks comprise unsubordinated debts to credit institutions. Bond loans to banks are recognised under 'debt certificates'. Amounts due to banks include private loans, current accounts and outstanding repos.

Upon initial recognition, savings, amounts due to customers and amounts due to banks are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised under 'interest expense, Banking activities' in the income statement during the term of these savings and amounts owed.

19.5.14 Other liabilities

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

The accrued interest on subordinated debt is part of the expropriation decree. The accrued interest on subordinated bonds is credited to the shareholders' equity in 2013. The result on financial instruments in the profit and loss account include the accrued interest on subordinated loans in 2013.

19.6 Specific income statement accounting principles

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

A number of SNS REAAL's corporate staff departments are shared. The costs of the corporate staff departments are charged to the segments on the basis of the services provided, or, if more appropriate, proportionally allocated to SNS REAAL's subsidiaries. The costs of the Executive Board, the costs of the strategic reorientation of SNS REAAL and the resulting incidental costs are not allocated.

19.6.1 Income

Income represents the fair value of the services, after elimination of intra-group transactions within SNS REAAL. Income is recognised as described in the following sections.

19.6.1.1 Interest income

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

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

Commitment fees, together with related direct costs, are deferred and recognised as an adjustment of the effective interest on a loan if it is likely that SNS REAAL will conclude a particular loan agreement. If the commitment expires

without SNS REAAL providing 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 value or fair value is subsequently recognised on the basis of the interest rate used to determine the recoverable value by discounting the future cash flows.

19.6.1.2 Interest expenses

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

19.6.1.3 Premium income

The premium income from insurance contracts, excluding taxes and other charges, is divided into regular life (including pensions), single-premium life and non-life premiums.

Regular life premiums, single-premium contracts and limited-premium life insurance policies from life insurance contracts are recognised as income when payment by the policyholder falls due. Interest rate rebates and rate rebates are included in gross premium income and charged to technical claims and benefits during the amortisation period.

Premium income from non-life insurance contracts is recognised as income (earned premium) during the term of the contract in proportion to the elapsed insurance term, taking into account the movement in the provision for unearned premium. In general it concerns insurance contracts with a maximum term of twelve months.

19.6.1.4 Reinsurance premiums

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

19.6.1.5 Fee and commission income

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

19.6.1.6 Fee and commission expenses

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

19.6.1.7 Share in the result of associates

The share of SNS REAAL in the results of the associates is here accounted for. If the book value of the associated company falls to zero, no further losses are accounted for, unless SNS REAAL has entered into commitments or made payments on its behalf.

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

19.6.1.8 Investment income

Investment income consists of interest, dividend, rental income and revaluations.

Interest

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

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 these securities are quoted ex-dividend.

Rental income

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

Revaluations

Under revaluations, realised and unrealised increases and decreases in the value of investments in the category fair value through profit or loss are recognised. The revaluations concern the difference between on the one hand the fair value at the end of the reporting period or net proceeds from the sale during the reporting period, and on the other hand the fair value at the beginning of the reporting period or the purchase price during the reporting period.

Realised revaluations of investments in the other categories are recognised here, being the difference between sales price and amortised cost.

19.6.1.9 Investment income for account of policyholders

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

19.6.1.10 Result on financial instruments

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

This item also includes the profit or loss from the revaluation of the outstanding debt certificates, which are measured at fair value after initial recognition, with value adjustments taken in the income statement.

In addition, buy-back results on own funding paper and results from the sale of full loans are accounted for under this

item.

19.6.1.11 Other operating income

This comprises all the income that cannot be accounted for under other headings.

19.6.2 Expenses

Expenses are recognised in the income statement on the basis of a direct relationship between the costs incurred and the corresponding economic benefits. If future economic benefits are expected to be derived across different reporting periods, expenses are recognised in the income statement using a systematic method of allocation. Expenses are directly included in the income statement if they are not expected to generate any future economic benefits.

19.6.2.1 Technical claims

Net movements in technical provisions are recorded under this item. This includes mainly the addition of required interest and premium payments to cover future benefit payments, less payments due (life and non-life), developments in the portfolio, such as benefit payments and surrenders, the actuarial result on surrender, cancellation and mortality, and amortisation costs of the Value of business acquired (VOBA) and capitalised interest rate rebates.

19.6.2.2 Charges for account of policyholders

The changes in provisions for insurance contracts for the account and risk of policyholders are accounted for under this item (see section 19.5.10.3 [Life insurance contracts on behalf of policyholders](#)). Payments to policyholders are also recorded under this item.

19.6.2.3 Acquisition costs for insurance activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract or the conclusion of a mortgage in combination with an insurance product, including brokerage fees, the costs of medical check-ups and administrative costs for administering new policies in the portfolio. The change in the provision for unearned premiums, insofar this change relates to the related paid commissions, is also accounted for under acquisition costs.

19.6.2.4 Impairment charges

This item includes downward revaluations of assets for which the book value exceeds the recoverable value. Intangible assets, property and equipment, associated companies, investments, property projects, receivables and other assets may be subject to impairment. As soon as impairment is identified, it is included in the income statement. The specific principles for impairment are explained in more detail in section 19.5 [Specific balance sheet principles](#) under the applicable items.

19.6.2.5 Staff costs

These costs concern all costs that pertain to the personnel. This includes, inter alia, salaries, social security costs and pension costs.

19.6.2.6 Depreciation and amortisation of fixed assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets, with the exception of VOBA amortisation. The specific principles for depreciation and amortisation are explained in more detail in section 19.5 [Specific balance sheet principles](#) under the applicable items.

19.6.2.7 Lease

The lease agreements that SNS REAAL as a lessee 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. Future commitments pursuant to operational lease contracts are recognised as contingent liabilities and commitments. This item includes the leased land and buildings in own use and the fleet.

19.6.2.8 Other operating expenses

This includes office, accommodation and other operating costs.

19.6.2.9 Other interest expenses

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

19.6.2.10 Other expenses

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

19.7 Contingent liabilities and commitments

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

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

19.8 Cash flow statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before taxation are 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 the acquisition date 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.

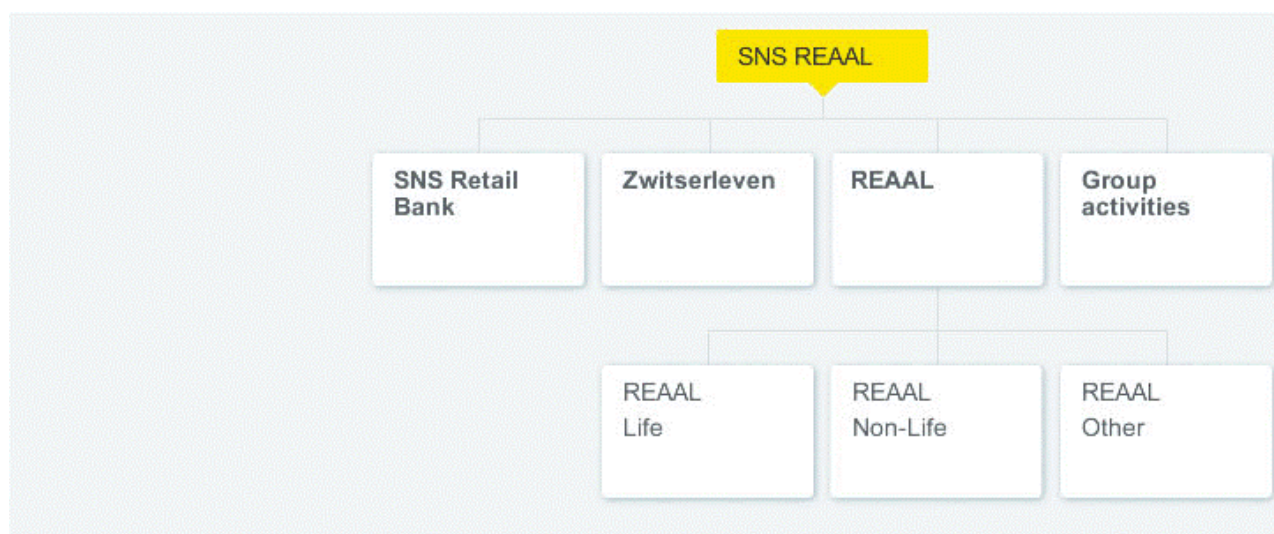
20 Segmentation

20.1 Information by segment

SNS REAAL is a Dutch financial services provider that focuses mainly on the Dutch retail and SME markets. The product range consists of: mortgages, savings, investments, insurance and pensions. The services to private individuals and the SME clients are mostly rendered through the main brands SNS Bank, REAAL and Zwitserleven and runs through several distribution channels.

At year-end 2013, the business structure consists of four segments: SNS Retail Bank, REAAL, Zwitserleven and Group activities. REAAL focuses on individual life insurance and non-life insurance and Zwitserleven focuses on individual and collective pension insurance.

SNS REAAL has several joint staff departments. Until 31 December 2012 the costs for the group staff have been charged to segments based on the services provided, or where that was not possible, proportionally to the several group segments. The costs of the Executive Board and other specific holding costs were not charged to group segments. As of 1 January 2013, based on the shareholders required separation of staff, the costs of group staff have been completely allocated to consuming segments. The allocation takes place in two steps. Step 1 is the allocation of as much costs as possible based on the services received (common allocation). In step 2 the residual costs are proportionally allocated based on available personnel. The costs for strategic reorientation of SNS REAAL and the resulting incidental costs will not be allocated (in 2013: the costs of the transfer of the AXA-pension).



20.1.1 SNS Retail Bank

This segment offers banking products in the field of mortgages, asset growth and asset protection for the retail and SME markets. In addition to the label SNS Bank the segment SNS Retail Bank also comprises ASN Bank, RegioBank, BLG Hypotheken and SNS Securities.

20.1.2 Property Finance

On 31 December 2013, the shares of Property Finance were transferred to the Dutch State for an amount of € 1.00, upon which the Dutch State transferred the Property Finance shares to Stichting administratiekantoor beheer financiële instellingen (trade name 'NLFI'), followed by the issue of certificates of the shares by NLFI to the Dutch State. The comparative figures in the income statement were restated accordingly. For a detailed income statement of Property Finance, reference is made to section 28.44 [Result discontinued operations](#).

20.1.3 Zwitserleven

This segment offers specialised pension products aimed at future income. The clients of Zwitserleven are director-shareholders (DGA's), SMEs, large companies and private individuals.

20.1.4 REAAL

The segment REAAL has three subsegments: REAAL Life, REAAL Non-life and REAAL Other.

20.1.4.1 REAAL Life

This segment offers individual life insurance to the retail and SME markets. The segment includes REAAL Levensverzekeringen and Proteq Levensverzekeringen.

20.1.4.2 REAAL Non-life

This segment offers non-life insurance for property, mobility, bodily injury, invalidity and disability.

20.1.4.3 REAAL Other

This segment includes the activities of REAAL which are managed separately from the segments REAAL Life and REAAL Non-life.

20.1.5 Group activities

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

20.2 Balance sheet by segment

Balance sheet by segment 31 December 2013

In € millions

	SNS Retail Bank	Property Finance	REAAL	Zwitserleven	Group activities	Eliminations	Total
Assets							
Intangible assets	89	-	64	-	17	-	170
Property and equipment	52	-	69	25	27	48	221
Investments in associates	-	-	6	-	1	(1)	6
Investment properties	-	-	230	38	-	(48)	220
Investments	5,657	-	18,985	11,144	43	(2,452)	33,377
Investments for account of policyholders	-	-	5,864	7,627	-	(51)	13,440
Derivatives	2,452	-	222	368	-	23	3,065
Deferred tax assets	507	-	147	480	58	(44)	1,148
Reinsurance contracts	-	-	3,997	1	-	-	3,998
Property projects	-	-	-	-	-	-	-
Loans and advances to customers	53,417	-	2,212	628	321	(1,546)	55,032
Loans and advances to banks	6,063	-	304	58	40	(73)	6,392
Corporate income tax	217	-	-	22	64	(295)	8
Other assets	537	-	224	420	72	(178)	1,075
Cash and cash equivalents	5,528	-	778	328	56	(268)	6,422
Total assets	74,519	-	33,102	21,139	699	(4,885)	124,574
Equity and liabilities							
Shareholders' equity	2,564	-	994	1,615	(675)	(2)	4,496
Minority interests	-	-	1	-	-	(1)	-
Total equity	2,564	-	995	1,615	(675)	(3)	4,496
Participation certificates and subordinated debts	40	-	644	215	-	(342)	557
Debt certificates	16,439	-	-	-	59	(103)	16,395
Insurance contracts	-	-	24,042	17,221	-	(417)	40,846
Provision for employee benefits	-	-	8	-	100	417	525
Other provisions	66	-	20	8	10	-	104
Derivatives	2,670	-	28	62	9	23	2,792
Deferred tax liabilities	174	-	203	142	-	(43)	476
Savings	33,276	-	-	-	-	-	33,276
Other amounts due to customers	10,628	-	4,889	18	-	(3,691)	11,844
Amounts due to the Dutch State	-	-	-	-	1,100	-	1,100
Amounts due to banks	7,457	-	966	1,258	-	(250)	9,431
Corporate income tax	-	-	293	-	-	(293)	-
Other liabilities	1,205	-	1,014	600	96	(183)	2,732
Total equity and liabilities	74,519	-	33,102	21,139	699	(4,885)	124,574

Balance sheet by segment 31 December 2012

In € millions

	SNS Retail Bank	Property Finance	REAAL	Zwitserleven	Group activities	Eliminations	Total
Assets							
Intangible assets	98	-	798	87	17	-	1,000
Property and equipment	69	2	125	29	21	52	298
Investments in associates	-	3	45	-	2	(1)	49
Investment properties	-	-	200	33	-	(52)	181
Investments	5,302	-	21,849	10,049	35	(3,060)	34,175
Investments for account of policyholders	-	-	5,764	7,501	-	(38)	13,227
Derivatives	3,617	-	310	170	36	6	4,139
Deferred tax assets*	329	8	225	715	83	-	1,360
Reinsurance contracts	-	-	3,183	2	-	-	3,185
Property projects	-	416	-	-	-	-	416
Loans and advances to customers	55,179	6,605	2,303	750	474	(977)	64,334
Loans and advances to banks	9,867	10	358	94	40	(8,056)	2,313
Corporate income tax	125	3	-	37	101	(165)	101
Other assets	498	600	677	187	87	(818)	1,231
Cash and cash equivalents	6,909	203	1,310	253	106	(1,127)	7,654
Total assets	81,993	7,850	37,147	19,907	1,002	(14,236)	133,663
Equity and liabilities							
Shareholders' equity*	1,723	(412)	2,536	422	(1,973)	-	2,296
Equity attributable to security holders	-	-	-	-	987	-	987
Minority interests	-	-	3	-	-	(1)	2
Total equity	1,723	(412)	2,539	422	(986)	(1)	3,285
Participation certificates and subordinated debts	820	-	812	222	391	(501)	1,744
Debt certificates	21,990	-	-	-	552	(330)	22,212
Insurance contracts	-	-	25,433	16,669	-	(333)	41,769
Provision for employee benefits*	-	-	9	-	185	333	527
Other provisions	73	9	25	11	11	-	129
Derivatives	3,599	-	16	22	-	6	3,643
Deferred tax liabilities	295	8	627	289	-	-	1,219
Savings	32,815	-	-	-	-	-	32,815
Other amounts due to customers	9,529	-	3,876	394	681	(3,497)	10,983
Amounts due to banks	8,691	8,124	2,665	1,080	-	(8,921)	11,639
Corporate income tax	-	-	126	-	40	(165)	1
Other liabilities	2,458	121	1,019	798	128	(827)	3,697
Total equity and liabilities	81,993	7,850	37,147	19,907	1,002	(14,236)	133,663

* Some of the comparative figures have been restated for comparison purposes as a result of the amendment to IAS 19 Employee Benefits. In accordance with this amendment, a total of € 89 million is debited to the shareholders' equity and credited to the provision for employee benefits. Reference is made to the notes in section 19.3.4.1 Changes in principles for the consolidated financial statements.

20.3 Income statement by segment

Income statement by segment 2013

In € millions

	SNS Retail Bank	Property Finance	REAAL	Zwitserleven	Group activities	Eliminations	Total
Income							
Interest income third parties	2,226	-	-	-	-	-	2,226
Interest income group companies	1	-	-	-	-	(1)	-
Interest expense third parties	1,178	-	-	-	-	-	1,178
Interest expense group companies	95	-	-	-	-	(95)	-
Net interest income	954	-	-	-	-	94	1,048
Premium income	-	-	2,115	1,075	-	-	3,190
Reinsurance premiums	-	-	220	3	-	-	223
Net premium income	-	-	1,895	1,072	-	-	2,967
Fee and commission income third parties	83	-	21	2	100	-	206
Fee and commission income group companies	16	-	49	12	-	(77)	-
Fee and commission expense third parties	44	-	7	1	21	-	73
Fee and commission expense group companies	5	-	6	-	24	(35)	-
Net fee and commission income	50	-	57	13	55	(42)	133
Share in result of associates	-	-	2	-	-	-	2
Investment income	38	-	1,034	409	29	(132)	1,378
Investment income for account of policyholders	-	-	556	72	-	(2)	626
Result on financial instruments	3	-	21	39	68	-	131
Other operating income	6	-	-	-	-	-	6
Total income	1,051	-	3,565	1,605	152	(82)	6,291
Expenses							
Technical claims and benefits	-	-	2,006	1,112	-	(9)	3,109
Charges for account of policyholders	-	-	1,178	485	-	-	1,663
Acquisition costs for insurance operations	-	-	236	11	-	(4)	243
Staff costs	189	-	133	61	322	9	714
Depreciation and amortisation of fixed assets	17	-	20	4	10	-	51
Other operating expenses	316	-	177	67	(226)	(22)	312
Impairment charges	224	-	192	25	3	(9)	435
Other interest expenses	-	-	204	28	28	(59)	201
Other expenses	8	-	1	-	-	-	9
Total expenses	754	-	4,147	1,793	137	(94)	6,737
Result before taxation	297	-	(582)	(188)	15	12	(446)
Taxation	107	-	(100)	(47)	5	3	(32)
Net result continued operations	190	-	(482)	(141)	10	9	(414)
Net result discontinued operations	-	(1,536)	-	-	-	-	(1,536)
Net result for the period	190	(1,536)	(482)	(141)	10	9	(1,950)
Minority interests	-	-	-	-	-	-	-
Net result attributable to shareholder	190	(1,536)	(482)	(141)	10	9	(1,950)

Income statement by segment 2012

In € millions

	SNS Retail Bank*	Property Finance*	REAAL	Zwitserleven	Group activities	Eliminations*	Total
Income							
Interest income third parties	2,457	-	-	-	-	-	2,457
Interest income group companies	5	-	-	-	-	(5)	-
Interest expense third parties	1,667	-	-	-	-	-	1,667
Interest expense group companies	93	-	-	-	-	(93)	-
Net interest income	702	-	-	-	-	88	790
Premium income	-	-	2,255	1,200	-	-	3,455
Reinsurance premiums	-	-	217	6	-	-	223
Net premium income	-	-	2,038	1,194	-	-	3,232
Fee and commission income third parties	90	-	54	(8)	69	-	205
Fee and commission income group companies	16	-	20	22	28	(86)	-
Fee and commission expense third parties	38	-	7	1	19	-	65
Fee and commission expense group companies	14	-	8	-	23	(45)	-
Net fee and commission income	54	-	59	13	55	(41)	140
Share in result of associates	-	-	11	-	-	-	11
Investment income	23	-	1,125	483	39	(145)	1,525
Investment income for account of policyholders	-	-	694	817	-	(1)	1,510
Result on financial instruments	47	-	93	(80)	-	-	60
Other operating income	9	-	-	-	1	(8)	2
Total income	835	-	4,020	2,427	95	(107)	7,270
Expenses							
Technical claims and benefits	-	-	1,799	1,159	-	-	2,958
Charges for account of policyholders	-	-	1,153	1,113	-	-	2,266
Acquisition costs for insurance operations	-	-	256	15	-	(3)	268
Staff costs	231	-	140	67	288	-	726
Depreciation and amortisation of fixed assets	26	-	25	7	11	-	69
Other operating expenses	222	-	144	63	(161)	(31)	237
Impairment charges	228	-	341	134	18	-	721
Other interest expenses	-	-	140	29	65	(73)	161
Other expenses	8	-	1	-	-	-	9
Total expenses	715	-	3,999	2,587	221	(107)	7,415
Result before taxation	120	-	21	(160)	(126)	-	(145)
Taxation	31	-	45	(40)	(26)	-	10
Net result continued operations	89	-	(24)	(120)	(100)	-	(155)
Net result discontinued operations	-	(813)	-	-	-	-	(813)
Net result for the period	89	(813)	(24)	(120)	(100)	-	(968)
Minority interests	1	-	3	-	-	-	4
Net result attributable to shareholders and securityholders	88	(813)	(27)	(120)	(100)	-	(972)

* Some of the comparative figures have been restated for comparison purposes as a result of the decision to transfer Property Finance to NLFI. Reference is made to the notes in section 19.3.4.3 Changes in presentation for the consolidated financial statements.

20.4 Balance sheet Banking activities by segment

Balance sheet Banking activities by segment 31 December 2013

In € millions

	SNS Retail Bank	Property Finance	Eliminations	Total
Assets				
Intangible assets	89	-	-	89
Property and equipment	52	-	-	52
Investments in associates	-	-	-	-
Investments	5,657	-	-	5,657
Derivatives	2,452	-	-	2,452
Deferred tax assets	507	-	-	507
Property projects	-	-	-	-
Loans and advances to customers	53,417	-	-	53,417
Loans and advances to banks	6,063	-	-	6,063
Corporate income tax	217	-	-	217
Other assets	537	-	-	537
Cash and cash equivalents	5,528	-	-	5,528
Total assets	74,519	-	-	74,519
Equity and liabilities				
Shareholders' equity	2,564	-	-	2,564
Minority interests	-	-	-	-
Total equity	2,564	-	-	2,564
Participation certificates and subordinated debts	40	-	-	40
Debt certificates	16,439	-	-	16,439
Other provisions	66	-	-	66
Derivatives	2,670	-	-	2,670
Deferred tax liabilities	174	-	-	174
Savings	33,276	-	-	33,276
Other amounts due to customers	10,628	-	-	10,628
Amounts due to banks	7,457	-	-	7,457
Other liabilities	1,205	-	-	1,205
Total equity and liabilities	74,519	-	-	74,519

Balance sheet Banking activities by segment 31 December 2012

In € millions

	SNS Retail Bank	Property Finance	Eliminations	Total
Assets				
Intangible assets	98	-	-	98
Property and equipment	69	2	-	71
Investments in associates	-	3	-	3
Investment properties	-	-	-	-
Investments	5,302	-	-	5,302
Derivatives	3,617	-	-	3,617
Deferred tax assets	329	8	-	337
Property projects	-	416	-	416
Loans and advances to customers	55,179	6,605	-	61,784
Loans and advances to banks	9,867	10	(7,950)	1,927
Corporate income tax	125	3	-	128
Other assets	498	600	(399)	699
Cash and cash equivalents	6,909	203	(179)	6,933
Total assets	81,993	7,850	(8,528)	81,315
Equity and liabilities				
Shareholders' equity	1,723	(412)	-	1,311
Minority interests	-	-	-	-
Total equity	1,723	(412)	-	1,311
Participation certificates and subordinated debts	820	-	-	820
Debt certificates	21,990	-	-	21,990
Other provisions	73	9	-	82
Derivatives	3,599	-	-	3,599
Deferred tax liabilities	295	8	-	303
Savings	32,815	-	-	32,815
Other amounts due to customers	9,529	-	-	9,529
Amounts due to banks	8,691	8,124	(8,129)	8,686
Corporate income tax	-	-	-	-
Other liabilities	2,458	121	(399)	2,180
Total equity and liabilities	81,993	7,850	(8,528)	81,315

20.5 Income statement Banking activities by segment

Income statement Banking activities by segment 2013

In € millions

	SNS Retail Bank	Property Finance	Eliminations	Total
Income				
Interest income third parties	2,227	-	-	2,227
Interest expense third parties	1,273	-	-	1,273
Net interest income	954	-	-	954
Fee and commission income third parties	99	-	-	99
Fee and commission expense third parties	49	-	-	49
Net fee and commission income	50	-	-	50
Share in result of associates	-	-	-	-
Investment income	38	-	-	38
Result on financial instruments	3	-	-	3
Other operating income	6	-	-	6
Total income	1,051	-	-	1,051
Expenses				
Staff costs	189	-	-	189
Depreciation and amortisation of fixed assets	17	-	-	17
Other operating expenses	316	-	-	316
Impairment charges	224	-	-	224
Other expenses	8	-	-	8
Total expenses	754	-	-	754
Result before taxation	297	-	-	297
Taxation	107	-	-	107
Net result continued operations	190	-	-	190
Net result discontinued operations	-	(1,536)	-	(1,536)
Net result for the period	190	(1,536)	-	(1,346)
Minority interests	-	-	-	-
Net result attributable to shareholder	190	(1,536)	-	(1,346)

Income statement Banking activities by segment 2012

In € millions

	SNS Retail Bank*	Property Finance*	Eliminations*	Total
Income				
Interest income third parties	2,462	-	-	2,462
Interest expense third parties	1,760	-	-	1,760
Net interest income	702	-	-	702
Fee and commission income third parties	106	-	-	106
Fee and commission expense third parties	52	-	-	52
Net fee and commission income	54	-	-	54
Share in result of associates	-	-	-	-
Investment income	23	-	-	23
Result on financial instruments	47	-	-	47
Other operating income	9	-	-	9
Total income	835	-	-	835
Expenses				
Staff costs	231	-	-	231
Depreciation and amortisation of fixed assets	26	-	-	26
Other operating expenses	222	-	-	222
Impairment charges	228	-	-	228
Other expenses	8	-	-	8
Total expenses	715	-	-	715
Result before taxation	120	-	-	120
Taxation	31	-	-	31
Net result continued operations	89	-	-	89
Net result discontinued operations	-	(813)	-	(813)
Net result for the period	89	(813)	-	(724)
Minority interests	1	-	-	1
Net result attributable to shareholders and securityholders	88	(813)	-	(725)

* Some of the comparative figures have been restated for comparison purposes as a result of the decision to transfer Property Finance to NLF1. Reference is made to the notes in section 19.3.4.3 Changes in presentation for the consolidated financial statements.

20.6 Balance sheet Insurance activities by segment

Balance sheet Insurance activities by segment 31 December 2013

<i>In € millions</i>	Zwitserleven	REAAL Life	REAAL Non-life	REAAL Other	Eliminations	Total
Assets						
Intangible assets	-	-	56	8	-	64
Property and equipment	25	35	-	34	-	94
Investments in associates	-	-	6	-	-	6
Investment properties	38	230	-	-	-	268
Investments	11,144	17,523	1,454	9	(1)	30,129
Investments for account of policyholders	7,627	5,864	-	-	-	13,491
Derivatives	368	222	-	-	-	590
Deferred tax assets	480	179	3	7	(42)	627
Reinsurance contracts	1	3,862	135	-	-	3,998
Loans and advances to customers	628	2,209	3	-	-	2,840
Loans and advances to banks	58	304	-	-	-	362
Corporate income tax	22	16	-	34	(72)	-
Other assets	420	161	58	271	(381)	529
Cash and cash equivalents	328	698	31	49	-	1,106
Total assets	21,139	31,303	1,746	412	(496)	54,104
Equity and liabilities						
Shareholders' equity	1,615	1,051	302	(368)	9	2,609
Minority interests	-	1	-	-	-	1
Total equity	1,615	1,052	302	(368)	9	2,610
Participation certificates and subordinated debts	215	594	50	-	-	859
Insurance contracts	17,221	22,820	1,222	-	-	41,263
Provision for employee benefits	-	-	-	8	-	8
Other provisions	8	6	-	14	-	28
Derivatives	62	28	-	-	-	90
Deferred tax liabilities	142	215	19	-	(31)	345
Other amounts due to customers	18	4,862	28	-	(1)	4,907
Amounts due to banks	1,258	684	32	250	-	2,224
Corporate income tax	-	2	-	361	(92)	271
Other liabilities	600	1,040	93	147	(381)	1,499
Total equity and liabilities	21,139	31,303	1,746	412	(496)	54,104

Balance sheet Insurance activities by segment 31 December 2012

In € millions

	Zwitserleven	REAAL Life	REAAL Non-life	REAAL Other	Eliminations	Total
Assets						
Intangible assets	87	713	80	5	-	885
Property and equipment	29	95	-	30	-	154
Investments in associates	-	40	5	-	-	45
Investment properties	33	200	-	-	-	233
Investments	10,049	19,822	1,827	669	(665)	31,702
Investments for account of policyholders	7,501	5,764	-	-	-	13,265
Derivatives	170	310	-	-	-	480
Deferred tax assets	715	259	4	8	(46)	940
Reinsurance contracts	2	3,019	164	-	-	3,185
Loans and advances to customers	750	2,299	4	-	-	3,053
Loans and advances to banks	94	358	-	-	-	452
Corporate income tax	37	63	1	136	(237)	-
Other assets	187	1,338	411	309	(1,741)	504
Cash and cash equivalents	253	1,270	11	29	-	1,563
Total assets	19,907	35,550	2,507	1,186	(2,689)	56,461
Equity and liabilities						
Shareholders' equity	422	2,762	624	(850)	-	2,958
Minority interests	-	3	-	-	-	3
Total equity	422	2,765	624	(850)	-	2,961
Participation certificates and subordinated debts	222	726	86	-	-	1,034
Insurance contracts	16,669	24,177	1,256	-	-	42,102
Provision for employee benefits	-	-	-	9	-	9
Other provisions	11	4	-	21	-	36
Derivatives	22	16	-	-	-	38
Deferred tax liabilities	289	607	59	7	(46)	916
Other amounts due to customers	394	3,667	28	651	(665)	4,075
Amounts due to banks	1,080	1,914	-	751	-	3,745
Corporate income tax	-	-	-	326	(237)	89
Other liabilities	798	1,674	454	271	(1,741)	1,456
Total equity and liabilities	19,907	35,550	2,507	1,186	(2,689)	56,461

20.7 Income statement Insurance activities by segment

Income statement Insurance activities by segment 2013

In € millions

	Zwitserleven	REAAL Life	REAAL Non-life	REAAL Other	Eliminations	Total
Income						
Premium income	1,075	1,331	784	-	-	3,190
Reinsurance premiums	3	161	59	-	-	223
Net premium income	1,072	1,170	725	-	-	2,967
Fee and commission income third parties	14	51	1	18	-	84
Fee and commission expense third parties	1	2	-	11	-	14
Net fee and commission income	13	49	1	7	-	70
Share in result of associates	-	1	1	-	-	2
Investment income	409	925	129	17	(43)	1,437
Investment income for account of policyholders	72	556	-	-	-	628
Result on financial instruments	39	21	-	-	-	60
Total income	1,605	2,722	856	24	(43)	5,164
Expenses						
Technical claims and benefits	1,112	1,484	522	-	-	3,118
Charges for account of policyholders	485	1,178	-	-	-	1,663
Acquisition costs for insurance operations	11	66	170	-	-	247
Staff costs	61	65	57	11	-	194
Depreciation and amortisation of fixed assets	4	7	11	2	-	24
Other operating expenses	67	85	75	17	-	244
Impairment charges	25	176	16	-	-	217
Other interest expenses	28	198	5	4	(9)	226
Other expenses	-	1	-	-	-	1
Total expenses	1,793	3,260	856	34	(9)	5,934
Result before taxation	(188)	(538)	-	(10)	(34)	(770)
Taxation	(47)	(99)	-	8	(9)	(147)
Net result continued operations	(141)	(439)	-	(18)	(25)	(623)
Net result discontinued operations	-	-	-	-	-	-
Net result for the period	(141)	(439)	-	(18)	(25)	(623)
Minority interests	-	-	-	-	-	-
Net result attributable to shareholder	(141)	(439)	-	(18)	(25)	(623)

Income statement Insurance activities by segment 2012

In € millions

	Zwitserleven	REAAL Life	REAAL Non-life	REAAL Other	Eliminations	Total
Income						
Premium income	1,200	1,436	819	-	-	3,455
Reinsurance premiums	6	151	66	-	-	223
Net premium income	1,194	1,285	753	-	-	3,232
Fee and commission income third parties	14	54	1	19	-	88
Fee and commission expense third parties	1	2	-	13	-	16
Net fee and commission income	13	52	1	6	-	72
Share in result of associates	-	10	1	-	-	11
Investment income	483	1,051	67	24	(24)	1,601
Investment income for account of policyholders	817	694	-	-	-	1,511
Result on financial instruments	(80)	93	-	-	-	13
Total income	2,427	3,185	822	30	(24)	6,440
Expenses						
Technical claims and benefits	1,159	1,326	473	-	-	2,958
Charges for account of policyholders	1,113	1,153	-	-	-	2,266
Acquisition costs for insurance operations	15	76	180	-	-	271
Staff costs	67	73	58	9	-	207
Depreciation and amortisation of fixed assets	7	14	11	-	-	32
Other operating expenses	63	73	59	12	-	207
Impairment charges	134	228	110	3	-	475
Other interest expenses	29	126	7	24	(24)	162
Other expenses	-	-	-	1	-	1
Total expenses	2,587	3,069	898	49	(24)	6,579
Result before taxation	(160)	116	(76)	(19)	-	(139)
Taxation	(40)	41	8	(4)	-	5
Net result continued operations	(120)	75	(84)	(15)	-	(144)
Net result discontinued operations	-	-	-	-	-	-
Net result for the period	(120)	75	(84)	(15)	-	(144)
Minority interests	-	3	-	-	-	3
Net result attributable to shareholder and securityholder	(120)	72	(84)	(15)	-	(147)

21 Acquisitions and disposals

21.1 Separation Property Finance

In his letter to the Dutch Parliament on the nationalisation of SNS REAAL dated 1 February 2013, the Dutch Minister of Finance announced the intention to transfer Property Finance to an asset management entity. The intention was further defined in the restructuring plan for SNS REAAL. The Dutch State submitted a restructuring plan for SNS REAAL to the European Commission on 19 August 2013 to separate Property Finance before the end of the year. The European Commission approved this plan on 19 December 2013. On 31 December 2013, Property Finance was transferred to NLF, separating Property Finance from SNS REAAL. For more information, reference is made to section 19.2 [Nationalisation and its implications](#).

21.2 Other disposals

On 2 September 2013, SNS Securities NV sold its private banking activities to Bank ten Cate & Cie. The total sales price and the sales result amounted to € 3.3 million. The book value was nil. Up to the acquisition date, the private banking activities of SNS Securities NV contributed € 0.3 million negative to the result.

On 12 November 2013, BinckBank signed a letter of intent to take over SNS Fundcoach in the first half of 2014. The sale has no material effect on the assets and the result.

22 Risk management and organisation

22.1 Main developments risk profile

SNS REAAL's commercial activities, such as offering accessible banking and insurance products, involve risks, whereby the exposure to proprietary trading, complex products or foreign currencies, is limited.

A summary of the developments on the risk profile and capital of SNS REAAL is presented below, and explained in further detail in the subsequent chapters.

Capital management

In 2013, total equity at SNS REAAL rose to € 4.5 billion, compared to € 3.3 billion at the end of 2012. The main drivers behind the increase were the capital contribution of the Dutch State (€ 2.2 billion of which € 1.9 billion was downstreamed to SNS Bank NV) and the expropriation of subordinated creditors (€ 1.0 billion), partly offset by the net loss for 2013 (- € 1,950 million).

A further explanation on capital management can be found in chapter 27 [Capital management](#).

Balance sheet

Compared to year-end 2012, SNS REAAL's balance sheet decreased by € 9.1 billion to € 124.6 billion (-7%), mainly due by the deconsolidation of Property Finance as of 31 December 2013.

Market risk Banking activities

Impairment charges to loans remain high, reflecting the continued weak housing market and economic situation. An important metric to measure interest rate risk of the banks activities is duration of equity. In order to keep a low sensitivity to changes in interest rates, the duration of equity was held at low levels between 1 and 4 during 2013. At the end of the year, the duration of equity was 1.7 (year-end 2012: 3.7).

A further explanation can be found in chapter 23 [Financial risk management Banking activities](#).

Market risk Insurance activities

Regulatory solvency of the insurance activities is mainly sensitive to both changes in insurance risk (amongst others longevity and expenses) and market risk (amongst others interest rates and credit spreads). In 2013 the exposure to longevity risk has increased due to the larger sensitivity with regard to longevity for the separate accounts. Expense risk is in line with 2012.

In 2013 the interest rate sensitivity of liabilities has decreased due to a combination of actuarial model changes, method changes and enhanced insights in sensitivities. In response, interest rate sensitivity of assets has been actively reduced as well. Sensitivity of solvency to changes in credit spreads of bond positions (corporate and non-AAA sovereigns) slightly increased.

A further explanation can be found in chapter 24 [Financial risk management Insurance activities](#).

22.2 Risk management organisation

Due to the proposed separation of SNS REAAL's Banking and Insurance activities, the responsibility for the risk management policy and risk control framework will be transferred to the individual entities as from 2014. The Bank and Insurer shall be individually responsible for implementing its risk management strategy and policy, including setting the risk tolerance and implementation of the risk control framework. The Executive Board sets the risk appetite for the Holding, the Bank and the Insurer. The Bank and the Insurer are responsible for embedding the risk appetite at the business unit level.

Following the transfer of responsibilities, the CFRO shall remain seated at the Holding. At the level of the Bank and Insurer, responsibilities shall be split between the CFO and CRO within the management board. The CFO and CRO will

report to both the CFRO of the Holding and the chairman of the management board of the Bank or the Insurer.

The risk management framework aims at further strengthening of the policy and its implementation in the business operations.

The risk management activities of the legal entities SNS Bank NV and REAAL NV will be organised into the three relevant business units. For the Bank this is SNS Bank. For the Insurer these are REAAL and Zwitserleven.

As of 1 January 2013, Risk Management Property Finance is hierarchically structured under the CFO of Property Finance. The risk management organisation of SNS Property Finance B.V. did not change until separation. As of 31 December 2013, the Property Finance activities have been separated from SNS REAAL and SNS Bank NV. The descriptions below are based on the situation in 2013.

The management boards of the business units are responsible for achieving the commercial, operational and financial objectives by choosing the best possible products, services, product/market combinations, labelling and distribution channels. The business units operate within the frameworks established at Group level for risks including credit risk, insurance risk, integrity risk and operational risk. Asset & Liability Management is managed at Group level. The (risk) policy frameworks are established in the Group Risk Committee (GRC).



Responsibility levels in risk management

For the purpose of risk management, SNS REAAL distinguishes three responsibilities based on the 'three lines of defence' model used as best practice in the financial sector. This distinction defines clear responsibilities and guarantees that risk management is an important subject taken up by the entire organisation:

- The **first line** has an operational role, focusing on the primary and operational process of the business activities. Within the policy framework and subject to internal procedures and risk limits, the objective of the first line is to achieve optimum risk/return ratios. Business plans are drawn up in the first line.
- The **second line** ('Risk Control') first of all has a **managing and accepting** role in respect of the transactions proposed by the first line. Risk Control supervises the correct execution of approved actions and transactions in the first line and is responsible for the risk profile against the backdrop of the risk appetite. Risk management processes

occurring in correlation with other BU divisions are coordinated via the relevant Group staff departments.

Secondly, Risk Control is responsible for **formulating the framework** and has an **oversight role**. It sets out the policy framework, but leaves execution and acceptance to the first line. The second line also assesses policy compliance on a regular basis, using risk reports and its own observations.

Further, Risk Control sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and supports central decision-making bodies.

The data, models, assumptions, techniques, etc., used are validated periodically. Model validation is a differentiation of the second line.

- The **third line** has a supervising and safeguarding role. This line supervises the proper functioning of the risk management function, conducts audits and identifies any deficiencies in risk governance, risk systems and internal controls. In addition, it evaluates if measures have been adequately carried out and have been made compliant. The third line guarantees the effectiveness of risk governance (from risk taking to risk control) to the Audit Committee and the Risk Committee, the Executive Board and the Supervisory Board.

The responsibilities within the risk management organisation have been clearly defined, with the Group Risk Committee (GRC) being the highest risk management body reporting to the Executive Board and primarily setting the framework. SNS REAAL's Chief Financial Officer is also the Chief Risk Officer. Risk owners have been appointed within the Executive Board and the management boards of the three business units. These owners are each individually responsible for defining and the execution of the risk policy for their assigned focus areas.

The risk principles used to define the risk management structure, which aim at a consistent risk management approach, are as follows:

- One shared Group-wide risk type classification.
- A pre-set risk tolerance ('Risk Appetite') for each identified risk type.
- Scenario analyses for stress situations and measures for emergency situations with regard to the key risks.
- Testing and validating the models that are used for risk management.
- Assigning risk owners to all identified risks.
- Monitoring and assessment of risks independently of commercial operations.

22.3 Risk management committees

SNS REAAL NV's Executive Board and the statutory management boards of SNS Bank NV and REAAL NV have ultimate responsibility for the risk management within the Group, the Banking activities and the Insurance activities. The risk committees established within SNS REAAL have an operational role and, if necessary, they determine frameworks within the mandate from the GRC. The Supervisory Board has its own committees.

22.3.1 Risk Committees at Group level

Risk Committee

The Risk Committee comprises at least three members of the Supervisory Board. This committee assesses, amongst others, the profile of SNS REAAL's financial and non-financial risks, in particular whether capital allocation, investment policy and liquidity requirements on the strategic level correspond with the approved risk appetite. In addition, the Risk Committee assesses the design and operating effectiveness of the risk management organisation, including supervision of compliance with the relevant laws and regulations and codes of conduct, as well as the use of information technology in risk management.

Group Risk Committee (GRC)

The Executive Board and the statutory management boards of the Banking and Insurance activities are represented in

the GRC, enabling statutory decision-making. The GRC is further advised by the executive chairman of SNS Asset Management, the CFO Group Finance, as well as the directors of Group Risk Management, Compliance, Security & Operational Risk Management and Group Audit.

The GRC defines the desired risk profile for financial and non-financial risks, and determines the risk appetite, risk policy frameworks and risk management framework for SNS REAAL and its business units. In addition, the GRC approves the liquidity plan and the capital plan.

Other Risk Committees at Group level

The other Group committees have mutually equal status in the risk committee structure. Their primary focus is on optimising risk and return within the defined frameworks. In their framework-formulating role, they ensure that the frameworks set by the GRC are enforced and are further elaborated where necessary. All committees have a clear reporting line and escalation line to the GRC, both for powers and for decisions.

In their operational role, the Group committees decide on matters concerning the Banking and Insurance activities, as well as on matters that go beyond the powers of the Banking activities or the Insurance activities.

At Group level, SNS REAAL also has the following 'risk committees':

- **Group Asset & Liability Committee (ALCO Group)** to manage all financial risks except credit risk. ALCO Bank and ALCO Insurance operate under the ALCO Group;
- **Group Counterparty & Credit Risk Committee (GCC)** to manage credit risk, including counterparty credit risk (policy) and to approve loans and revisions and to establish the provisions related to receivables, and recovered collateral. The CC SNS Retail Bank and the CC PF operate under the GCC;
- **Group Financial Committee (FinCo)** to manage the financial and actuarial administration, consolidation, processes and infrastructure, ensuing management information, internal/external financial reporting, results and returns, treasury and tax matters;
- **Model Governance Committee (MGC)** to approve internal models;
- **Governance, Operational Risk & Compliance Committee (GORCC)** to manage the non-financial risks.

22.3.2 Risk Committees at Business Unit level

Local risk committees have been set up within the business units, which operate within the policy frameworks set out by the Group committees, or which solely have an advisory role. The risk committees at business unit level (BU level) are:

- **Product Market Pricing Committee (PMPC)** for the formal approval of products. There is one PMPC for each Business Unit (SNS Retail Bank, REAAL and Zwitserleven) and, additionally, a PMPC for SNS Securities and SNS Asset Management (called PARC – Product Approval & Review Committee). The PMPCs and PARC have a direct escalation line to the GRC;
- **Asset & Liability Committee Insurance (ALCO Insurance)** to manage financial risks in the balance sheet of the Insurance activities (excluding credit risk on customers);
- **Asset & Liability Committee Bank (ALCO Bank)** to manage financial risks except credit risk in the balance sheet of the Banking activities;
- **Credit Risk Committee SNS Retail Bank (CC SNS Retail Bank)** to manage all forms of credit risks in the balance sheet of the Banking activities (with the exception of credit risk in relation to customers of Property Finance);
- **Credit Risk Committee Property Finance (CC PF)** to manage credit risks related to Property Finance's customers.

Parallel to these committees, there is the advisory body for the Group and the Business Units REAAL and Zwitserleven.

- **Actuarial Risk Committee (ARC)**. This committee gives among others, advice on matters including the impact of parameters on rates and models, hedging and technical claims and benefits risks.

As of 31 December 2013, the Property Finance activities have been separated from SNS REAAL and SNS Bank NV, which means that the CC PF no longer operates within the SNS REAAL risk committee structure.

22.3.3 Decision making processes Risk management committees

Decisions are made by a majority of the votes present, subject to a quorum set in advance for the relevant committee. In the event of a tie, the chairman decides.

The highest-level risk officer present has a right of veto, and if this right is exercised, the decision-making is passed on to the next higher risk committee. Every member of the Group committees has an equal right to vote, and in addition to the voting right, a right to escalate the decision taken within the committee to a higher committee.

In the GRC, decisions can only be taken within the statutory powers allocated to the parties present.

22.4 Risk management departments

In order to promote efficiency and uniformity, the risk management departments advise on risk management and report on the risk profile. They act as shared service centres for the Banking and Insurance activities, and they are responsible for modelling, measuring, monitoring, reporting and advice on risks. They are not responsible for determining the policy, but have an advisory role in this area. Actual policy determination is the responsibility of the risk management committees authorised to that end.

This advisory role entails a supporting role in defining and implementing policy, as well as monitoring the quality of risk control.

At SNS REAAL the following departments are involved in risk management:

- Group Risk Management (GRM)
- Group Actuarial department and BU Actuarial departments
- Compliance, Security & Operational Risk Management (CS&O)
- Legal Affairs (LA)
- Finance, Risk & Control SNS Bank
- Risk Management SNS Bank
- Insurance Treasury & Investment Management (IT&IM)
- Group Audit (GA)

Group Risk Management (GRM)

GRM supports SNS REAAL in taking on well-considered risks and the monitoring thereof for the benefit of all stakeholders. GRM's primary task is to carry out its second-line role based on the 'three lines of defence' model used by SNS REAAL.

Within this context, GRM supports the Executive Board, the management boards of the business units and other stakeholders in:

- formulating and monitoring the risk profile;
- defining the framework within which the risk owners (can) operate;
- identifying changing market conditions and regulations in the field of Risk Management that are relevant to the strategy and policy;
- ensuring and controlling efficient risk management processes;
- achieving coherence in SNS REAAL's risk management organisation;
- portfolio valuation aiming at structural value creation;
- coordinating strategic projects related to the management of financial risks (including stress tests and the Basel III /

CRD IV and Solvency II programmes);

- building models;
- model validation (including an escalation line to the CFRO).

In addition, GRM gives direction to the areas of attention pertaining to Reinsurance and Economic Capital: advising on policy and framework development, modelling, implementation and monitoring/advising.

Actuarial duties at Group level and at the Actuarial departments of the business units

Within GRM, the actuarial duties are allocated between the Insurance Risk & Policies (IR&P) and Risk Reporting Insurance (RRI) departments. They support the stakeholders within SNS REAAL in assuming and managing all financial risks related to the Insurance activities in correlation with the other risks and returns. In that respect, the IR&P department is responsible for developing and setting the framework, policies and methodologies with regard to the management of technical claims and benefits risks. With regard to the technical claims and benefits risk reports, the RRI department performs a central supervisory role and is responsible for providing relevant management information. This includes identification, measurement and reporting. In this context, the primary focus lies with the impact of insurance risks on the risk profile and the value standards (Value New Business, Embedded Value, etc.).

At business unit level, these duties are entrusted to the risk management department and the actuarial departments of REAAL and Zwitserleven. Besides reporting, these duties consist of modelling and carrying out analyses, providing the business units with advice on technical claims and benefits risks and implementing adopted policies.

The business units accept insurance risks using a system of procedures and criteria for product development and acceptance. Risks that do not fit the profile or risks that exceed pre-set limits – if accepted – are transferred to a reinsurance company as much as possible.

The portfolio development is periodically monitored by committees, represented by members of the management boards of the Insurance activities and the financial and actuarial departments. For the Life Insurance activities, this includes monitoring developments in expenses, interest and turnover. For the Non-life Insurance activities, the developments of premiums and loss ratios are analysed by segment.

Compliance, Security & Operational Risk Management (CS&O)

CS&O advises the Executive Board and the management boards of the business units on managing non-financial risks. These are risks that are related to human behaviour and structuring of business processes. The main duties of the department are providing recommendations for ethical and controlled business operations, coordinating and promoting operational risk management, security risk management and integrity risk management, formulating policies, giving advice and providing support with regard to issues related to non-financial risks, providing training & awareness programmes, monitoring and reporting in this respect. The scope of non-financial risks is divided into seven themes: employee, client, business process, product, information, risk control, and collaboration. These themes serve as guidance for the risk analyses to be performed and provide the structure for supervision and risk reporting.

Legal Affairs

Legal Affairs (LA) prepares policy and supports operational activities for risk management. The main responsibilities of the department in this area are:

- identifying and advising on present (and future) legislation and regulations;
- advising on products and product documentation;
- handling (impending) legal disputes;
- advising on cooperation agreements.

Finance, Risk & Control SNS Bank

Finance, Risk & Control (FR&C) SNS Bank is responsible for balance sheet management (Asset & Liability Management) at SNS Retail Bank. This includes managing interest income and interest rate risk, the capital and liquidity

position and the corresponding liquidity risk. This balance sheet management is conducted within the framework set by Group Risk Management.

In addition, FR&C is responsible for establishing the ex-ante theoretical rates for the commercial banking products such as savings and mortgages. These rates represent the cost price of the products, taking into account the required return on equity. FR&C is also responsible for carrying out the Internal Funds Transfer Pricing (IFTP) process.

Risk Management SNS Bank

Credit risk management is allocated among three separate and independent departments: the acceptance and regular management of mortgages is the responsibility of the Service Center Mortgages. Arrears management and special credits are the responsibility of the Service Center Special Credits. Second line risk management is the responsibility of Risk Management SNS Bank and Group Risk Management.

Effective as of 1 January 2013, the Risk Management activities of Property Finance are separated from Risk Management SNS Bank, leading to a separate Risk Management Property Finance department.

The Service Center Mortgages, Service Center Special Credits and Risk Management SNS Bank play an important role in the following tasks:

Service Center Mortgages:

- Acceptance of new issuances and conversion of residential mortgages.
- Administering and management of credit facilities and private collateral.

Service Center Special Credits:

- Management of loans in arrears and loans in default.

Risk Management SNS Bank:

- Advice on the credit risk policy.
- Independent analysis of advice on credit proposals.
- Approval of commercial items.
- Administering and management of credit facilities and collateral.
- Performing the secretarial duties for the credit committees and approval meetings.
- Quorum member of Credit Risk Committee SNS Retail Bank and Group Credit Risk Committee.
- Reporting on and identifying the risk profile of the mortgage portfolio, consumer loans, corporate and sustainable loans.
- Owner of Basel 2 credit risk models for the purposes of RWA determination, value changes and pricing.
- Advice to credit committees regarding the amount of the credit provision.

Risk Management Property Finance

As of 2013, Property Finance has its own Risk Management department. This Risk Management department has a functional line with SNS REAAL's Group Risk Management (GRM). Risk Management Property Finance's activities are aimed at managing credit risk. The functional line with GRM has been cancelled as a result of the separation of Property Finance on 31 December 2013.

Insurance Treasury & Investment Management (IT&IM)

The duties and responsibilities of Insurance Treasury & Investment Management (IT&IM) are primarily aimed at investments for own account and risk of SNS REAAL's Insurance activities. In the risk governance structure, IT&IM is the central point of contact of the operationally responsible investment managers. The director of IT&IM is a member of ALCO Insurance and ALCO Group.

The main responsibilities of IT&IM are:

- drafting the strategic investment policy for the Insurance activities of SNS REAAL;
- operational control on the execution of the strategic investment policy through the asset managers;
- responsible for investments outside the regular mandate, like mortgages and property;
- supervising the asset managers' actions within their mandates, and assessing their performance;
- execution of the hedge policy in respect of balance sheet management for the Insurance activities of SNS REAAL;
- cash management and other treasury activities;
- monitoring of security lending and repo activities in the insurance portfolios, the execution of which has been outsourced to professional and specialised parties;
- first line investment Risk Management.

Group Audit

Group Audit (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.

Group Audit primarily carries out its audits on behalf of the Executive Board based on a dynamic risk analysis. This risk analysis is in line with the Banking Code and the Insurance Code and has been discussed with the external auditor and the Dutch Central Bank. The audits focus on the internal risk management and control system, related processes, procedures and (the reliability of) management information.

Group Audit is also responsible for carrying out differentiated internal audit activities on behalf of the business units' management boards and line management. These audits focus on the (permanent) effect of control measures included in procedures. In addition, various types of audits are performed at the request of the management boards, including certification activities for external parties.

22.5 Risk classification

This section explains the risk classification as applied at SNS REAAL.

22.5.1 Financial risks

Credit risk

The risk that a borrower and/or counterparty does not comply with a financial or other contractual obligation. Credit risk is split into default risk, counterparty risk, intra-group risk and transfer risk.

Liquidity risk

The risk that there are insufficient liquid assets available in the short term to meet financial obligations, whether under normal circumstances or in time of stress, without this leading to unaccepted costs or losses.

Market risk

The risk that equity, results or continuity is threatened by movements in the level and/or volatility of market prices to which the company is exposed. Market risk is split into price risk, interest rate risk, credit spread risk and currency risk.

Insurance risk

The risk that payments (now or in the future) cannot be financed from premium and/or investment income due to incorrect and/or incomplete assumptions (mortality, disability insurance claims, insurance behaviour, catastrophes) and bases used in the product's development and determination of the product's premium.

22.5.2 Non-financial risks

Integrity risk (compliance risk)

The risk that the company's integrity is harmed by actions (or omissions) contrary to its internal (core) values, social standards and values or behavioural laws and regulations or requirements to be observed by the company when providing its financial services or translating these into internal regulations. This may lead to regulatory measures, financial losses or damage to the company's reputation.

Crime risk

The risk that the company's integrity is harmed by employees, customers or third parties due to fraud (deceit, misappropriation of property, violation of the law, rules or company policy) or criminal activities directed against the company and/or its customers in their relationship with the company.

Operational risk

The risk of direct or indirect losses due to inadequate or deficient internal processes and systems, from inadequate or human error, or from external events. In this sense, the operational risk is all-encompassing. It can be further broken down into IT risks, outsourcing risks, legal risks, integrity risks and other operational risks.

22.5.3 Risks of a mixed nature

Strategic risk

The risk that strategic objectives are not achieved due to lack of response or inadequate or late response to changes in the environment and the business climate.

Strategic risks of a non-financial nature are related to reputation and governance. Strategic risks of a financial nature are related to positioning/acquisitions, capitalisation, concentration of risks and internal models.

22.6 Framework for business control

Taking risks is an integral part of doing business and demands a consistent and transparent assessment of opportunities and risks, aimed at growth and continuity of the company. The Executive Board of SNS REAAL has established frameworks for the management boards of the business units in order to properly manage such assessments. The most important frameworks are:

- The strategy and strategic risk analyses, to direct the activities of the business units and the organisation as a whole.
- The risk appetite and the ensuing risk profile, which sets limits for taking risks in order to manage risks with respect to the capital requirements and other laws and regulations applicable to SNS REAAL.
- The management structure, including the risk committees, to streamline management focus, to allocate duties and responsibilities, and to deal with new or external impulses (e.g. through takeovers and reorganisations).
- Traineeships, talent and management development programmes, to manage the quality of staff and appointments ('the right person in the right place').
- A remuneration structure that gives substance to the mission and the realisation of SNS REAAL's (long term) strategy.
- Processes set up for the purpose of managing the predictability of performance, the prevention of unforeseen losses and the reliability of information.

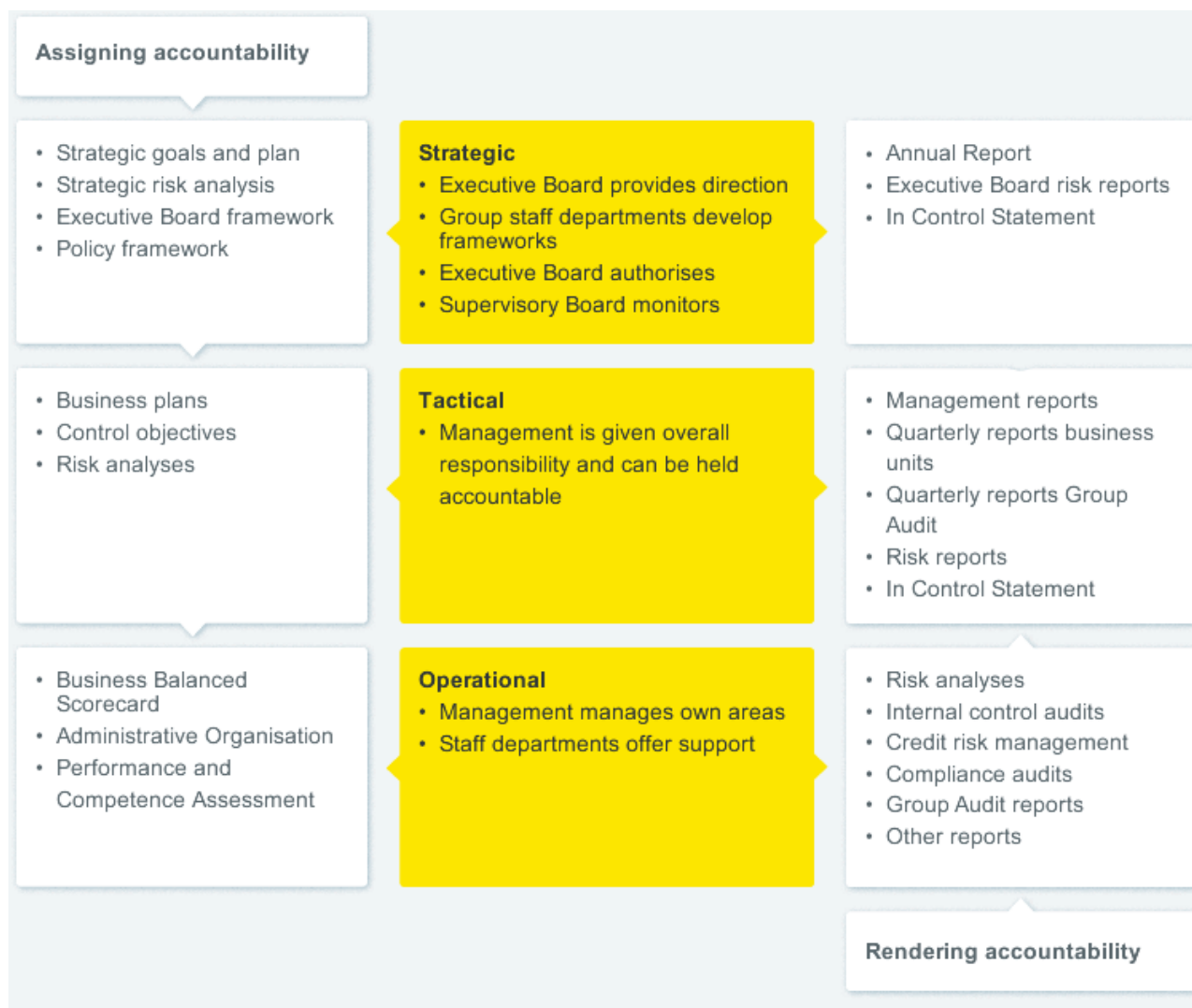
The management boards of the business units are responsible for day-to-day operations within these frameworks and yearly draw up operational plans that are approved by the Executive Board.

The framework for business control sets out how responsibility is awarded within SNS REAAL and how this must be accounted for. This framework forms the basis for controlling the (risk) management processes.

The framework for business control does not offer absolute guarantee that risks are excluded. It does not guarantee, for instance, that human error, the deliberate circumvention of control procedures by employees and third parties acting in concert, or the evasion of control mechanisms by management will not occur.

SNS REAAL has set up a procedure to assess on a semi-annual basis to what extent the management boards of each business unit control essential risks. This particularly concerns the discussions between the layers of management on the risks in the business operations and the measures taken to address such risks. The periodic in-control statements per business unit are the key input for this procedure. The outcome of this procedure contributes to the management statements that are included in the SNS REAAL Annual Report (see section 17.4 [Management Statements](#)).

Framework for business control



In an in-control statement, the management boards and members of the Executive Board state, with due observance of changes to internal and external factors, whether they have identified the essential risks and corresponding control measures with a reasonable degree of certainty, what improvements have been made in the (risk) management processes, whether the established control measures operate adequately, whether the provision of information is sufficient and which aspects the relevant business unit intends to improve further. They also assert whether they expect that the risk management system will continue to work adequately.

The Executive Board discusses the in-control statements and assesses whether additional measures need to be taken in order to curtail risks. The statements are also used to prepare the management statements for the annual report (see section 17.4 [Management Statements](#)). The reports on the in-control statement are also submitted to the Audit Committee.

23 Financial risk management Banking activities

23.1 Introduction

This chapter discusses the financial risks that occur with the Banking activities. These financial risks mainly consist of credit risk, market risk and liquidity risk. The capitalisation of the Banking activities is discussed in [section 27.3](#).

Credit risk is discussed in the first five sections. [Section 23.2](#) provides a comprehensive overview of the credit risk profile and credit risk management of the Banking activities. The credit risk of SNS Retail Bank is outlined in the [section 23.3](#) and the credit risk of Property Finance in [section 23.4](#) respectively.

Market risk is discussed in [section 23.5](#), with a description of the definition and management of market risk, as well as – in separate subsections – a description of the spread risk, currency risk, sensitivity analysis for interest rate risks and shares, effective interest rate for Banking activities and, lastly, the market risk for the trading portfolio within the Banking activities.

Liquidity risk is discussed in [section 23.6](#), with a description of the definition and management of liquidity risk, as well as a separate description of the Internal Liquidity Adequacy Assessment Process (ILAAP).

23.2 Credit risk Banking activities - overview

Credit risk is the risk that a borrower and/or counterparty does not meet his financial or other contractual obligation. The credit risk is divided in debtor risk, counterparty risk, intercompany risk and transfer risk. The credit risk management within SNS Retail Bank and Property Finance is described in [section 23.3](#) and [section 23.4](#) respectively.

The Banking activities distinguishes 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 collateral. The other non-mortgage-backed items are mainly loans and advances to banks and investments (primarily bonds). The loans and advances to banks and investments are mostly the result of the company's liquidity risk management. The investments in connection with the company's liquidity risk management have a low-credit risk.

The loan portfolio of SNS Retail Bank focuses on the Dutch market. The market for residential property was weak in 2013, just as in 2012. Despite government measures, such as the reduced property transfer tax, both the number of residential properties sold and the average price per residential property dropped. The number of transactions on the residential property market reached a record low and house prices decreased for the fifth year in a row. The decreasing house prices and the stagnating residential property market led to longer foreclosure periods and larger losses on foreclosure.

The Banking activities' overall credit exposure (before collateral and other credit enhancements) breaks down as follows:

Credit risk Banking activities

	SNS Retail Bank		Property Finance		Eliminations		Total	
<i>In € millions</i>	2013	2012	2013	2012	2013	2012	2013	2012
Investments	5,657	5,302	-	-	-	-	5,657	5,302
Derivatives	2,452	3,617	-	-	-	-	2,452	3,617
Loans and advances to customers	53,870	55,535	-	7,822	-	-	53,870	63,357
Loans and advances to banks	6,064	9,867	-	10	-	(7,950)	6,064	1,927
Other assets, no lending operations	1,402	1,119	-	1,352	-	(399)	1,402	2,072
Cash and cash equivalents	5,528	6,909	-	203	-	(179)	5,528	6,933
Total	74,973	82,349	-	9,387	-	(8,528)	74,973	83,208
Off-balance sheet commitments								
Liabilities from pledges and guarantees given	-	20	-	115	-	-	-	135
Liabilities from irrevocable facilities	582	612	-	134	-	-	582	746
Total	75,555	82,981	-	9,636	-	(8,528)	75,555	84,089

The table below gives an indication of the credit risk of the Banking activities, based on weighting percentages used in regular reporting to the Dutch Central Bank (DNB) under the Basel II guidelines. The weighting percentages of items under the standardised method depend on the counterparty's external credit rating. Generally, these percentages are 0% for loans and advances to or guaranteed by OECD governments, 20% for loans and advances to or guaranteed by OECD banks, 35% for loans entirely covered by mortgage collateral and 100% for the other loans and advances.

Credit risk Banking activities based on weighting percentages under Basel II guidelines

	Risk weighted assets		Regulatory capital	
<i>In € millions</i>	2013	2012	2013	2012
Standardised approach				
Central Government and Central Banks	32	17	3	1
Institutions	769	1,098	62	88
Corporates	2,031	7,733	162	619
Retail	1,050	1,095	84	88
Shares	11	13	1	1
Other assets	869	1,267	70	101
Internal rating based approach				
Retail mortgages	7,723	6,319	618	506
Securitisation positions	385	1,030	31	82
Subtotal	12,870	18,572	1,031	1,486
Market risk	192	317	15	25
Operational risk	1,516	1,703	121	136
Total	14,578	20,592	1,167	1,647

* SNS Bank NV publishes its solvency ratios using the risk-weighted assets as calculated under Basel II CRDIII.

As can be seen in the table above, the most important developments in comparison to last year relate to the items Corporates, Retail mortgages and Securitisation. The decline of risk-weighted assets (RWA) of corporates by € 5,702 million to € 2,031 million at year-end 2013 is mainly caused by derecognising the RWA due to the transfer of Property Finance. The increase of RWA of retail mortgages by € 1,404 million to € 7,723 million at year-end 2013 is the result of calling five securitisation programmes and a revision of the default methodology. Calling five securitisation programmes led to the reduced securitisation positions by € 645 million to € 385 million at year-end 2013.

23.3 Credit risk SNS Retail Bank

23.3.1 Managing credit risk SNS Retail Bank

The credit risk management of SNS Retail Bank is carried out by Risk Management SNS Retail Bank. The arrears and defaults are managed by the Service Center Special Credits.

The probability of default of a borrower (PD) is a major risk indicator. With the estimate of a PD, an estimate is made of the probability that a borrower will structurally not meet its liabilities in the coming year.

The table below shows the spread of the principal weighted PD risk classification of the outstanding retail mortgages (including securitised mortgages).

PD risk classification SNS Retail Bank private residential portfolio

Probability of Default %	2013	2012
less than or equal to 1	74.5%	74.7%
greater than 1 and less than or equal to 4	14.4%	14.4%
greater than 4 and less than or equal to 7	4.0%	4.1%
greater than 7 and less than or equal to 10	0.0%	0.0%
greater than 10 and less than or equal to 13	0.0%	0.0%
greater than 13 and less than or equal to 17	0.0%	2.6%
greater than 17 and less than 100	4.0%	1.7%
100	3.1%	2.5%
Total	100.0%	100.0%

The credit rating of SNS Retail Bank's mortgage portfolio deteriorated in 2013 compared to the mortgage portfolio in 2012. This was the result of the weak economic growth, rising unemployment, a difficult market for residential properties and falling prices on the housing market in the Netherlands. On the other hand, the credit quality of new inflow in the portfolio is improving thanks to stricter acceptance standards and a higher share of mortgages covered by the National Mortgage Guarantee.

Service Center Special Credits SNS Retail Bank

An essential part of the credit risk policy are timely actions by the Service Center Special Credits. The Service Center Special Credits distinguishes between loans to retail customers and loans to small and medium-sized enterprises (SME). The Service Center Special Credits applies a uniform working method that is focused on identifying loans at risk.

The control on payments in arrears from retail and SME clients has been almost completely automated. It compares the costs of monitoring the payments in arrears to the combination of the probability of default and the expected amount of credit loss. Based on past experiences, an estimate is made of the measures required, such as contacting the client by telephone, writing, visits in person or the use of budget coaches. These estimations are supported by a model.

A debt is handed over to the Service Center Special Credits if the client no longer meets its liabilities, or if it is unlikely that the debtor will be able to continue to meet its liabilities.

SNS Retail Bank's Service Center Special Credits aims at providing an adequate response to the changed problems with arrears given the current circumstances, foreclosures and the retention of customers with a mortgage loan.

In determining the amount of provisions, account is taken of the actual amount of defaults and the experience that credit loss may also be caused by non-default accounts (Incurred but not Reported, or IBNR). A customer is 'in default' if the period in arrears is longer than 3 months or when it is determined that further payment is unlikely.

The default rate of residential mortgages rose from 1.55% to 2.12%.

23.3.2 Loans and advances to customers SNS Retail Bank

In the credit risk management, a distinction is made between credit risk management for individual customers and credit risk management on portfolio level.

Loans to retail customers consisting of mortgage loans or consumer finance loans (included under 'other') are being approved by authorised officers on the basis of acceptance standards and policy rules. The acceptance standards and policy rules are determined in the Product Market Pricing Committee. In exceptional cases, a recommendation is issued to the management board of SNS Bank NV, which then takes the final decision. The mortgage loan acceptance procedures are handled centrally. The standards for acceptance of mortgage loans are equal for all labels of SNS Retail Bank, as this contributes to uniformity and efficiency. The acceptance score models support in these processes.

Credit risk management for the current retail customers takes place at customer level by actively monitoring and following up on payments in arrears and other possible signs. This process is supported by automated systems that categorise and prioritise customers with payments in arrears.

At the portfolio level, mortgage risks are managed by the Portfolio Management Procedure. The procedure consists of three components: rating, monitoring and adjustments. Adjustments can take place through pricing policy, the acceptance and management policies, specific (marketing) activities, product development and securitisations.

The collateral provided and a possible National Mortgage Guarantee (NHG) are important risk factors for managing the portfolio. The Loan to value (LTV) provides the level of collateralisation by dividing the outstanding loan as a percentage of the market value of the collateral. A low percentage is considered favourable. If a loan is granted pursuant to NHG, there is additional security.

Loans and advances to customers SNS Retail Bank by security type

In € millions

	2013	2012
Mortgages < 75% of foreclosure value	10,859	14,876
Mortgages > 75% of foreclosure value	5,024	4,355
Mortgages with National Mortgage Guarantee	8,201	7,384
Securitised mortgages	22,994	22,742
Residential property in the Netherlands	47,078	49,357
Residential property outside of the Netherlands	146	90
Residential property outside of the Netherlands	146	90
Mortgage-backed loans	1,246	1,409
Issued to government	2,302	2,291
Unsecured loans	2,816	2,158
Non-residential property in the Netherlands	6,364	5,858
Other collateral and unsecured loans	282	230
Non-residential property outside of the Netherlands	282	230
Loans and advances to customers	53,870	55,535
Specific provision	(434)	(339)
IBNR provision	(19)	(17)
Provisions for bad debt	(453)	(356)
Total	53,417	55,179

SNS Retail Bank's loans and advances to customers amounted to € 53 billion at year-end 2013, of which € 47 billion relates to residential mortgages. 17% of these residential mortgages are covered by the National Mortgage Guarantee.

This percentage is exclusive of the securitised mortgages with a National Mortgage Guarantee.

In the table above, the securitised mortgage loans whose bonds were issued by securitisation entities are included (including those on own book). A bank can transfer the credit risk of loans and advances to third parties by making use of securitisations. The underlying mortgage loans of securitisation notes held for own account are included in 'Securitised mortgages'. At year-end 2013, the value of these notes, included in 'Debt certificates', amounted to € 10.6 billion (2012: € 12.0 billion).

The securitised mortgages were sold on the basis of what is known as a deferred purchase price. This means that, for most transactions, SNS Retail Bank has claims against the securitisation entity that will not be settled in full until the transaction is settled. Some of the notes issued by the securitisation entity are E-notes, which are high-risk bonds. Stress tests have shown that the remaining credit risk for SNS Retail Bank manifests itself in the deferred purchase price and any unissued E-notes. The E-notes of the securitisation programmes presented in full in the books were not externally subscribed. The sum of the deferred purchase prices was nil as at the end of December 2013.

SNS Retail Bank is also the originator of a synthetic securitisation programme launched in 2004 with a first call date in March 2014. In this structure, SNS Retail Bank bought credit protection through a credit default swap (CDS) with respect to a reference portfolio of approximately € 296 million of residential mortgages.

Loans and advances to customers SNS Retail Bank by industry

<i>In € millions</i>	2013	2012
Retail	47,267	49,668
Public sector	2,302	2,291
Service sector companies	299	819
Industry	153	195
Agriculture	22	29
Other commercial	3,374	2,177
Total	53,417	55,179

Loans and advances to customers SNS Retail Bank by region

<i>In € millions</i>	2013	2012
The Netherlands	52,261	53,508
EMU	1,064	1,644
United Kingdom	44	24
Switzerland	7	-
United States	9	1
Other	32	2
Total	53,417	55,179

The provision relating to loans and advances to customers is determined collectively based on the information as presented in the table below. Every month, the Service Center Special Credits proposes a provision level to SNS Retail Bank's Credit Risk Committee and on quarterly basis to the Group Credit Risk Committee of SNS REAAL. The provisions are established in the credit committees.

Loans and advances to customers in arrears SNS Retail Bank

In € millions

	2013	2012
No arrears	51,432	53,346
< 3 months	1,205	1,247
3 - 6 months	296	287
6 - 12 months	346	265
> 1 year	591	390
Provision	(453)	(356)
Total	53,417	55,179

Loans and advances to customers SNS Retail Bank

In € millions

	2013	2012
Retail mortgage loans	47,328	49,574
Retail other loans	293	346
Provision	(342)	(252)
Total retail	47,279	49,668
Commercial mortgage loans	1,143	1,282
Commercial private and other loans	2,805	2,041
Provision	(111)	(103)
Total commercial	3,837	3,220
Private and cash loans to the public sector	2,301	2,291
Loans and advances to customers SNS Retail Bank	53,417	55,179

Provisions loans and advances to customers SNS Retail Bank

In € millions

	2013	2012
Book value non provisioned loans	51,432	53,346
Book value provisioned loans (gross value)	2,438	2,189
Specific provision	(434)	(339)
IBNR provision	(19)	(17)
Total book value non provisioned and provisioned loans	53,417	55,179

Loan to Value (LtV)

The EAD weighted average LtV at year-end 2013 of SNS Retail Bank's mortgage portfolio was 89.4% (2012: 87.1%). The fair value of the collateral determined at the time of mortgage application is indexed with the Land Registry Office's House Price Index. In previous years this ratio was reported as Loan to Foreclosure Value (LtFV) based on the assumption that the liquidation value is derived from the market value of the collateral. In 2013, this ratio was reported internally on the basis of the market value of the collateral. This modification is therefore also applied to the notes in this section. Comparative figures were modified as well. The House Price Index is updated monthly by the Land Registry Office and is broken down into province and type of residence. Examples of residence types are: apartments, terraced houses or end-of-terrace houses, semi-detached or detached houses. SNS Bank follows this breakdown in managing its portfolio. From December 2012 to December 2013, the national index for all types of housing declined by 5.9%. The index' development varies per region and residence type. In general, no new valuation report is requested for existing residential mortgages.

A majority of the loans and advances to customers at SNS Retail Bank consists of mortgage loans where the existing mortgage collateral (partly) mitigates the credit risk on the loans. The table below shows the mortgage loans, divided into different LtV classes. This provides an overview of the volumes in which credit risk is completely mitigated by the existing mortgage collateral (LtV ≤ 100%) and additionally the volumes where there is a collateral shortfall (LtV > 100%). The LtV classification is based on mortgage collateral, no account has been taken of other guarantees and accrued savings components.

Breakdown loans and advances to customers SNS Retail Bank by LtV buckets

In € millions	2013		2012	
Mortgage loans	47,084	88%	49,782	90%
Other	6,333	12%	5,397	10%
Total loans and advances to customers	53,417	100%	55,179	100%

Mortgage loans and advances to customers SNS Retail Bank by LtV buckets

NHG	12,395	26%	11,836	24%
LtV ≤ 75%	13,079	28%	14,653	30%
LtV >75 ≤100%	9,129	19%	10,220	20%
LtV >100 ≤125%	11,598	25%	12,421	25%
LtV > 125%	883	2%	652	1%
Total	47,084	100%	49,782	100%

23.3.3 Loans and advances to banks and derivatives SNS Retail Bank

SNS Financial Markets enters into money and capital market transactions with various financial institutions as part of its treasury and funding activities.

Loans and advances to banks may ensue from lending activities in the form of deposits, as part of the ordinary cash management transactions. Cash management also includes transactions qualifying as forward exchange transactions, which are also regarded as derivative transactions. The policy is to initiate forward exchange transaction contracts and other over-the-counter derivatives contracts with parties with whom an umbrella agreement has been concluded, known as an ISDA (International Swaps and Derivatives Association) Master Agreement and Credit Support Annex. Under the Credit Support Annex, securities are exchanged on the basis of frequent comparison of the value of outstanding transactions under the ISDA Master Agreement and the balance of already transferred securities under the Credit Support Annex, above a set limit if necessary. This can lead to the redeposit or deposit of additional collateral.

The balance in loans and advances to banks relates to the financing of Property Finance for an amount of € 4,055 million. This relates to a loan converted to a new loan where the State guarantees the repayment. We refer to section 19.2.3 [Separation of Property Finance](#).

Interest rate derivatives are also used by SNS Retail Bank to manage and/or limit SNS Retail Bank's interest rate risk. The maturity of these derivatives range from two to thirty years. The risk mitigation conditions that apply to such derivatives are the same as for short-term derivatives. A system of counterparty limits is in place. This system reduces the concentration risk.

23.3.4 Investments SNS Retail Bank

The interest bearing investment portfolios of the Banking activities have predominantly European and North American debtors. There is no debtor that represents an interest of more than 10% in the fixed-income investment portfolio with the exception of the German, the French and the Dutch State.

See the tables below for more information.

Overview investments SNS Retail Bank 2013

In € millions	Fair value through profit or loss			Total
	Held for trading	Designated	Available for sale	
Shares and similar investments	2	-	12	14
Fixed income	711	-	4,932	5,643
Total	713	-	4,944	5,657

Overview investments SNS Retail Bank 2012

In € millions	Fair value through profit or loss			Total
	Held for trading	Designated	Available for sale	
Shares and similar investments	1	-	11	12
Fixed income	847	103	4,340	5,290
Total	848	103	4,351	5,302

The variances in interest bearing instruments in the portfolio "designated" is related to Burchin which dissolved early 2013.

The table below contains the breakdown of the interest bearing investment portfolio by geographic area. The category 'other' contains European and other international institutions that cannot be allocated to a single country. In 2012, such institutions were nevertheless allocated to a country based on their ISIN code. As it was decided in 2013 to recognise these positions in 'other', the comparative figures have been adjusted accordingly.

Breakdown fixed income investments (geography)

In € millions

	2013		2012	
Ireland	132	2%	121	2%
Italy	326	6%	319	6%
Subtotal GIIPS	458	8%	440	8%
Germany	1,309	23%	1,468	28%
France	770	14%	447	9%
The Netherlands	1,460	26%	1,690	32%
Austria	416	7%	303	6%
Belgium	389	7%	241	4%
Japan	428	8%	528	10%
Switzerland	103	2%	5	0%
Other	310	5%	168	3%
Total	5,643	100%	5,290	100%

Compared to 2012, the interest bearing investment portfolio increased by € 353 million. The following overview provides a breakdown of the interest bearing investment mix by sector. In particular, the government bond portfolio grew by € 295 million in 2013.

Breakdown fixed income investments (industry)

In € millions

	2013		2012	
Sovereign	4,705	83%	4,410	83%
Financials	254	5%	352	7%
Corporates	266	5%	105	2%
Mortgage backed securities	188	3%	211	4%
Other	230	4%	212	4%
Total	5,643	100%	5,290	100%

The table below contains the breakdown of the interest bearing investment portfolio by maturity.

Breakdown fixed income investments (maturity)

In € millions

	2013		2012	
< 3 months	536	10%	820	15%
> 3 months - < 1 year	279	5%	683	13%
> 1 year - < 3 years	343	6%	659	12%
> 3 years - < 5 years	1,031	18%	455	9%
5 years - < 10 years	2,535	45%	1,735	33%
> 10 years - < 15 years	112	2%	99	2%
> 15 years	807	14%	839	16%
No maturity	-	0%	-	0%
Total	5,643	100%	5,290	100%

The following overview provides a breakdown of the interest bearing investment mix across the various rating categories. The strategic mix of the various categories within the fixed-income portfolio is set annually in the ALM investment plan.

Breakdown fixed income investments (rating)

<i>In € millions</i>	2013		2012	
AAA	3,093	55%	2,522	48%
AA	1,830	33%	1,279	24%
A	236	4%	807	15%
BBB	466	8%	662	13%
< BBB	-	0%	-	0%
Unrated	18	0%	20	0%
Total	5,643	100%	5,290	100%

The following tables provide an overview of the interest-bearing government securities and the further breakdown to GIIPS countries.

Sovereign exposure fixed-income investments (geography)

<i>In € millions</i>	2013		2012	
Ireland	132	3%	121	3%
Italy	326	7%	314	7%
Subtotal GIIPS	458	10%	435	10%
Germany	1,265	27%	1,437	32%
France	619	13%	393	9%
The Netherlands	1,117	24%	1,053	24%
Switzerland	101	2%	-	0%
Austria	317	7%	302	7%
Belgium	376	8%	236	5%
Japan	428	9%	528	12%
Other	24	0%	26	1%
Total	4,705	100%	4,410	100%

Breakdown fixed income sovereign GIIPS (maturity)

<i>In € millions</i>	Fair value		Nominal	
	2013	2012	2013	2012
< 3 months	-	-	-	-
> 3 months - < 1 year	-	-	-	-
> 1 year - < 3 years	-	-	-	-
> 3 years - < 5 years	56	-	50	-
5 years - < 10 years	29	79	25	75
> 10 years - < 15 years	47	42	40	40
> 15 years	326	314	310	310
No maturity	-	-	-	-
Total	458	435	425	425

23.4 Credit risk Property Finance

The activities of Property Finance are split from SNS REAAL and SNS Bank NV as of 31 December 2013. The description here below is based on the situation during 2013. We also refer to section 28.44 [Result discontinued operations](#).

23.4.1 Credit risk management Property Finance

The management of the default items of Property Finance (and items where a potential default situation is plausible) are managed by the Restructuring and Recovery (R&R) department and the Loan Management department, respectively.

The development of the credit risk profile of Property Finance is continuously being monitored. This is performed with reports on payments in arrears and overdrafts, periodic reviews and portfolio analyses, as well as external communication. In addition, 'early warning' meetings are taking place. At these meetings, early warning signals such as payments in arrears, renewals and possible inadequate interest coverage ratios are discussed and decisions will be made on adequate follow-up on these signals.

Valuations

Valuation of the collateral is carried out at loan origination in order to determine the value of the collateral for the loans being provided. In addition, the collateral value is evaluated during periodic revision according to the DNB regulations. A valuation guideline is part of Property Finance's review policy. The collateral values of the loans in default are valued at least once a year, with a major part of the portfolio being valued externally and with a risk-based approach during the third and fourth quarters. The goal is to evaluate the valuation of loans in default at balance sheet date against the recent external appraisals. In addition, an annual valuation is performed of the collateral of non-default loans exceeding € 10 million and of project finance loans. The valuation guideline provides that smaller amounts of collateral are valued at least once every three years.

In 2013, Property Finance also conducted an in-depth analysis of the major part of the portfolio of property projects and property finance. The analysis was intended to map the current state of the portfolio, to determine new exit strategies and exit data for all customer groups, and perform a scenario analysis for future developments (under a base, bear and – in a limited number of cases – bullish scenario). The analysis was performed under supervision of the Property Finance management, in which specialists of both Risk Management Property Finance and Group Risk Management were involved.

The analysis was used in the Q4-2013 loan provision process and served as input in the autonomous Propertize's business plan.

The valuation of a property may be performed by an internal expert or by an external appraiser. Loans in default were mostly valued by means of external valuation. The valuations are as much as possible carried out in accordance with the Valuers and Accountants Platform (PTA) guidelines and the Royal Institution of Chartered Surveyors (RICS) valuation standards. The other loans are valued also by internal appraisers. These internal appraisers are certified and operate independently. Concept valuation reports are being reviewed internally before being finalised.

Defaults

Loans with an increased risk profile are declared in default if there are indications in place. The default indicators used in this context include the customer's payment record (arrears), the LtV of the loan, the customer's financial position, the construction progress, the lease or sale rate, the fulfilment of agreements made and (other) internal and external signals, and finally the extent to which a loss may occur on the expected exit date. In general, loans that are declared to be in default will be transferred to the Restructuring & Recovery (R&R) department.

Provisions

Loans are being valued on the basis of the realistic (base) scenario, using forecasts and the discounting of future cash flows using the effective interest rate of the original loan, and the most recent (external) valuation report. A provision is being formed, when the projected revenues for a loan upon exit are lower than the current outstanding financing plus costs to be incurred when realising the loan.

The departments R&R, Loan provisions, Risk Management and Business Control are involved in the valuation of loans and property projects. The scenarios of loans in default for which a provision has already been taken are reassessed periodically. R&R, Loan provisions and Risk Management departments are involved in this process. The scenario analyses and the associated valuations, including the comments from Risk Management, are discussed in the Management Board meetings, discussed and adopted in the Credit Committee Property Finance, and then – above a certain acceptance limit – submitted to a special meeting of the Group Credit Committee for ratification.

Property projects

Due to the unfavourable developments on the Dutch and international real estate markets, it was necessary to realise collateral provided to Property Finance under a number of loans. As a result, Property Finance gained de facto effective control over a few property projects, which have therefore been recognised in Property Finance's balance sheet.

The property on Property Finance's balance sheet is valued at the lower of cost or net realisable value. The net realisable value is determined on the basis of the expected present value of the cash flows as estimated by Property Finance under a realistic exit scenario, analogous to the method used for determining the loan provisions. This means that, for example, estimates are being made with regard to costs (completion costs, selling costs, etc.), revenues (rents, sales proceeds) and the time required to execute the scenario. The discount rate used in 2013, to discount the cash flows, is the weighted average cost of capital (WACC).

Impairments

The impairments on Property Finance's defaulted loans and property projects reflect the changes in the expectations regarding the cash flow profile of the underlying assets. Expected cash flows are driven by items such as rental income, price per square metre, construction costs, interest costs and recent valuation reports provided by professional appraisers.

In performing the valuations, the appraiser uses transactions which can be observed in the market and which are comparable, to the extent possible. It is very difficult for a large part of the portfolio to test against recent observed comparable market transactions, due to the increasing lack of liquidity in the market. This means that the assumptions and estimates made by the appraiser in the valuation of property are exposed to significant uncertainties which are greater than under normal market conditions, which results in a broader range for the valuations of property and, accordingly, the valuation of the loans of Property Finance.

23.4.2 Exposure Property Finance

Below are two tables included that provide insight into the exposure of Property Finance relating to real estate financing just before the transfer of Property Finance. As per 31 December 2013 these exposures are no longer recognised on the balance sheet of SNS REAAL. These tables and figures in the text are based on the position at the time of separation.

The total outstanding credit limits decreased by € 1.2 billion from € 7.9 billion to € 6.7 billion (-15.2%). In 2013, the net exposure was reduced by € 1.3 billion (18.6%) to € 5.7 billion.

In 2013, the reduction of net exposure and outstanding credit limits was realised by a combination of regular redemptions, sale of loans, restructuring, provisioning, and through foreclosure and the following transfer of loans to recognising property projects.

Arrears in loans and advances Property Finance (standings on date of separation)

In € millions	Outstanding		Loan to Value	
	2013	2012	2013	2012
Neither past due nor impaired	2,674	4,258	81.0%	83.0%
Past due but not impaired	371	925	96.6%	85.8%
Impaired	3,656	2,649	161.4%	169.0%
Total	6,701	7,832	113.5%	100.9%

Ageing analysis past due but not impaired loans and advances Property Finance (standings on date of separation)

In € millions	Outstanding		Loan to Value	
	2013	2012	2013	2012
< 30 days	84	334	90.2%	82.6%
30 - 60 days	23	97	87.6%	65.8%
60 - 90 days	38	49	106.0%	69.9%
> 90 days	226	445	98.2%	97.8%
Total	371	925	96.6%	85.8%

23.4.3 Impairments Property Finance

The development of the credit risk profile of Property Finance is continuously being monitored.

In 2013, Property Finance conducted an in-depth analysis of nearly the entire portfolio. The analysis was intended to get an adequate overview of the current state of the portfolio and to perform scenario analyses for possible future developments (under a base, bear and optimistic scenario). The results of the portfolio analyses were validated by an independent third party.

Impairments Property Finance

In € millions

	2013	2012
The Netherlands	622	537
Other Europe	197	172
North-America	39	9
Loans and advances	858	718
The Netherlands	41	26
Other Europe	114	180
North-America	3	4
Property projects	158	210
Goodwill	-	47
Associates and joint ventures	37	13
Total	1,053	988

The total impairments for 2013 remained at a very high level. A total impairment loss of € 1,053 million was recognised, compared to a loss of € 988 million in 2012. The continuing high level of impairments can be attributed to the following causes:

- Further deterioration of the European property markets, particularly in the Netherlands and Spain, results in further increasing vacancy rates, lower rental income and increasingly lower valuations for B and C locations. Loans for B and C locations in the Netherlands constitute the major part of the portfolio.
- The ongoing difficult market conditions more and more often deprive customers of the means to use their own reserves to meet debt service obligations, which can not be covered by the property's operating cash flows.

Both of the aforementioned developments led to a further increase of the default rate in 2013. At year-end 2012, this rate was still 40%; but at year-end 2013 the default rate increased to 62% of the portfolio. The default rate of the Dutch portfolio alone rose from 36% (2012) to 56% at year-end 2013, which was also as a result of a tighter application of the default definition.

At the time the scenario analyses were prepared, it was concluded for a part of the portfolio that the opportunities that were initially being assessed as a loss-limiting/preventing measure or a potential value-creating strategy were no longer applicable, leading to an adjustment of the exit strategy. This resulted in additional impairments for these items.

In the valuation of the portfolio, for the estimation of future cash flows, transactions are used which can be observed in the market and which are comparable to the extent possible. Due to the lack of liquidity in the current market, appraisers have difficulty for a large part of the portfolio to test against recent observed comparable market transactions. This means that the assumptions and estimates made by Property Finance in the valuation of loans are exposed to large uncertainties, which subsequently result in a broader range for the valuations.

All this is reflected in lower estimates for expected future cash flows and, in some cases, in a necessary adjustment to the exit strategy.

Moreover, it should be mentioned that the major part of the portfolio's collateral was appraised during the year in accordance with the applicable guidelines, with a major part of the portfolio in default being appraised during the third and fourth quarter.

Impairments in associates and joint ventures in 2013 are a result of impairments of five project entities.

After the nationalisation of SNS REAAL, the transfer value of the real estate portfolio of Property Finance was established. In February 2013, a provision was recognised by SNS REAAL for the difference between this established transfer value and the book value. Value changes in the real estate portfolio were charged to this provision and have no impact on the net result of SNS REAAL.

23.5 Market risk of Banking activities

Market risk is the risk of movements in the level and/or volatility of market prices. The following sections contain an explanation of the market risk of the banking book. In this respect, a distinction is made between interest rate risk, spread risk, (share) price risk and currency risk. In addition, this chapter includes a sensitivity analysis of interest rate risk and equity risk, and an overview of the average effective interest rates. Finally, a separate section discusses the market risk of the trading portfolio.

23.5.1 Managing market risk

The market risk of the Banking activities is managed by Bank's Asset & Liability Management Committee ("ALCO Bank"). Interest rate risk is a significant component within market risk. Interest rate risks arise due to the fact that there are differences in the interest rate sensitivity of the assets and liabilities in the balance sheet. As part of managing market risk, continuous assessments whether the risk indicators fall within the pre-set limits are verified. Management within those limits takes place on the basis of risk/return considerations in conjunction with the short-term and medium-term expectations for the interest rate movements.

23.5.2 Interest rate risk Banking activities

In 2013, the swap curve for all maturities rose compared to year-end 2012. At the same time, the interest rate was volatile in 2013. The interest rate risk in the bank's portfolio is measured, monitored and managed using duration of shareholders' equity, Value-at-Risk (VaR), Earnings-at-Risk (EaR) and gap analyses. When managing the interest rate risk, rather than assessing separate balance sheet items, the total of interest-bearing assets and liabilities, including interest rate derivatives, is being assessed. These derivatives are used to manage the interest rate sensitivity towards the desired level. See section [25.2 Hedging and hedge accounting](#) for more information.

The primary indicator for interest rate risk is the equity duration. During 2013, the strategic bandwidth for the equity duration was 0 to 8. The Group ALCO sets the strategic bandwidth each year. Due to the volatility in the swap rates and the aim to limit the sensitivity to changes in interest rates, the duration was kept at a low level in 2013, between 1 and 4. At year-end 2013, the equity duration was 1.7 (year-end 2012: 3.7).

Both Value-at-Risk (VaR) and Earnings-at-Risk (EaR) are determined on the basis of scenario analyses. At a confidence level of 99%, the VaR is equal to 1% worst outcomes of changes in the economic value of shareholders' equity with a one-year horizon. The EaR measures, under seven deterministic interest rate scenarios of large interest rate shocks (both instantaneously and gradually), what the maximum loss in net interest income will be within one year. This net interest income loss occurs when the interest rate gaps are refinanced under those interest rate scenarios. The VaR figures are before taxation and the EaR figures are after taxation.

During 2013, the VaR was € 163 million on average, with a maximum of € 327 million at the end of December 2013 (year-end 2012 € 175 million). In 2013 a new Economic Scenario Generator was implemented, which produces more extreme scenarios. As a consequence, the VaR is since December 2013 substantially higher.

In 2013, the EaR was € 27 million on average, with a maximum of € 50 million in January 2013. In that month, the EaR was only high once, due to the large amount of withdrawals of savings deposits caused by the uncertainty surrounding SNS REAAL. At year-end 2013, the EaR was € 21 million (year-end 2012 € 4 million). The limit for the EaR is € 56 million. In the first quarter of 2013 the EaR methodology was modified, causing the EaR results in 2013 to rise above the level of 2012. The new EaR methodology takes into account a higher sensitivity/interest rate adjustability of the on demand savings deposits due.

In addition to managing the equity duration, VaR and EaR, we also manage the net (assets minus liabilities) position of redeeming nominal amounts per interest rate period. These amounts are presented in a 'gap profile'. The gap profile is used to determine which maturities should be used for the interest rate swaps, to manage the interest rate position to the desired level.

The table below illustrates the term to maturity gap profile of the Banking activities on the basis of the expected remaining term to maturity. This includes the estimates for early redemption behaviour in the mortgage portfolio and for the interest maturity of savings and loans that are due on the daily demand.

Term to maturity gap profile Banking activities 2013

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Provision	Total
Assets							
Investments (interest bearing)	1,109	509	508	1,118	2,399	-	5,643
Derivatives	547	635	375	679	216	-	2,452
Loans and advances to customers	15,810	1,559	6,305	21,248	8,948	(453)	53,417
Loans and advances to banks	5,618	440	5	-	-	-	6,063
Other assets	1,415	-	-	-	(1)	-	1,414
Cash and cash equivalents	5,528	-	-	-	-	-	5,528
Subtotal	30,027	3,143	7,193	23,045	11,562	(453)	74,517
Off-balance sheet products	14,585	13,157	6,706	9,315	431	-	44,194
Total assets	44,612	16,300	13,899	32,360	11,993	(453)	118,711
Liabilities							
Participation certificates and subordinated debts	-	40	-	-	-	-	40
Debt certificates	6,168	9,396	260	298	317	-	16,439
Derivatives	596	459	394	911	310	-	2,670
Savings	1,745	3,132	8,339	14,323	5,737	-	33,276
Other amounts due to customers	4,620	1,538	1,447	2,321	702	-	10,628
Amounts due to banks	7,457	-	-	-	-	-	7,457
Other liabilities	1,444	-	-	-	-	-	1,444
Subtotal	22,030	14,565	10,440	17,853	7,066	-	71,954
Off-balance sheet products	9,610	8,484	6,368	14,719	5,010	-	44,191
Total liabilities	31,640	23,049	16,808	32,572	12,076	-	116,145
Interest rate sensitivity gap	12,972	(6,749)	(2,909)	(212)	(83)	(453)	2,566

Term to maturity gap profile Banking activities 2012

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Provision	Total
Assets							
Investments (interest bearing)	960	856	578	712	2,184	-	5,290
Derivatives	739	1,222	564	630	463	-	3,617
Loans and advances to customers	22,160	2,484	7,756	19,470	11,486	(1,572)	61,784
Loans and advances to banks	1,923	4	1	-	-	(2)	1,927
Other assets	1,765	-	-	-	-	-	1,765
Cash and cash equivalents	6,933	-	-	-	-	-	6,933
Subtotal	34,480	4,566	8,899	20,812	14,133	(1,574)	81,316
Off-balance sheet products	10,500	17,350	8,010	8,942	7,190	-	51,992
Total assets	44,980	21,916	16,909	29,754	21,323	(1,574)	133,308
Liabilities							
Participation certificates and subordinated debts	-	-	483	-	337	-	820
Debt certificates	6,854	13,161	612	990	373	-	21,990
Derivatives	1,072	637	722	608	560	-	3,599
Savings	5,598	1,514	1,136	19,054	5,513	-	32,815
Other amounts due to customers	4,491	921	429	1,286	2,402	-	9,529
Amounts due to banks	8,680	6	-	-	-	-	8,686
Other liabilities	2,565	-	-	-	-	-	2,565
Subtotal	29,260	16,239	3,382	21,938	9,185	-	80,004
Off-balance sheet products	9,561	10,776	10,661	11,126	9,869	-	51,993
Total liabilities	38,821	27,015	14,043	33,064	19,054	-	131,997
Interest rate sensitivity gap	6,159	(5,099)	2,866	(3,310)	2,269	(1,574)	1,311

Quotation risk

Quotation risk is the risk due to increasing interest rates between the time the quotation is made and the time the mortgage is extended. Each month a trade-off is made in ALCO Bank between the hedging costs and the scope of the quotation risk. The quotation risk on fixed-rate mortgages is limited by a VaR limit of € 19.1 million. The average quotation VaR for fixed-rate mortgages was € 2.4 million in 2013 (2012: € 1.2 million). At year-end 2013, the quotation VaR was € 3.5 million (2012: € 1.5 million). The quotation VaR remained comfortably within the limit throughout 2013.

The level of new provided mortgages was low in 2013. Gross new mortgage sales in 2013 mainly comprised fixed-rate mortgages. Due to the limited level of new mortgages, no swaps were concluded in 2013 to hedge the interest rate risk from quotations on fixed-rate mortgages.

Sensitivity test for interest rate risks and other price risk

The interest rate risks of the Banking activities can be illustrated by a sensitivity analysis. This analysis calculates the impact of an immediate parallel shift of the yield curve of +100 basis points or -100 basis points (bps), and an immediate shock in stock prices of +10% or -10% on the fair value of shareholders' equity, the result and shareholders' equity. The outcomes are after taxation, except for the sensitivity of the fair value of shareholders' equity to interest rate changes. These amounts are before taxation.

Sensitivity interest rates and stock prices Banking activities

In € millions	Fair value equity		Result		Shareholders' equity	
	2013	2012	2013	2012	2013	2012
Interest rate + 1%	(16)	(21*)	(1)	23	(145)	(156)
Interest rate - 1%	42	27*	(5)	45	148	151
Shares +10%	1	1	-	-	1	1
Shares -10%	(1)	(1)	-	-	(1)	(1)

* In 2012 reported after adjustment for corporate tax.

The 'Fair value equity' column demonstrates the sensitivity of the fair value of shareholders' equity, including embedded options, if the interest rate immediately rises or falls by 100 basis points (parallel shift) or the stock prices increase or decrease by 10%.

The sensitivity of the fair value of shareholders' equity to interest rate increases has decreased. This is in line with the duration of the shareholders' equity at year-end 2013 which is lower compared to year-end 2012. A decline in interest rates did not result in a decrease in sensitivity. This is related to the interest rate cut-off at 0%. The interest rate is higher at year-end 2013 than at year-end 2012, therefore in an interest rate decrease scenario the interest rate cut-off at 0% occurs later. The sensitivity for the interest rates decrease scenario increased slightly.

The 'Result' column shows the sensitivity of the result to interest rate fluctuations for the first 12 months in the event that interest rates immediately rise or fall by 100 basis points (parallel shift).

An interest rates rise at year-end 2013 resulted in a slightly negative effect on the interest income while at year-end 2012 there was a positive effect on interest income. This variance is caused by a change in the modelling of the on demand deposits. It is assumed that when interest rates rise a major part of this increase is passed on to the customer tariff. From the interest rates decrease scenario this generated a negative effect on the interest income at year-end 2013 (positive at year-end 2012). The development of the yield curve, which was higher at year-end 2013 compared to year-end 2012 has an important role. The higher interest rate results in the interest rate decrease scenario that the interest cut-off at 0% occurs later.

The 'Shareholders' equity' column expresses the sensitivity resulting from the investment portfolios available for sale and the cash flow hedge derivatives in case of a direct parallel 100 basis points interest rate increase or decrease, and from the equity portfolio in case of a direct 10% increase or decrease of the share prices.

23.5.3 Spread risk GIIPS countries

SNS Retail Bank's government bond exposure to GIIPS countries (Greece, Ireland, Italy, Portugal, Spain) remained practically unchanged in 2013. The remaining government bond exposure to Italy amounts to a nominal value of € 310 million and to Ireland with a nominal value of € 115 million. The spreads of these countries developed favourably for SNS Retail Bank in 2013.

23.5.4 Equity risk Banking activities

The share price risk on the Banking activities is very limited. There is only a position of € 12 million in equity, which is primarily an investment of ASN Bank in sustainable funds.

23.5.5 Exchange rate risk Banking activities

Exchange rate position Banking activities (net exposure)

In € millions	Balance		Hedge derivatives	
	2013	2012	2013	2012
US dollar	86	(533)	(87)	508
Japanese yen	415	493	(415)	(489)
Pound Sterling	66	51	(66)	(54)
Swiss franc	3	(14)	(3)	9
Canadian dollar	107	139	(107)	(119)
Australian dollar	1	1	(1)	(1)
Hong Kong dollar	(101)	(106)	101	103
Danish krone	63	78	(63)	(63)
Other	(21)	(24)	22	21
Total	619	85	(619)	(85)

Balance is total of balance debit and credit

All currency exposures of the Banking activities are measured and hedged on a daily basis, resulting in a very small net foreign currency exposure.

23.5.6 Effective interest rates Banking activities

The table below gives an indication of the average effective interest rates of the Banking activities throughout the year with respect to monetary financial instruments not held for trading.

Effective interest rates Banking activities

In percentages	2013	2012
Assets		
Investments available for sale (interest bearing)	1.5%	2.0%
Mortgages	4.4%	4.5%
Property finance *	0.0%	3.2%
Other loans and advances to customers	2.1%	4.4%
Loans and advances to banks	0.1%	0.2%
Liabilities		
Participation certificates and subordinated debts	4.3%	7.5%
Debt certificates	2.1%	2.4%
Savings	2.5%	3.1%
Other amounts due to customers	2.3%	2.7%
Amounts due to banks	0.0%	0.0%

* As a result of the transfer of Property Finance, end 2013 the percentage of property finance is 0%.

23.5.7 Market risk Banking activities trading portfolio

The market risk of the Banking activities' trading portfolio is measured on a daily basis in terms of Value-at-Risk (VaR) (99% reliability) and stress testing, both with a one-day horizon. The total limit in terms of VaR for the trading portfolio amounted to € 2.1 million in 2013 (2012: € 2.3 million). The permitted limit was used to only a moderate extent in 2013. The VaR methodology is based on Monte Carlo simulations. The underlying probability distributions are based on historical data. Stress tests are carried out on a periodical basis by all trading desks. These, too, have defined limits.

The following table provides an overview of the limits for the different trading portfolios.

Market risk Banking activities trading portfolio (limit)

In € thousands	Value-at-Risk (99% on daily basis)		Stress test	
	2013	2012	2013	2012
Limit				
Customer desk	200	200	600	600
Money market desk foreign currency	500	500	1,500	1,500
Money market desk euro	150	150	450	450
Capital market desk	300	75	900	225
Repurchase Obligations (Repos)	25	300	75	900
Credit book financials	50	200	150	600
Interest rate desk	250	250	750	750
Off-balance desk	200	200	600	600
Equity desk	150	150	450	450
Bond desk	300	300	900	900
Total	2,125	2,325	6,375	6,975

23.6 Liquidity risk Banking activities

Liquidity risk is the risk that there are insufficient liquid assets available in the short term to meet financial obligations, whether under normal circumstances or in times of stress, without this being accompanied by unacceptable costs or losses.

23.6.1 Managing liquidity risk

SNS Bank NV pays close attention to the management of its exposure to liquidity risk, which results that it has sufficient liquidity reserves at its disposal at all times to be able to meet its financial obligations at all times. Liquidity risk management has been set up in such a way that the Banking activities are capable of absorbing the possible impact of banking-specific stress factors, such as stress in the money and capital markets.

Liquidity risks are managed on the basis of the net (assets minus liabilities) nominal amounts due per maturity which results in a typical liquidity gap profile. The following table represents the gap profile of the Banking activities at year-end 2012 and 2013 on the basis of the remaining contractual maturity. With regard to the following table, it should be noted that deposits and savings due on demand, are presented in the 'less than 1 month' column. In practice, these products are being allocated with longer maturities. For mortgages, the contractual maturity is maintained without taking into account any prepayments.

Liquidity risk Banking activities 2013

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Provision	Total
Assets							
Investments (interest bearing)	427	109	279	1,374	3,454	-	5,643
Derivatives	34	87	47	1,165	1,119	-	2,452
Loans and advances to customers	2,293	574	121	1,251	49,631	(453)	53,417
Loans and advances to banks	1,576	423	4,066	-	-	(1)	6,064
Other assets	5,528	-	-	-	1,415	-	6,943
Total assets	9,858	1,193	4,513	3,790	55,619	(454)	74,519
Liabilities							
Shareholders' equity	-	-	-	-	2,564	-	2,564
Participation certificates and subordinated debts	-	-	-	-	40	-	40
Debt certificates	72	2,787	8,296	3,774	1,510	-	16,439
Derivatives	21	10	125	1,526	988	-	2,670
Savings	26,923	53	397	3,109	2,795	-	33,277
Other amounts due to customers	6,390	15	1,133	307	2,783	-	10,628
Amounts due to banks	782	142	-	6,496	37	-	7,457
Other liabilities	1,444	-	-	-	-	-	1,444
Total equity and liabilities	35,632	3,007	9,951	15,212	10,717	-	74,519
Net liquidity gap	(25,774)	(1,814)	(5,438)	(11,422)	44,902	(454)	-

Liquidity risk Banking activities 2012

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Provision	Total
Assets							
Investments (interest bearing)	543	276	683	1,114	2,674	-	5,290
Derivatives	75	28	22	1,364	2,128	-	3,617
Loans and advances to customers	4,791	679	909	2,014	54,963	(1,572)	61,784
Loans and advances to banks	1,875	43	1	10	-	(2)	1,927
Other assets	8,105	28	-	148	416	-	8,697
Total assets	15,389	1,054	1,615	4,650	60,181	(1,574)	81,315
Liabilities							
Shareholders' equity	-	-	-	-	1,311	-	1,311
Participation certificates and subordinated debts	-	-	57	-	763	-	820
Debt certificates	176	95	793	8,705	12,221	-	21,990
Derivatives	39	43	142	838	2,537	-	3,599
Savings	27,807	1,181	184	2,672	971	-	32,815
Other amounts due to customers	5,683	115	460	425	2,846	-	9,529
Amounts due to banks	1,942	10	-	6,704	30	-	8,686
Other liabilities	2,559	-	6	-	-	-	2,565
Total equity and liabilities	38,206	1,444	1,642	19,344	20,679	-	81,315
Net liquidity gap	(22,817)	(390)	(27)	(14,694)	39,502	(1,574)	-

The balance in 'loans and advances to banks' relates to the financing of Property Finance for an amount of € 4,055 million. The previous intercompany loans were converted to third-party loans, where the Dutch State guarantees the repayment. We refer to section 19.2.3 [Separation of Property Finance](#).

On 1 February 2013, SNS REAAL was nationalised. The increased outflow of savings and credit funds preceding this nationalisation triggered the execution of the Liquidity Contingency Plan of SNS Bank NV in January 2013. The relatively

high liquidity buffer of SNS Bank NV, and the proper functioning of this plan, proved to be sufficient to absorb the outflow of liquidity (see also 23.6.2 [Liquidity risk policy](#)).

After the nationalisation of SNS REAAL, the outflow of savings and credit funds ceased in January 2013 and the amount of savings started to grow again. SNS Bank NV still maintains a high liquidity position, on the one hand because the situation on the money and capital markets (interbank) has not yet returned to normal levels for SNS Bank NV, and on the other hand regulators demand higher liquidity buffers than before (as announced with the Basel III legislation).

During 2013, SNS Bank NV did not enter into any capital market transactions. Retail savings increased by € 0.5 billion (+1.4%) compared to year-end 2012.

The Loan-to-Deposit ratio of SNS Retail Bank improved from 132% to 122% as a result of the decrease in loans and advances to customers, in combination with a small increase in retail funding. The Loan-to-Deposit ratio of SNS Bank NV improved from 148% at year-end 2012 to 122% due to the same factors as the separation of Property Finance.

Development liquidity position SNS Bank NV

<i>In € millions</i>	December 2013	December 2012
Cash	5,334	6,691
Liquid assets	6,294	4,818
Total liquidity position	11,628	11,509

Liquid assets consist of assets which are ECB eligible and readily available.

The liquid assets included in the liquidity position consist largely of securitisations held on own book and government bonds. The cash position is part of the liquidity monitoring of SNS Bank NV department Financial Markets. Included in these are the non-restricted and restricted demand deposits with the Dutch Central Bank (DNB), current accounts, through SNS Financial Markets with other credit institutions, and deposits with an original duration of 10 days or less. The cash position therefore deviates in this respect from the presented book value cash and cash equivalents on the face of the balance sheet of the Banking activities.

In 2013, SNS Bank NV complied with both internal and regulatory targets for liquidity risk. The internal requirements are thereby significantly stricter than the regulatory requirements. Although SNS Bank NV its funding profile has become more retail-oriented in the last couple of years (the Loan-to-Deposit ratio has declined), a significant portion of SNS Bank NV is still being financed with various wholesale financing instruments. Also in the future, SNS Bank NV will continue to have a diversified funding profile, in which the largest emphasis is on retail funding.

SNS Bank NV has a potential liquidity requirement caused by margin requirements on derivatives. This is because SNS Bank NV, in the context of credit risk mitigation, has agreed with its main counterparts to settle changes in the market value of derivatives on a periodic basis. As a result, there may be both amounts received and amounts paid. At year-end 2013, SNS Bank NV paid an amount of € 1.2 billion on balance.

Under normal circumstances, SNS Bank NV has a broad investor base, an extensive range of financing instruments and easy access to the international capital market. As the credit rating has not yet been adjusted upwards following the nationalisation, market access is not yet back at a level which is normal for SNS Bank NV.

For more details, please refer to chapter 14 [Funding and credit ratings](#) of the Annual Report.

23.6.2 Liquidity risk policy

The liquidity risk policy of SNS Bank NV 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 (contingency planning)

The liquidity risk management of the Banking activities is based on the composition of its funding portfolio in a business-as-usual environment. The daily cash management activities of the central treasury are in line with the operational requirements of the Banking activities and take place in accordance with the regulatory guidelines in this field.

SNS Bank NV strives to diversify the funding portfolio with respect to type (retail versus wholesale), maturity, instrument, and type of investor. SNS Bank NV also has a large portfolio of highly liquid assets, such as Dutch and German government bonds.

Planning for unforeseen events is part of the annually recurring ILAAP process (see section 23.6.3 [ILAAP](#)). SNS Bank NV has a liquidity contingency plan in place, in which the existing crisis management structure is followed.

In January 2013, following the significant outflow of liquidity preceding the nationalisation, the Liquidity Contingency Plan was executed. The frequency of information communicated to the Capital & Liquidity Team (CLT) on the outflow of savings and the development of the liquidity position was increased to multiple times a day. Also the CLT discussed on a daily basis the necessary actions to be executed and informed the Dutch Central Bank (DNB) on the developments and actions. The CLT remained operational during the first week after the nationalisation. After 1 February 2013, the outflow of savings ceased and steady growth became visible.

23.6.3 ILAAP

With the ILAAP (Internal Liquidity Adequacy Assessment Process), the management board of SNS Bank NV and the Executive Board of SNS REAAL determine the available amount of liquidity and assess whether it is sufficient compared to the amount of liquidity deemed necessary. The Dutch Central Bank introduced the ILAAP in 2011 and SNS Bank NV ran the ILAAP for the third time in 2013. Starting points are the balance sheet, (proposed) strategy, risk appetite and existing risks. The assessment includes the questions of how risks are dealt with and whether the liquidity cushion of SNS Bank NV in current and possibly future circumstances is sufficiently robust to absorb the liquidity risks. The ILAAP also comprises a liquidity stress test. This liquidity stress test takes into account, among other things, an extreme outflow of savings and credit funds, the lack of funding in the money and capital markets, and a decline in market value of liquid assets.

24 Financial risk management Insurance activities

24.1 Introduction

This chapter discusses the financial risks that occur within the Insurance activities. These financial risks are mainly insurance risk Life and Non-life (section 24.2.2 and 24.3.2), market risk (section 24.5), credit risk (section 24.5.3) and liquidity risk (section 24.7).

The capital position of the Insurance activities is discussed in section 27.4.3 and the capital adequacy in section 27.4.4.

The sections start with a definition of the relevant risk, followed by an explanation of how these risks are managed.

24.2 Insurance risk Life

24.2.1 Life insurance portfolio

The life insurance portfolio contains individual and group insurance policies. Individual insurance policies are sold as policies with cash benefits (traditional policies) and with payment in units (unit-linked insurance policies).

The individual life insurance portfolio mainly consists of unit-linked insurance policies, mortgage-related endowment policies and life annuity insurance policies with a regular benefit if the insured is alive. The individual life insurance portfolios focus on the retail and SME markets in the Netherlands.

The Group portfolio consists of both traditional contracts and separate accounts and unit-linked insurance contracts.

SNS REAAL's Group life insurance portfolio focuses on the entire corporate market in the Netherlands.

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

24.2.2 Technical claims and benefits risks for the life insurance portfolio

A life insurance policy entitles the policyholder to a death benefit and/or a benefit if the insured is alive.

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

Other technical claims and benefits risks that affect the life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender risk (the policyholder terminates the policy before the maturity date), conversion to a non-contributory status (the policyholder terminates the regular premium payment before the maturity date) and the risk of disability (the policyholder becomes disabled for work). For more information on disability risk, please refer to section 24.3.2 [Technical claims and benefits risks for the Non-life insurance portfolio](#).

In addition, the insurer bears the cost risk if the actual costs turn out to be higher than what is received from the cost of coverage that was imputed into the tariff setting.

24.2.3 Life insurance portfolio – Investment risk and interest rate guarantees

With both traditional and unit-linked insurance contracts, the policyholder pays regular premiums and/or a single premium. For traditional policies, the insurer bears the investment risk of its investments as opposite stand for the commitments to policyholders. When a benefit or annuity payment is due, the insurer pays the policyholder a predetermined nominal amount. In contrast, on unit-linked contracts the insurer does not run an investment risk. Indeed, with unit-linked contracts the insured amount is dependent on the value of the funds in which the units have been invested. The policyholder therefore bears the investment risk. To a limited extent, interest rate guarantees were issued for individual unit-linked insurance contracts resulting that the insurer for this kind of products bears an investment risk. In this case, a guaranteed minimum return at maturity applies to the individual unit-linked insurance policies with interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the contracting party that, in principle, bears the investment risk. The insurer guarantees the payment of the insured benefits. The contracting party is the institution that concluded the contract to insure the pension commitments of its employees with the insurer. However, there should at least be an investment value to cover the provision for actual accrued entitlements. Additional measures may also have been agreed by contract to compensate for investment losses up to a certain amount (e.g. the creation of an additional provision (buffer) in the investment account). The insurer is entitled to limit the investment risk at the moment the additional provisions/buffers are insufficient. If the investment value (including the potentially additional measures agreed by contract) turns out to be insufficient, the remaining shortfall is for the risk of the insurer.

24.2.4 Managing insurance risks in the life insurance portfolio

The insurer pursues an active risk management (see also section 24.4 [Insurance risk reinsurance](#)).

Developments in the technical claims and benefits risks of mortality and developments in early surrender are investigated annually. The results of this investigation are used for setting prices for new life insurance contracts and for the valuation of the underlying insurance portfolio. Risk diversification in the composition of the life insurance portfolio is another goal.

SNS REAAL periodically reviews the level of longevity-mortality compensation that is inherent in its portfolios. For an adequate assessment of these compensation effects, SNS REAAL monitors the absolute profit/loss development in time of its mortality assumptions for the entire portfolio.

The solvency of the life insurance portfolio is sensitive to changes in the parameters used for the actuarial calculations. To gain insight into this sensitivity the effects of changes in mortality, surrender probabilities (including non-contributory)

and (continuous) costs are calculated separately.

The solvency's sensitivity to changes in the technical parameters is fairly limited in comparison with previous years, except for the sensitivity to the longevity risk. The sensitivity to the risks of surrender, including non-contributory continuation, and mortality risk is strongly mitigated by the surrender floor restriction in the adequacy test.

Sensitivity solvency as a result of changes in technical parameters

In percentages

	2013	2012
Solvency ratio	172%	176%
Impact of the sensitivities:		
- 50% increase in surrender rates	(2%)	(4%)
- 15% higher mortality rates (short-life risk)	(2%)	(3%)
- 20% lower mortality rates (longevity risk)	(39%)	(32%)
- 10% increase in expenses assumptions + 1% higher cost inflation	(18%)	(19%)

Changes in the actuarial parameters have an effect on the result of the insurer. The sensitivity of the solvency of the Insurance activities to changes in the financial markets is explained in chapter 27 [Capital management](#).

Life expectancies

To forecast the survival probabilities of the entire population, SNS REAAL uses as from 2012 the model published by the Netherlands Actuarial Association in this respect (AG 2012). SNS REAAL annually updates the empirical data for portfolio mortality, lapse and early surrender based on research on actual observed mortality and decline within the portfolio of the life insurer.

24.2.5 Other insurance risks of Life insurance

Concentration of risk

In life insurance, concentration of risks mainly exists in the Group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risks.

Such concentration of risks was partly offset by the use of reinsurance. For more information, please refer to section 24.4 [Insurance risk reinsurance](#).

Scope of various insurance categories 2013

In € millions

	Annual premium	Insured capital	Insured annuity	Technical provision for insurance contracts	Risk capital
Savings mortgages	373	19,685	6	5,558	13,663
Life annuity	1	-	476	3,480	298
Risk	170	45,443	10	426	46,999
Savings insurance	126	9,082	14	6,012	2,631
Funeral insurance	35	2,365	-	1,055	1,596
Individual insurance policies in cash	705	76,575	506	16,531	65,187
Individual insurance policies in investment units	532	35,161	418	6,152	31,053
Group insurance policies in cash	288	12,770	2,030	8,150	28,229
Group insurance policies in investment units	508	27,041	875	7,792	28,278
Subtotal	2,033	151,547	3,829	38,625	152,747
Reinsurance risk	(3)	(75)	(5)	-	(73)
Proportional reinsurance	(159)	(6,184)	-	(3,863)	(72,169)
Total	1,871	145,288	3,824	34,762	80,505

Scope of various insurance categories 2012

In € millions

	Annual premium	Insured capital	Insured annuity	Technical provision for insurance contracts	Risk capital
Savings mortgages	387	20,556	6	5,375	14,517
Life annuity	1	-	521	3,978	320
Risk	168	42,435	11	403	44,080
Savings insurance	154	10,244	49	6,758	3,118
Funeral insurance	37	2,408	-	1,038	1,670
Individual insurance policies in cash	747	75,643	587	17,552	63,705
Individual insurance policies in investment units	557	36,403	489	6,317	37,410
Group insurance policies in cash	300	11,805	2,020	7,174	27,990
Group insurance policies in investment units	542	27,483	926	7,359	29,728
Subtotal	2,146	151,334	4,022	38,402	158,833
Reinsurance risk	(6)	(75)	(5)	-	(1,734)
Proportional reinsurance	(143)	(4,589)	-	(3,021)	(70,824)
Total	1,997	146,670	4,017	35,381	86,275

Co-insurance

SNS REAAL concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the event of co-insurance, each co-insurer is liable for its own part of the insurance. If a co-insurer withdraws, its insurance liabilities will be transferred to the remaining co-insurers. The total size of the provision for incoming co-insurance amounts to € 108 million (2012: € 127 million). In view of the limited interest and the spread over several insurers, the risk is limited.

24.3 Insurance risk Non-life

24.3.1 Non-life insurance portfolio

All major Non-life sectors are represented in the Non-life portfolio. The emphasis of this portfolio is on the main segments: Fire, Motor Vehicles and Disability. The insurance policies are mostly sold through authorised agents, insurance intermediaries and SNS Retail Bank's distribution channel to retail and SME clients. In addition, sales are effected via the direct channel.

The disability insurance products in the portfolio include both individual coverage for mainly self-employed persons and group coverage for employees. REAAL Non-life is represented at the Rotterdam Insurance Exchange through its co-insurance unit. This is where risks in the segments Fire, Transport (including Marine) and General Liability are underwritten. REAAL Non-life focuses on the medium-sized and large business segments of the corporate insurance market.

For more information on retention and incoming reinsurance, see section 24.4 [Insurance risk reinsurance](#).

24.3.2 Technical claims and benefits risks for the Non-life insurance portfolio

For the subdivision of technical claims and benefits risks within the Non-life insurance portfolios, we make a distinction between disability insurance and other Non-life insurance.

Disability insurance policies are insurance policies covering the financial consequences of (partial) disability of the policyholder. The classification of life insurance risks also applies to these insurance policies, while the disability and rehabilitation risk is the main risk. These are related risks that appear when a policyholder becomes disabled and receives a benefit during the period that he/she continues to be disabled for work. The risks relate to the amount, duration and timing of the payment of the insured cash flows. The disability risk is the risk that the policyholder becomes disabled more often or more severely than expected, while the rehabilitation risk is the risk that the policyholder recovers

less often or to a lesser extent than expected.

The risks of other Non-life insurance policies can be divided into risks related to future claims ensuing from current contracts (premium risk and catastrophe risk) and risks related to damages claimed or not claimed that have already occurred (reserves risk). Insurance behaviour risk plays a limited role due to the usually brief contract period of Non-life insurance policies.

The technical claims and benefits risks for Non-life can be broken down as follows:

- **Premium risk** is the risk that the premiums pertaining to future exposure are insufficient to meet all corresponding claims and costs.
- **Catastrophe risk** is the risk of losses due to extreme or exceptional events. This includes both natural disasters and events caused by human conduct.
- **Reserves risk** is the risk that the accrued claims reserves are insufficient to settle all claims for damages already made.

24.3.3 Insurance risk management for the Non-life insurance portfolio

Risks are managed by means of risk policy (see also section 24.4 [Insurance risk reinsurance](#) and 24.5 [Market risk Insurance activities](#)), by understanding the factors involved and by review.

Every year, the developments in the Non-life technical claims and benefits risks are examined and Economic Capital calculations are made. The results of the examination are used to determine rates and the acceptance conditions of Non-life insurance policies. Furthermore, an active reinsurance policy has been implemented.

The effects of changes in parameters, which can be observed in connection with the Economic Capital calculations, provide insight into the degree of risk. The table below shows the sensitivity of the profit after tax in the event of a 10% increase or a 10% decrease in Non-life claims respectively. These sensitivities are based on a one-off increase or decrease of the claims incurred (claim payments including mutations in claims reserves) in the relevant financial year of Non-life insurance policies.

Sensitivity Non-life

In € millions	Result		Shareholders' equity	
	2013	2012	2013	2012
Claims +10%	(39)	(35)	(39)	(35)
Claims -10%	39	35	39	35

The IBNR (Incurred but not reported) and the provision for settlement costs are evaluated at least twice a year and adjusted, where necessary. In addition, a test is carried out twice a year to establish the adequacy of the provisions for Non-life claims.

Non-life insurance portfolio fraud risks management

Fraudulent claims are defined as claims submitted by policyholders for non-events or claims in which the extent of the damage is exaggerated. Fraud prevention and detection is the responsibility of the Non-life insurance operations, where a separate team of fraud coordinators supervises designated fraud cases, as well as writes and propagates the fraud policy within the Non-life insurance operations. In addition, decentralised supervision of fraud is conducted by means of an automated process of pattern recognition by various departments, such as Acceptance and Claims Handling.

Management of realised claims with a run-off of more than one year

The insurer has assigned specialised departments for the handling and run-off of (bodily injury) claims. Experts in these departments handle claims on an item-by-item basis, make estimates on the size of the claim and monitor the progress

of claims settlement. Claims with a run-off period of more than one year include disability claims, bodily injury claims and liability claims.

Management of risk provision for regular disability insurance benefits

The Non-life insurer pays disability benefits that stem from the individual and the group insurance portfolios. The Life insurer's disability benefits in actual payment concern coverages within a life insurance contract.

Characteristics provision for regular disability annuity benefits

In € thousands	Life insurance		Non-life insurance		Total	
	2013	2012	2013	2012	2013	2012
Provision for regular payments	31,452	34,812	258,625	258,072	290,077	292,884
Number of commenced annuities	840	898	3,841	3,881	4,681	4,779
Average annual annuity	8.2%	8.3%	22.0%	20.8%	19.5%	18.5%

24.3.4 Other insurance risks Non-life

Management of risk broker's channel

The broker's channel received a lot of attention from regulatory bodies in 2013 as well. The Netherlands Authority for the Financial Markets (the AFM), for example, conducted a quantitative investigation into the remuneration received by brokers, and the Dutch Central Bank conducted a qualitative investigation into risk management in the broker's channel. The purpose of the investigation was to gain insight into the risks associated with outsourcing in the form of brokerage and to gain insight into the degree of risk management by the insurers of the broker's channel. The Dutch Central Bank recently published its views in that regard. Its main conclusion is that, in the market, commercial interests may prevail over risk management. Most insurers have set up a (limited) risk framework in respect of the outsourcing of work to Authorised Agents, but still insufficiently respond to signals. In view of that investigation, the Dutch Central Bank has asked all insurers to conduct their own in-house investigation into risk management in the broker's channel. This investigation must be performed by the organisation's internal audit service and be completed before the end of July 2014. In cooperation with Group Audit, REAAL performs examinations into the risk management of many aspects of the broker's channel on a regular basis and is confident about this examination as well.

Concentration of risk

Geographically, the insurer's Non-life portfolio risk is almost entirely concentrated in the Netherlands. There is concentration of insurance risks in the Fire segment, where storm risk is an important factor. In addition, the concentration of risks can occur in apartment buildings, city blocks and office buildings.

The concentration of risk also occurs in the group accident portfolio and the group disability schemes. See section 24.4 [Insurance risk reinsurance](#) for more information about retention and reinsurance of these risks.

Co-insurance

REAAL Non-life is represented at the Rotterdam Insurance Exchange through its co-insurance unit. This is where risks in the segments Fire, Transport (including Marine) and Other are underwritten. REAAL Non-life focuses on the medium-sized and large business segments of the corporate insurance market. In 2013, the REAAL Non-life co-insurance portfolio posted a gross earned premium income of € 86 million (2012: € 96 million).

Catastrophe

The insurer reinsures catastrophe risks resulting from perils of nature (such as storms), and terrorism (see section 24.4 [Insurance risk reinsurance](#)). Catastrophes resulting from acts of violence, nuclear incidents or flooding are excluded under the standard policy conditions.

24.3.5 Claims reserve and result

Technical result Non-life insurance

The table below shows the Non-life technical claims and benefits risks result:

Analysis technical results Non-life 2013

In € millions

	Fire	Accident and health	Motor vehicles	Transport	Other segments	Total
Gross earned premium	214	131	259	54	126	784
Gross claims incurred	152	67	218	36	73	546
	62	64	41	18	53	238
Reinsurance balance	(17)	(3)	(1)	(5)	(9)	(35)
	45	61	40	13	44	203
Operational expenses and profit sharing	(85)	(56)	(111)	(17)	(42)	(311)
Operating result	(40)	5	(71)	(4)	2	(108)
Investment income	11	16	36	7	19	89
Technical result	(29)	21	(35)	3	21	(19)

Analysis technical results Non-life 2012

In € millions

	Fire	Accident and health	Motor vehicles	Transport	Other segments	Total
Gross earned premium	222	130	280	65	122	819
Gross claims incurred	131	52	211	48	62	504
	91	78	69	17	60	315
Reinsurance balance	(16)	(3)	(1)	(4)	(11)	(35)
	75	75	68	13	49	280
Operational expenses and profit sharing	(85)	(56)	(107)	(22)	(37)	(307)
Operating result	(10)	19	(39)	(9)	12	(27)
Investment income	3	18	10	2	7	40
Technical result	(7)	37	(29)	(7)	19	13

Gross premium income and claims reserve

The total gross premium income of the Non-life insurer in 2013 was € 784 million (2012: € 819 million). The decline is mainly due to premium discount on disability insurance in the line of business Accident and health and lower premium income in the line of business Transport. The gross claim reserve was € 1,087 million at year-end 2013 (2012: € 1,091 million).

The gross premium income and claim reserve is distributed across the various segments as follows:

Claim reserve

In € millions	2013			2012		
	Net claim reserve	% Net claim reserve	% Gross earned premium	Net claim reserve	% Net claim reserve	% Gross earned premium
Fire	113	10%	27%	106	10%	27%
Accident and health	400	37%	17%	395	36%	16%
Motor vehicles	361	34%	33%	357	33%	34%
Transport	58	5%	7%	69	6%	8%
Other segments	155	14%	16%	165	15%	15%
Total	1,087	100%	100%	1,092	100%	100%

The premium volume and claims reserve for the Transport segment almost entirely originate from co-insurance. The table includes a relatively large claims reserve for the Accident and health segment as a result of the long-term Non-life obligations of disability insurance policies. The disability insurance policies, however, have a limited share in the gross premium income earned. The opposite applies to the Fire segment. Due to the rapid settlement of fire claims, this segment, which generates more than a quarter of the premium income, only represents a small part of the total claims reserve.

In 2013, the reinsurance premium earned was € 59 million (2012: € 67 million). This is 7.5% (2012: 8.1%) of the gross premium income earned.

Claims development history

The table below provides a summary of the run-off on claims reserves for earlier claim years.

Claims development history 2013

In € thousands

	Provision as of 1 January	Acquisition	Interest added	Payments	Provision as of 31 December	On balance release / run-off
Claim years:						
2004 and earlier	258,858	-	4,464	32,305	231,299	(282)
2005	23,613	-	245	4,932	19,004	(78)
2006	28,157	-	265	5,547	22,877	(2)
2007	45,401	-	551	8,913	39,035	(1,996)
2008	55,748	-	520	10,504	42,290	3,474
2009	64,085	-	667	12,889	48,113	3,750
2010	97,208	-	813	23,621	74,932	(532)
2011	144,004	-	1,147	39,745	111,224	(5,818)
2012	258,230	-	1,441	121,167	130,334	8,170
Total through 2012	975,304	-	10,113	259,623	719,108	6,686
Total 2013	-	-	827	251,949	267,140	-
Total	975,304	-	10,940	511,572	986,248	6,686

Claims development history 2012

In € thousands

	Provision as of 1 January	Acquisition	Interest added	Payments	Provision as of 31 December	On balance release / run-off
Claim years:						
2003 and earlier	266,880	-	4,692	22,163	238,668	10,741
2004	26,044	-	254	4,696	20,190	1,412
2005	29,032	-	303	4,155	23,613	1,567
2006	33,193	-	300	6,490	28,157	(1,154)
2007	57,003	-	617	8,541	45,401	3,678
2008	70,183	-	649	10,725	55,748	4,359
2009	93,240	-	802	16,474	64,085	13,483
2010	139,046	-	1,061	34,550	97,208	8,349
2011	285,612	-	1,471	133,411	144,004	9,668
Total through 2011	1,000,233	-	10,149	241,205	717,074	52,103
Total 2012	-	-	789	256,985	258,230	-
Total	1,000,233	-	10,938	498,190	975,304	52,103

The tables above indicate that the run-off result decreased by over € 45 million. This decrease of the run-off result is mainly due to the losses in the line of business of Motor vehicles, where the claim files from earlier years are increased.

In addition, there are lower run-off profits in the line of business Accident and health as a result of the long-term Non-life obligations of Disability insurance policies and the line of business General Liability.

24.4 Insurance risk reinsurance

24.4.1 Reinsurance policy

The reinsurance policy provides protection against technical claims and benefits risks in the various insurance portfolios of both the Life and Non-life insurer.

Reinsurance is within SNS REAAL applied for risk (traditional reinsurance) and capital management purposes. Traditional reinsurance is then mainly used to safeguard the result. The capital oriented reinsurance solutions monitor to optimise the capital position of the insurer. The reinsurance policy covers both aspects.

The reinsurance policy is determined based on risk analyses for the various portfolios, the size of the portfolios, the nature of the technical claims and benefits risks, the results, the risk aversion and the financial strength of the company.

The risk of terrorism is reinsured through the Netherlands Terrorism Risk Reinsurance Company (NHT). In order to align the cover in the policy and the reinsurance cover through the NHT, the cover for the terrorism risk in the policy has been limited to the maximum capacity of the NHT, i.e. € 1 billion.

24.4.2 REAAL Life reinsurance

The Insurance activities have a thoroughly integrated reinsurance programme for the mortality and disability portfolio. Just like last year, separate reinsurance contracts were purchased for the individual and group portfolios in 2013. The catastrophe reinsurance contract was concluded group-wide for the various sub-portfolios.

The Insurance activities purchase reinsurance per separate risk from a relatively high level upwards (see table below). In view of the risk profile and the size of the portfolio, the retention of both the mortality and disability risks can be considered to be in accordance with the underlying portfolio.

The structure of the 2013 reinsurance programme has not changed as compared to the 2012 programme. The various sub-portfolios are reinsured by means of reinsurance contracts for the individual portfolio, for the group portfolio and for the catastrophe risk. Furthermore, a reinsurance contract is in place for the disability portfolio. The retention of the mortality reinsurance contract of the individual life portfolio of the Insurance activities has been proportionally reinsured by two quota share contracts. The retention of reinsurance contracts for mortality and disability both for individual as for collective risk amount € 1.5 million of risk capital.

As mentioned here above there are two quota share reinsurance contracts in place for REAAL's individual life portfolio. The quota share reinsurance contract on risk capital concluded as of October 2009 is in force for the product groups risk, offset mortgages and unit-linked policies. The quota share reinsurance contract that took effect as of 1 January 2011 reinsures both risk capital and provisions, and applies to the traditional savings portfolio. As of 1 January 2013, both quota share contracts were adjusted to further optimise the equity situation. The reinsurance percentage has been increased compared to 2012. The solvency trigger that applies to the 2011 reinsurance quota share will gradually increase on 1 January 2014 and 2015 and will be back in accordance with the definition and underlying assumptions.

For 2014 there are no modifications in the retention and the capacity of the various contracts.

The life reinsurance contracts and the disability portfolios were concluded at reinsurance companies that have at least an AA- rating (S&P).

Life insurance retention

In € thousands		2013		2012	
		REAAL	Zwitserleven	REAAL	Zwitserleven
Coverage:					
Mortality (quota share - risk capital)	per risk; savings mortgages. risk and unit linked portfolio	9%	N/A	19%	N/A
Mortality (quota share - gross)	per risk; savings insurance portfolio	8%	N/A	19%	N/A
Mortality (risk capital)	per risk; individual portfolio	1,500	N/A	1,500	N/A
Mortality (risk capital)	per risk; group portfolio	N/A	1,500	N/A	1,200
Disability (risk capital)	per risk; individual portfolio	1,500	N/A	1,500	N/A
Disability (risk capital)	per risk; group portfolio	N/A	1,500	N/A	1,200
Catastrophe	per event	15,000	2,000	15,000	2,000

24.4.3 REAAL Non-life reinsurance

The Non-life insurance operations have set the retention of the reinsurance contracts in line with the size of the various portfolios. The reinsurance programme makes no specific distinction between the various sales channels, but large risks are reinsured at segment level.

In addition to the regular protection of the portfolios, REAAL Non-life has a catastrophe contract for covered natural perils (storm, hail) and accumulation within the fire portfolio.

The 2014 reinsurance programme is largely a continuation of the programme as it was in 2013. The capacity of the catastrophe programme is somewhat reduced in accordance with the slightly decrease of the underlying exposure. The retention of the catastrophe programme is again € 35 million for 2014. From 2014 onwards, in case of fire in addition to the regular retention per event a one year retention applies to the sublayer of € 3 million. The retentions in the other contracts remain unchanged compared to 2013. As regards Accidents, the reinsurance capacity was expanded with € 5 million in connection with the underlying exposure. In the other segments, the reinsurance capacity for 2014 remains the same as the capacity in 2013.

The Proteq Non-life portfolio is reinsured within the reinsurance programme of REAAL Non-life.

Non-life insurance retention

In € thousands		2013	2012
Coverage:			
Fire	per risk	1,000	1,000
Motor third-party liability	per risk	2,500	2,500
Personal / business liability	per risk	1,000	1,000
Accidents	per risk	750	750
Transport	per risk	1,000	1,000
Disability (risk capital)	per risk	1,500	1,500
Catastrophe	per event	35,000	35,000

The Non-life insurer pursues an active policy with regard to placing its reinsurance contracts. A distinction is made as to the panel of reinsurers in the property programme (Fire and Catastrophe) and in the casualty programme (Motor, General Liability and Accidents). The minimum rating of the reinsurance panel is A- for property. In the casualty programme, the claims settlement is characterised by its long lead time. Because of this long-term nature, the continuity of the panel is the main consideration in the placement of this programme. For this reason the insurer applies within those programmes a higher minimum rating. Currently, the panel is composed of minimum A+ companies.

24.4.4 Incoming disability reinsurance

REAAL Non-life has an incoming reinsurance contract that covers a portfolio related to the WAO (Law on Disability) disability pensions. This contract has not been renewed since 2004 and is located in run-off. The gross claims reserve at the end of 2013 amounts to € 44 million (2012: € 59 million), after retrocession, the provision amounts to € 25 million (2012: € 34 million).

24.5 Market risk Insurance activities

The market risk of the Insurance activities arises when the financial markets change, the value changes of investments (equities, real estate, fixed-income investments) do not run parallel with the liabilities. This means that changes in financial markets affect the results and capital position of the insurer. The table below presents the investments based on the book value, in respect of which the Insurance activities run a market risk.

Portfolio Insurance activities

<i>In € millions</i>	2013	2012
Property investments	268	233
Interest bearing investments	28,969	30,458
Equities and options	1,161	1,244
Derivatives	590	480
Reinsurance contracts	3,998	3,185
Loans and advances to customers	2,846	3,059
Loans and advances to banks	362	452
Other assets, no lending operations	1,320	2,528
Cash and cash equivalents	1,106	1,563
Total	40,620	43,202

24.5.1 Risk management market risk

A major milestone in 2013 was the further fine-tuning of the insurer's risk management organisation. As a result, roles and responsibilities have been more clearly defined and segregated where necessary. The market risks are measured and managed by the Insurance Risk Management (IRM) department. Within this department, ALM Risk Insurance is responsible for the drawing and the monitoring of the policy and frameworks for the management of the market risk ; Risk Reporting Insurance is responsible for periodic and ad hoc market risk reports. IRM reports monthly to the Group ALCO through the Asset & Liability Committee Insurance.

Besides the fine-tuning of the risk management organisation, further steps were taken towards Solvency II and the Theoretical Solvency Criterion (TSC) in the form of an internal quarterly report. In addition, considerable progress was made in 2013 with the further development of the internal ALM tooling and the implementation of an external scenario generator. This improved tooling contributes positively to market risk management.

The point of departure for the ALM policy is the ALM plan, which is drawn up annually and sets out the strategic investment policy. The ALM plan seeks a balance between risk and return within the preconditions that apply with regard to solvency, Value-at-Risk (VaR), laws and regulations. The ALM study was performed at the end of 2013. Simultaneously with the execution of this ALM study, specific investment measures were translated into the Investment Plan, which will be detailed further in 2014.

The table below indicates how the investments of the Insurance activities are divided as a result of ALM policy at year-end 2013:

Investment mix Insurance activities

In € millions

	2013		2012	
Interest bearing investments	28,968	87%	30,458	87%
Equities and options	1,161	3%	1,244	3%
Property	268	1%	233	1%
Mortgages	2,847	9%	3,059	9%
Total	33,244	100%	34,994	100%

As a result of the introduction of the Ultimate Forward Rate (UFR) method in 2012, a dilemma has arisen between steering towards statutory solvency and steering towards economic value. The focus of the insurer is on economic value, while stabilisation of the statutory solvency is a supplementary condition. For this reason, there are two main variables towards which we steer: Value at Risk (VaR) and Solvency at Risk (Solar). Under the current circumstances, the Solvency at Risk is guiding and the focus on VaR results is only limited.

VaR system

Value-at-Risk (VaR) models are used for managing the economic value of the financial market risks. VaR is a risk indicator that measures the balance of all market risks (interest rate, equity, etc.) under a set of economic scenarios. Within that framework in 2013, advanced steps were taken towards the implementation of an external scenario generator, which can generate more representative scenario sets to measure economic market risk. Major improvements are in the area of yield curve modelling, more specifically a richer variation of scenarios (more extreme shifts and twists) and the introduction of basis risk (separate modelling of investments and liabilities). As indicated in the previous section, we steered towards VaR results only to a limited extent in 2013. In 2014, the VaR standard must be assigned renewed importance in management variable.

Solvency at Risk

In practice, the most important control variable is the Solvency at Risk by which the sensitivity of DNB capital is calculated from a combination of market risks scenarios. The internal limit for this standard is a solvency after stress of 125%. At year-end 2013, the solvency after stress was 114% based on a -58% stress shock. As a result of the decreased solvency before stress (see section 27.4.3), the solvency after stress fell below the internal limit of 125%. On balance, the stress shock remained unchanged compared to year-end 2012. The size of the stress equity shock decreased limitedly as a result of a more accurate classification on an economic basis, whereas the stress credit spread shock increased limitedly on the back of France's downgrade.

24.5.2 Interest rate risk Insurance activities

Interest rate risk is a key component of the Insurance activities market risk profile. There is an interest rate risk when the interest rate sensitivities of the assets and liabilities are not completely equal and it is expressed as movements in the result and/or capital position if market rates change. Moreover the expected fixed cash flows from insurance obligations are matched with fixed-income investments as much as possible. The profit sharing and return guarantees given to policyholders are an additional source of interest rate risk. This risk is partly mitigated by the use of interest rate derivatives to hedge the guarantees in traditional life insurance with guarantees and profit sharing. See section 25.2 [Hedging and hedge accounting](#) for more information.

The table below shows the breakdown of the provision for own account by profit sharing type.

Breakdown provision for own account and risk

In € millions

	2013	2012
With profit sharing (company or surplus interest)	10,385	10,365
With interest rate rebate	3,554	5,194
Without profit sharing	5,183	3,788
Savings mortgages balance	1,696	2,358
Total	20,818	21,705

Equity duration

Equity duration indicates the impact on the fair value of shareholders' equity in the event of a minor parallel shift in the yield curve. Market rate movements rapidly change both the value and the interest rate sensitivity of the return guarantees given to customers. Due to the leverage on the balance sheet a small mismatch with the investments that these guarantees are intended to hedge is amplified in equity. This makes the duration of equity extremely volatile and hard to interpret, which is why it was decided not to steer on the basis of this indicator.

The actual interest rate management (and accompanying hedging policy) is driven by the results of the sensitivity calculations related to economic value and solvency. These analyses take account of the yield sensitivity of liabilities and investments for specific key rate durations (sensitivities per maturity segment). The table below reflects the duration of fixed-income investments and the provision for insurance contracts on an economic basis (without UFR and surrender floor). In the second quarter of 2013, a new market risk tool was used in operations. For a proper basis for comparison, the figures at year-end of 2012 were recalculated.

Duration fixed income assets and liabilities Insurance activities

	2013	2012
Duration of fixed income investments	8.8	10.2
Duration of provision for insurance contracts	13.2	15.9

Due to the impact of regulatory UFR and the surrender floor, the duration of the provision for insurance contracts is considerably lower on a statutory Solvency 1 basis and the duration mismatch between investments and liabilities is smaller. In the course of 2013, moreover, the interest rate sensitivity of liabilities dropped substantially on the back of a combination of model changes, method changes and improved insight into sensitivities (see section 27.4.5 Market sensitivity regulatory solvency ratio). In response, investment duration was shortened in the third quarter.

Interest rate sensitivity fair value shareholders' equity (net of taxation)

In economic reality, all balance sheet items (both assets and liabilities) with an underlying cash flow schedule change in value when the interest rate changes. The table below reflects the interest rate sensitivity of investments and technical provisions on an economic basis (without UFR and surrender floor). With a 1% decrease in interest rates, the fair value of shareholders' equity decreases by € 408 million (2012: decrease of € 581 million). With a 1% interest rate increase, the fair value of shareholders' equity increases by € 121 million (2012: increase of € 65 million).

Interest rate sensitivity fair value shareholders' equity Insurance activities

<i>In € millions</i>	Interest +1%		Interest -1%	
	2013	2012	2013	2012
Investments	(1,560)	(1,922)	1,843	2,112
Technical provisions	1,568	1,911	(2,178)	(2,681)
Other assets and liabilities	10	30	(10)	(30)
Derivatives	103	46	(63)	18
Shareholders' equity	121	65	(408)	(581)

The interest rate sensitivity of liabilities dropped in 2013 (see section 27.4.5 Market sensitivity regulatory solvency ratio). In response, it was decided to also shorten the duration of investments. The decreased interest rate sensitivity of liabilities as well as investments is reflected in the table above. With the introduction of the UFR, a dilemma has arisen between steering towards economic value and steering towards statutory solvency. As we steered mainly towards lowering the interest rate sensitivity of statutory solvency, the sensitivity of the fair value of shareholders' equity remained unabatedly high as a result. Only with non-linear instruments (e.g. swaptions), the two sensitivities can be lowered simultaneously. For this reason, additional payer swaptions were acquired in 2013. However, the price to be paid in the form of option premium is so high that it was decided not to fully close the gap that had arisen between the sensitivities of statutory solvency and economic value. This means that the sensitivity of the fair value of shareholders' equity remained unabatedly high and asymmetrical in 2013, as shown in the table above.

Interest rate sensitivity IFRS result and shareholders' equity

SNS REAAL uses Solvency at Risk for managing the sensitivity of market conditions, such as interest rates, on the solvency of the Insurance activities. The Solvency at Risk is based on the reported regulatory available solvency. This method is chosen because solvency is the principal factor in managing market risks. Besides, the development of the solvency ratio is an improved presentation of the effect of exposure to market risks than the development of IFRS result and shareholders' equity. The development of the IFRS result and shareholders' equity and result is a consequent of accounting principles which are partly based on fair value and partly based on amortised costs. The surrender floor, which IFRS does not recognise, is the main reason for the difference between the Solvency at Risk sensitivity and the sensitivity in IFRS shareholders' equity. Due to the shortfall in the IFRS liability adequacy test, the IFRS result is more sensitive for changes in interest rates.

More details on the Solvency at Risk sensitivity analysis can be found in section 27.4.5 Market sensitivity regulatory solvency ratio.

Average effective interest rates

The overview below shows the average effective interest rates of the financial assets, the financial liabilities and the technical provisions of the Insurance activities as at the balance sheet date.

Average effective interest rates Insurance activities

In percentages

	2013	2012
Financial assets (not valued at fair value through profit or loss):		
Investments for own account:		
- Available for sale (excluding equities)	3.8%	4.5%
- Loans and receivables	4.3%	3.9%
Loans and advances to customers	4.8%	4.9%
Financial liabilities at amortised cost:		
Subordinated debt	8.1%	7.8%
Technical provisions insurance operations for own account and risk:	3.9%	3.9%
Individual insurance policies in cash:	3.9%	3.9%
- Savings mortgages	5.1%	5.2%
- Life annuity	3.0%	3.1%
- Other	3.6%	3.6%
Group insurance policies in cash	3.5%	3.6%

The effective interest rates of the technical provisions are before any deferred interest rate rebates.

Insurance policies for account of policyholders

For Insurance policies for which policyholders bear the investment risk, the insurer does not, in principle, bear any risk relating to interest rates, prices, exchange rates or credit. Nevertheless, for some portfolios within this category, the insurer has given a minimum guarantee. As a result, the insurer also bears risks for these contracts regarding interest rates, prices and exchange rates. The value of the guarantees within the 'for account of policyholders' portfolio is measured periodically.

Breakdown technical provision on behalf of policyholders

In € millions

	2013	2012
Without guarantee	9,851	9,471
With guarantee	4,093	4,205
Total	13,944	13,676

24.5.3 Credit risk surcharges and market value of bonds

The credit risk of the Insurance activities materialises itself, on the one hand, in the fixed-income investment portfolio, in which corporate and government bonds are sensitive to changes in credit risk surcharges. Growing credit risk surcharges have a negative effect on the market value of underlying bonds.

On the other hand, credit risk surcharges are a source of basis risk in the valuation of insurance obligations. The ECB AAA curve is currently used for discounting the insurance obligations. This curve is composed of the yield curves of the five AAA countries from the eurozone (according to the Fitch rating). A change in the credit risk surcharge of these countries has an immediate effect on the value of the insurance obligations. This leads to volatility in the capital available as the weighting of the ECB AAA countries in the investment portfolio deviates from the weighting in the ECB AAA curve. Following France's downgrade by Fitch, France has been removed from the ECB AAA curve. As a result, the influence of the Dutch (and to a lesser extent German) sovereigns on the ECB AAA curve increased. The influence of the Dutch (and to a lesser extent German) sovereigns on the investment portfolio was already relatively substantial (overweighting), so that - on balance - the basis risk between ECB AAA investments and the ECB AAA curve, which is relevant for the valuation of the obligations, has decreased. Removing France from the ECB AAA curve was, however, accompanied by an instantaneous loss of solvency (see section 27.4.3 Capital position - Solvency Insurance activities).

24.5.4 Equity and property investment risk Insurance activities

The equity and similar investments of the Insurance activities amounted to € 1,161 million at year-end 2013 (2012: € 1,244 million).

The IFRS equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted accordingly.

The Insurance activities periodically examine the impact of changes in equity markets and property markets on the result and on shareholders' equity. As is the case for the interest rate risk, scenario analyses are used here as well.

The table below shows the indicative results of this analysis at the balance sheet date net of taxation.

Sensitivity equities and property Insurance activities

In € millions	Result		Shareholders' equity	
	2013	2012	2013	2012
Equities +10%	-	-	83	93
Equities -10%	(59)	(71)	(83)	(93)
Property +10%	27	23	20	17
Property -10%	(27)	(23)	(20)	(17)

24.5.5 Exchange rate risk Insurance activities

Exchange rate risk is the risk that equity, result or going-concern is threatened as a result of movements in the level or in the volatility of exchange rates. The exchange rate risk of the Insurance activities is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to the fixed-income investments, the policy of the Insurance activities is to permit only a very limited exchange rate risk. The exchange rate risk on fixed-income investments with a foreign currency denomination is therefore, in principle, hedged completely with currency swaps.

Exchange rate risk also manifests itself in the equity investments of the Insurance activities. This exchange rate risk, after netting the exchange rate risk in other non-fixed-income investments and liabilities, is structurally hedged using forward exchange rate contracts if the net exposure exceeds € 10 million.

The table below gives an indication of the Insurance activities' exchange rate position.

Foreign exchange positions Insurance activities (net exposure)

In € millions	Balance		Hedge derivatives	
	2013	2012	2013	2012
US dollar	66	81	(61)	(91)
Pound Sterling	45	44	(45)	(44)
Swiss franc	(79)	(78)	74	77
Australian dollar	(3)	(33)	-	33
Other	5	2	-	-
Total	34	16	(32)	(25)

Balance is total of balance debit and credit

The impact of changes in foreign exchange markets on the result, on shareholders' equity and on solvency are measured periodically using scenario analyses. The table below shows the results of these analyses net of taxation.

Sensitivity foreign exchange rates Insurance activities

In € millions	Result		Shareholders' equity	
	2013	2012	2013	2012
Currencies +10%	-	(1)	-	(1)
Currencies -10%	-	1	-	1

24.6 Credit risk Insurance activities

The Insurance activities are exposed to various types of credit risk. The main types are the credit risks in the investment portfolio and in the loan portfolio to intermediaries (counterparty risk). The mortgage loans of REAAL are well covered and have a relative long duration. Consequently, the likelihood of non-payment is low as a result of which the risk profile of the mortgage portfolio of REAAL is low. See section 22.5 [Risk classification](#) for a definition of credit risk.

In the policy documents for the specific credit risk categories, the roles, powers and responsibilities of employees and committees are established, following a successively more senior layer of authorisation.

24.6.1 Management of credit risk within the fixed-income investment portfolio

The credit risk within the interest bearing investment portfolios of the Insurance activities is the risk that an issuer of a bond or a debtor of a private loan can no longer meet its obligations. The strategic scope of the various investment grade categories within the interest bearing portfolio is determined in an ALM context and laid down in mandates with the investment managers. Periodically, Insurance Treasury & Investment Management checks whether investment managers adhere to the mandates and reports on this.

The interest bearing investment portfolios of the Insurance activities have predominantly European and North American debtors. No one represents an interest of more than 5% in the interest bearing investment portfolio with the exception of the German and the Dutch State.

Overview fixed income investments Insurance activities 2013

In € millions	Designated as fair value through profit or loss	Available for sale	Loans and receivables	Total
Shares and similar investments	-	1,161	-	1,161
Fixed income investments	415	21,683	6,870	28,968
Total	415	22,844	6,870	30,129

Overview fixed income investments Insurance activities 2012

In € millions	Designated as fair value through profit or loss	Available for sale	Loans and receivables	Total
Shares and similar investments	-	1,244	-	1,244
Fixed income investments	1,032	22,656	6,770	30,458
Total	1,032	23,900	6,770	31,702

The following overview provides a breakdown of the interest bearing investment mix by sector.

Breakdown fixed income portfolio (industry)

<i>In € millions</i>	2013		2012	
Sovereign	16,910	59%	17,724	58%
Financials	3,776	13%	5,089	17%
Investments related to savings mortgages	5,311	18%	5,131	17%
Corporates	1,532	5%	1,460	5%
Mortgage backed securities	1,288	4%	926	3%
Other	151	1%	128	0%
Total	28,968	100%	30,458	100%

The following overview provides a breakdown of the interest bearing investment mix (excluding mortgages) across the various rating categories. The strategic mix of the various categories within the fixed-income portfolio is set annually in the ALM investment plan. The category without any rating mainly consists of investments related to savings mortgages.

Breakdown fixed income portfolio (rating)

<i>In € millions</i>	2013		2012	
AAA	17,404	60%	17,533	58%
AA	2,477	9%	3,187	10%
A	2,072	7%	2,233	7%
BBB	1,287	4%	1,461	5%
< BBB	89	0%	166	1%
No rating	5,639	20%	5,878	19%
Total	28,968	100%	30,458	100%

The interest bearing portfolio is composed of 76% of A or higher rating (year-end 2012: 75%) and 60% of AAA rating (year-end 2012: 58%).

The table below contains the breakdown of the interest bearing investment portfolio by maturity.

Breakdown fixed income portfolio (maturity)

<i>In € millions</i>	2013		2012	
< 3 months	148	1%	660	2%
> 3 months - < 1 year	1,063	4%	926	3%
> 1 year - < 3 years	2,281	8%	2,325	8%
> 3 years - < 5 years	2,473	9%	2,220	7%
> 5 years - < 10 years	5,445	18%	4,980	16%
> 10 years - < 15 years	5,324	18%	3,903	13%
> 15 years	12,234	42%	15,444	51%
No maturity	-	0%	-	0%
Total	28,968	100%	30,458	100%

The table below contains the breakdown of the interest bearing investment portfolio by geographic area.

Breakdown fixed income portfolio insurance activities (geography)

<i>In € millions</i>	2013		2012	
Ireland	449	2%	234	1%
Portugal	-	0%	6	0%
Italy	430	2%	456	1%
Spain	426	1%	398	1%
Subtotal GIIPS	1,305	5%	1,094	3%
Germany	8,864	30%	10,238	34%
France	1,088	4%	1,640	5%
The Netherlands	13,928	48%	13,254	44%
Austria	933	3%	997	3%
Belgium	328	1%	323	1%
Other	2,522	9%	2,912	10%
Total	28,968	100%	30,458	100%

The category "other" contains European and other international institutions that cannot be allocated to a single country.

The following table shows the breakdown of interest-bearing government securities, which are part of the investment portfolio of the insurance activities.

Breakdown sovereign fixed income portfolio Insurance activities (for own account)

<i>In € millions</i>	2013		2012	
Ireland	61	0%	-	0%
Italy	369	2%	338	2%
Spain	105	1%	54	0%
Subtotal GIIPS	535	3%	392	2%
Germany	8,334	50%	9,603	54%
France	747	4%	1,095	6%
The Netherlands	5,681	34%	4,922	28%
Austria	909	5%	986	6%
Belgium	296	2%	287	2%
Other	408	2%	439	2%
Total	16,910	100%	17,724	100%

The credit risk in the government bond portfolio hardly changed. The largest movements occurred between countries with an AA rating. A reduction of the position in German and French government bonds has taken place and this is primarily reinvested in Dutch government bonds. The exposure to government bonds from peripheral Euro countries was limited to € 535 million, 3% of the total exposure on government bonds. There is no exposure on Greece and Portugal. The great majority of the Insurance activities' position in sovereign debts still concerns Germany and the Netherlands.

The following table shows the further breakdown of interest-bearing government securities to GIIPS countries.

Breakdown fixed income sovereign GIIPS (maturity)

In € millions	Fair value		Nominal	
	2013	2012	2013	2012
< 3 months	-	2	-	2
> 3 months - < 1 year	1	1	1	1
> 1 year - < 3 years	7	3	6	3
> 3 years - < 5 years	-	35	-	40
> 5 years - < 10 years	90	87	87	111
> 10 years - < 15 years	77	19	73	40
> 15 years	360	245	322	589
No maturity	-	-	-	-
Total	535	392	489	786

24.6.2 Management of credit risk with regard to derivative positions

The credit risk on the market value of the derivatives held by the insurance activities with a counterparty is managed through a so-called Credit Support Annex, or CSA, agreement. In accordance with standard industry practice, this agreement provides that the underlying value of the derivatives in liquid instruments, such as cash and government bonds, must be held as collateral to cover the credit risk. See also section 25.2 [Hedging and hedge accounting](#), which describes how derivatives are used for hedging purposes.

24.6.3 Management of other credit risks

Management of credit risk relating to advances to the reinsurer

For reinsurance contracts, the Insurance activities use a panel that consists of reinsurers with a credit rating. The general guideline gives a minimum rating of A-. This guideline is applied to property (Fire and Catastrophe) In principle, the A- minimum also applies to casualty (Motor Vehicles, General Liability and Accidents) and Life and Disability, but given the long-term nature of the underlying business the current casualty panel consists of companies with at least A+ rating and the panel for Life and Disability of AA- companies.

Additionally, the credit risk of the Life reinsurance quota share that took effect on 1 January 2011 is minimised by collateral on the reinsured provisions.

Management of credit risk in the mortgage portfolio

The Insurance activities run a limited credit risk on their mortgage portfolio. Part of this portfolio is guaranteed by the National Mortgage Guarantee fund (NHG). The property price increases in the past have led to a strong increase in the foreclosure value of the collateral. Since a large part of the portfolio dates from the period 2000-2005, this decline is smaller than in past price rises. In the event of non-payment by a debtor, the insurer will in many cases be able to recoup the loan through the sale of the collateral. Finally, the cautious acceptance policy also contributes to a low credit risk of the mortgage.

Mortgages Insurance activities by security type

In € millions	2013	2012
Mortgages < 75% of foreclosure value	1,017	1,165
Mortgages > 75% of foreclosure value	658	729
Mortgages with National Mortgage Guarantee	1,172	1,163
Residential property in the Netherlands:	2,847	3,057
Corporate mortgages	-	2
Specific provision for bad debts	(7)	(6)
Total	2,840	3,053

The table below shows the arrears in the mortgage portfolio.

Loans and advances to costumers in arrears Insurance activities

<i>In € millions</i>	2013	2012
No arrears	2,787	2,995
< 3 months	38	51
> 3 months	22	13
Provision	(7)	(6)
Total	2,840	3,053

Management of credit risk regarding loans to intermediaries

The Insurance activities manage the process of providing loans to intermediaries by a Credit Committee and the application of strict acceptance criteria.

24.7 Liquidity risk Insurance activities

Liquidity risk is the risk that in the short term the entity cannot have sufficient cash resources to meet, either under normal conditions or in times of stress, without incurring unacceptable costs or losses its financial obligations.

The insurer has, based on its business model, an incentive to invest rather than attract funding. The premium income and the direct and indirect return on investment will ensure that the insurance entities finance themselves and meet their obligations to policyholders.

Liquidity risk management

The policy with regard to liquidity risk is based on three lines of defence:

- The cash position: the cash position can be split into a cash position for the investment circle and a cash position for the operational circle. In the operational circle premiums are collected and payments are made. In the investment circle returns are obtained from investments (viewed from a long-term average) and loan repayments are reinvested. The relationship between the two circles is established through the cash positions and cash flows of both circles. When premiums in the operational circle exceed the benefits paid (and expenses) money is transferred from the operational circle to the investment circle, when the benefits paid (and expenses) in the operational circle surpass premium income, money is withdrawn from the investment circle.
- The liquidity buffer: the second line of defence is the liquidity buffer and the investment policy. Liquidity technically speaking, to create a responsible investment policy in a situation in which withdrawals are greater than premium income a liquidity buffer is maintained as part of the investment portfolio. This liquidity buffer is formed by correcting for the required buffer. The buffer consists of government and corporate bonds, including Asset-Backed Securities. The required buffer is formed by the negative impact on the basis of haircuts on the fair values of the bonds, negative impact of already deposited collateral at counterparties, redemption shock based on Solvency II regulations and transactions utilised liquidity (Quota Share Reinsurance transactions, repurchase agreements, etc.).
- Contingency management: the last line of defence is to absorb where the normal liquidity buffer is insufficient. For this, SNS REAAL has implemented a Crisis Management Team Structure (CMT). The purpose of the CMT is to take timely action in rapidly deteriorating liquidity circumstances to avoid a bankruptcy that in worst case could occur or to settle orderly all obligations of the insurer.

Liquidity risk

The table below presents nominal cash flows arising from investments, derivatives (assets) and insurance obligations, net of reinsurance (liabilities) by maturity segment.

Liquidity risk Insurance activities 2013

<i>In € millions</i>	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Investments	2,671	6,693	6,208	5,018	3,553	6,988	31,131
Derivatives	2	6	(78)	26	(273)	585	268
Loans and advances to customers	817	963	1,504	291	169	270	4,014
Total	3,490	7,662	7,634	5,335	3,449	7,843	35,413
Technical provisions Life	2,059	4,320	4,916	4,541	3,861	12,039	31,736
Technical provisions Non-life	317	451	223	103	42	24	1,160
Total	2,376	4,771	5,139	4,644	3,903	12,063	32,896
Difference in expected cash flows	1,114	2,891	2,495	691	(454)	(4,220)	2,517

Liquidity risk Insurance activities 2012

<i>In € millions</i>	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Investments	2,292	6,254	5,967	4,542	5,122	9,458	33,635
Derivatives	37	152	177	46	58	289	759
Loans and advances to customers	266	647	977	239	91	100	2,320
Total	2,595	7,053	7,121	4,827	5,271	9,847	36,714
Technical provisions Life	2,237	4,386	4,779	4,413	3,765	12,212	31,792
Technical provisions Non-life	152	566	275	120	53	35	1,201
Total	2,389	4,952	5,054	4,533	3,818	12,247	32,993
Difference in expected cash flows	206	2,101	2,067	294	1,453	(2,400)	3,721

The table only includes the 'for own account portfolio'. The portfolio on behalf of policyholders is not relevant in this context, since the premiums accumulated in the investment funds are paid to the policyholders at the maturity date. The accrued balances of savings policies and savings mortgages are also not taken into account as these are perfectly matched. The cash flows from investments presented in the table include interest flows. The cash flows arising from the technical provisions are estimated on a best-estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table.

The cash flows do not include future profit sharing. Equity and other non-fixed income investments are not included in the table.

Margin requirement

The Insurance activities have a potential liquidity requirement caused by collateral requirements on derivatives. These collateral obligations relate to mitigate credit risk of the insurance activities with its major counterparties. It was agreed to periodically deposit a collateral for an amount equal to the fair value of outstanding derivatives at the party with a net positive market position. As a result there may be both amounts received and amounts paid. On balance, an amount of € 488 million (2012: € 481 million) was received from counterparties as at year-end 2013.

25 Financial instruments and hedge accounting

25.1 Financial instruments

25.1.1 Fair value accounting of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS REAAL. In a number of fair value measurements, estimates are used. This table only includes financial assets and liabilities. Balance sheet items that do not meet the definition of a financial asset or liability are not included. The total of the fair value presented below does not reflect the underlying value of SNS REAAL and should therefore not be interpreted as such.

Fair value of financial assets and liabilities SNS REAAL 2013

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Financial assets					
Investments					
- Fair value through profit or loss: held for trading	713	-	-	-	713
- Fair value through profit or loss: designated	-	415	-	(12)	403
- Available for sale	4,944	22,844	43	(82)	27,749
- Loans and receivables	-	6,910	-	(2,372)	4,538
Investments for account of policyholders	-	13,491	-	(51)	13,440
Derivatives	2,452	590	-	23	3,065
Loans and advances to customers	54,841	3,085	312	(1,591)	56,647
Loans and advances to banks	6,063	362	40	(73)	6,392
Other assets	537	529	72	(63)	1,075
Cash and cash equivalents	5,528	1,106	56	(268)	6,422
Total financial assets	75,078	49,332	523	(4,489)	120,444
Financial liabilities					
Participation certificates and subordinated debts	40	913	-	(363)	590
Debt certificates	16,861	-	65	(106)	16,820
Derivatives	2,670	90	9	23	2,792
Savings	33,547	-	-	-	33,547
Other amounts due to customers	10,657	4,907	-	(3,698)	11,866
Amounts due to banks	7,472	2,224	-	(250)	9,446
Amounts due to shareholder	-	-	1,102	-	1,102
Other liabilities	1,205	1,499	96	(68)	2,732
Total financial liabilities	72,452	9,633	1,272	(4,462)	78,895

Book value of financial assets and liabilities SNS REAAL 2013

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Financial assets					
Investments					
- Fair value through profit or loss: held for trading	713	-	-	-	713
- Fair value through profit or loss: designated	-	415	-	(12)	403
- Available for sale	4,944	22,844	43	(82)	27,749
- Loans and receivables	-	6,870	-	(2,358)	4,512
Investments for account of policyholders	-	13,491	-	(51)	13,440
Derivatives	2,452	590	-	23	3,065
Loans and advances to customers	53,417	2,840	321	(1,546)	55,032
Loans and advances to banks	6,063	362	40	(73)	6,392
Other assets	537	529	72	(63)	1,075
Cash and cash equivalents	5,528	1,106	56	(268)	6,422
Total financial assets	73,654	49,047	532	(4,430)	118,803
Financial liabilities					
Participation certificates and subordinated debts	40	859	-	(342)	557
Debt certificates	16,439	-	59	(103)	16,395
Derivatives	2,670	90	9	23	2,792
Savings	33,276	-	-	-	33,276
Other amounts due to customers	10,628	4,907	-	(3,691)	11,844
Amounts due to banks	7,457	2,224	-	(250)	9,431
Amounts due to shareholder	-	-	1,100	-	1,100
Other liabilities	1,205	1,499	96	(68)	2,732
Total financial liabilities	71,715	9,579	1,264	(4,431)	78,127

Fair value of financial assets and liabilities SNS REAAL 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Financial assets					
Investments					
- Fair value through profit or loss: held for trading	848	-	-	(138)	710
- Fair value through profit or loss: designated	103	1,032	-	-	1,135
- Available for sale	4,351	23,900	35	(128)	28,158
- Loans and receivables	-	6,933	-	(2,661)	4,272
Investments for account of policyholders	-	13,265	-	(38)	13,227
Derivatives	3,617	480	36	6	4,139
Loans and advances to customers	61,496	3,048	334	(971)	63,907
Loans and advances to banks	1,927	452	29	(106)	2,302
Other assets	699	504	87	(59)	1,231
Cash and cash equivalents	6,934	1,563	106	(948)	7,655
Total financial assets	79,975	51,177	627	(5,043)	126,736
Financial liabilities					
Participation certificates and subordinated debts	637	865	276	(397)	1,381
Debt certificates	22,172	-	558	(333)	22,397
Derivatives	3,599	38	-	6	3,643
Savings	33,222	-	-	-	33,222
Other amounts due to customers	9,536	4,075	681	(3,304)	10,988
Amounts due to banks	8,680	3,745	-	(792)	11,633
Other liabilities	2,180	1,456	128	(67)	3,697
Total financial liabilities	80,026	10,179	1,643	(4,887)	86,961

Book value of financial assets and liabilities SNS REAAL 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Financial assets					
Investments					
- Fair value through profit or loss: held for trading	848	-	-	(138)	710
- Fair value through profit or loss: designated	103	1,032	-	-	1,135
- Available for sale	4,351	23,900	35	(128)	28,158
- Loans and receivables	-	6,770	-	(2,598)	4,172
Investments for account of policyholders	-	13,265	-	(38)	13,227
Derivatives	3,617	480	36	6	4,139
Loans and advances to customers	61,784	3,053	474	(977)	64,334
Loans and advances to banks	1,927	452	40	(106)	2,313
Other assets	699	504	87	(59)	1,231
Cash and cash equivalents	6,934	1,563	106	(948)	7,655
Total financial assets	80,262	51,019	778	(4,986)	127,073
Financial liabilities					
Participation certificates and subordinated debts	820	1,034	391	(501)	1,744
Debt certificates	21,990	-	552	(330)	22,212
Derivatives	3,599	38	-	6	3,643
Savings	32,815	-	-	-	32,815
Other amounts due to customers	9,529	4,075	681	(3,302)	10,983
Amounts due to banks	8,686	3,745	-	(792)	11,639
Other liabilities	2,180	1,456	128	(67)	3,697
Total financial liabilities	79,619	10,348	1,752	(4,986)	86,733

The fair values represent the amounts at which the financial instruments could have been traded between market participants in an orderly transaction. The fair value of financial assets and liabilities are based on quoted market prices, where observable. If actively quoted market prices are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. To the extent possible and available, the valuation techniques make use of observable inputs in relevant markets. Changes in the assumptions can significantly influence the estimated fair values. The main assumptions per balance sheet category are explained in the section below.

For financial assets and liabilities valued at amortised cost, the fair value is shown excluding accrued interest. Accrued interest related to these instruments is recorded in other assets or other liabilities.

25.1.2 Notes to the valuation of financial assets and liabilities

The following methods and assumptions are used to determine the fair value of the financial instruments.

Investments

The fair values of equities are based on quoted prices in an active market or other available market data. The fair values of interest-bearing securities, excluding mortgage loans, are also based on quoted market prices or – in the event that actively quoted market prices are not available – on the present value of expected future cash flows. These present values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the relevant investment.

Derivatives

The fair values of nearly all derivatives are based on observable market information, such as market rates and foreign exchange rates. For a number of non-publicly traded derivatives the fair value depends on the type of instrument and is based on a present value model or an option valuation model.

Loans and advances to customers

Loans and advances to customers primarily concern mortgages. The market value of mortgages is determined based on a present value method. The yield curve used to determine the present value of cash flows of mortgage loans is the swap rate, increased by a risk surcharge. This risk surcharge can vary by sub-portfolio. Fixed costs and surcharges for embedded options are not included in this spread. The value of embedded options is calculated separately. In determining the expected cash flows, any expected future early redemptions are taken into account.

The fair value of other loans and advances to customers has been established by determining the present value of the expected future cash flows. Various surcharges on the yield curve were used for the calculation of the present value. In this respect, a distinction was made by type of loan and advance and by type of customer groups to which the loan/advance relates.

Loans and advances to banks

Given the short-term nature of the loans that are classified as loans and advances to banks, the book value is considered to be a reasonable approximation of the fair value.

Other assets

Because of the predominantly short-term nature of other assets, the book value is considered to be a reasonable approximation of the fair value.

Cash and cash equivalents

The book value of the liquid assets is considered to be a reasonable approximation of the fair value.

Subordinated debt

The fair value of subordinated debt was estimated on the basis of the present value of the cash flows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding subordinated debt issued by SNS REAAL, determined by maturity and type of instrument.

Debt certificates

The fair value of debt certificates is estimated on the basis of the present value of the cash flows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by SNS REAAL, determined by maturity and type of instrument.

Amounts due to customers

The fair value of demand deposits and saving deposits differs from the nominal value because the interest is not adjusted on a daily basis and in practice customers do not draw on the balance in the accounts for a longer period of time. The fair value of these deposits is calculated based on the net present value of the relevant portfolios' cash flows using a specific discount curve. For savings covered by the Deposit Guarantee Scheme (DGS), the discount curve is

based on the average current rates of several Dutch providers. SNS Bank's Cost-of-Fund (COF) curve was used for savings not covered by the DGS.

Amounts due to banks

The fair value of amounts due to banks is estimated on the basis of the present value of the future cash flows, using the interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by SNS REAAL, determined by maturity and type of instrument. The carrying amount of any amount that is due up to one month is considered to be a reasonable approximation of the fair value.

Other liabilities

The book value of the other liabilities is considered to be a reasonable approximation of its fair value.

25.1.3 Hierarchy in determining the fair value of financial instruments

A major part of the financial instruments is included in the balance sheet at fair value. In addition, the fair value of the other financial instruments is disclosed. The table below distributes these instruments among level 1 (the fair value is based on published stock prices in an active market), level 2 (the fair value is based on observable market data) and level 3 (the fair value is not solely based on observable market data). The fair value hierarchy classification is not disclosed for financial assets and liabilities that are not measured at fair value where the book value is a reasonable approximation of the fair value. The comparative figures in the table hierarchy of financial instruments 2012 only contain the level classification of financial assets and liabilities measured at fair value.

Hierarchy financial instruments 2013

	Book value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at fair value					
Investments fair value through profit or loss: held for trading	713	548	165	-	713
Investments fair value through profit or loss: designated	403	348	41	14	403
Investments available for sale	27,749	25,597	1,450	703	27,749
Investments for account of policyholders	13,440	12,971	58	411	13,440
Derivatives	3,065	-	3,065	-	3,065
Loans and advances to customers*	2,223	-	2,223	-	2,223
Financial assets not measured at fair value					
Loans and advances to customers*	52,809	-	54,424	-	54,424
Investments loans and advances	4,512	10	4,393	136	4,538
Loans and advances to banks	6,392	-	-	-	-
Other assets	1,075	-	-	-	-
Cash and cash equivalents	6,422	-	-	-	-
Financial liabilities measured at fair value					
Derivatives	2,792	-	2,550	242	2,792
Debt certificates*	1,166	-	1,166	-	1,166
Financial liabilities not measured at fair value					
Participation certificates and subordinated debts	557	-	590	-	590
Debt certificates*	15,229	-	60	15,594	15,654
Savings	33,276	-	28,850	4,697	33,547
Other amounts due to customers	11,844	-	11,866	-	11,866
Amounts due to banks	9,431	-	9,446	-	9,446
Amounts due to shareholder	1,100	-	-	-	-
Other liabilities	2,732	-	-	-	-

* A part of the Loans and advances to customers and Debt certificates is measured at fair value and the rest at amortised cost

The table above shows that the instruments categorised within level 3 primarily consists of investments that are available for sale and investments for accounts of policyholders. This indicates that the impact on valuations through profit or loss

has been limited.

More detailed explanation of the level classification

For financial instruments measured at fair value on the balance sheet or for which the fair value is disclosed, this fair value is classified into a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

Level 1 – Fair value based on published stock prices in an active market

For all financial instruments in this valuation category, published stock prices are observable from stock exchanges, brokers or pricing institutions. In addition, these financial instruments are traded on an active market, which allows for the stock prices to accurately reflect current and regularly recurring market transactions between independent parties. The investments in this category mainly include listed shares and bonds, including investment funds for the account of policyholders whose underlying investments are listed.

Level 2 – Fair value based on observable market data

The category includes financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market information. These instruments mostly contain privately negotiated derivatives. This category also includes investments whose prices have been issued by brokers, of which also is observed that there are inactive markets.

In that case, the available prices are largely supported and validated using market information, including market rates and actual risk surcharges related to different credit ratings and sector classification.

Level 3 – Fair value not based on observable market data

The financial instruments in this category have been individually assessed. The valuation is based on management's best estimate, taking into account the most recently known prices. In many cases analyses prepared by external valuation agencies were used. These analyses used information unavailable to the market, such as assumed default rates belonging to certain ratings.

The level 3 valuations of investments on behalf of policyholders and Level 3 shares are based on quotes from non-liquid markets. The derivatives in level 3 are connected to some mortgage securitisations and is partly dependent on the valuation of the underlying mortgage portfolios and movements in risk spreads.

Hierarchy financial instruments 2012

	Book value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at fair value					
Investments fair value through profit or loss: held for trading	710	534	162	14	710
Investments fair value through profit or loss: designated	1,135	133	1,002	-	1,135
Investments available for sale	28,158	22,128	5,961	69	28,158
Investments for account of policyholders	13,227	5,429	7,798	-	13,227
Derivatives	4,139	-	4,139	-	4,139
Loans and advances to customers*	2,256	-	2,256	-	2,256
Financial liabilities measured at fair value					
Derivatives	3,643	-	3,643	-	3,643
Debt certificates*	1,482	-	1,482	-	1,482

* A part of the Loans and advances to customers and Debt certificates is measured at fair value and the rest at amortised cost

The following table shows the movement in financial instruments measured at fair value and that are categorised within level 3.

Change in level 3 financial instruments

In € millions

	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Fair value through profit and loss: held for trading	Available for sale	Total
Balance as at 1 January	-	-	-	14	69	83
Transfers into level 3	242	411	14	-	678	1,345
Realised gains or losses recognised in profit or loss	-	-	-	-	-	-
Realised gains or losses recognised in other comprehensive income	-	-	-	-	-	-
Unrealised gains or losses recognised in profit or loss	-	-	-	-	4	4
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	-	-
Sale/settlements	-	-	-	(14)	-	(14)
Transfers out of level 3	-	-	-	-	(48)	(48)
Balance as at 31 December	242	411	14	-	703	1,370
Total gains and losses included in profit or loss	-	-	-	-	-	-

Breakdown level 3 financial instruments

In € millions

	2013	2012
Bonds issued by financial institutions	67	14
Collateralised debt obligation	228	28
Collateralised loan obligation	6	41
Shares	416	-
Investments for account of policyholders	411	-
Derivatives	242	-
Total	1,370	83

The fair value of financial instruments categorised within level 3 is partly based on inputs which are not observable in the market. The fair values of CDOs and CLOs classified within level 3 are determined by calculating scenarios with the use of best estimates of the data which are not observable in the market. The main non-observable data are the expected development of defaults in the underlying portfolios and the implied discount rate. When assuming a stress scenario, with for instance a (higher) assumed principal loss, this would result in a significant decrease of the fair value of the instrument.

Impairments and reversals on financial instruments by category

	Level 1		Level 2		Level 3		Total	
In € millions	2013	2012	2013	2012	2013	2012	2013	2012
Equities	4	32	-	13	7	-	11	45
Bonds	-	-	(3)	4	-	4	(3)	8
Total	4	32	(3)	17	7	4	8	53

SNS REAAL recognises impairments on equity instruments if the fair value has declined to 25% or more below cost price, or has been quoted below cost price uninterruptedly for at least nine months.

SNS REAAL recognises impairments on financial instruments if there is a loss event with regard to the financial instrument. To identify this, the financial instruments are periodically assessed on the basis of a number of criteria set by the Financial Committee. Financial instruments meeting one or more of those criteria are analysed and assessed

individually to determine whether there is a loss event.

The table below shows the reclassification between the levels of the financial assets and liabilities measured at fair value.

Transfers between categories 2013

<i>In € millions</i>	to Level 1	to Level 2	to Level 3	Total
From:				
Based on published stock prices in an active market (Level 1)	-	-	-	-
Based on observable market data (Level 2)	6,934	-	1,302	8,236
Not based on observable market data (Level 3)	-	48	-	48

Reclassifications between levels 1, 2 and 3

The process to determine the categorisation within the fair value hierarchy has been further refined in 2013. In the new methodology is not only assessed whether the financial instrument is listed, but also the specific terms of the instrument, the source of the published quotes and / or the liquidity of the market is taken into account. This has mainly resulted in a shift of investments from level 2 to level 1, due to investment funds on behalf of policyholders, of which the fund itself is not listed, but the underlying investments are.

More specifically, this has led to the following shifts between levels.

Transfers between level 3 and 2

At the end of 2013 an amount of € 48 million has been transferred from level 3 to level 2. This amount relates to collateralised debt obligations and collateralised loan obligations.

Transfers between level 2 and 3

At the end of 2013 an amount of € 1,345 million has been transferred from level 2 to level 3. This includes € 14 million in investments at fair value through profit or loss, € 678 million investments available for sale, € 411 million investments for accounts of policyholders and € 242 million of interest derivatives.

Transfers between level 2 and 1

At the end of 2013 an amount of € 11,761 million has been transferred from level 2 to level 1. This includes € 343 million in investments through profit or loss, € 3,746 million investments available for sale and € 7,672 million investments for account of policyholders of which the fund itself is not listed, but the underlying investments are.

25.1.4 Offsetting of financial assets and liabilities SNS REAAL

The table below presents the financial assets and liabilities that are subject to offsetting. In addition, it includes the related amounts not set off but that do serve to curtail the credit risk.

Financial assets and liabilities SNS REAAL 2013

In € millions	Related amounts not set off in the balance sheet value						
	Gross recognised balance sheet value	Offsetting balance sheet value	Net balance sheet value	Financial instruments	Cash collateral	Other financial collateral	Net value
Financial assets							
Derivatives	3,065	-	3,065	1,207	990	139	729
Loans and advances to banks	6,392	-	6,392	-	-	-	6,392
Total financial assets	9,457	-	9,457	1,207	990	139	7,121
Financial liabilities							
Derivatives	2,792	-	2,792	1,207	718	114	753
Other amounts due to customers	12,471	627	11,844	-	-	-	11,844
Amounts due to banks	9,431	-	9,431	-	-	1,430	8,001
Total financial liabilities	24,694	627	24,067	1,207	718	1,544	20,598

Financial assets and liabilities SNS REAAL 2012

In € millions	Related amounts not set off in the balance sheet value						
	Gross recognised balance sheet value	Offsetting balance sheet value	Net balance sheet value	Financial instruments	Cash collateral	Other financial collateral	Net value
Financial assets							
Derivatives	4,139	-	4,139	1,693	1,382	80	984
Loans and advances to banks	2,313	-	2,313	-	-	27	2,286
Total financial assets	6,452	-	6,452	1,693	1,382	107	3,270
Financial liabilities							
Derivatives	3,643	-	3,643	1,693	990	117	843
Other amounts due to customers	12,058	1,075	10,983	-	-	-	10,983
Amounts due to banks	11,639	-	11,639	-	-	2,864	8,775
Total financial liabilities	27,340	1,075	26,265	1,693	990	2,981	20,601

25.1.5 Liquidity maturity calendar for financial liabilities

The table below shows the undiscounted cash flows ensuing from the most important financial liabilities, other than derivatives, broken down by contractual maturity date.

Liquidity calendar financial liabilities SNS REAAL 2013

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Participation certificates and subordinated debts	-	-	-	(86)	(471)	(557)
Debt certificates	(82)	(2,937)	(1,938)	(4,342)	(9,100)	(18,399)
Savings	(26,978)	(93)	(567)	(3,339)	(2,826)	(33,803)
Other amounts due to customers	(6,398)	(153)	(3,079)	(2,012)	(4,063)	(15,705)
Amounts due to banks	(1,799)	(1,103)	(8)	(6,637)	(33)	(9,580)
Total	(35,257)	(4,286)	(5,592)	(16,416)	(16,493)	(78,044)

Liquidity calendar financial liabilities SNS REAAL 2012

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Participation certificates and subordinated debts	-	-	(116)	(179)	(1,475)	(1,770)
Debt certificates	(284)	(1,563)	(925)	(9,853)	(11,999)	(24,624)
Savings	(27,880)	(1,223)	(349)	(2,919)	(998)	(33,369)
Other amounts due to customers	(5,447)	(225)	(984)	(1,594)	(3,984)	(12,234)
Amounts due to banks	(3,422)	(1,538)	(158)	(6,604)	(33)	(11,755)
Total	(37,033)	(4,549)	(2,532)	(21,149)	(18,489)	(83,752)

The table below shows the undiscounted cash flows ensuing from all derivative financial liabilities, broken down according to maturity date.

Liquidity calendar derivatives SNS REAAL 2013

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	(58)	(85)	(1,099)	(1,540)	(539)	(3,321)
Currency contracts	(19)	(45)	(751)	(76)	-	(891)
Total	(77)	(130)	(1,850)	(1,616)	(539)	(4,212)

Liquidity calendar derivatives SNS REAAL 2012

<i>In € millions</i>	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	(52)	(105)	(470)	(1,500)	(1,438)	(3,565)
Currency contracts	(30)	(6)	(18)	(15)	-	(69)
Total	(82)	(111)	(488)	(1,515)	(1,438)	(3,634)

For further explanation with regard to the management of the liquidity risk of the Banking activities and Insurance activities, we refer to section 23.6 [Liquidity risk Banking activities](#) and 24.7 [Liquidity risk Insurance activities](#).

25.2 Hedging and hedge accounting

SNS REAAL uses various strategies for the Insurance activities to hedge its interest rate, market and foreign exchange risks with regard to its solvency. In 2013, this strategy was further refined, e.g. by purchasing interest derivatives such as swaptions and swaps. The hedging strategies of the Banking activities are mostly aimed at managing the interest rate risk. Under IFRS, derivatives are measured at fair value in the balance sheet and any changes in the fair value are accounted for in the income statement. In the event that changes in fair value of hedged risks are not recognised through the income statement, an accounting mismatch occurs, causing volatility in the results. In these cases, hedge accounting is applied to the extent possible to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes presented in the table below reflect the degree to

which SNS REAAL is active in the relevant markets. Derivatives held for trading purposes are not included in this overview.

Derivatives for hedging purposes SNS REAAL 2013

In € millions	Nominal amount				Fair value	
	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	13,320	77,862	31,089	122,271	2,369	(2,551)
- Options	1,800	6,611	5,710	14,121	503	(51)
Index contracts						
- Options	-	-	-	-	-	-
Currency contracts						
- Swaps	777	321	45	1,143	33	(46)
- Forwards	118	-	-	118	1	(1)
Total	16,015	84,794	36,844	137,653	2,906	(2,649)

Derivatives for hedging purposes SNS REAAL 2012

In € millions	Nominal amount				Fair value	
	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	30,850	69,095	40,892	140,837	3,421	(3,357)
- Options	755	6,211	4,177	11,143	329	(29)
Index contracts						
- Options	16	-	-	16	1	-
Currency contracts						
- Swaps	71	1,106	276	1,453	127	(33)
- Forwards	112	-	-	112	3	-
Total	31,804	76,412	45,345	153,561	3,881	(3,419)

The nominal amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying values of the primary financial instruments. These nominal amounts provide no indication of the size of the cash flows, the market and credit risks related to the transactions.

25.2.1 Hedging

Banking activities

The Banking activities use derivatives for the following objectives:

- To hedge the basic risk;
- To manage the duration of the shareholders' equity. The policy is that this duration ranges between 0 and 8;
- To hedge specific embedded options in the mortgages. This relates to mortgages of which the interest rate is capped or where movements in interest rates are not completely passed on to customers;
- To convert fixed-rate funding into floating-rate funding;
- To hedge the risks related to hybrid savings products;
- To hedge the quotation risk when offering mortgages when there is substantial new business of fixed-rate mortgages;
- To hedge foreign exchange risks by converting non-euro funding into euro funding; and
- To hedge risks associated with the investment portfolios.

Insurance activities

The Insurance activities use derivatives to protect the market value of shareholders' equity and regulatory solvency against undesired market developments. Examples of this are:

- hedging interest rate risks arising from return guarantees issued to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities; and
- hedging foreign exchange risks on investments and liabilities denominated in foreign currencies.

Group activities

SNS REAAL uses interest rate swaps to convert fixed-rate funding into floating-rate funding. Where non-euro funding is concerned, cross-currency swaps are used to convert this type of funding into euro funding. SNS REAAL has swapped part of the funding (€ 67 million) from a floating-rate to a fixed-rate coupon by means of interest rate swaps. At year-end 2013 the market value of these interest rate swaps was € -9 million (2012: € 36 million).

25.2.2 Hedge accounting

With regard to the majority of the hedge strategies explained above, SNS REAAL applies hedge accounting. In addition to the main distinction between fair value hedges and cash flow hedges, there is also a distinction between micro hedges and macro hedges in hedge accounting. In micro hedges, risks on separate contracts are hedged. In macro hedges, the risk on a portfolio of contracts is hedged. SNS REAAL applies the following types of hedge accounting:

Fair value hedges

Hedging the interest rate risk in the banking book (macro hedge)

The portfolio hedged consists of fixed-rate mortgages of SNS Retail Bank. These are mortgages that have a fixed-rate interest period of more than 6 months. The hedging instruments are interest rate swaps entered into within the framework of the interest rate risk management in the ALM process. The risk designated as being hedged is the risk of change in fair value of the portfolio attributable to movements in market interest rates.

Hedging embedded derivatives in mortgages (macro hedge)

The mortgage portfolio contains mortgages with interest rate derivatives embedded in the mortgage. These 'embedded options' are hedged by purchasing mirrored interest rate derivatives in the market. The two products where hedge accounting is applied are the Rentedemperhypotheek and the Plafondhypotheek mortgages. The hedge covers the interest rate risk that occurs as a result of writing the embedded interest rate option to the customer.

Hedging the interest rate risk on funding (micro hedge)

SNS REAAL applies micro hedging to convert fixed-rate funding into floating interest rates using interest rate swaps. If such funding is denominated in a foreign currency, cross-currency swaps are applied. Besides, SNS REAAL also uses derivatives to convert structured funding into floating-rate funding. In structured funding, the funding charge is related to, for example, developments in an equity index or inflation. Interest rate structures such as floating-rate coupons with a multiplier or a leverage factor also fall under the funding programme. SNS REAAL fully hedges the interest rate risk on these structures.

Hedging the interest rate risk on investments (macro hedge)

Interest rate risk on fixed-income investments (government bonds) is hedged by swapping the coupon to a floating rate using interest swaps and by selling interest rate futures. The country or credit spread is not hedged. The hedges provide protection for the accumulated revaluation reserve of the relevant fixed-income investments.

Hedging the foreign exchange risk in the equity portfolio

The Insurance activities hedged the foreign exchange risk arising from the equity portfolio part of the Insurance activities at macro level using foreign exchange futures contracts.

Hedging the interest rate risk on subordinated debt

The Insurance activities hedged the interest rate risk on the subordinated debt using interest rate swaps.

Cash flow hedges

Hedging the quotation risk of mortgages

The mortgage quotation risk is hedged using swaptions and forward starting swaps. The risk being hedged is the variability of the interest rate up to the time of financing. The intrinsic market value movements of the derivatives until the moment of payment of the mortgage (up to 3 months) are taken to shareholders' equity. After termination of the hedge relationship the value accrued in the hedge is amortised to the result over the remaining term to maturity of the funding. The accrued value in shareholders' equity was € 5.6 million negative (gross) as at 31 December 2013.

Hedging floating interest rate cash flows

The risk of variability in the floating interest rate cash flows on the liquidity position, floating interest rate mortgages, property finance loans and funding are hedged by entering into interest rate swaps and basis swaps. The accumulated value of the derivatives during the term of the hedge is included in equity. The accumulated value in shareholders' equity as at 31 December 2013 was € 70.2 million positive (gross).

Hedging the interest rate risk in future reinvestments

The Insurance activities have extended the effective maturity of two investment portfolios at the macro level using interest rate swaps. Consequently interest income is fixed over a longer period of time. The risk that is hedged is the variability of the interest rate at the time of reinvestment. Interest rate swaps are designated as hedging instruments. At the time of reinvestment (in this case, the end of the maturity of the short-term swap), the long-term swap is sold, and the proceeds are reinvested in fixed-income assets. The characteristics of this reinvestment (maturity, coupon dates) are largely similar to those of the sold swap.

At year-end 2013, 12 of these combinations were outstanding (year-end 2012: 12 combinations). In 2013 no such hedge relationships have been discontinued.

Reinvestment calendar SNS REAAL (nominal amount)

<i>In € millions</i>	2013	2012
< 1 year	-	-
1 - 5 years	136	136
> 5 years	471	472
Total	607	608

At year-end 2013, a positive (gross) amount of € 27 million due to positive unrealised market value (2012: € 54 million) had been accumulated in shareholders' equity. This positive market value shall be released to the income statement at the moment of reinvestment as indicated above, over a period that is equal to the remaining maturity of the swap.

No hedge accounting is applied to the equity index options of REAAL, nor is it applied to the swaptions of REAAL.

26 Non-financial risk management

As described in the risk classification, SNS REAAL recognises both financial risks and non-financial risks. Non-financial risks include strategic, integrity and operational risks. The Compliance, Security & Operational Risk Management (CS&O) department is one of the departments involved in monitoring and advising on the management of these non-financial risks. Other departments involved include Business Continuity Management and Information Security.

26.1 Management of non-financial risks

SNS REAAL has taken several measures to manage non-financial risks. The main components are the following:

- A clear governance structure, including a transparent assignment of duties and responsibilities and escalation procedures, reinforced with a clear risk management structure. For this purpose SNS REAAL implemented the 'three lines of defence' model, where line management is primarily responsible for identifying and managing risks and taking decisions in that area. Along with several other Group staff departments, CS&O has an important oversight function in the second line of defence and shall escalate issues when necessary. The third line of defence is formed by Group Audit, which, independently evaluates the design and operating effectiveness of the entire control and governance framework.
- The Group policy formulated by CS&O, including the operational risk framework, where ethical business conduct concerning non-financial risks is embedded. If desired, CS&O provides recommendations on the implementation of the policy within the business units and monitors compliance.
- The training & awareness programme to increase the awareness of integrity and non-financial risk management amongst managers and staff. This programme includes information meetings, e-learning, presentations and 'train the trainer' workshops.
- Staff departments provide advice on the development, evaluation and endorsement of products independently from the line business.
- The central reporting centre where staff can report various kinds of incidents, such as fraud, undesirable behaviour and information security breaches. This aims to have risks reported in time to prevent or reduce the impact of any consequential damage and to take adequate measures to prevent similar incidents. Employees can also report incidents to the reporting centre anonymously (whistleblower procedure).
- Signs of fraud are always investigated. Fraud investigations are risk based, supported by external specialists if necessary. See also section 26.2.
- The monitoring programme executed annually by CS&O in consultation with Group Audit. Resources are annually allocated to the relevant subjects pursuant to a risk-based analysis.
- The quarterly report on non-financial risks. This quarterly report provides the management boards, the Executive Board and the Risk Committee within the Supervisory Board with an overview of the high-risk issues and the main developments in non-financial risks. It includes the central embedding of customer interests, progress in the follow-up of action points, the implementation of new/amended laws and regulations, and an analysis of developments in incidents. This report also shows the extent to which SNS REAAL acts in accordance with its risk appetite.
- The periodically in-control statements from the management boards of the business units and the Executive Board members. In this statement, they report on the main risks and corresponding control measures, improvements made compared to the previous period and the improvement measures that are still in progress. The in-control statement highlights the most substantial risks.

26.2 Property Finance

The investigation initiated in 2012 into suspicions of potential conflicts of interest at Property Finance continued in 2013. This investigation also looks into the signs identified in earlier forensic investigations.

The investigation consists of two components:

- signs of alleged conflicts of interest and irregularities in respect of invoices and expense claims submitted by external Property Finance staff;
- an in-depth investigation to verify whether any funds were misappropriated in projects and divestments of Property Finance. It involves a risk-based selection of these projects and divestments using the signs available.

The investigation has found that irregularities occurred at Property Finance, resulting in the termination of the employment of 18 external employees hired by Property Finance, including a former director and a couple of members of the management team of Property Finance. In 2013, SNS REAAL filed four reports of suspicion of criminal offences against several persons, including offences committed by one of the former directors of Property Finance.

SNS REAAL optimally cooperates with the criminal authorities, which have also set up an investigation, within the applicable statutory frameworks and applicable rules of professional conduct. Group Audit, in close collaboration with Compliance & Security, coordinates the investigation into supposed conflicts of interest, irregularities and misappropriation of funds at SNS REAAL. In this context, SNS REAAL has engaged a number of professional external (forensic) parties to conduct the investigation with the utmost effectiveness.

Property Finance made losses due to the irregularities related to invoices and reimbursements. Since the shares of Property Finance, now known as Propertize BV, are held by NLFi since 31 December 2013, any amount recovered from successful legal actions that have been undertaken would be in favour of Propertize BV. It is possible that in the course of the investigation matters arise that could affect the valuation of assets and liabilities of Propertize BV.

Propertize is responsible for the investigation into the integrity issues since the separation of Property Finance on 31 December 2013.

26.3 Capital requirement operational risk

SNS REAAL applies the standardised approach to calculate the capital buffer for operational risk, both for the Banking activities and Insurance activities. The adequacy of the banking capital for operational risk is assessed every year on the basis of ICAAP; with regard to the Insurance activities, the ORSA is used.

27 Capital management

27.1 Introduction

Capital provides a buffer for the risks involved in the activities of SNS REAAL. The main activities of SNS REAAL are providing loans and insurance products. For the risks resulting from this, there is a certain amount of capital required. To ensure continuity and protect stakeholders, market participants and supervisors set requirements for sufficient capital. SNS REAAL also has internal standards that must be met.

27.2 Capital management SNS REAAL

27.2.1 Framework and planning of capital management SNS REAAL

Every year, SNS REAAL prepares operational plans with a three-year horizon. At the same time, it prepares the Capitalisation and Funding Plan with the same horizon, in which the expected development of the capital and funding available is compared to the capital and funding requirements ensuing from the operational plans. Instruments to lower the risks and to increase the available capital and liquidity are used for control purposes. For more details on funding, please refer to chapter 14 Funding and credit ratings.

SNS REAAL's capital management involves the following main activities:

- determining the minimum level of required capital;
- performing stress tests on the capital adequacy;
- (qualitative) capital adequacy assessment (ICAAP/ORSA); and
- maintaining available capital at the required level.

SNS REAAL's Executive Board assesses the results of the (economic) capital calculations, the requirements of supervisory authorities and rating agencies, the outcomes of stress tests and capital planning. Based on these assessments, it is decided whether additional measures are required.

27.2.2 Objectives and framework of standards SNS REAAL

SNS REAAL's capital management policy focuses on the optimisation of the capital structure in such a manner that it contributes to the realisation of SNS REAAL's strategic objectives. In determining the capital structure, SNS REAAL takes into account the restrictions set by the Dutch Central Bank, national and European regulations, rating agencies and internal requirements regarding capital adequacy.

SNS REAAL's capital management aims at retrieving a solid A rating for its subsidiaries from the rating agencies, as well as on permanent compliance with regulatory requirements. SNS REAAL seeks to maintain a healthy balance between the amount of capital and the risks it is exposed to.

In 2013, SNS REAAL internally focused on various objectives laid down in the Risk Appetite Statement, including a number of capital targets. The objective for SNS REAAL (Holding company only) concerns double leverage. The double leverage target limits the degree to which debt raised by the Group can be subsequently contributed to subsidiaries as shareholders' equity. The targeted double leverage for SNS REAAL (Holding company only) is a maximum of 115%.

For the objectives for SNS Bank NV refer to section 27.3.2 and for the insurer see section 27.4.2.

27.2.3 Capital position SNS REAAL

Capitalisation SNS REAAL

<i>In € millions</i>	2013	2012
Total equity	4,496	3,285
Double leverage	114.9%	130.1%

In 2013, total equity of SNS REAAL increased to € 4.5 billion compared to € 3.3 billion at year-end 2012. The increase is mainly the result of the capital injection from the Dutch government (€ 2.2 billion, of which € 1.9 billion was transferred to SNS Bank NV) and the expropriation of subordinated creditors (€ 1.0 billion), partially offset by the net loss for 2013 (- € 1,950 million).

Compared to year-end 2012, the double leverage of the Group decreased from 130% to 115% and the nominal double leverage decreased from € 985 million to € 668 million, due to the part of the capital injection that has not been passed to SNS Bank NV (€ 300 million) and the expropriation of subordinated debt issued at the holding company level (€ 386 million). This was partly compensated by a capital contribution of € 250 million to the Insurance activities and by conversion into share premium of € 150 million of subordinated debt issued by the Insurance activities of SNS REAAL NV.

Adjustment intra Group positions

In the second half of 2013, a number of measures have been taken aimed at strengthening the capital position of the Insurance activities (REAAL NV) and reducing the interdependency between SNS Bank NV and REAAL NV. The measures are in line with the commitment to phase out the financial interdependence between the bank and the insurer and have been agreed upon by the Dutch Central Bank. All measures concern a re-allocation of capital available and funding within SNS REAAL. The following measures are taken:

- the conversion into share premium of € 150 million of subordinated debt issued to SNS REAAL NV by REAAL NV,
- a loan of SNS Bank to REAAL NV of € 250 million to replace the current account balance between these entities,
- an additional capital contribution from SNS REAAL NV to REAAL NV of € 250 million,
- a dividend payment from REAAL Schadeverzekeringen to REAAL NV of € 250 million.

SNS Bank NV has provided a loan of € 250 million to REAAL NV. REAAL NV has provided as collateral the shares in SRLEV NV, REAAL Schadeverzekeringen NV and Proteq Levensverzekeringen NV to SNS Bank NV. REAAL NV needs to repay early when REAAL NV is no longer a subsidiary of SNS REAAL NV or if SRLEV NV, REAAL Schadeverzekeringen NV or Proteq Levensverzekeringen NV ceases to be a subsidiary of REAAL NV. The loan from SNS Bank NV to REAAL NV has a risk weighting of 500%.

Furthermore, SRLEV NV intends to provide a credit facility of € 200 million to REAAL NV. This facility, if used, will be deducted in phases from the available capital of SRLEV NV. This facility is not legally formalised or used as of 31 December 2013. The phasing will not have an impact on the year-end 2013, and the expectation is that the facility will be used for 50% as of the end of 2014 and for 100% as of the end of 2015. The facility is temporary and will be repaid upon sale of the insurer.

SNS REAAL NV's credit facility at SNS Bank NV has been reduced to a maximum of € 100 million (previously € 305 million). The term is for two years with an extension option of one year. There is an obligation to repay at the time of sale of (parts of) the insurer. The interest rate of the loan is the 1 month EURIBOR plus 300 basis points. SNS REAAL NV will never establish any right of pledge, right of mortgage or any other right of security on any of its assets as security. Furthermore, SNS REAAL NV, will establish as security, immediately upon request, a right of pledge in favour of SNS Bank NV on its shares in the share capital of REAAL NV. This credit facility of SNS REAAL NV is not considered as an 'at arm's length' facility and is fully deducted from the capital of SNS Bank NV. On 31 December 2013, this facility has not been used.

Please refer to section 27.3.3 Capital position SNS Bank NV - Capital ratios Banking activities and section 27.4.3 Capital position – Solvency Insurance activities for more information about the capital position.

27.2.4 Capital adequacy SNS REAAL (Group)

In assessing capital adequacy, SNS REAAL takes into account the economic risks of the underlying activities. These risks are assessed using stress tests, regulatory capital calculations as prescribed in the Basel II/III or Solvency I regulatory framework, and economic capital calculations.

27.3 Capital management SNS Bank NV

27.3.1 Framework and planning of capital management Banking activities

In addition to the long-term planning in the Capitalisation and Funding Plan, each month a 12-month rolling forecast of capitalisation developments is made for the Banking activities, which is discussed at ALCO Bank. Based on this forecast additional measures may be taken if necessary.

The quantitative assessment of the capital position comprises a comparison of the capital available to the internal standards pursuant to the current regulatory framework as well as the economic capital. In addition, the forecasted capital ratios in the event of stress are compared to the applicable internal standards. In determining the available capital, the restrictions that supervisory authorities and rating agencies require with regard to the composition of capital are taken into account.

In the Internal Capital Adequacy Assessment Process (ICAAP), the required amount of capital is determined by the Management Board of SNS Bank NV and the Executive Board. The balance sheet, (intended) strategy, risk appetite and existing risks form the basis for the ILAAP. Through the ILAAP it is assessed how risks are dealt with and if SNS Bank NV has adequate capital to absorb the risks under current and potential future circumstances. Risks are identified using the business strategy and are tested against risk tolerance levels within the risk appetite framework defined. This also enables the integration of risk management according to the recommendations of the Dutch Banking Code.

For further details on SNS Bank NV's capital adequacy, see section 27.3.4.

27.3.2 Objectives and framework of standards SNS Bank NV

To calculate its capital ratios, SNS Bank NV applies the Basel II regulatory framework. This includes the following types of risk: credit risk, market risk of trading books and operational risk. The Internal Rating Based method is employed to quantify the credit risk for residential mortgages.

SNS Bank NV has an internal target core Tier 1 ratio of 13%.

27.3.3 Capital position SNS Bank NV - Capital ratios Banking activities

Capitalisation Banking activities

<i>In € millions</i>	2013	2012
core Tier 1 ratio	16.6%	6.1%
Tier 1 ratio	16.6%	7.7%
BIS ratio	16.7%	9.3%
BIS ratio (Basel 1 80% floor)	14.2%	9.6%
core Tier 1 capital	2,415	1,253
Tier 1 capital	2,415	1,584
BIS capital	2,437	1,908
Risk Weighted Assets	14,578	20,592

Core Tier 1 ratio, Tier 1 ratio and BIS ratio are calculated based on Basel II.

Nationalisation measures had an important impact on the core Tier 1 ratio of SNS Bank NV in 2013. At the end of 2013, the core Tier 1 ratio had improved to 16.6%, compared to 6.1% at year-end 2012. Core Tier 1 capital increased from € 1.3 billion at the end of 2012 to € 2.4 billion. This increase was due to the capital contribution of the Dutch State of € 1.9 billion and the expropriation of subordinated debt (€ 0.7 billion), partly offset by the 2013 net loss of SNS Bank NV of € 1.4 billion and by the deduction of the € 100 million credit facility of SNS REAAL Holding from the core Tier 1 capital.

Risk-weighted assets declined by € 6.0 billion to € 14.6 billion, mainly due to the release of risk-weighted assets of Property Finance, due to the transfer in combination with a guarantee on the funding. This was partly offset by an increase of risk-weighted assets by € 1.25 billion due to the loan to REAAL NV of € 250 million, which has a risk weight of 500%.

Due to the expropriation of subordinated debt, the Tier 1 ratio and the BIS ratio are almost equal to the core Tier 1 ratio. At the end of 2013, the only remaining subordinated loan of SNS Bank NV was an internal lower Tier 2 loan obtained from SNS REAAL NV.

The fully phased in Basel III core Tier 1 ratio of SNS Bank NV amounted to 12.9%. In this ratio the entire deferred tax asset (DTA) related to the loss carried forward as at the end of 2013 of € 354 million and the entire negative fair value reserve of SNS Bank NV of € 101 million are deducted from the core Tier 1 capital. Under Basel II these items will be gradually deducted from Tier 1 capital in the period from 1 January 2014 to 1 January 2018. Furthermore, Basel III risk-weighted assets of € 14.8 billion include a Credit Valuation Adjustment (CVA) capital charge for the risk that the mark-to-market value of derivatives may deteriorate due to a change in counterparty creditworthiness.

In the previous, the possible impact of the mixed financial holding on the capital ratios is not included. Nevertheless, SNS Bank NV is expected to comply with legal requirements.

27.3.4 Capital adequacy SNS Bank NV

SNS REAAL periodically assesses the capital adequacy of its Banking activities, amongst others by conducting the Internal Capital Adequacy Assessment Process (ICAAP).

In the ICAAP, the available own funds are compared to the capital requirements imposed by the regulatory authority (Regulatory Capital), the capital requirements based on internal calculations (economic capital) and on the basis of stress testing (see section 27.3.5).

The results of the stress tests are annually compared with the regulatory capital and economic capital required. The economic capital is calculated and reported to ALCO Bank on a quarterly basis. Sensitivity analyses are performed and forecasts of capital development are made on a monthly basis.

The robustness of the capitalisation is tried by performing stress tests. SNS Bank NV participated in the Dutch Central Bank's stress test in 2013. In addition, SNS Bank NV performed an internal stress test as part of the 2013 ICAAP.

27.3.5 Stress testing SNS Bank NV

DNB stress test on Banking activities

SNS Bank NV participated in the Dutch Central Bank's (macro) stress test in the third quarter of 2013.

This firm-wide stress test is based on a 2.5-year horizon, for which the Dutch Central Bank has prepared a base case scenario and a stress scenario. The stress scenario takes into account a further deterioration of the economy and financial markets. For instance, this stress scenario includes a considerable value decrease of residential property (over 25%) and commercial property (40%) and rising unemployment rates (increase of 3%) over the 2.5-year horizon.

Based on the outcome of the stress test, it was concluded that SNS Bank NV is still sufficiently capitalised also in an extremely negative economic scenario.

EBA stress test on Banking activities

In 2013, the European Banking Authority (EBA) did not request SNS Bank NV to perform a stress test on its Banking activities. SNS Bank NV has now learned that the ECB (in collaboration with the EBA) will request a stress test on the Banking activities in 2014, part of the Single Supervisory Mechanism.

ICAAP stress test on Banking activities

In the third quarter of 2013, SNS REAAL conducted an internal stress test on its Banking activities within the context of its Internal Capital Adequacy Assessment Process (ICAAP). For this stress test a thorough analysis of the relevant risks was performed. SNS REAAL constructed its own specific economic scenarios for this stress test. The results of the ICAAP show that SNS Bank NV remains above internal standards in the event of a stress scenario, as determined in the Risk Appetite Statement (RAS).

The ICAAP is assessed by the Dutch Central Bank in its Supervisory Review and Evaluation Process (SREP). In this SREP, the Dutch Central Bank discusses the results of the ICAAP with SNS Bank NV.

27.3.6 Economic capital SNS Bank NV

SNS Bank NV uses economic capital for the management of the bank and the business units with the aim to create value in the long term. Therefore, the economic capital must first be calculated as accurate as possible, without incorporating a margin of conservatism in the estimate of the economic capital formula components and the economic capital calculations themselves. In assessing capital adequacy, SNS Bank NV takes into account any uncertainties in the economic capital models. These uncertainties are translated into separate surcharges and added to the unadjusted economic capital.

A one-year horizon with a confidence level of 99.96% is used in determining the economic capital. This confidence level is calibrated to the default probability of a company with an AA rating. SNS Bank NV deliberately chooses this higher confidence level over the level related to the rating ambition in order to be more confident that it will achieve the single A rating. In the economic capital calculation, diversification effects between risk categories are taken into account. These diversification effects occur because not all risks manifest themselves simultaneously.

The economic capital for the Banking activities is calculated on a quarterly basis. When these figures have been analysed, the conclusions are discussed in the various allocation committees and with the Supervisory Board. The economic capital figures are also shared with the Dutch Central Bank. The economic capital is furthermore used in the ICAAP and in the specification and assessment of the risk appetite.

27.4 Capital management Insurance activities

27.4.1 Framework and planning of capital management Insurance activities

The insurer performs a solvency sensitivity analysis for the Insurance activities on a monthly basis, with close involvement of senior management to determine the capital adequacy. Part of this analysis is the control metric Solvency at Risk (see section 24.5.1 [Risk management market risk](#)). The results are discussed in the ALCO Insurance on a monthly basis.

An annual ORSA test is run for the Insurance activities (see section 27.4.6 [ORSA](#)).

27.4.2 Objectives and framework of standards

The Insurance activities' solvency is calculated within the Solvency I regulatory framework. The available capital is mainly based on the market value of assets and liabilities, adjusted for intangible assets and increased by subordinated debt. The required capital is related to the size of the technical provision.

The internally targeted Regulatory solvency is at least 175%.

27.4.3 Capital position – Solvency Insurance activities

Capitalisation Insurance activities

<i>In € millions</i>	2013	2012
Regulatory solvency Insurance activities	172%	176%
Regulatory solvency SRLEV	187%	211%
Regulatory solvency Non-Life	235%	490%
Available regulatory capital	2,473	2,630
Capital requirement	1,439	1,491
Double leverage	121.9%	134.6%

Regulatory solvency (Solvency I) of the Insurance activities at REAAL NV level was 172% at year-end 2013, compared to 176% at year-end 2012. This solvency is slightly below the internally set target of a minimum of 175%. We expect market conditions to remain challenging in the insurance industry. As a result, profit and solvency at the Insurance activities are likely to remain under pressure. REAAL NV is currently investigating all possible alternatives to strengthen and protect its solvency in anticipation of the divestment.

In 2013, a number of significant developments took place which had an impact on the solvency of the Insurer. The solvency ratio was negatively impacted by the downgrade of the credit rating of France by Fitch in July 2013. As a consequence French government bonds were excluded from the ECB AAA curve used to calculate regulatory solvency. The subsequent downward movement of the ECB AAA curve had a negative effect on the solvency ratio of 29 percentage points. In addition, a negative effect of 21 percentage points was caused by using more prudent parameters, mainly by adjusting the cost parameters (including the effect of the additional structural allocation of group expenses), the use of more conservative mortality tables, an increase in the number of homogeneous portfolios and adjustments in the risk margin used in the solvency calculation.

The negative impacts were to a large extent offset by a capital injection of € 250 million by SNS REAAL (positive effect of 18 percentage points) and by the conversion into share premium of € 150 million in subordinated debt issued by REAAL N.V. to SNS REAAL NV (positive effect of 10 percentage points). This subordinated debt could not be included in the regulatory capital of the Insurance activities because the total amount of subordinated debt exceeded the maximum as set by DNB. Finally, the movement of interest rates, credit spreads and the underlying net result had a positive effect.

The Solvency I ratio after (market)stress is calculated monthly by using shocks on interest rates, credit, equities and real estate. At year-end 2013, the solvency after stress is 114% and also below the internal threshold of 125%. As a result of these developments the Executive Board decided to analyse the capital position under various scenarios and define possible management actions to strengthen and protect it. In this context, a base case projection of the solvency ratio under different capital regimes, amongst other Solvency I and Solvency II, was carried out. Subsequently, the impact on the base case of four stress scenarios was calculated. These scenarios are more severe than the regular monthly market stress calculations. They are severe stress scenarios on underwriting risks (including increased commutation and longevity), market risks and operational risks (profitability). As part of the analysis the recovery capacity in the coming three years has also been examined.

The conclusion is that in severe stress scenarios analysed, the Solvency I ratio at REAAL NV level remains above 100% for the test period of three years. Solvency II requirements and the interpretation thereof are still in development. The pressure on the capital position under this regime is most evident under the most severe stress scenarios tested. However, based on current insights, the Solvency II ratio shows sufficient recovery under these scenarios.

The regulatory solvency of SRLEV, the legal entity comprising most of the life insurance operations, declined to 187%, compared to 211% at year-end 2012. This decline was driven by the impact of the downgrade of France and parameter changes.

The regulatory solvency of REAAL Non-Life, declined to 235%, compared to 490% at year-end 2012. This decline was driven by a dividend payment of € 250 million to the Insurance holding company and by the net loss for the year at REAAL Non-Life.

Compared to year-end 2012, double leverage at the Insurance activities decreased from 135% to 122%, mainly as a result of a capital contribution of € 250 million from SNS REAAL, a dividend payment of € 250 million from REAAL Non-Life and by the conversion into share premium of € 150 million of subordinated debt issued by the Insurance holding company to SNS REAAL NV. Nominal leverage decreased from € 1,013 million (134.6%) to € 566 million (121.9%).

27.4.4 Capital adequacy Insurance activities

The Insurance activities' capital adequacy is evaluated within the Solvency I regulatory framework.

IFRS liability adequacy test (LAT)

The adequacy of the insurance technical provisions is tested in every reporting period by means of the IFRS liability adequacy test (LAT). This LAT compares the market value and the IFRS carrying amount of the insurance liabilities and related assets (including VOBA). In 2012, SNS REAAL changed the interest rate curve used to calculate the market value of the insurance liabilities in the IFRS LAT from the ECB All Government curve to the ECB AAA + UFR curve. This change implied a significantly lower discount rate which negatively impacted the surplus value shown in the IFRS LAT. The use of the ECB AAA + UFR curve and the general decline of interest rates led to an IFRS LAT shortfall in the insurance liabilities in 2012. By using shadow accounting, the positive fair value reserve of the fixed-income portfolio was used to increase the IFRS carrying amount of the insurance liabilities. The remaining shortfall of € 172 million gross (€ 129 million net) was charged to the income statement 2012 as a partial impairment of the VOBA. In 2013, the LAT shortfall decreased compared to year-end 2012 due to an increase in interest rates partly mitigated by adjustments in models and parameters. However the fair value reserve of the fixed-income portfolio decreased even more. As a result, the fair value reserve of the fixed-income portfolio could not fully compensate the LAT shortfall and the remaining shortfall of € 732 million gross (€ 549 million net) was charged to the income statement 2013 at first as an impairment of the remaining VOBA of € 585 million gross (€ 439 million net) and for the remaining shortfall after VOBA impairment by an addition to the technical provision for an amount of € 147 million gross (€ 110 million net).

Regulatory liability adequacy test (TRT)

SNS REAAL includes the excess or deficit in the book value of the technical provisions with respect to the corresponding test provisions in the available solvency. SNS REAAL determines this excess or deficit by performing the regulatory liability adequacy test under the Dutch Financial Supervision Act.

27.4.5 Market sensitivity regulatory solvency ratio

The sensitivity of regulatory solvency is an internally used measure for risk management. The sensitivity analysis Solvency at Risk is already explained in [section 24.5.1](#) and in section 24.5.2 [Interest rate risk Insurance activities](#) the interest rate risk of the Insurance activities is disclosed.

The table below shows the sensitivity of regulatory solvency of the Insurance activities. The main risk drivers are interest rates and spread (credit spreads).

Market sensitivity regulatory solvency ratio

In percentages

	2013	2012
Interest rates -1%	(3%)	18%
Interest rates +1%	(7%)	(11%)
Credit spreads corporate bonds +0.5%	(11%)	(11%)
Credit spreads sovereign bonds +0.5%	(4%)	(2%)
Equity prices -10%	(1%)	(2%)

For the sensitivity of the underwriting parameters, we refer to section 24.2.4.

At the end of the second quarter, the interest rate sensitivity of the liabilities dropped substantially due to model changes (switch to Monte Carlo valuations), methodology changes (homogeneous groups, risk margin) and improved insights into sensitivities. This boosted the parallel interest rate sensitivity of regulatory solvency (investments & liabilities) to beyond the internal limit at the end of the second quarter. However, the downgrade of France in mid-July – and its negative impact on the ECB AAA curve – almost immediately resulted in an increase in the sensitivity of the liabilities, causing a decrease in the interest rate sensitivity of the regulatory solvency to fall back to below the internal limit.

Nevertheless, the decision was taken in the third quarter to further reduce the parallel interest rate sensitivity of the regulatory solvency. At year-end 2013, this sensitivity had dropped to 7%-points.

The sensitivity to spread risk increased due to the downgrade of France. Bonds of this country are now part of the non-AAA government bonds for sensitivity analysis purposes. The equity shock decreased limitedly as a result of a more accurate classification on an economic basis.

During 2013 market rate increased by more than 55 basis points. The ECB AAA curve immediately dropped by 15 basis points in July 2013 following the downgrade of France. Overall however, the ECB AAA curve was still at a higher level at year-end 2013 compared to year-end 2012. The UFR impact means that the insurer's solvency is sensitive to increases in interest rates (see table above), this resulted in a loss of solvency. At the same time, the UFR impact at year-end 2013 was less than at year-end 2012. For the General Account (GA), the impact decreased from approximately 45%-points of solvency to approximately 22%-points. Not only the level of the ECB AAA curve, but also the shape of the curve on the 20 - 30-year maturity segment is relevant in this respect.

27.4.6 ORSA

The capital adequacy of the Insurance activities according to the Solvency II regulatory framework will be assessed by the Own Risk and Solvency Assessment (ORSA). The ORSA rules have not yet been unequivocally established. In 2013, SNS REAAL performed an ORSA based on the current insights.

27.4.7 Stress testing Insurance activities

In 2013, the European Insurance and Occupational Pensions Authority (EIOPA) did not request SNS REAAL to take part in its stress test for insurers. SNS REAAL did, however, perform an internal stress test within the context of the ORSA.

The ORSA has a three-year horizon, with stress having been applied to the September 2013 figures. The figures were prepared on a Solvency II basis and consolidated at the REAAL NV level. Four scenarios were analysed. In two scenarios (adverse and severe) it was assumed that the crisis shall continue, one scenario assuming a higher life expectancy rate than currently used in the calculation of provisions, and one combination scenario.

This internal stress test will be finalised after completion of the ORSA.

28 Notes to the consolidated financial statements

28.1 Intangible assets

Specification intangible assets

In € millions	Banking activities		Insurance activities		Group activities		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Goodwill	67	67	-	150	17	17	84	234
Software	11	16	7	32	-	-	18	48
Value of Business Acquired (VOBA)	-	-	-	623	-	-	-	623
Other intangible assets	11	15	57	80	-	-	68	95
Total	89	98	64	885	17	17	170	1,000

At year-end 2013, internal developed and capitalised software amounts to € 16 million (2012: 24 million).

Client relations and distribution channels are recognised in other intangible assets.

Statement of changes in intangible assets 2013

In € millions	Goodwill	Software	VOBA	Other intangible assets	Total
Accumulated acquisition costs	593	95	1,257	140	2,085
Accumulated amortisation and impairments	(509)	(77)	(1,257)	(72)	(1,915)
Balance as at 31 December	84	18	-	68	170
Balance as at 1 January	234	48	623	95	1,000
Capitalised costs	-	1	-	-	1
Purchases	-	2	-	-	2
Depreciation capitalised costs	-	(9)	-	-	(9)
Depreciation purchases	-	(4)	(38)	(11)	(53)
Impairments	(150)	(20)	(585)	(16)	(771)
Balance as at 31 December	84	18	-	68	170

Statement of changes in intangible assets 2012

In € millions	Goodwill	Software	VOBA	Other intangible assets	Total
Accumulated acquisition costs	679	109	1,221	326	2,335
Accumulated amortisation and impairments	(445)	(61)	(598)	(231)	(1,335)
Balance as at 31 December	234	48	623	95	1,000
Balance as at 1 January	553	52	863	260	1,728
Capitalised costs	-	6	-	-	6
Purchases	-	12	-	-	12
Depreciation capitalised costs	-	(13)	-	-	(13)
Depreciation purchases	-	(9)	(68)	(15)	(92)
Impairments	(319)	-	(172)	(150)	(641)
Balance as at 31 December	234	48	623	95	1,000

Due to the deficit in the IFRS adequacy test (LAT), the VOBA (2012: € 623 million) is fully impaired in 2013. This LAT compares the market value and the IFRS carrying amount of insurance liabilities and related assets. During 2013 a

deficit of € 585 million (2012: € 172 million) was established in the LAT, after release of the fair value reserve using shadow accounting. This was the result of several factors, such as the low interest rates and higher life expectancies.

End of 2013, SNS REAAL capitalised € 57 million (2012: € 80 million) of client relations. This concerns the non-life client portfolios of AXA, Wintherthur, Zwitserleven and DBV acquisitions, which are recognised at the Insurance activities since the acquisition in 2007. The remaining straight-line amortisation period of customer relations is 8 years.

On the basis of the operational plans, management concluded that the yearly depreciations (about € 2 million a year till 2019) on these client relations cannot be covered by normal business. Therefore management has decided to do an impairment of € 16 million on client relations.

The impairments of goodwill, software and other intangible assets of € 186 million (2012: € 422 million) have been recognised in the income statement as impairment charges. The impairment of VOBA of € 585 million (2012: € 172 million) has been recognised in the income statement as technical claims and benefits.

What remains are the intangible assets related to the distribution channel of disability insurance. There is no indication that justifies an impairment on these intangible assets.

28.1.1 Recoverable amount of goodwill

Goodwill is not amortised. Instead, an impairment test is performed annually and more frequently if there are indications of impairment. The book value of the related cash generating units (including goodwill) is compared to the calculated recoverable amount. The recoverable amount of a cash generating unit is determined by value-in-use calculations. The value-in-use calculations will be prepared with the help of an independent external consultancy agency. The double leverage at group level is not allocated to the cash generating units.

Goodwill cash generating units

<i>In € millions</i>	2013	2012
SNS Retail Bank	67	67
REAAL Life	-	150
Group activities	17	17
Total	84	234

Impairment tests give rise to an impairment of the goodwill at cash generating unit REAAL Life. The recoverable amount of REAAL Life thus dropped to € 138 million below the carrying amount for impairment in the course of 2013.

Management determined that a goodwill impairment of € 150 million for the business unit REAAL Life was justified. This was caused by decreasing volumes for life products resulting in increased competition and margin pressure in the Life market, the structural additional cost allocation from the holding company (see for more information section 19.3.4.3 [Changes in presentation](#)) and the pressure on the capital position.

The goodwill impairment tests on the other cash generating units do not lead to an impairment.

28.1.2 Principles value-in-use calculations

Specification principles value-in-use calculations

	SNS Retail Bank	REAAL Life	Group Activities
Residual benefits after budget period per year	2.5%	1.5%	1.4%
Cost of equity	11%	10%	7.5%
Available solvency	16.5%	225.0%	-
Pre-tax discount rate 2013	15.0%	15.4%	9.4%
Pre-tax discount rate 2012	13.7%	12.3%	12.5%

The key assumptions used in the goodwill impairment test per cash-generating unit are based on various financial and economic variables, including operational budgets, interest rates, tax rates and inflation forecasts. These variables are determined by the management. The results and assumptions have been reviewed by an independent external consultancy firm. Assumptions are made in the models with regard to:

- Interest income, premium income and return on (re)investments.
- Long-term net interest income on property finance loan portfolio.
- (Credit) provisions and risk-weighted assets.
- (Operating) expenses (including charged group expenses).
- Assumptions regarding technical provisions.
- Available and required solvency.
- Discount rate.

The importance of these parameters differs for each cash-generating unit.

The value-in-use calculations are prepared on the basis of operational plans for the period 2014-2016. The assumptions are based on expected future market developments and past experiences, and on the long-term characteristics of the markets in which the various cash generating units of SNS REAAL operate. In addition to the charged group expenses that are already included in the operational plans, the goodwill impairment test 2013 also takes into account other, not directly allocated corporate company costs (see section 19.6 [Specific income statement accounting principles](#)).

At REAAL Life, the main value drivers of recoverable value are the cost of equity (CoE), long-term income growth, margin development, the contracting market, the return on reinvestments combined with the technical result on investments for own account and risk and the available minimum solvency. Deterioration in the estimation in one of the aforementioned individual parameters resulted in a full impairment.

28.2 Property and equipment

Specification property and equipment 2013

In € millions

	Banking activities	Insurance activities	Group activities	Consolidation adjustments	Total
Land and buildings in own use	30	66	-	48	144
IT equipment	-	-	27	-	27
Other assets	22	28	-	-	50
Total	52	94	27	48	221

Specification property and equipment 2012

In € millions

	Banking activities	Insurance activities	Group activities	Consolidation adjustments	Total
Land and buildings in own use	40	127	-	52	219
IT equipment	1	-	21	-	22
Other assets	30	27	-	-	57
Total	71	154	21	52	298

A number of investment properties of the Insurance activities are used by other group companies. In the consolidated balance sheet, these investment properties have been reclassified for an amount of € 48 million (2012: € 52 million) from investment property to land and buildings in own use.

Statement of changes in property and equipment 2013

In € millions

	Land and buildings in own use	IT equipment	Other assets	Total
Accumulated acquisitions costs	246	68	82	396
Accumulated revaluations	(11)	-	-	(11)
Accumulated depreciation and impairments	(91)	(41)	(32)	(164)
Balance as at 31 December	144	27	50	221
Balance as at 1 January	219	22	57	298
Reclassifications	(67)	-	9	(58)
Revaluations	(6)	-	-	(6)
Investments	13	16	2	31
Divestments	(3)	-	-	(3)
Depreciation	(3)	(11)	(12)	(26)
Impairments	(9)	-	(4)	(13)
Transfer assets held for sale	-	-	(2)	(2)
Balance as at 31 December	144	27	50	221

In 2013, a number of buildings that are no longer held for own use have been reclassified for an amount of € 58 million (2012: € 9 million) from land and buildings in own use to investment property.

At year-end 2013 an amount of € 9 million (2012: € 21 million) regarding new office buildings is under construction. There are no major contractual obligations in 2013 (2012: € 8 million).

At the end of February 2013, the property and equipment of Property Finance were classified as assets held for sale for an amount of € 2 million. This amount equals the transfer value of the property and equipment on 31 December 2013.

Statement of changes in property and equipment 2012

In € millions

	Land and buildings in own use	IT equipment	Other assets	Total
Accumulated acquisitions costs	264	69	92	425
Accumulated revaluations	13	-	-	13
Accumulated depreciation and impairments	(58)	(47)	(35)	(140)
Balance as at 31 December	219	22	57	298
Balance as at 1 January	271	30	40	341
Reclassifications	(35)	-	26	(9)
Revaluations	(2)	-	-	(2)
Investments	19	8	6	33
Divestments	(7)	(2)	-	(9)
Depreciation	(4)	(14)	(13)	(31)
Impairments	(21)	-	-	(21)
Other	(2)	-	(2)	(4)
Balance as at 31 December	219	22	57	298

28.2.1 Rental income

Included in land and buildings in own use are 25 (2012: 32) properties that are partly rented out.

Future rental income based on irrevocable operational leases

In € millions

	2013	2012
< 1 year	1	2
1 - 5 years	1	2
> 5 years	-	-
Total	2	4

28.2.2 Valuation of land and buildings in own use

Due to the economic circumstances the land and buildings in own use with a fair value greater than € 1 million are valued annually by an external surveyor every year as of 2009. The other land and buildings in own use are valued once every three years.

Book value valuated land and buildings in own use

In € millions

	2013	2012	2011
Banking activities	19	28	39
Insurance activities	65	110	137
Group activities	-	52	59
Total	84	190	235
% of total book value that is appraised	58%	87%	87%

28.2.3 Hierarchy in determining the fair value of property and equipment

The table below categorises the property and equipment among level 1 (the fair value is based on published stock prices in an active market), level 2 (the fair value is based on observable market data) and level 3 (the fair value is not based on observable market data).

Hierarchy property and equipment 2013

<i>In € millions</i>	Level 1	Level 2	Level 3	Total
Land and buildings in own use	-	144	-	144

28.3 Investments in associates

Investments in associates include associates and joint ventures.

Specification of investments in associates

<i>In € millions</i>	Associated companies		Joint ventures		Total	
	2013	2012	2013	2012	2013	2012
Banking activities	-	2	-	1	-	3
Insurance activities	6	45	-	-	6	45
Group activities	1	2	-	-	1	2
Eliminations	(1)	(1)	-	-	(1)	(1)
Total	6	48	-	1	6	49

Statement of changes in investments in associates

<i>In € millions</i>	2013	2012
Balance as at 1 January	49	56
Reclassifications	(25)	-
Purchases and expansions	-	1
Disposals and divestments	(15)	(1)
Share in result of associates	2	11
Revaluations	-	-
Paid dividend	(1)	(3)
Impairments	-	(13)
Other movements	(2)	(2)
Transfer assets held for sale	(2)	-
Balance as at 31 December	6	49

By reducing the stake in Beleggingsfonds Ducatus (€ 15 million), the remaining stake dropped below 20%, as a result of which it no longer qualifies as an associate. Hence, an amount of € 25 million was reclassified from investments in associates to investments.

At the end of February 2013, the investments in associates of Property Finance were classified as assets held for sale for an amount of € 2 million. This amount equals the transfer value of the investments in associates on 31 December 2013.

Overview most significant investments in associates of SNS REAAL in 2013

<i>In € millions</i>	Country	Interest	Share in equity	Share in result	Assets	Liabilities	Income
CED Holding BV	NL	23%	6	1	63	32	104
Total			6	1	63	32	104

Overview most significant investments in associates of SNS REAAL in 2012

<i>In € millions</i>	Country	Interest	Share in equity	Share in result	Assets	Liabilities	Income
Investment fund Ducatus	NL	35%	40	10	106	-	34
CED Holding BV	NL	23%	5	1	59	31	106
Überseequartier Project BV	DE	45%	-	-	66	74	6
Prospect Village LP	US	30%	-	-	41	31	-
The Park at Brushy Creek Ltd	US	12%	1	-	22	16	(1)
Koppelenweg I BV	NL	0%	1	-	35	33	-
Other	Divers	20-50%	1	-	112	92	-
Total			48	11	441	277	145

In 2012, the associates in Überseequartier Project BV, Prospect Village LP, The Park at Brushy Creek Ltd and Koppelenweg I BV related to associates of Property Finance.

No loans were granted to associates (2012: € 63 million). The associates have no investment commitments at year-end 2013 (2012: nil).

Participating interests with an interest of less than 20% qualify as an associated company if SNS REAAL can exercise significant influence based on a combination of SNS REAAL's financial interest, veto rights on important decisions and required unanimity voting in the Board of Directors, but does not have control.

28.4 Investment properties

Specification investment properties

	Banking activities		Insurance activities		Consolidation adjustments		Total	
<i>In € millions</i>	2013	2012	2013	2012	2013	2012	2013	2012
Land and buildings used by third parties	-	-	268	233	(48)	(52)	220	181

Property rented out by the Insurance activities to other group companies is recognised as investment property by the insurer. At group level, this investment property is included in property and equipment under the item land and buildings in own use and therefore reclassified from the investment property (2013: € 48 million; 2012: € 52 million).

Statement of changes in investment properties

<i>In € millions</i>	2013	2012
Balance as at 1 January	181	197
Reclassifications	58	9
Investments from capitalised subsequent expenditure	-	2
Divestments	(11)	(5)
Revaluations	(8)	(22)
Balance as at 31 December	220	181

A number of investment properties of the Insurance activities are in own use by other group companies. For this purpose,

an amount of € 48 million (2012 : € 52 million) was reclassified in the consolidated balance sheet from investment property to land and buildings in own use.

For properties that are no longer in use in 2013, an amount of € 58 million (2012 : € 9 million) was reclassified from land and buildings in own use to real estate investments.

Hierarchy in determining the fair value of investment properties

The following table divides the investment properties in the balance sheet at fair value on Level 1 (fair value is based on quoted prices in an active market), Level 2 (fair value is based on available market data) and level 3 (the fair value is not based on observable market data). For a more detailed explanation of the level layout, see section 19.3.6.6 [Impairment charges of intangible assets and investments in financial instruments](#).

Hierarchy investment properties

In € millions

	Level 1	Level 2	Level 3	Total
Land and buildings used by third parties	-	220	-	220

28.5 Investments

Investments: overview 2013

<i>In € millions</i>	Fair value through profit or loss				Total
	Held for trading	Designated	Available for sale	Loans and receivables	
Banking activities	713	-	4,944	-	5,657
Insurance activities	-	415	22,843	6,871	30,129
Group activities	-	-	43	-	43
Eliminations	-	(12)	(81)	(2,359)	(2,452)
Total	713	403	27,749	4,512	33,377

Investments: overview 2012

<i>In € millions</i>	Fair value through profit or loss				Total
	Held for trading	Designated	Available for sale	Loans and receivables	
Banking activities	848	103	4,351	-	5,302
Insurance activities	-	1,032	23,900	6,770	31,702
Group activities	-	-	35	-	35
Eliminations	(138)	-	(128)	(2,598)	(2,864)
Total	710	1,135	28,158	4,172	34,175

Part of the investments is lent to third parties. The book value of the lend investments for REAAL NV amounts to € 1.5 billion as at 31 December 2013 (2012: € 2.1 billion).

Another part of the investments is pledged as collateral for amounts due to banks (repo's) and subordinated debt (bonds). The book value of assets pledged as collateral at 31 December 2013 for REAAL NV amounts to € 5.1 billion (2012: € 5.5 billion) and for SNS Bank NV € 882 million (2012: € 1.1 billion).

The book value of the investments that have been pledged to the European System of Central Banks (ESCB) is € 12.5 billion (2012: € 12.7 billion). Part of this collateral relates to the three-year loan of the ESCB (LTRO).

Fair value through profit or loss

	Held for trading				Designated				Total	
	Equity and similar investments		Fixed income investments		Equity and similar investments		Fixed income investments			
<i>In € millions</i>	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Banking activities	2	1	711	847	-	-	-	103	713	951
Insurance activities	-	-	-	-	-	-	415	1,032	415	1,032
Eliminations	-	-	-	(138)	-	-	(12)	-	(12)	(138)
Total	2	1	711	709	-	-	403	1,135	1,116	1,845

Fair value through profit or loss: listing

	Held for trading				Designated				Total	
	Equity and similar investments		Fixed income investments		Equity and similar investments		Fixed income investments			
<i>In € millions</i>	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Listed	2	1	711	709	-	-	403	1,114	1,116	1,824
Unlisted	-	-	-	-	-	-	-	21	-	21
Total	2	1	711	709	-	-	403	1,135	1,116	1,845

Fair value through profit or loss: statement of changes

	Held for trading:				Designated				Total	
	Equity and similar investments		Fixed income investments		Equity and similar investments		Fixed income investments			
<i>In € millions</i>	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Balance as at 1 January	1	7	709	123	-	-	1,135	1,115	1,845	1,245
Purchases and advances	-	-	-	-	-	-	485	806	485	806
Disposals and redemptions	-	-	-	-	-	-	(1,212)	(794)	(1,212)	(794)
Revaluations	-	-	12	35	-	-	(6)	11	6	46
Change in investments held for trading*	1	(6)	(10)	595	-	-	-	-	(9)	589
Other	-	-	-	(44)	-	-	1	(3)	1	(47)
Balance as at 31 December	2	1	711	709	-	-	403	1,135	1,116	1,845

* Purchases and disposals in the trading portfolio are reported as net amount under the line item "change in investments held for trading".

As a consequence of the volatile financial markets, SNS REAAL decided in October 2008 to reclassify part of the investments worth € 590 million in the category fair value through profit or loss held for trading purposes into the category available for sale. The reclassification was effected as from 1 July 2008. As from 31 December 2013 this portfolio decreased to € 4 million (2012: € 27 million; 2011: € 52 million; 2010: € 220 million; 2009: € 341 million; 2008: € 562 million) as a result of disposals and revaluations. The positive change in fair value over the year 2013 amounts to € 0.5 million (2012: € 2 million; 2011: - € 1 million; 2010: € 3 million; 2009: - € 5 million; 2008: - € 23 million) and has been added to the fair value reserve. In case reclassification had not taken place, the change in fair value would have been recognised in the income statement.

Available for sale

<i>In € millions</i>	Equity and similar investments		Fixed income investments		Total	
	2013	2012	2013	2012	2013	2012
Banking activities	12	11	4,932	4,340	4,944	4,351
Insurance activities	1,161	1,244	21,682	22,656	22,843	23,900
Group activities	43	35	-	-	43	35
Eliminations	-	-	(81)	(128)	(81)	(128)
Total	1,216	1,290	26,533	26,868	27,749	28,158

Available for sale: listing

<i>In € millions</i>	Equity and similar investments		Fixed income investments		Total	
	2013	2012	2013	2012	2013	2012
Listed	763	774	26,505	26,820	27,268	27,594
Unlisted	452	516	29	48	481	564
Total	1,215	1,290	26,534	26,868	27,749	28,158

Investments available for sale: statement of changes

<i>In € millions</i>	Equity and similar investments		Fixed income investments		Total	
	2013	2012	2013	2012	2013	2012
Balance as at 1 January	1,290	1,280	26,868	25,057	28,158	26,337
Purchases and advances	530	865	7,442	9,574	7,972	10,439
Disposals and redemptions	(647)	(853)	(6,338)	(9,303)	(6,985)	(10,156)
Revaluations	32	43	(1,383)	1,609	(1,351)	1,652
Impairments	(14)	(45)	3	(8)	(11)	(53)
Amortisation	-	-	(55)	(50)	(55)	(50)
Other	24	-	(3)	(11)	21	(11)
Balance as at 31 December	1,215	1,290	26,534	26,868	27,749	28,158

An amount of € 25 million classified as other changes relates to the investment in Investment Fund Ducatus, which has been reclassified from investments in associates to investments.

Available for sale: valuation 2013

<i>In € millions</i>	Equity and similar investments		Fixed income investments		Accrued interest	Total
	Cost price	Revaluation	(Amortised) cost price	Revaluation		
Banking activities	11	1	4,826	39	67	4,944
Insurance activities	1,023	138	19,979	1,239	464	22,843
Group activities	32	11	-	-	-	43
Eliminations	-	-	(27)	-	(54)	(81)
Total	1,066	150	24,778	1,278	477	27,749

Available for sale: valuation 2012

<i>In € millions</i>	Equity and similar investments		Fixed income investments			Total
	Cost price	Revaluation	(Amortised) cost price	Revaluation	Accrued interest	
Banking activities	10	1	4,152	131	57	4,351
Insurance activities	1,077	167	19,458	2,721	477	23,900
Group activities	35	-	-	-	-	35
Eliminations	-	-	(34)	-	(94)	(128)
Total	1,122	168	23,576	2,852	440	28,158

Loans and receivables

<i>In € millions</i>	Insurance activities		Eliminations		Total	
	2013	2012	2013	2012	2013	2012
Private loans linked to savings mortgages	5,311	5,131	(1,535)	(1,460)	3,776	3,671
Other private loans	1,561	1,640	(824)	(1,138)	737	502
	6,872	6,771	(2,359)	(2,598)	4,513	4,173
Provision for bad debts	(1)	(1)	-	-	(1)	(1)
Total	6,871	6,770	(2,359)	(2,598)	4,512	4,172

Loans and receivables: statement of changes

<i>In € millions</i>	2013	2012
Balance as at 1 January	4,173	3,855
Purchases and advances	484	644
Disposals and redemptions	(439)	(664)
Interest added	284	273
Amortisation	2	5
Other	9	60
Balance as at 31 December	4,513	4,173
Balance provisions as at 1 January	(1)	(2)
Addition	(12)	-
Release	12	1
Balance provisions as at 31 December	(1)	(1)
Total	4,512	4,172

28.6 Investments for account of policyholders

Investments for account of policyholders include separate deposits for the account of policyholders, investments for unit-linked insurances and separate investment deposits for large group pension contracts.

In 2013, contracts worth € 223 million (2012: nil) at Swiss Life were reclassified from 'Investments for account of policyholders' to 'own risk', due to non-contributory continuation as contracts for their own account. The transfer took place in agreement with the customer after expiration of the contract.

Listing investments for account of policyholders

<i>In € millions</i>	2013	2012
Shares and similar investments:		
- Listed	4,392	4,047
- Unlisted	7,816	7,467
Fixed income investments		
- Listed	908	1,382
- Unlisted	324	331
Total	13,440	13,227

Statement of changes in Investments for account of policyholders

<i>In € millions</i>	2013	2012
Balance as at 1 January	13,227	12,420
Purchases and advances	1,969	5,035
Disposals and redemptions	(2,173)	(5,487)
Revaluations	427	1,320
Other movements	(10)	(61)
Balance as at 31 December	13,440	13,227

28.7 Derivatives

Specification derivatives

<i>In € millions</i>	Positive value		Negative value		Balance	
	2013	2012	2013	2012	2013	2012
Derivatives held for cash flow hedge accounting	115	185	38	61	77	124
Derivatives held for fair value hedge accounting	1,791	2,642	1,793	2,555	(2)	87
Derivatives held for asset and liability management that do not qualify for hedge accounting	1,000	1,054	817	803	183	251
Derivatives held for trading	159	258	144	224	15	34
Total	3,065	4,139	2,792	3,643	273	496

Most derivatives are held to hedge undesired markets risks. This is explained in section 25.2 [Hedging and hedge accounting](#) of the chapter on Financial instruments and hedge accounting.

Statement of changes in derivatives

In € millions

	2013	2012
Balance as at 1 January	496	275
Purchases	191	229
Disposals	(246)	(301)
Revaluations	(114)	298
Exchange rate differences	(54)	(5)
Other	-	-
Balance as at 31 December	273	496

28.8 Deferred tax assets and liabilities

Specification deferred tax assets and liabilities

In € millions

	2013	2012
Deferred tax assets	1,148	1,360
Deferred tax liabilities	(476)	(1,219)
Total	672	141

Origin of deferred tax assets and tax liabilities 2013

In € millions

	1 January	Changes in accounting principles	Change through profit or loss	Change through shareholders' equity	Other movements	31 December
Intangible assets	17	-	(1)	-	-	16
Value of business acquired	(141)	-	146	-	-	5
Capitalised acquisition costs Insurance activities	105	-	(20)	-	-	85
(Investment) property and equipment	(35)	-	8	1	-	(26)
Investments	(692)	-	53	364	8	(267)
Derivatives	178	-	(90)	17	(8)	97
Loans and advances to customers	(277)	-	99	-	-	(178)
Insurance contracts	824	-	58	(345)	-	537
Provision for employee benefits	70	-	(9)	(19)	-	42
Tax-deductible losses	89	-	265	-	-	354
Other	3	-	4	-	-	7
Total	141	-	513	18	-	672

Origin of deferred tax assets and tax liabilities 2012

In € millions

	1 January	Changes in accounting principles	Change through profit or loss	Change through shareholders' equity	Other movements	31 December
Intangible assets	(42)	-	59	-	-	17
Value of business acquired	(174)	-	33	-	-	(141)
Capitalised acquisition costs Insurance activities	135	-	(30)	-	-	105
(Investment) property and equipment	(45)	-	9	1	-	(35)
Investments	(365)	-	(3)	(324)	-	(692)
Derivatives	(3)	-	181	3	(3)	178
Loans and advances to customers	(301)	-	24	-	-	(277)
Debt certificates	108	-	(108)	-	-	-
Insurance contracts	201	-	60	563	-	824
Provision for employee benefits	84	22	(33)	-	(3)	70
Tax-deductible losses	15	-	74	-	-	89
Other	4	-	(3)	-	2	3
Total	(383)	22	263	243	(4)	141

Specification tax-effect changes shareholders' equity

<i>In € millions</i>	2013	2012
Change in revaluation reserve	(1)	(1)
Change in cash flow hedge reserve	(16)	(2)
Change in fair value reserve	(1)	(240)
Change in other reserves	-	-
Total	(18)	(243)

Deferred tax assets as at year-end 2013 include an amount of € 354 million relating to tax losses carried forward (year-end 2012: € 89 million). This tax loss stems from the write-off on the Property Finance real estate finance portfolio. From a fiscal point of view, these losses pertain to the parent company of the fiscal unity, SNS REAAL NV. This deferred tax asset is fully recognised by the entity SNS Bank, where the associated loss was recorded in the income statement. Within the fiscal unity SNS REAAL, the deferred tax asset can be offset against future fiscal gains the coming nine years. As long as both the Banking and Insurance activities are part of the fiscal unity, the taxable income of both subsidiaries contribute to offsetting the tax loss. In the event of a possible quick sale of the insurer, the profitability of the Banking activities is sufficient to offset the tax loss.

In 2013, the deferred tax assets of Property Finance are classified as assets held for sale for the amount of € 9 million. The deferred tax liabilities of Property Finance are classified as liabilities held for sale for the amount of € 7 million (see section 30.45 [Result discontinued operations](#)).

In the third quarter of 2013, SNS REAAL concluded a settlement agreement with the Dutch Tax Authorities relating to corporate tax returns. This agreement clarified the principles upon which the corporate tax returns for SNS REAAL are to be prepared, including the fiscal treatment of the nationalisation measures.

SNS REAAL's corporation tax returns for the fiscal years up to and including 2010 are approved by the tax authorities and therefore final. The amount of corporation tax payable and receivable pertaining to these years, as recorded by the various subsidiaries of SNS REAAL, has not yet been settled with SNS REAAL N.V. (the head of the fiscal unity). The same applies to the corporation tax payable or receivable for the years 2011 through 2013.

28.9 Property projects

Specification property projects

<i>In € millions</i>	2013	2012
Property projects	-	736
Cumulative impairments	-	(320)
Total	-	416

Due to the transfer of Property Finance there are no property projects on the balance sheet of SNS REAAL at year-end 2013. See also section 21.1 [Separation Property Finance](#) and section 28.44 [Result discontinued operations](#).

Statement of changes in property projects

In € millions

	2013	2012
Balance as at 1 January	416	512
Foreclosure	-	128
Additions	-	9
Disposals	-	(27)
Impairments	-	(211)
Exchange rate differences	-	(1)
Transfer assets held for sale	(414)	-
Other changes	(2)	6
Balance as at 31 December	-	416

Statement of changes in property projects after reclassification held for sale

In € millions

	2013
Balance as at 1 January	-
Transfer assets held for sale	414
Foreclosure	573
Disposals and redemptions	(23)
Exchange rate differences	(4)
Impairments	(158)
Other movements	7
Transfer Property Finance	(809)
Balance as at 31 December	-

The bulk of the portfolio was valued by independent appraisers. Due to the uncertainty in the market, valuation ranges are wide. The impairment of the property projects is based on the best estimates of management.

28.10 Loans and advances to customers

Due to the transfer of Property Finance there are no property finances and financial leases on the balance sheets of SNS REAAL at year-end 2013. See also section 21.1 [Separation Property Finance](#) and section 28.44 [Result discontinued operations](#).

Specification loans and advances to customers 2013

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Mortgages	48,165	2,840	-	-	51,005
Property finance:					
- Project finance	-	-	-	-	-
- Investment finance	-	-	-	-	-
Financial leases	-	-	-	-	-
Other	5,252	-	321	(1,546)	4,027
Total	53,417	2,840	321	(1,546)	55,032

Specification loans and advances to customers 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Mortgages	50,642	3,053	-	-	53,695
Property finance:					
- Project finance	2,299	-	-	-	2,299
- Investment finance	3,932	-	-	-	3,932
Financial leases	311	-	-	-	311
Other	4,600	-	474	(977)	4,097
Total	61,784	3,053	474	(977)	64,334

In category 'other' an amount of € 1.6 billion (2012: € 1.5 billion) represents commercial loans and advances.

Loans and advances to customers

In € millions	Loans		Provision		Net amount	
	2013	2012	2013	2012	2013	2012
Mortgages	51,317	53,913	(312)	(218)	51,005	53,695
Property finance:						
- Project finance	-	3,219	-	(920)	-	2,299
- Investment finance	-	4,179	-	(247)	-	3,932
Financial leases	1	316	(1)	(5)	-	311
Other	4,175	4,285	(148)	(188)	4,027	4,097
Total	55,493	65,912	(461)	(1,578)	55,032	64,334

SNS REAAL has securitised a part of the mortgage loans. The remaining principal of the securitised portfolio amounts to € 23.0 billion (2012: € 22.7 billion), of which € 10.6 billion (2012: € 11.9 billion) is for own account. Further information on securitisation transactions is provided under 28.16 [Debt certificates](#).

Also, € 297 million (2012: € 319 million) of mortgages was provided as collateral under a private loan.

SNS REAAL has also structured a synthetic securitisation in the form of credit guarantees, where credit risk protection has been bought for a mortgage portfolio of € 143 million (2012: € 308 million).

An amount of € 18.7 billion (2012: € 17.3 billion) of the mortgage loans has been provided as collateral to third parties under the securitisation programmes Hermes, Pearl and Holland Homes, whereof obligations are sold to third parties. The collateral transactions occurred under normal market conditions.

In addition, € 6.1 billion (2012: € 6.1 billion) of mortgages was provided as collateral to third parties upon the bond issue under the SNS Bank Covered Bond programme.

Financial leases

In € millions	Gross		Unearned interest		Net amount	
	2013	2012	2013	2012	2013	2012
Overview maturities						
- Shorter than one year	-	86	-	(11)	-	75
- From one to five years	-	177	-	(24)	-	153
- Longer than five years	-	95	-	(12)	-	83
Total	-	358	-	(47)	-	311

The tables below show the statement of changes of the various categories within the loans and advances to customers. This also represents the statement of changes in loans and advances of Property Finance until reclassification to held for sale (end of February 2013). Further details regarding the statement of changes since classification as held for sale until the separation are included in the last table of this section.

Statement of changes in loans and advances to customers 2013

In € millions	Mortgages	Property finance	Financial leases	Other	Total
Balance as at 1 January	53,913	7,398	316	4,285	65,912
Reclassifications	1	-	-	-	1
Foreclosure	-	-	-	-	-
Advances	1,479	14	-	251	1,744
Redemptions	(3,814)	(76)	(3)	(229)	(4,122)
Amortisation discounts or premiums	(10)	-	-	(3)	(13)
Change in fair value as a result of hedge accounting	(313)	-	-	-	(313)
Exchange rate differences	-	(6)	-	-	(6)
Change in mortgage loans at fair value through profit or loss	59	-	-	-	59
Movement in current accounts	-	-	-	(18)	(18)
Other movements	2	-	1	(1)	2
Transfer assets held for sale	-	(7,330)	(313)	(110)	(7,753)
Balance as at 31 December	51,317	-	1	4,175	55,493

The movement in current accounts of € -18 million (2012: € 1,109 million) relates to short-term exposures. The balance of the loans and advances within financial leases amounts to € 1 million until classification as held for sale. The statement of changes of provision loans and advances to customers specific shows a provision of € 1 million for these loans. In total there is no balance left of the loans and advances regarding financial leases.

Statement of changes in provision loans and advances to customers specific 2013

In € millions

	Mortgages	Property finance	Financial leases	Other	Total
Balance as at 1 January	202	1,164	5	185	1,556
Reclassifications	-	(1)	1	-	-
Foreclosure	-	-	-	-	-
Withdrawal	(74)	(10)	-	(35)	(119)
Addition	191	58	-	63	312
Release	(23)	2	-	(25)	(46)
Other movements	-	16	-	-	16
Transfer assets held for sale	-	(1,229)	(5)	(47)	(1,281)
Balance as at 31 December	296	-	1	141	438

Statement of changes in provision loans and advances to customers IBNR 2013

In € millions

	Mortgages	Property finance	Financial leases	Other	Total
Balance as at 1 January	16	3	-	3	22
Reclassifications	-	-	-	-	-
Addition	9	-	-	5	14
Withdrawal	(8)	-	-	(1)	(9)
Release	(1)	(3)	-	-	(4)
Other movements	-	-	-	-	-
Transfer assets held for sale	-	-	-	-	-
Balance as at 31 December	16	-	-	7	23

In 2013 a new model was introduced for determining the provision for bad debt (PHIRM). This resulted in an extra addition of € 45 million in 2013.

Statement of changes in loans and advances to customers 2012

In € millions

	Mortgages	Property finance	Financial leases	Other	Total
Balance as at 1 January	55,980	8,971	468	3,008	68,427
Reclassifications	(9)	(49)	-	(118)	(176)
Foreclosure	-	(150)	-	-	(150)
Advances	1,456	83	-	463	2,002
Redemptions	(3,397)	(1,456)	(152)	(176)	(5,181)
Amortisation discounts or premiums	(62)	-	-	-	(62)
Change in fair value as a result of hedge accounting	(86)	-	-	-	(86)
Exchange rate differences	-	(1)	-	-	(1)
Change in mortgage loans at fair value through profit or loss	28	-	-	-	28
Movement in current accounts	-	-	-	1,109	1,109
Other movements	3	-	-	(1)	2
Balance as at 31 December	53,913	7,398	316	4,285	65,912

Statement of changes in provision loans and advances to customers specific 2012

<i>In € millions</i>	Mortgages	Property finance	Financial leases	Other	Total
Balance as at 1 January	118	629	3	106	856
Reclassifications	33	(52)	2	44	27
Foreclosure	-	(33)	-	-	(33)
Withdrawal	(96)	(128)	-	(29)	(253)
Addition	170	797	-	77	1,044
Release	(23)	(72)	-	(13)	(108)
Other movements	-	23	-	-	23
Balance as at 31 December	202	1,164	5	185	1,556

Statement of changes in provision loans and advances to customers IBNR 2012

<i>In € millions</i>	Mortgages	Property finance	Financial leases	Other	Total
Balance as at 1 January	10	6	-	3	19
Reclassifications	(2)	6	-	-	4
Addition	15	-	-	1	16
Withdrawal	(7)	-	-	-	(7)
Release	-	(9)	-	(1)	(10)
Balance as at 31 December	16	3	-	3	22

In 2009 and 2011, SNS Retail Bank purchased part of the REAAL mortgages held for trading at fair value as then recognised in the REAAL balance sheet. As a result, management changed the intention to hold these mortgages for trading purposes and decided to hold these mortgages for the foreseeable future or until maturity. SNS REAAL used the reclassification option of IAS 39.50d, reclassifying € 680 million (2009) and € 376 million (2011) of mortgages from fair value through the income statement to loans and receivables.

As per 31 December 2013, the reclassified portfolio in 2011 has a value of € 354 million (2012: € 363 million; 2011: € 371 million) as a result of sales and redemptions. The reclassified portfolio in 2009 amounts to € 576 million as at 31 December 2013 (2012: € 604 million; 2011: € 628 million; 2010: € 649 million; 2009: € 674 million).

The fair value change of the portfolios was marginal and would not have affected results. At the moment of reclassification the effective interest rate of the mortgages was 5.1% (2011) and 5.2% (2009). The expected recoverable cash flows amount to € 378 million for the portfolio reclassified in 2011 and € 700 million for the portfolio reclassified in 2009.

The table below shows the movements of the loans and advances to customers of Property Finance after classification as held for sale (beginning of March) until the separation (end of December).

Statement of changes in loans and advances after reclassification held for sale

<i>In € millions</i>	Property finance	Financial leases	Other	Provision	Total
Balance as at 1 January	-	-	-	-	-
Transfer assets held for sale	7,330	313	110	(1,281)	6,472
Reclassifications	6	-	(6)	-	-
Foreclosure	(383)	-	-	185	(198)
Advances	73	-	-	-	73
Redemptions	(689)	(35)	(16)	-	(740)
Exchange rate differences	(10)	-	-	-	(10)
Addition	-	-	-	(927)	(927)
Withdrawal	-	-	-	120	120
Release	-	-	-	126	126
Other movements	(2)	1	-	(9)	(10)
Transfer Property Finance	(6,325)	(279)	(88)	1,786	(4,906)
Balance as at 31 December	-	-	-	-	-

28.11 Loans and advances to banks

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

The loans and advances to banks relates to Propertize BV for an amount of € 4,055 million. For more information about this advance please refer to 19.2.3 [Separation of Property Finance](#).

Part of the loans and advances to banks was provided as collateral to third parties. The book value of the collateral is € 1.1 billion (2012: € 1.7 billion).

28.12 Other assets

Specification other assets

<i>In € millions</i>	2013	2012
Policyholders	125	75
Intermediaries	116	164
Reinsurers	86	71
Amounts due from direct insurance	327	310
Accrued interest	226	251
Other accrued assets	326	321
Accrued assets	552	572
Other taxation	-	10
Other advances	196	339
Total	1,075	1,231

The other advances include the advanced contribution of SNS Bank to the Dutch Central Bank of € 148 million (2012: € 175 million) under the Deposit Guarantee Scheme (DGS) in relation to its share related to the bankruptcy of DSB Bank. The advanced contribution is reduced by a provision of € 20 million (2012: € 27 million) for the estimated share of SNS Bank in the deficit after foreclosure of the assets.

28.13 Cash and cash equivalents

Specification cash and cash equivalents

<i>In € millions</i>	2013	2012
Non-restricted demand deposits at Dutch Central Bank	3,354	5,902
Restricted demand deposits at Dutch Central Bank	1,000	-
Short-term bank balances	1,984	1,672
Cash	84	80
Total	6,422	7,654

This balance sheet item includes an amount of € 344 million (2012: € 325 million) that REAAL has received as collateral with regard to derivative positions.

Restricted demand deposits at Dutch Central Bank are not available for use in SNS REAAL's day-to-day operations and have a remaining maturity of less than one month.

28.14 Equity

Specification equity

<i>In € millions</i>	2013	2012
Equity attributable to shareholders	4,496	2,296
Equity attributable to securityholders	-	987
Minority interest	-	2
Total	4,496	3,285

For further information on total equity, see section 18.4 [Consolidated statement of changes in total equity](#) and section 19.2.4 [Overview financial impact of the nationalisation measures](#).

28.15 Participation certificates and subordinated debts

Specification participation certificates and subordinated debts

<i>In € millions</i>	2013	2012
Participation certificates	-	57
Subordinated debt	557	1,687
Balance as at 31 December	557	1,744

28.15.1 Participation certificates

With the nationalisation in February 2013, the participation certificates are expropriated in favour of the Dutch State. The participation certificates are added as a share premium to the shareholders' equity of SNS REAAL by the Dutch State. The participation certificates issued by SNS Bank are subsequently added by SNS REAAL to the share premium of SNS Bank. For more information, see section 19.2.2.3 [Expropriation of subordinated bonds and private debts](#).

Shortly after the nationalisation, the Minister requested the new appointed management to conduct fact-finding investigation to ascertain whether there have been any irregularities in the offer of and/or advice concerning these certificates in the past and, if required, to draw up a proposal for compensating those affected. For more information refer to section 19.2.1.4 [Participation certificates](#) and section 28.19 [Other provisions](#).

28.15.2 Subordinated debts

Specification subordinated debts

<i>In € millions</i>	2013	2012
Bonds	542	1,609
Private loans	-	62
Final bonus account	15	16
Total	557	1,687

With the nationalisation of SNS REAAL on 1 February 2013 the subordinated debts were expropriated (€ 928 million), with the exception of the subordinated bonds issued by SRLEV NV (€ 489 million), as well as the subordinated final bonus account obligations entered into by SRLEV NV. See for more information section 19.2.2.3 [Expropriation subordinated bonds and private debts](#).

28.15.2.1 Subordinated bonds

With the nationalisation in February 2013 the subordinated bonds of SNS REAAL NV and SNS Bank NV are expropriated in favour of the Dutch State. The expropriated bonds are added as share premium to the shareholders' equity of SNS REAAL by the Dutch State. The expropriated subordinated bonds issued by SNS Bank NV are subsequently added by SNS REAAL to the share premium of SNS Bank NV. See for more information section 19.2.2.3 [Expropriation subordinated bonds and private debts](#).

Before nationalisation, the subordinated bonds of SNS Bank NV were part of the qualifying capital and formed part of the capital position of SNS Bank NV.

For a part of the expropriated bonds fair value hedge accounting was used. This hedge relationship was discontinued in February 2013. The market value adjustment of € 84 million on the expropriated subordinated bonds is credited to the result.

Subordinated bonds

<i>In € millions</i>	Coupon rate	Period	Book value 2013	Nominal value 2013	Book value 2012	Nominal value 2012
Expropriated in 2013						
SNS Bank NV	4.238%	1999-2019	-	-	5	5
SNS Bank NV	5.750%	2003-2049	-	-	11	11
SNS REAAL NV	6.258%	2007-2049	-	-	248	250
SNS Bank NV	6.625%	2008-2018	-	-	36	37
SNS REAAL NV	8.450%	2008-2018	-	-	75	76
SNS Bank NV	11.250%	2009-2049	-	-	312	320
SNS Bank NV	6.250%	2010-2020	-	-	259	262
Change in fair value as a result of hedge accounting			-	-	98	-
Subtotal expropriated			-	-	1,044	961
Not expropriated in 2013						
SRLEV NV	9.000%	2011-2041	397	400	396	400
SRLEV NV (CHF)	7.000%	2011/perpetual	85	86	87	87
Change in fair value as a result of hedge accounting			61	-	82	-
Subtotal not expropriated			542	486	565	487
Total			542	486	1,609	1,448

In April 2011, SRLEV NV issued subordinated bonds for an amount of € 400 million, with a maturity date in 2041. The terms and conditions are set out in a prospectus dated 12 April 2011. In July 2011, SRLEV NV issued subordinated bonds for an amount of CHF 105 million with a perpetual maturity. The terms and conditions are set out in a prospectus dated 15 July 2011.

The European Commission decided not to allow SRLEV NV to pay the coupon due on these subordinated bonds on the interest payment dates (15 April 2013 and 19 December 2013 respectively). Therefore, SRLEV makes use of its optional deferral right based on condition 4(e) of the terms and conditions not to pay such coupon. This decision confirms the decision of the European Commission of 22 February 2013 in which the State aid measures as a result of the nationalisation of SNS REAAL, the holding company of SRLEV, on 1 February 2013 have been preliminary approved with the provision that a coupon ban applies for those payments that do not stem from a legal obligation. Unpaid interest shall as long as it remains unpaid constitute arrears of interest and shall bear the same rate of interest as is payable on the bonds.

28.15.2.2 Subordinated private loans

With the nationalisation in February 2013, the passive capital components corresponding with the subordinated private debts were expropriated for the benefit of the Stichting Afwikkeling Onderhandse Schulden SNS REAAL (Private Debt Settlement Foundation SNS REAAL, Stichting AOS). Since SNS REAAL and SNS Bank are no longer a party, seen from their perspective, the debts are cancelled, and the book value is credited to the result of reporting year 2013. See for more information section 19.2.2.3 [Expropriation of subordinated bonds and private debts](#).

The balance of the subordinated private debts of SNS Bank at the time of the nationalisation amounted to € 12 million, with an average interest rate of 6.8%. The balance of the subordinated private debts of SNS REAAL at the time of the nationalisation amounted to € 50 million, with an average interest rate of 6.7%.

28.15.2.3 Final bonus account

The subordinated final bonus account commitments form part of the solvency test in determining the solvency position of SRLEV NV. The final bonus account is largely of a long-term nature.

28.16 Debt certificates

Specification debt certificates

In € millions

	2013	2012
Medium Term Notes	9,704	11,747
Certificates of Deposit	-	162
Debt certificates issued under Hermes, Pearl and Lowlands securitisation programmes	5,525	8,821
Debt certificates classified at fair value through profit or loss (Holland Homes securitisation programme)	1,166	1,482
Balance as at 31 December	16,395	22,212

Debt certificates refer to non-subordinated bonds and other debt certificates with a fixed or variable interest rate.

28.16.1 Medium Term Notes

Specification Medium Term Notes

	Coupon rate	Book value	Nominal value	Book value	Nominal value
In € millions		2013	2013	2012	2012
SNS Bank NV	Fixed	7,248	7,080	8,118	7,748
SNS Bank NV	Structured	598	581	900	825
SNS Bank NV	Floating	1,791	1,789	2,185	2,188
SNS Bank NV	Zero	35	44	151	165
SNS REAAL NV	Fixed	59	60	421	553
Total		9,731	9,554	11,775	11,479
On own book*		27	35	28	29
Total		9,704	9,519	11,747	11,450

* Purchased bonds on own book are eliminated

The Medium Term Notes have a maturity of less than five years and comprise both private loans and public loans that are issued under the EMTN programme. The total outstanding volume of debt certificates falling within the scope of the guarantee scheme of the Dutch State is € 2.7 billion (2012: € 2.8 billion).

28.16.2 Certificates of Deposit

Specification Certificates of Deposit

	Book value	Nominal value	Book value	Nominal value
In € millions	2013	2013	2012	2012
SNS Bank NV	-	-	162	162

28.16.3 Debt certificates issued under Hermes Pearl and Lowlands securitisation programmes

SNS REAAL NV has securitised part of the mortgage loans. With these securitisation transactions, the economic ownership of mortgage loans is transferred to separate companies. These loans are transferred at nominal value plus a deferred selling price. A positive result within the separate companies creates a positive value of the deferred selling price. In this way, SNS REAAL NV 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 a so called '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. All notes issued under the securitisation programmes with a call date in 2013 have been called. An overview of the securitisations as at 31 December is provided below.

Overview debt certificates issued under Hermes, Pearl and Lowlands securitisation programmes

	Initial principal	Start of securitisation	Book value	Book value	First call-option date	Contractual expiration
<i>In € millions</i>			2013	2012		
Hermes VIII	1,269	05-2004	-	461	18-11-2013	01-05-2038
Hermes IX	1,529	05-2005	756	818	18-02-2014	01-02-2039
Hermes X	1,528	09-2005	849	920	18-03-2015	01-09-2039
Hermes XI	1,528	02-2006	971	1,047	18-09-2015	01-09-2040
Hermes XII	2,241	10-2006	1,212	1,295	18-03-2016	01-12-2038
Hermes XIV	2,000	09-2007	-	1,385	18-02-2013	01-11-2039
Hermes XV*	1,618	04-2008	1,286	1,384	18-04-2015	01-04-2042
Hermes XVI	3,000	09-2008	-	3,000	18-10-2013	01-10-2045
Hermes XVII*	2,844	05-2009	-	2,513	18-01-2013	01-04-2042
Hermes XVIII	960	10-2012	886	933	18-09-2017	01-09-2044
Pearl I*	1,014	09-2006	1,014	1,014	18-09-2026	01-09-2047
Pearl II*	852	05-2007	687	747	18-06-2014	01-06-2046
Pearl III*	859	02-2008	-	807	18-03-2013	01-03-2045
Pearl IV	1,000	07-2010	985	1,000	18-07-2015	01-07-2047
Lowlands I	3,793	01-2012	3,198	3,449	18-03-2014	01-03-2036
Lowlands II	1,917	07-2013	1,787	-	18-07-2018	18-10-2042
Lowlands III	2,613	12-2013	2,525	-	18-12-2018	18-09-2045
Total	30,565		16,156	20,773		
On own book**			10,631	11,952		
Total			5,525	8,821		

* After restructuring

** Purchased bonds on own book are eliminated

In 2013 SNS Bank NV has purchased bonds, issued by the securitisation programmes, with an amortised cost of € 10.6 billion (2012: € 11.8 billion). SNS Bank NV has purchased subordinated bonds issued by various Pearl companies with an amortised cost of € 91 million (2012: € 98 million).

In 2013 REAAL NV purchased bonds issued by various Hermes companies with an amortised cost of € 22 million (2012: € 74 million).

Hermes XV and XVIII, Pearl IV and the Lowlands securitisations are mainly held for own account and qualify as assets eligible at the European Central Bank.

In transactions involving the securitisation of savings-linked mortgages, REAAL NV has a (sub)participation equal to the accrued savings. At the end of 2013, the total of these participations amounted to € 811 million (2012: € 407 million).

28.16.4 Debt certificates classified at fair value with value movements recognised through profit or loss (Holland Homes securitisation programmes)

SNS REAAL has, besides its regular securitisation programmes, securitised part of its mortgages through the Holland Homes transactions. Companies (special purpose entities) established in these transactions are financed through the issuance of long-term bonds. The obligations to bondholders and the income from the mortgages are matched using interest rate swaps.

Since these derivative contracts were concluded with parties outside SNS REAAL, after consolidation of the companies an accounting mismatch would arise since derivatives are measured at fair value through profit and loss. This mismatch is partially reduced by measuring the bonds and mortgages at fair value through profit or loss. When a maturity difference arises from early redemption of the bonds a mismatch can occur. This is taken into account in the valuation of the derivatives.

The securitisation transactions involve a so-called clean-up call structure. This means that when the amount of outstanding notes is less than 10% of the initial outstanding notes (notional) the issuer has the option to redeem the notes.

Besides the above mentioned clean-up call these securitisation transactions also have a put plus step-down structure. This means that the bondholder is entitled to, from a predetermined date (put), call for early redemption of the bonds. The interest rate of the coupon is increased if both SNS REAAL which, being the initiating party, is offered the notes first, and any third party does not repurchases the notes when the noteholder exercises this right. The coupon rate on the note will also be lowered after this date in case the noteholders do not avail themselves of this right. Under normal circumstances, the company and the noteholder will then be financially motivated to repay the bonds prior to maturity.

28.16.5 Overview Holland Homes securitisation programme

Specification Holland Homes securitisation programme

	Initial principal	Date of securitisation	Book value	Book value	Date put-option	Contractual date of expiry
<i>In € millions</i>			2013	2012		
Holland Homes (MBS 2000-1)	350	11-2000	110	125		24-09-2030
Holland Homes (MBS 2003-1)	435	12-2003	-	194	30-12-2013	31-12-2080
Holland Homes (MBS 2005-1)	757	11-2005	513	539	20-12-2015	31-12-2083
Holland Homes (MBS (Oranje) 2005-1)	1,601	04-2006	597	718	20-01-2018	31-12-2083
Total	3,143		1,220	1,576		
On own book*			54	94		
Total			1,166	1,482		

* Purchased bonds on own book are eliminated

In 2013, one of the Holland Homes programmes has been settled due to honouring the early termination clause in December 2013. See section 28.33 [Result on financial instruments](#).

The contractual undiscounted amount that will have to be paid at the end of the maturity of the bonds mentioned above, amounts to € 1,258 million (2012: € 1,542 million).

28.17 Insurance and reinsurance contracts

Specification insurance and reinsurance contracts by segment

In € millions	Gross		Reinsurance	
	2013	2012	2013	2012
REAAL Life, for own risk	16,847	17,605	3,862	3,019
Zwitserleven, for own risk	9,429	9,312	1	2
Life, for own risk	26,276	26,917	3,863	3,021
REAAL Life, for account of policyholders	5,973	6,572	-	-
Zwitserleven, for account of policyholders	7,792	7,357	-	-
Life, for account of policyholders	13,765	13,929	-	-
Non-life	1,222	1,256	135	164
Reclassification to provision for employee benefits	(417)	(333)	-	-
Total	40,846	41,769	3,998	3,185

Specification insurance and reinsurance contracts by type of contract

In € millions	Notes	Gross		Reinsurance	
		2013	2012	2013	2012
Provision for life insurance obligations	a	26,530	27,202	3,863	3,021
Unamortised interest rate discounts	b	(344)	(400)	-	-
Provision for profit sharing, bonuses and discounts	c	90	115	-	-
Life, for own risk		26,276	26,917	3,863	3,021
Technical provisions for insurance on behalf of policyholders	d	13,765	13,929	-	-
Life, for account of policyholders		13,765	13,929	-	-
Premium shortfalls and current risks	e	9	16	-	-
Unearned premiums	f	93	102	1	2
Claims payable	g	834	849	99	122
Claims incurred but not reported	h	286	289	35	40
Non-life		1,222	1,256	135	164
Reclassification to provision for employee benefits		(417)	(333)	-	-
Total		40,846	41,769	3,998	3,185

Insurance contracts are largely of a long-term nature.

In 2013 part of the portfolio was transferred from REAAL Life to Zwitserleven.

The defined benefit schemes of a number of SNS REAAL NV employees who are members of the Zwitserleven scheme are insured with SRLEV NV. SRLEV NV classifies this insurance obligation as insurance contract. For SNS REAAL NV the insurance obligation is a pension commitment. Therefore, this obligation of € 417 million (2012: € 333 million) has been reclassified to the provision for employee benefits in the consolidated financial statements.

On 17 November 2010, SNS REAAL reached a final agreement with the Stichting Verliespolis on the compensation scheme. As at 31 December 2013, the provision for life insurance obligations included € 69 million for compensation to unit-linked insurance policyholders (2012: € 329 million). In 2013 an amount of € 289 million of this provision was released as compensation to the policy contracts (€ 137 million) and € 152 million was paid out in cash. In 2013, technical claims and benefits included € 30 million (2012: € 100 million) for compensation to unit-linked insurance policyholders, consisting of the annual interest accrual of € 10 million (2012: € 25 million) and an extra addition of € 20 million (2012: € 75 million). It has been established that the remaining provision is adequate to provide compensation in future periods based on the current agreement.

The provision for defined contribution pension contracts amounts to € 4 million end of 2013 (2012: € 35 million). In 2013,

this provision was increased by € 10 million (2012: € 12 million), represented in the technical claims and benefits for expected future compensation. The provision will be used to adjust the amount of policy costs in the policy contracts to a maximum, in accordance with the advice of the Verbond van Verzekeraars. The compensation scheme is the result of insufficient transparent communication with participants in pension contracts on the costs in these insurance policies and the implications for the prognoses of the pensions. In 2013 a large part of the portfolio is compensated and € 41 million was used from this provision.

a. Statement of changes in provisions for life insurance obligations for own risk

In € millions	Gross		Reinsurance	
	2013	2012	2013	2012
Balance as at 1 January	27,202	24,792	3,021	3,250
Portfolio reclassification	655	350	-	-
Reinsurance contracts	-	-	1,260	-
Benefits paid	(2,141)	(2,143)	(637)	(416)
Premiums received	1,304	1,360	164	157
Interest added	917	947	139	127
Technical result	(169)	(201)	(167)	(157)
Release of expense loading	(173)	(173)	83	62
Change in shadow accounting	(1,205)	2,268	-	-
Change in income statement by IFRS LAT shortfall	147	-	-	-
Other movements	(7)	2	-	(2)
Balance as at 31 December	26,530	27,202	3,863	3,021

In 2013 an amount of € 9 million (2012: nil) was reclassified from life insurance obligations for profit sharing, bonuses and discounts to life insurance obligations for own risk. Also, for an amount of € 646 million (2012: € 350 million) was reclassified from insurance on behalf of policyholders to life insurance obligations for own risk. Thereof € 223 million was related to the transfer of the Separate Accounts to own risk at Zwitserleven. This transfer took place in agreement with the customer after expiration of the contract.

The table below presents the movements related to shadow accounting, against an equal movement in the balance sheet item Insurance contracts.

Specification changes in shadow accounting in provisions for life insurance obligations

In € millions	Through OCI, revaluation reserves		Through Income statement, technical claims and benefits		Total	
	2013	2012	2013	2012	2013	2012
Results on allocated investments and interest derivatives*	-	-	82	(33)	82	(33)
Profit sharing	(324)	265	91	49	(233)	314
Shadow loss accounting	(1,054)	1,987	-	-	(1,054)	1,987
Total changes in shadow accounting in provision for life insurance obligations	(1,378)	2,252	173	16	(1,205)	2,268
Taxes	(344)	563	43	4	(301)	567
Total changes, net	(1,034)	1,689	130	12	(904)	1,701

* This relates to results on interest derivatives and fixed income investments available for sale recognised in profit and loss, provided that they are held to match interest related derivatives and guarantees for account of policyholders, embedded in the provision for life insurance obligations.

b. Statement of changes in unamortised interest rate discounts

<i>In € millions</i>	2013	2012
Balance as at 1 January	400	445
Discounts given in the financial year	(11)	1
Amortisation	(45)	(46)
Balance as at 31 December	344	400

c. Statement of changes in provision for profit sharing, bonuses and discounts

<i>In € millions</i>	2013	2012
Balance as at 1 January	115	132
Portfolio reclassification	(9)	-
Profit sharing, bonuses and discounts granted in the financial year	(16)	(17)
Balance as at 31 December	90	115

d. Statement of changes in technical provisions for insurance for account of policyholders

<i>In € millions</i>	2013	2012
Balance as at 1 January	13,929	13,255
Portfolio reclassification	(646)	(350)
Premiums received	1,102	1,276
Benefits paid	(1,423)	(1,371)
Interest added	429	563
Exchange rate / valuation differences	538	682
Technical result	(26)	41
Release of expense loading	(117)	(141)
Other movements	(21)	(26)
Balance as at 31 December	13,765	13,929

e. Statement of changes in provision for premium shortfalls and current risks

<i>In € millions</i>	2013	2012
Balance as at 1 January	16	7
Reclassification	-	8
Additions during the year	(7)	1
Balance as at 31 December	9	16

f. Statement of changes in provision for unearned premiums

<i>In € millions</i>	Gross		Reinsurance	
	2013	2012	2013	2012
Balance as at 1 January	102	128	2	1
Reclassification	-	(8)	-	-
Additions during the year	93	102	1	2
Added to the results	(102)	(120)	(2)	(1)
Balance as at 31 December	93	102	1	2

g. Statement of changes in provision for claims payable

<i>In € millions</i>	Gross		Reinsurance	
	2013	2012	2013	2012
Balance as at 1 January	849	882	122	131
Reported claims, current period	464	465	23	31
Reported claims, prior periods	71	29	4	1
Claims paid, current period	(267)	(274)	(15)	(17)
Claims paid, prior periods	(296)	(269)	(37)	(27)
Interest added	13	14	2	3
Other movements	-	2	-	-
Balance as at 31 December	834	849	99	122

h. Statement of changes in provision for claims incurred but not reported

<i>In € millions</i>	Gross		Reinsurance	
	2013	2012	2013	2012
Balance as at 1 January	289	294	40	44
Additions during the year	82	86	6	6
Added to the results	(85)	(91)	(11)	(10)
Balance as at 31 December	286	289	35	40

28.18 Provision for employee benefits

Specification provision for employee benefits

<i>In € millions</i>	2013	2012
Pension commitments	497	499
Other employee commitments	28	28
Total	525	527

In accordance with the amendments of IAS19 Revised, € 89 million was transferred from shareholders' equity to the provision for employee benefits with regard to the defined benefit plans at the beginning of 2013. The comparative figures for 2012 were also restated. In this respect, € 61 million was recognised as part of the equity and added to the provision for employee benefits effective 1 January 2012. The main changes are:

- The corridor method was eliminated. Actuarial results and deviations in the discount rate used are recognised directly in shareholders' equity (Other Comprehensive Income) and can no longer be deferred via the corridor method. At year-end 2012 an amount of € 103 million, and at year-end 2011 an amount of € 75 million, of deferred losses were included in the corridor.
- With effect from 2013, the annual administrative costs will be recognised directly as pensions costs in the result. At year-end 2012, the provision for administrative costs amounted to € 19 million and this amount was released in the equity.
- The return on qualifying pension investments that will be credited to the result, will as from 2013 be equated with the interest rate by which the employee benefits are increased. Up to and including 2012, an estimated return on these investments was recognised.

See also section 19.3.2 [Changes in published standards and interpretations effective in 2013](#) for a further explanation of the effect of the amendment to the IAS 19 Guideline.

28.18.1 Pension commitments

The pension rights of the majority of the SNS REAAL employees, including the accrual of new pension rights of almost all active employees from acquired schemes, have been transferred to the defined contribution plan of the independent Stichting Pensioenfondsen SNS REAAL.

The pension rights of employees continuing under the acquired pension plans of AXA, Winterthur, Zwitserleven, Zürich, NHL and DBV can be designated as defined benefit plans. These plans are insured with SRLEV. SNS REAAL's contribution to these pension plans is expected to be approximately € 17 million in total in 2014 (2013: € 51 million including the settlement result of AXA's pension plan).

The investments relating to the pension schemes that have been included in a separate investment account are offset against the commitments. The non-separated investments have been recognised under the item Investments.

The main aspects of the various schemes are explained below.

28.18.1.1 Pension scheme Stichting Pensioenfondsen SNS REAAL (defined contribution scheme)

The pension scheme to which SNS REAAL employees are entitled can be designated as a defined collective contribution scheme. Under this scheme, SNS REAAL pays a fixed agreed amount to Stichting Pensioenfondsen. As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have no longer been included in the balance sheet since 2005. In 2009 an agreement was reached on the pension premium for a period of 5 years, effective 1 January 2010 until 31 December 2014. During this period, SNS REAAL pays a fixed percentage of 21.75% of gross wages. In 2014, SNS REAAL's contribution to the defined contribution scheme will be approximately € 69 million (2013: € 69 million).

28.18.1.2 Pension scheme former AXA (defined benefit scheme)

As of 1 January 2009, the accrual of new pension entitlements of former AXA employees has been transferred to Stichting Pensioenfondsen SNS REAAL. The majority of the past pension benefits of former AXA employees have been transferred to Stichting Pensioenfondsen AXA Verzekeringen.

In co-operation with Stichting Pensioenfondsen AXA Verzekeringen, SNS REAAL transferred the pension plan to an insurance company external of SNS REAAL in 2013. The settlement result charged against the result amounts to € 41 million, determined in relation to the updated pension commitments immediately preceding this transaction.

With the acquisition of AXA, SNS REAAL also acquired the former pension plans of UAP, Equity & Law (E&L) and Guardian. The plans of UAP and E&L are insured with SRLEV, without the investments being included in a separate investment account. The pension plan of Guardian is insured externally. After offsetting the fair value of the investments, € 81 million (2012: IAS 19 Revised € 81 million) has been added to the provision for pensions for these pension plans. In 2013, SNS REAAL's contribution to the defined benefit plans of former UAP, Equity & Law (E&L) and Guardian is expected to be € 3 million (2013: € 3 million).

28.18.1.3 Pension scheme former Winterthur (defined benefit scheme)

As of 1 January 2009, the accrual of new pension entitlements of former employees of Winterthur has also been transferred to Stichting Pensioenfondsen SNS REAAL.

The pension scheme of former Winterthur is administered in-house. For this pension scheme, the present value of the pension obligations has been included in the provision for employee commitments, in the amount of € 99 million (2012 IAS 19 Revised: € 99 million). There is no separate investment account.

The indexation of the pension entitlements of inactive participants is equal to the indexation applied by the Stichting Pensioenfondsen SNS REAAL. The pension entitlements of active former participants are unconditionally indexed. In the

event that the coverage ratio of the plan falls below the agreed limit of 105%, an additional contribution will be made by the employer.

In 2014, SNS REAAL's contribution to the defined benefit schemes of former Winterthur is expected to be € 3 million (2013: € 4 million).

28.18.1.4 Pension scheme Zwitserleven (defined benefit scheme)

As of 1 January 2010, the accrual of new pension entitlements of the employees of Zwitserleven has been transferred to Stichting Pensioenfonds SNS REAAL. The rights of inactive participants built up in the past and active former participants remain part of the former pension scheme of Zwitserleven.

The conditional indexation of the pension rights of inactive participants are determined using the return on investment and possible technical results. If the return is insufficient the indexation may be lower than the indexation of Stichting Pensioenfonds SNS REAAL. From 2025, the indexation will be more or less equal to the indexation of Stichting Pensioenfonds SNS REAAL. The pension rights of active former participants are unconditionally indexed.

The pension scheme of Zwitserleven is administered in-house. For this pension scheme, the present value of the pension obligations has been included in the provision for employee commitments, in the amount of € 238 million (2012 IAS 19 Revised: € 236 million). There is no separate investment account. SNS REAAL's contribution to the defined benefit scheme of Zwitserleven is expected to be € 8 million in 2014 (2013: € 9 million).

28.18.1.5 Other pension schemes

The accrual of new pension rights of former employees of Zürich, NHL and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of these employees built up in previous years are administered in-house at SNS REAAL. The rights are of limited value.

Only NHL's pension plan, administered by another insurer, has a separate investment account that is offset against the pension commitments. All other plans are administered in-house, without a separate investment account. In 2014, SNS REAAL's contribution to the other defined benefit plans is expected to be € 2 million.

28.18.1.6 Overview pension commitments

Composition of the pension commitments

<i>In € millions</i>	2013	2012	2011	2010	2009
Present value of defined benefit obligations	548	771	730	668	597
Fair value of plan assets	51	293	262	293	285
Present value of the net liabilities	497	478	468	375	312
Irrecoverable surplus	-	21	3	-	-
Total	497	499	471	375	312

In co-operation with Stichting Pensioenfonds AXA Verzekeringen, SNS REAAL transferred the pension plan to an insurance company external of SNS REAAL in 2013. All liabilities and assets available for that purpose were transferred. As a result, the pension provision is no longer recognised on the balance sheet as at year-end 2013. The settlement result of € 41 million has been charged against the result.

Change in present value of pension obligations

<i>In € millions</i>	2013	2012
Present value as at 1 January	771	730
Increase and interest accrual through profit and loss	28	28
Actuarial gains or losses at the expense of Other Comprehensive Income	(2)	37
Benefits paid	(22)	(21)
Settlement Pensioenfond AXA	(222)	-
Other movements	(5)	(3)
Present value as at 31 December	548	771

Change in fair value of the plan assets

<i>In € millions</i>	2013	2012
Fair value as at 1 January	293	262
Investment income through profit and loss	11	14
Investment income for the benefit or at the expense of Other Comprehensive Income	(24)	21
Investment income	(13)	35
Premiums	18	16
Benefits paid	(21)	(21)
Settlement Pensioenfond AXA	(222)	-
Other movements	(4)	1
Fair value as at 31 December	51	293

The return on investments through profit and loss has, in accordance with IAS 19 Revised, been equated with the actuarial rate of interest. The difference between the actual result and the actuarial rate of interest will be credited or charged to the item Other Comprehensive Income (OCI).

Breakdown investments

<i>In € millions</i>	2013	2012
Shares	9	46
Fixed income investments	38	209
Other	4	38
Total	51	293

Statement of irrecoverable surplus

<i>In € millions</i>	2013	2012
Balance as at 1 January	21	3
Increase and interest accrual	1	-
Change in irrecoverable surplus	(22)	18
Balance as at 31 December	-	21

Statement of OCI (gross)

In € millions

	2013	2012
Balance as at 1 January	(89)	(61)
Actuarial gains or losses at the expense of Other Comprehensive Income	2	(37)
Investment income for the benefit or at the expense of Other Comprehensive Income	(24)	21
Change in irrecoverable surplus	22	(18)
Additional transfer from technical provision	75	-
Other	1	6
Balance as at 31 December	(13)	(89)
Change in Other Comprehensive Income	76	(28)
Deferred taxes	(19)	7
Remeasurement effects defined benefit plans	57	(21)

The difference between the actual result and the actuarial rate of interest has been credited to Other comprehensive income.

Experience adjustments arising on the pension commitments

In percentages

	2013	2012	2011	2010	2009
Experience adjustments as a % of defined benefit obligation	0%	3%	(1%)	1%	(2%)
Experience adjustments as a % of investments	(4%)	8%	(2%)	(2%)	(3%)

The actuarial gains and losses on pension entitlements, which originated as a result of adjustments in experience ratings and estimates, have been included as a percentage of the pension entitlements at year-end in the table above.

The main actuarial parameters at year-end

In percentages

	2013	2012	2011	2010	2009
Discount rate	3.5%	3.5%	3.8%	4.7%	4.9%
Expected salary increase	0% - 1.8%	0% - 1.8%	1.5% - 2.2%	2.3%	2.3%
Expected return on plan assets	-	-	4.1% - 5.6%	3.2%-6.1%	3.8%-3.9%
Average duration (in years)	18				

With effect from 2013, the return on qualifying pension investments is equated with the discount rate by which the pension commitments are increased. The expected return is, therefore, no longer taken into account in the table above.

The value of the provision for pensions changes if the interest rate changes. This sensitivity is shown in the table below. If the interest rate falls by 1%, the present value of the pension commitments rises by € 108 million (20.1%), and if the interest rate rises by 1%, the pension commitments fall by € -86 million (-15.4%).

Sensitivity present value of pension obligations

	Change (in € millions)	Change (in percentages)
Discount rate 2.5% (-1%)	108	20%
Discount rate 4.5% (+1%)	(86)	(15%)

28.18.2 Other employee commitments

The table below shows the movements in the provision for other employee commitments.

Statement of changes in other employee commitments

In € millions	2013	2012
Balance as at 1 January	28	30
Allocation to / release from other employee commitments	1	-
Other movements	(1)	(2)
Balance as at 31 December	28	28

The other employee commitments refer mostly to discounts granted for bank and insurance products to (former) employees after the date of their retirement.

28.19 Other provisions

Specification other provisions

In € millions	Banking activities		Insurance activities		Group activities		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Restructuring provision	26	52	16	25	10	11	52	88
Other provisions	40	30	12	11	-	-	52	41
Total	66	82	28	36	10	11	104	129

The restructuring provision mainly relates to cost reduction programmes. It is expected that the largest part of the reorganisations will be settled in the coming years.

The other provisions are mainly of a long-term nature and were made partly with a view to the risk that (legal) claims may not be settled. The timing of expected outflow of means is uncertain.

With regard to a claim from Stichting Claim SNS/Bos & Partners, a provision of € 20 million (2012: € 20 million) is recognised at year-end 2013. For more information please refer to section 28.25.5.2 [Claims and legal cases](#).

Among the subordinated bonds of SNS Bank expropriated by the State are so-called third series participation certificates (€ 57 million). See also section 19.2.1.4 [Participation certificates](#) and section 28.15.1 [Participation certificates](#).

As part of the nationalisation measures the transfer value of the real estate finance portfolio of Property Finance, as per 30 June 2012, was determined by the Dutch State. Due to the transfer of Property Finance to NLF on 31 December 2013, the total amount of the constructive obligation, which was recognised, has been released. See also section 21.1 [Separation Property Finance](#).

Statement of changes in other provisions

<i>In € millions</i>	Restructuring provision		Other provisions		Total	
	2013	2012	2013	2012	2013	2012
Balance as at 1 January	88	58	41	28	129	86
Additions / release	9	56	63	18	72	74
Withdrawal	(32)	(25)	(54)	(4)	(86)	(29)
Reclassifications	-	-	3	-	3	-
Other movements	1	(1)	(1)	(1)	-	(2)
Transfer assets held for sale	(14)	-	-	-	(14)	-
Balance as at 31 December	52	88	52	41	104	129

At the end of February 2013, the restructuring provision of Property Finance was classified as liability held for sale for the amount of € 9 million. Due to an addition and release for the total amount of € 5 million, the transfer value of the restructuring provision of Property Finance is € 14 million at 31 December 2013. See for more information about the transfer of Property Finance section 21.1 [Separation Property Finance](#) and section 28.44 [Result discontinued operations](#).

28.20 Savings

Specification savings

<i>In € millions</i>	2013	2012
Due on demand	26,687	24,882
Other savings	6,589	7,933
Total	33,276	32,815

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

The bank savings accounts amount to € 3,041 million (2012: € 2,393 million). The life-course savings accounts amount to € 216 million (2012: € 331 million).

28.21 Other amounts due to customers

Specification other amounts due to customers 2013

<i>In € millions</i>	Banking activities	Insurance activities	Group activities	Eliminations	Total
Non-current debt	2,390	4,865	-	(1,647)	5,608
Available on demand	6,353	-	-	(463)	5,890
Mortgage deposits	61	-	-	-	61
Savings deposits	1,824	42	-	(1,581)	285
Total	10,628	4,907	-	(3,691)	11,844

Specification other amounts due to customers 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Non-current debt	2,186	4,023	681	(1,516)	5,374
Available on demand	5,745	-	-	(293)	5,452
Mortgage deposits	91	-	-	-	91
Savings deposits	1,507	52	-	(1,493)	66
Total	9,529	4,075	681	(3,302)	10,983

The demand deposits comprise deposits and cash of business customers in so far as it does not concern a credit institution.

At the Group activities an amount of € 651 million in intercompany loan with REAAL was redeemed with the capital injection and the bridge loan provided by the Dutch State to SNS REAAL at the time of the nationalisation.

28.22 Amounts due to the Dutch State

On 4 March 2013, under certain lending conditions, the Dutch State provided short-term revolving funding in three tranches totalling € 1.1 billion to SNS REAAL. This funding was used to redeem external debts in the amount of € 485 million and internal loans in the amount of € 615 million.

Overview amounts due to the Dutch State

In € millions

	Initial principal	Start of loan	End date	Rate
Bridge loan, tranche 1	300	04-09-2013	04-06-2014	1.554%
Bridge loan, tranche 2	400	04-12-2013	04-04-2014	1.367%
Bridge loan, tranche 3	400	04-03-2013	03-03-2014	1.649%
Total	1,100			1.521%

On the maturity date of each tranche, the continuation of the State funding is assessed on the basis of the following conditions by the Dutch State:

- Is SNS REAAL able to fund itself independently in money and capital markets?
- Are there any sales proceeds from SNS REAAL business activities that could be deducted from the funding facility?

The Dutch State has given approval to extend the loan that matures on 3 March 2014 to 5 May 2014.

28.23 Amounts due to banks

Specification amounts due to banks 2013

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Due on demand	576	626	-	-	1,202
Deposits and certificates	5,582	1,348	-	-	6,930
Private loans	1,295	250	-	(250)	1,295
Other amounts due to banks	4	-	-	-	4
Total	7,457	2,224	-	(250)	9,431

Specification amounts due to banks 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Due on demand	1,096	1,298	-	(792)	1,602
Deposits and certificates	5,921	2,447	-	-	8,368
Private loans	1,656	-	-	-	1,656
Other amounts due to banks	13	-	-	-	13
Total	8,686	3,745	-	(792)	11,639

The deposits and certificates comprise liabilities ensuing from repo agreements amounting to € 1.4 billion (2012: € 2.9 billion).

Also, the amounts due to banks comprise structured transactions. These liabilities are offset by investments, mainly including government bonds with the highest rating. These debts will be settled at the same time as the corresponding investments.

In addition, the amounts due to banks for SNS Bank NV comprise two three-year loans of the ESCB (LTRO) amounting to € 4.0 billion (2012: € 4.0 billion) and € 1.5 billion (2012: € 1.5 billion), respectively.

28.24 Other liabilities

Specification other liabilities

In € millions

	2013	2012
Debts in relation to direct insurance	569	554
Debts to reinsurers	84	58
Other taxes	77	78
Other liabilities	967	1,797
Accrued interest	1,035	1,210
Total	2,732	3,697

The accrued interest consists for an amount of € 44 million (2012: nil) of deferred coupon payments on the subordinated bonds that have been issued by SRLEV NV in 2011. For more information on deferred coupon payments, see section 28.15.2.1 [Subordinated bonds](#).

28.25 Off balance sheet commitments

28.25.1 Contingent liabilities

Specification contingent liabilities

	Banking activities		Insurance activities		Total	
<i>In € millions</i>	2013	2012	2013	2012	2013	2012
Liabilities from pledges and guarantees given	-	135	8	11	8	146
Liabilities from irrevocable facilities	582	746	89	38	671	784
Repurchase commitments	1,266	1,585	-	-	1,266	1,585
Total	1,848	2,466	97	49	1,945	2,515

Liabilities from pledges and guarantees relate to SRLEV NV's maximum potential credit risk arising from climbing loans with ABN AMRO as intermediary. Climbing loans are private loans for which it was agreed that the principal sum is not paid at once, but according to a certain schedule. In the course of time, subsequent deposits are part of the investment

portfolio. This position does not affect SRLEV NV's solvency margin.

The table above does not include guarantees issued separately to a number of counterparties of Property Finance by SNS Bank in the past. Some remain in force after withdrawing the 403 Declaration. See for more information about the withdrawal section 19.2.3.3 [Guarantees](#). At year-end 2013, SNS Bank has guarantees for Alberta Ltd. and Euryhypo AG.

With respect to Alberta Ltd., SNS Bank has a funding obligation in the amount of CAD 4 million, of which CAD 2.5 million (€ 1.7 million) is currently remaining. Moreover, there is a buy-back obligation of the 33% stake through a put/call option for USD 1. SNS Bank did not receive a fee for issuing the guarantee.

Property Finance is part of the Überseequartier Project BV (ÜSQ) joint venture. The joint venture has the obligation towards lender Eurohypo AG (Eurohypo) to develop various phases of the Überseequartier in Hamburg. The lenders are the ÜSQ companies. They are responsible for paying the funds. Property Finance guarantees the development of these phases as well as the payment of funds in the event the ÜSQ companies are unable to fulfil their obligations. The total estimated exposure for Property Finance has been set at € 45.3 million. SNS Bank guarantees only Property Finance's fulfilment of the obligations and not that of other parties in the joint venture.

SNS Bank expects Property Finance to meet its obligations towards these counterparties because Property Finance is sufficiently capitalised at the time of the transfer of shares. SNS Bank, therefore, considers the probability of the guarantee being invoked to be limited.

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 fixed term and at a variable interest rate. Collateral has been obtained for the majority of the irrevocable credit facilities.

Moreover, SRLEV NV has made commitments to investment funds to invest in these funds for a certain amount. These funds may in due course call these commitments (capital calls). In anticipation of these capital calls, the securities are identified so they can be sold as soon as a capital call takes place. This position has no effect on the available capital of the solvency position of SRLEV NV.

Part of the collateralised loans and advances that were sold or securitised under the Holland Homes programme includes a repurchase obligation of the loans and advances on the interest review date. The determination of the maturity schedule below takes account of an early repayment risk on mortgages of 5% per annum (2012: 5%). Besides a repurchase obligation on the interest refixing date of the loans and advances, the Holland Homes transactions are also expected to be repurchased on the date of expiration of the put-option, which is included in the maturity calendar.

Maturity calendar repurchase commitments

<i>In € millions</i>	Banking activities	
	2013	2012
< 1 year	141	194
1 - 5 year	407	491
> 5 year	718	900
Total	1,266	1,585

28.25.2 Guarantee and compensation systems

As of 1 January 2007, the Financial Supervision Act (Wft) came into force. A part of this relates to the deposit guarantee system scheme, the successor to the Collective Guarantee Scheme. Under the Deposit Guarantee Scheme (DGS), account holders' deposits on current and savings accounts are guaranteed. As of 7 October 2008, the maximum guarantee is (temporarily) set at € 100,000 per account holder. Before that date, the maximum guarantee was € 38,000 per account holder.

With the enforcement of the Financial Supervision Act (Wft) the investor compensation scheme has been updated. This scheme provides for a maximum pay out 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 the remaining amount to the stated maximum. The total amount is then repaid to the Dutch Central Bank by the banks, including those that are part of SNS REAAL, according to an apportionment scheme.

DNB can impose a levy on SNS REAAL as part of a so-called 'Relief scheme'. This plan provides that a life insurer that hits below the minimum solvency, is transferred to a receiving institution by reinsurance or portfolio transfer. The amount required for this purpose shall be apportioned among all life insurers, taking into account their own required solvency, whereby a maximum of approximately € 277 million in total and approximately € 138 million per relief situation is applied.

28.25.3 Netherlands Terrorism Reinsurance Company

In 2014, SNS REAAL will take a 14.51% (2013: 13.85%) share in the cluster life and 5.24% (2013: 5.45%) in the cluster non-life of the Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV (Netherlands Terrorism Reinsurance Company). In 2014 the extent of the guarantee is € 79 million (2013: € 77 million) and the obliged premium € 1 million (2013: € 1 million).

28.25.4 Irrevocable future payments

The future minimum operating lease commitments relate to leased premises and leased cars.

Maturity calendar future minimum payments based on irrevocable operational leases

In € millions	Group activities		Banking activities		Insurance activities		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
< 1 year	15	15	6	7	1	2	22	23
1 - 5 year	46	43	7	10	-	-	53	53
> 5 year	75	77	-	-	-	-	75	78
Total	135	135	13	17	1	2	149	154

The future operating lease commitments are recognised under the item Other operating expenses at the moment the expenses are incurred. The most important contracts have renewal options. There are no options to acquire property and no imposed restrictions under the lease agreements.

For the purpose of ICT support, SNS REAAL has concluded several large long-term agreements in the amount of € 21 million (2012: € 26 million).

SNS REAAL has concluded contracts with parties to hire external staff. It has done so on the one hand to be able to conduct normal business operations, i.e. to absorb fluctuations in workload, and on the other hand to provide support with regard to the various projects related to the separation of the Banking and Insurance activities at SNS REAAL, and supporting Group activities. The term of the contracts is finite. The contracts can be terminated at short notice.

The Dutch Minister of Finance has imposed a one-off resolution levy on all Dutch banks. Based on the most recent estimate, SNS Bank's share is estimated at € 76 million. This amount is payable in 2014 and will be charged to the result in that year.

28.25.5 Legal proceedings

28.25.5.1 Nationalisation

For information about legal consequences of the nationalisation, procedures and investigations see section 19.2 [Nationalisation and its implications](#).

28.25.5.2 Claims and legal cases

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

Madoff

In April 2010, a foundation acting for a group of execution-only clients initiated legal proceedings against SNS Bank for alleged losses suffered on investments in certain foreign investment funds (including Madoff feeder funds). As already reported in the 2010 and 2011 annual report, where appropriate, clients will be compensated by SNS Bank in a suitable manner for which provisions have been taken. In January 2013, in the proceedings before the court, the court reached a verdict. It is judged that SNS Bank made mistakes and therefore did not meet its legal agreements. SNS Bank appealed to the court.

In 2010, three Madoff-feeder funds have initiated legal proceedings in New York against, amongst others, SNS Global Custody, the custody entity of SNS Bank, and its clients as former beneficial owners of investments in these funds. A similar proceeding has been initiated by one of these funds against SNS Global Custody in the British Virgin Islands (BVI). They claim repayment of payments made by the funds for redemptions of investments by these beneficial owners. In line with these lawsuits the trustee of Madoff started proceedings against SNS Bank and SNS Global Custody. The aforementioned proceedings, in which many financial institutions worldwide are sued in similar proceeding, are in an early stage. Two times a verdict is given on the BVI in favour of SNS Bank, but against which appeal is lodged. SNS Bank will defend itself strongly but, for the moment, can not give a reliable estimation of possible provisions resulting from these claims.

Stichting Claim SNS / Bos & Partners

At the end of January 2013, SNS Bank NV was held liable with regard to the claim by Stichting Claim SNS/Bos & Partners regarding the investment in foreign investment funds not registered with the AFM, for execution-only customers. Meanwhile, a compensation proposal has been agreed upon with 70% of the customers. For the purpose of a claim by Stichting Claim SNS/Bos & Partners, a provision of € 20 million is included at year-end 2013 (2012: € 20 million).

Unit-linked insurance policies REAAL

Since 2008 there has been widespread public attention for the costs and risks related to unit-linked insurance policies and the question whether insurance companies adequately informed their (prospective) customers in that regard. In response to this, REAAL (and other insurers) have concluded a compensation scheme with consumer organisations. Based on this scheme, the costs that have been – and will be – withheld until the maturity date will be redeposited into the insurance policy, in so far as these costs are higher than the maximum percentage specified in the compensation scheme. The compensation scheme has been implemented.

While earlier attention mainly focused on the compensation of costs, Dutch insurers now see an increase in unit-linked insurance policies complaints/claims based on different grounds. On top of this, there is a lot of attention for the unit-linked insurance policies on the part of regulators, politicians and media. Since 2008, REAAL has received a considerable number of complaints/claims from customers who blame REAAL for not having informed (or warned) them

clearly enough about the costs, specific product features and related risks prior to taking out the insurance policy. And some customers blame REAAL for not having warned them adequately of the possible impact of actual developments, such as the financial crisis, on the target capital during the duration of the policy.

REAAL uses various means of communication to encourage customers to check if their unit-linked policy still meets the purpose for which it was originally taken out and to consider adapting their product or other forms of capital accumulation ('flanking policy').

The number of court proceedings related to unit-linked insurance policies against REAAL is limited, but growing. At year-end 2013, sixteen proceedings were submitted to Kifid's Arbitration Committee and three at civil courts. To date, the number of cases in which REAAL was held to pay damages in a decision of the Arbitration Committee or civil court was limited. With the growing number of proceedings, however, the chances of convictions is also growing. REAAL (SRLEV NV) was recently, in a letter dated 11 February 2014, held liable by the Stichting Woekerpolisproces in connection with offering unit-linked policies through DSB NV. It is as yet unclear whether and in what way this process will be continued.

The costs of the compensation scheme and flanking policy are substantial and are recognised in the financial statements. Current and possible future subsequent legal proceedings could have a substantial financial and reputational impact. However, it is not possible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings. REAAL, therefore, made no provision.

28.26 Related parties

28.26.1 Identity of related parties

Parties are considered to be related if one party can exert control or significant influence over the other party in deciding financial or operational matters. As a part of its ordinary operations, SNS REAAL maintains various sorts of ordinary business relations with related companies and parties. Related parties with SNS REAAL are associated companies, Stichting administratiekantoor beheer financiële instellingen (NLFi), the Dutch State, Stichting Afwikkeling Onderhandse Schulden SNS REAAL (Stichting AOS) and managers in key positions and close family members of these managers. Transactions with the related parties are in the areas of normal banking, insurance, taxation and other administrative relationships.

Transactions with related parties are conducted 'at arm's length', except where otherwise mentioned. In the transactions with related parties, Best Practices provisions II.3.2, II.3.3, II.3.4, III.6.1, III.6.3 and III.6.4 of the Dutch Corporate Governance Code were complied with.

In 2013 group-level costs are structurally allocated to the bank and insurance activities. For further detail reference is made to section 20.1 [Information by segment](#).

28.26.2 Positions and transactions between SNS REAAL NV, associated companies and joint ventures

Positions and transactions between SNS REAAL NV, associated companies and joint ventures

In € millions	Associated companies		Joint ventures	
	2013	2012	2013	2012
Positions				
Loans and advances	-	63	-	819
Transactions				
Mutation loans and advances	(63)	(50)	(819)	(198)
Mutation provisions for doubtful debt	-	-	-	(3)

Following the transfer of Property Finance there are no positions between SNS REAAL and associated companies and joint ventures in 2013. For more information on the separation of Property Finance, see section 19.2.3 [Separation of Property Finance](#).

28.26.3 Positions and transactions between SNS REAAL NV, the Dutch State and Stichting administratiekantoor beheer financiële instellingen

For more information about the transactions between SNS REAAL NV, the Dutch State and NLF I please refer to section 19.2 [Nationalisation and its implications](#).

28.26.4 Transactions between SNS REAAL NV and Stichting Afwikkeling Onderhandse Schulden SNS REAAL

For more information about the transactions between SNS REAAL NV and Stichting AOS please refer to section 19.2 [Nationalisation and its implications](#). As SNS REAAL NV has been appointed Director, Stichting AOS has been classified as a related party. On 1 February 2013, following from the expropriation, the Minister allocated the private subordinated loans of SNS REAAL and SNS Bank to the Stichting AOS. The subsequent release in the balance sheet (€ 65 million gross) has been added to the equity as a taxable result (net € 49 million).

28.26.5 Positions and transactions with managers in key positions of SNS REAAL NV

Managers in key positions comprise the members of the Executive Board of SNS REAAL NV, the HR director and the boards of the business units (SNS Bank, SNS Asset Management, REAAL and Zwitterleven), acting as such in 2013. In total there were 19 persons in key positions (2012: 22 persons).

The table below provides an overview of the total remuneration of managers in key positions.

Specification remuneration managers in key positions

In € thousands	2013	2012
Fixed annual income* **	7,455	8,070
Pension contribution	1,077	1,120
Long-term remuneration	-	98
Termination benefits	1,067	242
Total	9,599	9,530

* In the 2012 accounts the benefit of the private use of a business car had not yet been included as a component of remuneration. For that reason the amount of the 2012 fixed annual income component is € 219k higher than in the 2012 financial statements

** In contrast to the 2012 financial statements the valuation of disability and life insurance for both 2013 and 2012 is based on the grossed-up benefit for the employee, and not the premium paid by the employer. For that reason the 2012 fixed annual income component is € 170k higher than in the 2012 financial statements.

Fixed annual income (IFRS: "Short-term employee benefits") means the fixed salary (including holiday allowance, 13th month's bonus, contribution to health insurance and social security) and the variable remuneration. No variable remuneration is paid to senior management for 2013. SNS REAAL took out three insurance policies for the members of

senior management: WIA insurance, disability insurance and mortality risk insurance. The corresponding premiums are paid for by SNS REAAL. These premiums are also part of the fixed annual income.

In accordance with the Tax Plan 2014 and based on the Budget Agreement 2013 Tax Measures Implementation Act ('Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013'), SNS REAAL pays a one-off 'crisis tax levy' of 16% in 2013 on the salaries of its employees in 2013, but only if the salary (per employee) exceeded € 150,000. The crisis tax levy is also part of the fixed annual income. In 2013, the salary of all 19 members of senior management (2012: 22 persons) exceeded € 150,000. The total crisis tax levy of senior management in 2013 amounted to € 530,000 (2012: € 642,000).

Pension contribution' (IFRS: 'Post-employment benefits'), means the pension contribution paid for by the employer, after deduction of the contribution paid by the employee.

Long-term remuneration' (IFRS: 'Other long-term employee benefits'), means the remuneration that has been awarded but has not yet been paid out.

Termination benefits' (IFRS: 'Severance and redundancy pay'), means the pay under termination of the employment contract, including any compensation to which the employee is entitled in connection with the employment termination without performing work.

Loans

The table below provides an overview of the loans granted to members of the senior management that were outstanding on 31 December 2013. These loans were mortgage loans provided in the course of ordinary business and under conditions that also apply to other members of staff.

Specification loans to managers in key positions

In € thousands	Outstanding as at 31 December		Average interest rate*		Redemptions	
	2013	2012	2013	2012	2013	2012
Mortgage loans	6,682	9,403	3.73%	3.60%	283	564

* The average interest rate is the interest paid as a percentage of the average outstanding mortgage loan balances

The change in outstanding positions per 31 December 2013 and 2012 is due to repayments in 2013 and changes in executive management positions.

Transactions with individual members of the Executive Board and the Supervisory Board of SNS REAAL are explained in section 16.6 [Remuneration report](#) of the Report of the Supervisory Board. This information is part of the consolidated financial statements.

28.27 Net interest income

Specification net interest income banking activities

In € millions	2013	2012
Interest income	2,226	2,457
Interest expense	1,178	1,667
Net interest income	1,048	790

The interest income includes the proceeds from banking activities derived from lending money and related transactions, as well as related commissions and other interest-related income.

The interest expenses include costs from banking activities incurred from borrowing and related transactions, as well as other interest-related charges.

Interest income and expenses also include the interest results from derivative positions that are established with the aim of limiting interest rate risk on hedged financial instruments.

Specification interest income

<i>In € millions</i>	2013	2012
Mortgages	1,959	2,091
Other loans and advances	104	111
Loans and advances to banks	137	209
Investments	26	46
Total	2,226	2,457

The interest income for financial assets not at fair value through profit or loss amounts to € 2,354 million (2012: € 2,396 million).

Specification interest expenses

<i>In € millions</i>	2013	2012
Debt certificates	212	388
Participation certificates and subordinated debt	9	71
Savings	792	997
Other amounts due to customers	94	113
Amounts due to banks	71	98
Total	1,178	1,667

28.28 Net premium income

The net premium income concerns insurance premiums less reinsurance premiums.

Specification net premium income

<i>In € millions</i>	Own account		For account of policyholders		Total	
	2013	2012	2013	2012	2013	2012
Regular premiums REAAL Life	699	736	411	482	1,110	1,218
Regular premiums Zwitserleven	279	295	554	570	833	865
Total gross regular premiums Life	978	1,031	965	1,052	1,943	2,083
Single premiums REAAL Life	217	214	4	4	221	218
Single premiums Zwitserleven	109	115	133	220	242	335
Total gross single premiums	326	329	137	224	463	553
Total gross premium income	1,304	1,360	1,102	1,276	2,406	2,636
Total reinsurance premiums REAAL Life and Zwitserleven	164	157	-	-	164	157
Total net premium income Life	1,140	1,203	1,102	1,276	2,242	2,479
Total net premium income Non-Life					725	753
Total net premium income	1,140	1,203	1,102	1,276	2,967	3,232

Specification regular premiums Life

In € millions	Own account		For account of policyholders		Total	
	2013	2012	2013	2012	2013	2012
Individual						
Without profit sharing	537	543	411	482	948	1,025
With profit sharing	162	193	-	-	162	193
Total individual	699	736	411	482	1,110	1,218
Group						
Without profit sharing	-	-	554	570	554	570
With profit sharing	279	295	-	-	279	295
Total group	279	295	554	570	833	865
Total gross regular premiums Life	978	1,031	965	1,052	1,943	2,083

Specification single premiums Life

In € millions	Own account		For account of policyholders		Total	
	2013	2012	2013	2012	2013	2012
Individual						
Without profit sharing	217	207	4	4	221	211
With profit sharing	-	7	-	-	-	7
Total individual	217	214	4	4	221	218
Group						
Without profit sharing	-	-	133	220	133	220
With profit sharing	109	115	-	-	109	115
Total group	109	115	133	220	242	335
Total gross single premiums Life	326	329	137	224	463	553

Specification premium income Non-life

In € millions	Gross		Reinsurance		Total	
	2013	2012	2013	2012	2013	2012
Fire	214	222	21	21	193	201
Accident and health	131	130	6	6	125	124
Motor vehicle	259	280	2	4	257	276
Transport	54	65	4	10	50	55
Other segments	126	122	26	25	100	97
Net premium income Non-life	784	819	59	66	725	753

28.29 Net fee and commission income

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

Specification net fee and commission income 2013

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Fee and commission income:					
Money transfer and payment charges	33	-	-	-	33
Securities activities	7	2	-	-	9
Insurance agency activities	18	18	-	(10)	26
Management fees	36	50	100	(58)	128
Other activities	5	14	-	(9)	10
Total fee and commission income:	99	84	100	(77)	206
Fee and commission expense	41	14	45	(35)	65
Commission franchise and advise	8	-	-	-	8
Total	50	70	55	(42)	133

Specification net fee and commission income 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Fee and commission income:					
Money transfer and payment charges	37	-	-	-	37
Securities activities	12	2	-	-	14
Insurance agency activities	21	18	-	(12)	27
Management fees	31	50	96	(68)	109
Other activities	5	18	1	(6)	18
Total fee and commission income:	106	88	97	(86)	205
Fee and commission expense	42	16	42	(45)	55
Commission franchise and advise	10	-	-	-	10
Total	54	72	55	(41)	140

28.30 Share in result of associates

This item represents the share in result of associated companies. In 2013 the result amounts to € 2 million (2012: € 11 million).

28.31 Investment income

Specification investment income 2013

In € millions	Fair value through profit or loss					Total
	Held for trading	Designated	Available for sale	Loans and receivables	Investment property	
Banking activities	1	140	(95)	(8)	-	38
Insurance activities	-	19	899	509	10	1,437
Group activities	-	-	-	29	-	29
Eliminations	-	-	14	(135)	(5)	(126)
Total	1	159	818	395	5	1,378

Specification investment income 2012

In € millions	Fair value through profit or loss					Total
	Held for trading	Designated	Available for sale	Loans and receivables	Investment property	
Banking activities	-	(32)	55	-	-	23
Insurance activities	-	33	1,057	517	(6)	1,601
Group activities	-	-	4	35	-	39
Eliminations	-	-	16	(146)	(8)	(138)
Total	-	1	1,132	406	(14)	1,525

Composition of investment income 2013

In € millions	Fair value through profit or loss					Total
	Held for trading	Designated	Available for sale	Loans and receivables	Investment property	
Interest	-	11	648	399	-	1,058
Dividend	-	-	31	-	-	31
Rental income	-	-	-	-	13	13
Total interest dividend and rental income	-	11	679	399	13	1,102
Realised revaluations	1	92	244	(4)	-	333
Unrealised revaluations	-	56	(105)	-	(8)	(57)
Total revaluations	1	148	139	(4)	(8)	276
Total	1	159	818	395	5	1,378

Composition of investment income 2012

In € millions	Fair value through profit or loss					Total
	Held for trading	Designated	Available for sale	Loans and receivables	Investment property	
Interest	-	22	707	405	-	1,134
Dividend	-	-	43	-	-	43
Rental income	-	-	-	-	8	8
Total interest dividend and rental income	-	22	750	405	8	1,185
Realised revaluations	-	(53)	371	1	-	319
Unrealised revaluations	-	32	11	-	(22)	21
Total revaluations	-	(21)	382	1	(22)	340
Total	-	1	1,132	406	(14)	1,525

Rental income from investment property includes both rental income and directly allocated operating expenses. The operating expenses amounted to € 7 million (2012: € 10 million).

The recognised interest income on the devaluation of investments amounts to € 1 million (2012: € 2 million).

Included in the investment income is a net loss due to foreign exchange rate movements of € 7 million (2012: € nil).

28.32 Investment income for account of policyholders

Specification investment income for account of policyholders

In € millions

	2013	2012
Interest	43	88
Dividend	145	101
Total interest and dividend	188	189
Revaluations	438	1,321
Total	626	1,510

28.33 Result on financial instruments

Specification result on financial instruments

<i>In € millions</i>	Banking activities		Insurance activities		Group activities		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Revaluations transferred from shareholders' equity	-	-	8	3	-	-	8	3
Interest income transferred from shareholders' equity	10	-	3	5	-	-	13	5
Result on derivatives held for cash flow hedge accounting	10	-	11	8	-	-	21	8
Fair value movements in hedging instruments	288	250	(1)	(1)	-	-	287	249
Fair value movements in hedged item attributable to hedged risks	(308)	(263)	(4)	(1)	-	-	(312)	(264)
Fair value movements in derivatives held for fair value hedge accounting	(20)	(13)	(5)	(2)	-	-	(25)	(15)
Fair value movements of derivatives maintained for ALM not classified for hedge accounting	-	61	55	22	-	-	55	83
Fair value movements in derivatives held for trading	1	(1)	-	-	15	-	16	(1)
Share options	-	-	(1)	(15)	-	-	(1)	(15)
Expropriation Private Loans	12	-	-	-	53	-	65	-
Total	3	47	60	13	68	-	131	60

The ineffectiveness recognised in profit or loss that arises from cash flow hedges was nil (2012: € 0.4 million).

Under the result on financial instruments a gain of € 84 million is recognised in connection with the reduction of derivatives linked to the expropriated subordinated debt and total release of € 65 million by expropriation of Private Loans.

An amount of € 117 million is included, relating to a result on derivatives that are part of some securitisation transactions. These are transactions outside the regular securitisation programme of SNS Bank which are differently structured. The relevant securitisation transactions contain provisions that in the case of early termination of the transaction, might result in a termination payment being due. This settlement has an effect on the income statement under certain market conditions. One of these securitisations reached the early redemption date in December 2013. Management has decided, based on current market conditions, to honour the put option of the bondholders for early redemption. The amount of future settlement costs in the ongoing securitisation transactions is subject to a number of uncertainties. It was agreed that the valuation of the outstanding contracts takes comparable market conditions as well as honouring the put option also for these transactions by SNS Bank into account. See section 28.16.4 [Debt certificates classified at fair value with value movements recognised through profit or loss \(Holland Homes securitisation programmes\)](#).

28.34 Other operating income

Gains of € 3 million on the sale of the private banking activities of SNS Securities are recognised under other operating income. Total other operating income in 2013 amounted to € 6 million (2012: € 2 million).

28.35 Technical claims and benefits

Technical claims and benefits include benefits paid, surrenders, claims paid, claim handling costs and changes in insurance contracts. This item also includes profit sharing and discounts.

Specification technical claims and benefits

<i>In € millions</i>	Gross		Reinsurance		Total	
	2013	2012	2013	2012	2013	2012
Benefits paid and surrenders from own account	2,767	2,387	(637)	(416)	2,130	1,971
Change in technical provisions for own risk	(289)	188	371	230	82	418
Profit sharing and discounts	55	81	-	-	55	81
Change in shadow accounting	173	15	-	-	173	15
Change in LAT shortfall	147	-	-	-	147	-
Life insurance	2,853	2,671	(266)	(186)	2,587	2,485
Claims paid	564	542	(52)	(44)	512	498
Change in provision for reported claims	(15)	(33)	23	9	8	(24)
Change in provision for claims incurred but not reported	(3)	(5)	5	4	2	(1)
Non-life insurance	546	504	(24)	(31)	522	473
Total	3,399	3,175	(290)	(217)	3,109	2,958

Benefits paid and surrenders for own account include an amount for amortisation and impairment of VOBA of € 623 million (2012: € 240 million). This amount includes the impairments because of the deficit of € 585 million (2012: € 172 million), after using shadow loss accounting, established in the IFRS liability adequacy test as a result of the low interest rates and higher life expectancies. Given the difficult market conditions and the subsequently decreasing profit potential, it was decided to deduct this deficit, which was charged to the result, from the VOBA.

Profit sharing and discounts include an amount for amortisation of interest rate discounts of € 45 million (2012: € 46 million).

Change in technical provisions for own risk includes technical claims and benefits for compensation to unit-linked insurance policyholders, as well as compensation regarding defined contribution pension contracts. For more information on the compensation scheme, please refer to section 28.17 [Insurance and reinsurance contracts](#).

28.36 Charges for account of policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit sharing and discounts for these policyholders.

Specification charges for account of policyholders

In € millions

	2013	2012
Benefits paid and surrenders for life insurance contracts for account of policyholders	1,423	1,371
Change in technical provisions for life insurance contracts for account of policyholders	240	895
Total	1,663	2,266

28.37 Acquisition costs for insurance activities

Specification acquisition costs for insurance operations

<i>In € millions</i>	Insurance activities		Eliminations		Total	
	2013	2012	2013	2012	2013	2012
REAAL Life	55	76	(3)	(3)	52	73
Zwitserleven	12	15	-	-	12	15
Reinsurance Life	10	(1)	-	-	10	(1)
Total Life	77	90	(3)	(3)	74	87
REAAL Non-Life	181	191	-	-	181	191
Reinsurance Non-life	(11)	(10)	-	-	(11)	(10)
Total Non-Life	170	181	-	-	170	181
REAAL Other	-	-	(1)	-	(1)	-
Total	247	271	(4)	(3)	243	268

28.38 Staff costs

Specification staff costs

<i>In € millions</i>	Banking activities		Insurance activities		Group activities		Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Salaries	111	113	116	119	146	147	-	-	373	379
Pension costs	21	22	20	38	70	26	9	-	120	86
Social security	17	18	17	18	19	19	-	-	53	55
Share-based remuneration	-	1	-	-	-	-	-	-	-	1
Other staff costs	40	77	41	32	87	96	-	-	168	205
Total	189	231	194	207	322	288	9	-	714	726

Other staff costs consist largely of the costs of temporary staff, fleet, travel costs and training and education costs. The lease commitments of the car fleet amount to € 8 million (2012: € 9 million) and hiring staff € 109 million (2012: € 102 million). In the other staff costs are also included restructuring charges of € 4 million (2012: € 50 million).

Remuneration of individual members of the Executive Board and the Supervisory Board is explained in section 16.6 [Remuneration report](#) of the Report of the Supervisory Board. This information is part of the consolidated financial statements.

Breakdown pension costs

In € millions

	2013	2012
Pension premiums defined contribution plans	82	81
Employee contributions	(13)	(13)
Pension schemes based on defined contribution	69	68
Increase of present value defined benefit plans	29	29
Expected return on investments	(11)	(14)
Settlement result Pensioenfond AXA	41	-
Other	(8)	3
Pension schemes based on defined benefit	51	18
Total	120	86

In co-operation with Stichting Pensioenfond AXA Verzekeringen, SNS REAAL has transferred the pension scheme to an external party. The settlement amount of € 41 million was charged to the result (see section 28.18.1.2).

Number of FTEs

In numbers

	2013	2012
Banking activities	2,009	2,133
Insurance activities	2,164	2,254
Group activities	2,206	2,235
Total	6,379	6,622

All staff is employed by SNS REAAL NV.

Share plan

In 2013, no shares were granted to the Executive Board members and other senior management members. A number of 860,073 shares were granted to managers and other employees. This concerns the remuneration in shares of 2011.

With the nationalisation in February 2013, these shares are expropriated in favour of the Dutch State.

Shares granted before 1 January 2013

	Shares (in numbers)		Weighted average grant date fair value per share (in €)	
	2013	2012	2013	2012
Total	-	860,073	-	1.74
of which conditionally	-	477,149	-	1.74

Statement of changes conditionally granted shares before 1 January 2013

	Shares (in numbers)	
	2013	2012
As at 1 January	477,149	-
Conditionally granted	-	477,149
Unconditionally granted	-	-
Expropriated	(477,149)	-
As at 31 December	-	477,149
Market value grant date (in euros)	-	811,153
Market value as at 31 December (in euros)	-	491,463

In 2011 SNS REAAL started the adjustment of the remuneration policy of the 'Regeling Beheerst Beloningsbeleid' of DNB. This regulation requires that a part of the variable remuneration takes place in shares.

In 2011 SNS REAAL started the adjustment of the remuneration policy of the 'Regeling Beheerst Beloningsbeleid' of DNB. This regulation requires that a part of the variable remuneration must take place in shares. With the nationalisation in February 2013, the old share plan has lapsed.

Under the new share plan, effective as of 1 January 2013, the variable remuneration of employees of SNS REAAL and its group entities is granted partly in phantom shares. The value development of these shares is based on the development of the result of SNS REAAL, if necessary corrected for one-off items. The value of the phantom shares is cash settled at the end of the maturity.

Based on the 'Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013', in 2013 SNS REAAL paid a one-off crisis tax levy of 16% on the salaries from current employment that it paid its employees in 2012, to the extent that a salary was more than € 150,000. For SNS REAAL, this levy amounted to € 2.5 million in 2012. The crisis tax levy is extended for one year and amounts to € 1.9 million in 2013.

28.39 Other operating expenses

Specification other operating expenses 2013

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Housing	31	22	(12)	(8)	33
IT systems	90	113	(160)	-	43
Marketing and public relations	28	10	2	-	40
External advisors	9	10	37	-	56
Other costs	158	89	(93)	(14)	140
Total	316	244	(226)	(22)	312

Specification other operating expenses 2012

In € millions

	Banking activities	Insurance activities	Group activities	Eliminations	Total
Housing	32	20	(9)	(8)	35
IT systems	95	128	(172)	-	51
Marketing and public relations	28	11	3	-	42
External advisors	8	7	28	-	43
Other costs	59	41	(11)	(23)	66
Total	222	207	(161)	(31)	237

Other operating expenses rose in 2013 through additions to provisions at the Banking activities for compensation of the holders of the expropriated participation certificates in the amount of € 53 million (2012: nil) and for the recovery of

savings mortgages of € 11 million (2012: nil). In addition, costs were incurred at the Group activities for strategic restructuring plans in the amount of € 22 million (2012: € 16 million).

In 2013, expenses incurred at Group level will be allocated to the Banking and Insurance activities. For more information, see section 20.1 [Information by segment](#) and section 7.7.1 [Additional cost allocation from SNS REAAL holding to Banking and Insurance activities](#).

The other operating expenses include costs related to lease commitments, which amount to € 19 million (2012: € 18 million).

28.40 Impairment charges / (reversals)

Specification impairment charges / (reversals) by class of asset

In € millions	Impairments		Reversals		Total	
	2013	2012	2013	2012	2013	2012
Through profit or loss						
Intangible assets	186	422	-	-	186	422
Property and equipment	13	21	-	-	13	21
Investments	31	58	12	5	19	53
Loans and advances to customers*	265	261	48	36	217	225
Total through profit or loss	495	762	60	41	435	721
Through shareholders' equity						
Property and equipment	-	-	-	1	-	(1)
Investments	12	28	-	3	12	25
Through shareholders' equity	12	28	-	4	12	24

Specification impairment charges / (reversals) by segment

In € millions	Impairments		Reversals		Total	
	2013	2012	2013	2012	2013	2012
Through profit or loss						
SNS Bank*	274	264	50	36	224	228
REAAL	202	346	10	5	192	341
Zwitserleven	25	134	-	-	25	134
Group activities	3	18	-	-	3	18
Eliminations	(9)	-	-	-	(9)	-
Total through profit or loss	495	762	60	41	435	721
Through shareholders' equity						
SNS Bank*	-	-	-	-	-	-
Property Finance	-	-	-	-	-	-
REAAL	-	-	-	-	-	-
Zwitserleven	-	-	-	-	-	-
Group activities	12	28	-	4	12	24
Through shareholders' equity	12	28	-	4	12	24

* Contrary to 2012, the impairments and reversals in 2013 are not presented in net amounts.

In Group activities an impairment of € 2 million (2012: € 16 million) relates to the investment in Van Lanschot NV.

In 2013 an impairment of € 186 million (2012: € 422 million) of intangible assets was made. Reference is made to section 28.1.

An impairment of property and equipment was made for € 13 million in 2013 (2012: € 21 million). Reference is made to section 28.2.

28.41 Other interest expenses

In this item interest expenses recognised in the financial year are included, which are related to non-banking activities.

Specification other interest expenses

In € millions	Insurance activities		Group activities		Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Bonds	45	42	11	46	(1)	(7)	55	81
Private loans	57	56	3	11	(52)	(53)	8	14
Interest on reinsurance deposits	119	50	-	-	-	-	119	50
Other interest and investments expenses	5	14	-	8	-	(6)	5	16
Interest expenses to shareholder	-	-	14	-	-	-	14	-
Total	226	162	28	65	(53)	(66)	201	161

The interest on bonds in 2013 fell to € 55 million (2012: € 81 million). This decrease was caused by the expropriation of € 325 million subordinated bonds of SNS REAAL in February 2013.

The interest rate on the reinsurance deposit has increased in 2013 to € 119 million (2012: € 50 million), this increase was caused by concluding a new reinsurers transaction in 2013.

28.42 Other expenses

The other expenses contain a charge of € 8 million (2012: € 8 million) due to the banking taxation that is charged to banking institutions operating in the Netherlands since 2012.

28.43 Taxation

Specification taxation

In € millions	2013	2012
In financial year	463	250
Prior year adjustments	18	23
Corporate income tax due	481	273
Due to temporary differences	(513)	(263)
Deferred tax	(513)	(263)
Total	(32)	10

Reconciliation between the statutory and effective tax rate

In € millions	2013	2012
Statutory income tax rate	25.0%	25.0%
Result before tax	(446)	(1,166)
Statutory corporate income tax amount	(111)	(291)
Effect of participation exemption	23	10
Prior year adjustments (including tax provision mutation)	18	23
Permanent differences	38	59
Other, mainly non-deductible expenses	-	1
Effect result discontinued operations	-	208
Total	(32)	10
Effective tax rate	7.2%	17.0%

28.44 Result discontinued operations

On 31 December 2013, the shares of Property Finance were transferred to the Dutch State for an amount of € 1.00, upon which the Dutch State transferred the Property Finance shares to Stichting administratiekantoor beheer financiële instellingen (NLFI), followed by the issue of certificates of the shares by NLFI to the Dutch State. The comparative figures in the income statement were restated accordingly. The table below presents a detailed income statement of Property Finance. For more information on the separation of Property Finance, see section 19.2.3.

Result from Discontinued Operations Property Finance

In € millions

	2013	2012
Income		
Interest income	216	287
Interest expense	139	189
Net interest income	77	98
Result on financial instruments	(4)	(12)
Other operating income	(6)	(2)
Total income	67	84
Expenses		
Staff costs	31	43
Other operating expenses	46	73
Impairment charges	1,053	988
Other expenses	1	1
Total expenses	1,131	1,105
Result before tax and transfer to NLFI	(1,064)	(1,021)
Taxation	(253)	(208)
Net result before transfer to NLFI	(811)	(813)
Result transfer to NLFI	(967)	-
Result before taxation	(1,778)	(813)
Taxation transfer to NLFI	(242)	-
Net result for the period	(1,536)	(813)

Result transfer Property Finance

In € millions

Transfer value Property Finance*	-
Assets	
Property and equipment	2
Investments in associates	2
Deferred tax assets	9
Property projects	809
Loans and advances to customers	4,906
Loans and advances to banks	10
Other assets	113
Cash and cash equivalents	107
Total assets	5,958
Liabilities	
Other provisions	14
Deferred tax liabilities	7
Amounts due to banks	360
Amounts due to SNS Bank	4,455
Corporate income tax	8
Other liabilities	147
Total equity and liabilities	4,991
Gross assets transferred	(967)
Deferred tax liabilities	242
Net assets transferred	(725)
Result transfer Property Finance	(725)

* On 31 December 2013, the shares of Property Finance were transferred to the State for the amount of € 1, followed by the transfer of the Property Finance shares by the State to NLF1.

Utrecht, 5 March 2014

Supervisory Board

J.J. Nooitgedagt (chairman)
J.C.M. van Rutte
C.M. Insinger
M.R. Milz
J.A. Nijhuis
J.A. Nijssen
L.J. Wijngaarden

Group Executive Board

G. van Olphen
M.B.G.M. Oostendorp
D.J. Okhuijsen
W.H. Steenpoorte

29 Company financial statements

29.1 Company balance sheet

Company balance sheet

Before result appropriation and in € millions

	Notes*	2013	2012
Assets			
Intangible assets		17	17
Property and equipment		27	21
Subsidiaries	1	5,199	4,268
Receivables from subsidiaries	2	409	666
Investments	3	40	32
Deferred tax assets		58	82
Loans and advances to customers		14	14
Corporate income tax		62	68
Other assets		70	84
Cash and cash equivalents		1	1
Total assets		5,897	5,253
Equity and liabilities			
Issued share capital		469	469
Share premium reserve		5,468	1,363
Fair value reserve		10	-
Statutory reserves associates		178	313
Other statutory reserves		53	49
Other reserves		268	1,074
Retained earnings		(1,950)	(972)
Shareholders' equity	4	4,496	2,296
Equity attributable to security holders	4	-	987
Subordinated debt	5	-	391
Capital base		4,496	3,674
Debt certificates	6	59	421
Provision for employee benefits		100	96
Other provisions		10	100
Other amounts due to customers	7	-	30
Amounts due to the Dutch State	8	1,100	-
Other liabilities	9	132	932
Total equity and liabilities		5,897	5,253

* The references next to the balance sheet items relate to the notes to the company financial statements starting from section 30.1

29.2 Company income statement

Company income statement

In € millions

	2013	2012
Result on subsidiaries after taxation	(1,950)	(843)
Other results after taxation	-	(129)
Net result for the period	(1,950)	(972)

29.3 Principles for the preparation of the company financial statements

SNS REAAL prepares the company financial statements in accordance with the statutory provisions of Book 2, Section 402 of the Dutch Civil Code. Based on this, the result on subsidiaries 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 for the consolidated financial statements](#).

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 financial statements](#).

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

Subsidiaries are all companies and other entities in respect of which SNS REAAL has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by SNS REAAL. The subsidiaries are accounted for using the equity method.

Changes in balance sheet values of subsidiaries due to changes in the revaluation, cash flow, fair value and profit sharing reserve of the subsidiaries are reflected in the statutory reserve associates, which forms part of shareholders' equity.

Statutory reserves that have been formed for the capitalised costs of research and development of software of the subsidiaries are presented in the statutory reserve associates.

Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with SNS REAAL accounting policies, are included in the income statement. The distributable reserves of subsidiaries are included in other reserves.

Receivables from and amounts due to subsidiaries are intercompany balances, and are valued at amortised cost.

Cash and cash equivalents include the non-restricted advances to credit institutions.

30 Notes to the company financial statements

30.1 Subsidiaries

Specification subsidiaries

<i>In € millions</i>	2013	2012
SNS Bank NV	2,564	1,341
REAAL NV	2,609	2,929
Other	26	(2)
Total	5,199	4,268

Statement of changes in subsidiaries

<i>In € millions</i>	2013	2012
Balance as at 1 January	4,268	5,860
Repurchase securities capital and share premium reserve	-	(556)
Capital contribution	3,000	641
Revaluations	(121)	(767)
Result	(1,950)	(843)
Dividend received	(24)	(63)
Other movements	26	(4)
Balance as at 31 December	5,199	4,268

The capital contribution of € 3,000 million consists of an increase of share premium of SNS Bank by € 2,600 million and an increase of share premium of REAAL by € 400 million. For more information about the share premium of subsidiaries see the section 27.3.3 [Capital position SNS Bank - Solvency Banking activities](#) and 27.4.3 [Capital position – Solvency Insurance activities](#).

30.2 Receivables from subsidiaries

Specification receivables from subsidiaries

<i>In € millions</i>	SNS Bank		REAAL		Other group companies		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Derivatives	-	36	-	-	-	-	-	36
Loans and advances to customers	-	-	302	452	3	39	305	491
Loans and advances to banks	40	40	-	-	-	-	40	40
Other assets	-	-	12	14	5	2	17	16
Current account with subsidiaries	1	2	18	-	8	-	27	2
Cash and cash equivalents	20	81	-	-	-	-	20	81
Total	61	159	332	466	16	41	409	666

30.3 Investments

Specification investments

<i>In € millions</i>	2013	2012
Investments available for sale	40	32
Total	40	32

Statement of changes in investments

<i>In € millions</i>	2013	2012
Balance as at 1 January	32	48
Revaluations	10	-
Impairments	(2)	(16)
Balance as at 31 December	40	32

The impairment of € 2 million (2012: € 16 million) and the revaluation of € 10 million (2012: € nil) relates to the investment in Van Lanschot NV.

30.4 Equity

Statement of changes in equity 2013

In € millions

	Issued share capital*	Share premium reserve*	Fair value reserve	Statutory reserves associates	Other statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders	Securities capital
Balance as at 1 January 2013	469	1,363	-	313	49	1,141	(972)	2,363	987
Amendment IAS 19 "corridor"	-	-	-	-	-	(67)	-	(67)	-
Adjusted balance as at 1 January 2013	469	1,363	-	313	49	1,074	(972)	2,296	987
Transfer of 2012 net result	-	-	-	-	-	(863)	972	109	(109)
Transfers 2012	-	-	-	-	-	(863)	972	109	(109)
Unrealised revaluations from cash flow hedges	-	-	-	(41)	-	-	-	(41)	-
Unrealised revaluations	-	-	10	(946)	-	-	-	(936)	-
Impairments	-	-	-	12	-	-	-	12	-
Realised revaluations through profit or loss	-	-	-	(191)	-	-	-	(191)	-
Remeasurement effects of defined benefit pension plan	-	-	-	-	-	57	-	57	-
Suppletion negative revaluation reserves associates	-	-	-	-	4	(4)	-	-	-
Change in shadow accounting	-	-	-	1,034	-	-	-	1,034	-
Other movements	-	-	-	(3)	-	4	-	1	-
Amounts charged directly to equity	-	-	10	(135)	4	57	-	(64)	-
Net result 2013	-	-	-	-	-	-	(1,950)	(1,950)	-
Total result 2013	-	-	10	(135)	4	57	(1,950)	(2,014)	-
Capital injection Dutch State	-	2,200	-	-	-	-	-	2,200	-
Conversion securities capital Dutch State and Stichting	-	878	-	-	-	-	-	878	-
Conversion subordinated debts	-	1,027	-	-	-	-	-	1,027	(878)
Transactions with shareholder	-	4,105	-	-	-	-	-	4,105	(878)
Total changes in equity 2013	-	4,105	10	(135)	4	(806)	(978)	2,200	(987)
Balance as at 31 December 2013	469	5,468	10	178	53	268	(1,950)	4,496	-

* As a result of the nationalisation the B shares are converted into ordinary shares.

Statement of changes in equity 2012

In € millions

	Issued share capital*	Share premium reserve	Fair value reserve	Statutory reserves associates	Other statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders	Securities capital
Balance as at 1 January 2012	469	1,363	-	1,388	162	979	87	4,448	979
Changes in principles deferred acquisition costs	-	-	-	-	-	(365)	27	(338)	-
Amendment IAS 19 "corridor"	-	-	-	-	-	(46)	-	(46)	-
Adjusted balance as at 1 January 2012	469	1,363	-	1,388	162	568	114	4,064	979
Transfer of 2011 net result	-	-	-	-	-	107	(114)	(7)	7
Transfers 2011	-	-	-	-	-	107	(114)	(7)	7
Unrealised revaluations from cash flow hedges	-	-	-	7	-	-	-	7	-
Unrealised revaluations	-	-	-	1,171	-	-	-	1,171	-
Impairments	-	-	-	24	-	-	-	24	-
Realised revaluations through profit or loss	-	-	-	(280)	-	-	-	(280)	-
Remeasurement effects of defined benefit pension plan	-	-	-	-	-	(21)	-	(21)	-
Suppletion negative revaluation reserves associates	-	-	-	-	(113)	113	-	-	-
Change in shadow accounting	-	-	-	(1,689)	-	-	-	(1,689)	-
Other movements	-	-	-	(308)	-	307	-	(1)	1
Amounts charged directly to equity	-	-	-	(1,075)	(113)	399	-	(789)	1
Net result 2012	-	-	-	-	-	-	(972)	(972)	-
Total result 2012	-	-	-	(1,075)	(113)	399	(972)	(1,761)	1
Transactions with shareholders and securityholders	-	-	-	-	-	-	-	-	-
Total changes in equity 2012	-	-	-	(1,075)	(113)	506	(1,086)	(1,768)	8
Balance as at 31 December 2012	469	1,363	-	313	49	1,074	(972)	2,296	987

* The share capital issued comprises ordinary shares and B shares.

30.4.1 Issued share capital

An amendment to the Articles of Association of SNS REAAL came into effect on 5 February 2013 whereby the B shares that were expropriated from Stichting Beheer SNS REAAL by the Dutch State on 1 February were converted into 6 ordinary shares. The number of ordinary shares has therefore increased from 287,619,867 to 287,619,873. The 6 B shares had a denomination of € 100 million (total: € 600 million), but the nominal value per B share was equal to the nominal value of the ordinary shares (€ 1.63 per B share). In so far as the issue price of the ordinary shares was higher than the nominal value, the surplus was regarded as share premium on the B shares. With the conversion of the B shares into ordinary shares, the share premium on B shares was converted into share premium on ordinary shares.

The issued share capital is paid up in full and consists of ordinary shares only. The nominal value of the ordinary shares is € 1.63.

Specification issued share capital

	Number of ordinary shares		Amount of ordinary shares (in € millions)		Number of B shares		Amount of B shares (in € millions)	
	2013	2012	2013	2012	2013	2012	2013	2012
Authorised share capital	1,044,005,149	1,044,005,143	1,702	1,702	-	6	-	-
Share capital in portfolio	756,385,276	756,385,276	1,233	1,233	-	-	-	-
Issued share capital as at 31 December	287,619,873	287,619,867	469	469	-	6	-	-

Statement of changes issued share capital

	Number of ordinary shares		Amount of ordinary shares (in € millions)		Number of B shares		Amount of B shares (in € millions)	
	2013	2012	2013	2012	2013	2012	2013	2012
Issued share capital as at 1 January	287,619,867	287,619,867	469	469	6	6	-	-
Transactions with shareholder	6	-	-	-	(6)	-	-	-
Issued share capital as at 31 December	287,619,873	287,619,867	469	469	-	6	-	-

30.4.2 Securities capital

The securities issued in 2008 were expropriated. The core Tier 1 securities that SNS REAAL issued to the Dutch State (€ 564 million) and the Stichting Securities (€ 314 million, balance sheet value at 31 December 2012 € 423 minus € 109 million loss absorption) were deposited as share premium on the ordinary shares in SNS REAAL.

Specification capital securities

In € millions

	2013	2012
Securities capital Stichting Beheer SNS REAAL	-	423
Securities capital Dutch State	-	564
Total	-	987

Statement of changes in capital securities

	Securities capital Stichting Beheer SNS REAAL		Securities capital Dutch State	
<i>In € millions</i>	2013	2012	2013	2012
Balance as at 1 January	423	415	564	564
Loss absorption	(109)	7	-	-
Other movements	-	1	-	-
Transactions with shareholder	(314)	-	(564)	-
Balance as at 31 December	-	423	-	564

30.4.3 Premium reserve

A € 2.2 billion paid-in share premium to SNS REAAL NV was made on 11 March 2013. Subsequently, SNS REAAL paid-in the sum of € 1.9 billion as share premium into SNS Bank on the same day.

With the nationalisation in February 2013, the participation certificates were expropriated in favour of the Dutch State. The participation certificates were added as a share premium to the shareholders' equity of SNS REAAL by the Dutch State. The participation certificates issued by SNS Bank were subsequently added by SNS REAAL to the share premium of SNS Bank.

The Dutch State injected the expropriated subordinated bonds into SNS REAAL in the form of a share premium, with economic effect from 1 February 2013. Subsequently, with economic effect on the same date, SNS REAAL transferred the expropriated subordinated bonds issued by SNS Bank to SNS Bank in the form of a share premium. The debt instruments shall terminate pursuant to amalgamation, including all ensuing payment obligations to the State. The financial reporting follows the amalgamation accordingly. The value of the expropriated subordinated bonds has been incorporated as equity, for the most part not subject to taxation. The results arising from unwinding hedges relating to the expropriated items, has been incorporated as equity, as a taxable result.

The increase in interest on the expropriated subordinated loans over the period between 31 December 2012 and 25 February 2013 was added as a share premium to the shareholders' equity of SNS REAAL and SNS Bank.

An overview of all movements in the share premium reserve, see section 18.4.

30.5 Subordinated debt

Specification subordinated debt

<i>In € millions</i>	2013	2012
Bond 6.258% 2007/2049	-	249
Bond 8.45% 2008/2018	-	92
Private loans	-	50
Total	-	391

With the nationalisation of SNS REAAL on 1 February 2013 the subordinated debts are expropriated.

30.6 Debt certificates

Specification debt certificates

<i>In € millions</i>	2013	2012
EMTN loans	59	421
Total	59	421

The European Medium Term Notes (EMTN) have a maturity of less than five years and an average interest rate of 8.4% (2012: 4.3%).

30.7 Other amounts due to customers

Specification other amounts due to customers

<i>In € millions</i>	2013	2012
Private loans	-	30
Total	-	30

Time to maturity other amounts due to customers

<i>In € millions</i>	2013	2012
< 3 months	-	-
3 months - 1 year	-	30
1 - 5 years	-	-
Total	-	30

30.8 Amounts due to the Dutch State

On 4 March 2013, the Dutch State provided short-term revolving funding in three tranches totalling € 1.1 billion under certain lending conditions to SNS REAAL. This credit was used to redeem external debts in the amount of € 485 million and internal loans in the amount of € 615 million.

Overview amounts due to the Dutch State

<i>In € millions</i>	Initial principal	Start of loan	End date	Rate
Bridge loan, tranche 1	300	04-09-2013	04-06-2014	1.554%
Bridge loan, tranche 2	400	04-12-2013	04-04-2014	1.367%
Bridge loan, tranche 3	400	04-03-2013	03-03-2014	1.649%
Total	1,100			1.521%

On the maturity date of each tranche, the continuation of the State funding is assessed on the basis of the following conditions by the Dutch State:

- Is SNS REAAL able to fund itself independently in money and capital markets?
- Are there any sales proceeds from SNS REAAL business activities that could be deducted from the funding facility?

The Dutch State has given approval to extend the loan that matures on 3 March 2014 to 5 May 2014.

30.9 Other liabilities

Specification other liabilities

<i>In € millions</i>	2013	2012
Debts to subsidiaries	65	827
Other	67	105
Total	132	932

Specification debts to subsidiaries

In € millions	SNS Bank		REAAL		Other group companies		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Debt certificates	-	131	-	-	-	-	-	131
Other amounts due to customers	-	-	-	651	-	-	-	651
Derivatives	9	-	-	-	-	-	9	-
Other liabilities	-	4	-	5	-	(2)	-	7
Current account with subsidiaries	17	22	39	16	-	-	56	38
Total	26	157	39	672	-	(2)	65	827

30.10 Off balance sheet commitments

SNS REAAL NV has provided guarantees as referred to in Book 2, Section 403 of the Dutch Civil Code for SNS Bank NV, SNS Asset Management NV, SNS Beleggingsfondsen Beheer BV, SNS REAAL Invest NV and for some subsidiaries of SNS Bank NV. SNS Bank NV has provided such guarantees for some of its subsidiaries. REAAL NV also has provided such guarantees for some of its subsidiaries, with the exception of SNS Verzekeringen BV and Foresta Investerings Maatschappij NV for which a 403-guarantee has been provided by SNS REAAL NV.

SNS REAAL NV, together with a major part of its subsidiaries, constitutes a single tax entity for corporate income tax and a single tax entity for VAT purposes. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts stemming from the single tax entity.

Within the group entities of SNS REAAL credit facilities and collateral have been provided. For a disclosure reference is made to section 30.11 [Related parties](#).

For more information about the other contingent liabilities please refer to section 28.25 [Contingent liabilities](#) of the consolidated financial statements.

30.11 Related parties

Positions and transactions between SNS REAAL NV and subsidiaries

In € millions	SNS Bank NV		REAAL NV		Other group companies	
	2013	2012	2013	2012	2013	2012
Positions						
Loans and advances	61	159	332	466	16	41
Subordinated debt	-	-	-	-	-	-
Other liabilities	26	157	39	672	-	(2)
Transactions						
Mutation loans and advances	(98)	(37)	(134)	(53)	11	40
Mutation other liabilities	(131)	83	(633)	172	2	(1)
Income	2	3	27	31	2	2
Other expenses	191	147	198	147	7	4

SNS REAAL NV's credit facility at SNS Bank NV has been reduced to a maximum of € 100 million (previously € 305 million). The term is for two years with an extension option of one year. The interest rate of the loan is the 1 month EURIBOR plus 300 basis points. SNS REAAL NV will never establish any right of pledge, right of mortgage or any other right of security on any of its assets as security. Furthermore, SNS REAAL NV, will establish as security, immediately upon request, a right of pledge in favour of SNS Bank NV on its shares in the share capital of REAAL NV. This credit facility of SNS REAAL NV is not considered as an 'at arm's length' facility and is fully deducted from the capital of SNS Bank NV. As at 31 december 2013 this facility was not used.

The corporation tax payable and receivable for the years up to and including 2010 is irrevocably determined. The amount of corporation tax recorded by the various subsidiaries pertaining to these years, has not yet been settled with the head of the fiscal unity. The same applies to the corporation tax payable or receivable for the years 2011 through 2013.

The key transactions between SNS REAAL NV and its subsidiaries in this reporting period are listed below:

- the paid-in share premium of SNS REAAL NV in the equity of SNS Bank NV (€ 1.9 billion). For more information please refer to section 19.2 [Nationalisation and its implications](#).
- the paid-in share premium of SNS REAAL NV in the equity of REAAL NV (€ 250 million). See for more information section 27.2.3 [Capital position SNS REAAL](#).
- the conversion to share premium in the equity of the subordinated loan of € 150 million of REAAL NV issued by SNS REAAL.

The most important transactions between SNS REAAL N.V. and the Dutch State are the capital injection of € 2.2 billion and the bridge facility of € 1.1 billion. This facility has been utilised to repay € 485 million of external funding and € 615 million of internal debt. For further detail reference is made to section 19.2.2 [Change in the capital structure](#) and section 28.22 [Amounts to the Dutch State](#) of the consolidated financial statements.

For more information about the related parties please refer to section 28.26 [Related parties](#) of the consolidated financial statements.

30.12 Audit fees

In the financial year, the following fees of the audit firm KPMG Accountants NV and the other KPMG companies were charged to the organisation, its subsidiaries and other companies it consolidates, all this as referred to in Book 2, Section 382A of the Dutch Civil Code.

Notes to the audit fees

In € thousands, excluding applicable VAT	KPMG Accountants NV		Other KPMG Network		Total	
	2013	2012	2013	2012	2013	2012
Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities	3,178	3,803	-	-	3,178	3,803
Other assurance services	1,091	1,179	-	-	1,091	1,179
Tax advisory services	-	-	292	639	292	639
Other non-audit services	-	-	766	830	766	830
Total	4,269	4,982	1,058	1,469	5,327	6,451

These costs in 2013 include the extra costs KPMG made because of the integrity investigations related to Property Finance and the nationalisation.

Utrecht, 5 March 2014

Supervisory Board

J.J. Nooitgedagt (chairman)

J.C.M. van Rutte

C.M. Insinger

M.R. Milz

J.A. Nijhuis

J.A. Nijssen

L.J. Wijngaarden

Group Executive Board

G. van Olphen (Chairman)

M.B.G.M. Oostendorp

D.J. Okhuijsen

W.H. Steenpoorte

31 Overview of principal subsidiaries

An overview is provided below of the main subsidiaries, categorised under Bank, Insurance and Group activities of SNS REAAL. Participation in the subsidiaries is 100%.

Overview of principal subsidiaries Banking activities

SNS Bank NV	Utrecht
ASN Bank NV	Den Haag
SNS Securities NV	Amsterdam
RegioBank NV	Utrecht

Overview of principal subsidiaries Insurance activities

REAAL NV	Utrecht
SRLEV NV	Alkmaar
REAAL Schadeverzekeringen NV	Zoetermeer
Proteq Levensverzekeringen NV	Alkmaar
SNS Verzekeringen BV	Zoetermeer
Zwitserleven PPI N.V.	Amstelveen

Overview of principal subsidiaries Group activities

SNS REAAL Invest NV	Utrecht
SNS Asset Management NV	Utrecht
SNS Beleggingsfondsen Beheer BV	Utrecht

Other capital interests

For information on the most significant other capital interests, reference is made to the notes to the consolidated balance sheet in section 28.3 [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.

32 Other information

32.1 Provision regarding profit or loss appropriation

Result 2013: € 1,950 million loss.

32.1.1 Provisions of the Articles of Association regarding profit or loss appropriation as per 31 December 2013

The loss appropriation will be determined in accordance with Article 34.4 sub (a) of the Articles of Association of SNS REAAL NV applicable per 31 December 2013, which provides that losses will be debited to the profit reserves, if possible.

32.1.2 Loss appropriation

The loss for the financial year 2013 is debited to the profit reserves of SNS REAAL NV.

32.2 Independent auditor's report

To: the Shareholder of SNS REAAL N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of SNS REAAL N.V., Utrecht, as included in chapters 18 to 31 of this report. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement and the notes, comprising a summary of the accounting policies and other explanatory information.

The Executive Board's responsibility

The Executive Board is responsible for the preparation and fair presentation of these 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 Executive Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SNS REAAL N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of SNS REAAL N.V. as at 31 December 2013 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 requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the Executive Board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 5 March 2014

KPMG Accountants N.V.

P.A.M. de Wit RA

32.3 Independent assurance report

To the readers of the SNS REAAL N.V. Annual Report 2013

Introduction

We have been engaged by the Executive Board of SNS REAAL N.V. (hereafter: SR) to provide assurance on the sustainability information ('VO') as defined in chapter 4 and disclosed in chapters 8, 9, 10, 11 and chapter 15 (further referred to as 'the chapters') as included in the Annual Report 2013. The chapters, including the identification of material issues, is the responsibility of the Executive Board of SR. Our responsibility is to issue an assurance report on the chapters.

What was included in the scope of our assurance engagement?

Our engagement was designed to provide limited assurance on whether the information in the chapters is fairly presented, in all material respects, in accordance with the reporting criteria. The cross references in the chapters to other parts of the Annual Report and the information contained in these other parts are not part of the scope of our assurance engagement.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance. We do not provide assurance on the feasibility of goals, expectations and ambitions of SR.

Which reporting criteria did SNS REAAL NV use?

SR applies the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative, together with internally developed guidelines, for reporting on information in the chapters, as also disclosed in the GRI section of the Annual Report. The chapters should be viewed against this disclosure.

Which assurance standard did we use?

We conducted our engagement in accordance with the Dutch Standard 3410N: "Assurance engagements relating to sustainability reports". This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

What did we do to reach our conclusions?

We carried out the following work:

- A media analysis and internet search to identify relevant environmental, safety and social issues for SR in the reporting period
- Interviewing staff at corporate level who are responsible for the information provided in the chapters;
- Reviewing the design and implementation of systems and processes for collection and processing, including aggregation of data into information in the chapters;
- Reviewing internal and external documentation on a sample basis to determine whether the information in the chapters is adequately supported

As part of our assurance procedures we discussed changes to the draft reports with SR, and reviewed the final version of the chapters to ensure that it reflected our findings.

What is our conclusion?

Based on the procedures performed, as described above, we conclude that the information in the chapters does not, in all material respects, appear to be unfairly stated in accordance with the reporting criteria applied by SR.

Amstelveen, 5 March 2014

KPMG Accountants N.V.

P.A.M. de Wit RA

1 GRI Table

Introduction to GRI table and Global Compact Principles

The annual report is based on the G3.1 guidelines for CSR reporting established by the Global Reporting Initiative (GRI). These guidelines constitute a reliable and credible framework for sustainability reporting. SNS REAAL provides core data as well as reporting against other GRI indicators. The table also outlines the management approach for each topic and the Financial Services Sector Supplement (FSSS), which comprises supplementary reporting criteria for the financial sector. In addition, reference is made to the 10 guidelines of the Global Compact to which SNS REAAL is committed. These principles relate to human rights, labour, the environment and corruption.

Global Compact Principles

Human rights

- Businesses should support and respect the protection of internationally proclaimed human right.
- Businesses should make sure they are not complicit in human rights abuses.

Labour

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- The elimination of all forms of forced and compulsory labour.
- The effective abolition of child labour.
- The elimination of discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges.
- Undertake initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Businesses should work against corruption in all its forms, including extortion and bribery.

SNS REAAL believes that reporting at the B+ level of the G3.1 guideline is appropriate to its situation. This implies that assurance ('limited assurance') is provided regarding the information that SNS REAAL has provided in the relevant sections of this annual report (see GRI table indicator 3.13). Below, we set out how we satisfy the GRI principles concerning materiality, stakeholder engagement and completeness.

Reporting principles

Selection of topics: materiality

Descriptions of CR-related topics in this annual report are based on the results of discussions with stakeholders in 2013 and the results of the material issues analysis conducted in 2012. This analysis involved a variety of groups of stakeholders, including employees, customers, regulators, suppliers, branch and business organisations, specialist institutes and NGOs. Input from such a diverse range of stakeholders has provided us with a sound insight into the issues which are material for us and our stakeholders, namely: financial accountability; our societal involvement; product liability; supply chain responsibility; customer satisfaction; stakeholder dialogue; ethics and integrity; and our role as an employer. This therefore constitutes a solid basis for our reporting. Moreover, our primary focus is on putting the interests of the customer first, further improving our products and services, along with operating our business responsibly.

The materiality analysis conducted related to the entirety of SNS REAAL. However, the impending division of business activities is a good reason for this analysis to be conducted separately for Banking and Insurance activities in 2014.

Engagement of interested parties

During our regular contacts with stakeholders we have raised the question of materiality as a structural issue. In appendix 2.4 'Stakeholder engagement' we elaborate upon the topics that have been discussed with stakeholders and how we have put to use the outcomes. We attach significant importance to stakeholders' opinions and welcome any feedback they wish to provide concerning this report.

Information compilation and its completeness

The information contained in this report relates to all of SNS REAAL's brands and business activities. Collection of data concerning CR-related topics within SNS REAAL was undertaken using the same methods as last year. Here, the Corporate Responsibility department has lead responsibility.

The information was compiled based on interviews with the directors of the business units and staff members and the results from lists of questions concerning qualitative and quantitative data. Material issues were raised during the course of the interviews, and the lists of questions meet the requirements of the G3.1 guideline. Responsibility for providing answers to the lists of questions rests with the CR coordinators within the business units. Data were also accessed from the central information system, for instance data with regard to HRM and the environment. The Corporate Responsibility department checked these data by means of a plausibility check. The processed data is, subsequently, audited by KPMG.

Examination of the content of the report was then undertaken within the business units and in the various staff departments such as HRM, Corporate Communication, Facility Management, Purchasing, Legal Affairs and CS&O (Compliance, Security & Operational Risk Management).

Situations in which no complete picture can be provided for a given topic are indicated in the report. As a consequence of Property Finance operating as an independent entity as of 1 January 2014, the sustainability performance of this business unit has not been included.

Verification of this report

KPMG has audited the CR-related topics and provided a declaration of approval, with 'limited assurance'. CR-related topics are described in the chapter about SNS REAAL's strategy, in the chapters referring to the business units and the chapter about our people. We attach considerable importance to the auditing of this section of the report in order to enhance its reliability, completeness and transparency in respect of our stakeholders.

GRI Table

DMA indicator	Definition	Explanation
EC		
	Economic performance	Ch, 7
	Markets	Ch, 2. introduction
	Indirect economic impacts	Par, 4,3
EN		
	Emissions. energy. paper usage and waste	Par, 11,3
LA		
	Employees. labor relations. training and education and diversity	Ch, 15
HR		
	Investment and procurement practices. non-discrimination. collective bargaining. other aspects related to human rights	Regarding investment policy. see par, 11,2,1 and 11,2,2 'Making the investment chain more sustainable' with regard to investment policy - Regarding procurement practices. including our vision concerning human rights. see par, 11,3,2 and HR2
SO		
	Local communities	Our core business activities exert an impact on events in society given their focus on the management of consumer financial resources in the Netherlands and our central concern for the financial self-reliance of every individual in Dutch society through the medium of banking and insurance products,
	Corruption	Anti-corruption is implicitly expressed within the code of conduct through the rule concerning conflicts of interest: 'Ensure a separation between working and private life in order to avoid any suspicion of a conflict of interest, This applies equally to all business relationships. such as those with customers. suppliers and intermediaries'. see http://www.snsreaal.nl/corporate-governance/articles-of-association-and-regulations.html
nbsp;	Public policy	SNS REAAL is an active member of the branch organisations the Dutch Association of Banking and the Dutch Association of Insurers, The two branch organisations represent our interests in the Netherlands. for instance towards the government. and more widely. when required. Again. during 2013. common branch-wide standpoints were developed on a wide range of issues, More information on www.nvb.nl and www.verzekeraars.nl ,
	Anti-competitive behavior. compliance	Compliance policy. see http://www.snsreaal.nl/corporate-governance/compliance.html See also par, 15,3 and 16,4,2
PR		
	Customer health and safety. product and service labelling. marketing communications. customer privacy. compliance	Par, 4,4

GRI Table

GRI Indicator/ GC Principle	Description indicator	Explanation	Reported
1.1	Statement from board of directors on CR vision and strategy	Forward	fully
1.2	Description of key impacts. risks and opportunities	Par, 4,1. 4,2. 4,4 and 4,7	fully
2.1	Name of organization	SNS REAAL NV	fully
2.2	Primary brands and products	Par, 2,2 and 2,3	fully
2.3	Operational structure of the organization	Par, 20,1	fully
2.4	Location of the headquarters	Utrecht. the Netherlands	fully
2.5	Countries where the organization operates	Banking and Insurance activities in the Netherlands. introduction ch, 2 - Investment activities of SNS Asset Management (SNS AM) in international developed regions. par, 11,2,2 'Making the investment chain more sustainable' - Investment activities of ASN Bank are managed internationally through ASN Beleggingsinstellingen Beheer BV (ABB). a 100% subsidiary of ASN Bank, Refer to the annual reports of the funds. http://www.asnbank.nl/index.asp?nid=9448	fully

2.6	Nature of ownership and legal form	SNS REAAL is a public limited company, All shares are owned by NL financial investments (NLFI),	fully
2.7	Markets served	Par, 2,2 and 2,3	fully
2.8	Scale of the organization	Key figures	fully
2.9	Significant changes during the reporting period	Ch, 5	fully
2.10	Awards received in the reporting period	Appendix GRI 2,1	fully
	Report profile		
3.1	Reporting period	1 January 2013 up to and including 31 December 2013	fully
3.2	Date of most recent previous report	06/06/2013	fully
3.3	Reporting cycle Annual	Annually	fully
3.4	Contact point for questions regarding the report	corporatecommunicatie@snsreaal.nl. verantwoord,ondernemen@snsreaal.nl	fully
	Reporting scope and boundary		
3.5	Process for defining report content	Par, 4,6 and introduction to GRI Table	fully
3.6	Boundary of the report	The quantitative and qualitative information provided refers to SNS REAAL in its entirety except where it is specifically stated that the details apply to one specific business unit or to one part of the organisation,	fully
3.7	Specific limitations	There are no material limitations, Refer also to the reporting principles in the introduction to the GRI table under Completeness,	fully
3.8	Basis for reporting on entities that can significantly affect comparability from period to period and/or between organizations	From 2013. all environmental data are reported on the basis of actual results for Q1 through to Q3. supplemented by an estimate for Q4 based on the actual results during Q4 in the previous year, Up to and including reporting year 2012 all environmental data were reported for the calendar year with the exception of 'waste by type', All other figures reported are comparable with those for the previous year, In the event of other accounting procedures having been applied. the comparative data have been adjusted accordingly, See par, 19,3,4,	fully
3.9	Techniques and bases of calculation for data measurements	The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), SNS REAAL reports on the basis of the GRI G3,1 guidelines. level B+,	fully
3.10	Re-statements of information provided in earlier reports	Par, 19,3,4	fully
3.11	Change of scope	Par, 19,3,4	fully
	GRI content index		
3.12	Table identifying the location of the Standard Disclosures	The complete list of contents can be found in the PDF document immediately following the cover page, On the website. the list of contents precedes the GRI Table,	fully
	Assurance		
3.13	External assurance of the report	KPMG has issued an assurance report for the annual report in respect of the reporting year, Its scope includes sections 8. 9. 10. 11 and 15 and also the Financial Services Sector Supplement, See also introduction to the GRI Table,	fully
	Governance		
4.1	Governance structure of the organization	Par, 4,2 and 4,6	fully
4.2	Independence of Chair of highest governance body	Par, 17,1,2	fully
4.3	Independence of unitary board structure	Not applicable	fully
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Ch, 5 and par, 15,10	fully
4.5	Compensation of senior management	Par, 15,8,1 and 16,6, In paragraph 16,6,1 the matching of remuneration and social and environmental performance is explained under 'Variable remuneration',	fully
4.6	Control of conflicts of interest	Refer to SNS REAAL's Code of Conduct http://www.snsreaal.nl/corporate-governance/articles-of-association-and-regulations.html	fully
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	See Regulations Executive Board: article 3,2 'areas of expertise' and 3,3 'permanent education programme'. http://www.snsreaal.nl/corporate-governance/articles-of-association-and-regulations.html ,	fully
4.8	Internally developed statements of mission or values. codes of conduct. and principles	Par, 4,3. 4,4 and 4,5; Integrity and code of conduct in 15,3; GEEF! in 15,5	fully
4.9	Oversight procedures	Par, 4,6	fully

4.10	Processes for evaluating the highest governance body's own performance	See Regulations Executive Board: article 7 'dealings with the Executive Board'. www.snsreaal.nl/corporate-governance/articles-of-association-and-regulations.html and article 2,3,3 'the relationship between remuneration and performance'. http://www.snsreaal.nl/corporate-governance/remunerations.html	fully
	Commitment to external initiatives		
4.11/ PR7	Application of precautionary principle	Par, 4,4 'Putting the customer's interests first' Investment criteria ASN Bank and SNS AM	fully
4.12	Externally developed initiatives which the organization endorses	Appendix GRI 2,2	fully
4.13	Memberships in associations and/or advocacy organizations	Appendix GRI 2,3	fully
	Stakeholder engagement		
4.14	List of relevant stakeholders	Appendix GRI 2,4	fully
4.15	Identification and selection of relevant stakeholders	Our relevant stakeholders are groups that are in a position to exert an influence on our business operations or those whom we can influence. see also 4,14, During workshops held in autumn 2012 we compiled an overview of all our stakeholders. determined which groups were of relevance and what were the most important issues on which to conduct dialogue, Policy papers were prepared based upon this exercise,	fully
4.16	Approaches to and frequency of stakeholder engagement	Concerning frequency. our practice is to be in contact with relevant stakeholders at least once a year; with regard to customers. intermediaries and regulators far more frequent contact is the norm, See also 4,14,	fully
4.17	Results of stakeholder dialogue and ensuing activities	The outcome of these discussions allows us to continue to optimise our customer-facing products and service provision at the lowest possible cost, See also 4,14,	fully

Economic Performance Indicators

GRI Indicator/ GC Description indicator Principle		Explanation	Reported
EC1	Direct economic value	Key figures and notes to the consolidated financial statements in fully ch, 28 ff,	
EC2/ PR7	Financial implications, risks and opportunities due to climate change	Climate change is an issue that has relevance for the whole of society, SNS REAAL shares this concern and pursues an active climate policy based on scope 1, 2 and 3 of the Greenhouse Gas Protocol, Aspects of our approach that contribute to us achieving our annual climate target include: the energy management systems in our buildings; our mobility policy, through which employees are encouraged to make greater use of public transport and bicycles and limit reliance on private transport; an active energy-reduction policy for the data centres; and flexible working arrangements (HNW), Climate change has been incorporated into our investment policy as a theme. see 'Ons beleggingsbeleid voor de grondstoffensector' (Our investment policy for the natural resources industries, only available in Dutch). http://www.snsam.nl/web/show/id=114885/langid=43	fully
EC3	Coverage of defined benefit plan obligations	Ch, 15,9	fully
EC4	Significant financial assistance received from government	Ch, 5	fully
EC5	Range of ratios of standard entry level wage compared to local minimum wage	Our starting salaries are above the local minimum wage, As starting salaries vary enormously as a result of the considerable diversity in functions, we are unable to provide details of the precise relationship to the local minimum wage,	fully
EC6	Policy, practices, and proportion of spending on locally-based suppliers	SNS REAAL is based exclusively in the Netherlands, This item is fully therefore not applicable,	
EC7	Procedures for local hiring	SNS REAAL is based exclusively in the Netherlands, This item is fully therefore not applicable,	
EC8	Investments in infrastructure and services primarily for public benefit	Not applicable	fully
EC9	Understanding and describing significant indirect economic impacts	Forward and Ch, 5	fully

Environmental Performance Indicators

GRI Indicator/ GC Description indicator Principle		Explanation	Reported
EN1	Materials used by weight or volume	Appendix GRI 2,5	fully
EN2/ PR8	Percentage of materials used that are recycled input materials	Not applicable	fully
EN3	Direct energy consumption	Appendix GRI 2,6	fully
EN4	Indirect energy consumption by source	Appendix GRI 2,6	fully
EN5/ PR8+9	Energy saved due to conservation and efficiency improvements	Par, 11,3,1	fully
EN6/ PR8+9	Initiatives for energy-efficiency or sustainable energy-based products and services	Par, 11,3,1	fully
EN7/ PR8+9	Initiatives to reduce indirect energy consumption and reductions achieved	Par, 11,3,1	fully
EN8	Total water withdrawal by source	Appendix GRI 2,7	fully
EN9	Water sources significantly affected by withdrawal of water	Not applicable	fully

EN10/ PR8+9	Percentage and total volume of water recycled and reused	Not applicable	fully
EN11	Location and size of land in or adjacent to protected areas	SNS REAAL is exclusively based in the Netherlands, This item is fully therefore not applicable,	
EN12/ PR8	Description of significant impacts of activities, products and services on biodiversity in protected areas	Investments in companies that operate in protected areas such as UNESCO World Heritage and IUCN sites are excluded, Also, investments in government bonds are judged on such grounds for exclusion, This is laid down in SNS AM's Fundamental Investment Principles (FIP) page 6. http://www.snsam.nl/web/show/id=91229/langid=43/contentid=7 (only available in Dutch) and ASN Bank issue paper Biodiversity. http://www.asnbank.nl/blob.asp?id=17168	fully
EN13	Habitats protected or restored	Not applicable	fully
EN14/ PR8	Strategies, current actions, for managing impacts on biodiversity	Not applicable	fully
EN15	Number of protected species with habitats in areas affected by operations	Not applicable	fully
EN16	Direct and indirect greenhouse gas emissions	Appendix GRI 2,8	fully
EN17	Other relevant greenhouse gas emissions	Not applicable	fully
EN18/ PR7+8+9	Initiatives to reduce greenhouse gas emissions and reductions achieved	Par, 11,3,1	fully
EN19	Emissions of ozone-depleting substances	Not applicable	fully
EN20	Other significant air emissions	Not applicable	fully
EN21/ PR8	Water discharge by quality and destination	Not applicable	fully
EN22/ PR8	Total weight of waste by type	Appendix GRI 2,9	fully
EN23	Significant spills	Not applicable	fully
EN24	Weight of transported or treated waste deemed hazardous	Not applicable	fully
EN25	Identity of water bodies and related habitats significantly affected by discharges of water and runoff	Not applicable	fully
EN26/ PR7+8+9	Initiatives to mitigate environmental impacts of products and services	Not applicable	fully
EN27/ PR8+9	Percentage of products sold and their packaging materials that are reclaimed	Not applicable	fully
EN28	Monetary value of significant fines for non-compliance with environmental laws and regulations	No significant financial penalties were imposed due to non-compliance with environmental laws or regulations,	fully
EN29	Significant environmental impacts of transporting products and workforce	Appendix GRI 2,10	fully
EN30	Environmental protection expenditures and investments	Investments in environmental protection measures is conducted via the investments of SNS AM, SNS AM invests € 2,71 billion in environmental technology and innovations by means of a best-in-class fund,	fully

Labor Practices

GRI Indicator/ GC Description indicator Principle	Explanation	Reported
LA1	Workforce	Par, 15,11 Number of employees (including external employees) fully by core activity at year end: Staff 3.473 (42%). Sales 1.539 (19%). Back office 3.184 (39%); 2012: Staff 3.321 (44%). Sales 1.838 (24%). Back Office 2.466 (32%),
LA2/ PR6	Employee turnover	Par, 15,11 fully
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social welfare provisions/terms & conditions of employment are available for both full- and part-time employees, fully
LA15	Retention after parental leave	In 2013. following parental leave 34% of male employees returned to work in a comparable function and for the same number of hours, For female employees this was 56%, This compares to 11,3% of male employees and 9% of female employees in 2012, A possible explanation for the difference with 2012 is that people are more uncertain about the future and therefore want no change in the number of hours, There is no policy or programme concerning the return to work following parental leave, If desired. employees make individual arrangements with their supervisor, fully
LA4/ PR3	Percentage of employees covered by collective bargaining agreements	100% fully
LA5/ PR3	Minimum notice period(s) regarding operational changes	SNS REAAL informs its staff as early as possible concerning future developments that (may) have implications for their employability, Employees receive a letter regarding their placement within four weeks following the final decision about organisational changes, SNS REAAL applies the following terms: - reassignment: employees have nine months in which to secure another placement. either within SNS REAAL or externally (herplaatsing) - termination of employment: the standard notice period for an employee is one month. for employees on scale 8 or above this is two months; for the employer. the notice period is two months. in the case of 10-15 years of service it is three months. rising to four months for more than 15 years of service, fully
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	100%, The employment health and welfare committee acts as the representative of the entire workforce of SNS REAAL, The committee is comprised of: the P&O director. the Facility Management director. advisers on P&O Policy & Issues whose areas of attention are welfare and vitality. P&O account managers. the welfare service account manager. a representative of the Central Works Council and (on an ad hoc basis) an external expert, fully
LA7	Rates of injury. occupational diseases. lost days. and absenteeism and total number of work-related fatalities	Par, 15,7,1 and table par, 15,11 fully
LA8	Programs for workforce and their families regarding serious diseases	SNS REAAL's Mutual Aid Fund (Fonds Onderlinge Hulp) is a programme specifically aimed at supporting those employees who are affected by serious illness, The fund provides financial support or (temporary) provision for employees of SNS REAAL who. of no fault of their own. may be affected by sickness, fully
LA9	Health and safety topics covered in formal agreements with trade unions	The collective bargaining agreement includes the following provision: SNS REAAL aims to provide its employees with a safe. healthy and attractive working environment, In particular. attention is paid to preventing and combating (the negative consequences of) pressure of work and RSI, With this in mind. SNS REAAL has agreed a health and safety plan with the works councils in which a range of approaches and solutions are set out, See as well par, 15,5,2, fully

LA10	Average hours of training per year per employee	SNS REAAL does not record the number of hours of training per employee; it does. however. record training costs per employee per year: € 1.753, See table 15,11,	
LA11	Programs for skills management and lifelong learning	Par, 15,7	fully
LA12	Percentage of employees receiving regular performance and career development reviews	100%, All employees are informed about performance and career development during planning. appraisal and evaluation meetings with their supervisor, An e-learning facility was introduced at the start of 2014 with the aim of emphasising the importance of the above,	fully
LA13/ PR6	Composition of governance bodies	Par, 15,5,3. table 15,11 and appendix GRI 2,11	fully
LA14/ PR6	Ratio of basic salary of men to women	Men and women with comparable work experience. level of achievement and potential are equally rewarded, For comparable functions. differences on these various points may mean that variations in salary levels are applicable, The criteria which we apply in determining salary are based on the value of the function (officially approved according to the Hay job rating system) and job structure, These criteria are gender-neutral,	fully

Human rights

GRI Indicator/ GC Description indicator Principle		Explanation	Reported
HR1/ PR1 to 6	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Par, 11,2,1 and 11,2,2 'Making the investment chain more sustainable', In its investment policy SNS AM adheres to the Fundamental Investment Principles (FIP) which apply to all investments under its management,	fully
HR2/ PR1 to 6	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	From mid 2012 SNS REAAL requires a sustainability declaration fully to accompany all purchasing procedures, Agreement to this declaration is mandatory for contracts valued at € 500.000 or higher. or we conclude an agreement concerning the timescale in which a supplier will be able to satisfy the conditions, In 2013. around 80% of the suppliers under contract had signed the declaration, Following conclusion of the contract. sustainability becomes a fixed agenda item during periodic discussions undertaken with a supplier, Human rights is among the issues incorporated in our sustainability declaration. the agreement being to conduct an audit should doubt arise concerning compliance by the supplier, The Purchasing department checks only its direct suppliers on this issue, We rely on a large number of relatively small-scale suppliers, In total. 24% of our purchasing spend is covered by a sustainability declaration: a, < € 250,000 annually - 8% b, € 250,000 - € 500,000 - 15% c, > € 500,000 - 28%	
HR3/ PR1 to 6	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	No training is provided with regard to aspects of human rights, Supervisory staff undergo basic management training and the P&O training for supervisors. but this topic is not specifically addressed,	fully
HR4/ PR1+2+6	Total number of incidents of discrimination and actions taken	In 2013. confidential consellers received three informal complaints concerning discrimination, No formal complaints were submitted and the problems were resolved internally, Employees who experience discrimination as a form of harassment and are unable to resolve the situation on their own are free to approach their supervisor. to seek advice from the company counsellor in their business unit. or to make a formal notification. if necessary with a request for mediation. or to lodge a complaint, The available options are explained on the company's intranet,	fully

HR5/ PR1 to 3	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	Par, 11,2,1 and 11,2,2 'Proactive engagement with companies'. for example of finishing the investments in Walmart	fully
HR6/ PR1+2+5	Operations identified as having significant risk for incidents of child labor	Par, 11,2,1	fully
HR7/ PR1+2+4	Operations identified as having significant risk for incidents of forced or compulsory labor	Par, 11,2,1	fully
HR8/ PR1+2	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Not applicable	fully
HR9/ PR1	Total number of incidents of violations involving rights of indigenous people	Not applicable	fully
HR10/ PR1 to 6	Impact assessment	100%. see also HR5 and FS11	fully
HR11/ PR1+2	Grievance mechanism	Not applicable	fully

Society

GRI Indicator/ GC Description indicator Principle	Explanation	Reported
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	Par, 8,7,1 'Dealing responsibly with money' (SNS Bank). 9,2,13 (REAAL) and 10,5,15 (Zwitserleven)
SO9	Impact on local communities	Investment activities excluded based on the FIP (SAM), See also fully par, 11,2,1,
SO10	Prevention of impacts on local communities	SNS AM intends to engage with companies in the natural resources sector concerning the impact of their activities, both prior to and following a controversy, Major topics in this respect are the Ruggie Principles (which set out governments' obligations and the responsibility of enterprises to respect human rights) and respect for indigenous peoples, See also par, 11,2,2 'Engagement with other stakeholders', the example about reporting obligations for oil, gas and mining companies,
FS13	Access points in low-populated or economically disadvantaged areas by type	Par, 8,7,4 (Regiobank)
FS14	Initiatives to improve access to financial services for disadvantaged people	Par, 8,7,2: in 2013 SNS Bank was the only bank in the Netherlands to gain Drempeelvrij (accessible for people with disabilities) certification for their website; - ASN Bank: development of a payment account covenant; the design of online banking was made more accessible for visually impaired account holders; - Par, 10,5,5: Zwitserleven was awarded Drempeelvrij certification for its website,
SO2/ PR10	Percentage of business units analyzed for risks related to corruption	One business unit has been analysed: Property Finance, Analysis commenced in 2012 and continued in 2013,
SO3/ PR10	Percentage of employees trained in organization's anti-corruption policies and procedures	85%, as part of the e-learning course Common sense, clear conscience,
SO4/ PR10	Actions taken in response to incidents of corruption	Par, 15,3, first paragraph Two incidents that were reported based fully on the whistleblower's provision and which were investigated in 2012 concerned an alleged case of conflict of interest and an alleged case of fraud, Investigations in 2013 were unable to substantiate the allegations,
SO5	Public policy positions and participation in public policy development and lobbying	Par, 4,1: The future of SNS REAAL - Par, 8,7,1 'Proactive dialogue with stakeholders': Security and accessibility of digital cash - Par, 8,7,1: Reform of the Dutch housing market: 'First save, then lend' - Par, 8,7,4: Pilot placement of additional ATMs - Dutch pension system: Zwitserleven played an active role in this debate and secured placement of a number of opinion pieces calling for an expanded range of choice for pension scheme participants,
SO6	Financial and in-kind contributions to political parties and politicians	No contribution
SO7	Number of legal actions for anti- competitive behavior	No legal cases in 2013
SO8/ PR10	Monetary value of significant fines for non-compliance with laws and regulations	Stiff penalties: € 13.500 Two fines were imposed in connection with the Labour Law, in combination with the PES procedure, for the use of foreign cleaning staff lacking valid Netherlands employment permits, SNS REAAL had outsourced screening of the workers to an external organisation,

Product Responsibility

GRI Indicator/ GC Principle	Description indicator	Explanation	Reported
FS15	Policies for the fair design and sale of financial products and services	<p>New sales products are evaluated in line with SNS REAAL's group-wide framework of standards. This determines whether customer interests are a sufficiently central concern according to the criteria of cost efficiency, usefulness, security and comprehensibility. See par. 8,7,1 'Safeguarding the customer's interests'. 9,2,11 and 10,5,5 'Testing for the customer's interests',</p> <p>SNS Bank: 'Dienstverleningsdocument' (Service provision document). https://www.snsbank.nl/particulier/over-sns-bank/juridische-informatie/dienstverleningsdocument.html</p> <p>ASN Bank does not sell any complex financial advice products; our products are straightforward and transparent. In selling our products we seek approval from the Compliance department, and not only on whether they conform to legal requirements. We also ensure that what we communicate is simple and transparent for our various customer groups and prospects. Whenever we offer a discount on products for a particular time period, we make this offer available to both existing and new customers of ASN Bank, - Website: 'Your money is managed and invested sustainably'. http://www.asnbank.nl/index.asp?nid=9439; 'Voorwaarden en Reglementen' (Conditions and Regulations). http://www.asnbank.nl/index.asp?nid=9471</p> <p>Within REAAL, product introduction and changes to products/services undergo a product approval process and a review process. Regarding sales via distribution channels, REAAL relies on distribution partners who can guarantee quality for the customer in combination with a higher level of customer satisfaction, lower costs, a higher return on investment and greater control of the chain, REAAL has committed itself to the Insurance Code (Code Verzekeraars) which stipulates rules of conduct for organisation, risk management, remuneration and product development. see http://www.snsreaal.nl/corporate-governance/codes/banking-code-insurance-code.html</p> <p>Zwitserleven: 'Maatschappelijk bewust rendement' (Social return on investment). http://www.zwitserleven.nl/nl/vooruitdenken/verantwoord_ondernemen and confirmation to the Insurance Code (Code Verzekeraars)</p>	fully
PR1	Assessment of impacts of products and services on health and safety	See FS15	fully
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	<p>New products are assessed against a framework of standards that has been drawn up between Compliance, Security & Operational Risk Management, Legal Affairs and the Business Units. In 2013, SNS REAAL also started a review process of the so-called non-selling products. Products tested in 2013 within this review process have been assessed on the following criteria: cost efficiency, usefulness, security and comprehensibility, - SNS Retail Bank: Although there is room for improvement with regard to the aspect of Security, this has not resulted in a decision to discontinue the offer. It has, however, been decided to implement the required improvements. Furthermore, SNS Retail Bank has issued a planning to review all products until the end of 2015. Review results 2013: Mortgages - no incidents (49% non-selling); Savings - 2 and Investing - 1 (83% non-selling) - REAAL: 1 - Zwitserleven: no incidents</p>	fully
PR3	Products and service information required by procedures	All of our products are subject to procedures governing mandatory provision of information. These include the Financial Supervision Act and pension legislation. An example of our obligation to inform is the simplified prospectus or information relating to the Financial Services Complaints Institute (KiFiD),	fully

		<p>All information is available via our websites: - SNS Bank: 'Financiële bijsluiters' (Simplified prospectus). https://www.snsbank.nl/particulier/over-sns-bank/juridische-informatie/financiele-bijsluiters.html; 'Klacht indienen' (Complain). https://www.snsbank.nl/particulier/klantenservice/contact/klacht-indienen.html - BLG Wonen: 'Formulieren en brochures' (Forms and brochures). https://www.blg.nl/klantenservice/downloads.html; 'Klachtenprocedure' (Complaints procedure). https://www.blg.nl/klantenservice/klachtenprocedure.html - RegioBank: 'Meer informatie' (More information). https://www.regiobank.nl/particulier/home/producten.html (by clicking on a product category); 'Klachtenafhandeling' (Complaints handling). https://www.regiobank.nl/particulier/home/klantenservice/klacht.html - ASN Bank: 'Brochures'. https://www.asnbank.nl/asnappl/scripts/documentaanvragen/documenten.asp?Cat=0000; 'Heeft u een klacht' (Do you have a complaint). http://www.asnbank.nl/index.asp?id=10305</p>	
		<p>REAAL: 'Financiële bijsluiters' (Simplified prospectus). https://www.reaal.nl/klantenservice/financiele-bijsluiters; 'Klachtenafhandeling' (Complaints handling). https://www.reaal.nl/klantenservice/uw-klacht-wat-doen-wij-ermee - Zwitserleven: 'Fonds-informatie' (Investment fund information). http://www.zwitserleven.nl/fonds/fonds-informatie; 'If we do not meet your expectations'. http://www.zwitserleven.nl/nl/klacht</p>	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	Products tested under the review process in 2013. were assessed amongst other things on Comprehensibility (KNVB criteria), We also included (non) mandatory information in the test, Both mandatory and non-mandatory information should at least be comprehensible. factually correct and not misleading, - SNS Retail Bank: The review showed that the information needs to be improved in some cases, Review results 2013: Mortgages - 23 (49% non-selling); Savings - 1 and Investing - 1 (83% non-selling) - REAAL: 1 - Zwitserleven: geen gevallen	fully
PR5	Policy regarding customer satisfaction	Par, 4,5 (list of all brands). 8,7,2 (SNS Bank). 8,7,3 (ASN Bank). 8,7,4 (Regiobank). 8,7,5 (BLG Wonen). 9,2,10 (REAAL) and 10,5,10 (Zwitserleven)	fully
FS16	Initiatives to enhance financial literacy by type of beneficiary	Par, 8,7,1 'Dealing responsibly with money' and 10,5,15	fully
PR6	Programs for adherence to laws. standards. and voluntary codes related to marketing communications	Marketing communication is a structural element of our product approval process, A multi-disciplinary team which includes. for instance. Legal Affairs. Compliance and Fiscal Affairs. reviews marketing communication against all legal criteria and codes, This guarantees that all communication with the customer complies with our internal norms as well as with all external legal and regulatory requirements, See also par, 8,7,1 'Safeguarding the customer's interests',	fully
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	In 2013. SNS REAAL was formally approached three times on non-compliant expressions; 1 the lack of a mandatory credit table in an expression of BLG Wonen on mortgages; 2, the absence of a risk indicator in an Internet banner for an ASN fund; and 3, The incomplete presentation of interest rates and product terms in an expression of REAAL on PlusSparen,	fully
PR8	Total number of substantiated complaints regarding breaches of customer privacy and the loss of customer data	104 in total: - SNS Retail Bank: 75 (SNS Bank 72. BLG wonen 3) - REAAL Leven: 18 - REAAL Schade: 0 - Zwitserleven: 11. all these complaints concerned postal delivery of information that was intended for a different customer,	fully

PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Par, 28,25,5,2	fully
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Financial Services Sector Supplement

GRI Indicator/ GC Description indicator Principle		Explanation	Reported
FS1	Policies with specific environmental and social components applied to business lines	SNS AM is charged with the responsible management of investment funds and investments for SNS REAAL's brands, Environmental and social components form part of the criteria by which SNS AM abides. see par, 11,2,1, Environmental and social components also feature in the customer acceptance policy (see FS3) as well as in SNS REAAL's procurement policy (see par, 11,3,2 and HR2), This ensures that attention is devoted to social components during the development of products and services (see FS15),	fully
FS2	Procedures for assessing and screening environmental and social risks in business lines	Assessment of environmental and social risks is part of the integral risk analysis for investments and the procurement and management of products and services for the office organisation, On a quarterly basis. business units report on leading risks by means of integrity and compliance reporting,	fully
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	SNS REAAL has a Customer Integrity Policy that applies to all of its business units, The purpose of this policy is to manage any risks to integrity that are associated with providing services to the customer, The customer management process consists of: 1, customer research; 2, customer acceptance; 3, customer and transaction monitoring, With regard to the customer acceptance policy. differentiation is made between customers on the debit and credit sides of the balance, Debit clients (such as borrowers) are all assessed against ESG criteria, Credit clients (savers and investors. for example) are not subject to assessment on social or environmental grounds, Naturally. assessment includes applicable laws and regulations (also indicated by DNB. the Dutch Central Bank), An important reason for not assessing credit clients is to avoid us arriving at a judgement concerning a customer's operations on social or environmental grounds. but rather simply a judgement concerning our own operations and manner of investment,	fully
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	SNS REAAL provides instruction on social policy for employees engaged with our brands via our Klantbelang Centraal programme that puts customers' interests first, In addition. employees have. where required. embarked upon training in order to apply CR in their field of expertise, Zwitterleven has developed its own CR training course for its employees,	fully
		The focus of SNS REAAL is on improving the employees' competences on social area by putting the interests of the customer first (Klantbelang Centraal), This process is monitored by means of a uniform KPI dashboard, Professionalism in this area is promoted through online integrity training courses and education, - SNS AM: Responsible investment forms part of our mission. vision. strategy and operational plan, Employees receive information during quarterly meetings. via the intranet and in knowledge-exchange sessions,	fully

		ASN Bank: The expectation is that ASN Bank will gain ISO14001 certification for environmental management of its office premises at the start of 2014. The employees involved received training during 2013. In addition, information and educational sessions about climate change and the objective of 'climate neutrality' were arranged for all employees. - Zwitserleven operates a programme that brings together the themes of leadership, business impact and societal relevance. The programme is aimed at employees at all levels of the organisation. Participants engage with social institutes, innovative commercial service providers and with customers. Its purpose is to provide greater understanding of societal trends, best practices, social innovation and the concrete needs and disappointments of customers so as to incorporate the results into Zwitserleven's approach. A first tranche of employees took part during 2011/2012, followed by the entire management in 2013. The rest of the organisation will participate in the programme during 2014.	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Par, 8,7,1, 9,2,9, 10,5,13 and 11,2,2 'Proactive engagement with fully companies' and 'Engagement with other stakeholders',	
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	ASN Bank: outstanding loans for 100% Europe - SNS AM: managed assets amount to € 44.190 million, of which € 7.453 million with voting rights (16,9%), In 2012: € 41.755 million, of which €6.604 million with voting rights (15,8%), Assets with voting rights by region: 78% in Europe, 13% in the US and 5% in Asia, including emerging markets,	fully
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	SNS Retail Bank: private savings amount to € 33,276 million (2012: € 32,815 million) - ASN Bank: extent of managed assets is € 10.070 million, of which €11 million with voting rights (2012: €9.784 million, of which € 10 million with voting rights), 100% of the managed assets have specific social added value - SNS AM: € 342 million have specific social added value, via the SNS Institutional Microfinance Funds (2012: € 387 million)	fully
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	A proportion of the assets managed by SNS AM has added value for the environment due to investments made in best-in-class funds, Refer to EN30,	fully
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Based on risk analysis, SNS REAAL's Group Audit department is fully responsible for ongoing monitoring and advisory activities on issues of social relevance such as integrity, duty of care, product development and risk management, No independent environmental or social audits are conducted,	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	SNS AM engaged in dialogue with 24 companies (1,2% of the total number of companies in its portfolio) during 2013 to actively encourage changes on environmental and social issues, Significantly more companies are approached through the medium of the voting policy, See par, 11,2,2 'Voting policy',	fully
FS11	Percentage of assets subject to positive and negative environmental or social screening	SNS AM screens 100% of their assets, by other parts of the company there is no registration of this screening,	fully
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	SNS AM: par, 11,2,2 'Voting policy', Voting policy available via http://www.snsam.nl/web/show?id=113300&langid=42 - ASN Bank: As far as possible, all aspects of sustainability are included on which voting can take place, in line with ASN Bank's sustainability policy, These include the linkage of remuneration to sustainability performance, transparency regarding sustainability, management composition and the acquisition of own shares in a company, Voting policy is available via https://www.asnbank.nl/index.asp?nid=9499 ,	fully
FS13	See under Society performance indicators - Local communities		fully

FS14	See under Society performance indicators - Local communities	fully
FS15	See under Product responsibility performance indicators - Customer Health and safety	fully
FS16	See under Product responsibility performance indicators - Product and service labelling	fully

2 Attachments

2.1 GRI table: 2.10 Awards

SNS Retail Bank

- SNS Reisverzekering (travel insurance), Best Buy for the third consecutive year (February 2013)

For the third consecutive year, the Dutch Consumers' Association found the SNS travel insurance to be the 'Best Buy'. SNS Bank achieved a high score based on its good price-quality ratio.

- Assessment of house contents insurance by the financial website MoneyView (May 2013). SNS Bank/ BLG Wonen house contents insurance – five stars for Quality.
- SNS Bank shared the prize for the best home insurance with REAAL and BLG Wonen (June 2013)

With an average test score of 8,4 for their all-risk policies, the three brands emerged as the best for their house contents and buildings insurance, according to the Dutch Consumers' Association. BLG Wonen and REAAL are the joint winners, directly followed by SNS Bank. The brands' high score was primarily due to their cover for damage during rebuilding and vacancy, additional benefits such as a second opinion, cleaning-up costs and glass cover.

- Assessment of daily accessible savings accounts by the financial website MoneyView (June 2013):
 - SNS Maxisparen/ RegioBank Eigen Huis Sparen – five stars for Price
 - SNS Internet Sparen/ RegioBank Spaar-op-Maat Vrij – five stars for Flexibility
- Assessment of legal assistance insurance by the financial website MoneyView (September 2013). BLG Wonen – five stars for Price for complete cover.
- Assessment of immediate annuities by the financial website MoneyView (November 2013). SNS Lijfrentenieren/ BLG Aanvullend Pensioen Uitkeringsrekening/ RegioBank Lijfrentenieren – five stars for Price.

ASN Bank

- ASN Bank once again achieved a very high score for responsible banking in the Netherlands in a survey conducted by *Eerlijke Bankwijzer* (EBW) (April 2013)

ASN Bank achieved the highest score in virtually all issues and sectors assessed by EBW. ASN Bank achieved the highest ranking on 8 out of the 10 issues, and shared the highest score on one issue with Triodos. Nine of the 10 sectors investigated were pertinent to ASN Bank. In 7 sectors ASN Bank achieved the highest score; the highest score in three of these sectors being shared with one or more banks.

- ASN Bank most recommended bank (April 2013)

Dutch consumers recommended ASN Bank above all other financial service providers, leading to ASN Bank winning the Superpromoter Award 2013, an initiative by Blauw Research. Ten thousand Dutch consumers participated in the survey that focused on the value that consumers attach to the opinion of consumers similar to themselves.

- Customers of ASN Bank consider their bank to be far and away the most trustworthy of all financial service providers, according to research by the Persgroep Advertising (May 2013)

Results from the bank and insurance monitor, in 2013, show that customers of ASN Bank view their bank not only as trustworthy but also as the most credible, customer-focused, sustainable, honest, distinctive and helpful. The research involved around 3,000 readers of four daily newspapers: AD, de Volkskrant, Trouw and Het Parool.

- Assessment of daily accessible savings accounts by the financial website MoneyView (June 2013). ASN Optimaalbeleggen – five stars for Flexibility.
- ASN Bank was, in 2013, once again the most customer-friendly bank, according to a survey by Marketresponse (September 2013)

In the banking category, ASN Bank was judged to be the most customer-friendly bank in the Netherlands for the fourth consecutive year. The survey involved 2,500 consumers who assessed banks against six criteria for customer friendliness.

- ASN Bank wins the Golden Bull for 2013 with its ASN Duurzaam Aandelenfonds (sustainable equity fund) (November 2013)

The Golden Bull ('Gouden Stier') is a prize for the best sustainable investment fund, awarded by investment website Belegger.nl. Nine Golden Bulls are awarded each year. The award underlines that investment based on sustainable principles does not have to play second fiddle to more traditional forms of investment.

In January 2014 the sustainable investment website duurzaam-beleggen.nl announced that the ASN Duurzaam Aandelenfonds was the best-performing Dutch sustainable share fund during 2013, delivering a 30.6% return on investment.

- ASN bank has the best financial website in 2013 (November 2013)

The Website of the Year is a public prize awarded each year to the owners of the best websites in the Netherlands. Online visitors judge the sites on their popularity, content, navigation and design. MetrixLab organises the voting in conjunction with Emerce. In 2013, 864,000 votes were submitted. ASN Bank also scooped the prize for the best financial website of the year in 2011 and 2012. SNS Bank was also among the nominees for the prize in 2013.

REAAL and its brands

- Assessment of house contents insurance by the financial website MoneyView (May 2013):
 - REAAL Inboedelverzekering (AR) (house contents insurance) – five stars for Quality
 - Zelf.nl Inboedel (AR) – five stars for Price
- REAAL offers the best home insurance, together with SNS Bank and BLG Wonen (June 2013)

With an average test score of 8,4 for their all-risk policies, the three brands emerged as the best for their house contents and buildings insurance, according to the Dutch Consumers' Association. BLG Wonen and REAAL are the joint winners, directly followed by SNS Bank. The brands' high score was primarily due to their cover for damage during rebuilding and vacancy, additional benefits such as a second opinion, cleaning-up costs and glass cover.

- REAAL retains its certification for customer-focused insurance (*Klantgericht Verzekeren*) after reassessment (December 2013)

KKV is a seal of quality awarded by Stichting toetsing verzekeraars (a foundation that evaluates insurers) for whom a customer-focused approach by insurers is the central concern. REAAL retained the certification following a reassessment of how it responds to emails. This means that REAAL will again be assessed in this category during 2014.

- Assessment of legal assistance insurance by the financial website MoneyView (September 2013). Zelf.nl – five stars for Price for complete cover.
- Assessment of single premiums by the financial website MoneyView (November 2013). REAAL Bancaire Diensten LijfrenteOpbouwRekening (banking services annuity accumulation account) – five stars for Price.
- Assessment of immediate annuities by the financial website MoneyView (November 2013). REAAL Bancaire Diensten Lijfrente Uitkerings Rekening – five stars for Price.
- REAAL holds onto second place in VBDO survey (December 2013)

VBDO (Dutch Association of Investors for Sustainable Development) evaluated 29 insurers on their integration of sustainability into their investment policy. Zwitserleven achieved the highest score, closely followed by REAAL. SNS Asset Management, acting as investment manager, plays an active role in the investment policy pursued by both REAAL and Zwitserleven.

Zwitserleven

- Zwitserleven once again the leader, according to VBDO survey (December 2013)

Zwitserleven again emerged as the most sustainable insurer among 29 insurance companies in the annual survey conducted by VBDO (Dutch Association of Investors for Sustainable Development). The outcome underlines Zwitserleven's position in the vanguard of responsible and sustainable investment policy.

- Zwitserleven gains Drempelvrij certification for its website

The hallmark Drempelvrij indicates that a website is also easily accessible for individuals with sensory or physical disabilities, and for people who have a limited understanding of Dutch.

Other

- ITC staff department employee wins prize for best article (September 2013)

Martijn Veken, one of our staff department employees, was awarded a prize for the best article in 2012 by the professional organisation NOREA for a piece he wrote for the periodical 'IT-Auditor'. NOREA manages the register of qualified IT auditors and aims to promote the development of this field of expertise. The article, entitled 'The Man in de Browser', appeared in the first edition of 2012 and describes a cybercrime technique that has been headache for the banking sector in particular.

- SNS REAAL pension fund wins NPN prize for pension fund of the year (November 2013)

The NPN prizes are an initiative of the independent professional magazine Nederlands Pensioen- en Beleggingsnieuws (Dutch pension and investment news), published by the Financial Times. The prizes are a recognition of the efforts being made to retain the Dutch pension system. The professional jury's view was that SNS REAAL's pension fund scored well on all fronts: governance was well-founded, there was clarity of reporting to participants and it is financially solid.

Our pension fund has gained an honourable mention on a number of previous occasions in the category of 'Best practice investment policy for invested assets under € 3 billion' (in 2009 and 2010) as well as an honourable mention in the category of 'Pension fund of the year' (2009). In 2012 our pension fund was the winner in the category of 'Best practice governance'.

2.2 GRI table: 4.12 Signed and endorsed charters

In 2013 an overview was prepared of the fundamental CSR principles constituting the basis of the CSR policy of SNS REAAL and its brands. These principles are based on (international) guidelines, treaties and codes. SNS REAAL is obliged to adhere by codes such as the Banking and Insurance Code and the Corporate Governance Code. In addition, there are various guidelines that we endorse or sign on to. Those which we sign on to are (up to a certain extent) binding or require some degree of obligation. Guidelines which we endorse help provide direction but are insufficiently detailed as to be binding upon organisations as regards implementation. The common factor in both types of guidelines is that the organisations involved are not permitted to 'cherry pick' the underlying principles or terms of a guideline.

Guidelines signed

SNS REAAL

- UN Global Compact

A strategic policy framework for companies which commit themselves to the principles of the United Nations in the areas of human rights, labour, environment and anti-corruption. Through the Global Compact, the UN aims to bring together companies, UN bodies, trade unions and civil society organisations.

SNS Asset Management

- Carbon Disclosure Project and CDP's Forest Programme

Within CDP's Forest Programme listed enterprises are asked about the operational and supply chain risks they face or generate through the use of five agricultural resources: wood products, palm oil, soya, livestock products and biofuels.

- Principles for Responsible Investment (PRI)

Under this guideline, organisations acknowledge that environmental, social and governance factors have an influence on the investment policy and that it is important to integrate these factors in the investment process.

SNS Bank / RegioBank

- Climate statement by Dutch banks (banking initiative, 2009)

ASN Bank

- Investor Statement on the Urgent Need for a Global Agreement on Climate Change (UNEP FI, 2009)
- Fair & Green Deal (*Platform Duurzame en Solidaire Economie*, 2009)
- Climate statement by Dutch banks (banking initiative, 2009)
- Arms Trade Treaty Statement (PRI, 2011)
- Global Compact (2007)
- Principles for Investors in Inclusive Finance Statement (PIIF, 2011)
- Investor statement on Access to Medicine (ATM) index (Access to Medicine Foundation (ATMF) 2011)
- Natural Capital Declaration (UNEP FI, 2012)
- Investor Statement in Support of SEC Rule 1502 on Conflict Minerals (2013)
- Bangladesh statement, (PRI, 2013)
- Behind The Brands investor statement (Oxfam Novib, 2013)
- Carbon Disclosure Project (signatory as an investor)

Zwitserleven

- Sustainable Investment Code

As a member of the Dutch Association of Insurers, Zwitserleven is required to abide by the rules of the code. The rules derive from the UN Principles for Responsible Investment and the UN Global Compact. It is explicitly stated that investments in controversial types of weapons is prohibited.

- European Sustainable Investment Forum (EuroSIF) Transparency Guidelines

In 2011, Zwitserleven was the first Dutch pension insurance company to be granted use of the EuroSIF certification

- Principles for Sustainable Insurance

A globally accepted guideline for responsible conduct of business operations for companies in the insurance sector. Signatories to this guideline also display an obligation to communicate their progress on an annual basis.

Guidelines endorsed

SNS REAAL

- OECD guidelines

We commit ourselves to encouraging suppliers and subcontractors to apply rules of conduct associated with guidelines that we endorse, we apply due diligence to the supply chain and we combat corruption or anti-competitive agreements in any form, including tax evasion.

- International Labour Organisation (ILO)

By adhering to this guideline we support the effective abolition of child labour and the elimination of all forms of forced labour, we support the elimination of discrimination on grounds of occupation or employment and within our sphere of influence we support the freedom to join a trade union and the effective recognition of the right to collective bargaining.

- Universal Declaration of Human Rights

Within our sphere of influence we support international human rights and are not an accessory to violations of human rights.

- Intergovernmental Panel on Climate Change (IPCC)

For SNS REAAL, the work of the IPCC is the point of departure in elaborating in a structured fashion how to combat climate change. We therefore support initiatives to promote greater responsibility for the environment and the climate (including animal welfare), we promote the development and dissemination of environmentally-friendly and climate-friendly technologies and we do all in our capacity to combat climate change.

- Treaty on the Non-Proliferation of Nuclear Weapons

In endorsing this treaty we commit to have no involvement with controversial types of weapons, neither with regard to their development nor with controversial trading in arms.

SNS REAAL – Facility Management

- Multi-year energy agreement (MJA-3)
- Responsible Market Conduct Code (*Code Verantwoordelijk Marktgedrag*)

SNS Asset Management

- Copenhagen Communiqué on Climate Change

The communiqué provides a clear statement of the impacts of climate change and outlines why and how the commercial sector should play a leading role in reducing global CO2 emissions. It also underlines the economic impacts for businesses in the absence of a global approach to cutting CO2.

- Extractive Industries Transparency Initiative (EITI)

EITI is a coalition of governments, companies, civil society organisations, investors and international organisations. This initiative aims to enhance transparency concerning financial transactions associated with natural resources.

- Principles for Responsible Investment

Under this guideline, organisations endorse that environmental, social and governance factors have an influence on investment policy and that it is important to integrate these factors in the investment process.

- UN Environment Programme Finance Initiative: Natural Capital Declaration

UNEP FI is a partnership between the UN Environment Programme (UNEP) and the financial sector worldwide. Through peer-to-peer networks, research and training, UNEP FI pursues its mission of ensuring that best-in-class environmental and social practices are adopted at all levels within financial organisations.

- Guiding Principles on Business & Human Rights (FIP)

ASN Bank

- Ruggie Principles (2011)

2.3 GRI table: 4.13 Membership of associations and/or advocacy organisations

GRI table 4.13: Membership of associations (such as industry organisations) and/or national/international advocacy organisations in which the organisation:

- plays a role in management entities;
- contributes to projects or is a member of committees;
- provides substantial financial support in addition to membership fees;
- considers its membership to be strategic.

SNS REAAL

- European Savings Bank Group

This membership is dormant.

- Stichting Weet Wat je Besteedt (Stay on Top of Your Spending, WWJB) – partner

The foundation 'Stay on Top of Your Spending' engages with young people and by means of co-creation finds answers and solutions intended to develop the financial self-reliance of youngsters aged 12 to 25. Partners providing the most substantial contributions sit on the WWJB board. In 2013, G. van Olphen represented SNS REAAL and R. Langezaal represented SNS Bank on the board. SNS REAAL has seconded a project coordinator for the day-to-day running of the organisation.

- Stichting Geldinzicht – initiator

Stichting Geldinzicht was established in 2012 by SNS REAAL, based on its mission of 'Simplicity in finance', to develop financial knowledge and insight among consumers. The foundation is independent of SNS REAAL. In the near future its board will be expanded through the addition of external directors.

- MVO Nederland (CSR Netherlands) – partner Large Companies Network

SNS REAAL – Facility Management

- Branch association Facility Management Nederland (FMN)

Interest group. SNS REAAL is also a member of the Kring Huisvesting en Vastgoed (housing and real estate circle) within FMN.

- Vereniging Grootgebruikers Postdiensten (VGP) (association of large postal service users)
- Vereniging Corporate Real Estate Management Executives (CREME)

Participation in CREME is aimed at representing our interests and exchanging knowledge and professionalism in the field of real estate management.

- Corporate Real Estate Federatie (CREF)

Established at the end of 2013, the function of this independent federation is to inform organisations and institutions about corporate real estate and related topics. It aims to expand to become a prominent, independent knowledge institute for developing this field of expertise and promoting professionalism in corporate real estate in the Netherlands.

- Platform Duurzame Huisvesting (AgentschapNL)

Members of this platform for sustainable housing are committed to promoting co-operation within the sector to achieve a greater degree of sustainability in the housing chain. Members address the integration of sustainability within their own organisations and mobilise supporters by showcasing solutions and developing approaches that provide support and clarification.

SNS Asset Management

- Dutch Fund and Asset Management Association (DUFAS)
- Extractive Industries Transparency Initiative (EITI)
- European Sustainable Investment Forum (EuroSIF)
- Global Impact Investing Network - Investors' Council
- NPM, Platform for Inclusive Finance

The platform comprises 15 Dutch organisations that co-operate in combating poverty by means of 'inclusive finance'.

- Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO)

The Dutch Association of Investors for Sustainable Development (VBDO) represents the interests of institutional and private investors who support sustainable development. Membership is based around the objective of setting capital markets on a sustainable path.

- Eumedion

Represents the interests of its institutional investor members in the field of corporate governance and sustainability. The objective of the pension funds, insurance companies, investment institutions and asset managers who are its members is to improve the governance and the environmental and social performance of listed companies.

- UN Principles for Responsible Investment

SNS Bank

- World Savings Banks Institute (WSBI) / European Savings Banks Group (ESBG)

This is membership is important to us as it allows us to:

- *support the efforts of ESBG and WSBI, particularly as regards responsible business and the representation of our interests;*
- *contribute to European representation of regional, responsible banking and thereby to more effectively lobby at the European and international level;*
- *participate in a network of interest.*

Currently, our membership is a so-called passive membership as we (no longer) have representatives on the board, committee, network or taskforce.

- Nederlandse Vereniging van Banken (Dutch Banking Association, NVB)

NVB strives for maintaining a strong, healthy and internationally competitive banking sector in the Netherlands. It represents the joint interests of the banking sector, argues for effective functioning of markets and takes into account the interests of its interlocutors. A wide range of issues transcend the concerns of individual banks. The diversity of those involved, the significant importance at European level and the constantly shifting landscape in which banks operate requires a common approach. Specifically regarding representation at European level, the association is a member of the European Banking Federation.

ASN Bank

- Principles for Responsible Investment (2010)
- Equator Principles (2009)
- UN Environment Programme Finance Initiative (1994)
- Global Reporting Initiative – Organisational Stakeholder
- De Groene Zaak – Founding partner (2010)

The founding partners of De Groene Zaak (Green Business) share the conviction that green approaches to business will pay off in the future, and that a single business model will prove profitable, namely a sustainable business model. The focus is on new ways of generating income, together with other companies.

- VBDO (Dutch Association of Investors for Sustainable Development, 1996)
- MVO Nederland (CSR Netherlands)
- Social Venture Network
- TBLI Club (2013)

A network for ESG and Impact Investing.

- Coöperatieve vereniging Q (Co-operative association Q)

Q is an association whose members pursue a vision of building based on sustainability, health and affordability. Together they operate on the basis of values of trustworthiness, impartiality and non-exclusivity.

- NPM Platform

A platform favouring Inclusive Finance.

- DE (Duurzame Energie) Koepel (Sustainable Energy Foundation)

The foundation's objective is to promote and stimulate the uptake of clean energy.

REAAL

- Verbond van Verzekeraars (Dutch Association of Insurers)

Zwitserleven

- VBDO (Dutch Association of Investors for Sustainable Development)
- Verbond van Verzekeraars (Dutch Association of Insurers)

The association of Dutch private insurance companies. As a member, Zwitserleven is committed to abiding by the association's guidelines which set out how insurers are to deal with issues such as complaints and customer privacy. Examples include company regulations, covenants, codes of conduct and contracts.

- Swiss Life Network

An international partnership of insurers aimed at serving cross-border multinational customers.

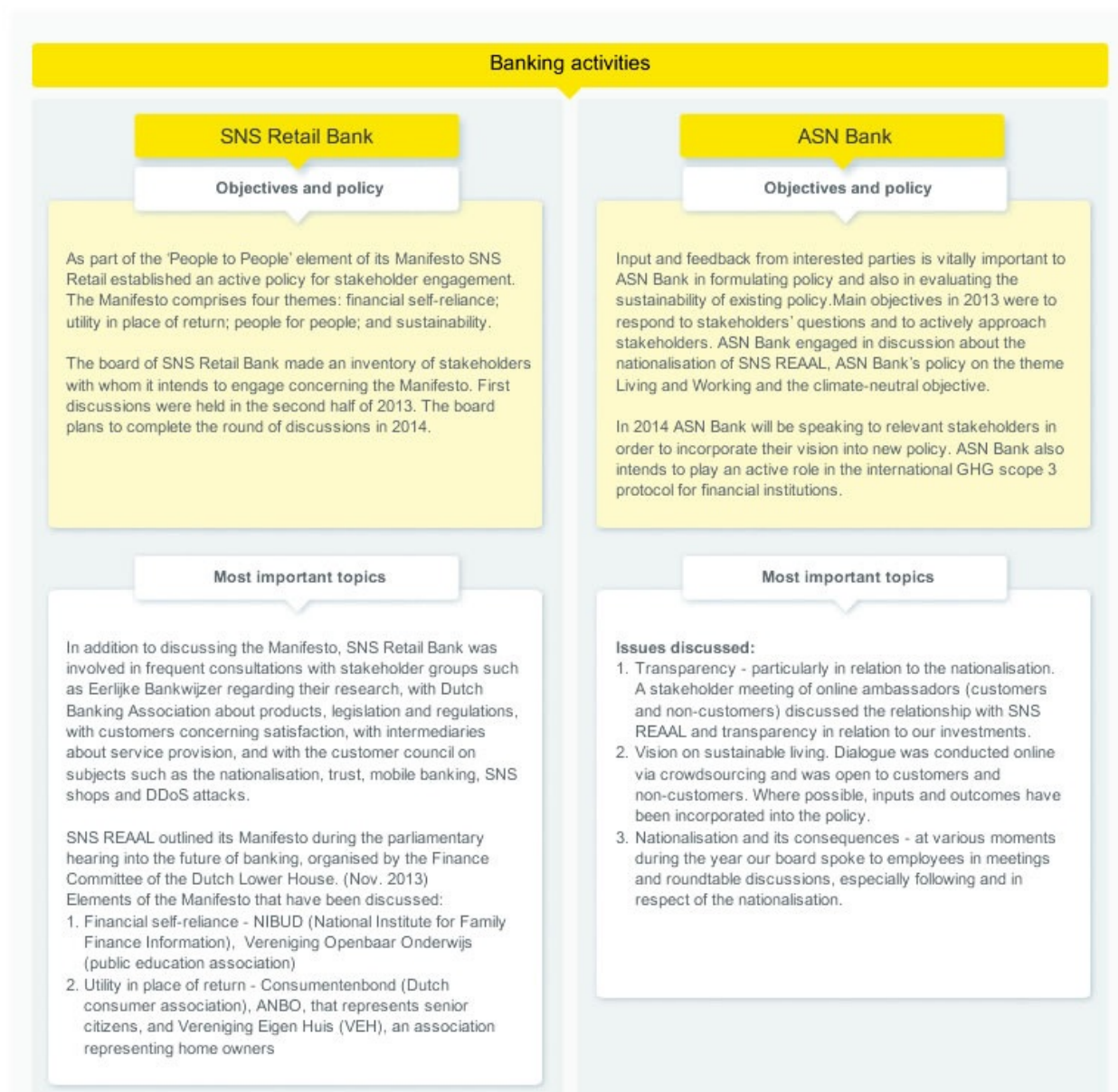
2.4 GRI table: 4.14 Stakeholders engaged

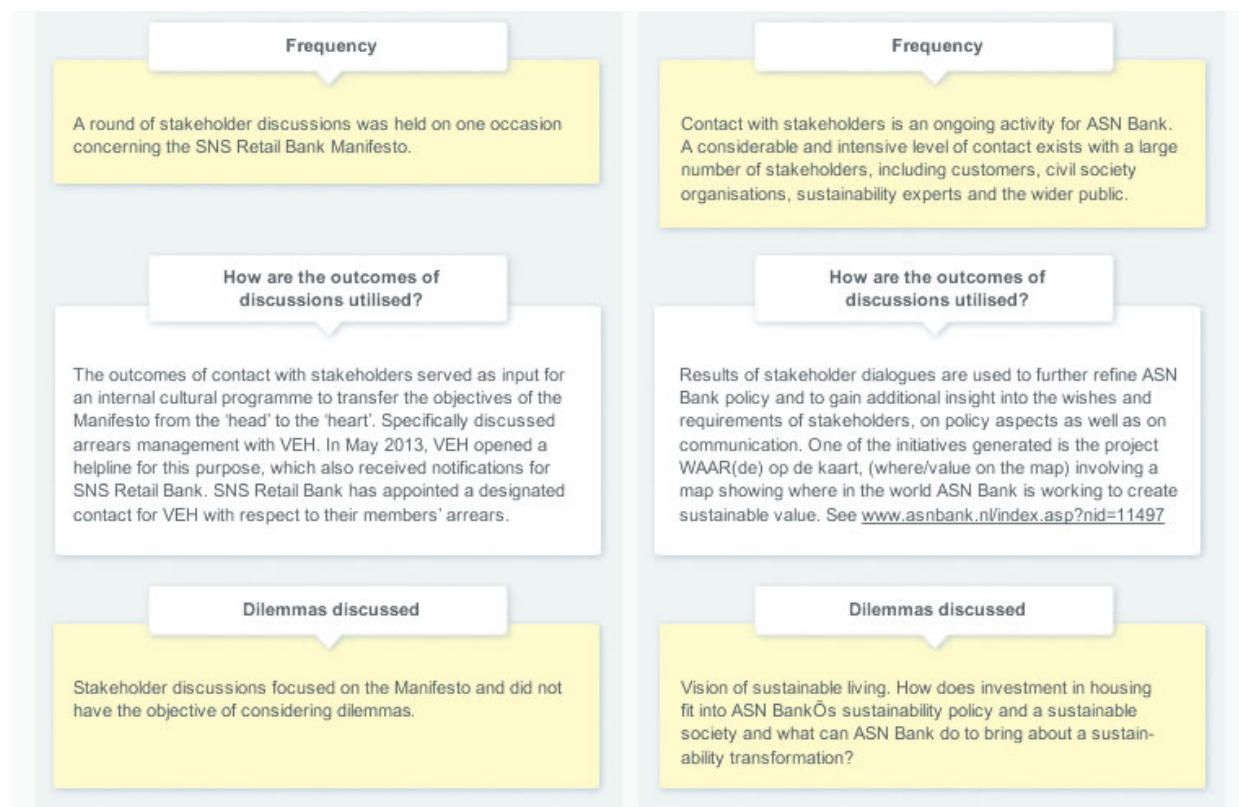
SNS REAAL and its brands are frequently engaged in discussion with a variety of groups of stakeholders. Most prominent among these are: customers, employees, intermediaries/customer advisers, regulators/government, branch organisations, the media, investors and civil society organisations.

On occasion, expectations of stakeholder groups regarding issues that we discuss may conflict. This can lead to dilemmas in our decision-making. While legislative and regulatory bodies expect us to limit risks by maintaining adequate capital buffers, the expectation of our customers is that they can continue to depend upon our support, for instance in securing a mortgage or in arranging cover for particular financial risks. The Dutch Financial Markets Authority (AFM) considers it important that banks and insurance companies exert adequate control over the quality of their intermediaries. On the other hand, AFM and the Dutch Association of Insurers view individual advice as the legal responsibility of the intermediary rather than the insurer or the bank. For this reason we work together with our intermediaries to improve the quality of the broad range of advice that they provide, and we rely on customer feedback and conduct sample surveys.

Our dialogue with stakeholders indicates how we should proceed in conducting our business responsibly and is therefore of enormous value to us.

The table outlines our objectives for stakeholder engagement for our Banking and Insurance activities, along with what was achieved and agreed during 2013 and how these results were manifested in the organisation.





Insurance activities

REAAL (Life and Non-life)

Objectives and policy

REAAL maintains contact with a large number of stakeholder groups of consumers, advisers and those with powers of attorney, as well as the ADFIZ (an interest group for intermediaries), the Dutch financial markets authority (AFM) and the Dutch Association of Insurers. The purpose of the exchanges is to optimise service provision for customers and improve customer satisfaction. The objective is to strengthen our relationship with all stakeholders so that our services meet their requirements. In 2014, REAAL's focus is on improving customer services by providing support via the internet and intermediaries. REAAL also plans to optimise the advice available from intermediaries.

Most important topics

Topics discussed:

1. Ethics and integrity - qualitative and quantitative research among customers about the clarity of information we provide. Results of the research are being applied in the conversion of non-life insurance schemes, the terms and conditions and the product fiche for life insurance, a reminder letter to encourage customers with a unit-linked policy to check on their product, and in the terms and conditions and clauses for disability insurance products.
2. Product liability - discussed with AFM. The input from contacts resulted in the introduction of a new life insurance product containing changes including gender-neutral tariffs.
3. Our contribution to the product chain and external influences - discussed with ADFIZ. In 2013 there were regular exchanges about optimising customer services, for instance discussion of commissions on banking products and the conditions for co-operation between intermediaries and REAAL.

Frequentie

Met consumenten was dagelijks contact, o.a. via REAAL Klanten Service, contact met AFM was maandelijks en met ADFIZ eens per kwartaal.

Hoe zijn uitkomsten van gesprekken benut?

Verdere verbetering van onze producten en dienstverlening richting de consument en optimalisatie van samenwerking met onze partners.

Zwitserleven

Objectives and policy

In 2013, Zwitserleven drew up a policy paper on dialogue with interest groups which addressed the following topics:

- Who are our interest groups and how are they inter-related;
- Why we are important to each other (reciprocity);
- Which communications channels are suited to conducting dialogue;
- The ideal frequency of contact;
- Which subjects and themes we wish to take up with them in 2013 and vice versa.

Zwitserleven began implementing the policy in the second half of the year. In 2014, Zwitserleven will continue to seek dialogue with a variety of stakeholders to better fulfil our responsibilities to customers.

Most important topics

Topics discussed:

1. The future of pensions in the Netherlands
 - a. discussed with customers, advisers and regulators; the Dutch pension system will have to be reformed in order to guarantee its continuity.
 - b. discussed with employees; the changes necessary within Zwitserleven to adapt to this development. This led to the development of the change programme 'Simplicity for later' (EvL, in Dutch).
2. Putting customers' interests first - discussed with employees, advisory partners and regulators; how can we together best guarantee the customers' interests throughout the product chain?
3. Financial education - discussed with the Geldinzicht (Money in sight) foundation and Weet wat je besteedt (Stay on top of your spending): what is our responsibility in this area and can we elaborate on this?

Frequentie

Met medewerkers, werkgevers en adviseurs is er dagelijks contact, o.a. via de relatie- en accountmanagers en de werknemersdesk. Daarnaast zijn er speciale avonden/events georganiseerd voor de discussie over de toekomst van ons pensioenstelsel. Met de AFM en DNB vond dit plaats via het reguliere overleg (maand/ kwartaal). Met medewerkers hebben we gedurende het jaar kwartaalsessies gehouden, met het management een keer per twee maanden.

Hoe zijn uitkomsten van gesprekken benut?

De uitkomsten worden benut voor productontwikkeling (bijv. Nu Pensioenrekening) en verbetering van onze dienstverlening. Daarnaast helpen de gesprekken bij de uitvoering van het veranderings-programma (EvL) en in de gesprekken met toezichhouders.

Dilemmas discussed	Dilemmas discussed
<ul style="list-style-type: none"> Customer information for the non-selling portfolio - discussed with AFM Redemption of banking commission - exchanges with ADFIZ <p>Both parties exchanged details of their standpoints on this topic.</p>	<ul style="list-style-type: none"> Complying with guarantees made to existing participants versus pricing and product development - discussed with AFM and DNB KPI (key performance indicator) purchase by the employer, with product delivery by an adviser (following purchase of a product, Zwitserleven checks with the purchaser that they understand it. Responsibility for advice rests with the adviser. We consider the interests of the customer to be important, but also our relationship with advisers. If the purchaser does not have a sound understanding of the product, we will want to talk to the purchaser) - discussed with AFM Requirements Wft (Act on Financial Supervision)-pension for advisers, how to monitor the frequency requirement - discussed with AFM We conferred with The Labour Foundation (Stichting van de Arbeid) and the Dutch Association of Insurers about the effectiveness of pension communication and its future. The various parties that communicate about pension provision do not always share the same interests. The customer would benefit from having a complete overview.

2.5 GRI table: EN01 Materials

The following table shows total paper consumption per FTE of SNS REAAL. The amount of paper used per FTE fell by 3% in 2013.

Total paper consumption

<i>In thousands kg</i>	2013	2012	2011
Total paper consumption	1,018	1,090	1,472
Total paper consumption in kg per FTE	154	159	210

2.6 GRI table: EN03 Energy

For a business services provider such as SNS REAAL a large proportion of the environmental impact is due to energy consumption. The Table below indicates energy use in office buildings and transport. Energy use per FTE fell by 21% during 2012. This decrease is caused by the introduction of the New World of Work (less use of energy-efficient office equipment and office equipment) and a proactive energy management policy.

Energy consumption by source

<i>In gigajoules</i>	2013	2012	2011
Conventional electricity	3,414	10,525	13,828
Green electricity	50,175	61,865	68,339
Gas consumption	3,415	9,389	10,810
Gas whereof CO2 emissions are compensated	21,667	25,372	29,041
Company cars	52,807	65,373	76,783
Other	9,187	7,468	9,834
Total energy consumption in GJ per FTE	21	27	30

"Other" relates only to diesel for electricity and district heating

2.7 GRI table: ENo8 Water consumption

Water consumption

	2013	2012	2011
Total water consumption in m3	39,661	53,199	54,798
Water consumption in m3 per FTE	6.0	7.8	7.8

In 2013, water consumption per FTE decreased by 23%. This decrease is caused by the introduction of the New World of Work and using less office buildings.

2.8 GRI table: EN16 Emissions

The following Table shows levels of CO₂ emissions for office buildings and transport for SNS REAAL. In order to reduce emissions, SNS REAAL has purchased green gas certificates covering all of the office buildings it owns for the years 2012, 2013 and 2014. The compensated CO2 emissions gas are reported as net amount.

CO₂ emissions by source

<i>In CO2 tonnes</i>	2013	2012	2011
Electricity	383	1,213	1,406
Gas	191	526	605
Flights	287	297	370
Other	272	222	291
Company cars	3,843	4,749	5,582
Total CO2 emissions in kg per FTE	755	1,024	1,178
<i>"Other" relates only to diesel for electricity and district heating</i>			

2.9 GRI table: EN22 Waste

Within SNS REAAL, waste arises in the form of paper and cardboard, low-level hazardous waste (such as toners and other minor chemical waste), biodegradable waste, plastic, non-recyclable waste and other business waste (such as canteen waste, glass and wood). The table below shows the quantities of waste by type.

Waste by type

<i>In thousands kg</i>	2013	2012	2011
Unseparated waste	233	330	327
Biodegradable waste	117	167	169
Small chemical waste	1	1	1
Industrial waste	16	149	191
Paper and cardboard waste	311	443	547
Plastic	35	46	40
Total waste in kg per FTE	108	166	182

2.10 GRI table: EN29 Transport

Fuel consumption by company cars by fuel type

In thousands litres

	2013	2012	2011
Petrol	995	1,276	1,403
Diesel	559	569	745
LPG	5	15	35
Litres of fuel per FTE	236	273	312

Total kilometres flown

In kilometres in thousands

	2013	2012	2011
Total kilometres flown	2,397	2,540	3,128
Total kilometres flown per FTE	363	372	447

Public transport and car transport for commuting or business travel

In thousands kilometres

	2013	2012	2011
Commuting by car	34,765	48,943	36,476
Commuting by public transport	26,489	27,468	31,009
Business travel by car	12,267	12,614	15,050
Business travel by public transport	2,005	2,215	2,677

2.11 GRI table: LA13 Diversity

The composition of the workforce at SNS REAAL is described in the Table concerning “key figures” in the chapter entitled Our people. The following table provides additional information regarding the percentage of female management staff. The graphic shows the distribution of employees according to age.

Percentage of female managers

In percentage of managers in total FTE

	2013	2012	2011
Female managers	24%	22%	25%

Figure 1 Breakdown of employees by age

