Interim Financial Report

Utrecht, the Netherlands, 28 August 2014

SNS Bank NV posts first half 2014 net profit excluding one-off items of € 162 million

SNS RETAIL BANK: SOLID PERFORMANCE IN THE FIRST HALF OF 2014

- Solid 2014 first half net profit excluding one-off items of € 162 million, supported by net interest income and lower loan impairments
- 2014 first half net profit of € 111 million, including a one-off charge of € 51 million for the resolution levy on Dutch banks, related to the nationalisation of SNS REAAL
- Encouraging commercial developments: 35,000 new customers, focus on improving customer satisfaction
- Market share new retail mortgages picked up to 3.7% (year-end 2013: 1.8%); market share retail savings balances increased to 10.6% (year-end 2013: 10.1%)
- Common equity Tier 1 ratio SNS Bank NV remained solid at 15.4%, slightly lower compared to year-end 2013 (16.6%) due to regulatory changes
- Slightly higher efficiency ratio of 44.8% (first half of 2013: 41.5%) as in the comparative period of last year total income was boosted by non-recurring elements

FOCUS ON STANDALONE FUTURE

- SNS Bank NV positioned as independent entity
- Transformation SNS REAAL from operational to financial holding company

“In the first half of 2014, SNS Retail Bank posted solid first half results, both financially and commercially. Solvency in terms of both the common equity Tier 1 and the leverage ratio remained strong. Market shares in mortgages and savings are gradually improving. At the same time, we worked hard to prepare for the positioning of our bank as an independent entity. The first phases of the transfer of holding staff to the bank have been completed. Furthermore, a new statutory board was appointed and installed.

In the second half of 2014 we will continue to focus on preparing for the standalone future of our bank and servicing our customers to the best of our ability”, said Dick Okhuijsen, Chairman of the Management Board of SNS Bank.

1 Key figures

Key figures

In € millions	**1st half year 2014**	1st half year 2013	2nd half year 2013
Result			
SNS Retail Bank	**111**	**215**	**(31)**
Property Finance	-	(1,789)	253
SNS Bank	**111**	**(1,574)**	**222**
Other key figures (SNS Retail Bank)			
Total assets	68,633	77,632	74,537
Loans and advances to customers	53,550	52,177	53,405
Savings	36,269	32,782	33,276
Efficiency ratio SNS Retail Bank	44.8%	41.5%	63.9%
Common equity Tier 1 ratio	15.4%	12.2%	16.6%
Tier 1 ratio	15.4%	12.2%	16.6%
Total capital ratio	15.4%	12.3%	16.7%
Leverage ratio	3.2%	2.9%	3.2%

The result of SNS Retail Bank differs from the result in SNS REAAL press release. Please refer to the Accounting principles section Segment presentation SNS Bank NV versus SNS REAAL on page 20

Common equity Tier 1 ratio, Tier 1 ratio, Total capital ratio and leverage ratio are calculated based on CRD IV (transitional, SNS Bank NV on a prudential consolidated basis), comparative figures are calculated on Basel II (SNS Bank NV on a standalone basis).

For the first half of 2014, SNS Bank posted a net profit of € 111 million compared to a net loss of € 1,574 million for the first half of 2013. This period included a net loss of € 1,789 million at Property Finance following the nationalisation. As of 31 December 2013, Property Finance was legally separated from SNS REAAL.

2 Foreword

SNS Retail Bank

SNS Retail Bank performed well during the first half year of 2014. Its market share in new retail mortgages gradually increased and its market share in retail savings edged up too. The customer satisfaction score of the SNS Bank brand continued the improving trend that started after the nationalisation in 2013. In the first half of 2014, SNS Retail Bank organised several management and strategy sessions, aimed at creating a common base for its independent future.

Net interest income increased during the first half while adjusted operating costs were higher, driven mainly by regulatory projects including the asset quality review (AQR) and project costs for customer due diligence. Allocated holding company costs were also higher. Loan impairments were lower, due to a lower inflow of non-performing loans. In all, SNS Retail Bank posted a solid € 162 million net profit excluding one-off items. Net profit was € 111 million and included a € 51 million one-off charge for the resolution levy on Dutch banks, related to the nationalisation of SNS REAAL.

Solvency as measured by the common equity Tier 1 ratio remained solid at 15.4%, slightly below the 16.6% reported for year-end of 2013. The decline was entirely due to the impact of new solvency regulations that apply to SNS Bank NV. Based on these regulations, SNS REAAL NV, a mixed financial holding company, is regarded as part of the prudential consolidated group of SNS Bank NV.

Increasingly SNS Retail Bank is positioned as an independent entity, while SNS REAAL is transformed from an operational to a financial holding company. In the first half of 2014, progress was made in the transfer of holding staff to the bank and in integrating them in the organisation. Moreover, a new statutory board was appointed and installed.

Outlook

We expect SNS Retail Bank to continue to achieve satisfactory results in the second half of 2014, although lower than in the first half. Loan impairments are expected to remain elevated and volatile. Operating costs will continue to be impacted by regulatory project costs, for example related to customer due diligence, and dis-synergies from the separation of the Insurance and Banking activities. Finally, the second half result will include a charge for the third and final tranche of the resolution levy on Dutch banks of approximately € 25 million net.

3 SNS Retail Bank

Highlights

- Encouraging commercial developments: 35,000 new customers; market share new retail mortgages picked up to 3.7%; retail savings balances increased to € 36.3 billion
- First half net profit of € 111 million, including a one-off charge for the resolution levy on Dutch banks of € 51 million
- Net profit excluding one-off items of € 162 million, supported by net interest income and lower loan impairments
- Lower gains on the buy-back of own debt compared to the exceptionally high level in the first half of 2013
- Credit quality of the mortgage portfolio stabilised with lower inflow of non-performing loans and lower impairments compared to the first half of 2013
- Solid Common equity Tier 1 ratio of 15.4%, slightly lower compared to year-end 2013 (16.6%) due to regulatory changes

Profit and loss account SNS Retail Bank

In € millions	1st half year 2014	1st half year 2013	Change	2nd half year 2013
Net interest income	491	460	7%	497
Net fee and commission income	24	28	(14%)	22
Other income	23	156	(85%)	(114)
Total income	**538**	**644**	**(16%)**	**399**
Impairment charges to loans and advances	82	94	(13%)	120
Other impairment charges	(1)	-	0%	10
Total operating expenses	241	267	(10%)	255
Other expenses	51	-	0%	8
Total expenses	**373**	**361**	**3%**	**393**
Result before tax	**165**	**283**	**(42%)**	**6**
Taxation	54	68	(21%)	37
Net result for the period	**111**	**215**	**(48%)**	**(31)**
One-off items	(51)	20		(99)
Adjusted net result for the period	**162**	**195**	**(17%)**	**68**
Efficiency ratio	44.8%	41.5%		63.9%

Result

Results first half of 2014 compared to first half of 2013

Adjusted net result SNS Retail Bank

In € millions	1st half year 2014	1st half year 2013	Change	2nd half year 2013
Net result for the period	**111**	**215**	**(48%)**	**(31)**
Resolution levy	(51)	-		-
Direct impact of nationalisation measures	-	20		(13)
Derivatives related to DBV securitisations	-	-		(86)
Total one-off items	**(51)**	**20**		**(99)**
Adjusted net result for the period	**162**	**195**	**(17%)**	**68**
Adjusted efficiency ratio	44.8%	37.9%		49.6%

The decline in SNS Retail Bank’s net profit compared to the first half of 2013 was partly driven by one-off items. In the first half of 2014 results included a € 51 million one-off charge for the resolution levy on Dutch banks, whereas in the first half of 2013 net profit included a € 20 million one-off gain from nationalisation measures. This € 20 million one-off gain consisted of a € 80 million gain on the expropriation of subordinated debt and related derivatives (included in Result on financial instruments), partly offset by a € 53 million provision charge for the compensation of former holders of participation certificates (included in Operating expenses) and a tax effect of € 7 million negative. Adjusted for one-off items, SNS Retail Bank's net profit decreased to € 162 million from € 195 million in the first half of 2013. The main driver behind this decrease were lower gains on the buy-back of own debt. In the first half of 2013 these gains had been exceptionally high at € 39 million compared to € 4 million in the first half of 2014. Otherwise, higher net interest income and lower impairment charges were broadly offset by higher adjusted operating expenses.

Income

Income SNS Retail Bank

In € millions	**1st half year 2014**	1st half year 2013	Change	2nd half year 2013
Net interest income	491	460	7%	495
Net fee and commission income	24	28	(14%)	22
Investment income	35	31	13%	7
Result on financial instruments	(16)	124	(113%)	(126)
Other operating income	4	1	300%	5
Total income	**538**	**644**	**(16%)**	**403**

Net interest income showed an increase of € 31 million (+7%) to € 491 million, driven mainly by declining interest rates on both retail and wholesale funding. This was partly offset by the negative impact of the full redemption of funding provided to Propertize in the first half of 2014, declining interest rates on mortgage loans and a slight decrease of the mortgage portfolio.

Net fee and commission income decreased by € 4 million to € 24 million due to lower asset management fees.

Investment income increased by € 4 million to € 35 million, driven by higher realised gains on fixed-income investments.

The result on financial instruments fell by € 140 million to € 16 million negative, partly caused by the absence of € 80 million one-off gains from the expropriation of privately placed subordinated debt and the unwinding of the related derivatives. Furthermore, buy-back results on own funding paper were sharply lower at € 4 million compared to a € 39 million gain in the first half of 2013. Results of fair value movements on mortgages and derivatives used for hedging purposes were also lower.

Expenses

Breakdown impairment charges SNS Retail Bank

In € millions	1st half year 2014	1st half year 2013	Change	2nd half year 2013
Impairment charges on retail mortgage loans	66	70	(6%)	103
Impairment charges on other retail loans	2	3	(33%)	2
Impairment charges on SME loans	14	21	(33%)	15
Total impairment charges on loans and advances	**82**	**94**	**(13%)**	**120**
Impairment charges on tangible assets and other	(1)	-	0%	10
Total impairment charges	**81**	**94**	**(14%)**	**130**
Impairment charges on loans and advances as a % of average gross outstanding loans to customers	0.30%	0.35%		0.45%
Impairment charges on retail mortgage loans as a % of average gross outstanding retail mortgage loans	0.28%	0.29%		0.43%

Total impairment charges on loans and advances decreased by € 12 million to € 82 million, equalling 30 basis points (bps) of gross outstanding loans. As a result of a lower inflow of non-performing loans, impairment charges on retail mortgage loans decreased by € 4 million to € 66 million, equalling 28 bps of gross outstanding retail mortgages.

Impairments charges of SME loans decreased by € 7 million to € 14 million, mainly due to a lower inflow of non-performing loans in a still fragile economic situation.

Operating expenses SNS Retail Bank

In € millions	**1st half year 2014**	1st half year 2013	Change	2nd half year 2013
Total operating expenses	**241**	**267**	**(10%)**	**255**
Adjustments:				
Provision charge for compensation participation certificates	-	53		-
Share in savings guarantee scheme	-	-		(7)
Total adjustments	**-**	**53**		**(7)**
Adjusted operating expenses	**241**	**214**	**13%**	**262**

Total operating expenses decreased by € 26 million to € 241 million. The first half of 2013 had included a charge of € 53 million for the compensation of former holders of participation certificates. Adjusted for this, total operating expenses increased by € 27 million (13%) mainly driven by increased regulatory costs including the asset quality review (AQR), project cost of customer due diligence and an additional cost allocation from the SNS REAAL holding company of € 10 million.

The efficiency ratio was 44.8%, compared to 41.5% in the first half of 2013. In the first half of 2013 total income had included a substantial amount of one-off gains from nationalisation measures and an exceptionally high level of gains on the buy-back of own debt and additonal cost allocations. The adjusted efficiency ratio was 44.8%, higher compared to 37.9% in the first half of 2013.

Results first half of 2014 compared to second half of 2013

Compared to the second half of 2013, the net result increased sharply by € 142 million. One-off items explain € 48 million of the improvement. In the second half of 2013, one-off items amounted to € 99 million negative, consisting of an amount of € 86 million negative related to revaluation of DBV securitisation structures and an additional tax loss of € 13 million related to nationalisation measures. Adjusted for one-off items, net profit of SNS Retail Bank improved by € 94 million to € 162 million. The main factors behind this increase were lower impairment charges on loans and higher realised gains on fixed-income investments.

Customer, mortgages and savings

Customers, mortgages and savings SNS Retail Bank

	June 2014	December 2013	June 2013
Total number of customers (in thousands)	3,184	3,162	3,119
Residential mortgages (in € billions)	46.5	47.0	48.1
Market share new mortgages	3.7%	1.8%	1.2%
Retail savings (in € billions)	36.3	33.3	32.8
Market share retail savings	10.6%	10.1%	9.9%
SME savings (in € billions)	3.1	3.1	2.8

In the first half of 2014, the SNS Retail Bank brands (SNS Bank, ASN Bank, BLG Wonen, RegioBank and Zwitserleven Bank) realised a net growth of the customer portfolio of 35,000, excluding the impact of the sale of SNS Fundcoach. Overall customer satisfaction scores rose in the first half of 2014, in particular at the SNS Bank brand. Although slightly lower than at year-end 2013, ASN Bank continues to have one of the highest customer satisfaction rates in the industry. In order to further improve our customer services, SNS Retail Bank added several mobile services to its mobile banking proposition.

SNS Retail Bank's residential mortgage portfolio decreased to € 46.5 billion (year-end 2013: € 47.0 billion), due to redemptions, driven by a higher level of prepayments. SNS Retail Bank's market share in new mortgages increased gradually to 3.7% (year-end 2013: 1.8%).

Retail savings balances increased to € 36.3 billion from € 33.3 billion at year-end 2013 and SNS Retail Bank's market share in savings was 10.6% (year-end 2013: 10.1%). Bank savings, included in retail savings, increased slightly from € 3.0 billion at year-end 2013 to € 3.1 billion. SME savings, included in 'Other amounts due to customers', were stable at € 3.1 billion compared to year-end 2013.

Risk and capital management

Internal risk controls

In addition to putting significant effort into the improvement of the reliability and timeliness of reporting and information systems across the different risk disciplines, a structured approach has been adopted towards the design of an integrated control framework, aimed at supporting the bank to further strengthen its internal controls. As per 1 July 2014, new reporting lines were implemented. The former tasks of the CFRO function have been distributed over two officers: a CFO and a CRO. The former Group Risk departments are now divided over the Banks' new Financial Risk and Enterprise Risk departments.

Credit risk

As a domestic mortgage provider, SNS Retail Bank is exposed to the Dutch economy and residential housing market developments. In the first half of 2014, the Dutch economy showed cautious signs of recovery. Consumer confidence rose and unemployment figures showed a slight decline over the last few months. The number of homes sold rose compared to the same period last year. At the end of June 2014, residential house prices were up 2.2% on average compared to the same period a year ago.

The credit quality of the portfolio stabilised. The inflow of non-performing loans and the impairments were lower compared to the first half of 2013. Impairments were mainly related to the existing default portfolio resulting in a limited increase of the coverage ratio.

Loans and advances to customers SNS Retail Bank

	June 2014				December 2013			
In € millions	**Gross amount**	**Specific provision**	**IBNR provision**	**Book value loans**	Gross amount	Specific provision	IBNR provision	Book value loans
Retail mortgage loans	46,859	(292)	(33)	46,534	47,316	(265)	(41)	47,010
Retail other loans	269	(33)	(1)	235	293	(35)	(1)	257
Total retail loans	**47,128**	**(325)**	**(34)**	**46,769**	**47,609**	**(300)**	**(42)**	**47,267**
SME loans	1,194	(116)	(4)	1,074	1,249	(105)	(6)	1,138
Other semi-public loans	2,360	-	-	2,360	2,699	-	-	2,699
Private and cash loans to the public sector	3,347	-	-	3,347	2,301	-	-	2,301
Total loans and advances to customers	**54,029**	**(441)**	**(38)**	**53,550**	**53,858**	**(405)**	**(48)**	**53,405**

As of 30 June 2014 a gross amount of € 1,095 million of SME mortgage loans was included in the SME loans (31 December 2013: € 1,143 million)

In prior financial reporting periods the collective provisioning for non-default loans were recognised under the specific provision. As of this financial reporting period this is presented under the IBNR provision. Comparative figures have been adjusted accordingly

Compared to year-end 2013, loans and advances to customers rose by € 0.2 billion to € 53.6 billion. This was the balance of a € 1.0 billion increase of private and cash loans to the public sector, a € 0.5 billion decrease in retail mortgage loans and a € 0.3 billion decrease in other semi public loans.

Coverage ratio

	June 2014					December 2013				
In € millions	**Loans in arrears**	**Non default**	**Impaired default**	**Specific provision**	**Coverage ratio**	Loans in arrears	Non default	Impaired default	Specific provision	Coverage ratio
Retail mortgage loans	2,151	712	1,439	(292)	20.3%	2,170	762	1,408	(265)	18.8%
Retail other loans	87	15	72	(33)	45.8%	97	18	79	(35)	44.3%
Total retail loans	**2,238**	**727**	**1,511**	**(325)**	**21.5%**	**2,267**	**780**	**1,487**	**(300)**	**20.2%**
SME loans	181	-	181	(116)	64.1%	171	-	171	(105)	61.4%
Total loans and advances to customers	**2,419**	**727**	**1,692**	**(441)**	**26.1%**	**2,438**	**780**	**1,658**	**(405)**	**24.4%**

The coverage ratio (specific provisions as a percentage of impaired default loans) increased to 26.1% from 24.4% at year-end 2013. For retail mortgage loans, the coverage ratio rose to 20.3% mainly related to additional provisions for mortgage loans in default for a longer period.
For SME loans the coverage ratio increased to 64.1% from 61.4% at year-end 2013, mainly due to decreased collateral values.

At the end of June 2014, the weighted average indexed LtV of the retail mortgages stood at 89%, stable compared to year-end 2013.
New mortgage inflow has a low risk profile thanks to stricter mortgage criteria and a large part of new mortgages being covered by the Dutch Mortgage Guarantee Scheme (NHG). In the first half of 2014, 79% of mortgage origination was covered by NHG. Of the total mortgage portfolio, 27% is now covered by NHG.

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 90 days or when it is determined that further payment is unlikely. The provisioning for defaults is recognised under the specific provision.

Statement of changes in provision for loans and advances to customers

in € millions	Retail mortgage loans	Retail other loans	SME loans	**Total**
Balance as at 1 January 2014	306	36	111	453
Write-off	(47)	(4)	(5)	(56)
Addition	104	3	22	129
Release	(38)	(1)	(8)	(47)
Balance as at 30 June 2014	**325**	**34**	**120**	**479**

The provisions increased to € 479 million from € 453 million at year-end 2013. Although impairment charges decreased compared to 2013, the balance of additions and releases of € 82 million remains higher than realised write-offs.

Loans and advances to customers in arrears SNS Retail Bank

In € millions	June 2014		December 2013	
No arrears	51,610	96%	51,420	96%
< 3 months	1,139	2%	1,205	2%
3 - 6 months	289	1%	296	1%
6 - 12 months	301	1%	346	1%
> 1 year	690	1%	591	1%
Subtotal arrears	**2,419**	**5%**	**2,438**	**5%**
Provision	(479)	(1%)	(453)	(1%)
Total	**53,550**	**100%**	**53,405**	**100%**

The credit quality of SNS Retail Bank's retail mortgage portfolio stabilised in the first half of 2014. The book value of loans in arrears decreased slightly to € 2.419 million from € 2.438 million at year-end 2013.

Market risk

In order to maintain a low sensitivity to changes in interest rates, duration of equity was held at low levels between 0 and 2. The change of equity value relative to own funds after a parallel interest rate shift of 200 bps was 2% in June 2014 (year-end 2013: 6.4%), well within the 20% regulatory limit.

Earnings at Risk (EaR) measures the sensitivity of net interest income to a limited set of extreme but plausible interest rate scenarios. At the end of the first half of 2014, EaR was € 9 million, compared to € 21 million at year-end 2013.

The total trading portfolio of SNS Retail Bank is limited (€ 0.7 billion). The market risk resulting from this portfolio is managed on a day-to-day basis by limits on a 1 day Value at Risk (VaR) with a confidence level of 99%. The total limit of the VaR was € 3 million, reflecting the low risk profile of these activities.

Total investments at SNS Bank rose from € 5.6 billion to € 5.8 billion at the end of June 2014, 85% of this exposure was invested in sovereign debts (year-end 2013: 83%).

Capital position

Capital position on a prudential consolidated basis

Capitalisation SNS Bank NV on a prudential consolidated basis

In € millions	June 2014 CRD IV transitional	December 2013 pro forma CRD IV transitional	June 2014 CRD IV fully phased in	December 2013 pro forma CRD IV fully phased in
Shareholders' equity SNS REAAL	**4,496**	**4,496**	**4,496**	**4,496**
Increased equity securitised assets	(21)	(20)	(21)	(20)
Cash flow hedge reserve and fair value reserve	(265)	(126)	(144)	(100)
Total prudential filters	**(286)**	**(146)**	**(165)**	**(120)**
Intangible assets	(98)	(102)	(98)	(102)
Deferred tax assets	(46)	(71)	(230)	(354)
IRB shortfall	(97)	(104)	(97)	(104)
Total capital deductions	**(241)**	**(277)**	**(425)**	**(560)**
Total regulatory adjustments to shareholders' equity	**(527)**	**(423)**	**(590)**	**(680)**
CRD IV common equity Tier 1 capital	**3,969**	**4,073**	**3,906**	**3,816**
Additional Tier 1 capital	-	-	-	-
Tier 1 capital	3,969	4,073	3,906	3,816
Tier 2 capital	**-**	**-**	**-**	**-**
Total capital	**3,969**	**4,073**	**3,906**	**3,816**
Risk-weighted assets	**25,800**	**26,958**	**26,286**	**27,064**
Exposure measure as defined by the CRR	125,237	129,205	125,174	129,205
Common equity Tier 1 ratio	**15.4%**	**15.1%**	**14.9%**	**14.1%**
Tier 1 ratio	15.4%	15.1%	14.9%	14.1%
Total capital ratio	15.4%	15.1%	14.9%	14.1%
Leverage ratio	3.2%	3.2%	3.1%	3.0%

SNS Bank NV is a 100% subsidiary of SNS REAAL NV. Based on the CRR/CRD IV regulations, SNS REAAL NV, as a mixed financial holding company, is regarded as part of the prudential consolidated group of SNS Bank NV. As a consequence, from 1 January 2014 onwards, SNS Bank NV is required to report and disclose its capital position, based on the capital position of SNS REAAL NV and its subsidiaries.

Risk-weighted assets SNS Bank NV on a prudential consolidated basis

In € millions	June 2014 CRD IV	December 2013 pro forma CRD IV
Risk-weighted assets CRD IV SNS Bank NV excluding parent	15,229	15,090
Equity value Insurance activities weighted at 400%	9,485	10,351
Subordinated loans to Insurance activities weighted at 400%	1,208	1,208
Other	364	415
Risk-weighted assets CRD IV on a prudential consolidated basis fully phased in	**26,286**	**27,064**
Transitional (phasing in)	(486)	(106)
Transitional risk-weighted assets CRD IV on a prudential consolidated basis	**25,800**	**26,958**

Reference is made to the table below which presents a breakdown of the risk-weighted assets of SNS Bank NV excluding parent

For the purpose of calculating own funds at prudential consolidated level, SNS REAAL has received permission from the Dutch Central Bank (DNB) to apply CRR article 49. DNB has concluded that SNS REAAL meets the requirements for application. These requirements relate to, among other, the governance structure of SNS REAAL. As a result, the equity value of the Insurance activities of SNS REAAL is assigned a risk weighting of 400% instead of a capital deduction. The subordinated loans of € 302 million provided by SNS REAAL NV to the Insurance activities also have a risk weighting of 400%. Furthermore, as of the fourth quarter of 2013, the loan by SNS Bank NV to REAAL NV of € 250 million, with a risk weighting of 500%, has been included in the risk-weighted assets (RWA) of SNS Bank NV (standalone). This results in a RWA of € 25.8 billion for SNS Bank NV on a prudential consolidated basis.

Disclosure of own funds is provided as per 30 June 2014. The transitional common equity Tier 1 ratio of SNS Bank NV on a prudential consolidated basis as per 30 June 2014 amounted to 15.4%. In addition disclosure of own funds is provided whereby, after a gradual 5 year adjustment period, all additional capital deductions and prudential filters applicable under CRR/CRD IV have been fully phased in. The fully phased-in common equity Tier 1 ratio of SNS Bank NV on a prudential consolidated basis amounted to 14.9%.

The envisaged sale of the Insurance activities may affect the capital position of SNS REAAL NV and subsequently the solvency of SNS Bank NV on a prudential consolidated basis.

Capital position SNS Bank NV on a standalone basis

Capitalisation SNS Bank NV (excluding parent)

	June 2014	June 2014	December 2013
In € millions	CRD IV transitional	CRD IV fully phased in	Basel II
Shareholders' equity SNS Bank NV	**2,822**	**2,822**	**2,582**
Facility SNS REAAL	(100)	(100)	(100)
Increased equity securitised assets	(21)	(21)	(20)
Cash flow hedge reserve and fair value reserve	(75)	(58)	53
Other prudential adjustments	(11)	(11)	(7)
Total prudential filters	**(207)**	**(190)**	**(74)**
Intangible assets	(81)	(81)	(74)
Deferred tax assets	(46)	(230)	-
IRB shortfall	(58)	(97)	(19)
Total capital deductions	**(185)**	**(408)**	**(93)**
Total regulatory adjustments to shareholders' equity	**(392)**	**(598)**	**(167)**
CRD IV common equity Tier 1 capital	**2,430**	**2,224**	**2,415**
Additional Tier 1 capital	-	-	-
Tier 1 capital	**2,430**	**2,224**	**2,415**
Eligible Tier 2	40	40	40
IRB shortfall	(39)	-	(18)
Tier 2 capital	**1**	**40**	**22**
Total capital	**2,431**	**2,264**	**2,437**
Risk-weighted assets	**15,229**	**15,229**	**14,578**
Exposure measure as defined by the CRR	67,349	67,143	74,629
Common equity Tier 1 ratio	**16.0%**	**14.6%**	**16.6%**
Tier 1 ratio	16.0%	14.6%	16.6%
Total capital ratio	16.0%	14.9%	16.7%
Leverage ratio	3.6%	3.3%	3.2%

For information purposes, SNS Bank NV will continue to report its solvency on a standalone basis. In comparison with CRR III, as of 1 January 2014, under CRR/CRD IV, the standalone capital position of SNS Bank NV includes additional adjustments, mainly related to deferred tax assets associated with tax losses carried forward and, if applicable, any shortfall in the available for sale (AFS) fair value reserve. These adjustments are phased in gradually over a 5 year period. The standalone common equity Tier 1 ratio is reported at transitional level as per reporting date, as well as on a fully phased-in basis.

Risk-weighted assets SNS Bank NV (excluding parent)

	June 2014	December 2013
In € millions	CRD IV	Basel II
Credit risk	13,142	12,870
Operational risk	1,516	1,516
Market risk	248	192
Credit valuation adjustment (CVA)	323	-
Total	**15,229**	**14,578**

RWA for SNS Bank NV on a standalone basis increased by € 0.6 billion to € 15.2 billion in the first half of 2014, of which € 7.8 billion for retail mortgage loans (year-end 2013: € 7.7 billion). The increase was due to a higher mortgage exposure, driven by a call of securitisations, an increase in PDs and LGDs and a credit valuation adjustment (CVA) for the risk that the mark-to-market value of derivatives might deteriorate due to a change in counterparty creditworthiness. As of the fourth quarter of 2013, the loan by SNS Bank NV to REAAL NV of € 250 million, with a risk weighting of 500%, has been recognised under Credit risk in the RWA of SNS Bank NV (standalone).

At the end of June 2014, the transitional common equity Tier 1 ratio of SNS Bank NV on a standalone basis, decreased to 16.0% compared to 16.6% at year-end 2013. Common equity Tier 1 capital increased from € 2,415 million to € 2,430 million, mainly due to the net profit for the first half of 2014. This was largely offset by the deferred tax assets capital deduction associated with tax losses carried forward and the IRB shortfall.

The fully phased-in common equity Tier 1 ratio of SNS Bank NV on a standalone basis increased to14.6% compared to 12.4% at year-end 2013 driven by the decrease in deferred tax assets relating to tax losses carried forward and the net profit for the first half of 2014.

The total capital ratio is almost equal to the common equity Tier 1 ratio and the Tier 1 ratio. Tier 2 capital consists of a € 40 million subordinated loan to SNS Bank NV from SNS REAAL NV.

Comprehensive assessment

The ECB is currently conducting a comprehensive assessment of approximately 130 banks in Europe, prior to assuming supervision later in the year. At the time of reporting, the overall results of the AQR and stress test have not been shared with SNS Bank NV. Whilst the comprehensive assessment could have an impact on SNS Bank NV, the information currently available is insufficient to estimate this impact.

Funding and liquidity management

The loan-to-deposit ratio decreased from 122% at year-end 2013 to 114%, due to an increase in retail funding in combination with a modest decrease in loans and advances to customers. During the first half of 2014, SNS Retail Bank did not enter into any capital market transactions.

In the first half of 2014, loans and advances to banks decreased by € 3.6 billion to € 2.5 billion driven by the full redemption of the funding provided by SNS Retail Bank to Propertize, which amounted to € 4.1 billion at year-end 2013. These proceeds have, inter alia, been used to redeem € 4.5 billion of ECB facilities (LTRO). The remaining ECB facilities of € 1.0 billion at the end of June 2014 were fully redeemed in July 2014.

Development liquidity position SNS Bank NV

In € millions	**June 2014**	December 2013
Cash	3,978	5,334
Liquid assets	9,948	6,294
Total liquidity position	**13,926**	**11,628**

The total liquidity position remained high and increased to € 13.9 billion. The increase was mainly initiated by the aforementioned redemption of the funding to Propertize. The proceeds of this redemption enabled SNS Retail Bank to redeem € 4.5 billion of ECB facilities, which resulted in an increase of ECB eligible assets.

The regulatory liquidity and funding requirements, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), will not be disclosed until discussions on EBA Technical Standards have been finalised, however both were well above the future regulatory requirement of 100%.

4 Interim financial statements

Consolidated balance sheet

Before result appropriation and in € millions	30-6-2014	31-12-2013
Assets		
Cash and cash equivalents	2,693	5,528
Loans and advances to banks	2,537	6,063
Loans and advances to customers	53,550	53,405
Derivatives	2,661	2,484
Investments	5,888	5,657
Property and equipment	54	52
Intangible assets	84	89
Deferred tax assets	412	507
Corporate income tax	275	208
Other assets	479	544
Total assets	**68,633**	**74,537**
Liabilities and equity		
Savings	36,269	33,276
Other amounts due to customers	10,249	10,628
Amounts due to customers	**46,518**	**43,904**
Amounts due to banks	2,915	7,457
Debt certificates	12,077	16,439
Derivatives	3,080	2,670
Deferred tax liabilities	239	174
Other liabilities	884	1,205
Provisions	58	66
Participation certificates and subordinated debts	40	40
Total liabilities	**65,811**	**71,955**
Share capital	381	381
Other reserves	2,330	3,553
Retained earnings	111	(1,352)
Shareholders' equity	**2,822**	**2,582**
Total equity	**2,822**	**2,582**
Total liabilities and equity	**68,633**	**74,537**

Consolidated income statement

In € millions	1st half year 2014	1st half year 2013
Income		
Interest income	1,048	1,122
Interest expense	557	662
Net interest income	**491**	**460**
Fee and commission income	41	48
Fee and commission expense	17	20
Net fee and commission income	**24**	**28**
Investment income	35	75
Result on financial instruments	(16)	80
Other operating income	4	1
Total income	**538**	**644**
Expenses		
Staff costs	97	90
Depreciation and amortisation of tangible and intangible assets	8	9
Other operating expenses	136	168
Impairment charges	81	94
Other expenses	51	-
Total expenses	**373**	**361**
Result before taxation	**165**	**283**
Taxation	54	68
Net result continued operations	**111**	**215**
Net result discontinued operations	-	(1,789)
Net result for the period	**111**	**(1,574)**
Attribution:		
Net result attributable to shareholders	111	(1,574)
Net result attributable to minority interests	-	-
Net result for the period	**111**	**(1,574)**

Consolidated statement of other comprehensive income

In € millions	1st half year 2014	1st half year 2013
Items that will not be reclassified to profit or loss		
Change in revaluation reserve	-	1
Other changes in comprehensive income	1	-
Total items that will not be reclassified to profit or loss	**1**	**1**
Items that may be reclassified subsequently to profit or loss		
Change in cash flow hedge reserve	10	(14)
Change in fair value reserve	118	(10)
Total items that may be reclassified subsequently to profit and loss	**128**	**(24)**
Other comprehensive income (after tax)	**129**	**(23)**

Consolidated statement of changes in total equity 1st half year 2014

In € millions	Issued share capital	Share premium reserve	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2014	**381**	**3,787**	**48**	**(101)**	**(181)**	**(1,352)**	**2,582**
Transfer of 2013 net result	-	-	-	-	(1,352)	1,352	-
Transfers 2013	**-**	**-**	**-**	**-**	**(1,352)**	**1,352**	**-**
Unrealised revaluations	-	-	10	141	-	-	151
Realised revaluations through profit or loss	-	-	-	(23)	-	-	(23)
Other changes	-	-	-	-	1	-	1
Amounts charged directly to equity	**-**	**-**	**10**	**118**	**1**	**-**	**129**
Net result 2014	-	-	-	-	-	111	111
Total result 2014	**-**	**-**	**-**	**-**	**-**	**111**	**111**
Conversion subordinated debt	-	-	-	-	-	-	-
Transactions with shareholder	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total changes in equity 2014	**-**	**-**	**10**	**118**	**(1,351)**	**1,463**	**240**
Balance as at 30 june 2014	**381**	**3,787**	**58**	**17**	**(1,532)**	**111**	**2,822**

Consolidated statement of changes in total equity 1st half year 2013

In € millions	Issued share capital	Share premium reserve	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2013	**381**	**1,186**	**-**	**68**	**(117)**	**538**	**(719)**	**1,337**
Transfer of net result 2012	-	-	-	-	-	(719)	719	-
Transfers 2012	**-**	**-**	**-**	**-**	**-**	**(719)**	**719**	**-**
Unrealised revaluations	-	-	-	(14)	(8)	-	-	(22)
Realised revaluations through profit or loss	-	-	-	-	(2)	-	-	(2)
Other movements	-	-	1	-	-	-	-	1
Amounts charged directly to total equity	**-**	**-**	**1**	**(14)**	**(10)**	**-**	**-**	**(23)**
Net result 1st half year 2013	-	-	-	-	-	-	(1,574)	(1,574)
Total result 1st half year 2013	**-**	**-**	**1**	**(14)**	**(10)**	**-**	**(1,574)**	**(1,597)**
Capital injection SNS REAAL	-	1,900	-	-	-	-	-	1,900
Conversion subordinated debt	-	672	-	-	-	-	-	672
Transactions with shareholder	**-**	**2,572**	**-**	**-**	**-**	**-**	**-**	**2,572**
Total changes in equity 1st half year 2013	**-**	**2,572**	**1**	**(14)**	**(10)**	**(719)**	**(855)**	**975**
Balance as at 30 June 2013	**381**	**3,758**	**1**	**54**	**(127)**	**(181)**	**(1,574)**	**2,312**

Consolidated statement of changes in total equity 2nd half year 2013

In € millions	Issued share capital	Share premium reserve	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total Equity
Balance as at 30 June 2013	**381**	**3,758**	**1**	**54**	**(127)**	**(181)**	**(1,574)**	**2,312**
Unrealised revaluations	-	-	-	(6)	31	-	-	25
Realised revaluations through profit or loss	-	-	-	-	(6)	-	-	(6)
Other changes	-	-	(1)	-	-	-	-	(1)
Impairments	-	-	-	-	1	-	-	1
Amounts charged directly to total equity	**-**	**-**	**(1)**	**(6)**	**26**	**-**	**-**	**19**
Net result 2nd half year 2013	-	-	-	-	-	-	222	222
Total result 2nd half year 2013	**-**	**-**	**(1)**	**(6)**	**26**	**-**	**222**	**241**
Conversion subordinated debt	-	29	-	-	-	-	-	29
Transactions with shareholder	**-**	**29**	**-**	**-**	**-**	**-**	**-**	**29**
Total changes in equity 2nd half year 2013	**-**	**29**	**(1)**	**(6)**	**26**	**-**	**222**	**270**
Balance as at 31 December 2013	**381**	**3,787**	**-**	**48**	**(101)**	**(181)**	**(1,352)**	**2,582**

Condensed consolidated cash flow statement

In € millions	1st half year 2014	1st half year 2013
Cash flow from continued operations		
Cash and cash equivalents as at 1 January	5,528	6,730
Net cash flow from operating activities	1,554	1,832
Net cash flow from investment activities	656	54
Net cash flow from financing activities	(5,045)	(1,895)
Cash and cash equivalents from continued operations as at 30 June	2,693	6,721
Cash flow from discontinued operations		
Cash and cash equivalents as at 1 January	-	203
Net cash flow from operating activities	-	(180)
Net cash flow from investment activities	-	-
Net cash flow from financing activities	-	-
Cash and cash equivalents discontinued operations as at 30 June	-	23
Total cash and cash equivalents	2,693	6,744

Accounting principles

General information

SNS Bank NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SNS Bank NV's registered office is located at Croeselaan 1, 3521 BJ Utrecht. SNS Bank NV is a wholly owned subsidiary of SNS REAAL NV, and a group entity of SNS REAAL. The condensed consolidated interim financial statements of SNS Bank NV comprise the accounts of all the companies controlled by SNS Bank NV and the interests of SNS Bank NV in associated subsidiaries and entities.

The condensed consolidated interim financial statements of SNS Bank NV for the financial year 2013 are available on request at the registered office of the Company at Croeselaan 1, P.O. Box 8444, 3503 RK Utrecht, or at www.snsreaal.nl.

These unaudited condensed consolidated interim financial statements were approved by the Supervisory Board on 27 August 2014 and are published including a review report by KPMG, the scope of which excludes the comparative figures of the first half of 2013 and the statement of changes in total equity second half year 2013, as 2014 is the first year in which the auditor reviewed the interim financial statements.

Basis of preparation

Statement of IFRS compliance

SNS Bank prepares the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted within the European Union (EU).

Main accounting principles for financial reporting

The accounting principles applied in these condensed consolidated interim financial statements are consistent with the accounting principles applied in the preparation of the Bank's financial statements for the year ended 31 December 2013, with the exception of the amendments to the IFRS Standards and Interpretations, and the changes in accounting principles described below. The changes in presentation and accounting principles as set out in the accounting principles are applied to the comparative figures in these condensed consolidated interim financial statements.

Changes in published Standards and Interpretations effective in 2014

IFRS 10 ‘Consolidated Financial Statements’, IFRS 11 ‘joint arrangements’, IAS 27 ‘Consolidated and Separate Financial Statements’, IAS 28 ’Investment in Associates and Joint Ventures’

IFRS 10, Consolidated Financial Statements, superseded the requirements of IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control concept as the basis for determining which entities are to be included in the consolidated financial statements as a consequence of being controlled by the reporting entity. The existence of control is based on the following three elements:

- power over the investee;
- exposure, or rights, to variable returns from the involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor’s returns.

IFRS 11, Joint Arrangements, superseded IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. The IFRS requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. 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 ventures are accounted for under the equity method in accordance with IAS 28. Proportional consolidation of joint arrangements is no longer permitted.

IAS 27 ’Separate Financial Statements’ is now limited to the separate financial statements because the regulations for consolidation are included in IFRS 10.

IAS 28 is changed so that the equity method is applicable on minority interests as well as joint ventures.

SNS Bank has assessed the impact of these changes to these condensed consolidated interim financial statements. SNS Bank has concluded that the changes as discussed above have not resulted in any changes to the consolidated entities, estimates and presentation of these interim financial statements.

Other new standards and amendments to existing standards effective for the financial year 2014 and adopted by the EU are also not expected to have a material impact on these condensed consolidated interim financial statements.

Estimates and assumptions

The preparation of the condensed consolidated interim financial statements requires SNS Bank to make estimates and assumptions. These estimates and assumptions 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 period.

Although the estimates are made to the best of management’s knowledge, actual results may differ from these estimates and the use of different assumptions 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 the provisions for bad debts, determining the fair value of assets and liabilities and determining impairments.

Segmentation

In 2013 SNS Bank NV comprised two segments, SNS Retail Bank and Property Finance. Due to the legal separation and derecognition of Property Finance on 31 December 2013, the segment Property Finance, consisting of a single line item Net result discontinued operations, is presented above in the segment Bank. No results are attributable to Property Finance in 2014.

Segment presentation SNS Bank NV versus SNS REAAL

With effect from January 2011, SNS REAAL changed its presentation of the segment information to align it to the way management assesses the segments' performance. Corrections to one-off, Group-directed intercompany transactions for which eliminations and/or corrections in the consolidated results are required, are incorporated directly in the segment in question. Formerly, these corrections were made in the Eliminations column. Due to this change in presentation the segment information shown at the SNS REAAL NV 2014 Interim Financial Report differs from the information in the separate financial statements of SNS Bank NV as shown in this press release. The SNS Retail Bank net result in the press release of SNS REAAL NV is € 3 million higher, as net interest income is € 1 million (gross) lower and result on financial instruments is € 6 million (gross) higher. These differences derived from the sale of € 0.5 billion of mortgages of SNS Retail Bank to the Insurance activities in 2011. However at SNS Bank NV the result of a related intercompany hedge accounting transaction is still included in the segmented report for SNS Retail Bank.

Fair value

Fair value accounting of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS Bank NV. 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 in this table. The total of the fair value presented below does not reflect the underlying value of SNS Bank NV and should therefore not be interpreted as such.

Fair value of financial assets and liabilities

	June 2014		December 2013	
In € millions	**Fair value**	**Book value**	Fair value	Book value
Financial assets				
Investments				
- Fair value through profit or loss: held for trading	726	726	713	713
- Available for sale	5,158	5,158	4,944	4,944
Derivatives	2,660	2,660	2,484	2,484
Loans and advances to customers	55,688	53,550	54,829	53,405
Loans and advances to banks	2,537	2,537	6,063	6,063
Other assets	479	479	544	544
Cash and cash equivalents	2,693	2,693	5,528	5,528
Total financial assets	**69,945**	**67,807**	**75,105**	**73,681**
Financial liabilities				
Participation certificates and subordinated debts	40	40	40	40
Debt certificates	12,490	12,077	16,861	16,439
Derivatives	3,080	3,080	2,670	2,670
Savings	36,793	36,269	33,547	33,276
Other amounts due to customers	10,403	10,249	10,657	10,628
Amounts due to banks	2,938	2,915	7,472	7,457
Other liabilities	884	884	1,205	1,205
Total financial liabilities	**66,628**	**65,514**	**72,452**	**71,715**

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 is 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.

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 are also based on actively quoted market prices or – if these market prices are not available – on the present value of expected future cash flows. These present values are based on the market interest rate, taking into consideration the liquidity, creditworthiness and maturity.

Derivatives

The fair values of nearly all derivatives are derived from 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

These loans and advances primarily concern mortgages. The market value of mortgages is estimated by a present value method using a discount rate derived from the swap rate, increased by a risk surcharge. Fixed costs and spreads for embedded options are not included in this surcharge. 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 with distinctions made by type of loans and advances and by type of customer group to which the loans and advances relate.

Debt certificates

The fair value of debt certificates is estimated on the basis of the present value of the cash flows, based on prevailing interest rate plus a risk surcharge, which is based on the credit risk assumed by the market for holding such instruments issued by SNS Bank, determined by maturity and type of instrument.

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 2013 only contain the level classification of financial assets and liabilities measured at fair value.

Hierarchy financial assets and liabilities measured at fair value 30 June 2014

In € millions	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	583	143	-	726
Investments fair value through profit or loss: designated	4	-	-	4
Investments available for sale	4,895	253	11	5,158
Derivatives	-	2,660	-	2,660
Loans and advances to customers*	-	2,244	-	2,244
Financial liabilities measured at fair value				
Derivatives	-	2,815	265	3,080
Debt certificates*	-	1,163	-	1,163

** 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 assets and liabilities measured at fair value 31 December 2013

In € millions	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	548	165	-	713
Investments fair value through profit or loss: designated	-	-	-	-
Investments available for sale	4,284	649	11	4,944
Derivatives	-	2,484	-	2,484
Loans and advances to customers*	-	2,223	-	2,223
Financial liabilities measured at fair value				
Derivatives	-	2,428	242	2,670
Debt certificates*	-	1,220	-	1,220

** 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 1st half year 2014

In € millions	**Derivatives***	**Fair value through profit and loss: held for trading**	**Available for sale**	**Total**
Balance as at 1 January	242	-	11	253
Transfers into level 3	-	-	-	-
Unrealised gains or losses recognised in profit or loss	23	-	-	23
Sale/settlements	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance as at 30 June 2014	**265**	**-**	**11**	**276**

** This column contains the absolute value of the derivatives*

Change in level 3 financial instruments 2013

In € millions	Derivatives*	Fair value through profit and loss: held for trading	Available for sale	Total
Balance as at 1 January	-	14	-	14
Transfers into level 3	242	-	11	253
Unrealised gains or losses recognised in profit or loss	-	-	-	-
Sale/settlements	-	(14)	-	(14)
Transfers out of level 3	-	-	-	-
Balance as at 31 December	**242**	**-**	**11**	**253**

** This column contains the absolute value of the derivatives*

Breakdown level 3 financial instruments

In € millions	**June 2014**	December 2013
Shares	11	11
Derivatives	265	242
Total	**276**	**253**

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 the equity instruments 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.

The table below shows the reclassification between the levels of the financial assets and liabilities measured at fair value.

Transfers between categories 1st half year 2014

In € millions	**to Level 1**	**to Level 2**	**to Level 3**	**Total**
From:				
Based on published stock prices in an active market (Level 1)	-	240	-	240
Based on observable market data (Level 2)	-	-	-	-
Not based on observable market data (Level 3)	-	-	-	-

Reclassifications between levels 1, 2 and 3

In the process to determine the categorisation within the fair value hierarchy 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.

Transfers between level 1 and 2

An amount of € 240 million in investements available for sale has been transferred from level 1 to level 2.

Transfers between categories 2013

In € millions	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)	-	-	253	253
Not based on observable market data (Level 3)	-	-	-	-

Reclassifications between levels 1, 2 and 3

The process to determine the categorisation within the fair value hierarchy has been further refined in 2013. This refinement resulted in the following reclassifications between the levels. 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. More specifically, this has led to the following shifts between levels.

Transfers between level 2 and 3

At the end of 2013 an amount of € 253 million has been transferred from level 2 to level 3. This includes € 11 million investments available for sale and € 242 million of interest derivatives.

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 Bank NV maintains various sorts of ordinary business relations with related companies and parties. Related parties with SNS Bank NV are parent SNS REAAL NV, sister companies, subsidiaries, associated companies, joint ventures, Stichting administratiekantoor beheer financiële instellingen (NLFI), the Dutch State, Propertize BV and managers in key positions and close family members of these managers. Transactions with the related parties are in the areas of normal banking, taxation and other administrative relationships.

The main related-party transactions for this reporting period are:

- The full redemption of the funding provided by SNS Bank NV to Propertize BV, which amounted to € 4.1 billion at year-end 2013. Amongst others, these proceeds have been used by SNS Bank NV to redeem € 4.5 billion of ECB facilities (LTRO).

Update on specific legal aspects, procedures and investigations relating to the nationalisation

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. In its rulings of 14 January 2014 and 11 February 2014 ECHR (partly) dismissed the case against certain claimants and noted that proceedings relating to compensation are currently pending before the Supreme Court (see paragraph Enterprise Chamber). The Court ruled – inter alia - that several of the applicants' complaints are premature and must be rejected for non-exhaustion of domestic remedies. For these reasons the Court declared (most of) the application inadmissible. It should be noted that- as the application has been declared inadmissible - stakeholders may apply again as soon as the procedure before the Supreme Court has ended.

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 still not known to date 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.

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 exclusively 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 positions of the State and director SNS REAAL NV.

Legal procedures and investigations

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 interim financial statements, no court proceedings had (yet) been initiated against SNS REAAL NV and/or SNS Bank NV other than those referred to in the Interim Financial Report of SNS REAAL NV. 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, as of 30 June 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.

Post balance sheet events

On 7 August 2014 SNS REAAL NV withdrew the 403 declaration for SNS Bank NV. Any residual liabilities on the basis of this 403 declaration prior to 7 August 2014 will remain in full force and effect.

Review report

To: the Supervisory Board and the Management Board of SNS Bank N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as at 30 June 2014 of SNS Bank N.V., Utrecht, as included in chapter 4 of this report. The condensed consolidated interim financial statements comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in total equity, and the condensed consolidated cash flow statement for the period of six months ended 30 June 2014, and the notes. The Management Board of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at interim balance sheet date is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Comparative figures not reviewed

The consolidated statement of changes in total equity second half year 2013 and the condensed consolidated interim financial statements as at 30 June 2013 are not reviewed. Consequently, the comparative figures included in the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in total equity, and the condensed consolidated cash flow statement have not been reviewed.

Amstelveen, 27 August 2014

KPMG Accountants N.V.

P.A.M. de Wit RA

5 Other information

Fixed-income portfolio

Breakdown fixed income portfolio (geographical)

In € millions	June 2014		December 2013	
Ireland	119	2%	132	2%
Italy	377	6%	326	6%
Spain	1	0%	-	0%
Total GIIPS	**497**	**8%**	**458**	**8%**
Germany	1,267	22%	1,309	23%
France	700	12%	770	14%
The Netherlands	1,592	27%	1,460	26%
Austria	418	7%	416	7%
Belgium	447	8%	389	7%
Other	952	16%	841	15%
Total	**5,873**	**100%**	**5,643**	**100%**

Breakdown fixed income portfolio (sector)

In € millions	June 2014		December 2013	
Sovereign	4,984	85%	4,705	83%
Financials	256	4%	254	5%
Corporates	169	3%	266	5%
Mortgage backed securities	214	4%	188	3%
Other	250	4%	230	4%
Total	**5,873**	**100%**	**5,643**	**100%**

Breakdown sovereign fixed income portfolio (geographical)

In € millions	June 2014		December 2013	
Ireland	119	2%	132	3%
Italy	377	8%	326	7%
Total GIIPS	**496**	**10%**	**458**	**10%**
Germany	1,201	24%	1,265	27%
France	661	13%	619	13%
The Netherlands	1,238	25%	1,117	24%
Austria	311	6%	317	7%
Belgium	445	9%	376	8%
Other	632	13%	553	12%
Total	**4,984**	**100%**	**4,705**	**100%**

Breakdown fixed income portfolio (maturity)

In € millions	June 2014		December 2013	
< 3 Months	708	12%	536	9%
< 1 Year	193	3%	279	5%
< 3 Years	430	7%	343	6%
< 5 Years	1,016	17%	1,031	18%
< 10 Years	2,410	41%	2,535	45%
< 15 Years	200	3%	112	2%
> 15 Years	916	16%	807	14%
Total	**5,873**	**100%**	**5,643**	**100%**

Breakdown fixed income portfolio (rating)

In € millions	June 2014		December 2013	
AAA	2,541	43%	3,093	55%
AA	1,483	25%	1,830	32%
A	1,205	21%	236	4%
BBB	498	8%	466	8%
< BBB	1	0%	-	0%
No rating	145	2%	18	0%
Total	**5,873**	**100%**	**5,643**	**100%**

About SNS Bank NV

General

SNS Bank NV, part of SNS REAAL NV, is a financial services provider engaged in banking, with a particular focus on the Dutch retail market, including small and medium sized enterprises. The product range consists of two core product groups: mortgages and savings and investments. SNS Bank NV has a balance sheet total of approximately € 69 billion and about 2.320 employees (FTE), which makes it a major player in the Dutch market. The head office of SNS Bank NV is located in Utrecht.

Rooted in society

SNS Bank NV is strongly rooted in Dutch society. SNS Bank dates back 200 years when the first savings banks with a public utility function were founded. Predecessor banks of SNS Bank NV include many regional savings banks.

As a result of the credit crisis the government was forced to intervene in companies, of which we were one. In the years that lay behind us society was focused too much on increasing prosperity and income. SNS Bank NV 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. We have an important social utility function that requires us to uphold the highest ethical standards. Keeping an eye on our moral compass allows us to create a well-functioning financial services sector that is embedded in society. Only if financial service providers, together with their stakeholders, take simplicity in finance seriously, can we contribute to restoring faith in the banking sector in the Netherlands.

Simplicity in Finance

SNS Bank NV 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.

Customer focus

We work hard for our customers, who encompass both private individuals and business customers. By offering sound customer service and support, we build on 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.

Our brands

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; RegioBank works with personal advisors and BLG Wonen's aim is to allow its customers carefree home ownership.

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 *banksparen*.
www.snsbank.nl

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: current accounts, savings, loans, investments and asset management.
www.asnbank.nl

RegioBank

RegioBank is the SNS Bank NV 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, current accounts, loans and investments.
www.regiobank.nl

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

Disclaimer

This interim financial report contains only factual information and should not be regarded as an opinion or recommendation concerning the purchase or sale of shares or other securities issued by SNS Bank NV. This interim financial report does not contain any value judgement or predictions with respect to the financial performance of SNS Bank NV.