SNS REAAL

Press release

PERSBERICHT

Issue of core tier 1 securities / trading update 3rd quarter 2008

The Netherlands, Utrecht, 13 November 2008

"Underlying result resilient, additional strengthening of solid solvency position"

All comparisons are made between the third quarter of 2008 and the second half of 2007 (divided by two) unless otherwise mentioned.

Key points:

Solvency:

- Shareholders' equity at 30 September 2008 virtually stable compared to level 30 June 2008
- Solvency to be strengthened by issue of € 500 million core Tier 1 securities to Stichting Beheer SNS REAAL and € 750 million core Tier 1 securities to Dutch State
- SNS REAAL to pass over final dividend for 2008
- Including issuance of core Tier 1 securities: Solvency 200% for REAAL Verzekeringen and a Tier 1 ratio for SNS Bank of 10%, double leverage below 110%, as per 1 January 2009

3rd Quarter 2008:

- Volatile financial markets led to third quarter net loss of € 88 million; net profit 9M 08: € 138 million
- Given market conditions, underlying profit of € 89 million held up well (9M 08: € 305 million)
- Liquidity and funding position of SNS Bank remained strong
- Net profit lower at SNS Retail Bank, due to pressure on interest result
- Modest increase in net profit at SNS Property Finance, in spite of higher value adjustments
- Significant increase in underlying profit at REAAL Verzekeringen due to consolidation of AXA NL and Zwitserleven
- Net loss at Life Insurance, mainly due to impact of lower equity markets
- Slightly lower net profit at Non Life Insurance due to higher claims ratio
- Integration AXA NL and Zwitserleven and realisation of synergies fully on track

"In the current environment of extremely volatile financial markets, SNS REAAL is focusing first and foremost on reinforcing its solvency and liquidity position. In recognition of the fact that, in the current environment, capital requirements for financial institutions are set higher, and in order to be able to weather any further market turmoil, we have decided to take up the committed € 500 million in core capital from Stichting Beheer SNS REAAL and have proactively requested € 750 million of core capital from the Dutch State. For the clients of SNS REAAL, the capital issuances provide additional security, evidencing our commitment to reinforcing and maintaining our moderate risk profile.

Although SNS REAAL is not immune to the current challenging environment, we delivered a solid underlying performance in both the banking and insurance market in the third quarter. Our market shares improved in savings, mortgages and life insurance. In the third quarter, underlying profit of € 89 million held up well. However, a negative impact of € 177 million from volatile financial markets and one-off items led to a third quarter net loss of € 88 million. In the first nine months of 2008, SNS REAAL reported a net profit of € 138 million and an underlying net profit of € 305 million.

Looking forward, SNS REAAL remains committed to executing its integration plans for AXA NL and Zwitserleven, with which we are fully on track. At SNS Bank, new means of distribution and cost control will continue to go hand in hand. We aim to maintain, and where possible, will keep expanding our market positions, by delivering the right products and services to our customers, which ultimately is the basis for creating value for our shareholders." said Sjoerd van Keulen, chairman of the Executive Board.

Issuance of core Tier 1 securities:

SNS REAAL's moderate risk profile was evidenced by the fact that shareholders' equity remained virtually stable in the third quarter, in spite of increased losses on the equity portfolio at the insurance operations. The internal minimum solvency targets for the banking and life and non-life insurance operations were all met. Double leverage at holding level was higher than the internal target of at most 115%. Capital ratios at SNS Bank were unchanged as at 30 September 2008 compared to the end of June 2008. These ratios will benefit from the second release of capital under Basel II effective from 1 January 2009. Solvency ratios at the insurance operations were lower.

In view of the current volatile market environment and in recognition of higher capital market solvency requirements for financial institutions, SNS REAAL has decided to strengthen its solvency with € 500 million in core Tier 1 securities, to be issued to Stichting Beheer SNS REAAL and € 750 million in core Tier 1 securities to be issued to the Dutch State. In view of the capital issues, SNS REAAL has decided to pass over the final dividend for 2008.

SNS REAAL believes it is prudent at this time to reinforce its capital buffer. The structure chosen provides SNS REAAL with security in the event that markets deteriorate significantly and with the flexibility to avoid excessive overcapitalization in the event that markets stabilize, since SNS REAAL has the ability to repurchase the securities. As the securities issued to Stichting Beheer SNS REAAL are not convertible, potential future dilution of the position of ordinary shareholders is further minimized.

Financial details:

SNS REAAL will issue € 750 million of non-voting core Tier 1 securities to the Dutch State at a price of € 5.25 per security and € 500 million of non-voting core Tier 1 securities to Stichting Beheer SNS REAAL. The Dutch Central Bank classifies all securities as core Tier 1 capital. The securities will rank equal to ordinary shares (pari passu) and the shares B of SNS REAAL. The securities issued to Stichting Beheer SNS REAAL are not convertible. The securities issued to the Dutch State may be converted into ordinary shares by SNS REAAL, in which case the Dutch State has the right to elect a cash payment. The securities issued to Stichting Beheer SNS REAAL are only transferable with the permission of SNS REAAL. The securities issued to the Dutch State are only transferable with the permission of SNS REAAL and the Dutch Central Bank.

Within one year after the issue date, SNS REAAL has the right to repurchase € 250 million of the securities issued to the Dutch State for € 5.25 per security plus the higher of accrued interest of 8.5% over the relevant period or the coupon according to the coupon formula and a repurchase fee up to € 32.5 million (13%), depending on SNS REAAL's share price. Furthermore, SNS REAAL may at any time repurchase all or some of the securities at € 7.875 per security (equivalent to 150% of the original issue price) plus accrued interest. Alternatively, after 31 January 2012, SNS REAAL may choose to convert the securities into ordinary shares on a one-for-one basis. In this situation, the Dutch State may also opt for repayment in cash at the issue price of € 5.25 plus accrued interest.

SNS REAAL may at any time repurchase all or a part of the € 500 million of securities issued to Stichting Beheer SNS REAAL at 120% of the issue price plus payment of accrued interest, subject to approval of the Dutch Central Bank.

SNS REAAL retains full discretion over its policy regarding dividends paid on ordinary shares. The coupon on the securities will be paid only if a dividend is also paid to holders of ordinary shares. The coupon for the securities issued to the Dutch State shall be 8.5%. The coupon for the securities issued to Stichting Beheer SNS REAAL shall be 6.0%. Over the coupon period until 30 May 2009, SNS REAAL expects to pay the Dutch State a coupon of € 31.875 million (assuming an issue date of 30 November 2008). Over the coupon period until 31 December 2008, SNS REAAL expects to pay Stichting Beheer SNS REAAL a coupon of € 2.5 million (assuming an issue date of 30 November 2008).

SNS REAAL will forego a final dividend for 2008. Consequently, the dividend for this year will be € 0.41 per share being the amount already paid out to ordinary shareholders as an interim dividend.

SNS REAAL will use the proceeds of the transaction to increase SNS Bank's core capital by € 225 million and to strengthen the solvency capital of REAAL Verzekeringen by € 775 million. The remaining € 250 million will be used to reduce the double leverage at SNS REAAL's holding level. After the issuance of the securities, SNS Bank's Tier 1 ratio is expected to be 10% as at 1 January 2009, REAAL Verzekeringen's solvency is expected to be 200% as at 1 January 2009 and double leverage at SNS REAAL's holding level will be lowered to below 110% as at 1 January 2009.

Corporate Governance:
The Dutch State obtains the right to nominate two members for the SNS REAAL Supervisory Board, to be elected at the latest at the next SNS REAAL General Meeting of Shareholders in 2009. SNS REAAL intends to convene an informative meeting in the beginning of 2009 to provide shareholders with more insight on the issuance of the securities. The nominees of the Dutch State will also be members of the Supervisory Boards of SNS Bank N.V. and REAAL Verzekeringen N.V. Furthermore, these nominees will be represented on the Audit Committee and Remuneration, Selection & Nomination Committee of the SNS REAAL Supervisory Board and will inter alia have approval rights for decisions concerning equity issuance or buyback and strategic transactions with a value equalling more than one quarter of SNS REAAL's issued share capital and reserves.

All members of SNS REAAL's Executive Board have decided to forego all bonuses for 2008, either in cash, options or shares, given the performance in 2008 and limit exit-arrangements to a maximum of one year's fixed salary.

Q3 08 Trading Update:

SNS Bank:
At SNS Retail Bank, the positive developments at ASN Bank and SNS Regiobank continued. The programme to improve distribution power is progressing well.
New mortgage sales improved, although net interest income at Mortgages decreased slightly. Market share increased compared to the first half of 2008 and currently moves within the 8-10% target range. Following rapid growth in the first half year, market share at Savings increased fractionally. Savings retention rates were high, and in particular ASN Bank performed well in the third quarter. Interest income at Savings was slightly lower. Other interest income was lower, mainly due to the combination of the negative carry of the bank's high liquidity position and higher funding costs. In all, total net interest income at SNS Retail Bank was markedly lower.

Commission income at SNS Retail Bank held up well, in spite of pressure on securities commissions and management fees. Other income segments declined due to lower trading and derivatives results.

Operating costs at SNS Retail Bank were down markedly compared to the second half of 2007 and fractionally lower than in the first half of 2008. Programmes to reduce operating costs are on track. Value adjustments to retail loans increased slightly and were partly offset by release on SME loans. Methodology changes due to the implementation of Basel II pushed up total value adjustments. In all, net profit of SNS Retail Bank came in lower.

At SNS Property Finance, interest income was up significantly, helped by the positive impact of repricing of the portfolio. Operating costs were up slightly compared to last year and flat compared to the first half of 2008. Value adjustments increased compared to the low level of last year, in line with previous guidance, due to higher provisioning for international project finance. Trends on international real estate markets suggest a further increase in value adjustments in the future. Net profit was up compared to last year and somewhat lower than in the first half of 2008.

Due to the drop in profit at SNS Retail Bank, for SNS Bank as a whole net profit declined strongly. Reflecting the stringent cost control and the increase of net interest income at SNS Property Finance, the efficiency ratio improved fractionally.

The liquidity position of SNS Bank remained strong and total available liquidity was similar to the position at the end of June 2008. This will help in weathering the difficult market circumstances for wholesale funding. Funding costs however are moving to structurally higher levels. At SNS Bank, the savings and deposit base held up well and as a result the loan to deposit ratio remained strong.

REAAL Verzekeringen:
The financial statements of REAAL Verzekeringen were influenced by the consolidation of AXA NL, with effect from September 2007, and Zwitserleven, with effect from May 2008. The integration of both entities is fully on track and both companies made a positive contribution to REAAL's underlying result in the third quarter.

Total life premiums increased due to the consolidation of AXA NL and Zwitserleven. Excluding AXA NL and Zwitserleven, both regular and single premium income was flat. Investment income was pressured by sharply higher realised losses and impairments on equities. Excluding the impact of the equity portfolio, investment income was up, due to the consolidation of acquisitions and also organically.

The unwinding of a quota share reinsurance contract led to a reversal of a € 29 million net gain, reported in the first half year. The € 29 million, which represented the discounted gains on a book of life insurance business, will now be released to net earnings in line with the duration of policies.

Excluding the impact of impairments and realised losses on the equity portfolio and the impact from the unwinding of the quota share reinsurance transaction, the underlying Life result was up strongly, due to the consolidation of AXA NL and Zwitserleven as well as organically. However, the increased level of impairments and realised losses on the equity portfolio, compared to previous quarters, led to a substantial net loss. Impairments on other securities remained limited. Based on today's share prices, the fourth quarter will see a further increase in impairments/realised losses on equities. The volatility on financial markets will continue to impact REAAL's earnings.

At the Non-life business, premium income was up organically, and stable including the consolidation impact of AXA NL. Higher claims at Motor and Fire led to a slightly lower third quarter net profit.

Regarding the issue of capping cost loadings on unit linked insurance policies, REAAL has initiated talks with parties concerned and now expects to publish details of its compensation policy in the first quarter of 2009. Earlier guidance on the potential financial impact remains unchanged.

Group Activities:
Group Activities comprise the business units managed directly at holding company level, their income and expenses not being allocated to SNS Bank or REAAL Verzekeringen, as well as part of the financing costs of acquisitions. In the third quarter, higher corporate staffing and advice costs impacted the underlying result. Impairments and realised losses on a small investment portfolio also negatively impacted the result of Group Activities in the third quarter.

Appendix:

	Dutch State	Foundation
Instrument	• Core Tier I non-voting capital securities	• Core Tier I non-voting capital securities
Issue Amount / Issue Price	• €750 million / €5.25 per security	• €500 million / €100 per security
Repurchase	• SNS REAAL has the option to repurchase: ➢ €250 million of securities within 12 months subject to DNB approval ➢ All or some securities at 150% of Issue Price (plus interest) subject to DNB approval	• SNS REAAL has the option to repurchase all or some securities at 120% of Issue Price (plus interest) subject to DNB approval
Conversion Option	• SNS REAAL may convert securities into ordinary shares after 31 January 2012 • Dutch State may opt for repayment in cash at 100% of Issue Price	• No conversion rights or obligations
Coupon	• Coupon is the higher of 8.5% of the Issue Price or: ➢ 110% of dividend on ordinary shares for 2009 ➢ 120% of dividend on ordinary shares for 2010 ➢ 125% of dividend on ordinary shares for 2011 • Coupon will be payable in cash or scrip securities (if ordinary dividend is scrip) • Coupon is only payable if dividends on ordinary shares are declared	• 6.0% of the Issue Price • Coupon is only payable if dividends on ordinary shares are declared • Coupon will be payable in cash only
Ranking	• Equal to ordinary shares and B shares *(pari passu)*	• Equal to ordinary shares and B shares *(pari passu)*
Governance	• The State may nominate 2 new members for the Supervisory Board	• No corporate governance requirements

About SNS REAAL

SNS REAAL is an innovative service provider in the banking and insurance sector with a prime focus on the Dutch retail market and on small and medium-sized enterprises. Its activities cover three main product groups: mortgages and property finance, savings and investments and insurance. From its historical background, SNS REAAL has always felt close to Dutch society. With a balance sheet total of nearly Euro 124 billion (30 June 2008), SNS REAAL is one of the major financial bancassurance companies in the Netherlands. The company has a staff of nearly 8,000 (FTE) and is headquartered in Utrecht, the Netherlands.

Disclaimers

Reservation concerning forward looking statements

This trading update contains forward looking statements concerning future events. Those forward looking statements are based on the current information and assumptions of the SNS REAAL management concerning known and unknown risks and uncertainties.

Forward looking statements do not relate to definite facts and are subject to risks and uncertainty. The actual results may differ considerably as a result of risks and uncertainties relating to SNS REAAL's expectations regarding such matters as the assessment of market risk or possible acquisitions, or business expansion and premium growth and investment income or cash flow predictions or, more generally, the economic climate and changes in the law and taxation.

SNS REAAL cautions that expectations are only valid on the specific dates, and accepts no responsibility for the revision or updating of any information following changes in policy, developments, expectations or the like.

This trading update has not been audited.

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