The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

Annual report 2015

SNS HOLDING B.V.


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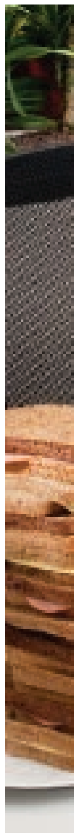

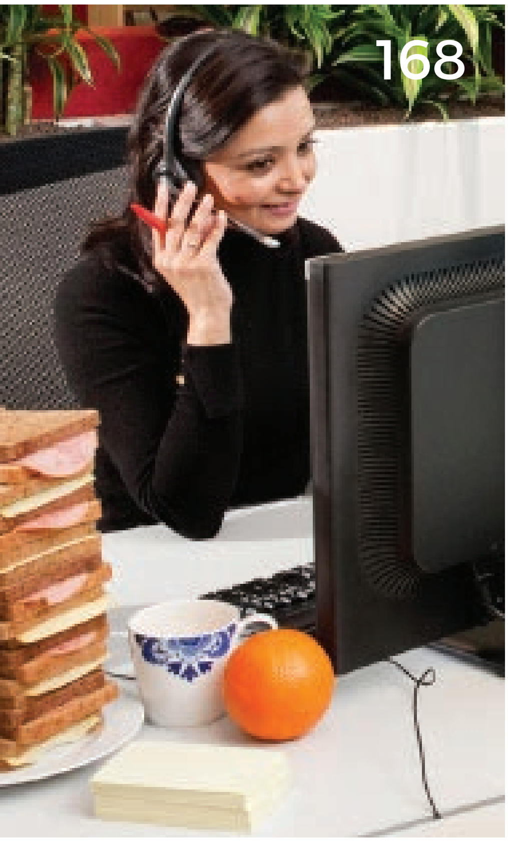
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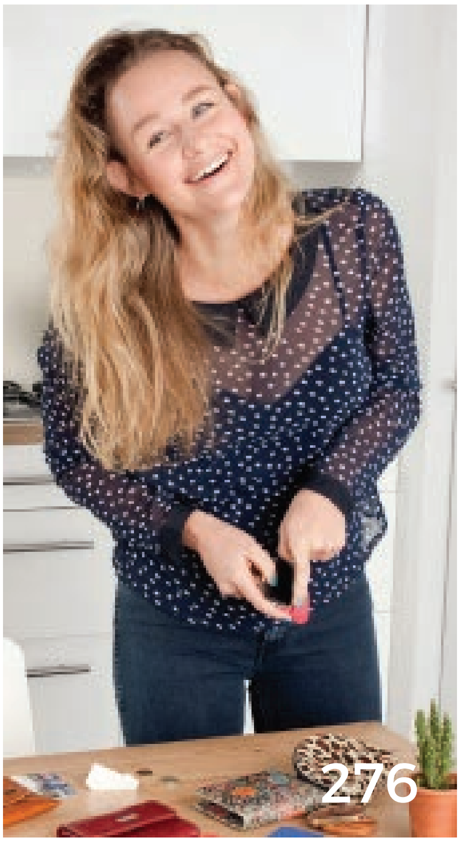
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Reader's guide

INTRODUCTION

This is the annual report of SNS Holding BV for the year 2015. SNS Holding BV was incorporated on 30 June 2015 and has fully owned SNS Bank NV since 30 September 2015. In its capacity as holding company, SNS Holding BV does not have any activities or employees of its own. The Board of Directors and the Supervisory Board of SNS Holding form a personal union with the Board of Directors and Supervisory Board of SNS Bank, respectively.

All the required information related to SNS Bank's business operations is included in the Annual Report of SNS Bank, which is filed and published separately. This annual report contains the reports of the Board of Directors and the Report of the Supervisory Board, the audited consolidated financial statements and the risk paragraph, which are - in the absence of activities at SNS Holding itself- for the most part identical to the information in Annual Report of SNS Bank NV.

The accounting principles used in the financial statements are similar for SNS Holding BV and SNS Bank NV. The consolidated financial statements of SNS Holding BV are prepared as if SNS Bank NV was part of SNS Holding as of 1 January 2015. Comparative information for the year 2014 is also included and the 2011-2014 figures of SNS Bank are included in the key figures. The company balance sheet and income statement of SNS Holding BV cover the period from 30 June to 31 December 2015.

PRESENTATION OF INFORMATION

The consolidated financial statements and the company financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as adopted by the European Union.

PUBLICATION

The SNS Holding BV Annual Report 2015 will be filed and included on the website of SNS Bank NV (www.snsbanknv.nl) in the section Investor Relations. This annual report is issued and published in Dutch, accompanied by an English translation.

SNS BANK N.V.

One bank with five strong brands

ASN BANK

For the world of tomorrow

ASN Bank is a sustainable bank that wants to contribute to a more sustainable society respecting the following pillars: climate, human rights and biodiversity.

Payments, savings, investments

Distribution: Online and mobile

BLG wonen

Feel at home

BLG Wonen serves customers through intermediaries and wants to offer housing-related solutions that meet the needs of the customer's financial situation.

Mortgages

Distribution: Independent advisers

RegioBank

Nearby and committed

RegioBank wants to be a truly local bank with face-to-face contact for every customer and a full range of services.

Payments, savings, mortgages

Distibution: 538 independent advisers, online and mobile

SNS

Perfectly normal. SNS

SNS presents itself as a no-nonsense bank with simple products that benefit the customer. We thus change course and challenge the major banks.

Payments, savings, mortgages, insurance products

Distribution: 189 SNS Shops, online and mobile

Zwitserleven

Saving for later

ZwitserlevenBank offers various savings products based on the 'Simplicity for later' strategy.

Savings

Distribution: Online

with a clear focus on the Dutch retail segment

MORTGAGES

SAVINGS

PAYMENTS

SNS Bank is the 4th largest bank in the Netherlands with
3 million customers

a balance sheet total of
€63 billion

and substantial market shares in retail mortgages,
€46 billion

retail savings,
€37 billion

and payments.
1.1 million current accounts

In 2015 we realised a profit of
€348 million

with a solid capitalisation.
25.3%
Common Equity Tier 1-ratio

Our mission: Banking with a human touch

AMBITIONS

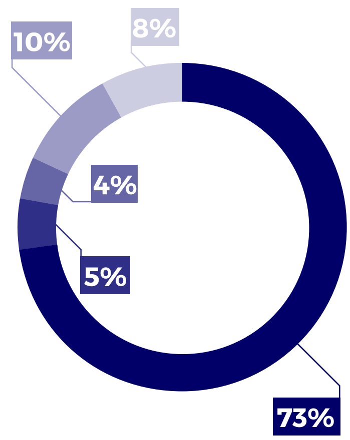
We are a
PEOPLE-ORIENTED BANK
Personal banking

We are a
SOCIAL BANK
Financial resilience, benefit rather than return

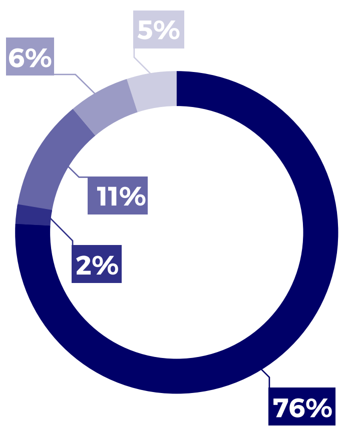
We are a
SUSTAINABLE BANK
On our way to a climate neutral bank

Key figures

Total assets 2015



Total liabilities 2015



Balance sheet

in € millions	2015	2014	2013	2012	2011
Balance sheet total	62,690	68,159	74,537	81,341	81,272
Loans and advances to customers	49,217	52,834	53,405	61,768	64,797
- of which mortgages	45,631	47,281	48,458	50,841	52,920
Amounts due to customers	47,440	46,208	43,904	42,344	40,557
- of which savings	36,860	35,666	33,276	32,815	30,342
Debt instruments	6,941	11,252	16,439	21,990	27,361
Equity	3,302	2,963	2,582	1,337	1,723

Capital and funding

in € millions	2015	2014	2013	2012	2011
Tier 1 core capital	2,916	2,520	2,266	1,253	1,879
Risk Weighted Assets (RWA)	11,513	13,771	15,121	20,592	20,534
Ratios					
CET 1 ratio	25.3%	18.3%	15.0%	6.1%	9.2%
Tier 1 ratio	25.3%	18.3%	15.0%	7.7%	12.2%
Total capital ratio	29.5%	18.4%	15.0%	9.3%	14.4%
CET 1 ratio (fully loaded)	25.8%	17.4%	12.3%		
Leverage ratio	4.7%	3.8%	3.1%		
Leverage ratio (fully loaded)	4.8%	3.6%	2.5%		
Loan-to-deposit ratio	105%	113%	122%	148%	159%

Quality loan portfolio

	2015	2014	2013	2012	2011
Loan-to-Value mortgage portfolio	84%	86%	89%	87%	82%
Loans in arrears (%)	3.1%	4.3%	4.5%	3.9%	3.6%
Impaired ratio	2.3%	3.1%	3.1%		
Coverage ratio	29%	27%	25%		

Market shares

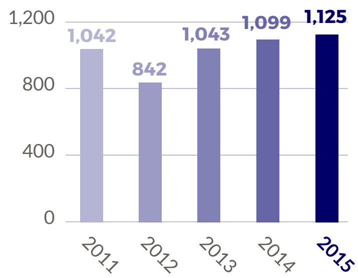
	2015	2014	2013	2012	2011
Payments (new current accounts)	25%	21%			
Retail savings	10.9%	10.7%	10.1%	10.3%	10.0%
Mortgages					
Mortgages - Portfolio (in €)	6.9%	7.2%	7.4%	7.4%	7.8%
Mortgages - New production (#)	4.1%	3.7%	1.8%	2.1%	5.8%

Profit and loss account

in € millions	2015	2014	2013	2012	2011
Net Interest Margin	994	1,024	957	705	803
Net provision and management fees	48	44	50	54	86
Other income	83	31	36	83	153
Total income	**1,125**	**1,099**	**1,043**	**842**	**1,042**
Impairments	37	207	224	228	410
Goodwill impairments		67			
Operating expenses	590	498	522	479	573
Other expenses	22	76	8	8	0
Total expenses	**649**	**848**	**754**	**715**	**983**
Result before taxes	**476**	**251**	**289**	**127**	**59**
Taxes	128	100	105	33	21
Net result discontinued operations			(1,536)	(813)	
Net result	**348**	**151**	**(1,352)**	**(719)**	**38**
- Net result Property Finance			(1,536)	(813)	(243)
- One-off items	13	(143)	(79)	(36)	(20)
Adjusted net result	**335**	**294**	**263**	**130**	**301**

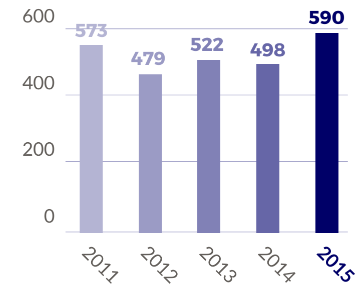
Total income

(in € millions)



Operating expenses

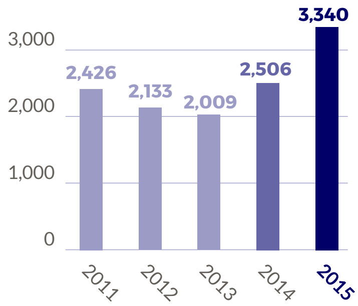
(in € millions)



Performance indicators

	2015	2014	2013	2012	2011
NIM (Net Interest Margin as % average assets)	1.52%	1.43%	1.23%	0.87%	1.00%
Efficiency ratio	51.2%	44.7%	50.0%	56.9%	55.0%
Loan impairments as % of gross loans	0.07%	0.38%	0.39%	0.40%	0.63%
Retun on Equity (ROE)	11.1%	5.4%	-69.0%	-44.7%	2.2%
Return on assets	0.53%	0.21%	-1.73%	-0.88%	0.05%

Number of employees (FTE)



Other key figures

	2015	2014	2013	2012	2011
Number of SNS Shops	189	188	166	162	155
Number of independent advisers RegioBank	538	535	526	536	529
Number of ATMs	438	539	537	519	507
Carbon neutral balance sheet	22%	16%			
Employee satisfaction (eNPS)	34	18			

Net Promoter Score

Brand	2015	2014
ASN Bank	19	12
BLG Wonen	-42	-14
RegioBank	5	-7
SNS	-26	-28

1 SNS Bank at a glance

SNS Bank, the fourth largest bank of the Netherlands, operates in the Dutch retail market with a focus on mortgage, payment and savings products. The company has five brands: ASN Bank, BLG Wonen, RegioBank, SNS and ZwitserlevenBank. Each brand has its own identity and profile. SNS Bank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. The brands collectively fulfil a role of challenger of the major Dutch banks.

1.1 MISSION AND VISION

Banking with a human touch is SNS Bank's mission. We have defined this mission in the Manifesto, which serves as a beacon guiding our thoughts and actions. The Manifesto lies at the heart of our key task, our vision: what form should banking take in today's world, what role can SNS Bank play in that regard? That is the basic principle of our strategy.

We have formulated the following three longer-term ambitions to translate these views into specific goals:

- We are a people-oriented bank: We aim for high appreciation scores from both our customers and employees;
- We are a social bank: We aim to create value for our customers with simple, responsible products and services. In addition, we pursue financial resilience initiatives and strive for responsible returns;
- We are a sustainable bank: We are evolving into a carbon-neutral bank, making our own balance sheet and business operations more sustainable and actively encouraging customers to save energy.

1.2 STRATEGY

SNS Bank stands out from the major banks in the Netherlands through its focus on the Dutch retail segment: private individuals, self-employed persons and SMEs. We have expressly chosen for mortgage, payment and savings products. In addition, we offer insurance products and investment funds. With our five brands (ASN Bank, BLG Wonen, RegioBank, SNS and ZwitserlevenBank) we provide suitable financial products and services to specific target markets, whose various needs are also given due consideration in our distribution. In that, we are supported by a single back office, a strong IT organisation and a central staff organisation, which enable us to work effectively and efficiently.

We have set ourselves a number of strategic priorities for the medium term:

- Excellent customer experience
- Excellent business operations
- Moderate risk profile
- Sustainable balance sheet

For more information on the strategy and the strategic priorities, please refer to section 4.5 Mission and Strategy.

We have translated our strategy into the following objectives for the longer term:

- A growing number of customers likely to recommend us: we aim for a positive Net Promoter Score (NPS) for all brands.
- Employees are committed to and enthusiastic about their work: we aim for an eNPS (employee NPS) in excess of 20.
- We achieve the desired market shares: new sales of our own mortgage products between 5 and 8 percent and savings more than 10 percent.
- We maintain a solid capital position: a Common Equity Tier 1 ratio of more than 14 percent, based on current regulations, and a leverage ratio of more than 4 percent.
- We aim at a climate neutral balance sheet by 2030

Strategic priorities

Excellent customer experience

Excellent business operations

Moderate risk profile

Sustainable balance sheet

1.3 HISTORY

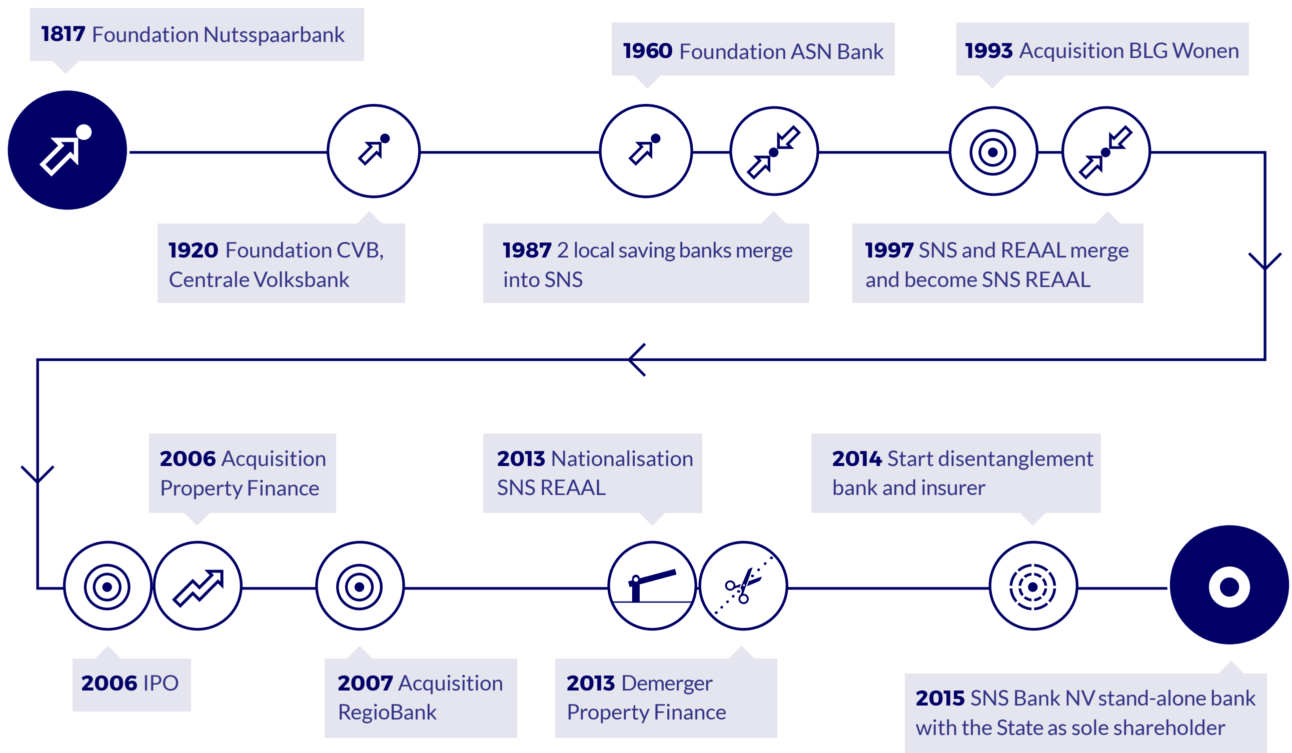
SNS ('*Samenwerkende Nederlandse Spaarbanken*') Bank, or Cooperating Dutch Savings Banks, was established nearly 200 years ago. Its origins lie in 1817, when the first Savings Bank for the Common Good (*Nutsspaarbank*) was founded. In 1987, two major regional savings banks merged into SNS. Mergers and acquisitions drove the group's rapid expansion in the 1990s. In 1997, SNS Group and the Insurer REAAL Group merged into SNS REAAL. The company was listed at the stock exchange in 2006.

Following SNS REAAL's IPO, a number of acquisitions were completed. Bouwfonds' property finance activities (Property Finance) were acquired and added to the bank in 2006. RegioBank was acquired in 2007.

SNS Bank's retail bank activities have been structurally profitable throughout the years. Despite this business unit's positive results, however, rising losses at Property Finance put increasing pressure on SNS Bank's results and solvency from 2009 onwards. This ultimately led to the nationalisation of SNS REAAL and its subsidiaries, on 1 February 2013. As a consequence, the Dutch State became the sole shareholder in SNS REAAL (through NLFI).

As part of the restructuring plan drafted for SNS REAAL, Property Finance was split off from SNS Bank and transferred to NLFI at the end of 2013. The disentanglement of the Banking and Insurance activities of SRH NV (formerly SNS REAAL) was completed in 2015. On 26 July 2015, SRH finalised the sale of the Insurance activities to Anbang Group Co., Ltd (Anbang). Subsequently, on 30 September 2015, the final step in the disentanglement process was taken: SNS Bank's transfer to the State. As a result, SNS Bank started operating as an entirely stand-alone company.

Timeline



1.4 VALUE CREATION

SNS Bank believes in a financial system in which our activities add value for our customers, our shareholder and society; a financial system in which banks can count on customers' trust thanks to sound products. At the same time, these banks are boosting economic progress and social welfare. This is in line with our 'Banking with a human touch' mission.

To be a bank where people feel at home, we avail ourselves of our staff's know-how and expertise and all the experience we have gained during our nearly 200 years of existence. One crucial condition for us to actively enter the market – inter alia as a mortgage provider – is that we have adequate financial resources. Such as our own funds and the retail savings that we manage.

Below you will find an overview that visually explains what SNS Bank stands for and how it creates added value. In sections 5.2 Our strategic themes and 5.3 Brand performance, we set out our contribution to people, society and the environment in concrete terms in the form of longer-term ambitions and goals and describe the results achieved in 2015.

INPUT

Financial resources
The required financial resources for our products and services come from savings entrusted to us from the capital market.

Knowhow & Expertise
We deploy resources entrusted to us as well as possible through our staff's knowhow and expertise.

BUSINESS MODEL

Our customers and products

Private individuals & Small businesses

Mortgages

Savings

Payments

Investments & Insurance

Our strategy

Focus
Simple products for private individuals and small business customers in the Netherlands

Multi-brands
Our brands are close to people: ASN Bank BLG Wonen, RegioBank, SNS en ZwitserlevenBank

One back office
The joint back office enables us to work efficiently and effectively

Moderate risk profile
A sound financial basis and customer satisfaction are our basic prerequisites for growth

OUR OBJECTIVES

- **Satisfied customers (NPS)**
- **Satisfied employees (eNPS)**
- **Desired market shares**
- **Sustainable balance sheet**
- **Maintain solid capital position**

OUTCOMES

Our contribution to people, society and the environment

WE ARE A PEOPLE-ORIENTED BANK
Our services and customer service are people-oriented

WE ARE A SOCIAL BANK
We create value with responsible products and encourage financial resilience

WE ARE A SUSTAINABLE BANK
We encourage sustainable housing for our customers and aim to be a climate neutral bank

Our financial basis

Solid
Solid ratios and balance sheet

Balanced
We create a balance between value for shareholders, customers and society

2 Foreword

FOREWORD

BANKING WITH A HUMAN TOUCH

In 2015, at SNS Bank we worked hard to put our ambition to be a people-oriented, social and sustainable bank, as presented in our Manifesto, further into practice. Initiatives in 2015 included improvements in our communications with customers through call centres: customers are always connected to an employee immediately. We also introduced the possibility of temporary debit balances without charging an overdraft interest. Furthermore, customers can arrange for automated transfers from and to their savings account in case of current account deficits or surpluses.

In 2015, we paid increased attention to our mortgage arrears management. We proactively offered financial solutions to customers who are at risk of missing interest payments and customers missing payments.
In the fourth quarter of 2015, we introduced another initiative, the 'mortgage term monitoring service' (Hypotheek Looptijdservice) for SNS customers. First of all, we inform customers proactively about possibilities to reduce their monthly mortgage costs, for example through early renewal of their mortgage. Secondly, customers are invited once every two years to discuss whether their needs and personal situation have changed, which might have an impact on their monthly mortgage payment amount. Finally, we actively inform customers about the possibility to receive a discount on their mortgage rates if they have a primary current account at SNS. In 2015, RegioBank expanded its financial services in smaller villages and communities. BLG Wonen made purchasing a house for first-home buyers easier by offering sharper rates and a step-by-step guide in the mortgage application process. ASN Bank continued to successfully promote its philosophy of sustainable and ethical banking.

Our initiatives in 2015 resulted in an overall improvement in customer and employee satisfaction. For the first time in its history, RegioBank obtained a positive Net Promoter Score (NPS). It is now, together with ASN Bank, one of the few banks in the Netherlands with a positive NPS. At ASN Bank and SNS too, customer satisfaction improved compared to year-end 2014. Only at BLG Wonen did the NPS fall, due to the first time inclusion of customers from REAAL Bancaire Diensten (RBD), following RBD's transfer from VIVAT Verzekeringen (VIVAT) as of 1 January 2015. SNS Bank continues to strive for higher satisfaction scores: our ultimate aim is a positive NPS for every bank brand. Our employee satisfaction, measured by the eNPS[1], showed a further improvement from 18% at year-end 2014 to 34%.

In the third quarter of 2015, we introduced and published a carbon profit and loss account methodology for measuring the impact of our activities on the climate. A document describing this methodology, originally developed by ASN Bank, is available on the website of SNS Bank NV. Using a number of assumptions, the carbon output of our loan portfolio is measured, as well as how much of this output is offset by investments that reduce greenhouse gas emissions. According to this methodology, which we intend to develop further, our balance sheet at year-end 2015 was for 22% carbon neutral (year-end 2014: 16%). We aim for both our office organisation and all of the investments on the SNS Bank balance sheet to become wholly carbon neutral in 2030.

1 Employee NPS (eNPS) indicates how willing employees are to recommend their employer as a workplace

POSITIVE COMMERCIAL DEVELOPMENTS

During the year, SNS Bank posted positive commercial results. The different brands of SNS Bank jointly welcomed 254,000 new customers. On a net basis, the number of customers rose by 119,000 and by year-end 2015 the total number of customers had passed the 3 million milestone.

SNS Bank's market share in new current accounts[2] amounted to 25% (2014: 21%). On a total portfolio basis, SNS Bank's market share was 7%, equating to 1.1 million current accounts.

In 2015, the persistent low interest rate environment led to further changes in both customer behaviour and the competitive landscape. The Dutch mortgage market witnessed a significant increase in the number of (early) renewals. In an environment where the insurance and pension industry is searching for yield, this led to a shift in demand towards longer fixed-rate maturities. In 2015, the market share of new mortgages with a maturity of over 10 years increased to over 50%. This occurred in combination with increased competition from insurance companies and pension funds, which are looking for long term investments to match their long term liabilities and pressure on mortgage rates as the year progressed.

In line with SNS Bank's ambition to gradually increase its market share in retail mortgages, new production increased to € 2.1 billion from € 1.6 billion in 2014 (+35%). SNS, BLG Wonen and RegioBank all contributed to this increase. In a growing market for new mortgages, total market share was up only slightly to 4.1% (2014: 3.7%), still below our 5-8% target range. However, in the second half of 2015, our market share in new mortgage production gained momentum, supported by a higher production in long term fixed-rate mortgages as a result of more competitive pricing.

The total retail mortgage loan portfolio decreased by € 1.5 billion to € 45.0 billion (-3%) due to a high volume of (early) redemptions, which increased to € 3.5 billion, from € 2.9 billion in 2014. In the current market environment, with the level of redemptions expected to remain high, it will remain a challenge to grow the retail mortgage loan portfolio. SNS Bank aims at increasing retention through intensified contact with mortgage customers.

Retail savings balances increased to € 36.9 billion, up 3% from € 35.7 billion at yearend 2014. In a growing market, SNS Bank's market share in savings of 10.9% was up slightly and in line with our target of above 10%.

SOLID FINANCIAL PERFORMANCE

In 2015, SNS Bank posted a sharply higher net profit of € 348 million, up € 197 million compared to the 2014 net profit of € 151 million. One-off items explain € 156 million of this increase. In 2015, one-off items were € 13 million positive, consisting of a € 35 million unrealised gain on former DBV mortgages and related derivatives and a book loss of € 22 million on the sale of SNS Securities. In 2014, one-off items had amounted to € 143 million negative, consisting of an impairment of goodwill related to RegioBank and a charge related to SNS Bank's share in the resolution levy on Dutch banks for the nationalisation of SNS REAAL.

Adjusted for one-off items, net profit of SNS Bank increased from € 294 million in 2014 to € 335 million (+14%). The main factors behind the increase were lower impairment charges on loans and, to a lesser extent, a higher result on financial instruments. These positive factors were partly offset by higher operating expenses

2 Based on market research GfK-TOF Tracker

and lower net interest income. Based on net profit excluding one-off items, return on equity was 10.7%, in line with the level in 2014.

Net interest income showed a modest decrease and adjusting for a change in the effective interest calculation of impaired loans in 2014, was relatively stable. The impact of declining mortgage interest rates and a slight decrease in the loan portfolio was broadly compensated by lower interest rates on retail savings and redemptions on wholesale funding. In the second half of 2015 pressure on interest income intensified however.

Impairment charges on loans and advances to customers fell sharply to 7 basis points of gross outstanding loans compared to 38 basis points in 2014. The fall was due to a combination of an improving economic environment and housing market and improvements in arrears management. The credit quality of both the retail mortgage and SME loan portfolio improved, which manifested itself in a decrease in the number of loans in default, a lower inflow of defaulting loans and an increase in recoveries.

Operating expenses excluding regulatory levies increased by € 84 million (+17%). Approximately 40% of the increase was due to costs to facilitate the increased mortgage activities, to improve the operational effectiveness and control framework and to comply with the new regulatory and supervisory framework. Extra costs due to the disentanglement from SNS REAAL, including the transfer of REAAL Bancaire Diensten, accounted for approximately 30% of the increase. The remainder of the increase was mainly due to higher provisioning charges. These included a small restructuring provision and a provision for jubilee benefits. Expenses in 2014 had included a release of restructuring provisions formed in prior years and a release of € 9 million related to adjustments of SNS Bank's share in the Deposit Guarantee Scheme for Icesave and DSB Bank.
The increase in operating expenses resulted in an efficiency ratio, adjusted for one-off items and regulatory levies of 53.4%, up compared to 2014 (44.7%).

STRONG CAPITAL RATIOS

Due to profit retention and a decrease in risk-weighted assets, the Common Equity Tier 1 (CET1) ratio increased to 25.3% from 18.3% (on a stand-alone basis) at year-end 2014. The Tier 1 ratio equals the CET1 ratio as SNS Bank has no outstanding additional Tier 1 capital.

In the fourth quarter of 2015, SNS Bank successfully placed € 500 million subordinated Tier 2 notes with a wide range of institutional investors. This issue contributed to the strengthening and diversification of SNS Bank's capital base. The total capital ratio at year-end 2015 amounted to 29.5% (year-end 2014: 18.4%).

Taking into account its strong risk-weighted capital ratios, SNS Bank is well positioned to absorb an increase in the risk-weighting of its mortgage loans, expected due to proposed regulations related to a revision of the Standardised Approach for credit risk and capital floors.

SNS Bank's leverage ratio increased to 4.7%, from 3.8% at year-end 2014 (on a standalone basis). In anticipation of developments in non-risk weighted capital requirements, SNS Bank intends to further strengthen and diversify its capital base.

Following the disentanglement from SNS REAAL and taking into consideration its reported profit and solid capital position, SNS Holding BV proposes to pay out to its shareholder NLFI a dividend of € 49 million to be charged to the profit and € 51 million to be charged to the share premium reserve. Dividend withholding tax in the amount of € 6 million will be deducted from the dividend distribution.

DISENTANGLEMENT OF SNS REAAL AND TRANSFER OF SNS BANK TO DUTCH STATE

The disentanglement of SNS Bank, VIVAT and SNS REAAL was completed in 2015. The transfer of SNS Bank from SNS REAAL to the Dutch State (NLFI) was finalised on 30 September. On 30 December, a € 250 million loan from SNS Bank to VIVAT was repaid. This loan had a risk-weighting of 500%. In February 2016, a € 100 million credit facility between SNS Bank and SNS REAAL (renamed SRH) was terminated and repaid.

TEMPORARY REPLACEMENT BOARD OF DIRECTORS MEMBER SNS BANK

Due to the illness of Martijn Wissels, the position of Chief Risk Officer has been filled by Jeroen Dijst as from 1 September 2015.

OUTLOOK

We expect further growth of the Dutch economy and the housing market in 2016. The low interest rate environment will however continue to impact the mortgage market, translating into increased competition from pension funds and insurance companies and an increased customer demand for longer term fixed-rate mortgages and interest rate averaging. This may impact both pricing and size of the mortgage portfolio. As a consequence, pressure on net interest income, already apparent in the second half of 2015, is expected to persist. Furthermore, funding costs will be impacted as interest payments on the issued subordinated Tier 2 notes will be included for a full year.

We aim to contain operating costs excluding regulatory levies to a level comparable to or lower than in 2015. Regulatory levies are set to increase due to the first time contribution to the ex-ante Deposit Guarantee Scheme. Impairments on retail mortgage loans are expected to remain low, at a level comparable to 2015. In all, net profit in 2016 is expected to be lower compared to the high level of 2015.

For 2016, further initiatives are planned to reduce the carbon footprint of our mortgage loan portfolio, for example by helping our clients with decisions on insulating their homes.

In 2016 NLFI and SNS Bank will analyse potential exit scenarios for SNS Bank. The Dutch Minister of Finance has requested NLFI to give advice on the exit of SNS Bank no sooner than mid-2016.

We remain committed to translate our vision on people-oriented, social and sustainable banking into useful products and services, leading to a further improvement of our customers' experiences.

Finally, I would like to take this opportunity to thank all our stakeholders, and in particularly our customers and employees, for their commitment to our bank.

Maurice Oostendorp
Chairman of the Board of Directors of SNS Holding BV

3 Report of the Supervisory Board

INTRODUCTION

The members of the Supervisory Board of SNS Holding BV (Supervisory Board of the Holding) were appointed on 30 September 2015. The Supervisory Board of the Holding forms a personal union with the Supervisory Board of SNS Bank NV (Supervisory Board of SNS Bank), which functioned all year round (Supervisory Board of SNS Bank, jointly with the Supervisory Board of the Holding: the Supervisory Board).

The Supervisory Board of SNS Bank NV (Supervisory Board) looks back at an extraordinary year for SNS Bank NV (SNS Bank). The final steps in the disentanglement process of SNS REAAL NV (SNS REAAL) were taken. VIVAT Verzekeringen (VIVAT) was sold by SNS REAAL to Anbang Group Holdings Co. Ltd. in July 2015 and the shares in SNS Bank were sold to the Dutch State (the State) on 30 September 2015, which broucht the shares into SNS Holding. The restructuring process of SNS REAAL has thus been concluded and a good foundation for the stand-alone future of SNS Bank has been laid. A future in which SNS Bank, in consultation with the Minister of Finance and 'Stichting administratiekantoor beheer Financiële instellingen' (NLFI), will make choices about the Bank's social role and distinctive position in the Dutch banking landscape.

SUPERVISION IN 2015

SUBJECTS DISCUSSED AT SUPERVISORY BOARD MEETINGS IN 2015

Throughout the year, the Supervisory Board paid close attention to the impact, progress and safeguarding of strategic and continuity programmes launched at SNS Bank.

In addition to its supervisory role, the Supervisory Board also frequently acted as sparring partner and advisor to the Board of Directors in 2015. The transfer of SNS Bank resulted in the Board of Directors being ultimately responsible for the company policy pursued from 1 October 2015. Proposed organisational and staffing changes in the portfolios of all statutory directors will lead to improvements in the effectiveness and efficiency of the management layer below the Board of Directors (direct reports). Depending on the Works Council's advice, these proposals will be implemented in the first quarter of 2016. The Supervisory Board was closely involved in this process.

At the end of December 2015, NIBC Bank NV (NIBC) and SNS Bank reached an agreement on the sale of SNS Securities NV (SNS Securities) which is expected to be closed the second quarter of 2016, subject to the approval of the Dutch Central Bank. SNS Securities is a relatively small business unit that focuses on equity and fixed-income brokerage, research and execution services for independent asset managers. This transfer fits in well with SNS Bank's vision to focus exclusively on offering mortgage, payment and savings products for private individuals in the Netherlands. During 2015, the Supervisory Board closely monitored this sales process.

The Board of Directors closely involved the Supervisory Board in the constructive dialogue with NL Financial Investments (NLFI) and the Minister of Finance on SNS Bank's business model and SWOT analysis. The emphasis was on SNS Bank's public utility function and its role as challenger in the Dutch banking landscape. Innovation was another important topic of discussion.

Apart from the aforementioned subjects, the most important subjects discussed by the Supervisory Board in its 2015 meetings (in chronological order) included:

- 2014 full-year results, 2014 Annual Report and financial statements of SNS Bank (February and April).
- Litigation statement (March).
- Remuneration Policy including the Remuneration Report (February, March, May and June).
- Quarterly reports (financial reports and business updates) and audit reports (throughout the year).
- Governance changes in connection with the transfer (including adjustments to the Articles of Association and regulations for the Board of Directors and Supervisory Board of SNS Holding BV and SNS Bank NV) (February, June, September and December).
- ASN Bank's vision, strategy, ambitions and challenges (August).
- Restructuring plan (August).
- DNB/ECB investigations related to IT risk, the business model for mortgages and data management (August).
- RegioBank's vision, strategy, ambitions and challenges (November).
- Future developments in payment services in relation to future strategic choices (November).
- Joint Management Letter KPMG/Audit. Main topics: the Bank's absorption capacity, ICF and Value Stream Management, mortgages, EC commitments, data management, modelling, external and regulatory reporting, compliance, cybercrime and authorisation management (December).
- 2016 Risk analysis and Audit Plan. The risk analysis served as a basis for the 2016 Audit Plan (December).
- 2016-2018 Operational Plan (December).
- Dividend policy proposal SNS Bank (December).

FREQUENCY SUPERVISORY BOARD MEETINGS

In 2015, the Supervisory Board met more frequently than the ten formal meetings each year, i.e. twelve times. The reason for this was the transfer of SNS Bank to the Dutch State, the actual organisational and financial separation of SNS Bank from SNS REAAL and the determination of SNS Bank's future. The Supervisory Board of SNS Bank and the Supervisory Board of the Holding meet in combined meetings. Two of these combined meetings have been held since the Supervisory Board of the Holding was set up.

The full Supervisory Board attended almost all the meetings. In case of absence (of part of the meeting), the Supervisory Board member generally provided his or her input on the topics to be discussed to the Chairman or to the full Supervisory Board.

ATTENDANCE BOARD OF DIRECTORS

In the first part of all Supervisory Board meetings, the Supervisory Board meets separately without the Board of Directors or any other guests being present. Following this part of the meeting, the Board of Directors joins the Supervisory Board. In early 2015, two meetings were held without the presence of the Board of Directors. One of the topics discussed during these meetings was the evaluation of the Supervisory Board's functioning.

QUALITY ASSURANCE OF SUPERVISORY FUNCTION

Until the transfer of shares in SNS Bank to the Dutch State, there was a personal union between the Supervisory Boards of SNS Bank and SNS REAAL. As of the date of transfer, the Supervisory Board of SNS Bank forms a personal union with the Supervisory Board of SNS Holding. Following the sale of VIVAT to Anbang Group Holdings Co., Ltd. there were some changes to the composition of the Supervisory Board. Jan Nooitgedagt stepped down as member and Chairman of the Supervisory Board as of 26 July 2015. Jan van Rutte was appointed Acting Chairman of the Supervisory Board as of 26 July 2015 and Chairman of the Supervisory Board as of 1 October 2015. Concurrent with the transfer of SNS Bank to the Dutch State (on 30 september 2015), Jan Nijssen stepped down as member of the Supervisory Board.

More information on the composition of the Supervisory Board and its members can be found in the additional information section.

The Supervisory Board annually evaluates its own functioning. The evaluation encompasses the functioning of the Supervisory Board itself, of the individual committees of the Supervisory Board, of the individual Supervisory Board members, the relationship with the Board of Directors and the effectiveness of the Lifelong Learning programme. In accordance with the Regulations for the Supervisory Board, the functioning of the Supervisory Board is evaluated under independent supervision once every three years. Such an independent evaluation was performed for 2014 and was discussed by the Supervisory Board in its January 2015 meeting. The Supervisory Board performed a self-evaluation for 2015. In December 2015 and January 2016, Monika Milz interviewed all Supervisory Board members, the Chairman of the Board of Directors and the Secretary to the Board of Directors. The results of these interviews were combined, analysed (SWOT analysis) and discussed by the Supervisory Board in its informal meeting in January 2016. The discussion of the evaluation reveals that the Supervisory Board is a seasoned board with expert and committed members who complement one another. Points for improving the functioning of the Board itself are (i) increasing consistency in the supervision of the Board of Directors and (ii) improving the efficiency and effectiveness of meetings. Based on the evaluation, the Supervisory Board defined a number of specific points of focus for the Supervisory Board's supervision in 2016. These points are updating SNS Bank's strategy, consistent implementation of strategic and continuity programmes within SNS Bank, reinforcing SNS Bank's Integrated Control Framework, monitoring cost development as well as strengthening the Supervisory Board's role as employer.

In the Supervisory Board's view, all Supervisory Board members are independent.

RELATIONSHIP AND CONSULTATION WITH THE SHAREHOLDER

NL Financial Investments (NLFI) has indirectly owned all shares in SNS Bank since 30 September 2015. NLFI is responsible for the administration of the shares and the exercise of all rights attached to the shares, including the right to vote, in accordance with the provisions of the law and NLFI's Articles of Association.

Apart from the shareholders' meetings in which both NLFI and all members of the Supervisory Board and Board of Directors are present or represented, there are – under the Memorandum of Understanding (MoU) - regular consultations between NLFI and SNS Holding/SNS Bank.

EMPLOYEES AND EMPLOYEE PARTICIPATION

In the period up to June 2015, the Supervisory Board maintained regular contact with the executive committee of SNS REAAL's Central Works Council, in particular on issues related to the sale of VIVAT and the transfer of SNS Bank to the Dutch State. In July and November 2015, the new Chairman of the Supervisory Board and a Supervisory Board member appointed with the reinforced right of recommendation met with the executive committee of SNS Bank's Works Council. Topics of discussion included getting to know the Works Council and the working relationship with the Works Council as a discussion partner to the Supervisory Board, as well as ongoing strategic projects such as the optimisation of SNS Bank's management structure and the process to position SNS Bank as a stand-alone organisation.

FINANCIAL STATEMENTS AND DIVIDEND PROPOSAL

Prior to publication, the 2015 financial statements were discussed in several Board of Directors, Audit Committee and Supervisory Board meetings. The external auditor in 2015, KPMG Accountants NV, has issued an unqualified auditor's report on the financial statements.

The Supervisory Board of SNS Holding approves the proposal of the Board of Directors of SNS Holding to pay a dividend of € 49 million to its shareholder NLFI, to be charged to the profit, as well as a dividend of € 51 million, to be charged to the share premium reserve of SNS holding.

CLOSING WORDS

The Supervisory Board would like to express its gratitude and appreciation to all the staff at SNS Bank. Rapid changes in the financial services sector demand continuous improvements to products and processes at SNS Bank. All staff continue to make these adjustments with great enthusiasm and commitment. The attention we pay to the Manifesto helps us to constantly recognise how significant our employees' contribution is to our customers' appreciation for the way in which their financial interests are served.

The changes in Senior Management and the organisation structure required a great deal of attention from the Board of Directors. Nevertheless, it succeeded in steering SNS Bank into calmer waters in a turbulent period, while at the same time keeping the focus on our customers. The dialogue and collaboration with the Supervisory Board remained sound and constructive. For this, the Supervisory Board wishes to express its gratitude and appreciation.

Finally, the Supervisory Board wishes to express its gratitude for the unfaltering commitment and dedication with which former Supervisory Board members Jan Nooitgedagt and Jan Nijssen and former CEO Dick Okhuijsen committed themselves to SNS Bank over the past year.

Utrecht, 23 March 2016

On behalf of the Supervisory Board
Jan van Rutte, Chairman

IN 2015 AN AVERAGE OF

€710

WAS SAVED IN YOUTH SAVINGS ACCOUNTS

IN 2015 OUR EMPLOYEES GAVE

573

MONEY-RELATED GUEST LESSONS TO PRIMARY SCHOOL CHILDREN

4 SNS Bank and its strategy

SNS Bank wants to meet its customers' specific financial needs in a people-oriented and sustainable way while maintaining a moderate risk profile. This ambition requires fine-tuning to economic, social and regulatory developments and regular evaluation of our strengths and weaknesses.

4.1 DEVELOPMENTS

ECONOMIC DEVELOPMENTS

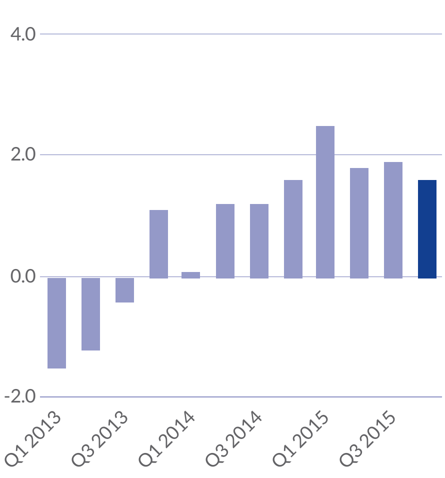
Growth Dutch economy at around two percent

The Dutch economy is on a moderate but steady growth path: in 2015 the Gross Domestic Product (GDP) is projected to grow by 1.9 percent. In its most recent projections (in March 2016), the Netherlands Bureau for Economic Policy Analysis (CPB) projects 2016 and 2017 growth rates of the same order of magnitude: 1.8 percent and 2.0 percent respectively. With thesese rates Dutch economic growth is slightly above the euro zone average.

Even though all spending categories are contributing to this growth, domestic demand is more and more the engine for economic growth in 2015 and 2016. In the wake of rising real wages, rising employment and, especially in 2016, a tax relief package from the Dutch government, household consumption is increasing. Business investments, residential property investments in particular in 2015, had a positive impact on growth too. Whereas exports remain a source of economic growth, their relative importance is decreasing. This is also where the main uncertainties in the forecasts lie. Commodity and financial market volatility, uncertainty about growth in countries like China and Russia, about the international monetary policy and the impact of a possible Brexit are examples of downside risks to economic growth.

Gross Domestic Product

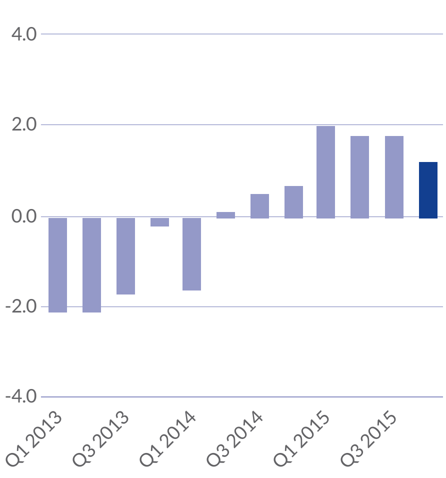
YoY change in %



Source: CBS

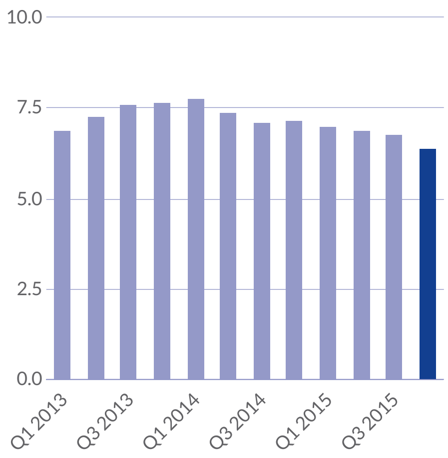
Household consumption

YoY change in %



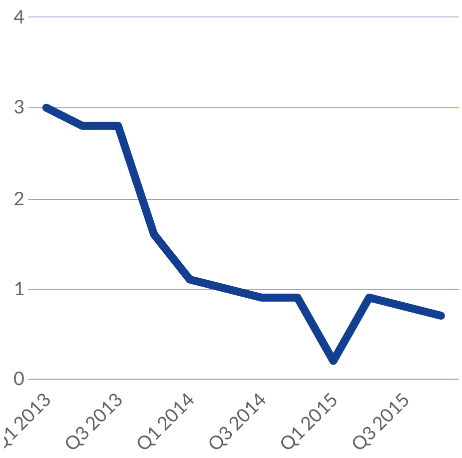
Source: CBS

Unemployment
Seasonally adjusted in %



Source: CBS

Inflation
In %



Source: CBS

For the time being, however, it is predicted that the Dutch economy will be able to maintain the growth path of around 2 percent. This is sufficient to lead to a further drop in unemployment. In 2015, the unemployment rate fell to 6.9 percent. The CPB projects a decline to 6.5 percent for 2016. Inflation, at 0.2 percent in 2015, will remain low in 2016 (0.3 percent) due to lower oil and import prices, and might increase slightly after that.

Macroeconomic developments in 2015 and forecasts for the coming years may be interpreted as positive for SNS Bank. Increased economic activity could lead to a further increase in the number of transactions in the area of mortgages, a continued rise in house prices and a decline in arrears.

Low interest rates continue to fall

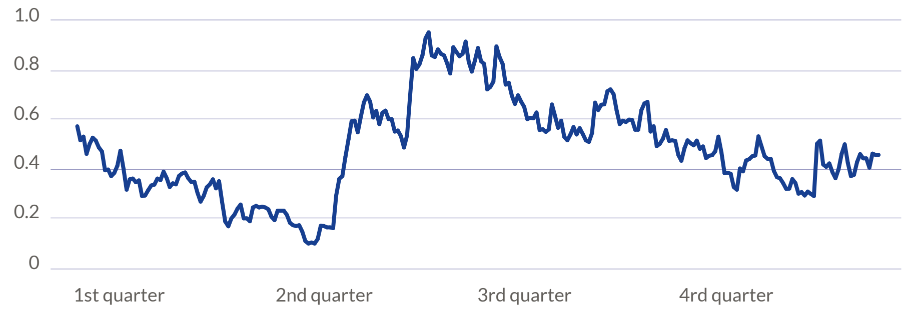
The ECB's loose monetary policy, coupled with a lasting low inflation, translated in a further decline of the European interest rates in 2015. In April 2015, the German long term interest rates reached new lows and even went negative; the 10-year interest rate on Dutch government bonds fell to 0.1 percent. Subsequently, long term interest rates rose again as a result of a disappointing monthly inflation rate in an illiquid market. At year-end 2015, the 10-year interest rate on Dutch government bonds stood at 0.4 percent, on balance a slight decrease compared with year-end 2014. In the first quarter of 2016, long term interest rates continued to fall and at the end of February, the 10-year interest rate was negative in both Germany and the Netherlands.

Mortgage and savings rates also fell in 2015 and in the first months of 2016.
The lasting low interest rate environment is expected to put pressure on SNS Bank's interest margin in 2016. In view of the ECB's loose monetary policy and the moderate economic growth, we expect long term interest rates to remain low for the time being.

Global, political and economic uncertainty may, however, cause volatility.

Ten-year yield Dutch Government bonds in 2015

(in %)

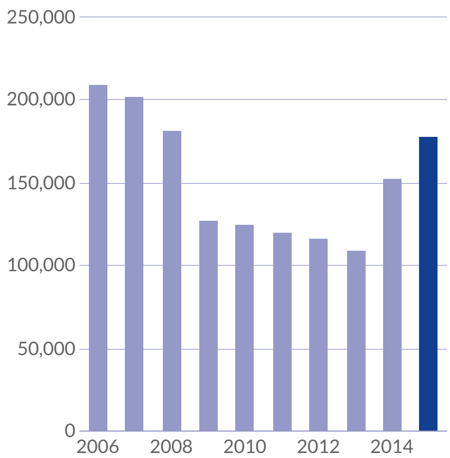


Source: Bloomberg

Growth in housing market and shifts within mortgage production

After a cautious recovery in 2014, the Dutch housing market showed a further improvement in 2015. House prices rose by 2.8 percent (2014: +0.9 percent) and the number of homes sold was 16 percent higher than the previous year (2014: +39 percent). This growth was supported by a falling unemployment rate and lower (mortgage) interest rates. The number of homes sold is nearing pre-2008 levels.

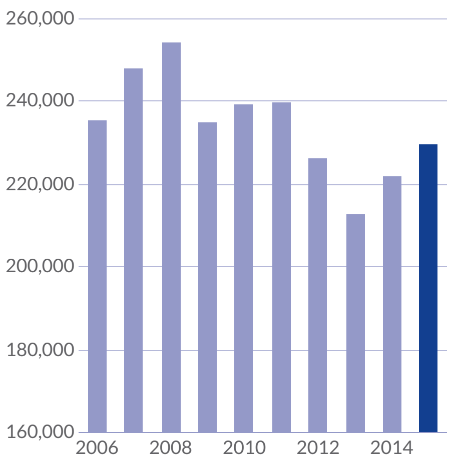
Number of homes sold



Source: CBS

Average sales price

In €



Source: CBS

Cautious recovery mortgage and housingmarket

The recovery of the housing market and lower (mortgage) rates positively impacted the market for new mortgage production, which increased from € 49 billion in 2014 to € 62 billion (+28 percent), in spite of some dampening factors. In 2015, Dutch banks applied lower cost-to-income ratios to new mortgages (reflecting the maximum portion of income that may be spent on mortgage payments). The maximum Loan-to-Value (LTV) for mortgages dropped by one percentage point to 103 percent (including 2 percent transfer tax). The LtV will be further reduced by one percentage point per year to 100 percent in 2018. Furthermore, as from 1 July 2015, the National Mortgage Guarantee (NHG) maximum was lowered from € 265,000 to € 245,000, to be lowered again to € 225,000 in 2016. As a result, its share of NHG mortgages in new mortgage production decreased from approximately 60 percent in 2013 to approximately 40 percent in 2015.

Within the market for new mortgages, the share of long term fixed-rate mortgage loans (more than 10 years) increased from approximately 10 percent in the years before 2014 to approximately 50 percent, driven by the low interest environment. Insurers and pension funds are playing an increasingly important role in providing mortgages and the increased competition from these parties is mainly visible in this long term fixed-rate segment. Both trends are expected to continue.

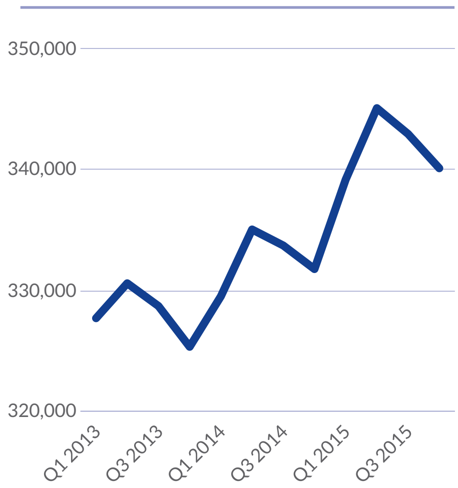
Despite the strong growth in new mortgage production, the total Dutch mortgage market only increased fractionally in 2015, from € 634 billion to € 637 billion as the low interest environment and increased house movements resulted in a higher level of redemptions in the mortgage market.

Fractional increase Dutch retail savings

As in 2015, the Dutch retail savings market grew by less than 2 percent. At year-end 2015, domestic savings amounted to € 336 billion, a 1.3 percent increase. The increase in retail savings was in contrast to a steady decline in savings rates. The average interest rate on available balances declined from 1.2 percent in early 2015 to 0.85 percent at year-end.

Total savings

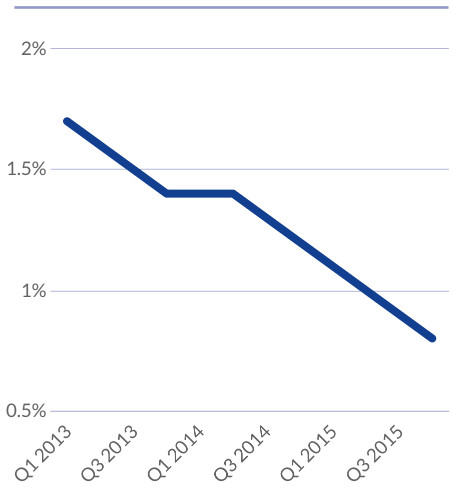
In € millions



Source: CBS

Average savings rate

(notice period < 3 months)



Source: CBS

SECTOR DEVELOPMENTS

Fintech sector

Over the past year, the fintech sector continued its rapid growth. Fintech stands for technology-driven innovations in financial services. In 2014, global investment in financial technology ventures tripled to well over € 11 billion. Most of this money was invested in startups (The Future of Fintech and Banking: Digitally disrupted or reimagined published by Accenture Consulting). A well-known Dutch fintech company is Adyen. Last year, many new fintech startups entered the market: examples are Bunq (group expense app) Lendex (crowd lending) and Holland Fintech (networking club for banks, investors and startups). Many of these startups want to cooperate with banks and other financial players. SNS Bank too, is engaged in talks with various parties.

One of the technologies that attracted a great deal of attention last year is blockchain. The blockchain technology is the basis on which various cryptocurrencies, such as bitcoin, are built. Blockchain ensures that the essential functions of the 'trusted third party', currently still banks, are fully automated via the Internet. Blockchain technology allows for transactions without bank intervention. By drawing up 'smart contracts', the trusted third party is no longer required. The largest banks in the Netherlands, including SNS Bank, are currently experimenting with blockchain technology.

SOCIAL DEVELOPMENTS

Increasing focus on climate chage

2015 was marked by sustainability, mainly because of the UN Climate Conference in Paris in November and December. Government leaders agreed to limit the temperature rise in the 21st century to *2°C*.

In the marketplace too, sustainability has increasingly become a theme that is providing financial incentives. Research by TIAS VastgoedLAB proved that in 2015 again energy efficiency is of growing importance for residential property prices.

The increasing attention paid to climate change and the resulting measures may lead to and increasing demand for and supply of sustainable financial products such as green bonds and renewable energy projects.
Transparency of the impact of investments on carbon dioxide emissions offers significant opportunities to banks to take a leadership position. There are risks involved too. If the financial institution is unable to meet its stakeholder expectations for instance, or if there are unforeseen events in the renewable energy market.

"In 2015, I was involved in the Platform Carbon Accounting Finan cial Institutions (PCAF) on behalf of the Netherlands Enterprise Agency (RVO). Together with SNS Bank, I held a presentation at the Paris climate change conference on this platform and the bank's ambition to manage the CO2 emissions
of its investments. With its 100% climate neutral ambition and participation in external initiatives such PCAF and CoP FiNC, SNS Bank is certainly well on its way. Nevertheless, I see room for improvement, such as closing unexpected coalitions and implementing the customer-oriented sustainability policy. There is still a lot to be gained there."

Caroline van Leenders, RVO

Consumers take control of their own personal data

SNS Bank thinks of personal data as data belonging to customers and not to the bank. We notice that there is growing distrust about the ever-increasing data collection. Consumers seem to be increasingly aware of the value of their personal data.

We observe various developments in the collection and usage of data in society. The ongoing digitisation results in a tremendous growth of data. 'The Internet of Things' creates a network of online sensors in products creating a flywheel effect for big data. Data collection and usage in smart applications are becoming increasingly easy.

It is now generally expected that it won't be long before consumers will go 'shopping' with their profiles and turn the information about their lifestyle and preferences into cash themselves. There appears to be a movement towards a 'bidconomy' in which consumers sell their needs and wishes and companies may bid on this information. Banks could play a role in facilitating this process. SNS Bank is also looking into these possibilities. We are for instance setting up a Technology Centre that will invest in concepts such as 'Identity as an asset', 'Chainblock' and 'Open Banking'.

Internet of Things
Not only people are online, things are too. Think of devices that monitor their own surroundings, upload statuses, receive instructions and can even take action based on information received. Together, they form a large network, i.e. the 'Internet of things'.

Consumer confidence in financial services sector remains low

Although Dutch consumers have little confidence in the sector, the confidence in their own bank is relatively high. That was evident from the first Banking Confidence Monitor published by the Dutch Banking Association (NVB) in 2015. On a 1-5 scale, they give the overall sector a score of 2.8 on average. The confidence score in their own bank is 3.2. ASN Bank and RegioBank got a score of 3.9 and 3.7 respectively, clearly higher than the major Dutch banks. SNS scored 3.2 on average. For more information see section 5.2.

4.2 DEVELOPMENTS IN THE REGULATORY ENVIRONMENT

Laws and regulations for both prudential rules and rules applicable to our products and servicesare constantly evolving. The year 2015 again saw many developments.

The set of laws and regulations applicable to SNS Bank has three focus areas: putting customers' interests first, robust bank and sound financial services sector.

PUTTING CUSTOMERS' INTERESTS FIRST

A large quantity of legislation is being developed in the field of Putting customers' interests first. These laws and regulations are often initiated at EU level and will come into force in the next few years. The European directives are aimed at ensuring the proper functioning of the internal markets and at establishing a high level of consumer protection, including rules for:

1. a more general and uniform way for the provision of information (including costs) to improve the comparability of products and services;
2. codes of conduct and competence requirements;
3. a more proactive approach to customer service;
4. simplifying the switching of services and products by customers.

The objective is to restore consumer confidence in the financial services sector. SNS Bank has already made some notable progress in the field of rules of conduct and service to customers. It is closely following the developments and is carrying out preparatory activities to implement the laws and legislation in the years to come.

DGS

The amended Directive on Deposit Guarantee Schemes prompted a modification of the national Deposit Guarantee Scheme (DGS). Changes were, for example, made to the method of contributing to the DGS fund. Up to now, banks were required to make ex-post contributions to payments to eligible account holders. The amended directive provides for a pre-funded deposit guarantee scheme (DGS). Under this new DGS, banks will pay contributions to a new Deposit Guarantee Fund (DGF) on a quarterly basis. The targeted fund size is equal to 0.8 percent of the total guaranteed deposits of banks together, which volume should be reached in 2024.

ROBUST BANK

CRD IV

The Capital Requirements Directive IV (CRD IV) is a European Directive for the implementation of the Basel III regulations published in 2011. The Directive was implemented in the Financial Supervision Act (Wft) in 2014. The CRD IV is supplemented by Capital Requirements Regulation (CRR). These directive and regulation specifically pertain to the supervision of the capital and liquidity of banks and investment firms. The CRD IV and the CRR have a significant impact on SNS Bank and together they form the core of the new prudential framework for SNS Bank.

Since 2014 non-risk-weighted capital ratios have been given more attention, for which purpose the leverage ratio was developed within CRD IV. In addition, the Basel Committee initiated consultations on credit, market and operational risk.

Law and regulations

Putting customers' interests first

- Payment Services Directive 2
- Mortgage Credit Directive
- Deposit Guarantee Scheme
- Payment Account Directive
- MiFID 2
- Regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs)
- Privacy

Robust bank

- CRR/CRD IV
- IFRS
- PERDARR
- FATCA

Sound financial sector

- BRRD
- MREL
- TLAC
- Bail-in
- SRM
- Resolution levy

Leverage ratio

The leverage ratio is defined as Tier 1 capital divided by on and off-balance sheet items. From 2018, this ratio is subject to a minimum of 3 percent. Member states may deviate from this. A minimum of 4 percent may apply to Dutch banks in the future.

Credit, market and operational risk consultations from Basel

Rules issued by the Basel Committee are generally considered to be paving the road for European regulations. In 2014, the Basel Committee initiated consultations focusing on the introduction of a capital floor in internal (Internal Ratings-Based) capital models and tightening of the standardised approaches for calculating credit, market and operational risks. When these new rules become final, they are expected to result in a significant increase in risk weighted assets.

IFRS

In addition to rules on banking supervision, changes to IFRS standards and interpretations also affect us. The main change for the years ahead relating to us is the replacement of IAS 39 Financial Instruments by IFRS 9. For a further elaboration on the relevant changes as a consequence of the implementation of IFRS 9 and other future changes of IFRS with a possible effect on the annual accounts of SNS Bank, reference is made to the accounting principles in the financial statements.

PERDARR

The Basel Committee on Banking Supervision developed the PERDARR principles (Principles for Effective Risk Data Aggregation and Risk Reporting). These principles are meant to improve the quality of systems that combine risk data and of internal risk reporting, with the ultimate goal of strengthening risk management and enhancing decision-making processes in banks. In the past year, we identified the technical and organisational changes required and worked on the implementation of the PERDARR principles.

FATCA

The Intergovernmental Agreement (IGA) ensuing from the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) based on FATCA legislation are both agreements to share financial information between countries - including the Netherlands. For the implementation of these agreements, Dutch legislation entered into force on 1 January 2016. Dutch financial institutions are legally required to identify their customers and, where appropriate, to forward information to the Dutch Tax and Customs Administration.

SOUND FINANCIAL SERVICES SECTOR

BRRD

The European Bank Recovery and Resolution Directive (BRRD) entered into force on 1 January 2015. The act implementing the BRRD in Dutch legislation entered into force on 26 November 2015.

The BRRD provides for the development of recovery and resolution plans, options for early intervention and the use of resolution tools, such as debt write-down or debt conversion (bail-in) and transfer of shares or assets and/or liabilities to a bridge institution or third party.

MREL, TLAC and bail-in

The BRRD introduces a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) of at least 8 percent of the balance sheet total to form a buffer to absorb losses. The liability items qualifying for the bail-in buffer are referred to as Eligible Liabilities. In the event of a bank failure, holders of CRDIV/CRR capital instruments (e.g. shareholders) will be ‘charged’ first with a write down or conversion of the capital instruments . Subsequently, resolution tools such as bail-in may be applied by the resolution authority.

The Financial Stability Board launched its own proposal for what it refers to as a Total Loss Absorbing Capacity ratio (TLAC). Like the MREL in the BRRD, it is a bail-in instrument. The TLAC is a standard loss absorption indicator, intended first and foremost for large, internationally operating systemically important financial institutions. This standard is still in the process of being developed. The TLAC requirements are not directly applicable to SNS Bank, but we keep a close watch on the developments in this area.

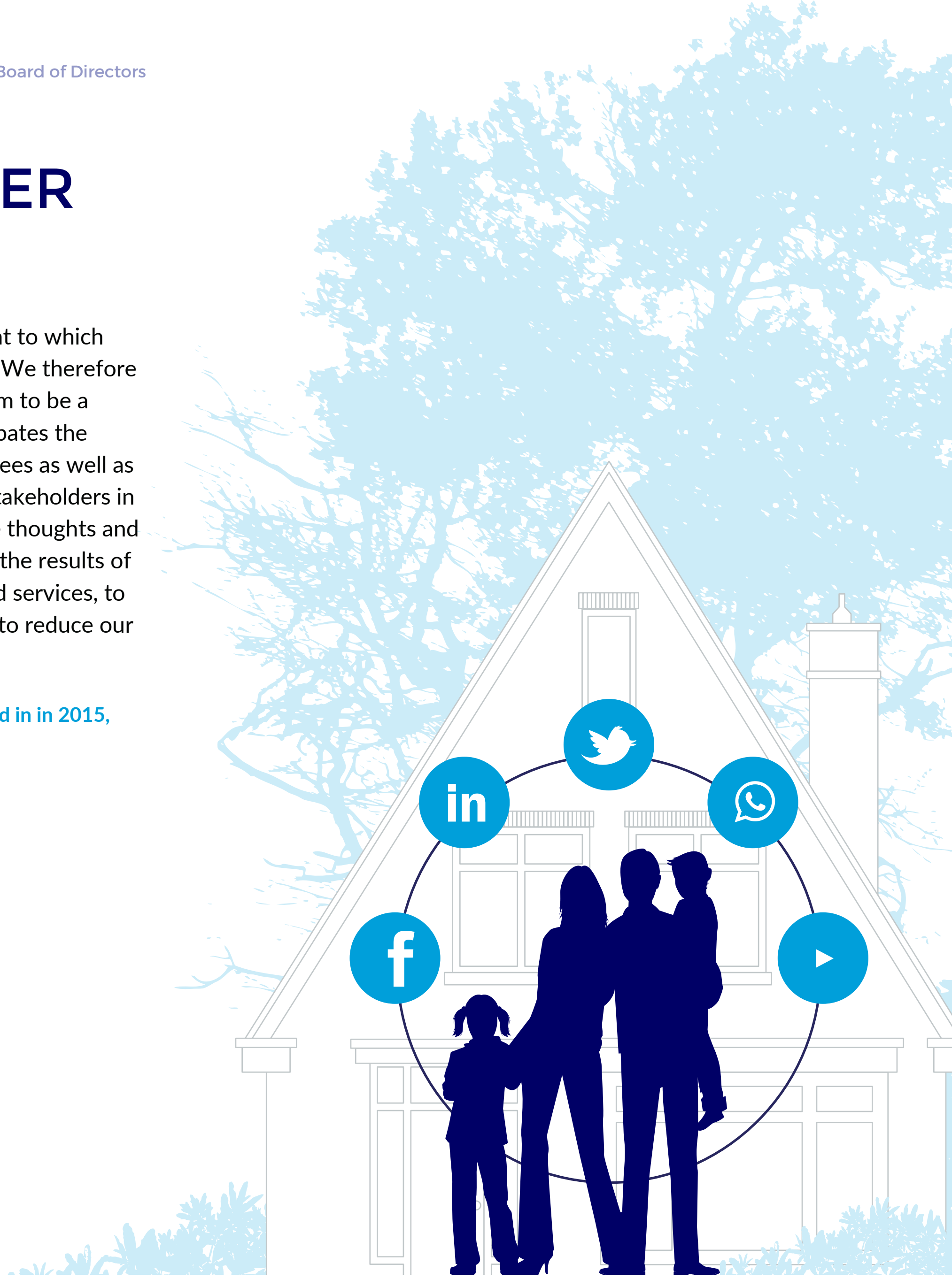
SRM and resolution levy

The Implementation Act of 26 November 2015 implemented the BRRD in the Netherlands. The BRRD is complemented by the Single Resolution Mechanism Regulation (SRM) which came into force on 19 August 2014. The SRM regulates the resolution of failing banks, for which purpose a European resolution authority, the Single Resolution Board (SRB), was created on 1 January 2015. Effective 1 January 2016, the SRB has the exclusive power to decide on the resolution of failing banks. In addition, a European Resolution Fund (SRF) started its work on that same date. SNS Bank is required to make a financial contribution both to the SRF and to the costs of the SRB.

4.3 STAKEHOLDER ENGAGEMENT

Our success depends altogether on the extent to which we can meet our stakeholders' expectations. We therefore maintain a regular dialogue with them. We aim to be a bank that is at the heart of society and anticipates the needs of customers, our shareholder, employees as well as civil society organisations. By engaging our stakeholders in dialogue we want to constructively exchange thoughts and share experiences and expectations. We use the results of this engagement to improve our products and services, to boost our customers' financial resilience and to reduce our impact on the climate.

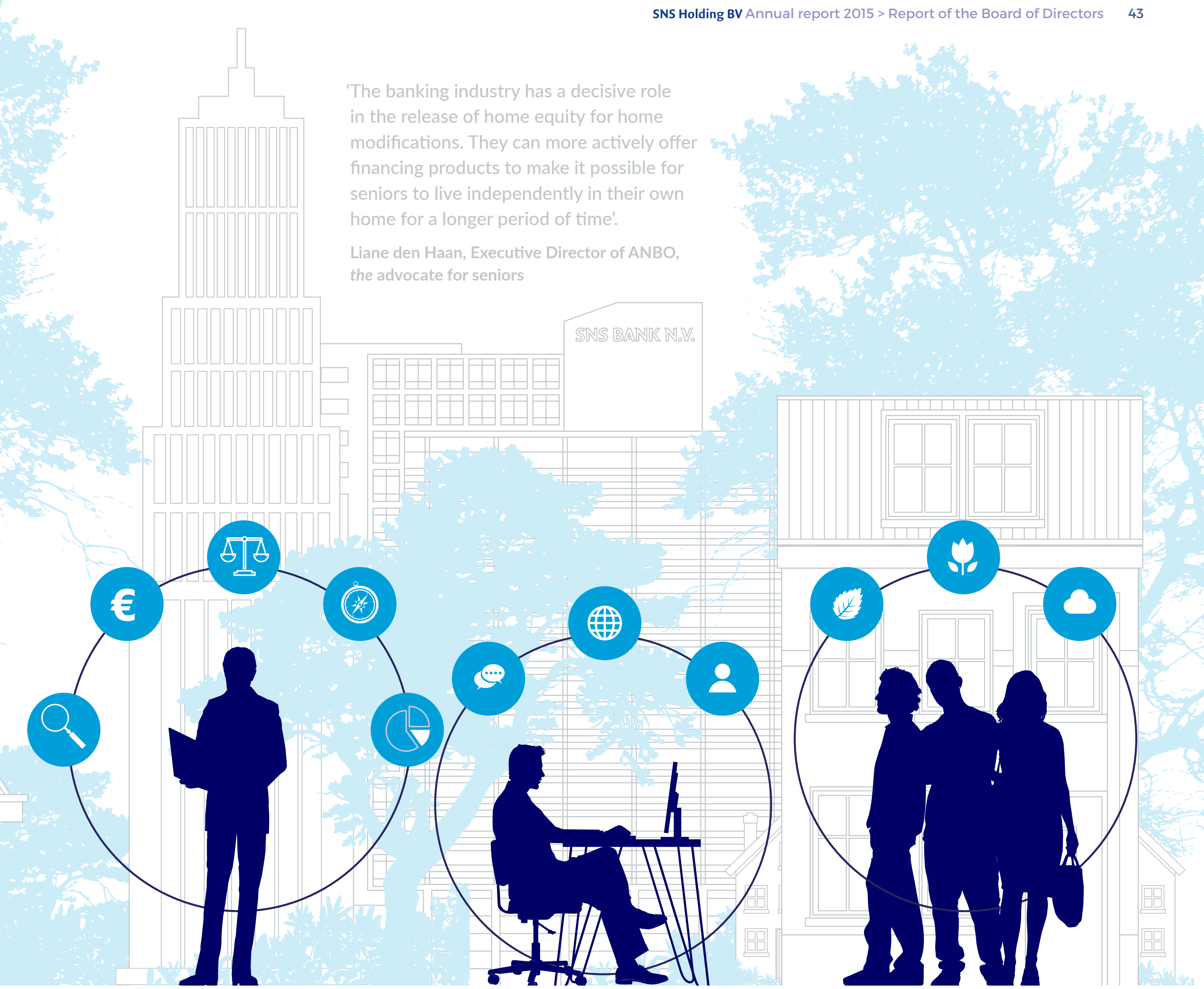
For more information on the dialogues we engaged in in 2015, see Additional stakeholder information.



STAKEHOLDER	CUSTOMERS
EXPECTATIONS	• Open and transparent communication • High-quality and simple products • Fairly priced products and clear conditions • Putting the customer's interests first by listening, taking a constructive approach and showing appreciation • Clear course
DIALOGUE	Our brands continuously engage their customers in dialogue, including: • SNS customer communities • For the world of tomorrow by ASN Bank • Social media (a WhatsApp service channel for SNS) • Customer service • Other meetings

‘The banking industry has a decisive role in the release of home equity for home modifications. They can more actively offer financing products to make it possible for seniors to live independently in their own home for a longer period of time’.

Liane den Haan, Executive Director of ANBO, *the* advocate for seniors



RATING AGENCIES AND INVESTORS

- Timely, transparent and comprehensive reporting on the financial state of affairs, in particular on:
  - Profitability
  - Solvency
  - Putting our mission, vision and strategy with regard to financial targets into practice
- Accessible consultation process

There are regular consultations between the Board of Directors of SNS Bank and NLFI. We organise an ‘annual review’ for rating agencies and there is frequent contact with analysts. SNS Bank took a roadshow to visit a wide variety of investors in several European countries. Occasionally, we received potential investors at our head office.

EMPLOYEES AND SALES ADVISORS

- Compelling mission
- Cooperation to build a better bank for our customers
- Opportunities for talent development
- People-oriented culture
- Management with a human touch

SNS Bank maintains continuous communication with its employees. Information is shared through iD, our intranet, the Works Council and employee surveys. Moreover, employees can actively respond to issues presented on the digital collective labour agreement platform.

SOCIETY

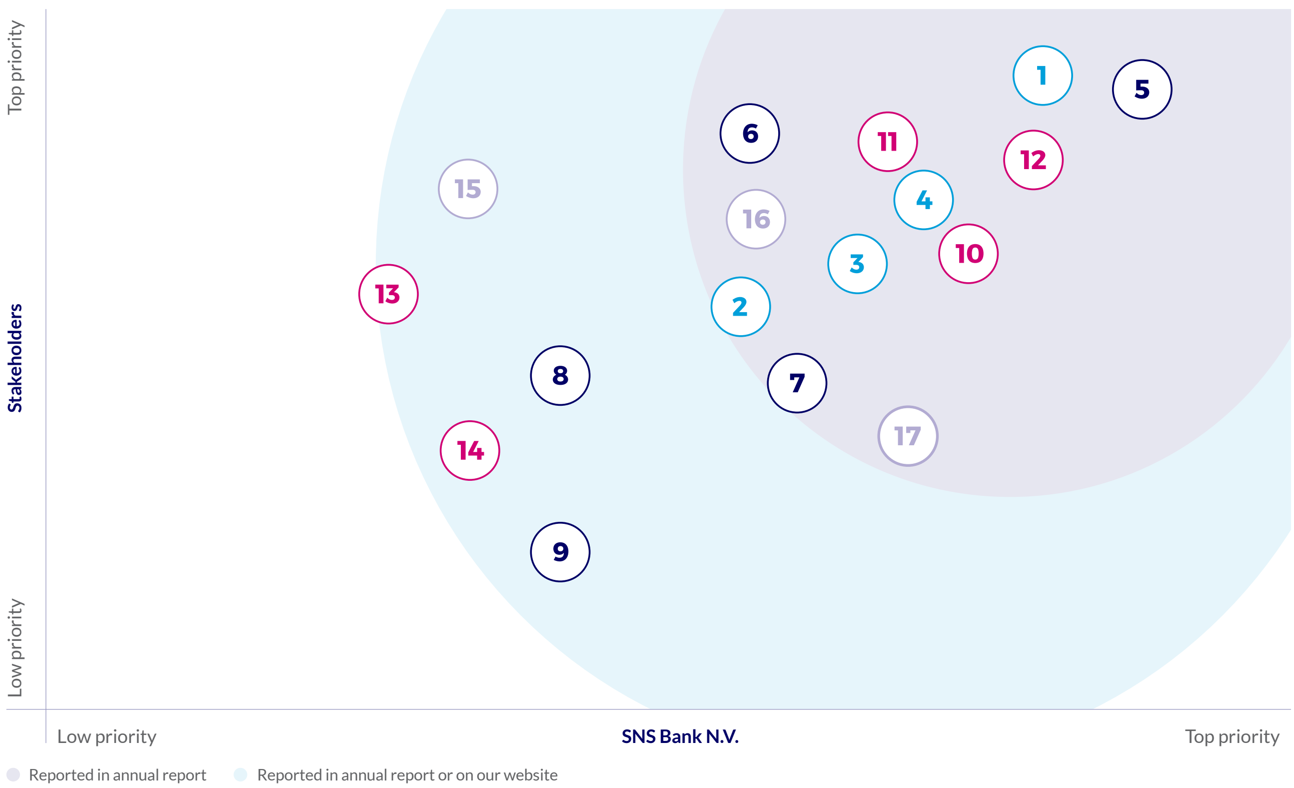
A transparent bank that responsibly fulfils its role and obligations with respect to its customers, society and the climate.

We regularly exchange ideas with the Fair Bank Guide and other NGOs, trade associations, politicians, academics, opinion leaders, and participate in various working groups. We also have an Advisory Council and engage our stakeholders in dialogue.

In 2015 we again actively engaged in dialogue. We did so through various channels and platforms such as customer days, social media and investor roadshows. In the previous pages we describe what our stakeholders expect from us, what their concerns are and how we have acted on this.

Based on stakeholder discussions and internal and external (market) research, we identified social issues that are important to both stakeholders and SNS Bank. To achieve a graphical representation of all material issues facing SNS Bank, we determined the reporting priority by issue (for more details, see About this report). All of these issues are classified under our four strategic priorities, thus embedding issues that are important to our bank and stakeholders within SNS Bank. This, in turn, enables us to steer policies, activities and results.

Materiality matrix



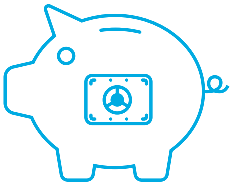
Excellent customer experience
1. Putting customers' interests first
2. Financial resilience
3. Customer privacy & safety
4. Availability of services

Excellent business operations
5. Financial performance
6. Technology & innovation
7. Sustainable employment
8. Employee satisfaction
9. Employee diversity

Moderate risk profile
10. Compliance with laws and regulations
11. Responsible risk management
12. Ethical banking
13. Responsible tax policy
14. Responsible remuneration policy

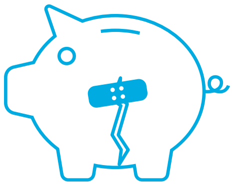
Sustainable balance sheet
15. Responsible investing
16. Climate neutral bank
17. Sustainable housing

4.4 SWOT-analysis



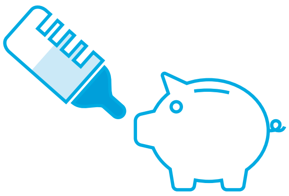
Strengths

- Manifesto binds employees together to become the most people-oriented bank.
- Focus on offering a limited number of products: mortgages, savings and payment products to the Dutch retail segment, i.e. private individuals, self-employed persons ans SMEs.
- Multiple distinctive brands that are close to their specific customer groups and respond to their customers' needs and preferences in their own way.
- Effective and efficient business model as our brands are supported by centrally managed mid and back offices and staff departments.
- Robust IT structure ensures stability, enabling us to act as a 'smart follower'.



Weaknesses

- Focus on the Dutch retail segment entails a certain concentration risk.
- The level of brand awareness of some of SNS Bank's brands is lower than that of the largest players.
- Controlled and responsible business operations require improvements in the areas of risk governance, processes and data quality.
- SNS Bank's loan portfolio has a higher level of impairment charges compared to other major Dutch banks.



Opportunities

- Given its profile and size, SNS Bank has room for innovation in times in which developments follow one another in rapid succession.
- SNS Bank's brands respond to the trend towards greater consumer demand for simple, transparent products, while at the same time taking an individual approach.
- Its multi-brand strategy allows SNS Bank to respond quickly to shifts in customer group needs by introducing a new brand.
- ASN Bank is well positioned for the trend towards consumers' increased preference for sustainability.

Threats

- Increasing compliance and regulatory demands are putting a material pressure on the banking industry, including SNS Bank, leading to increased costs.
- New requirements on the quantity and quality of capital to be maintained by banks may result in lower returns.
- Tightening margins in the mortgage market as a result of of increasing competition.
- New entrants into specific parts of the value chain, including non-financial players.

4.5 MISSION AND STRATEGY

BANKING WITH A HUMAN TOUCH

SNS Bank wants to show how the concept of banking today, with several brands, can be translated into one mission: banking with a human touch. We wish to be a socially responsible bank. Our mission dates back to our founding nearly two hundred years ago. All legal predecessors of the '*Samenwerkende Nederlandse Spaarbanken*' (SNS), or Cooperating Dutch Savings Banks, were banks whose local and social nature enabled them to know their customers and to be close to them. In today's terms, our mission means that we create benefits for customers, achieve a social return for society and generate adequate returns for the shareholder and investors.

Our vision

Our Manifesto expresses our vision of the banking group we seek to be. It is the key common denominator of the five SNS Bank brands (ASN Bank, BLG Wonen, RegioBank, SNS and ZwitserlevenBank). The full text of the Manifesto is as follows:

A society that allows people to live confidently and full of optimism and to do the things that benefit the next generation – that is the kind of society we wish to build. It is our raison d'être: to help ***every single individual*** *– in a personal way – to be financially resilient, each in his own way.*

Accordingly, reaching back to our social roots, we are taking our responsibility to shape the banking trade based on what people really need. It means that our financial services are about ***benefit rather than return*** *– about value rather than money. It particularly means that we are sincere in putting our customers' interests first in order to safeguard fundamental things in life such as housing, education and a buffer for unexpected expenses, now and in the future.*

We also understand that the Netherlands today is very diverse and that every individual wants to be 'financially resilient' in his own way. That is why SNS Bank is a diverse family of brands: ASN Bank, BLG Wonen, SNS, RegioBank and ZwitserlevenBank. Together, yet each in its own way, we choose to build a future based on the principle of ***sustainability****. We choose to offer people insight, clarity and prospects in finance, to make 'good housing' accessible and to reinstate sincere personal contact as the cornerstone of banking. We are continuously inspired to work closely with our customers and develop simple services that bring back the human dimension in finance.*

Our ambitions

We are a
PEOPLE-ORIENTED
BANK

We are a
SOCIAL BANK

We are a
SUSTAINABLE BANK

Our ambition

We have formulated the following three longer-term ambitions to translate our vision into specific goals. We are a:

1. people-oriented bank: we aim for high appreciation scores from customers and employees. SNS Bank wants to be a multi-brand bank where people truly feel at home;
2. social bank with products and services that are easily understood and easily obtained and that help people to be financially resilient. We strive for a profit level that is in line with our Manifesto and provides a sound financial basis; and
3. sustainable bank. We are developing into a carbon-neutral bank, making our balance sheet and own business operations more sustainable and actively encouraging customers to save energy.

OUR STRATEGY

Strong brands, one organisation

SNS Bank stands out from other banks through its focus on the Dutch retail segment: private individuals, self-employed persons and SMEs. In our activities, we limit ourselves to simple financial products that are within our area of knowledge and expertise. These are primarily products in the areas of mortgages, savings and payments. In addition, we offer insurance products and investment funds.

We have deliberately chosen a multi-brand strategy, as this enables us to be closer to our customers. Our five brands (ASN Bank, BLG Wonen, RegioBank, SNS and ZwitserlevenBank) develop suitable financial products and services for specific target groups. All brands have a distinctive profile and challenge the market with their product range. When offering their products and services, the brands take into account the differences in their customers' needs.

The target groups' various needs are also given due consideration in our distribution. For example, ASN Bank is an internet-only bank, BLG Wonen primarily distributes its products via independent intermediaries, and SNS and RegioBank combine online services with a local presence, with RegioBank specifically targeting the smaller communities.

At the front, in communications with customers, our brands are all different. At the back, they all use a single central platform for front, mid and back office. We have a strong IT organisation and a central staff organisation, which enable us to work effectively and efficiently. Our size, focus and flexible IT organisation ensure a short time to market, enabling us to introduce innovations efficiently by means of a smart-follower strategy.

Four strategic priorities

In order to achieve our ambitions and goals, we focus on four priorities for the medium term:

1. Excellent customer experience

Excellent customer experience is a basic condition to ensure that we win customers' trust and that customers make a choice for one of our bank brands with conviction. By focusing on excellent customer experience, we aim to increase our customers' appreciation and our market shares. Only when customers are enthusiastic about us and our products and services, will they remain our customers and encourage others to become customers. Customer contact is key to how customers experience our services and is therefore given explicit attention.

In 2015, we took several initiatives to improve customer experience. Accordingly, we started to proactively approach customers with regard to interest rate averaging for mortgages and improved complaints procedures. Section 5.2 Our strategic themes and 5.3 Brand performance further describes the various initiatives taken to achieve excellent customer experience, at both brand and Group level.

2. Excellent business operations

Flawless, perfectly streamlined business operations make or break excellent customer experience. It is only when we do our work well and consistently that we can promise customers that we stand by every agreement we make and provide every product in the same manner and with the same level of quality and reliability. A high level of quality and reliability in our work will also push down costs as error resolution costs are rare or non-existent and risks can be controlled.

With our single back office and our sound and flexible IT organisation, we are well-positioned to achieve excellent business operations at controllable cost. We still see room for improvement here. For example, we further elaborated and implemented our Integrated Control Framework (ICF) in 2015. Attention was also devoted to improving data quality and data management. Increasing costs ensuing from supervision and

Our brands

ASN BANK

For the world of tomorrow

ASN Bank is a sustainable bank that wants to contribute to a more sustainable society respecting the following pillars: climate, human rights and biodiversity.

BLG wonen

Feel at home

BLG Wonen serves customers through intermediates and wants to offer housing-related solutions that meet the needs of the customers financial situation.

RegioBank

Nearby and commited

RegioBank wants to be a truly local bank with face-to-face contact for every customer and a full range of services.

SNS

Perfectly normal. SNS

SNS presents itself as a no-non-sense bank with simple products that benefit the customer. We thus change course and challenge the major banks.

Zwitserleven

Saving for later

ZwitserlevenBank offers various savings products based on the 'Simplicity for later' strategy.

regulations emphasise the need to look for more options to further reduce our operating expenses.

3. Moderate risk profile

SNS Bank seeks to maintain a moderate risk profile, in part by focusing on the Dutch market and on specific product and target groups. Credit risk is the most important risk of our core activities, followed by market risk, albeit to a lesser extent. We will explain these risks in Chapter 6 Risk management.

We are reducing the risk costs for residential mortgages by implementing improvements in the management process and preventive management. This, together with a mortgage market upswing, contributed to the higher quality of our mortgage portfolio in 2015.

Striking a healthy balance with sound capital ratios also forms an important component of our moderate risk profile. With a sound Common Equity Tier 1 ratio of 25.3%, SNS Bank convincingly meets regulatory requirements. New regulations also set requirements in respect of non-risk-weighted capital ratios as from 1 January 2016. For a retail bank like SNS Bank such ratios (such as the leverage ratio and MREL) are currently important factors in our capital management policy. In anticipation of the new regulations, we further reinforced and diversified our buffer capital in 2015. In 2015, for the first time since the nationalisation, SNS Bank placed Tier 2 notes on the capital market.

A moderate risk profile and sustained profitability go hand in hand. Our premise is a healthy balance between value for customers, staff, the shareholder and our contribution to society. In other words, we aspire to maintain a profit level that is in line with our Manifesto and business model and at the same time contributes to a healthy financial basis for the future.

25.3%
Common Equity Tier 1 ratio

4. Sustainable balance sheet

SNS Bank's goal is to become a carbon neutral bank by 2030. We started measuring the CO2 emissions of almost all our balance sheet items in 2014. Ultimately, we want the amounts of greenhouse gas emissions avoided and released by our investments to be equal. The calculation method used for this purpose is the methodology developed by ASN Bank in collaboration with consultancy firm Ecofys. This methodology is in line with the Greenhouse Gas Protocol (GHG Protocol) standards and EBRD and UNEP Finance initiatives. Based on this methodology, our balance sheet was for 16% climate neutral at year-end 2014 and for 22% at year-end 2015.

OUR OBJECTIVES

We have translated our strategy into the following objectives for the longer run:

- A growing number of customers recommend us: we aim for a positive Net Promoter Score (NPS) for all brands.
- Employees show commitment and enthusiasm. We aim for an eNPS (employee NPS) in excess of 20.
- We achieve the desired market shares: new sales of our own mortgage products between 5 and 8 percent and savings more than 10 percent.
- We maintain a solid capital position: a Common Equity Tier 1 ratio of more than 14 percent, based on current regulations, and a leverage ratio of more than 4 percent.
- We are working to achieve a sustainable balance sheet.
- We aim at a climate neutral balance sheet by 2030.

5 SNS Bank performance

What did SNS Bank achieve in 2015 with regard to its strategic priorities.

5.1 FINANCIAL AND COMMERCIAL DEVELOPMENTS

FINANCIAL RESULTS

Results 2015 compared to 2014
Profit and loss account

in € millions	2015	2014	Change
Net interest income	994	1,024	-3%
Net fee and commission income	48	44	9%
Other income	83	31	168%
Total income	**1,125**	**1,099**	**2%**
Operating expenses	590	498	18%
Impairment charges	37	207	-82%
Impairment charges goodwill	--	67	-100%
Other expenses	22	76	-71%
Total expenses	**649**	**848**	**-23%**
Result before tax	476	251	90%
Taxation	128	100	28%
Net result for the period	**348**	**151**	**130%**
One-off items	13	-143	-109%
Adjusted net result for the period	**335**	**294**	**14%**
Efficiency ratio[1]	51.2%	44.7%	
Return on Equity (RoE)	11.1%	5.4%	
Net interest income (NII) as % of average assets	1.52%	1.43%	
Operating expenses as % of average assets[1]	0.88%	0.69%	

1 Excluding the impact of regulatory levies.

Net profit in 2015 increased with € 197 million to € 348 million. A swing in one-off items explains € 156 million of this increase.

In 2015, total one-off items amounted to € 13 million positive. Positive fair value movements on a specific mortgage portfolio and related derivatives led to a net unrealised gain of € 35 million. This mortgage portfolio was purchased as part of the transfer of DBV Finance from VIVAT Verzekeringen (VIVAT) on 28 January 2011 and continued to be accounted for under fair value accounting. At year-end 2015, this portfolio amounted to € 2.0 billion. The € 35 million unrealised gain was partly offset by a € 22 million book loss on the sale of SNS Securities, the bank's securities specialist.

In 2014, one-off items had amounted to € 143 million negative, consisting of a € 67 million impairment of goodwill related to RegioBank and a € 76 million charge for SNS Bank's share in the resolution levy on Dutch banks related to the nationalisation of SNS REAAL.

Adjusted net result

in € millions	2015	2014	Change
Net result for the period	348	151	130%
Fair value movements former DBV mortgages and related derivatives	35	--	
Book loss sale SNS Securities NV	-22	--	
Impairment charges goodwill	--	-67	
Resolution levy	--	-76	
Total one-of items	13	-143	
Adjusted net result for the period	**335**	**294**	**14%**
Adjusted efficiency ratio	53.4%	44.7%	
Adjusted Return on Equity (RoE)	10.7%	10.6%	

Adjusted for one-off items, net profit of SNS Bank increased with € 41 million to € 335 million (+14%). The main factors behind the increase were lower impairment charges on loans and, to a lesser extent, a higher result on financial instruments. These positive factors were partly offset by higher operating expense, lower net interest income and lower investment income.

Income

Breakdown income

in € millions	2015	2014	Change
Net interest income	994	1,024	-3%
Net fee and commission income	48	44	9%
Investment income	42	72	-42%
Result on financial instruments	39	-46	-185%
Other operating income	2	5	-60%
Total income	**1,125**	**1,099**	**2%**

Net interest income

Net interest income in 2015 decreased by € 30 million to € 994 million, mainly due to an adjustment to the effective interest calculation of impaired loans in 2014, impacting both net interest income (€ 27 million positive) and impairment charges on retail mortgage loans (€ 26 million negative) in that year. Excluding this adjustment, net interest income was relatively stable.

Interest income on mortgages declined, mainly due to a € 1.5 billion reduction in the mortgage portfolio as a result of high redemptions and early renewals at lower mortgage rates. The latter included the interest rate averaging option, actively offered by SNS in 2015, enabling clients to benefit from the low interest rate environment. Missed coupons in case of interest rate averaging are amortised over the new - often long - contractual interest rate term, which also reduced interest income. In addition, increased competition led to a decline in the margin on mortgages during the year.

Lower interest income on mortgages was compensated by lower interest expenses as rates on savings balances were lowered and due to the impact of redemptions on wholesale funding.
Net interest income as a percentage of average assets increased to 152 basis points from 143 basis points in 2014. SNS Bank lowered its retail mortgages rates more than its retail savings rates but the volume of mortgages directly impacted by lower mortgage customer rates is smaller than the volume of retail sight deposits.

Net fee and commission income

Net fee and commission income increased by € 4 million to € 48 million, mainly due to higher advisory fees driven by an increase in mortgage advice activity. In addition, management fees received were up due to an increase in assets under management.

Investment income

Investment income fell to € 42 million compared to € 72 million in 2014. This fall was mainly driven by sharply lower realised gains on fixed-income investments, sold as part of balance sheet management and investment portfolio optimisation. Realised gains amounted to € 24 million compared to € 49 million in 2014. In addition, fixed income results at SNS Securities were lower due to a reduction in bond transactions.

Result on financial instruments

The result on financial instruments improved sharply to € 39 million positive, from € 46 million negative in 2014. In 2015, the result on financial instruments was positively impacted by unrealised gains on former DBV mortgages and related derivatives, both accounted for at fair value with changes through the profit and loss account. The fair value of these mortgages is influenced by changes in customer mortgage rates and the fair value of related derivatives is mainly influenced by swap rate movements. In 2015, a general decline in customer mortgage rates in combination with an increased swap rate and an increased prepayment rate resulted in a one-off gain of € 47 million (€ 35 million net) compared to nil in 2014.

The aforementioned result was partly offset by negative results related to the revaluation of funding bought back in previous years, driven by a decline in SNS Bank's credit spread.

In 2014, the negative result on financial instruments of € 46 million was mainly due to amortisation expenses related to fair value adjustments of hedged fixed-income investments. In 2015, these amortisation expenses were negligible, due to the sale of these investments in the previous year.

Furthermore, hedge ineffectiveness results on derivatives, partly related to mortgages, were negative in 2014 compared to slightly positive in 2015. Finally, also trading results on financial instruments were negative in 2014.

Other operating income

Other operating income decreased from € 5 million to € 2 million due to the absence of proceeds from the sale of SNS Fundcoach.

Expenses

Adjusted efficiency ratio

in € millions (gross)	2015	2014	Change
Total income	1,125	1,099	2%
ADJUSTMENTS (ONE-OFF ITEMS):			
Fair value movements former DBV mortgages and related derivatives	47	0	
Adjusted income	**1,078**	**1,099**	**-2%**
Operating expenses	590	498	18%
Adjustments: regulatory levies	15	7	
Adjusted operating expenses	**575**	**491**	**17%**
Efficiency ratio	51.2%	44.7%	
Adjusted efficiency ratio	53.4%	44.7%	

The efficiency ratio (total operating expenses excluding regulatory levies divided by total income) was 51.2 percent compared to 44.7 percent in 2014. The efficiency ratio adjusted for one-off items was 53.4 percent, up compared to 44.7 percent in 2014.

Operating expenses

Total operating expenses increased with € 92 million to € 590 million (+18%). This increase was for € 8 million driven by regulatory levies, related to the ex-ante National Resolution Fund contribution and the Dutch banking tax.

Operating expenses excluding regulatory levies increased by € 84 million to € 575 million (+17%). Approximately 40 percent of the increase was due to costs to facilitate the increased mortgage activities, to improve the operational effectiveness and control framework and to comply with the new regulatory and supervisory framework. Extra costs due to the disentanglement from SNS REAAL, including the transfer of RBD as of 1 January 2015, accounted for approximately 30 percent of the increase.

The remainder of the increase was mainly due to higher provisioning charges. These included a small restructuring provision and a provision for jubilee benefits. Expenses in 2014 had included a release of restructuring provisions formed in prior years and a release of € 9 million related to adjustments of SNS Bank's share in the Deposit Guarantee Scheme for Icesave and DSB Bank.

Due to higher operating expenses in combination with lower assets, the ratio of total operating expenses[3] divided by average assets, increased to 88 basis points from 69 basis points in 2014.

The total number of FTEs at SNS Bank rose to 3,340 compared to 2,506 at year-end 2014. This increase was mainly due to the transfer of employees from SNS REAAL in January 2015, following earlier transfers in 2014. Moreover, the number of FTEs rose due to the transfer of the RBD business activities to SNS Bank and due to a higher head count at mortgage operations to cope with the increased mortgage activities.

Impairment charges

Breakdown impairment charges

in € millions	2015	2014	Change
Impairment charges on retail mortgage loans	34	146	-77%
Impairment charges on other retail loans	4	16	-75%
Impairment charges on SME loans	-3	44	-107%
Total impairment charges on loans and advances	**35**	**206**	**-83%**
Impairment charges on other assets	2	1	100%
Total impairment charges	**37**	**207**	**-82%**
Impairment charges on loans and advances as a % of average gross outstanding loans to customers	0.07%	0.38%	
Impairment charges on retail mortgage loans as a % of average gross outstanding retail mortgage loans	0.07%	0.31%	
Impairment charges on SME loans as a % of average gross outstanding SME loans	-0.25%	3.65%	

Total impairment charges on loans and advances decreased by € 171 million to € 35 million, 7 basis points of gross outstanding loans (2014: 38 basis points).

Impairment charges on retail mortgages decreased by € 112 million to € 34 million, equating to 7 basis points of gross outstanding retail mortgages (2014: 31 basis points). This decrease was supported by macro-economic developments, most notably

3 Excluding the impact of regulatory levies

higher residential house prices and declining unemployment figures. In addition, improved arrears management contributed to a decline in the inflow of loans in default and to an increase in recoveries. Finally, impairment charges on retail mortgages in 2014 had been impacted by non-recurring items. Based on the outcome of the ECB Asset Quality Review, SNS Bank lengthened the Loss Identification Period related to the retail mortgage portfolio, applied to determine the provision for incurred but not reported (IBNR) losses. This negatively impacted impairment charges by € 23 million in 2014. Impairment charges in 2014 were also negatively impacted by an adjustment to the effective interest calculation of impaired loans of € 26 million.

Impairments charges on other retail loans decreased by € 12 million to € 4 million, mainly due to the absence of non-recurring charges. In 2014, impairments on other retail loans had included charges related to parameter adjustments in the provisioning models.

Impairment charges on SME loans decreased by € 47 million to € 3 million positive, mainly driven by a lower inflow of loans in default, supported by intensified arrears management. The positive outcome of the impairment charge was caused by non-recurring releases of provisions of approximately € 10 million, mainly the result of positive developments in foreclosures and the valuation of collateral. Due to arrears management improvements, previous assumptions on collateral valuations have been updated with recent revaluations.

Impairment charges on other assets mainly related to property in own use.

Other expenses

Other expenses of € 22 million consisted entirely of a book loss on the sale of SNS Securities, announced on 18 December 2015. The sale is expected to be completed in the first half of 2016.
In 2014, other expenses of € 76 million had consisted of a charge for SNS Bank's share in the resolution levy on Dutch banks related to the nationalisation of SNS REAAL.

Taxation

The effective tax rate in 2015 was 27 percent as the book loss on the sale of SNS Securities was not tax deductible. In 2014 the effective tax rate had been relatively high (40%) as the resolution levy and the goodwill impairment were not tax deductible.

Appropriation of profit

Based on the 2015 results, a € 100 million dividend payout is proposed. SNS Holding BV proposes to pay out to its shareholder NLFI a dividend of € 49 million to be charged to the profit and € 51 million to be charged to the share premium reserve. Dividend withholding tax in the amount of € 6 million will be deducted from the dividend distribution. The profit after dividend payout for the financial year 2015 will be added to 'other reserves'.

COMMERCIAL DEVELOPMENTS

Commercial developments

	2015	2014
CUSTOMERS		
Total number of customers (in thousands)[1]	3,012	2,769
NET PROMOTER SCORE		
SNS	-26	-28
ASN Bank	19	12
RegioBank	5	-7
BLG Wonen	-42	-14
MORTGAGES		
Residential mortgages (gross in € billions)	45.0	46.6
Market share new mortgages (in #)	4.1%	3.7%
Market share mortgage portfolio (in €)	6.9%	7.2%
CURRENT ACCOUNTS AND SAVINGS		
Market share new current accounts[2]	25%	21%
Retail savings (in € billions)	36.9	35.7
Market share retail savings	10.9%	10.7%
SME savings (in € billions)	2.6	3.0

1 Total number of customers as at end 2015 includes BRD customers for the first time

2 Marktaandeel nieuwe betaalrekeningen is gebaseerd op marktonderzoek Gfk-TOF Tracker

Customers

In 2015, SNS Bank brands welcomed 254,000 new customers (on a gross basis). On a net basis, the number of customers rose by 119,000. The number of current account customers rose by 143,000 gross (93,000 net). Taking also into account the inclusion of 124,000 customers of RBD, following the transfer from VIVAT to BLG Wonen, the total number of customers rose to slightly over 3 million at the end of 2015.

Overall customer satisfaction levels, as measured by Net Promoter Scores (NPS), improved again. RegioBank obtained a positive NPS for the first time in its history. Together with ASN Bank, RegioBank is now one of the few banks in the Netherlands with a positive NPS. ASN Bank continued to have one of the highest customer satisfaction rates in the industry and its NPS was substantially higher compared to year-end 2014. At SNS, customer satisfaction rose slightly. At BLG Wonen, which serves customers through intermediaries, the NPS included the score of RBD customers for the first time and decreased sharply as a result.

Mortgages

In 2015, the key figures of the Dutch housing market showed a further improvement. House prices rose by 2.8 percent year-on-year (2014: +0.9%) and the number of homes sold rose by 16 percent year-on-year (2014: +39%). These trends were supported by falling unemployment and (mortgage) interest rates.

The recovery of the housing market and lower (mortgage) interest rates positively impacted the market for new mortgage production, which increased from € 49 billion in 2014 to € 62 billion (+28%). Competition on the Dutch mortgage market increased as insures and pension funds also showed more interest in Dutch mortgages. This trend is expected to continue.

The growth in new production of Dutch mortgages occurred in spite of a number of dampening factors: in 2015 Dutch banks applied lower mortgage cost-to income ratios (reflecting the maximum portion of income that may be spent on mortgage payments) and the maximum Loan-to-Value (LtV) for mortgages dropped by 1 percent-point to 103 percent (including 2% property transfer tax). Furthermore, as of 1 July 2015, the National Mortgage Guarantee (NHG) maximum was lowered from € 265,000 to € 245,000. As a result, the share of NHG-mortgages in the market for new mortgages decreased from ~60% in 2013 to ~40% in 2015.

Within the market for new mortgages, the share of mortgage loans with a fixed-rate period of more than 10 years increased from ~10 percent in the years before 2014 to ~50 percent, driven by the low interest environment. Increased competition from insurers and pension funds is mainly visible in this segment.

The current low interest environment also resulted in increased early redemptions and renewals. Furthermore, increased house movements and a general trend towards partial repayments during the mortgage term contributed to a higher level of redemptions in the mortgage market.

In line with SNS Bank's ambition to gradually increase its market share in retail mortgages, new production increased to € 2.1 billion from € 1.6 billion in 2014. SNS, BLG Wonen and RegioBank all contributed to this increase. In a growing market, the total market share of new retail mortgages increased slightly to 4.1 percent (2014: 3.7%). The market share based on the total retail mortgage loan portfolio was slightly lower at 6.9 percent (2014: 7.2%).

Mortgage redemptions amounted to € 3.5 billion, up by € 0.6 billion compared to 2014. SNS Bank strives to increase retention through intensifying customer contact with mortgage customers. Against this background, in the fourth quarter of 2015, SNS introduced the 'mortgage term monitoring service' (Hypotheek Looptijdservice), which has three pillars. First, SNS informs customers proactively about possibilities to reduce their monthly mortgage payments, for example through early renewal of their mortgage in order to benefit from low interest rates. This can be done by either paying a one-time prepayment charge or by using 'interest rate averaging' (rentemiddeling). Secondly, customers will be invited once in two years to discuss whether their needs or personal situation have changed, which might influence their monthly mortgage payment amount. Finally, SNS actively informs mortgage customers about the possibility to get a discount on their mortgage rates in combination with a primary SNS current account.

Also, total renewals were sharply up compared to 2014, mainly due to a high level of early renewals in the current low interest environment. In all, SNS Bank's gross residential mortgage portfolio decreased to € 45.0 billion (year-end 2014: € 46.6 billion).

Current accounts

SNS Bank's market share in new current accounts amounted to 25 percent (2014: 21%). On a total portfolio basis, SNS Bank's market share amounted to approximately 7 percent, equating to 1.1 million current accounts.

Savings

In 2015, the Dutch retail savings market increased from € 332 billion to € 336 billion (+1.3%). SNS Bank's retail savings balances increased to € 36.9 billion from € 35.7 billion at year-end 2014, increasing its market share slightly to 10.9 percent (2014: 10.7%), in line with our 10 percent-plus target.

SME savings, included in 'other amounts due to customers', decreased to € 2.6 billion, from € 3.0 billion at year-end 2014.

5.2 OUR STRATEGIC THEMES

Putting customers' interests first is key in SNS Bank's strategy. We have developed a number of organisation-wide programmes ensuing from our strategic themes Excellent Customer Experience, Excellent Business Operations, Moderate Risk Profile and Sustainable Balance Sheet. Below, we present our achievements on each of these themes in 2015.

EXCELLENT CUSTOMER EXPERIENCE

Our objective is to increase our market share in mortgages, savings and payments. Growing consumer trust in the sector as well as in our brands is paramount if we are to achieve this objective. We also aim to exceed customers' expectations, which should translate into a positive Net Promoter Score (NPS).

In order to achieve this objective, we are working with a number of programmes and campaigns specifically tailored to our individual brands. The philosophy of our Manifesto has been embedded in these programmes and campaigns.

Mortgage programme: focus on growth

SNS Bank aims to grow in the area of mortgages. The programme we set up for this purpose focuses on customer retention as well as on attracting new mortgage customers and streamlining our processes.

Greater offline and online distribution capabilities

We are aiming for a stronger presence and enhanced distribution capabilities of our brands, both in the 'physical' world and on the internet. For example, SNS opened some new branches in for SNS as yet uncharted territories. This brand also introduced Switch Service Centres: temporary pop-up stores at busy, eye-catching locations where employees show consumers how easy it is to switch to a different bank. SNS conducted marketing campaigns to increase its brand awareness in the major cities. RegioBank also enhanced its distribution capabilities, welcoming twelve new intermediaries and actively working towards activating existing branches. BLG Wonen launched a new service concept for intermediaries that better suits the different types of mortgage advice bureaus.

We aim to have an even more prominent online presence and to offer digital services – another way to reach more customers. Various surveys have shown that customers and advisers greatly appreciate the digitisation of services. It works both ways: it enables customers to manage their own financial affairs (more quickly), and our service process becomes more efficient. We will therefore continue digitisation of these processes. In 2015, we enabled customers to make additional repayments and claim expenses under their home construction and improvement accounts online. We also made some great strides in the further digitisation of quotation processes.

Active customer approach

We adopted a more active customer approach in 2015 and are now more frequently taking the initiative. We contact customers to give them the opportunity to renew their mortgages in order to ensure their prolonged loyalty to us. It has been a successful initiative that will be continued in 2016.

Mortgage term monitoring service

We find it important to lower the barrier for customers. In 2015, we introduced the mortgage term monitoring service (*Hypotheek Looptijdservice*) at SNS: once every two years we actively approach our mortgage customers via mobile telephone or email to review their mortgage where necessary and desired. This creates a good opportunity to discuss the mortgage's affordability, now and in the future. We believe that this service is also making it easier for customers to report any financial difficulties they may encounter.

Mortgage test tool
SNS and BLG Wonen customers can use our mortgage test tool to check whether their mortgages are still right for them in view of their current situation. This makes customers aware of any problems that may arise (at an earlier stage). In 2015 36,568 customers used the tool, a large increase compared with 2014.

Preventive Management
Our customers may experience difficulties in making their monthly mortgage payments for a variety of reasons. They may be confronted with rising fixed charges, job loss, divorce or sickness, to name but a few. Problems may sometimes even get so out of hand that a customer is forced to sell his home. This is a very unfortunate situation for the customer in particular, but also has consequences for the mortgage provider.

In order to respond at an early stage to indications that a customer might run into mortgage payment problems, the brands BLG Wonen, RegioBank and SNS have set up the Preventive Management department. Advisers and the Mortgage Support Team explore options to make the mortgage affordable again and to keep it affordable so the customer can continue to 'live at ease'. Sometimes Budget Support is called upon to give customers a better understanding and more control of their income and expenses. The initiative may be taken either by customers contacting us or by us. For example, we get in touch if we observe irregularities in payment behaviour.

We improved our information on payment problems and solutions in 2015, which we believe will translate into an increase in Preventive Management customers in 2016.

In 2015, we sent a letter to nearly 2,500 customers who might run into payment difficulties. Our Mortgage Support Team helped 263 of them through prevention programmes, 182 of which were completed in 2015. 84 percent of customers receiving preventive assistance from us did not have to be transferred to the Arrears Management department in the twelve months after the start of the programme. In 2016, we wish to actively approach 5,000 to 6,000 customers with an increased risk profile.

	2015	2014
Letters sent Mortgage Insight (Hypotheekinzicht)	2,432[1]	10,028
Visits of mortgage test tool SNS and BLG Wonen	36,568	24,656
Mortgage Support Team programmes completed	182	262
Success ratio of Mortgage Support Team	84%	83%

1 The decline is the result of an adjustment to our detection tools.

Preventive Management dilemma
We find it very important for our customers to be financially resilient, and it goes without saying that we benefit from their ability to make their mortgage payments. Some of our mortgage customers also have a current account with SNS Bank, which enables us to identify events preventing customers from meeting their (mortgage) payment obligations at an early stage. If we can approach these customers early enough, in many cases we may prevent more serious financial problems, such as a forced sale of their homes. At this time, privacy laws do not allow us to perform every possible analysis to track down problems at an early stage. In practice, this means that we are frequently not allowed to help customers.

Job Prospects
In 2015, we kicked off the 'Job Prospects' (*Baan in zicht*) pilot, as we have seen most mortgage customers run into difficulties due to job loss. In Job Prospects, we match customers who are (temporarily) out of a job with in-house experts assisting employees at SNS Bank in finding a new position within or outside the organisation. Together with customers and external parties, these experts deploy their competences to help these customers find a new job.The pilot turned out to be a success. Fourteen customers enrolled in the programme. Six programmes have now been completed; four customers found a new job. We evaluated the pilot at the end of 2015 and

decided to make 'Job Prospects' a fixed component of Preventive Management's range of solutions.

Payment programmes: focus on switching banks

Payment services are at the heart of the financial affairs of both consumers and businesses. SNS Bank strives to be the bank providing these services. We are directing our efforts at further increasing the number of current-account customers. We are exploring how to make it easier for customers to switch from other banks to one of our own bank brands. And a growing number of people is making this switch, as the results show. Customers opt for our payment services because of their attractive conditions, as was also confirmed by a survey conducted by Moneyview. In this programme, we are also continuously keeping a close watch on new developments and opportunities in the payments market.

Financial resilience programmes: focus on education

"At the end of 2015, SNS offered my husband and myself career guidance after falling in arrears due to having to close down our own business. The career trajectory is a valuable experience for me. Not only all the insights I have been given, but the encouragement that I got too, and the belief that you're on the right track. There are exciting times ahead, as the pressure is increasing."

Aniek van Zutphen – SNS customer

SNS Bank aims to increase the financial resilience of its customers. We help customers understand and forecast their finances, enabling them to make sound and well-founded decisions about their financial choices now and in the future. As a basic principle, our products should be simple and accessible.

Some groups – adults as well as youngsters and children – could do with a bit of extra help to enhance their financial resilience and independence. We thus organise educational projects for these groups, such as *Stichting Geldinzicht* (a foundation focusing on making Dutch people financially resilient), our guest teaching programme and the website *Eurowijs*. We also participate in the sector-wide initiative *Bank voor de klas*. Our efforts to bring these options to the attention of customers in need of them are bearing fruit, as the table shows. The number of participants grew. Our employees gave guest lessons too.

Geldinzicht training sessions

		2015	2014
Geldinzicht training sessions	number	860	161
Geldinzicht newsletter	subscribers	511	327
Eurowijs guest lessons	number	570[1]	466
	participants	14,250[1]	11,899
Bank voor de klas guest lessons	number	573	906
	participants	14,325	22,650

1 School year 2014-2015

Campaigns by our brands

Our brands are all working towards our common objectives, but each in its own way. Putting customers' interests first is always a recurring theme, adapted to each individual brand. Examples from 2015 highlight the brands' common denominators as well as their unique traits.

ASN Bank

ASN Bank again organised the 'TomorrowToday' session in 2015. The goal was to have a broad debate about the sustainability issues to which ASN Bank is committed. ASN Bank engaged with over one thousand customers, documentary makers, bankers, journalists, musicians, entrepreneurs and even a Nobel Prize winner (Kailash Satyarthi).

ASN Bank tours the country a few times a year with its talk show known as 'ASN Live'. In different cities, ASN Bank talks with more than two hundred visitors about topical sustainability issues such as climate change and the production of clothing and food. How do they influence our daily lives? What responsibilities do businesses take, and what can ASN Bank do?

ASN Bank also started an NPS project. A high NPS contributes to the long-term goal of having one million satisfied customers. ASN Bank employees brainstormed about improvements to raise the NPS. Their suggestions, supplemented with customer responses and customer surveys, have resulted in a programme with 31 action items. The first action item, the procedure for surviving dependants, has now been completed.

BLG Wonen

BLG Wonen is transforming from a primarily intermediary-based mortgage provider into a service provider that is also able to serve consumers through direct channels. Its brand positioning has been tightened with this goal in mind, the key word being 'personal'. BLG Wonen has expanded its customer service and developed a customer contact strategy to get into contact with customers more frequently in 2016. BLG Wonen ensures customer participation through biannual Consumer Council meetings and continuous customer monitoring. BLG Wonen always submits new (product) propositions to consumers and advisers for review first, adjusting them where necessary. Customer communication too, is tested.

RegioBank

RegioBank is invariably making every effort to promote local engagement and liveability. In 2015, the bank rewrote various product information statements in plain language, which it intends to do for all its products. RegioBank proactively approaches customers it believes might fall into arrears within six months and tries to prevent such arrears together with its advisers and the customers in question.

SNS

SNS aims to be a bank that is truly there for its customers. The bank is following the same course in its customer communications as in its Perfectly Normal strategy. Customers who have questions may contact SNS in several ways: by stepping into an SNS Shop, calling SNS Customer Service or posting a question on social media or the SNS Community. WhatsApp has been added to this list as a new communication channel. Customers calling the bank do not need to work their way through an options menu, but are connected to an employee immediately. The SNS website is convenient to use via all digital channels, including mobile phones and tablets. Navigation has been adjusted to make everything easy to find. Information is written in plain language.

ZwitserlevenBank

ZwitserlevenBank made good progress in improving its services and customer satisfaction for its online savings proposition in 2015. Several optimisations – such as the development of the iDeal functionality – were implemented based on the single-platform concept, in collaboration with other brands (primarily SNS). The results are positive: an upward trend can be observed in the customer ratings of ZwitserlevenBank's services.

Results in 2015

We can conclude from the results that our programmes and campaigns have been effective. We are enjoying ever more customer loyalty by putting the notion of putting customers' interests first into practice. In 2015 the SNS Bank brands welcomed over 254,000 new customers, bringing the total number to more than three million.

Banking Confidence Monitor

Consumer confidence in banks has fallen in the wake of the financial crisis. Together with other financial institutions in the banking industry, SNS Bank is working hard to restore this confidence. Banks have already taken various steps, but want to improve still further.

For some years now, the Netherlands Authority for the Financial Markets (AFM) has conducted studies of the extent to which banks put their customers' interests first. On the basis of the Customer Interests Dashboard, the AFM assesses how well banks perform on this point with the products and services they offer, such as mortgages, savings, payments and investments. However, the Dutch banks wish to add something more: they had a joint survey conducted to assess how much confidence consumers have in banks and how satisfied they are with the services provided.

The outcomes of the Banking Confidence Monitor are a combination of the AFM's studies and the banks' own survey. We therefore know where the main opportunities for improvement lie and can implement the concrete actions that help to further restore trust. For the first time, we have published the scores of the Banking Confidence Monitor on the brands' websites, thereby fulfilling a wish of the Minister of Finance, the Dutch Consumers' Association, the Dutch Investors' Association (Vereniging van Effectenbezitters; VEB) and Vereniging Eigen Huis.

Confidence Monitor scores

Section	Sector	ASN BANK	RegioBank	SNS
CONFIDENCE & PERCEPTION				
Confidence in banking sector	2.8	2.6	2.8	2.8
Confidence in own bank	3.2	3.9	3.7	3.2
Customer orientation	3.3	3.7	4.0	3.3
Transparency	3.5	4.1	4.1	3.6
Expertise	3.5	4.0	4.1	3.8
PRODUCT & ADVICE				
Payments	4.4	4.4	4.0	4.8
Savings	4.4	3.9	4.4	4.5
Mortgages	2.8	-	-	3.1
Loans	3.3	-	-	3.2
Investment	3.3	-	-	-
SERVICE & USE				
Online services	4.2	4.6	4.5	4.4
Customer contacts	3.6	3.8	4.1	3.6
Handling of complaints	3.2	-	-	3.4
Availability in %				
Online banking	99.75	99.94	99.69	99.94
Mobile banking	99.78	99.94	99.94	99.94
iDeal	99.49	99.93	99.92	99.93

From now on, the Banking Confidence Monitor will be published annually. In this way, everyone can track the progress and effects of the improvement actions. We will continue to engage with consumers and other stakeholders. We will use the feedback we receive to further improve our services and to adjust our surveys where necessary in order to obtain a still better insight. The Banking Confidence Monitor also forms a good basis for engaging in dialogue on social themes that influence consumer confidence. The Monitor makes it easier for banks to learn from each other more.

EXCELLENT BUSINESS OPERATIONS

In 2015, we initiated various initiatives to improve the control of our business operations so as to ensure the continued or future excellence of the predictability of our services and the reliability of our administration. We set up specific programmes to this end focusing on streamlined data and process management and the design of an integrated assessment framework, the Internal Control Framework (ICF). We will discuss the ICF in more detail in section 6.9.4.1. Progressive legislation, with the publication of a large number of standards specifying the legislative framework, requires us to automate the reporting process to a very high degree. On the one hand, this will increase its quality and reliability, on the other, it will allow the organisation to intensify its focus on its core activities.

In 2015, these improvement programmes focused mainly on the internal organisation. The basis has been reinforced to such an extent that we want to show measurable efficiency improvements and a noticeable improvement in the quality of services in 2016.

We also made great strides in improving customer data recording. This allows us to meet all the requirements imposed by regulatory authorities.

MODERATE RISK PROFILE

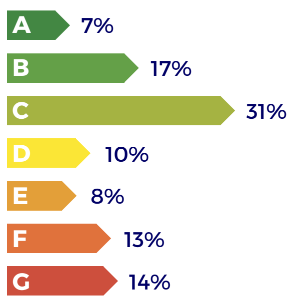
SNS Bank want to offer relatively simple financial products with a moderate risk profile to Dutch consumers and SMEs. Credit risk is the most important financial risk in this respect. SNS Bank's main credit products are Dutch retail mortgages. The risk costs for such mortgages are low, which is the basis for SNS Bank's moderate risk profile. In addition, SNS Bank has a significant portfolio of public sector loans and State-guaranteed loans with a very low risk profile. The other loan portfolios are smaller in size and have an average risk profile. The loan portfolio has a very diversified base of underlying borrowers. However, SNS Bank's focus on the Dutch retail segment with a limited number of products does entail a certain concentration risk.

In 2015, we focused on several themes to control SNS Bank's risk profile. See Chapter 6 Risk, capital & liquidity management for a detailed description of the risks and risk management.

SUSTAINABLE BALANCE SHEET

SNS Bank aims to be a sustainable bank, which aim follows from our Manifesto. We are transforming into a climate-neutral bank, making our balance sheet and our own business operations more sustainable while actively encouraging customers to save energy. In order to bring this aim more prominently to the fore, we added the Sustainable Balance Sheet priority to our strategic framework in 2015.

Energy labels in our mortgage portfolio



Banks contribute to climate change as they invest in activities that emit greenhouse gases. Our baseline measurement shows that CO_2 emissions resulting from our investments are more than one hundred times larger than the emissions of our bank buildings and our company car fleet. In order to reduce that negative climate impact, we will direct our attention to the emissions resulting from our investments and funding activities. Our baseline measurement shows that almost three quarters of the CO_2 emissions of our investments are caused by our mortgage customers' homes. This prompted us to take stock of the energy labels of the homes in our mortgage portfolio in 2014 and use them to calculate the CO_2 emissions. We repeated this in 2015. This exercise revealed that 55 percent of our customers have a home with energy label A, B or C, a slight rise from 2014.

It is our ambition to contribute to making the housing market even more sustainable and moving towards better energy labels.

Climate neutral by 2030

We want to be climate neutral by 2030: all our investments should avoid the same amount of greenhouse gases as they emit. The principle is like a pair of scales. On the one side are the positive environmental impacts: the investments that avoid CO_2 emissions, such as wind turbines, solar farms and thermal storage. On the other side are the negative environmental impacts: the investments that emit CO_2, for example investments in a home or company. These two should be in balance in due course.

We use the international GHG Protocol in our calculation methods, focusing mainly on the Investments category. As the Protocol does not prescribe in detail how to calculate the emissions caused and the emissions avoided, ASN Bank has developed its own methodology. We have adopted it and, together with ASN Bank, have expanded and further improved it.

The principles are simple. Suppose we finance half a wind farm. In that case, we may recognise half of the greenhouse gas emissions avoided by the entire project as positive environmental impacts. However, if repayments are made on the loan, we must reduce the emissions avoided accordingly. We therefore cannot be over-optimistic when financing one big wind farm. As regards the homes of private individuals, we look at the energy labels of the houses and the average energy consumption that goes with the label. In this way, we calculate the CO_2 emissions of each home in our mortgage portfolio.

Overall, we have determined the level of CO_2 emissions that we have either caused or avoided for around 89 percent of the assets[4] on our balance sheet. We then try to achieve our goal by investing less in greenhouse gas emitting activities and by actively helping homeowners make their homes more sustainable. We also encourage businesses and organisations to improve their climate change performance and invest even more in renewable energy and energy conservation.

We want to be transparent about our results. In that context, SNS Bank and ASN Bank signed the UNPRI Montreal Pledge in 2015, committing themselves to annually disclosing the CO_2 emissions of their investments. We are taking this one step further, as we have also made our calculation methods publicly available. We encourage other financial institutions to follow in our footsteps. We actively participate in PCAF (Platform Carbon Accounting Financials), which was established by ASN Bank. The purpose of PCAF is to develop a shared carbon accounting methodology to be used by financial institutions. The ultimate goal is to convince the participating institutions to be transparent about – and reduce – their CO_2 emissions. The Climate Statement – a joint publication by eleven banks belonging to the Dutch Banking Association – also confirms that encouraging the financial world is one of our key objectives. SNS Bank was one of the initiators.

2015 results

At the end of 2015, 22 percent of our investments were climate neutral, a strong increase compared with 2014 (16 percent climate neutral). The increase was mainly brought about by more funding of investments in green bonds (increase of 33 percent). In late 2015, investments in green energy projects and green bonds totalled more than € 600 million. The CO_2 emissions of our assets were down more than five percent compared with 2014, particularly as a result of a slight decline in our mortgage portfolio along with its increased sustainability and a decrease in government bonds.

Our goal is to be climate neutral by 2030

Sustainable housing

Around 10 percent of total CO_2 emissions in the Netherlands are caused by home heating. As there is still plenty of room for improvement, a key element of the Energy Agreement for Sustainable Growth is to make the Dutch housing stock more sustainable. SNS Bank endeavours to contribute to lower CO_2 emissions through its financial products and advice.

Funding

Homeowners often earn back the costs incurred for making their homes more sustainable in the form of lower energy bills. Yet owners still need to pay those initial purchasing and installation costs. Those investment costs can be a barrier, which we aim to remove. One of the initiatives we take is to share our thoughts on funding solutions for zero-energy homes – homes that are fully self-sufficient – as part of a taskforce that aims at accelerating home ownership (*Taskforce Stroomversnelling Koopwoningen*). In 2015, we adjusted the funding standards for zero-energy homes in line with the legal options. Customers buying a zero-energy home or renovating an existing home so that it meets the requirements may borrow an additional € 25,000.

4 Except for the asset categories derivatives and cash

ASN Bank participates in the Energy Saving Loan of the National Energy Saving Fund (*Nationaal Energiebespaarfonds*), enabling consumers to finance energy-saving measures inside or outside their own homes. In 2015, over twice as many consumers availed themselves of this loan. At the end of the year, the total amount of Energy Saving Loans extended was approximately € 15.7 million (2014: € 6.3 million). However, this amount fell short of the targeted result of €30 million in 2015. The National Energy Saving Fund identified possible points for improvement, such as creating more opportunities for communicating interest rates and special offers. The improvements are introduced in early 2016.

We also explored whether we might release the money tied up in savings deposits without penalty if it is used to introduce sustainability measures to a home. The result was positive. In 2016, we will adjust the product terms and conditions accordingly and inform our customers of the possibilities.

Advice

In 2015, ASN Bank partnered with the Dutch Nature and Environment Foundation for a solar panel promotion campaign. Expanding that partnership, this foundation and all SNS Bank brands joined hands in a campaign that encourages consumers in the area of sustainable housing.

BLG Wonen continued its Energy Saving Advice in 2015, advising customers about the possibilities to make their (new) homes more sustainable. The Energy Saving Advice Report is drawn up by certified consultants. We observed that customers are more prone to take energy saving advice when they are about to take out a mortgage for a new home.

Ambition

We aim to further improve the climate neutrality rate by helping our customers make their homes more sustainable. That is why we will inform customers about energy saving options, including costs, payback periods and CO_2 reductions during the mortgage application process. We will train our mortgage advisers and provide them with a toolkit to enable them to advise customers about energy-saving measures in their new homes by means of a checklist. The adviser can then immediately inform the customer of the funding options available for this purpose. Energy efficiency should become a standard element of mortgage advice.

We will also step up our investments in the renewable energy sector and green bonds. In addition, we will continue to work on improving the data quality of our calculations, for example by including the actual household energy consumption.

5.3 BRAND PERFORMANCE

ASN BANK

For the world of tomorrow

Sustainability is the guiding principle in all of ASN Bank's activities. ASN Bank identifies with the definition set out in the United Nations report 'Our Common Future' (1987): 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. This definition has a green and a social component. ASN Bank translates this into the three pillars of its sustainability policy: human rights, climate change and biodiversity. These three categories encompass all of the topics that ASN Bank and its stakeholders consider important.

ASN Bank is working towards a more sustainable society in two ways. Firstly, in its banking activities, through (project) loans and the investments made by the bank and its investment funds: all of these meet the sustainability criteria. Secondly, in its non-banking activities, such as collaboration with other organisations and knowledge sharing. The bank also facilitates the For the World of Tomorrow online community that supports and stimulates initiatives to create a better world.

ASN Bank has its own sustainability policy and is accountable to its customers for its compliance with this policy. Many customers subscribe to the bank's ideals and are interested in how their savings and investments are used. That is precisely why they choose ASN Bank.

Products and services

ASN Bank offers retail customers and self-employed persons payment, savings, investment and asset management services. Institutions and companies are offered savings, investment and asset management services. The bank also provides green loans and SME loans for sustainable projects of € 1 million and more.

What did ASN Bank achieve in 2015?

Customer base

In 2015 ASN Bank welcomed more than 45,000 new customers, mainly driven by the inflow of new customers who opened current accounts. Clear growth was also seen in the numbers of savings customers and investment customers. The total number of customers amounted to well over 628,000.

Customer satisfaction

+19
NPS-score

Customer satisfaction is a basic condition for growth. ASN Bank expresses customer appreciation in the Net Promoter Score (NPS). The bank strived for an NPS of at least +20 in 2015 but, with an ultimate score of +19, only just failed to achieve this across the board. For certain groups of customers, however, the bank received a very good score.
Among primary customers – all the customers indicating that ASN Bank is their primary bank – the NPS of +32 was markedly higher than the NPS among customers indicating that another bank is their primary bank (+15). Average customer satisfaction was 8.1, with an 8+ target.

ASN Bank launched an extensive project to raise customer satisfaction levels. The first subproject, which pertained to the complaints procedure, was completed in 2015. Customers who are in touch with the bank are more satisfied than customers who are not in touch. Partly for this reason, ASN Bank sets great store by meeting customers personally.

In 2015, three meetings throughout the country gave customers the opportunity to join discussions about topics such as sustainable food, clothing and design. The highlight of the year was Morgen Vandaag ('Tomorrow Today') on 24 October, an afternoon filled with debates, lectures and presentations on various aspects of sustainability and solidarity. The afternoon was awarded a 8.2 (on a scale of 1-10) by its more than 1,200 attendees.

Payments

The number of current-account customers increased strongly in 2015, especially due to growth in the retail segment. Having introduced a business bank account in 2015, ASN Bank now offers an attractive product for self-employed professionals without employees: they can bank with ASN Bank at a fixed monthly rate and also receive interest on their balance of up to € 50,000.

Capital growth

Total savings and other amounts due to customers remained at the same level as 2014. The volume of corporate customers' savings declined, mainly due to the bank limiting the maximum interest-earning balance for corporate customers, which led corporate customers with high balances to deposit part of their savings elsewhere. The volume of retail customers' savings increased despite the low interest rate that ASN Bank was able to pay in 2015.

The ASN Investment Funds jointly grew by 20 percent – from € 2.0 billion to € 2.4 billion in assets under management – on the back of both price rises and inflow in nearly all funds. ASN Duurzaam Aandelenfonds (Sustainable Equity Fund) was awarded the Groene Stier ('Green Bull') for the most sustainable investment fund in the Netherlands. Both the number of customers and the assets under management showed a marked increase at ASN Asset Management, too.

Funding

ASN Bank provides SME loans, mostly to renewable energy projects and projects in the healthcare sector. In addition, ASN Bank provides green loans on behalf of ASN Groenprojectenfonds (Green Projects Fund) and loans for the Overijssel Energy Fund.

Online and mobile banking

The internet and the mobile app are important tools for ASN Bank to communicate with customers and ensure that its services dovetail with customers' needs. In 2015, further improvements were made to the website and the app. Mobile app users log on twenty times per month on average, which now greatly exceeds average use of the internet site (eight times per month).

Sustainability

70.8%
Achieved

ASN Bank actively contributes to processes that promote the sustainability of society. To this end, it is developing long-term goals at the strategic level for the three pillars of its sustainability policy, allowing it to put its mission into practice in all its activities. The goals for human rights and biodiversity were further developed in 2015. The climate change objective was introduced in 2013.

In order to make a maximum contribution to solving the highly urgent climate change issue, ASN Bank set a fundamental goal: both the office organisation and the banking activities – all loans and investments on ASN Bank's balance sheet under management by the ASN Investment Funds – will be climate neutral by 2030. 70.8 percent of this climate-neutrality objective was achieved at year-end 2015, compared to 54.7 percent at year-end 2014. This figure differs from the one stated in ASN Bank's 2014 report as the calculation method was improved. With this objective, ASN Bank also wants to be an example for the financial services industry. That is why it took the initiative for the

Platform Carbon Accounting Financials (PCAF). The member financial institutions will jointly develop methods to measure the impact that their investments and loans have on the climate.

Plans for 2016 and beyond
The climate change objective continues to have priority in 2016 as well. ASN Bank selects the loans and investments of the bank itself and of the ASN Investment Funds based on their impact on the climate. Making the mortgage portfolio financed by ASN Bank more sustainable is part of the group-wide initiative to encourage customers to make their homes more sustainable .

In 2016, ASN Bank will continue to work on raising customer satisfaction levels, for example by improving its contactability. It is also developing a clear message on what the bank stands for and what customers may expect of the bank. This message will help employees, customers and other stakeholders to act as 'ambassadors' and achieve the sustainability and banking objectives.

BLG WONEN

Feel at home
BLG Wonen believes that having your own home is a basic condition for happiness and well-being. It is for this reason that, for more than 60 years, BLG Wonen has helped customers make their housing wishes come true. To this end, it works together with a network of independent advisers who provide financial housing advice – advice that is about more than just financial products, advice that enables people to build a home for themselves knowing that everything is taken care of, now and in the future.

Products and services
BLG Wonen's product range includes mortgages, (bank) savings, term life insurance and home insurance.

What did BLG Wonen achieve in 2015
Customer base
Reaal Bancaire Diensten (RBD) was transferred to BLG Wonen on 1 April. BLG Wonen had a total number of customers of 235,000 at the end of 2015, of which more than 116,000 were mortgage customers. In 2015, BLG Wonen welcomed 10,000 new mortgage customers. Approximately 40 percent of the new influx comprised first-time buyers. In 2015, BLG Wonen explicitly focused on first-time buyers in the housing market by tailoring its pricing policy to the needs of this group: competitive longer-term interest rates, including for mortgages taken out without National Mortgage Guarantee (NHG).

40%

of the new influx comprised first-time buyers

Customer satisfaction
In early 2015 BLG Wonen was nominated for the Mortgage Award 2015, a consumer award that demonstrates the extent of satisfaction based on the experiences that customers have with BLG Wonen. Appreciation of BLG Wonen is also visible on Independer's independent website, where BLG Wonen scores 7.2 points on average.

BLG Wonen's NPS is -42. This score is explained by a lack of familiarity with the BLG Wonen brand among the customers who were transferred from RBD.
With a score of -19, the NPS measured among mortgage customers specifically is much higher. The customer satisfaction surveys show an average satisfaction score of 7.8 for 2015.

Mortgages
The housing market and mortgage market are showing signs of growth again, which is beneficial to BLG Wonen. Its mortgage origination was up 48 percent from 2014 (including switches to a different mortgage). The projected mortgage volume was achieved. The positive figures reveal that BLG Wonen has solidified its position in the mortgage market and has further reactivated its network of advisers.

The combination of competitive rates and good conditions triggered BLG Wonen's recurrent listing in the Money Guide (Geldgids) of the Dutch Consumers' Association.

BLG Wonen has also been able to accommodate temporary workers since December 2015, as it now accepts the work prospects statement that helps temporary workers to obtain a mortgage. This is how BLG Wonen intends to make it easier for people without permanent contracts to buy a home.

Capital growth
Savings decreased. The inflow of savings into the savings portfolio slowed down in 2015 due to lower interest rates on savings on the one hand and the aftereffects of the cancellation of the tax exemption for 'Golden Handshake' severance payments on the other.

The current low interest rates on savings play a role in people's decision to start investing, which is why BLG Wonen introduced BLG Profielbeleggen ('profile investing') in November 2015.

Collaboration with advisers
BLG Wonen is continuously labouring to reinforce and improve of its network of advisers, with whom it closely collaborates. It works with a dedicated team of district managers and account managers who maintain close contact with advisers throughout the country. Furthermore, BLG Wonen organises network meetings in the form of annual local events. In 2015, 434 advisers were present at nine local events. These events were given a score of 7.8 on a 1-10 scale. BLG Wonen conducts regular adviser satisfaction surveys to measure advisers' satisfaction with the collaboration. In 2015, BLG Wonen scored 8.3.

Plans for 2016 and beyond
As BLG Wonen wants to place a strong focus on increased name recognition and brand awareness, its consumer campaigns are continued through a multi-channel and mass-media approach. BLG Wonen is known for being a personal services provider and is firmly committed to retaining this personal touch by, for example, developing campaigns geared to specific target groups and their housing needs. In addition to serving new customers, BLG Wonen will also strengthen the ties with its existing customers and advisers.

REGIOBANK

RegioBank

Nearby and committed
RegioBank is a bank that works with 538 Independent Advisers having a franchise relationship with this brand. As the name implies, RegioBank deliberately opts for offices in villages and small towns. RegioBank is the bank nearby. People are served by local Independent Advisers who still know their customers and who know what is going on in the area.

Products and services
RegioBank keeps its simple: simply good-quality and easy-to-understand products. It uses these products to serve retail customers and SME customers in the areas of

payments, savings and mortgages. RegioBank sees that many people like to do business with a bank that offers personal contact and advice. Unlike other banks, RegioBank deliberately chooses to remain the bank nearby. There are good opportunities for the RegioBank formula now that other banks are withdrawing from villages and small towns by closing their bank branches. RegioBank combines personal advice with new technologies.

What did RegioBank achieve in 2015

Customer base

In 2015, too, the number of customers rose; RegioBank welcomed over 56,000 new customers. The fastest growth is found in the area of payments, mostly combined with savings. RegioBank serves 595,000 customers in total.

Customer satisfaction

At year-end 2015, RegioBank had a positive NPS of 5. Two out of three customers give RegioBank a score of 8 or more. This positive NPS indicates that customers are satisfied with RegioBank and its Independent Advisers.

+5
NPS-score

Mortgages

For the second time in a row, RegioBank won the award for 'best management' during the Mortgage Event. For this award, research agency Gfk asked consumers with a current mortgage about their experiences with their mortgage providers. And again, RegioBank turned out to be the best mortgage provider in the Netherlands. In 2015 we, together with our advisers, took the first steps towards further growth of the mortgage business.

Savings and payments

RegioBank's good scores in independent surveys have undoubtedly contributed to the growing number of customers.

- RegioBank ranks among the top 3 banks to which customers want to switch, as a survey conducted by television programme Kassa revealed on Saturday 4 April 2015.
- In the Dutch Consumers' Association's annual bank monitor, RegioBank was awarded an excellent score – 8.2 out of 10 – resulting in a third position for RegioBank. No less than 95 percent of customers indicate that they are satisfied with RegioBank's services.
- The savings products were again greatly appreciated in 2015. MoneyView, for example, again gave the Spaar-op-Maat Vrij savings account the maximum score of 5 stars for flexibility.

Online and mobile banking

The number of customers availing themselves of online banking and mobile banking increased significantly in 2015. With continuous campaigns, RegioBank is making every effort to point out the benefits to customers.

Brand positioning

The growth of RegioBank's brand awareness continued in 2015. Its constant presence on radio and TV (billboard advertising), online and in door-to-door advertising and its local visibility contributed to this growth. The Zilvervlootparade, which allows Independent Advisers to show in a playful way that they are the bank nearby, also adds to brand awareness.

Improving quality of life

RegioBank is particularly active in small towns and villages. That is precisely where facilities are under pressure, which is detrimental to the quality of life. RegioBank therefore chooses to remain the local bank, the bank nearby. We consider a bank

branch to be an important facility that creates local connectivity and actively contributes to the vitality within the local community.
RegioBank also takes initiatives to promote liveability in small towns and villages, also in 2015. RegioBank introduced the Liveability Monitor, a survey of how people rate the quality of life in areas expected to experience a population decline in the future. The main conclusions are that residents of these areas seem to get used to the absence of certain facilities, but at the same time are worried about this development. Their main concerns are the disappearance of general facilities, such as the retail diversity of shops, the discontinuation of medical services and poor access by public transport.

RegioBank works with 538 independent advisers in villages and small towns

Community meetings

In local communities, RegioBank and its advisers present themselves as the partner of choice in terms of improvement and connectivity. That is why we organised 'Community' (VoordeBuurt) meetings in several towns, intended especially for associations, organisations, engaged residents and entrepreneurs. Working together and finding solutions: a successful combination. It is a nice addition to the renewed online platform VoordeBuurt.nl, where people who wish to make an active contribution to their communities can find inspiration and propose solutions.

Liveability Advisory Council

RegioBank has set up the Liveability Advisory Council to connect representatives from social organisations that pursue the goal of liveability, thereby giving the public at large access to relevant ideas and practical experiences. The following members are currently represented on the Council: Hans Bohm (Chairman), Hans van den Bor (Director of RegioBank), Joelle Staps (Director of Nevobo), Edu Jansing (Director of Meer dan voetbal), Leidy van der Aalst (Chairman of LVKK), Henk Beltman (Zorgbelang Gelderland), Jos Boermans (former director of a training centre), Renz de Wit (former secretary to SNS Reaal's Executive Board), Hans Arends (Netherlands Institute for Sport & Physical Activity (NISB)) and William Segers (Ministry of the Interior, Population Decline Programme Manager).

RegioBankAdviseurs.nl

RegioBankAdviseurs.nl makes it easier to find the RegioBank advisers on the internet – based on the successful model that enables customers to find bank branches. This is how we have created a modern mix of personal contact and the digital world of today.

Plans for 2016 and beyond

RegioBank will continue on the path taken, aiming for local savings to be invested locally in the form of mortgages while also focusing on the retention of mortgage customers. RegioBank will continue to promote initiatives that stimulate vitality and liveability.

SNS

Perfectly normal. SNS

SNS is a retail bank that chooses to be a bank for ordinary Dutch consumers – a course that fits in well with SNS's roots as a social bank. SNS is a bank that shows that banking can be different, more normal, and that wishes to surprise its customers with this. And if it is in their customers' interests, SNS will break with unreasonable banking practices. Based on this 'perfectly normal' mindset, SNS positions itself as a no-nonsense bank for ordinary Dutchmen and as a clear alternative to the major banks.

SNS shows (prospective) customers that they really have a choice and proves this by offering unique products and services. It is the bank's ambition to be a larger, visible player, including in the mortgage and payments markets.

Products and services

Presenting a clear and simple product range, SNS offers its customers comprehensive solutions for payments, (bank) savings, mortgages, insurance, borrowing and profile investment. The objective is to intensify the relationship with the customer by proactively giving advice, listening carefully and discovering any additional wishes.

SNS also seeks to make banking surprisingly normal by offering more convenience and by specifically acting in the customer's interest when providing services and products. Customers calling SNS do not need to work their way through an options menu, but are connected to an employee immediately. The bank is also open on Saturdays and customers receive a replacement debit card within an hour if they have lost their card. All this should eventually translate into significant growth in the average number of products per customer.

What did SNS achieve in 2015

Customer base

Last year SNS welcomed over 121,000 new customers, mainly new savings and current-account customers. As a result, SNS's total customer base rose to more than 1.5 million.

Completely natural and surprising

Customer satisfaction

The Net Promoter Score (NPS) increased from -28 to -26. To achieve our commercial objectives, it is essential for customers to be satisfied with the banking products, with the way in which they can purchase them via the various sales channels, and with the service and communications. One way to improve customer satisfaction is to seamlessly connect the various contact options (website, mobile, shop, call centre, adviser). Customers should find this completely natural and surprising at the same time. It is the customers who decide how, where and when they take care of their financial affairs. It goes without saying that customer processes must be simple and error-free.

Employee satisfaction also plays a major role, as committed and dedicated employees constitute a sound basis for improving services to our customers. Employees of the SNS brand awarded their working environment and their employer a score of 7.8.

Mortgages

SNS launched SNS Hypotheek Looptijdservice (mortgage term monitoring service) in further pursuit of its ambition of being a larger player in the housing market in 2015. This is a unique service for all mortgage customers: the customer is informed every year if the interest rate of his SNS Mortgage (SNS Hypotheek) might be lowered, receives an invitation to an orientation interview once every two years, and receives a discount on his SNS Hypotheek in combination with a current account (SNS Betaalrekening). The initial responses reveal that customers and the media recognise that SNS is putting customers' interests first. Moreover, SNS is the only bank to offer a selection of other lenders in addition to its own mortgages. These are complementary, offering the SNS customers and advisers a better choice in finding the right mortgage. Here, too, SNS proves that it is breaking with banking conventions with its range of mortgage products.

Introduction SNS 'Mortgage term monitoring service'

Payment services

SNS has broken with two unreasonable banking practices by reintroducing Dutch people to receiving interest on current accounts and by not charging any overdraft interest for the first three days of overdraft. In 2015 its private current account was awarded five MoneyView stars – the maximum score – for price and flexibility for the second time in a row. The inflow in current accounts (SNS Betalen) was up again, this year by 23 percent. In 2015 more than 16,000 customers used the switching service, which is twice the number recorded in 2014. This was possible as switching had become easier thanks to the SNS Switching Team.

Capital growth
SNS offers attractive interest rates on savings accounts with available balances and not only when customers tie up their money for a long(er) term. Despite lower interest rates on savings in the market and the fact that consumers are partially using their savings for mortgage repayments, SNS's savings balance remained virtually the same.

Online and mobile banking
In addition to personal channels via the shops and the telephone (SNS Service Centres), SNS offers online and mobile banking. The high demand for this type of banking is evident from its use: 75 percent of customers now have access to online banking, and the use of mobile banking increased by 38 percent in the past year. Several aspects of the mobile app were improved and enhanced. SNS was one of the first banks to enable people to become a customer through the mobile app. We also started modernising the SNS website in 2015; this process will be completed in the first six months of 2016. Simplicity, completeness and transparency of information are important premises in this respect.

Brand positioning
At the end of 2014, SNS started to position itself as 'Perfectly Normal'. In 2015, this new positioning was emphasised in all communications. The campaigns featuring Bennie Jolink show that we communicate in plain language in a surprisingly normal way. They resulted in an increase in brand preference and brand consideration among consumers. It is not only SNS's products and services that testify to SNS's leading role in serving 'ordinary Dutchmen'; SNS also manages to communicate this in a convincing and consistent manner.

SNS likes to engage in open dialogue with customers, which is why SNS asked them to share ideas about banking affairs in the online SNS Community, via the SNS Customer Panel or the SNS Customer Days. Currently having over 16,000 members, the SNS Community celebrated its fifth anniversary last year. The bank's message and services are clearly appreciated: customer inflow is increasing and the number of banking products is decreasing.

Plans for 2016 and beyond
SNS will continue positioning itself as 'Perfectly Normal' in 2016 as well. SNS will launch more surprisingly normal products and services for its customers, thereby breaking with banking practices and responding to customers' needs. SNS wants to increase customer satisfaction by improving its processes and taking the customer as the point of departure.

2016 will also be the year in which SNS increases its focus on intensifying customer relations. SNS will continue to pursue the goal of making it easy for customers to switch current accounts and will introduce even more useful tools in 2016 to make this process simpler and more transparent for customers. The bank will reward customers who choose SNS as their primary bank with additional benefits. In addition, SNS will proactively contact customers if there is room for improvement, for example if their mortgage interest rates can be lowered.

SNS has no large offices, but small SNS Shops. SNS will continue its efforts to enhance the cost effectiveness and distribution capabilities of its advisory organisation by increasing the number of shops. Its ambition is to open around 37 more shops in due time and grow to over 225 shops, approximately one-third of which staffed by SNS employees and the rest run by franchisees. The franchise formula also makes the organisation enterprising and cost-effective.

ZWITSERLEVENBANK

Saving for later

In partnership with Zwitserleven, SNS Bank offers savings products aimed at 'saving for later' under the name of Zwitserleven. These Zwitserleven savings products are offered through ZwitserlevenBank, a trade name of SNS Bank. ZwitserlevenBank has been operating in the savings market since July 2013 and has demonstrated its ability to appeal to a specific target group in what is known as the 'mass affluent' segment. The savings balance of ZwitserlevenBank is covered by SNS Bank's deposit guarantee scheme.

Saving for later

What did ZwitserlevenBank achieve in 2015

Customer base

ZwitserlevenBank experienced good growth in 2015. The number of customers welcomed by ZwitserlevenBank increased by 21,000.

Savings

Savings grew to € 700 million – almost triple the amount of 2014 – overshooting the target set for 2015.

Zwitserleven Savings App

The Zwitserleven Savings App was introduced on 24 September 2015. It enables customers to access their accounts and effect transactions anywhere and anytime. The app has now been downloaded by 35 percent of the customers who are digitally active at the bank. What is more, people can become a customer via the app; they can simply scan and send a copy of their ID.

Customer satisfaction

ZwitserlevenBank was not included in the regular (official) NPS measurement by SNS Bank, because the customer base must be larger for that purpose. Ad hoc customer satisfaction surveys were performed nevertheless, revealing that customers gave customer service 8.2 points out of 10 and the mobile app 8.7 points out of 10. Moreover, 89 percent of customers recommend the Zwitserleven Savings App.

5.4 OUR PEOPLE

Our staff carry out our mission – banking with a human touch, as laid down in our Manifesto – and implement our strategy. For this purpose, SNS Bank creates an inspiring working environment, offering employees the support and resources they need.

The Bank's transfer following the separation also resulted in growing commitment, enthusiasm and satisfaction among employees. Employees are proud of the organisation and the performance of the brands, which focus on putting customers' interests first.

IMPLICATIONS OF THE TRANSFER FOR OUR EMPLOYEES

In 2015, SNS Bank was transferred from SNS REAAL to the Dutch State. This transfer marked the end of SNS REAAL's disentanglement process, in which the Bank, the Insurer and the Holding company were permanently separated. The transfer had no further consequences for the Bank's employees; they could continue to serve our customers with unfaltering commitment.

With the transfer of SNS Bank, the last employees of SNS REAAL were transferred to the Bank: especially Audit and IT staff. The average number of FTEs compared to last year rose accordingly. The number of employees also rose due to a higher influx, for instance as a result of the additional capacity required to deal with the increase in the number of mortgage applications.

EMPLOYER PRACTICES

We aspire to be an attractive and responsible employer, with the human touch being the starting point for our HR policy and leadership style. In 2015, we pursued this objective by working on the following strategic themes, which will continue to guide us in the years to come:

- Living and breathing our ethical principles (know your customer, be professional and be audacious);
- Increasing the organisation's power of execution and flexibility;
- Increasing the employability of staff and conducting active talent management;
- Focusing on the human touch;
- Developing leadership (through programmes such as the Management as a Profession programme).

In 2015, these themes led us to develop a new induction programme, improve the inflow process of permanent and flexible staff and adjust the structure of the talent development programmes.

Banking with a human touch

Putting the Manifesto into practice

In order to incorporate the Manifesto and our mission 'Banking with a human touch' in their daily work, our employees put the following three values into practice:

1. Know your customer

Every employee has one annual performance objective to put customers' interests first in their work. Not only employees who talk to customers on a daily basis, but employees who do not have any direct customer contact too.

2. Be professional

Every employee must be fully qualified. For employees who deal with customers this means that they must obtain Wft (Financial Supervision Act) certificates and keep their financial knowledge permanently up to date. We provide our employees with tools to support them in this. Virtually all employees have now obtained the certificates required. SNS Bank chooses to have employees who do not have customer contact follow a (short) Wft basic training course too. Legislation and regulations do not impose this standard on that group of employees. Nevertheless, we go the extra mile to make the difference for our customers.

3. Be audacious

It takes audacity and courage to achieve our mission, which is why audacity is a required competence for all employees. This does not include reckless behaviour, but rather the courage to speak out and question undesired behaviour. Audacity also means standing up for customers' interests and aiming to provide the best solution for every customer.

The annual employee survey into employee satisfaction, commitment and enthusiasm contains questions about the Manifesto's goals. The target is for employees to rate these goals with a score of at least 7.5 in 2017 and at least 8.0 in 2020.

EMPLOYEE SATISFACTION

One of our strategic objectives is a Net Promoter Score (NPS) of our staff in excess of 20. The annual employee survey had a response of more than 84 percent and produced an NPS of 36.0, compared to 21.5 last year. Half our staff actively recommends our products and services to others. Almost half our staff promotes SNS Bank as an employer to others.

Our staff's commitment, enthusiasm and satisfaction has increased as well. Employees have become prouder of SNS Bank compared to previous years, our strategy is widely supported, and employees believe that we are banking with a human touch. They also indicate that they are increasingly successful in putting customers' interests first in their work. According to our employees, collaboration between departments continues to be an important point of attention.

Employee survey

	2015	2014
Satisfaction	7.6	7.5
Engagement	8.2	8
Survey respons	84%	79%

Various surveys confirm that SNS Bank is properly fulfilling its role as employer. In the Incompany 200 survey into employee satisfaction in the largest Dutch organisations, SNS Bank was rated best employer in the financial services sector. In the general top 100, we ranked second.

The Best Employer Survey conducted by Effectory and Intermediair identifies SNS Bank as one of the fifty best employers in the Netherlands. Over 200,000 people responded to this survey held among more than 370 Dutch organisations.

In the 2015 Computable Awards, we were the winner in a new category: IT employer of the year among non-IT organisations. This award was created on the basis of a study conducted by Enigma Research on behalf of Computable.

Superpromoters

A superpromoter is an enthusiastic and constructively critical employee who employs his or her talents and drive to promote our Manifesto even further. They are committed to a bank where people feel at home. In 2015, 42 employees attended the In-house Superpromoter Academy programme. This brings the total number of employees who completed this training to 155. Academy participants are aware of the power of enthusiasm is and put this into concrete action. Some examples are the personal card for customers, the coffee card (to invite someone to have a cup of coffee) and the end-of-year video message starring employees showing their pride. Initiatives such as these increase employees' enthusiasm and commitment to SNS Bank. SNS

155

Superpromotors

Bank's superpromoter network is mentioned as an example for other companies in the 2015 edition of Rijn Vogelaar's book The Superpromoter.

ATTRACTING AND DEVELOPING TALENT

SNS Bank sets great store by the development and use of talents. In 2015, a clearer link was created between staff planning and the candidates for talent development programmes. The talent development programmes were also evaluated and, where necessary, made more consistent with and adjusted to the Manifesto.

The current talent development programmes, such as the traineeship and the talent development programme, were continued. In September, a new group of trainees – three management trainees and three financial trainees – started a two-year development programme.

For the SNS Shops, we are looking for enterprising people with a financial background. As it turns out that such people are hard to find, we have set up SNS Heroes (*SNS Helden*), a postgraduate programme in collaboration with the Amsterdam University of Applied Sciences (HvA). This programme trains twelve enterprising talents to run an SNS Shop.

DIVERSITY

We seek to be an organisation that matches our customers; an organisation of people with different talents, from different backgrounds and of different ages, with a balanced male/female ratio.

Diversity

	2015	2014
Male	55%	50%
Female	45%	50%
Female managers	29%	30%

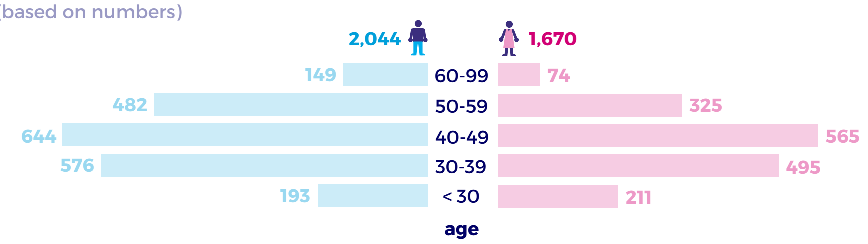
Male/female ratio

The Management and Supervision Act (*Wet bestuur en toezicht*) prescribes a minimum target of 30 percent female and 30 percent male Executive Board and Supervisory Board members. The Board of Directors of SNS Bank consists of one woman and four men, which means that the 20% target has not been achieved. The Supervisory Board comprises two women and three men. As 40 percent of the positions are filled by women, the target has been met.

In 2015, seven female SNS Bank employees were members of Women in Financial Services (WIFS). This network's objective is to promote diversity and a better balance between masculine and feminine values in the financial services sector. We, as SNS Bank, subscribe to this objective. WIFS organises several events during the year and also offers an interesting network. In 2016, we will redetermine whether we can give the women's network an appropriate purpose and how we will do this.

Breakdown by gender and age

(based on numbers)



People with disabilities

SNS Bank focuses on the human touch. As a result, it goes without saying that we are committed to employing people with disabilities. In 2015, we spoke with all departments to look for options for long-lasting placements that are satisfactory to both candidates and departments. So far, this has resulted in eleven placements.

We will continue along this line, so that we will have placed 25 people in our organisation with reduced work capacity by the end of 2016. Wherever possible, priority will be given to persons who are part of the target group under the Participation Act (*Participatiewet*). In this way, we are acting on our basic principle that these employees permanently form part of our organisation.

At the end of October, SNS Bank hosted a meet & greet between employers and people with disabilities seeking employment. We wanted to get to know new candidates and pay extra attention to the subject. SNS Bank is also actively engaged in the regional partnership *Utrecht Onbeperkt aan de Slag*, which attempts to facilitate contact between this group of job seekers and employers.

SUSTAINABLE EMPLOYABILITY

The developments in our organisation, in the financial sector and in our professional field all demand our staff's attention and energy. This makes it essential that they are vital, work on their development and take control of their own careers.

Vitality

The many changes taking place within and outside the organisation and the ensuing uncertainty may lead employees and managers to experience increasing work pressure. This may trigger work-related stress. The health and safety plan provides employees and managers with solutions to prevent or reduce their workload. They may also sign up for the various workshops and interventions to learn how to cope with work pressure.

The average absenteeism rate is 3.9 percent (2014: 4.5 percent).

Training and development

We consider staff development to be key to the development of the Bank. Personal development is not an optional exercise. Personal development and working on employability are prerequisites for the ability to consistently keep up with changing (job) requirements and working conditions, allowing employees to take their professionalism to a higher level and thus continue to be attractive in the internal and external labour markets.

Every employee has at least one development meeting per year with his or her manager. One of the elements of managers' appraisals is the extent to which they have facilitated the development of employees.

Career development

Every month, approximately thirty new employees join our organisation. Since the spring of 2015, we have worked with the induction programme known as 'OPEN': this gives new colleagues a warm welcome and proper support. What is special about the programme is that we do not ask new employees to adapt, but rather to use their fresh perspective to keep the organisation alert. This helps us to continue to develop and innovate.

Employees are in charge of their own development and thus also of their own careers. Personal leadership is the starting point of interview cycle on employees' performance and competency development. This is why employees prepare these interviews themselves, including the appraisal interview. We do this to improve their ability to adequately respond to any (future) changes in their work.

LoopBaan-Plaza makes employees 'future-proof'

LoopBaanPlaza offers staff all kinds of services that contribute to their employability and make them 'future-proof'. The use of career guidance is on the rise; employees are keen to make use of the free consultations with career coaches.

As positions in the financial services sector are changing rapidly, we believe it is essential that employees keep investing in their development. On 17 November, we organised a career event for all employees. The theme of the event was personal development and preparing for the future. At the career event, employees could attend a wide range of workshops.

TERMS AND CONDITIONS OF EMPLOYMENT

Remuneration policy

SNS Bank aims to pursue a socially responsible remuneration policy that can be properly explained. The SNS Bank NV Group Remuneration Policy describes how SNS Bank views rewards and how it wishes to deal with remuneration. For more information see the Remuneration Report.

Collective labour agreement

A new collective labour agreement was concluded at the end of 2015 – a first for SNS Bank. Prior to the collective labour agreement negotiations, employees were given the opportunity to indicate what they considered important issues during dialogue meetings at various locations. These meetings, themed 'Your collective labour agreement, help us build it!', were organised by the parties involved in the process of collective bargaining (employer and trade unions) jointly. Works Council members also participated. The parties to the collective labour agreement considered the input from these meetings in their discussions. During the collective bargaining process, staff were kept abreast online and were able to express their opinion on the collective labour agreement platform.

The new collective labour agreement is valid from 1 January 2016 until 1 January 2017 and includes the following arrangements:

- The salaries of bank employees will be increased by 1.25 percent effective 1 April 2016.
- In 2016 and 2017, the employer will pay a higher pension contribution to facilitate full pension accrual.
- In 2016, SNS Bank will offer five youngsters with a benefit under the Invalidity Insurance (Young Disabled Persons) Act (*Wajong*) the opportunity to gain work experience. In addition, we aim to employ 25 employees with reduced work capacity by the end of 2016. The basic principle is that these employees must permanently form part of our organisation.

Pension scheme

The pension scheme was changed effective 1 January 2015 as a result of changed tax laws. The main change was the lowering of the annual accrual rate from 2.15 percent to 1.875 percent of the pensionable earnings. The (accrued) pensions were not increased as from 1 January 2015. The pension fund's financial position was not sufficient for indexation.

Other key figures

	2015	2014	2013
Average number of FTEs[1]	2,923	2,258	2,107
Number of FTEs at year-end[1]	3,340	2,506	2,009
Number of external staff (FTEs) / Total number of FTEs	20%	19%	15%
Male/female ratio	55%/45%	50%/50%	49%/51%
Female managers	29%	30%	23%
Full-time/part-time ratio	71%/29%	69%/31%	66%/34%
Temporary contract	13%	11%	10%
Training costs (in € per FTE)	2,114	1,930	1,390
Absenteeism	3.9%	4.5%	4.6%
Employee survey response	84%	79%	79%
Employee satisfaction	7.6	7.5	7.6
Employee commitment	8.2	8.0	7.8
Inflow	12.1%	10.7%	7.4%
Outflow	7.5%	5.4%	13.0%

1 Excluding FTEs in IT&C and Group Audit, which were still part of SNS REAAL in 2014.

STAFFING THEMES IN 2016

In 2016, we will continue to work on the staffing themes. The focus will be on the renewal of the terms and conditions of employment, the further detailing of SNS Bank's employer profile, further professionalisation of performance management and the roll-out of the Management as a Profession programme. Sustainable employability will continue to be a key theme. Goals on this point for 2016 are the (continued) development and implementation of activating development and career policies.

5.5 THE IMPORTANCE OF INFORMATION TECHNOLOGY

The strong rise of mobile banking testifies to our customers' great appreciation of digital services. It is already the most popular form of customer contact. The design and execution of our IT services have been strongly focused on providing maximum service to customers for several decades now, both in terms of the applications we use at the Bank and as regards the automated services that customers use to contact us. Our efforts have resulted in a customer-focused system. Thanks to a high degree of standardisation and use of new technologies and a long-term horizon, SNS Bank boasts a modern technical infrastructure and a simple application environment, giving us the flexibility to adapt rapidly to changing circumstances. IT is developed and operated in-house on the basis of professionalism. Application development control has been certified at CMMI maturity level 3, which stands for standardised processes, uniform project execution and a defined and repeatable level of quality. The central IT organisation fulfils a leading role in setting up the unique Multi-Brand & Multi-Channel / Single System architecture.

Our IT infrastructure helps us further carve out our challenger role in the Dutch market. A high degree of automation of our customer processes brought about by Straight-Through Processing (STP) allows us to bring customers convenience and low cost with the functionality offered online as well as on mobile platforms. Our IT environment is highly reliable as many processes have been automated. IT igives us a competitive edge. Thanks to a high level of automation of management and development processes, our services are reliable, with few disruptions. As we give much attention to life cycle management and professionalism, our IT landscape is modern and orderly without a legacy, enabling us to quickly implement digital innovations in areas such as banking and mobile payments.

Continuity and availability

IMPROVEMENTS IN 2015

Continuity of services

Continuity and availability of IT systems is crucial to our customers. The availability of our core systems and our mobile and online channels was again among the highest in the financial/banking market in 2015.

IT systems separation Bank and Insurer

In 2014 we started an ambitious, eighteen-month programme to separate the Bank and Insurer's IT systems within the scope of SNS REAAL's disentanglement. We executed this programme under our own management. Once all business units and their applications had successfully been migrated to either the Bank or the Insurer, all that remained in the first six months of 2015 was the separation of the IT business itself. This separation was completed in July as planned. The physical network between the Bank and the Insurer has now been permanently disconnected, without any noticeable consequences for the continuity and availability of our core systems and channels.

Improvements in the IT domain

We focused on three improvements in the IT domain, in part because of the separation of the Bank and the Insurer. The improvements concerned are the professionalisation of the Finance & Risk information supply, the further implementation of the Multi-Brand & Multi-Channel / Single System architecture for mortgages and the professionalisation of data management.

- The Finance & Risk information supply includes a highly diverse range of systems and databases following the separation. Based on a detailed road map, we identified – and in some cases also explored – the opportunities for consolidation and rationalisation and launched projects to simplify the Finance & Risk system landscape and to further embed it in the architecture.
- Our Multi-Brand & Multi-Channel / Single System architecture is a powerful guide to minimising the complexity of our IT landscape based on the principle of standardisation and re-use of systems where possible. In mortgages, especially the systems in the middle office and back office were further standardised and rationalised, making new functionalities available to multiple brands and sales channels more simply and rapidly to support our growth ambitions in the area of mortgages.
- At the beginning of 2015, we started a long-term Data Management programme to enhance data quality and control. This year's major achievements are found in the fields of data governance, the data definition process, the regulatory reporting chains, the functional enrichment of our corporate data warehouse and improved data quality processes for our source systems.

IT OBJECTIVES

IT plays a vital role in shaping the Bank today as well as shaping the Bank of tomorrow, particularly in terms of how technology is used in new and different types of customer services.

In the years ahead, we will continue to focus on the aforementioned improvements initiated in the IT domain. On top of that, two goals will be given additional attention:

- Innovative technologies: overall, we see opportunities for quality improvement and support of the interaction between customers and our staff through Cognitive Computing. In this context, we are internally examining the support for more

knowledge-intensive processes such as mortgage arrangement as well as the advice given to our customers. The Technology Centre to be established will invest in such technological concepts as 'Identity as an Asset', 'Blockchain' and 'Open Banking';
- IT automation & updates: the intensification of the degree of automation of the IT organisation itself, in order to improve service levels, speed and efficiency and the updating of IT components that have fallen behind in actualization due to the separation.

Cognitive computing
Cognitive computing focuses on building and using computers that mimic the functioning of the human brain. The idea behind cognitive computing is that it is better to teach a computer something than to programme it. Cognitive computers learn from information provided to them. Such as from structured sources (such as databases) and unstructured sources (such as blogs, reviews, social media) and try to 'understand' the context from this (big) data. If this process succeeds, the computer is able answer a question like a human, namely by choosing the most likely answer instead of the correct answer.

INFORMATION SECURITY AND FIGHT AGAINST CYBERCRIME
IT use and dependence are still increasing with full intensity, both on the customer's and on the bank's side, which means that cybercrime may have a major impact on the security and continuity of our online banking and mobile banking channels. The attempts at cybercrime that we observed in 2015, including phishing, malware and Distributed Denial of Service (DDoS) attacks, have become a common phenomenon.

Throughout 2015, we made continuous investments in the further strengthening of our resilience against cybercrime and enhanced the professionalism of our teams as regards intelligence, monitoring and fraud handling. Our cybercrime experts closely monitor and assess cyber developments and take appropriate measures where necessary. Our specific organisational structure enabled us to successfully counter these attacks in most cases and to minimise the inconvenience they caused for our customers. Collaboration with other financial institutions and public parties such as the National Cyber Security Centre (NCSC) is a vital element in setting up an effective defence against cybercrime. SNS Bank plays an active role in this respect.

5.6 TAX POLICY

GENERAL TAX POLICY
SNS Bank maintains a proactive, open relationship with the Dutch tax authorities. This relationship is characterised by transparency and mutual trust. We share relevant facts and situations as well as tax positions and issues. SNS Bank applies all national tax laws and regulations, taking the underlying intentions into account.

We also apply all relevant international tax treaties and guidelines and endorse the OECD guidelines on taxation, corruption and bribes. SNS Bank does not invest in or provide loans to, companies involved in corruption and / or involved in financial, environmental and / or social scandals. SNS Bank adheres to a reasonable application of the tax laws and regulations, any form of aggressive tax planning is, therefore, not at issue.

For the financial year 2015, SNS Bank accounted for € 128 million in corporate income tax on earnings (26.9 percent effective tax rate on a nominal tax rate of 25 percent). This tax relates exclusively to Dutch income tax. SNS Bank has no foreign branches and is, therefore, not subject to foreign income tax.

The absence of activities abroad, therefore, implies that SNS Bank is not required to compile country-to-country reporting.

Apart from income tax, SNS Bank is subject to a number of other taxes. For 2015, these taxes and amounts are as follows:
- Payroll tax and social insurance contributions: € 104 million. These taxes and contributions are withheld from employees' wages, but are for account of and paid by SNS Bank.

- Non-recoverable VAT: € 45 million. Because of the nature of its services, a financial institution enjoys a different position than regular businesses such as IT firms or manufacturers. Most financial services provided by banks are exempt from VAT, i.e. banks do not charge their customers VAT on services provided by them. Whereas this is an advantage for customers, it is a disadvantage for banks as the VAT on the exempt service is non-recoverable, resulting in a cost increase.
- Bank tax: € 2 million. This tax cannot be deducted from income tax.

TAX POLICY WITH REGARD TO CUSTOMERS

All new financial products offered to customers by SNS Bank are first assessed and approved by SNS Bank's Product Approval and Review Committee (PARC). PARC is chaired by the Chief Operational Officer and comprises representatives from various departments, including Fiscal Affairs. PARC periodically evaluates all existing products. SNS Bank does not provide tax advice to customers.

In addition, SNS Bank uses procedures and measures for the identification, verification and acceptance of customers. These procedures and measures are and will be implemented in keeping with applicable Dutch laws and regulations, European directives, such as the Directive on Administrative Cooperation (DAC) and the EU Savings Directive (ESRR), and international laws and regulations such as the Common Reporting Standard (CRS) of the OECD and United States Foreign Account Tax Compliance Act (FATCA).

TAX POLICY WITH REGARD TO POSITIONS AND TRANSACTIONS IN WHICH TAX ASPECTS PLAY A SIGNIFICANT ROLE

Our tax policy is based on the following principles:

- Fiscal robustness
  The fiscal position or transaction must comply with (tax) case laws and existing (tax) laws and regulations or with (tax) laws and regulations likely to come into force in the foreseeable future. We will liaise with the tax authorities wherever possible, in which case tax positions discussed will be laid down in a ruling / settlement. If necessary, the fiscal robustness can be substantiated with a so-called 'tax opinion letter' from a tax adviser with a well-established reputation.
- Substance
  It concerns tax positions or transactions that are relevant from a business and social perspective.
- Financial risk impact assessment
  The fiscal position to be taken on how to implement a transaction must, based on a reasonable and informed advance assessment of the impact of any financial risks, not give rise to any significant negative (tax) consequences, including reputational damage.

IN 2015 DUTCH HOUSE PRICES ROSE

2.3%

ON AVERAGE

THAT COMES DOWN TO APPROXIMATELY

€4,500

6 Risk, Capital & Liquidity management

Banking with a human touch also guides the way in which we capitalise SNS Bank and manage risks. Mortgages, savings and payments form the basis of our services to customers in the Netherlands. Our sustainable approach here is a deliberate choice entailing that SNS Bank only takes risks that it can understand and control and that these risks are in line with our moderate risk profile. We are working on a mature level of risk management and are developing integrated control of our financial and non-financial risks.

6.1 SUMMARY

Moderate risk profile

Our business model – aimed at the consumer market and the SME sector, where we offer simple financial products – requires a moderate risk profile. In 2015, our risk profile met the organisation's objectives and remained within the risk appetite standards.

We further developed and improved risk governance and the risk management organisation in 2015, thereby defining the responsibility for and ownership of the various risks in more detail and intensifying our focus on controlling non-financial risks.

Capitalisation

Access to capital and liquidity through the financial markets improved as SNS Bank NV was transferred to SNS Holding BV. This gave SNS Bank independent access to the capital market. SNS Bank's capital position was strenghtened and diversified in 2015 by, amongst others, a Tier 2 issue of € 500 million in the fourth quarter. The capital ratio was up 11.1 percent point. SNS Bank is well positioned to comply with capital requirements arising from expected future regulations and potentially higher capital requirements for mortgages.

Credit risk

The quality of the loan portfolio improved. The rebound of the residential mortgage market that started in 2014 continued in 2015. The economic upturn in the Netherlands, limitedly higher house prices and slightly lower unemployment rates positively impacted customers' payment capacity, resulting in fewer arrears in the portfolio and a reduction in loan provisions. On balance, arrears in the portfolio dropped by 20 percent and the loan loss provision ended up 10 percent lower on the back of a portfolio reduction of 1.5 percent.

Market risk

In 2015 market rates remained extremely low, which prompted a relatively large number of customers to redeem their mortgages early or convert them to longer-term fixed-rate mortgages. SNS Bank mitigated the effect of this development on the interest rate risk profile in 2015 by interest rate derivatives.

Liquidity risk

The Tier 2 issue in the fourth quarter further diversified and strengthened SNS Bank's funding position, which largely consists of savings.

In 2015, the Loan-to-Deposit ratio dropped from 113 percent to 105 percent due to an increase in the quantity of retail savings, combined with a decrease in the loans provided that were outstanding. SNS Bank's liquidity and funding position improved and met both internal targets and external regulations.

Non-financial risks

In 2015, we started implementing the Integrated Control Framework (ICF) to achieve controlled business operations in all of SNS Bank's units and to ensure its continued application in the organisation. We also made progress with risk assessments of the most material processes within SNS Bank, including Mortgages, Special Credits and Finance. In addition, the non-financial risk reports form part of our strategic decision-making, as they support non-financial risk management.

6.2 RISK MANAGEMENT ORGANISATION

Risk means the likelihood of an uncertain outcome. At the Bank, we mainly look at the risk of a potential hazard resulting in an actual incident and causing damage, or Risk = Probability x Exposure x Consequence.

Measures may be taken to control risks and thus protect the value for the Bank and its customers. This is referred to as risk management. Risk management is a continuous process of recognising and assessing risks that could harm the objective of the organisation and its stakeholders. Risks are estimated in terms of the probability of occurrence and their possible consequences. A comparison between the estimate and the organisation's risk appetite reveals whether the risk is acceptable or whether measures are required.

Measures may consist of actions to reduce the likelihood of an event occurring or to limit any damage that may arise. The choice of actions breaks down into avoidance or prevention, control or reduction, or transfer of the risk. Continuous monitoring of the risks and the measures taken allows us to determine whether the risk management desired is effective, and adjustments will be made if necessary.

Banking and risks are closely intertwined: banking is all about taking on and managing risks that are understood. Adequate risk management is therefore key in our organisation, as it supports our strategy and enables us to execute it. Risk management contributes to excellent business operations in which financial and non-financial risks are managed in a controlled way.

Main developments in 2015

In 2015 a number of adjustments were made to the composition, mandates and procedures of the risk committees.

The responsibility for and ownership of risks was further elaborated. We allocate risks according to the 'three lines of defence' principle. We embedded the responsibility for retail credit risk more explicitly in a first-line risk management function.

In 2015, we placed additional focus on the management of non-financial risks. The measurability of non-financial risk measures on which we report every quarter was improved. We have integrated the risk management and the determination of risk appetite and the risk profile more effectively in the planning and budgeting cycle.

Additional focus on management of non-financial risks

We started rolling out the Integrated Control Framework (ICF) in our organisation in 2015. The ICF gives us a better understanding of our risks and our options in managing them. Last year, our investment in the quality of integrated reports improved risk reports and analyses and made them more readily available. As we are in the process of implementing the PERDARR[5] principles, our reports have become more reliable and more complete as the underlying flow of information was identified.

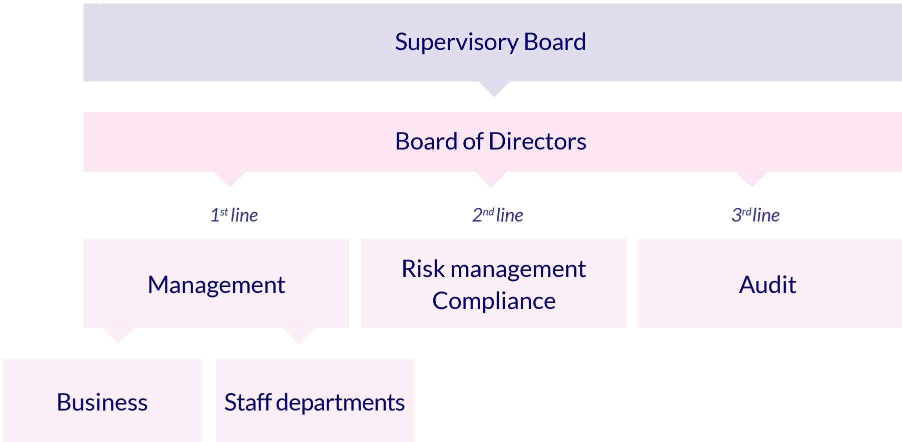
[5] Principles for Effective Risk Data Aggregation and Risk Reporting

6.2.1 RISK GOVERNANCE

6.2.1.1 Three lines of defence

Risk governance is based on the three lines of defence model.

Three lines of defence model



First line – Business

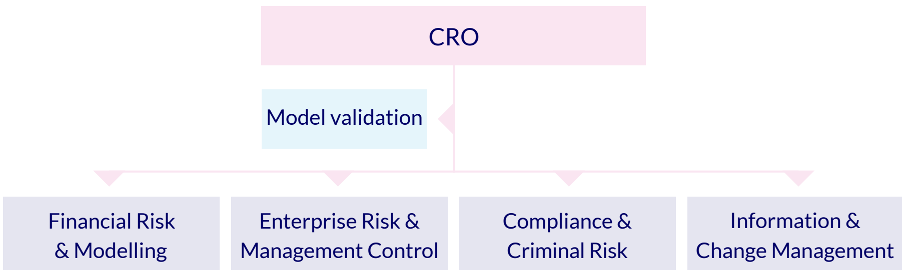
The (line) management of the business units is responsible for structuring and executing its own processes, for the risks taken and for the results. This is done within the parameters of the risk management policy and the risk appetite agreed.

Second line – Risk Management

Risk Management determines the boundaries for the first line by setting policy frameworks and policy standards. In addition, the second line supports and advises first-line management and monitors whether it is performing its responsibilities correctly. The second line reports on this and advises the Board of Directors or the risk management committees.

Our risk management organisation is as follows:

Risk management organisation



The Financial Risk & Modelling department is responsible for financial risk monitoring, drafting and managing the corresponding risk policy as well as developing financial risk models.

In addition to monitoring the non-financial risks and drafting and managing the related risk policy, the Enterprise Risk & Management Control department is responsible for developing and managing the economic capital model and the risk management and risk policy frameworks.

The responsibility for guarding SNS Bank's reputation and integrity and for preparing and managing the corresponding policy lies with Compliance. This department is also responsible for protection against criminal risk.

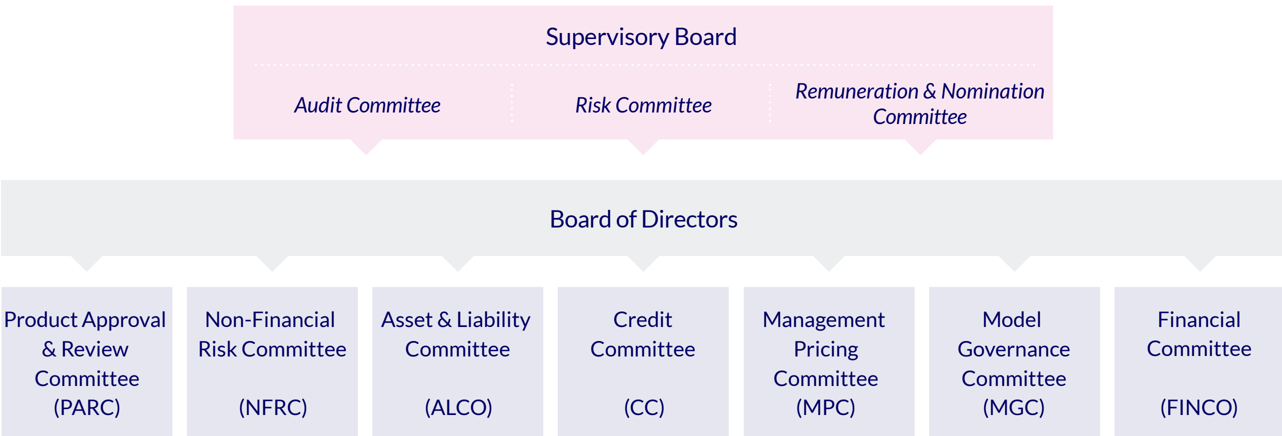
The Information & Change Management department monitors the change calendar within the risk domain and ensures that it is executed.

Separately positioned within the second line, Model Validation performs an independent role in assessing and validating risk models.

Third line – Audit
Audit uses a risk analysis to periodically test the design, presence and operating effectiveness of the first-line and second-line processes. Audit also evaluates the effectiveness of governance, risk management and control processes. It presents an independent opinion in this regard to the SNS Bank Board of Directors and Supervisory Board.

6.2.1.2 Risk committees

Risk committees



Supported by three committees, The Supervisory Board is charged with the supervision of the Board of Directors and is supported by three committees, the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. These committees prepare the decision-making of the Supervisory Board for the duties that are allocated to them. The Audit Committee monitors the quality of the provision of financial information, the set up, the presence and effectiveness of the control measures and the performance of the Audit function. The Risk Committee supports the Supervisory Board in the areas of risk governance, risk control and risk policy. The Remuneration and Nomination Committee focuses on drafting the selection criteria and appointment procedures for members of the Board of Directors and the Supervisory Board. This Committee also periodically assesses the Board of Directors' performance and for supervising the policy in respect of selection criteria and appointment procedures for senior management.

The Board of Directors bears ultimate responsibility for risk management within the bank. In this process, it is supported by risk committees with representatives from the first and second lines in each risk committee. The third line is not a permanent representative in the risk committees, but it may attend meetings at all times and receives all information.

The risk committee structure was evaluated in mid-2015, which resulted in the integration of the Bank Risk Committee into the meeting of the Board of Directors with the aim of reinforcing direct risk control and integrating it further in overall bank policy. Each member of the Board of Directors chairs a risk committee. The risk management representatives' right of veto was replaced by an escalation option for each risk committee member.

- SNS Bank's Board of Directors is the highest reporting body in respect of risk management. It defines the desired risk profile for financial and non-financial risks and determines the risk appetite, risk policy frameworks and risk management framework for SNS Bank and all legal entities that come under the bank.
- The Product Approval and Review Committee (PARC) is charged with the approval and periodic evaluation of new and existing products and services that we offer to our customers. The risk profile of existing and new products and services is controlled on the basis of legislation and regulations, customers' interests and our Manifesto. The PARC assesses financial and non-financial risks during the development of new products or the revision of existing products.
- The Non-Financial Risk Committee (NFRC) is responsible for controlling the risk frameworks and risk appetite for non-financial risks. The NFRC's responsibilities include setting standards and limits in the area of non-financial risks.
- The Asset & Liability Committee (ALCO) takes decisions on how to optimally control interest income, capital and the liquidity position. The ALCO is also responsible for controlling these risks with a view to achieving long-term growth.
- The Credit Committee (CC) is responsible for controlling credit risks within the frameworks set by the Board of Directors and within the planning and budgeting cycle. The CC controls and monitors the development of credit risk in the portfolios.
- The Management Pricing Committee (MPC) aims for a sustainably profitable portfolio by weighing volume, risk and return within the frameworks of external regulations and risk policy. The pricing policy is used to preserve a match between the portfolios and the target markets.
- The Model Governance Committee (MGC) monitors the quality and uniformity of all financial risk and valuation models.
- The Financial Committee (FINCO) is responsible for controlling the financial and consolidation processes, management information and internal and external reporting. The FINCO is also charged with the management of cost/benefit, treasury and tax matters.
  The FINCO occupies a special position in the risk committee structure. The FINCO does not bear direct risk management responsibility but its mandate is strongly connected with financial risk control.

Boards

In addition to the risk committee structure, a Regulatory Board and an Information Board are in place. The Regulatory Board's duties are to identify relevant prudential laws and regulations and to ensure their correct and timely implementation within SNS Bank. The Information Board adopts data management policies and monitors their implementation. The Information Board is also responsible for determining the data definitions.

The Regulatory Board and the Information Board reside under the responsibility of a member of the Board of Directors. These two boards are formed by representatives from the risk and the finance domain. The IT department is also represented in the Information Board.

6.2.2 RISK CULTURE

The manifest is the beacon guiding our thoughts and actions

SNS Bank's Manifesto is the beacon guiding our thoughts and actions. It defines the values and principles that underpin our strategic ambitions and describes the frameworks for the risk culture we seek to maintain.

We believe that the tone at the top is important to gain support for our risk culture. In 2015 the ICF programme gave shape to this tone at the top by aiming for risk awareness and the embedment of the same in the organisation. The Board of Directors qualified this programme as one of the strategic programmes. The continuation of our balanced remuneration policy is another important component of the tone at the top.

One of our strategic priorities is 'excellent business operations'. We expect employees to be aware of the risks within their own areas of responsibility and to deal with those risks in a conscious manner. Within the context of the ICF, some of the processes in our organisation were evaluated this year. The purpose is to improve the allocation of responsibilities and to involve employees in defining the risks and the relevant control measures needed. Close collaboration between the first and second lines is a prerequisite for performing these evaluations.

The risk culture is also reflected in the remuneration policy and the planning and appraisal cycles of individual employees. Managers ensure that the risk guidelines are known and sufficiently clear to employees. Too, our remuneration policy addressed the right balance between risk and return in 2015. We extended our internal guidelines, adding preconditions to be fulfilled by any and all variable remuneration, excluding the Board of Directors from variable remuneration. These guidelines apply to the Board of Directors and staff.

6.3 RISK PROFILE AND RISK APPETITE

6.3.1 KEY RISK THEMES

We identified six risk themes in our annual strategic risk analysis; we further elaborated these themes and allocated the relevant responsibilities in the organisation.

Theme	Nature of the risk
Business Model	The focus of our business model on mortgages, savings and payments for Dutch (retail) customers and the growth ambitions in an increasingly competitive environment give rise to strategic risks.
Data Management	Unsatisfactory quality, control and accessibility of data obstruct a complete and quick overview of and insight into exposures and the associated risks.
Control of the Organisation	An independent risk governance and risk organisation for SNS Bank requires a solid risk infrastructure. Being successful and sustainable also demands that SNS Bank control the quality and predictability of the services it provides.
Regulatory and Supervisory Pressure	The ongoing wave of regulation has triggered an increasing demand for detailed reports by supervisory authorities. New regulatory developments are uncertain, which makes their full impact hard to predict.
Capitalisation	Regulatory developments are uncertain and may result in even higher capital requirements.
Cybercrime	Threats by cybercrime attacks on banks may lead to interruption of services, loss of confidential information, loss of resources, claims and erosion of the reputation of trust in SNS Bank.

The first theme, Business Model, is associated with strategic risk. This is the risk that strategic objectives are not achieved due to the Bank's inadequate or late response to changes in the environment and the business climate. The choice of a business model largely determines the strategic risk. SNS Bank's focus on the Dutch retail segment with a limited number of products entails a concentration risk ('all eggs in one basket'). We intend to achieve our growth ambitions in the Dutch mortgage and savings markets – which are marked by increasing competition – by building more customer relationships via current accounts. This requires a smart approach and a rapid response to market changes, an agile organisation that acts as a smart follower.

Along with this focus and specialist field, cost control and controlled and responsible business operations in the areas of risk governance, processes and data quality are paramount. These aspects allow us to exploit the business model to the full and pursue a sustainable earnings model. Controlled business operations also help us adjust to growth and changes.

Our Manifesto as a guide for decision-making is an important tool in reducing the risk associated with our business model and a distinguishing feature in the banking landscape.

The other five risk themes are discussed in Section 6.4 (Capitalisation) and Section 6.9 (The remaining themes).

6.3.2 RISK CLASSIFICATION

Risk classification forms the framework for the design of the risk control and risk appetite. Each type of risk is further detailed in underlying sub-risks and in qualitative and internally measurable criteria. These measures constitute the frameworks for our risk management. Quarterly reports on the measures are issued to the risk committee that controls the relevant risk.

The risk classification and corresponding risk measures are evaluated every year as part of the planning and budgeting process. In this evaluation, we assess whether all material risks have been identified and are adequately controlled. Possible adjustments to the classification, risk measures and risk limits may ensue from changes in strategy, regulations, risk capacity, etc. In 2015 changes were implemented in respect of financial risks, such as the introduction of the Loan-to-Deposit ratio, the implementation of a mortgage acceptance scorecard and measures for certain loan portfolios, such as ASN Bank's loan portfolio. The non-financial risks too, were translated into measurable criteria.

Risk classification

The strategic risk analysis and risk classification are now the starting point of our annual cycle. In the budgeting cycle, the limits of the risk measures provide the parameters for our work.

6.3.3 RISK APPETITE AND MEASURES

The table below details our risk classification, Risk Appetite Statements and measures:

Strategic risk

Definition	Risk Appetite Statement	Risk measure
STRATEGIC RISK The risk that strategic objectives are not achieved due to the company's lack of response or inadequate or late response to changes in the environment and the business climate.	We seek to be a people-oriented, social and sustainable retail bank that is capable of adapting quickly to changing business conditions with the aim of providing excellent services to our customers.	**Adaptability:** Our ability to flexibly respond to opportunities and threats in the market and our environment and to implement changes in a timely fashion and in a controlled and cost-efficient manner. **Cost development:** Our ability to control the costs in proportion to the balance sheet total, and/or the fixed costs in relation to the total costs, in order to retain profitability and flexibility. **Market share:** Our ability to maintain and increase market share in the Netherlands in the key markets of payments, savings and mortgages. **Socially responsible banking:** Our ability to live up to the expectations that customers, stakeholders and society have in respect of major social themes that the Bank can influence by choosing to invest the funds entrusted to it.

Operational risk

Definition	Risk Appetite Statement	Risk measure
OPERATIONAL RISK The risk of direct or indirect losses resulting from inadequate or deficient internal processes and systems, from inadequate human behaviour or human error, or from external events (such as fraud and crime risks).	Our effective and efficient processes guarantee high quality. We accept a low rate of performance error and learn from mistakes if and when they occur.	**Value stream performance monitor:** Our ability to efficiently and effectively execute our key value flows at an excellent level of quality.
		Fraud and criminality monitor: Our ability to readily identify losses caused by internal and external fraud and criminality, including cybercrime, and to take appropriate measures.
		Business partner monitor: The degree to which business partners operate in line with our objectives, rules and requirements.
		Model monitor: The degree to which we adequately adapt our financial models to current conditions.
	We work with a sufficient number of competent staff and offer them an environment that enables them to achieve the organisation's objectives with pleasure and courage.	**HR Monitor:** The degree to which we can avail ourselves of motivated, competent, critical and satisfied staff.
		Culture monitor: The degree to which our culture contributes to ethical and responsible business operations
	In order to support our customers and business processes, we have an efficient IT system and a low level of tolerance regarding disruptions in system integrity and continuity and the reliability, confidentiality and integrity of information.	**IT performance monitor:** The degree to which we can avail ourselves of effective and efficient IT systems for our customers and our own business operations, including the measures taken to safeguard the availability, integrity, confidentiality and continuity of communications.

Financial risks

Definition	Risk Appetite Statement	Risk measure
CAPITAL ADEQUACY The risk that the capital position is insufficient to serve as a buffer for the occurrence of unexpected losses that may arise if one or more risks to which the company is exposed manifest themselves.	We aim for a solid and diversified capital position that supports our strategy and is in line with our risk profile. We seek to operate well above the minimum capital requirements.	**Capitalisation ratio:** The degree of capitalisation of our company, including our subsidiaries.
LIQUIDITY RISK The risk that the company has insufficient liquid assets available in the short term to meet financial obligations, under normal circumstances or in times of stress. In addition, liquidity risk is the likelihood that the balance sheet structure will develop in such a way that the company is excessively exposed to disruptions in its funding sources.	Our risk appetite for liquidity is low; we aim for a strong liquidity and funding position while taking account of the various types of liquidity risk.	**Intraday liquidity risk:** Our inability to meet our financial obligations. **Contingency liquidity risk:** Our liquidity exposure and our ability to meet our unanticipated and short-term financial obligations. **Funding liquidity risk:** Our ability to have stable funding at our disposal in the medium and long terms.
MARKET RISK The risk that equity, the result or continuity is threatened by movements in the level and/or volatility of market prices like interest rates, credit risk surcharges, share prices and foreign exchange rates.	Our risk appetite for interest rate risk is medium; we aim to protect interest income and the economic value of equity against potential adverse interest rate movements and to stabilise them.	**Interest rate risk:** The degree to which interest rate fluctuations affect the Bank's results. **Value at Risk:** The size of the potential loss on an position at a certain confidence level for a certain period of time.

Definition	Risk Appetite Statement	Risk measure
CREDIT RISK The risk that a borrower/ counterparty does not meet a financial or other contractual obligation.	Our aim is to control our credit risk in such a way that the Bank's financial position (capital and liquidity) is not threatened.	**New inflow:** The risk qualification assigned to new mortgage production. **Current portfolio:** The expected loss on and the average Loan-to-Value of the current part of the portfolio that has not been declared to be in default. **Outflow from the portfolio:** The outflow quality score, pertaining to both natural and unnatural outflow. **Arrears Management and Special Credits:** The size of the portfolio in arrears, the recovery level of items in arrears and the level of provisions. **Non-performing loans:** The relative size of the non-performing portfolio and the level of the coverage ratio. **Money and capital market positions:** The relative size of money and capital market positions with a counterparty rating equal to or lower than BBB+ in relation to eligible capital. **Debtor concentration risk portfolio performance:** The relative level of net exposure to a single counterparty in relation to eligible capital. **Payment arrears:** The relative size of the arrears. **Forborne exposures:** The relative size of exposures with the forborne status. **Revision backlogs:** The relative size of the number of revision backlogs versus the total number of revisions. **Credit score:** The average credit risk class that is determined for the portfolio.

Overarching risks

Definition	Risk Appetite Statement	Risk measure
REPORTING RISK The risk that the company provides its internal and external stakeholders and the supervisory authorities with unreliable information.	We provide our internal and external stakeholders with a reasonable degree of assurance that the information is reliable.	**Reporting monitor:** The degree to which the reliability of information (including financial data), reporting processes and underlying data is guaranteed.
COMPLIANCE RISK The risk that the company's integrity is harmed by actions (or omissions) contrary to its internal (core) values, social standards and values or behavioural laws and regulations or requirements to be observed by the company when providing its financial services or translating these into internal rules.	We do not tolerate any violations of company rules or legislation and regulations.	**Compliance monitor:** The degree to which our integrity is harmed by products and services provided, by staff conduct, by the conduct of business partners and/or by (dishonest) customers.
LEGAL RISK The risk that the company is held liable for current and future losses.	Our business operations contribute to the prevention of claims. Any claims that do occur are settled with due care.	**Litigation monitor:** The degree of exposure to material risks ensuing from stakeholder and third-party claims.
REPUTATION RISK The risk that objectives are not achieved or cannot be achieved because insufficient account is taken of the picture and opinion that external parties have of the company (including customers, counterparties, shareholders and supervisory authorities).	Our brands (SNS, BLG Wonen, ASN Bank, RegioBank, ZwitserlevenBank) evoke trust with our stakeholders through our financial products and services, the integrity of our employees and compliance with laws and regulations. To safeguard this trust, we take adequate measures to manage the risk of harm to our stakeholders' trust.	**Trust monitor:** The degree of trust we receive from stakeholders (including customers, business partners, share-holders and supervisory authorities).

Internal stress testing

In addition to risk measures, SNS Bank also avails itself of stress testing. Stress testing is used as a tool to gain insight into the sensitivity and interrelationship of SNS Bank's risks. By means of stress testing we determine the effect that an extreme yet plausible scenario will have on our positions and objectives. Stress testing complements existing (quantitative) risk models and measures.

We also assess the robustness of the capitalisation by performing stress tests. We periodically compare the results of stress tests with the regulatory capital required and the economic capital. The stress test results may, for instance, trigger an adjustment of internal solvency standards.

The robustness of the liquidity position is also determined by means of an internal extreme stress test. The basic premise of our liquidity control is for us to survive the internal extreme stress scenario for a certain minimum period of time.

See Section 6.4 and Section 6.7 for a more detailed explanation.

6.3.4 LINK TO IFRS 7

In this chapter, 'Risk, capital and liquidity management', we provide the information that is required on the basis of IFRS 7 and IAS 1. This information is part of the audited financial statements.

6.4 CAPITAL MANAGEMENT

Capital provides a buffer for the risks that SNS Bank takes. To ensure continuity and protect stakeholders, several parties including market participants and supervisory authorities set requirements for both the amount and the composition of the capital base. We also apply internal targets that must be met. These targets are consistent with our moderate risk profile.

Main developments in 2015

SNS Bank's capital position was further strengthened and diversified in 2015 by, a Tier 2 issue with a nominal value of € 500 million in the fourth quarter of 2015. SNS Bank NV thus demonstrated that it has independent access to the capital market after the disentanglement of SNS REAAL and the subsequent transfer of SNS Bank NV to the Dutch State. SNS Bank NV became a wholly-owned subsidiary of SNS Holding BV as part of this process. As SNS Holding BV has no other activities, SNS Holding BV's capital position, risk-weighted assets and, consequently, its solvency are identical to SNS Bank NV's. Please refer to Pillar 3 Report for more information.

SNS Bank's capital position was further strengthened and diversified in 2015

Development CET1 ratio and leverage ratio

in € millions	2015	2014
Common Equity Tier 1 ratio (transitional)	25.3%	18.3%
Common Equity Tier 1 ratio (fully phased-in)	25.8%	17.4%
Leverage ratio (transitional)	4.7%	3.8%
Leverage ratio (fully phased-in)	4.8%	3.6%

At year-end 2015, SNS Bank had a solid risk-weighted Common Equity Tier 1 ratio (CET1 ratio), which increased from 18.3 percent (fully phased in 17.4 percent) at year-end 2014 to 25.3 percent at year-end 2015 (fully phased in 25.8 percent). The improvement in the Common Equity Tier 1 ratio can mainly be attributed to the net profit for the first half of 2015 and the decline in risk-weighted assets.

The main non-risk-weighted capital ratio, the leverage ratio, rose from 3.8 percent at year-end 2014 to 4.7 percent at year-end 2015 (from 3.6 percent to 4.8 percent fully phased in, respectively). This is higher than the anticipated future requirement of 4 percent for Dutch banks. The leverage ratio improved as a result of the net profit for the first six months of 2015 and a lower risk exposure.

The total capital ratio rose from 18.4 percent (fully phased in 17.7 percent) at year-end 2014 to 29.5 percent (fully phased in 30.1 percent) at year-end 2015. This rise was the result of the issue of the Tier 2 transaction, in addition to the net profit and the decrease of risk-weighted assets.

Dividend

SNS Holding BV proposes to pay out to its shareholder NLFI a dividend of € 49 million to be charged to the profit and € 51 million to be charged to the share premium reserve. Dividend withholding tax in the amount of € 6 million will be deducted from the dividend distribution.

SNS Bank well-positioned for future capital requirements

SNS Bank is well positioned to comply with capital requirements arising from expected future regulations. These include the leverage ratio, the bail-in requirements Minimum Requirement for own funds and Eligible Liabilities (MREL) and Total Loss Absorbing Capacity (TLAC), and the risk-weighted assets (RWA) increase as a result of the proposals of the Basel Committee on Banking Supervision (BCBS) for credit risk RWA

25.3%
CET1-ratio

and the introduction of a capital floor. In that context, SNS Bank aims for a diversified capital structure with an adequate variety of capital and funding instruments.

4.7%
Leverage ratio

The leverage ratio is a non-risk-weighted capital ratio. As SNS Bank focuses on residential mortgages, an activity withrelatively low risk weights compared to other asset classes, the leverage ratio target entails that more capital must be held under current regulations than on the basis of risk-weighted ratios. As a result, the current risk-weighted ratios are relatively high.

The BCBS's new proposals on the Standardised Approach for calculating the credit risk RWA and the related capital floor proposal are expected to result in a significant RWA increase. As a consequence, SNS Bank's relatively high risk-weighted capital ratios are expected to decrease and the amount of capital required to meet the leverage ratio target is expected to be below the capital amount required to meet the risk-weighted capital ratio targets. The capital ratios will likely still be adequate.

At year-end 2015, the non-risk-weighted MREL ratio stood at 8.5 percent. SNS Bank aims to exclude deposits of natural persons and SMEs from bail-in. Bail-in means that, in the event of a bank failure, first the shareholders and lenders are 'charged' for an amount of at least 8 percent of the balance sheet total or 20 percent of the risk-weighted assets, before any public funds can be used. Without the deposits of natural persons and SMEs, the non-weighted MREL ratio equalled 8.4 percent at year-end 2015.

SREP requirement

Following the results of the Supervisory Review and Evaluation Process (SREP) performed by the ECB, SNS Bank is expected to maintain a minimum CET1 ratio of 11.75 percent as from 1 January 2016. This CET1 capital requirement includes the capital conservation buffer, but excludes the buffer for Other Systemically Important Institutions (O-SII buffer). The O-SII buffer for SNS Bank is equal to 0.25 percent from 1 January 2016 onwards. It will subsequently increase by 0.25 percent per annum, to 1 percent in total in 2019. The minimum CET1 capital requirement for SNS Bank, based on the SREP, is therefore 12.0 percent as from 1 January 2016. At 25.3 percent, the CET1 ratio was well above this minimum capital requirement at the end of December 2015.

6.4.1 MANAGEMENT AND CONTROL

CET1 ratio well above minimum capital requirement

The primary objective of capital management is to ensure compliance with both internal capital adequacy objectives and external capital requirements now and in the future. This is how we want to guarantee the availability of sufficient capital to absorb unexpected losses and to support SNS Bank's strategy.

We determine our capital requirements on the basis of our own risk appetite and business plan, taking into account the requirements of supervisory authorities and the expectations of external stakeholders, including customers and investors.

We monitor our capital adequacy by assessing the capital available in relation to the capital required on a risk-weighted basis. This is part of the Internal Capital Adequacy Assessment Process (ICAAP). SNS Bank's capital management consists of the following main activities:
- Determining the available capital;
- Determining the minimum capital required and the desired amount of capital, including the economic capital required per type of risk and aggregated for all types of risk;
- Qualitative and quantitative capital adequacy assessment;
- Stress testing on capital adequacy;

- Steering the capital adequacy to the desired level through capital actions;
- Contingency planning, allowing us to take measures if an unexpected event occurs.

Every year we review our strategic objectives, identifying the correlation between risks. Given the risk appetite we determine the frameworks for SNS Bank's annual Operational Plan, which also comprises the Capital and Liquidity Plan.

The quantitative assessment of the capital position compares the available capital and its composition with the external requirements under the current regulatory framework as well as with our own internal standard based on economic capital and other relevant objectives. In this respect, we also consider projected developments in legislation and regulations. We apply instruments both to manage the required capital and associated risks and to raise the available capital to the desired level. The required capital can be lowered, for example, by adjusting the size of the loan portfolio, while the available capital can be raised by issuing capital instruments.

In addition to the long-term capital planning in the Capitalisation and Liquidity Plan, we issue an update of this plan each month. This monthly Capital Adequacy Assessment Report is discussed in the ALCO. This report may lead us to conclude that adjustments need to be made through capital actions.

The overall capital management process meets the requirements set by supervisory authorities. The supervisory authority annually assesses the outcome of the ICAAP as part of the SREP. The assessment of the supervisory authority may trigger an adjustment of the minimum SREP capital requirements and of capital management in general.

Economic capital
Economic capital is based on the internal view on all risks within SNS Bank. The capital ratios from regulatory requirements mainly focus on credit risk, market risk and operational risk. When determining economic capital, we consider all types of risk the bank is exposed to, as well as the correlation between these types of risk. In addition to the aforementioned credit risk, market risk and operational risk, other material risks within this internal capital requirement are concentration risk, interest rate risk in the banking book, credit spread risk, business risk and model risk. Economic capital is calculated on a quarterly basis and analysed and reported to the ALCO. A project is underway to enable specific application of the economic capital calculations to the banking operations, as this model was previously designed for SNS REAAL in its entirety (including the Insurer). A new model geared to the Bank enhances our ability to create a risk-by-risk approach that is aimed specifically at SNS Bank's distinctive features. An initial version of the new economic capital model was completed by year-end 2015.

Stress testing on capital adequacy
The stress test results provide us with input to determine and monitor risk capacity, risk appetite and targets. The results may, for instance, trigger an increase in internal capitalisation targets. This happens when the results lead to a solvency level that is too low. We include the stress test results in capital planning.

We also use the stress tests in contingency planning.

Contingency planning
The financial crisis increased the focus on contingency planning, the planning for unforeseen events that is worked out in the Capital Conservation Plan and the Recovery Plan.

Capital Conservation Plan

The Capital Conservation Plan (CCP) serves as an action plan that allows us to take prompt measures as soon as our capital position suddenly deteriorates or financial market conditions are unexpectedly unfavourable. The purpose of the CCP is to identify (mild) capital stress at an early stage, enabling us to respond efficiently by taking a series of available measures. This deterioration is identified by frequent monitoring of 'early warning' indicators. A change in an indicator's value may be the first sign of stress. The choice of the measure to be applied, such as raising new capital or lowering the risk-weighted assets, depends on the nature and severity of possible issues. The CCP is part of the Recovery Plan and is updated every year.

Recovery Plan

The key objective of the Recovery Plan is to prepare SNS Bank for capital crises in a way that enables us to recover independently. The main components of the plan are the determination of a number of (severe) stress scenarios, recovery measures that may be implemented in that respect and an analysis of actual recovery when those measures are applied ('recoverability assessment').

The set of measures has a wide scope and comprices liquidity, operational and communication aspects as well as capital aspects, such as the issue of secured funding and the isolation of critical systems or applications. The Recovery Plan is updated every year and is shared and discussed with DNB in its capacity as National Resolution Authority (NRA).

6.4.2 DEVELOPMENTS IN CAPITAL REQUIREMENTS

The crisis prompted the introduction of several measures. For 'gone concern' the capital standards MREL and TLAC were introduced. The Basel Committee also presented a proposal that may result in higher capital requirements for residential mortgages in the future.

Minimum requirement for own funds and eligible liabilities (MREL)

The European Bank Recovery and Resolution Directive (BRRD) came into force on 1 January 2015 and was implemented in Dutch legislation on 26 November 2015. At the same time, the Dutch Bankruptcy Act was modified such that deposits of natural persons and SMEs in a normal bankruptcy proceeding are ranked higher than the claims of ordinary unsecured, non-preferential creditors. The implementation of the bail-in framework results in the introduction of a Minimum Requirement for own funds and Eligible Liabilities (MREL) as a buffer to absorb losses. The MREL entered into force on 1 January 2016.

According to the bail-in framework, the total of equity and other eligible liabilities must equal at least 8 percent of total liabilities (including own funds) or, under certain conditions, 20 percent of RWA. The institution-specific MREL will be set by the NRA and is expected in 2016. On top of equity, the MREL-eligible liabilities are Additional Tier 1 (AT1) capital, Tier 2 capital, subordinated debt that is not Tier 1 or Tier 2, and other MREL-eligible liabilities with a remaining maturity of more than 1 year.

Total Loss Absorbing Capacity (TLAC)

In the fourth quarter of 2015, the Financial Stability Board launched its own proposal, the Total Loss Absorbing Capacity (TLAC). Like the MREL, it is part of the bail-in regulations. TLAC is intended first and foremost for global systemically important institutions, which is why TLAC is not yet applicable to SNS Bank. However, it may also become applicable to local systemically important institutions, including SNS Bank, at a later stage. The minimum TLAC requirement will be equal to the higher of:

1. 16 percent of RWA (excluding the CET1 capital buffer applicable to SNS Bank, consisting of the capital conservation buffer, the countercyclical capital buffer and the buffer for other systemically important institutions) as of 2019, increasing to 18 percent in 2022; and
2. 6 percent of the denominator of the leverage ratio (a bank's total liabilities including equity) as of 2019, increasing to 6.75 percent in 2022.

Given SNS Bank's total CET1 capital buffer requirement of 3.5 percent (excluding the countercyclical capital buffer of 2.5 percent at most), the risk-weighted TLAC requirement would equal 19.5 percent of RWA in 2019, rising to 21.5 percent in 2022. On top of equity, TLAC-eligible instruments are AT1 capital, Tier 2 capital and other TLAC-eligible liabilities with a remaining maturity of more than 1 year. It is currently unclear how and when TLAC will be implemented in European legislation. We assume that TLAC will be incorporated in the BRRD and expect it to be harmonised with the MREL requirements.

BCBS consultation on credit risk-weighted assets

In December 2014, the BCBS issued a consultative document on revisions to the Standardised Approach (SA) for credit risk. In addition, the BCBS presented a consultative document on the introduction of a capital floor framework based on the revised SA for credit risk. This framework is expected to replace the current capital floor, which is based on the Basel I approach. The aim of the revised capital floor framework is to safeguard prudential capital requirements and enhance the comparability of risk-weighted capital ratios.

In 2015, the BCBS performed a Quantitative Impact Study (QIS) to recalibrate the proposals and to assess their impact. Based on this study, the BCBS released a second consultative document on revisions to the SA for credit risk in December 2015. We expect the BCBS to decide on the capital floor in 2016.

According to the recent consultative document on the SA for credit risk, the RWA for mortgages will be between 25 and 75 percent, depending on the Loan-to-Value ratio (LtV) of the mortgage. The LtV will be based on the collateral value at the time of origination. In addition, the RWA may increase to 100 percent if the information required is not available. The treatment of NHG-guaranteed mortgages is not addressed in the consultative document. SNS Bank currently applies the Internal Ratings-Based (IRB) approach for the RWA of residential mortgages, which resulted in a current average RWA of 16 percent at year-end 2015. Although the exact impact of the proposals is difficult to estimate at this stage, the implementation of the BCBS consultative documents is expected to lead to a considerable increase of the RWA for residential mortgages. As SNS Bank's assets mainly comprise residential mortgages, it is expected that this will significantly impact the total amount of required capital of SNS Bank. In its capital planning, SNS Bank is preparing for early compliance with the expected consequences of the BCBS proposals for credit risk RWA and the capital floor.

BCBS consultation on operational risk

The BCBS issued a consultative document on revisions to the Standardised Approach for operational risk. Our capital planning factors in this possible regulatory development.

6.4.3 CAPITAL STRUCTURE

Capitalisation

SNS Bank's capital structure consists of Common Equity Tier 1 capital and Tier 2 capital and can be presented as follows:

Capitalisation

	CRD IV transitional		CRD IV fully phased in	
In € millions	**2015**	2014	**2015**	2014
Capital instruments	381	381	381	381
Share premium	3,787	3,787	3,787	3,787
Retained earnings	348	151	348	151
Accumulated other comprehensive income (OCI)	169	176	169	176
Other reserves	-1,383	-1,532	-1,383	-1,532
Shareholders' equity	**3,302**	**2,963**	**3,302**	**2,963**
Not eligible interim profits	-104	-40	-104	-40
Not eligible retained earnings previous years[1]	-2	-2	-2	-2
Shareholders' equity for CRD IV purposes	**3,196**	**2,921**	**3,196**	**2,921**
Increase in equity resulting from securitised assets	-9	-22	-9	-22
Cash flow hedge reserve[1]	-57	-79	-57	-79
Fair value reserve[1]	-67	-97	--	--
Other prudential adjustments	-3	-6	-3	-7
Total prudential filters	**-136**	**-204**	**-69**	**-108**
Intangible assets	-15	-15	-15	-15
Deferred tax assets	--	-48	--	-239
IRB shortfall[2]	-29	-34	-42	-56
Facility SRH[3]	-100	-100	-100	-100
Total capital deductions	**-144**	**-197**	**-157**	**-410**
Total regulatory adjustments to shareholders' equity	**-280**	**-401**	**-226**	**-518**
CRD IV common equity Tier 1 capital	**2,916**	**2,520**	**2,970**	**2,403**
Additional Tier 1 capital	--	--	--	--
Tier 1 capital	**2,916**	**2,520**	**2,970**	**2,403**
Eligible Tier 2	493	40	493	40
IRB shortfall[2]	-12	-22	--	--
Total Tier 2 capital	**481**	**18**	**493**	**40**
Total capital	**3,397**	**2,538**	**3,463**	**2,443**

1 Effective 2015, an, as yet, unamortised transaction result on a settled Tier 2 loan is deducted directly from shareholders' equity (€ 2 million) and the cash flow hedge and fair value reserves are presented separately. The comparative figures have been adjusted accordingly.

2 The IRB shortfall is the difference between the expected loss under the CRR/CRD IV Directives and the IFRS retail mortgages provision.

3 In February 2016, a € 100 million credit facility between SNS Bank and SRH (formerly SNS REAAL) was terminated and repaid. The absence of this deduction has an impact of 0.9% on the CET1 ratio.

Effective 2014, adjustments to the regulatory capital apply pursuant to the Capital Requirements Regulation (CRR). These adjustments are introduced in phases and will apply in full as from 2018. The current requirements are referred to as 'transitional'; the requirements in force after full phase-in are referred to as 'fully phased in'.

In 2014, the mixed financial holding company SNS REAAL was part of the prudential consolidated group. Partly because the figures of Insurer VIVAT greatly impacted the capital and the risk-weighted assets of the prudential consolidated statements of SNS Bank, the Bank also reported the information at the SNS Bank stand-alone level in

2014, in addition to the prudential consolidated statements. These 2014 stand-alone figures of SNS Bank were used for comparison purposes in the annual report for 2015.

CET1 capital increased from € 2,520 million in 2014 to € 2,916 million in 2015, mainly due to the net profit for the first half of 2015. The non-eligible interim profits of 2015 (the net profit in the third and fourth quarters: € 104 million) were not added to the CET1 capital. As a proposal has also been made to pay out a € 100 million dividend for 2015, the balance of the unadded profit of the second half year (€ 104 million) and the dividend proposal (€ 100 million) does not impact the solvency position at year-end 2015.

The Deferred Tax Asset (DTA) related to tax losses carried forward was converted into a DTA related to temporary valuation differences on 30 June. This conversion impacts both the CET1 capital and the RWA. The DTA related to tax losses carried forward constitutes a deductible on the CET1 capital. The DTA related to temporary valuation differences, on the other hand, is not part of the CET1 capital. The deductible lapsed because of the conversion, adding € 80 million to the CET1 capital upon conversion. The DTA related to temporary valuation differences has a risk weight of 250 percent, which translates into an RWA increase by € 170 million.

In addition to the net profit and the DTA, the development and phase-in of the Available-for-Sale fair value reserve also contributed € 45 million to the CET1 capital increase.

Raising € 493 million in Tier 2 capital (nominal amount of € 500 million) and the repayment of the Tier 2 loan extended by SNS REAAL to SNS Bank (€ 40 million) contributed to a further increase in the total capital position by € 453 million. The Tier 2 capital is comprised as follows:

Tier 2 capital instruments

in € millions			Nominal amount	
Upper Tier 2	Maturity date	First possible call date	2015	2014
Subordinated debt SNS REAAL	perpetual	Jun-15	--	40
Bond loan	5-Nov-2025	5-Nov-2020	500	--
Total			**500**	**40**

6.4.4 RISK-WEIGHTED ASSETS

Pillar 1 sets the minimum capital requirements on the basis of the risk-weighted assets (RWA) for three types of risk: credit risk, market risk and operational risk. The table below shows the risk-weighted assets per type of risk, exposure category and method of calculation.

Risk weighted assets (RWA) and capital requirement

	EAD[1]		RWA		8% Pillar 1 capital requirement	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014
CREDIT RISK INTERNAL RATINGS BASED						
Retail mortgages[2]	42,052	40,921	6,134	6,804	491	544
Securitisation positions	619	1,124	80	142	6	11
Other	--	--	642	810	51	65
Total credit risk Internal Ratings Based	**42,671**	**42,045**	**6,856**	**7,756**	**548**	**620**
CREDIT RISK STANDARDISED APPROACH						
Central governments and central banks	7,745	9,728	170	--	14	--
Regional governments or local authorities	2,531	2,139	--	--	--	--
Public sector entities	44	160	12	35	1	3
Multilateral developments banks	284	232	--	--	--	--
International organisations	15	18	--	--	--	--
Financial institutions	1,286	2,299	447	769	36	61
Corporates	812	856	424	1,744	34	139
Retail excl. mortgages	201	261	151	185	12	15
Secured by mortgages immovable property	1,122	1,217	780	865	62	69
Exposures in default	137	131	161	157	13	13
Covered bonds	--	24	--	2	--	--
Equity exposures	25	10	25	10	2	1
Other Items	260	178	195	120	16	10
Total credit risk Standardised Approach	**14,462**	**17,253**	**2,365**	**3,887**	**190**	**311**
MARKET RISKS (STANDARDISED)						
- Traded debt instruments	2,526	2,928	206	274	16	22
- Equities	1	3	3	5	--	--
OPERATIONAL RISK						
- Standardised approach	--	--	1,698	1,566	136	125
Total other risks	**2,527**	**2,931**	**1,907**	**1,845**	**152**	**147**
Credit Valuation Adjustment (CVA)	--	--	385	283	31	23
Total SNS Bank	**59,660**	**62,229**	**11,513**	**13,771**	**921**	**1,101**

1 The EAD is the exposure to a counterparty at the reporting date. For the IRB weighted mortgages, the EAD is equal to the remaining principal amount of the mortgage plus three additional interest rate terms, default interest and any undrawn credit facilities.

2 To determine the RWA of retail mortgages a regulator-approved model is used.

The Exposure at Default (EAD) declined from € 62.2 billion to € 59.7 billion at year-end 2015. This was mainly the result of the lower EAD in the category 'Central governments and central banks', which fell from € 9.7 billion to € 7.7 billion. This drop can largely be attributed to lower investment in short-term government debt in relation to liquidity management. The increase in the EAD of residential mortgages was € 1.1 billion. This increase is mainly driven by the termination of a number of securitisation transactions, bringing mortgages with a (lower) risk weight (€ 0.5 billion) back to the Bank's own balance sheet and raising their EAD on the basis of the IRB model for residential mortgages. Loans and advances to financial institutions also fell by € 1.0 billion. Market risk decreased as the exposure to bonds in the trading book was reduced (by € 0.4 billion).

The RWA calculated using the Advanced Internal Ratings Based (AIRB) approach decreased to € 0.9 billion, from € 7.8 billion at year-end 2014 to € 6.9 billion at year-end 2015. This was primarily the result of rising house prices and positive economic developments, which more than offset the effect of the termination of a number of securitisation transactions.

The call of the Hermes X securitisation in March 2015 raised the RWA by € 100 million. In addition, the call of Hermes XI in September 2015 resulted in an RWA increase of € 93 million. These effects are reflected in the categories 'Retail mortgages', 'Securitisation positions' and 'Other' within AIRB. The Hermes XV securitisation had been included in the RWA calculation ever since December 2014.

The RWA decrease under the standardised approach for credit risk is primarily the result of the redemption of the loan to VIVAT. The € 250 million repayment, with a risk weighting of 500 percent, reduced the RWA by € 1,250 million in the category 'Corporates'.

The conversion of the deferred tax asset, as explained in Section 6.4.3, increased the RWA in the category 'Central governments and central banks' by € 170 million.

The RWA for 'Operational risk', which is reported under the Standardised Approach, increased by € 132 million as a result of an increase in total income in 2015, 2014 and 2013 compared to total income in 2014, 2013 and 2012.

In 2015, SNS Bank revised the maturity applied in the calculation method used to determine the RWA related to CVA for derivatives. The revised calculation method produces an immaterial RWA increase. Comparative figures have not been adjusted.

The table below presents the development of the RWA.

Development RWA

in € millions	2015	2014
Opening amount	13,771	15,121
CREDIT RISK SA		
Movements in credit risk SA	-1,522	-521
Movements in credit risk CVA	102	-33
Total movement Credit risk SA	**-1,420**	**-554**
CREDIT RISK IRB		
Re-risking (calls securitisation-programmes)	433	604
Investment in retail mortgages	--	90
Model updates	--	-949
Methodology and policy	--	77
Development portfolio (including PD and LGD migrations)	-1,333	-755
Total movement IRB-portfolio	**-900**	**-933**
Market risk	-70	87
Operational risk	132	50
Total movement	**-2,258**	**-1,350**
Closing amount	**11,513**	**13,771**

6.4.5 PILLAR 1 REQUIREMENTS CRR/CRD IV

The table below presents the capital requirements in respect of the Common Equity Tier 1 capital.

Pillar 1 requirements

	minimum	maximum
Basis	4.5%	4.5%
Capital conservation buffer	2.5%	2.5%
Other systemic important institutions buffer	1.0%	1.0%
Systemic risk buffer	n.a.	n.a.
Countercyclical buffer	0.0%	2.5%
Common Equity Tier 1 ratio	**8.0%**	**10.5%**

In 2015, DNB set the buffer for other systemically important institutions at 1 percent for SNS Bank. The 'Systemic risk buffer' does not apply to SNS Bank, as it is not a global systemically important bank.

The 'Countercyclical capital buffer' relates to the extent to which DNB believes there to be overheated lending. Each quarter DNB sets the level of this buffer for the Netherlands. The countercyclical capital buffer is presently zero percent. Under Pillar 1, therefore, a CET1 capital requirement of 8 percent currently applies to SNS Bank.

Including Pillar 2, the total minimum capital requirement for SNS Bank, based on the SREP, is 12.0 percent as from 1 January 2016. Please refer to Section 6.4 for more information on the SREP requirement.

6.4.6 CAPITAL RATIOS

The table below presents the development of capital ratios in 2015:

Capital ratios

	CRD IV transitional		CRD IV fully phased in	
in € millions	**2015**	2014	**2015**	2014
CRD IV common equity Tier 1 capital	2,916	2,520	2,970	2,403
Tier 1 capital	2,916	2,520	2,970	2,403
Total capital	3,397	2,538	3,463	2,443
Risk-weighted assets	**11,513**	**13,771**	**11,513**	**13,771**
Exposure measure as defined by the CRR	61,464	66,724	61,518	66,607
Common equity Tier 1 ratio	25.3%	18.3%	25.8%	17.4%
Tier 1 capital ratio	25.3%	18.3%	25.8%	17.4%
Total capital ratio	29.5%	18.4%	30.1%	17.7%
Leverage ratio	4.7%	3.8%	4.8%	3.6%

As a result of the developments in capitalisation and RWA as explained above, the Common Equity Tier 1 ratio at year-end 2015 was 25.3 percent (2014: 18.3 percent), up 7.0 percent point from year-end 2014. As SNS Bank does not have any additional Tier 1 capital, the Common Equity Tier 1 ratio is equal to the Tier 1 capital ratio. The total capital ratio rose to 29.5 percent at year-end 2015 (2014: 18.4 percent) as a result of the Tier 2 issue.

6.4.7 LEVERAGE RATIO

The leverage ratio is the ratio between a bank's amount of Tier 1 capital and total risk exposure. A minimum level for the leverage ratio is to prevent banks from building up excessive debts. The statutory minimum expected for the leverage ratio in the Netherlands is 4 percent.

The table below presents the leverage ratio for SNS Bank according to the composition of risk exposure and equity prescribed in the CRR.

Leverage ratio

in € millions	2015	2014
EXPOSURE VALUES		
Derivatives: market value	763	1,181
Derivatives: add-on mark-to-market method	276	272
Undrawn credit facilities	769	83
Off-balance: medium/low risk trade	920	129
Off-balance: other	--	--
Other assets	60,444	65,458
CAPITAL AND REGULATORY ADJUSTMENTS		
Tier 1 capital - transitional	2,916	2,520
Tier 1 capital - fully phased-in	2,970	2,403
Regulatory adjustments (Tier 1 transitional)	-280	-401
Regulatory adjustments (Tier 1 fully phased-in)	-226	-518
EXPOSURE MEASURE AS DEFINED BY THE CRR		
Transitional	61,464	66,724
Fully phased-in	61,518	66,607
LEVERAGE RATIO		
Transitional	4.7%	3.8%
Fully phased-in	4.8%	3.6%

The leverage ratio improved in 2015, driven by an increase of the Tier 1 capital as well as by a decrease of the assets. The decrease of assets reflects, apart from a reduction in investments, the declining residential and commercial mortgage portfolios. For the Exposure at Default (EAD), the mortgages have been included in the risk exposure.

The increase of the Tier 1 capital position is mainly attributed to the net profit (€ 244 million in the first half of 2015) and the DTA conversion (€ 80 million), as explained in Section 6.4.3.

6.4.8 MREL AND TLAC

The table below presents the non-risk-weighted and risk-weighted metrics for both the MREL and the TLAC at year-end 2015.

MREL and TLAC

in € millions			Non-risk weighted	Risk-weighted
CET1 capital	2,916			
Tier 2 capital	481			
Total capital	**3,397**	MREL (without unsecured financing and deposits)	5.6%	29.5%
		TLAC	5.5%	
Other eligible unsecured liabilities with remaining maturity longer than 1 year, without deposits from natural persons and SME	1,741			
Total capital and other eligible unsecured liabilities without deposits from natural persons and SME	**5,138**	MREL (without deposits from natural persons and SME)	8.4%	44.6%
Deposits from natural persons and SME above €100,000 with remaining maturity longer than 1 year	180			
Total capital including other eligible liabilities	**5,318**	MREL (including all eligible liabilities)	8.7%	46.2%
Exposure measure as defined by the CRR (TLAC)	61,464			
Exposure measure as defined by the BRRD (MREL)	61,020			
Risk-weighted assets	11,513			

Including all eligible liabilities, the non-risk-weighted MREL amounts to 8.7 percent and the risk-weighted MREL equals 46.2 percent. SNS Bank's ambition for the composition of the bail-in buffer is that deposits of natural persons and SMEs are not subject to bail-in via MREL. SNS Bank, therefore, targets a bail-in buffer composed of 'Total capital' and debt with a remaining maturity of at least one year ranking below these deposits, which buffer equals (at least) 8 percent of total liabilities (including own funds) or, if this becomes the binding constraint, 20 percent of RWA. Excluding deposits of natural persons and SMEs, the non-risk-weighted MREL amounts to 8.4 percent and the risk-weighted MREL equals 44.6 percent.

It is expected that the NRA will require that the 8 percent bail-in buffer consist entirely of liabilities that are subordinated to unsecured funding. If the unsecured funding that is currently outstanding is excluded from MREL in the bail-in buffer, this non-risk-weighted MREL metric amounts to 5.6 percent.

TLAC is currently composed of CET1 capital and Tier 2 capital. Based on SNS Bank's current capital position, the non-risk-weighted TLAC amounts to 5.5 percent and the risk-weighted TLAC equals 29.5 percent.

SNS Bank will closely monitor MREL and TLAC developments and will strengthen and diversify its capital position to the extent applicable.

6.5 CREDIT RISK

Credit risk is an important financial risk for SNS Bank. Credit risk is the risk that a borrower or counterparty does not meet a financial or other contractual obligation. The manifestation of this risk may affect our company's financial position. Our policy is aimed at protecting this position, which is expressed in the acceptance policy for mortgages and other retail loans and the control of our commercial activities. In every aspect of the 'credit cycle' (planning, acceptance, management and arrears management), we try to avoid situations in which our customers are no longer able to repay their loan.

6.5.1 RISK PROFILE

SNS Bank's credit risk is primarily determined by the credit risk profiles of the residential mortgage portfolio, other retail loans and the SME portfolio. Our loan portfolio has a strong focus on Dutch mortgages and a very diversified base of underlying borrowers. We also take measures to monitor the quality of our loan portfolios.

Credit risk in 2015

The quality of the loan portfolio improved. The rebound of the residential mortgage market that started in 2014 in the wake of the economic upturn in the Netherlands, limitedly higher house prices, a higher number of residential real estate transactions and modest decline in unemployment rates continued in 2015. We are focusing more on the follow-up of customers in arrears, for example by exploring options together with the customer in arrears to strike a better balance between this customer's income and expenditure. Risk monitoring in the acceptance of new customers has also been tightened even further. The size of the retail mortgage portfolio decreased from € 46.6 billion to € 45.0 billion (gross) and the volume of overdue mortgages dropped from € 2.0 billion to € 1.3 billion. The provision for the residential mortgage portfolio decreased from € 326 million to € 257 million during 2015. On balance, arrears in the portfolio dropped by 35 percent and the loan loss provision ended up 21 percent lower on the back of a portfolio reduction of 3 percent.

In 2015, the loans provided to the SME sector fell from € 1.2 billion to € 1.1 billion (gross). Stricter supervision of payment arrears and the monitoring of significant changes in funding ratios reduced the number of SME loans in arrears.

Loans and advances to customers SNS Bank € 49 billion

The size of the portfolio of other retail loans decreased from € 268 million to € 219 million (gross) during 2015. The decrease, which is in line with policy, is primarily caused by the outflow of customers with personal loans and revolving credit. A few years ago, we decided to shift the focus to mortgage lending, as the revolving credit and personal loans portfolios were too small and complex; third parties are responsible for the new production in these portfolios.

6.5.1.1 Management of credit risk

In managing credit risk, SNS Bank distinguishes three subtypes:

Default risk: this risk arises when a borrower does not meet a financial or other contractual obligation to our company.

Default risk occurs when the Bank extends loans or makes investments. We distinguish between loans and advances to customers, loans and advances to banks and institutions, and investments. Loans and advances to customers are usually hedged by mortgage collateral. The loans and advances to banks and the investments are largely the result of liquidity management and have a low credit risk because of the requirements set for inclusion in the liquidity portfolio.

Concentration risk: this risk occurs in situations such as a group of affiliated customers, strong representation in a particular industrial sector or market segment, or concentration in a geographical region.

SNS Bank's loan portfolio has a very strong focus on the Dutch market, and on the residential mortgage market in particular. Despite this (strategically chosen) concentration, the diversification in underlying borrowers is sufficient because of the large number of credit customers (270,000).

Counterparty risk: this risk occurs when the counterparty to a transaction defaults before the final settlement of the cash flows associated with the transaction has taken place. Counterparty risk ensues from derivative, bond or money market transactions, for example, rather than loan agreements.

In the context of asset & liability management, we use interest rate derivatives. These derivative positions create a counterparty risk, which is hedged by collateral when it exceeds a contractually agreed value. A maximum loan amount has been agreed for each counterparty, which is known as the credit line. The Bank's policy dictates that no lines of credit are granted to banks without a rating or banks with a credit rating below BBB.

Credit Committee (CC)

The CC is responsible for managing credit risks at SNS Bank and all of its legal entities. Its responsibilities include the following:

- adopting limits and policy and determining the details of these within the frameworks adopted by the Board of Directors;
- accepting or rejecting loans, reviewing loans and revising the loan conditions if necessary;
- supervising the practical application of policy and the responsible execution of lending and credit management, including arrears management;
- adopting and monitoring procedures and measures to control credit risk;
- adopting, approving, modifying, monitoring and evaluating loan provisions, credit losses and depreciation, as well as monitoring, evaluating and adjusting the risk in the loan portfolios and credit exposure.

Reporting

Developments in the loan portfolio and corresponding risk measures are continuously monitored and periodically reported to the CC and the Board of Directors by both the business and Risk Management.

An important report for controlling the loan portfolio is the Risk Appetite Dashboard. It translates the Risk Appetite Statement into measurable indicators, which are monitored at least once every quarter. For internal control purposes, the dashboard related to the mortgage portfolio is prepared and discussed at brand level every month.

Stress test

A comprehensive stress test is performed at least once every year, usually as part of the ICAAP. One of the stress test's key elements is to determine the impact that an extreme yet plausible macroeconomic scenario will have on SNS Bank's credit risk. In order to establish this impact, portfolio-specific models are used to translate the impact of the stress scenario to the loan portfolios. These models are based on the historical relationship between the portfolio developments and the main macroeconomic parameters. The definition of this relationship takes account of the customer's characteristics as well as contractual features such as the type of collateral. For residential mortgage portfolios, this means that unemployment rates and house price developments are the main macroeconomic parameters. In addition to the scenario impact, the portfolios' sensitivities to the various macroeconomic parameters are also subject to assessment.

Please refer to Section 6.4.1 for a description of the general stress test process.

6.5.1.2 Credit risk exposure

SNS Bank offers payment, savings and mortgage products mainly to retail customers in the Netherlands. Most of the exposures (€ 49.2 billion, 79 percent of the balance sheet total) pertain to 'Loans and advances to customers'. These are primarily mortgages provided to retail customers.

79%
of the balance sheet total pertain to 'Loans and acvances to customers'

The table below presents the credit risk exposure on the balance sheet, taking into account the provisions formed that have been deducted from the receivables but not the collateral received or other credit risk mitigating instruments.

Credit risk exposure

in € millions	2015	2014
Cash and cash equivalents	2,259	1,968
Loans and advances to banks	2,081	2,604
Loans and advances to customers	49,217	52,834
- of which retail mortgage loans	*44,787*	*46,230*
- of which other retail loans	*184*	*213*
- of which SME and commercial loans	*2,729*	*3,133*
- of which public sector	*1,517*	*3,258*
Investments	5,708	6,184
Derivatives	1,993	2,702
Other	639	839
Assets held for sale	16	24
On-balance sheet exposure to credit risk	**61,913**	**67,155**
Liabilities from irrevocable facilities	1,831	1,471
Total exposure to credit risk	**63,744**	**68,626**

The categories 'Cash and cash equivalents' and 'Loans and advances to banks' concern deposits with the Dutch Central Bank, loans and advances to credit institutions with a maturity of less than one month and loans and advances to credit institutions with a maturity of one month or more and not in the form of interest-bearing securities. These are essentially current account balances and interbank deposits primarily related to liquidity management. Please refer to Section 6.7 for an explanation of liquidity management.

The derivative position ensues from the hedging of the interest rate risk in the banking book (including the securitisation programmes). One of the reasons for the decline of 'Derivatives' is the termination of various securitisation programmes (Hermes X, XI, XV, Holland Homes 3 and Pearl 4) in 2015.
'Financial instruments' pertains to investments in government bonds of EU Member States in particular.

6.5.1.3 Exposure at Default

The exposure to credit risk is included below based on the Exposure at Default (EAD) from the regulatory report, using the figures as applied for IFRS; a few specific components are added in order to determine the EAD, such as the recognition of undrawn loan components and the addition of three months of arrears.

Total Exposure at Default (EAD)

in € millions	2015	2014
Total assets (IFRS balance sheet total)	62,690	68,159
Items that are not subject to credit risk exposure	-777	-1,004
On-balance sheet exposure to credit risk	61,913	67,155
OFF-BALANCE SHEET		
Credit facilities and guarantees	1,831	1,471
Total exposure to credit risk	**63,744**	**68,626**
Adjustments on assets[1]	-475	-2,285
Valuation adjustments[2]	-5,164	-6,120
Recalculation off-balance credit facilities and guarantees to EAD	-972	-923
Total Exposure at Default	**57,133**	**59,298**
Credit risk risk-weighted assets/total exposure at default	16.1%	19.6%

1 'Adjustments on assets' pertain to securitised mortgages.

2 Under 'Valuation adjustments' adjustments are made for hedge accounting, the balance of netting derivative positions and an add-on for potential future exposure and credit risk mitigating items (particularly collateral).

The following sections provide more detailed information or cross sections of the loan portfolio based on the IFRS exposure or based on the EAD. In the latter case it will be indicated explicitly in the title of the table and/or in the name of the relevant column in the table.

6.5.1.4 Loans and advances to customers

The table below provides a further breakdown of the 'Loans and advances to customers' category.

Loans and advances to customers

in € millions	2015	2014
Exposure to private individuals	44,971	46,443
- of which residential mortgages	*44,787*	*46,230*
- of which retail other loans	*184*	*213*
Exposure to SMEs	2,729	3,133
- of which commercial loans to SME	*990*	*1,035*
- of which private loans	*1,412*	*1,768*
- of which sustainable project funding ASN	*327*	*330*
Loans to the public sector	1,517	3,258
Total	**49,217**	**52,834**

'Loans and advances to customers' comprises three components:

- exposure to private individuals
- exposure to SMEs
- exposure to the public sector

The exposure to private individuals mainly consists of mortgages provided to private individuals. The volume of this portfolio decreased from € 46.2 billion net at year-end 2014 to € 44.8 billion net at year-end 2015. Several reasons can be given for this decrease. First of all, some customers prefer to repay their mortgages now that interest rates on savings are so low. On top of that, we see that customers are anticipating the rules for the percentage of mortgage interest tax relief permitted. Finally, SNS Bank started offering interest rate averaging.

In addition to residential mortgages, we also provide credit products such as revolving credit, debit balances in current accounts, personal loans, credit cards and security-backed loans. The total amount of 'Other retail loans' dropped to € 184 million in 2015, compared to € 213 million in 2014.

'Exposure to SMEs', including private loans and a sustainable loans portfolio of ASN Bank, totalled € 2.7 billion in 2015, down from € 3.1 billion in 2014. The SME loan portfolio represented € 990 million of this amount at year-end 2015, which was comparable to 2014.

The private loan portfolio decreased by € 356 million, particularly because of the redemption of the loan that had been extended to VIVAT (€ 250 million).

The last category in the table 'Loans and advances to customers' includes loans to the public sector, mostly loans provided to lower tiers of government (municipalities and provinces) or government-guaranteed loans to (public sector) institutions. The substantial decrease of exposures in the 'Loans to the public sector' category can primarily be attributed to two short-term money market loans of € 1 billion each that were redeemed in 2015.

The total volume of loans in arrears dropped by € 747 million to € 1.6 billion in 2015. The coverage ratio increased from 27.0 percent in 2014 to 29.2 percent in 2015. The total loan loss provision amounted to € 391 million in 2015, down from € 510 million in 2014.

Loans and advances to customers 2015

in € millions	Gross amount	Specific provision	IBNR provision	Book value loans	Loans in arrears[1]	Non default loans	Impaired default loans[2]	Loans in arrears (%)	Impaired ratio	Coverage ratio
Retail mortgage loans	45,044	-207	-50	44,787	1,317	396	921	2.9%	2.0%	22.5%
Retail other loans	219	-33	-2	184	61	13	48	27.9%	21.9%	68.8%
Total retail loans	**45,263**	**-240**	**-52**	**44,971**	**1,378**	**409**	**969**	**3.0%**	**2.1%**	**24.8%**
SME loans[3]	1,089	-95	-4	990	178	--	178	16.3%	16.3%	53.4%
Other commercial and semi-public loans	1,739	--	--	1,739	--	--	--	--	--	--
Loans to the public sector	1,517	--	--	1,517	--	--	--	--	--	--
Total loans and advances to customers	**49,608**	**-335**	**-56**	**49,217**	**1,556**	**409**	**1,147**	**3.1%**	**2.3%**	**29.2%**

1 Retail mortgage loans in arrears exclude loans measured at fair value in the balance sheet of € 35 million.

2 A customer is 'in default' if the period in arrears is longer than 90 days or when a customer is deemed unlikely to pay.

3 Gross SME loans include mortgage backed loans for a gross amount of € 943 million.

Loans and advances to customers 2014

in € millions	Gross amount	Specific provision	IBNR provision	Book value loans	Loans in arrears[1]	Non default loans	Impaired default loans[2]	Loans in arrears (%)	Impaired ratio	Coverage ratio
Retail mortgage loans	46,556	-266	-60	46,230	2,014	657	1,357	4.3%	2.9%	19.6%
Retail other loans	268	-52	-3	213	85	15	70	31.7%	26.1%	74.3%
Total retail loans	**46,824**	**-318**	**-63**	**46,443**	**2,099**	**672**	**1,427**	**4.5%**	**3.0%**	**22.3%**
SME loans[3]	1,164	-123	-6	1,035	204	--	204	17.5%	17.5%	60.3%
Other commercial and semi-public loans	2,098	--	--	2,098	--	--	--	--	--	--
Loans to the public sector	3,258	--	--	3,258	--	--	--	--	--	--
Total loans and advances to customers	**53,344**	**-441**	**-69**	**52,834**	**2,303**	**672**	**1,631**	**4.3%**	**3.1%**	**27.0%**

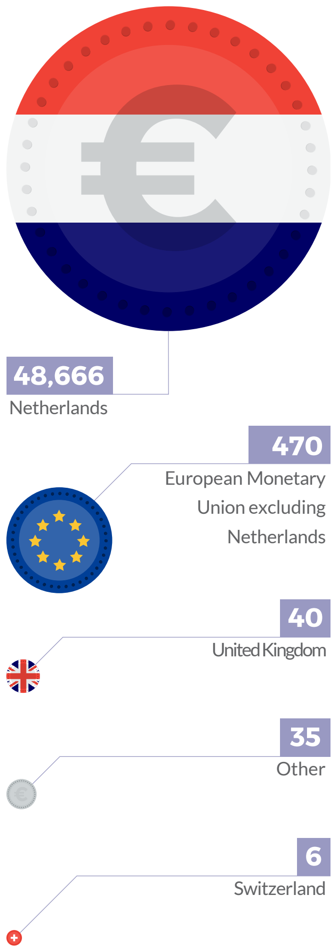
1 Retail mortgage loans in arrears exclude loans measured at fair value in the balance sheet of € 34 million.

2 A customer is 'in default' if the period in arrears is longer than 90 days or when a customer is deemed unlikely to pay.

3 Gross SME loans include mortgage backed loans for a gross amount of € 1,051 million.

An explanation of each category is given in Section 6.5.2 to Section 6.5.7.

Loans and advances to customers by region
in € millions



59%
of new mortgages issued under NHG

Loans and advances to customers by region

in € millions	2015	2014
the Netherlands	48,666	50,081
EMU excl. the Netherlands	470	2,417
Swiss	6	255
United Kingdom	40	42
Other	35	39
Total	**49,217**	**52,834**

The table provides details of the on-balance sheet maximum exposures by region. The table indicates the customer's place of residence, which does not necessarily correspond to the location of the collateral provided.

The table illustrates that, given SNS Bank's strategy and business model, there is a strong focus on Dutch customers. The decrease of loans within the EMU is the result of redemptions of short-term money market loans to the German and Belgian governments.

6.5.2 RETAIL MORTGAGES

6.5.2.1 Risk profile

Approximately 60 percent of the total mortgage portfolio are (loan components of) interest-only mortgages. The portfolio profile will evolve in the years to come as, on the one hand, savings mortgages and investment mortgages are no longer sold as no tax incentives are provided for them and, on the other, government measures make interest-only mortgages less and less tax efficient. This will trigger a gradual shift towards the annuity and linear mortgage categories at the portfolio level. In 2015, the percentage of annuity mortgages in the portfolio continued to rise (see Section 6.5.2.4 'Remaining principals by redemption type'). These developments contribute to a steady decrease of the average Loan-to-Value (LtV) in the residential mortgage portfolio. This is shown in Section 6.5.2.4 'Loan-to-Value breakdown'.

6.5.2.2 Main developments in 2015

The portfolio size decreased from € 46.2 billion net to € 44.8 billion. The inflow of mortgages was € 2.4 billion (including mortgage switching) in 2015, while the outflow from the portfolio amounted to € 3.7 billion (including mortgage switching). The inflow consists mainly of new mortgages and of renewals and increases. 59 percent of the mortgage origination are mortgages provided under a National Mortgage Guarantee (NHG); this is in line with the aim of a moderate risk profile within the residential mortgage portfolio.

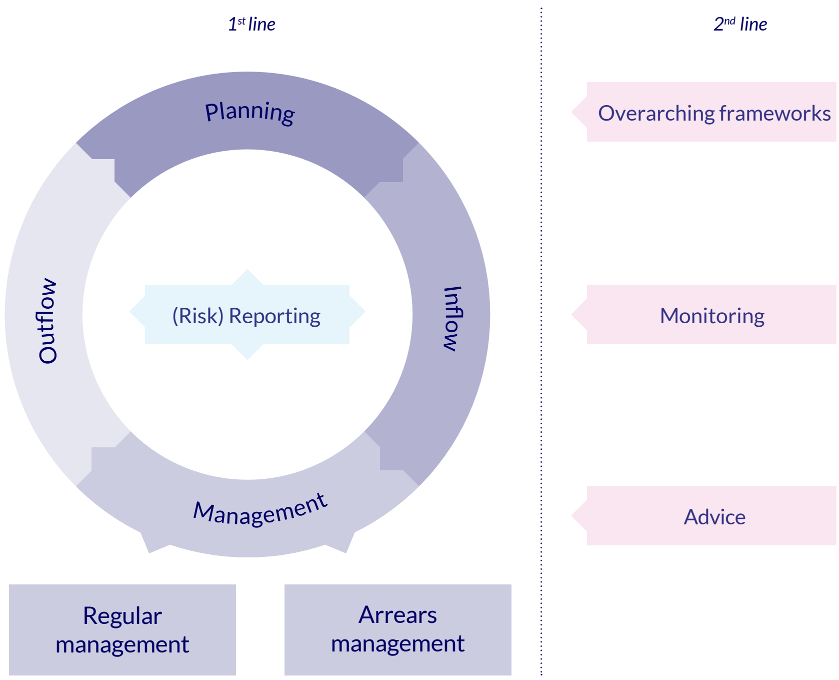
The volume of mortgages in arrears was down from € 2.0 billion to € 1.3 billion. The loan loss provision for the residential mortgage portfolio decreased by € 69 million in 2015. The decrease of the provisions is driven by a further decline in the inflow of the number of customers in arrears (measured at the end of the month of the first collection missed) from an average of around 2,150 customers per month in 2014 to 1,625 customers in 2015. We see a similar decrease in the progression from arrears to default from over 300 customers per month on average in 2014 to just below 200 customers in 2015. These developments ensue from slight economic recovery and improved preventive management.

We invested in the Special Credits department, the service centre that handles the files of customers who have run into mortgage payment difficulties. We are now seeing the results: the progression of items in arrears to default (a situation in which a borrower does not meet his payment obligations) was strongly reduced. More and more customers recover from arrears and default. On top of that, additional investments were made in the reduction of the number of customers that had been in default for quite some time. This led to a reduction of the number of default customers to less than 4,100, compared to more than 5,900 at year-end 2014.

The acceptance conditions for mortgages were brought in line with the Bank's more stringent risk appetite. The acceptance scorecard we use to assess the credit risks of (prospective) customers was updated and improved at the end of 2014, allowing us to make credit quality assessments of prospective customers with a higher degree of reliability. The Bank thus limits not only its own risk, but also the customer's risk.

In 2015 we worked on the further professionalisation of the credit cycle concept, which we launched in 2014 for internal credit management of the mortgage portfolio. All relevant professional disciplines are involved in the risk management of the mortgage portfolio subject to the three lines of defence model. It applies to each phase of the mortgage process and allows us to respond to any arrears more quickly and also more adequately. In 2015, we created a clearer separation between first- and second-line activities in particular and consequently stricter credit risk monitoring.

Credit cycle management



We also worked on improving risk models for retail and commercial credit risk assessments in 2015. The credit risk of the mortgage portfolio is determined more accurately and more specifically on the basis of risk characteristics. The risk data were also supplemented with more recent loss data, allowing us to include recent portfolio developments in forward-looking estimates.

Mortgages in arrears decreased

6.5.2.3 Management of the portfolio

In credit risk management, we distinguish between management at the portfolio level and management at the individual customer level.

Portfolio management

At the portfolio level, we examine the portfolio's characteristics in terms of inflow, outflow and status of the performing and non-performing portfolios.

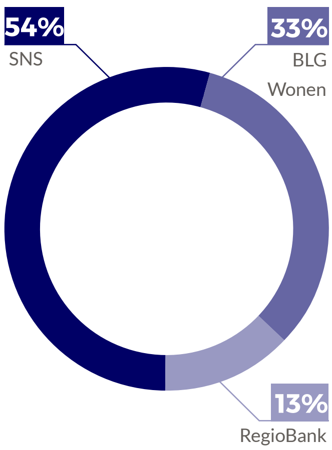
The inflow (new loans provided), for example, is subjected to monitoring to ensure that the mortgages provided meet adequate standards in respect of customer, income and collateral. These standards are laid down in the acceptance conditions, which are approved by the Credit Committee. The primary focus here is customer interest, in line with the Manifesto applied by SNS Bank. Seeking to provide responsible loans, we use tools such as the acceptance scorecard to predict long-term affordability for the customer. We limit potential losses resulting from credit risk by setting conditions on collateral, such as the value of the collateral and possibly the issue of a guarantee by NHG.

For the portfolio outflow, attention is devoted to controllable and non-controllable redemptions separately. These are subjected to an examination of the reasons for redemption as well as the characteristics of these items in terms of quality and projected expected loss.

We monitor the development of the overall performing portfolio mainly in terms of quality, collateral value (such as the average Loan-to-Value and the percentage covered by NHG) and projected expected loss.

We manage the credit risk through an active policy on customers in arrears in the arrears and default (non-performing) portfolio, which includes a continuous evaluation of the effectiveness of management processes and the introduction of any improvements possible.

Retail mortgages by label



Arrears management for the retail mortgages

The Special Credits Service Centre, which includes Preventive Management, and our brands' advisors take action to respond at an early stage to indications that a customer is running into mortgage payment difficulties. Sometimes we advise customers on how to make their mortgages affordable again and how to keep them affordable. Where necessary, we help them gain a better understanding and more control of their income and expenses. The first contact at Preventive Management may be initiated by either side: customers contact us if they anticipate problems or we take the initiative at an early stage and approach customers who run an increased risk of arrears based on our information.

Once a customer is in arrears, we explore options with them to restore the balance between their income and expenses. The point of departure is that the customer is able to stay in their home and continue their mortgage payments in the future. If necessary, a budget coach is called into action. We discuss the situation with the customer and may decide to restructure the loan.

If recovery is impossible, the customer will be given support in the private sale of their home. Minimising losses for the customer and the Bank are key in this process. Should the customer be unwilling to cooperate in changing the situation even after several attempts have been made or should there be any special circumstances such as fraud or crime, or if a private sale of the home proved impossible, we may proceed to a forced sale of the home.

6.5.2.4 Key figures

The table below shows the book value of the retail mortgage loans, including the specific provision and the 'incurred but not reported' provision (IBNR).

Provision on retail mortgage loans

in € millions	2015	2014
Residential mortgage loans	45,044	46,556
Specific provision	-207	-266
IBNR provision	-50	-60
Total residential mortgage loans	**44,787**	**46,230**

The decrease in the provision from € 326 million to € 257 million is partly the result of the economic upturn, driving up house prices and pushing down unemployment rates. In addition, we placed greater emphasis on solving and preventing payment difficulties for our customers. Special Credits devoted more attention to customers who are in arrears for a prolonged period of time. In cases where recovery was no longer possible, this led to more forced sales of the collateral and, consequently, lower provisions.

Remaining principals

in € millions	2015	2014
Balancesheet amount retail mortgages	44,787	46,230
Credit provision	257	326
IFRS value adjustments[1]	-812	-970
Total remaining principle amounts	**44,232**	**45,586**

1 Consisting of fair value adjustments of mortgages measured at fair value, fair value adjustments from hedge accounting and amortisations.

Remaining principals by label

in € millions	2015	2014
BLG Wonen	14,735	15,251
RegioBank	5,538	5,283
SNS	23,959	25,052
Total remaining principle amounts	**44,232**	**45,586**

As the table above shows, the SNS brand manages the largest part of the mortgage portfolio within SNS Bank, handling more than half (54 percent) of the portfolio.

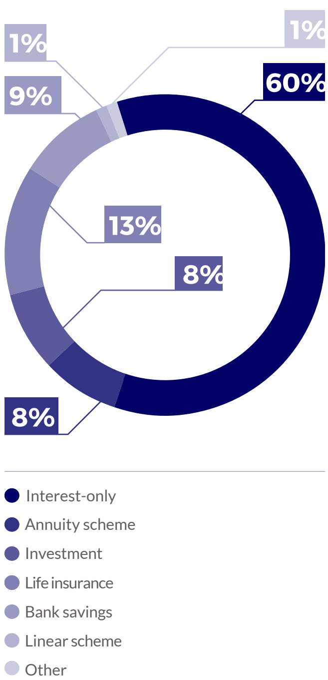
Remaining principals by redemption type

in € millions	2015	2014
Interest only	26,552	28,204
Annuity	3,664	2,254
Investment	3,671	4,118
Life insurance[1]	5,727	6,237
Savings	3,864	4,095
Linear	303	197
Other	451	481
Total remaining principle amounts	**44,232**	**45,586**

1 Including offset mortgages of which the policy is managed by an insurer.

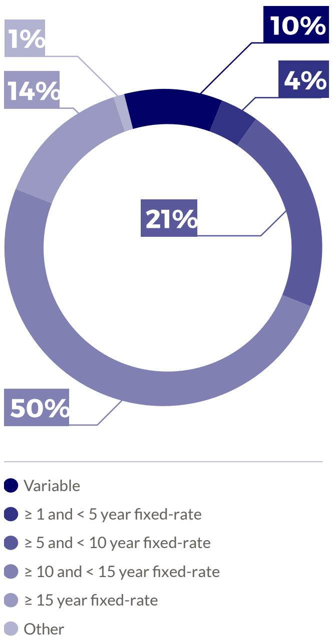
In 2013, the Dutch Government introduced new rules on the tax deductibility of mortgage interest expenses. Only annuities and linear mortgage models are eligible for tax deduction on interest, wherby the loan is paid off within thirty years. As a result, both the gross amount and the share of annuity mortgages in the total retail mortgage portfolio increased. Approximately half of the interest-only mortgages were 100% interest-only at year-end 2015. The other half are mortgages including interest-only

Retail mortgages by redemption type



loan components as well as a redemption component or an offset mortgage component coupled to the same collateral.

Retail mortgages by fixed-rate maturity



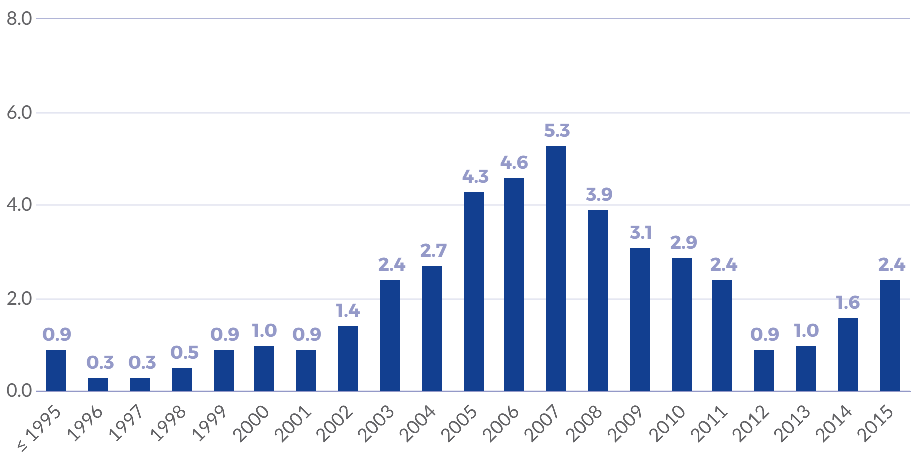
Remaining principals by fixed-rate maturity

in € millions	2015	2014
Floating rate	4,425	5,993
≥ 1 and < 5 yrs fixed	1,970	2,899
≥ 5 and < 10 yrs fixed	9,414	11,078
≥ 10 and < 15 yrs fixed	21,917	19,337
≥ 15 yrs fixed	6,036	5,774
Overig	470	505
Total remaining principle amounts	**44,232**	**45,586**

The low interest rate environment has led to a significant growth in demand for mortgages with fixed interest rates of 15 years or more. In 2015, new mortgage production in the Dutch market made up 40% to 45% of such mortgages. SNS Bank aims to grow its market share in the mortgage market, both from a franchise and balance sheet perspective. As a consequence, SNS Bank has increased its share of long-term fixed-rate mortgage loans in its mortgage production.

For SNS Bank, long-term fixed-interest mortgages loans carry more refinancing-, model- and pricing risk than shorter term fixed-rate mortgage loans. During 2015, SNS Bank mitigated the increased interest rate risk by using forward interest rate swaps and reduced bond positions with a duration of more than fifteen years. In addition, SNS Bank redefined a risk appetite for these mortgages to manage the higher risk profile. Moreover, SNS Bank manages its longer interest rate risk and key rate duration carefully. In all, the share of mortgages with fixed interest rates between 10 and 15 years increased from 42% at year-end 2014 to 50%. The shares of floating interest rates and fixed-rates up to 10 years decreased correspondingly.

Remaining principal amounts by year of origin (in € billions)



Portfolio segmentation by origination shows a large exposure concentration in the pre-crisis period from 2005-2008. Retail mortgages originated in these years were and still are more likely to be affected by negative macro-economic developments. This has been reflected in the risk profile of these specific origination years as well as in the overall risk. However, the relative contribution of these originations years to the overall risk profile is expected to decline due to prepayments and the increase in volumes in recent origination years.

Arrears in retail mortgages/arrears management

The table below shows the arrears in retail mortgage loans. A customer is in arrears ('past due') if the payment of any interest and/or redemption amount is late by more than one day. In practice, this amounts to the overdue payment of an agreed monthly instalment. A customer is 'in default' when he fails to meet his payment obligation for at least three instalments, if it is determined that further payment is unlikely or in the event of fraud, for example. Items only lose their default status once the arrears have been cleared in full.

Arrears retail mortgages

in € millions	2015	2014
No arrears	43,697	44,508
1 - 3 months	658	1,026
4 - 6 months	170	254
7 - 12 months	158	260
> 12 months	361	508
Subtotal arrears[1]	1,347	2,048
Provision	-257	-326
Total	**44,787**	**46,230**

1 'Loans in arrears' do include mortgages that are stated at market value in the balance sheet (2015: € 30 million, 2014: € 34 million). The 'loans in arrears' in the table coverage ratio do not include these amounts.

The total outstanding amount of loans in arrears dropped by € 701 million in 2015 to € 1.3 billion. The total amount of receivables in all classes of arrears fell as we intensified our focus on recoveries and preventing payment arrears altogether. The decline of the class of arrears of 12 months or more is primarily the result of Arrears Management's intensive efforts in this class.

Despite these efforts, the average arrears of customers in default increased in 2015 as the higher ageing class became bigger in relation to the total arrears. The relative decrease in the number of customers in the highest class (>12 months) is lower than in other classes, which increases the relative representation of this class in the calculation of average arrears.

Provision

The table below shows the movements in the provision for 2015.

Movement provision retail mortgages 2015

	Specific		IBNR		Total	
in € millions	2015	2014	2015	2014	2015	2014
Balance as at 1 January	266	265	60	41	326	306
Withdrawals/usage	-108	-102	--	--	-108	-102
Additions	85	120	12	17	97	137
Releases	-41	-6	-22	-21	-63	-27
Change in estimate	--	--	--	23	--	23
Other changes	5	-11	--	--	5	-11
Balance as at 31 December	**207**	**266**	**50**	**60**	**257**	**326**

The specific provision presents a relatively large decline, from € 266 million in 2014 to € 207 million in 2015, as the number of customers in default dropped. The total of additions to the provision declined by € 35 million, resulting in an average value change (addition) relative to the total gross mortgage portfolio of 7 basis points compared to 31 basis points in 2014. For further explanation see Section 5.1. The decrease in the provision was supported by macroeconomic developments, most notably higher residential house prices and declining unemployment rates. In addition, improved arrears management contributed to a decline in the inflow of loans in default and an increase in recoveries. Finally, impairment charges on retail mortgages in 2014 had been impacted by non-recurring items.

The IBNR provision dropped by € 10 million to € 50 million in 2015, which is in line with the lower risk profile of the residential mortgage portfolio not in default.

Coverage ratio

The coverage ratio gives the coverage of the specific provision formed in relation to the impaired default items, expressed as a percentage, as included in the table below.

Coverage ratio retail mortgages

in € millions	2015	2014
Loans in arrears[1]	1,317	2,014
Non default	396	657
Impaired default	921	1,357
Specific provision	-207	-266
Percentage loans in arrears	2.9%	4.3%
Impaired ratio	2.0%	2.9%
Coverage ratio	22.5%	19.6%

1 'Loans in arrears' do not include mortgages that are stated at market value in the balance sheet (2015: € 30 million, 2014: € 34 million).

The coverage ratio of the portfolio rose in 2015 due to the rising average age of customers in default, as a higher provision is maintained for customers who are in default for a prolonged period of time. The share of customers who are in arrears for more than 12 months in relation to the total number of customers in arrears was up as the settlement of these items is taking more time than expected. For these items we maintain a higher provision.

Loan-to-Value breakdown

The lending conditions for new mortgages have been amended on the basis of the Temporary Rules for Mortgage Credit (*Tijdelijke regeling hypothecair krediet*), limiting the maximum collateralisation for retail mortgages relative to the market value of the collateral to 103 percent in 2015. In 2014, the maximum lending percentage upon origination was already limited to 104 percent. The percentage will be gradually reduced to 100 percent in 2018.

As a major part of the current portfolio consists of mortgages taken out prior to 2013, the impact of the more stringent policy with regard to the collateralisation limit is visible in the figures to a limited extent only. The credit risk profile is set to improve in the years ahead on the back of the tightened lending conditions and criteria, which will be reinforced by redemptions and by the fact that almost all new loans are provided on an annuity basis.

The Loan-to-Value (LtV) is the amount borrowed expressed as a percentage of the market value of the collateral. A low LtV represents favourable security for the loan based on the collateral value. Any National Mortgage Guarantee (NHG) issued for a loan serves as additional security.

The overview in the next table shows a breakdown of all mortgage loans categorised according to LtV bucket.

Breakdown retail mortgages to LtV bucket

in € millions[1]	2015		2014	
NHG	12,507	30%	12,201	28%
LtV ≤ 75%	13,320	32%	13,121	30%
LtV >75 ≤ 100%	7,370	17%	7,495	17%
LtV >100 ≤ 125%	7,599	18%	8,570	20%
LtV > 125%	1,416	3%	2,242	5%
Total	42,212	100%	43,629	100%
IFRS value adjustments[2]	812		970	
Savings deposits[3]	2,020		1,957	
Credit provisions	-257		-326	
Total retail mortgage loans	**44,787**		**46,230**	

1 LtV based on indexed market value of collateral.

2 Consisting of fair value adjustments of mortgages measured at fair value, fair value adjustments from hedge accounting and amortisations.

3 As of 2015, the LtV is reported net of accumulated savings parts. The comparative figures for 2014 have been adjusted accordingly.

New mortgage inflow had a relatively low risk profile caused by stricter acceptance criteria and a large part of new mortgages being covered by the Dutch Mortgage Guarantee Scheme (NHG). In 2015, the maximum regulatory LtV at origination of a mortgage was set at 103 percent. The maximum percentage will be reduced gradually to 100 percent in 2018.

In 2015, the percentage of mortgage origination covered by NHG declined to 59 percent (2014: 67 percent). The decline was mainly due to reducing the NHG limit from € 265,000 to € 245,000 with effect from 1 July 2015. At year-end 2015, of the total book value of retail mortgage loans, 30 percent was covered by NHG (year-end 2014: 28 percent).

Collateral values are indexed based on housing price developments. As a consequence of increased residential house prices, the risk profile for the higher LtV classes improved. The exposure in the LtV class >125% fell from € 2.2 billion at year-end 2014 to € 1.4 billion at year-end 2015. In the other classes too, indexation resulted in shifts of loans to a lower LtV class. The weighted average indexed LtV of retail mortgage loans improved to 84 percent (year-end 2014: 86 percent).

84%
average LtV residential mortgages

Credit quality breakdown for residential mortgages

Most of the mortgage loan collateral is located in the Netherlands. In order to weigh the credit risk in this portfolio, we use an internally developed Advanced Internal Ratings Based (AIRB) model (PHIRM[6]), consisting of Probability of Default (PD), (Downturn) Loss Given Default (LGD) and Exposure at Default (EAD) models. This rating model calculates the likelihood of a customer running into payment problems within one year and the resulting losses expected for the Bank.

We use the results to determine the risk-weighted assets (RWA) of the residential mortgage portfolio. They form the basis of the IFRS loan provision calculations, but also serve as input for vital internal risk reports.

In 2015, the AIRB models were reviewed and recalibrated. The risk data were also supplemented with more recent loss data, allowing us to include recent portfolio developments in forward-looking estimates. Thereafter the models were internally

6 PHIRM - Particuliere Hypotheken Interne Rating Model (Residential Mortgages Internal Rating Model)

validated and approved for use by the relevant risk committees. Consultations with the supervisory authorities are currently being held about the recalibrated model that will be put into use.

On account of the recent years of crisis, the realisations with regard to the forced sale of collateral relatively worsened in recent periods as compared with the period already used to calibrate the model. Internal impact studies show that the PD and LGD will increase as these realisations are added to the model to arrive at a new estimate of these risk parameters. It is noted here that these risk parameters are of a through-the-cycle nature and, as a result, do not directly reflect recent portfolio or economic developments. When applying the current risk model, we observe a PD decrease in 2015, partly resulting from today's economic improvements. In addition, the number of customers in arrears and the number of defaults are steadily declining, which also translates into improving risk parameters.

The table below presents the breakdown of the residential mortgage portfolio by credit quality class.

PD-risk category retail mortgages 2015

Internal rating grade	Average LGD	Average PD	EAD in each grade	RWA in each grade (or band)
PERFORMING				
1	8.76%	0.07%	10,790	172
2	8.75%	0.19%	5,092	184
3	11.10%	0.32%	5,141	340
4	12.74%	0.43%	6,195	587
5	17.13%	0.71%	6,324	1,136
6	17.82%	1.23%	1,430	387
7	12.63%	1.26%	2,538	496
8	17.41%	2.01%	839	304
9	13.32%	3.44%	800	304
10	13.47%	6.87%	916	505
11	14.82%	13.36%	411	326
12	14.21%	21.80%	381	327
13	14.97%	41.85%	326	284
Non-performing	21.22%	100.00%	869	782
Total			**42,052**	**6,134**

PD-risk category retail mortgages 2014

Internal rating grade	Average LGD	Average PD	EAD in each grade	RWA in each grade (or band)
PERFORMING				
1	8.74%	0.07%	10,002	159
2	8.97%	0.19%	5,079	188
3	11.56%	0.32%	4,567	314
4	13.65%	0.43%	4,994	507
5	17.78%	0.71%	7,364	1,375
6	18.40%	1.23%	1,783	498
7	12.63%	1.26%	1,869	365
8	17.61%	2.01%	882	323
9	13.35%	3.44%	832	317
10	14.31%	6.87%	1,027	601
11	14.97%	13.36%	416	333
12	13.91%	21.80%	439	370
13	14.88%	41.85%	441	383
Non-performing	20.51%	100.00%	1,226	1,071
Total			**40,921**	**6,804**

The retail mortgage portfolio decreased in size due to an outflow of customers combined with limited inflow. On the other hand, however, mortgages returned to the bank's balance sheet as a number of securitisation transactions ended, resulting in an increase of the mortgage portfolio's total EAD in 2015. The risk-weighted assets of the total portfolio did decrease, however, amounting to € 7.5 billion in 2014 (€ 6.8 billion increased with a margin of conservatism of 10 percent) and € 6.7 billion in 2015 (€ 6.1 billion also increased with a margin of conservatism of 10 percent). The average risk weight of residential mortgages dropped from 18.3 percent at year-end 2014 to 16.0 percent at year-end 2015. Risk weight is defined as risk-weighted assets including the margin of conservatism divided by total mortgage exposure.

The development of risk-weighted assets can be attributed to a number of developments:

- Decrease of the default portfolio.
- Increase of the EAD in rating classes with a low risk profile (1-5), mainly due to the improved risk profile of the customers concerned.
- Decrease of the EAD in rating classes with a high risk profile due to recovery from default and reduction of arrears.
- Increase of the number of offers (the contractual obligation accepted by the Bank means that capital is maintained for this purpose as well).

6.5.3 OTHER RETAIL LOANS

6.5.3.1 Risk profile

In addition to the residential mortgage portfolio, there is a relatively small portfolio of other retail loans. Comprising 0.4 percent (2014: 0.4%) of the total loans and advances to customers, this € 219 million portfolio covers products such as revolving credit, debit balances in current accounts, personal loans, credit cards and security-backed loans.

6.5.3.2 Main developments in 2015

The size of the portfolio of other retail loans decreased from € 268 million to € 219 million during 2015. The decrease is primarily caused by the outflow of customers with personal loans and revolving credit.

In 2015 steps were taken to further improve the three lines of defence model for this portfolio as we took its risk management to a higher level. On top of that we made additional investments in arrears management for this portfolio, ensuring that customers in arrears receive more intensive support from specialised members of staff.

6.5.3.3 Key figures

The tables below present the advances and provisions for other retail loans.

Provisions for other retail loans

in € millions	2015	2014
Other retail loans	219	268
Specific provision	-33	-52
IBNR provision	-2	-3
Total other retail loans	**184**	**213**

Arrears in other retail loans

In € millions	2015	2014
No arrears	158	183
1 - 3 months	15	17
4 - 6 months	3	3
7 - 12 months	3	5
> 12 months	40	60
Subtotal arrears	61	85
Provision	-35	-55
Total	**184**	**213**

The total amount of the loans in arrears dropped from € 85 million to € 61 million at year-end 2015. This drop is primarily caused by the write-off of an € 11 million loan, which was fully provided for.

Provision

For the first time in several years, the relative size of the provision for other retail loans compared to the total loans and advances decreased in 2015 on the back of a limited improvement of economic conditions for our customers and the write-off of the aforementioned loan.

Statement of changes in provision for other retail loans

	Specific		IBNR		Total	
in € millions	2015	2014	2015	2014	2015	2014
Balance as at 1 January	52	46	3	1	55	47
Withdrawals/usage	-24	-7	--	--	-24	-7
Additions	7	15	1	2	8	17
Releases	-2	-1	-2	--	-4	-1
Transfer assets held for sale	--	-1	--	--	--	-1
Balance as at 31 December	**33**	**52**	**2**	**3**	**35**	**55**

Coverage ratio of other retail loans

in € millions	2015	2014
Loans in arrears	61	85
Non default	13	15
Impaired default	48	70
Specific provision	-33	-52
Percentage loans in arrears	27.9%	31.7%
Impaired ratio	21.9%	26.1%
Coverage ratio	68.8%	74.3%

The portfolio's coverage ratio fell to approximately 69 percent in 2015, particularly as a result of substantial withdrawals from the provisions in the amount of € 24 million.

6.5.4 SME LOANS

6.5.4.1 Risk profile

The SME loan portfolio is characterised by loans provided to SMEs on the basis of mortgage collateral. The Bank's policy did not change in 2015.

The total loan portfolio comprises more than 4,200 customers and is worth € 1,089 million (gross).

We make a distinction in the loan portfolio based on credit exposure and credit limit. The sub-portfolio with an exposure in excess of € 1 million comprises approximately 150 customers and is worth € 274 million.

The sub-portfolio with credit limits of up to € 1 million comprises approximately 4,050 customers. These are companies from the SME segment in various business forms and this portfolio is worth € 783 million. We are endeavouring to reduce the risk profile, on the one hand by seeking to retain customers and granting additional loans where necessary or requested, but on the other by looking at the options for customers to make additional or accelerated payments, thus reducing the size of the portfolio.

We report to the CC each quarter on the developments in both sub-portfolios.

6.5.4.2 Main developments in 2015

In 2015 we devoted additional attention to risk profile reduction. The size of the loan portfolio decreased from € 1,035 million (net of provisions) to € 990 million. The share of loans in arrears fell from € 204 million to € 178 million. The coverage ratio of loans in arrears fell from 60 percent to 53 percent on the back of a reduction in arrears of up to 12 months as well as a decline in collateral shortfalls for items that are more than 12 months in arrears.

6.5.4.3 Management of portfolio

We monitor our customers' payment behaviour using behavioural scoring models that were redeveloped in 2015 and help to enhance our understanding of the loan portfolios' risk profile, thereby contributing to further improvement of the management cycle.
The models calculate the predictive Probability of Default (PD) and the potential loss for the Bank if that default actually occurs. These results put us in a better position to focus on customers with a high risk profile. The early identification of a higher risk profile results in more options being available for taking appropriate measures in consultation with the customer.

For the sub-portfolio with a credit exposure in excess of € 1 million, the 'item for item' approach will remain as tailored customer management.

Arrears management process for corporate clients

The SME Special Credits Service Centre takes direct, proactive action as soon as a corporate client falls into arrears or states that it anticipates payment problems, or the behavioural scoring model shows significantly altered ratios.

In addition, other events may give cause to do so, such as bankruptcy, seizure of pledged security under a warrant of execution or other events that result in our borrowers experiencing structural financial difficulties. Together with our client, we explore the options for restoring the client's liquidity position based on the key principles of continuity of the client concerned and the potential for loan recovery. Depending on when a measure is taken, following recovery the client will ultimately be placed back in the regular management cycle after a maximum period of three years.

Recovery may not always be possible. In such a situation, the SME Special Credits Service Centre supports the client in the private sale of the collateral with the aim of limiting the losses for the client and the Bank. In special cases, such as fraud, crime or a client's repeated refusal to cooperate, we may proceed to a forced sale of the collateral.

6.5.4.4 Key figures

Provisions for SME loans

in € millions	2015	2014
SME loans	1,089	1,164
Specific provision	-95	-123
IBNR provision	-4	-6
Total retail other loans	**990**	**1,035**

The SME loan portfolio contracted further on the back of the decline in the segment with loans in excess of € 1 million.

Arrears in SME loans

in € millions	2015	2014
No arrears	911	960
< 3 months	10	55
3 - 6 months	6	11
6 - 12 months	21	21
> 1 year	141	117
Total arrears	178	204
Provision	-99	-129
Total	**990**	**1,035**

Our focus in 2015 on the recovery of defaults and the prevention of new defaults resulted in a decrease in customers with arrears of up to twelve months, although the exposure to items that are more than twelve months in arrears increased nevertheless. However, the collateral shortfalls for these customers stabilised compared to 2014 and therefore did not result in additional provisions.

Movements in provision
The movements in the provision for SME loans for 2015 were as follows:

Statement of changes in provision for SME loans

	Specific		IBNR		Total	
in € millions	2015	2014	2015	2014	2015	2014
Balance as at 1 January	123	94	6	6	129	100
Withdrawals/usage	-27	-15	--	--	-27	-15
Additions	24	59	--	--	24	59
Releases	-25	-15	-2	--	-27	-15
Balance as at 31 December	**95**	**123**	**4**	**6**	**99**	**129**

During 2015, on balance the amount added to the specific provision for SME loans was € 35 million lower than in 2014. A lower inflow, positive developments in the coverage ratio and improvements in arrears management contributed to this. The recovery in 2015 was similar to that of 2014. The inflow fell both for items with an exposure in excess of € 1 million and for items with a lower exposure.

The release of € 25 million is partly attributable to a non-recurring release of approximately € 10 million, mainly as a consequence of positive results on foreclosures and the valuation of collateral. Improved arrears management allowed us to update previous assumptions as regards the valuation of collateral using recent revaluations.

Withdrawals were higher in 2015 than in 2014 as the number of settled items with an exposure in excess of € 1 million rose.

Coverage ratio
The coverage ratio for the SME loan portfolio is as follows:

Coverage ratio of SME loans

in € millions	2015	2014
Loans in arrears	178	204
Non default	--	--
Impaired default	178	204
Specific provision	-95	-123
Percentage loans in arrears	16.3%	17.5%
Impaired ratio	16.3%	17.5%
Coverage ratio	53.4%	60.3%

The reduction in arrears of up to twelve months, which led to withdrawals from the provision, as well as the decline in collateral shortfalls for items more than twelve months in arrears, resulted in a decline in the coverage ratio.

6.5.5 PRIVATE LOANS

6.5.5.1 Risk profile
The ‘Private loans’ category includes i.a. private loans provided to (semi-)public sectors recognised in the balance sheets of SNS Bank and ASN Bank. ASN Bank’s portfolio mainly consists of loans (or deposits made) to municipalities, housing corporations, healthcare institutions, water boards and companies owned by or affiliated with the government. These sectors align well with ASN Bank’s objectives due to their social character. Most of these loans are secured by a government guarantee, a guarantee issued by the Social Housing Guarantee Fund (WSW) or a guarantee issued by the Guarantee Fund for the Health Care Sector (WfZ), resulting in low risk for this

portfolio. ASN Bank transferred a number of private loans to a Sustainable loans portfolio. This is explained in Section 6.5.6.

The portfolio developments are reported to the CC according to standard procedures. SNS Bank's ambition is to support its moderate risk profile with a robust risk management framework. That is why risk management for this portfolio, too, has been strengthened with, for instance, a more comprehensive annual loan risk assessment and more extensive reporting.

6.5.5.2 Main developments in 2015

In 2015 the portfolio decreased from € 1,768 million to € 1,412 million, chiefly due to the redemption of the loan provided to VIVAT (€ 250 million). At year-end 2015, this portfolio had no items in arrears and there were no loans requiring a provision.

With a view to facilitating ASN Bank in the controlled growth of its loans, the risk management for ASN was scaled up and adjusted in 2015. A new risk management framework was implemented for the portfolio, enabling counterparties' credit quality to be assessed and reported separately from the guarantor body or government authority.

6.5.5.3 Management of the portfolio

The ASN Bank portfolio is managed by asset manager ACTIAM. ASN Bank has granted ACTIAM a mandate subject to strict requirements. A loan must meet every requirement to be included in the portfolio. One major condition is that the private loans may not be subject to any capital requirements, so that only private loans with a very low credit risk are included in the portfolio. Most of these loans are guaranteed by the State. The Bank seeks to make risk management for all its portfolios more robust. A new policy framework has been established, imposing stricter requirements regarding analysis, approval and reporting for this portfolio.

6.5.5.4 Key figures

Private loans

in € millions	2015	2014
SNS Bank	774	1,075
ASN Bank	638	693
Total	**1,412**	**1,768**

The decrease in the category 'SNS Bank' by € 301 million was mainly driven by the repayment of a € 250 million loan to VIVAT on 30 December 2015.

The size of ASN Bank's private loan portfolio decreased by € 55 million due to repayments of existing loans.

Of the € 774 million in private loans at SNS Bank, € 763 million comprises loans to insurer SRLEV originating from securitisation activities: offset mortgages are securitised as part of the Bank's securitisation programme, in which respect the savings policy is issued by insurer SRLEV and the mortgage is provided by SNS Bank. It has been contractually agreed that SRLEV may only hold savings premiums that customers pay on these policies on deposit with SNS Bank. If the Bank securitises the relevant offset mortgages, SRLEV receives a loan from SNS Bank to finance sub-participations in these securitisation entities. The amount of the loans is identical to the savings premiums paid for these mortgages (31 December 2015: € 763 million; 31 December 2014: € 806 million). It has been agreed in the documentation of the loans to SRLEV that they may be set off against the savings premiums that SRLEV holds with SNS Bank. As a result, no credit risk on this exposure remains for the Bank.

6.5.6 ASN BANK SUSTAINABLE LOANS

6.5.6.1 Risk profile

ASN Bank aims to achieve growth in its SME loan portfolio in sectors that it considers indispensable to a sustainable society, particularly the renewable energy sector. This may give rise to a concentration risk, which is mitigated by a thorough knowledge of the sector and a careful diversification of investments across geographical areas, types of energy production (solar, wind, thermal storage), underlying sponsors and suppliers (solar panels, wind turbines). In addition, sufficient collateral and conditions are stipulated to enable recovery under the loan agreement when negative deviations occur. As s the majority of loans we extend for renewable energy projects involve government-guaranteed electricity prices, decreases in energy prices in the market have a limited impact on income from the projects. The portfolio developments are reported to the Bank CC.

6.5.6.2 Main developments in 2015

Sustainable loans in the SME loan portfolio showed a marginal decrease in 2015, from € 330 million to € 327 million. Funds released as a result of repayments were used to extend new loans. The sustainable loans comprise two small loans in arrears. A provision was made for this in the amount of € 0.3 million.

6.5.6.3 Management of the portfolio

ASN Bank has developed, and now uses, what is known as a supervisory slotting rating model. This model quantifies credit risk and is used by the Bank in project financing in the SME loan portfolio. An assessment is made of the characteristics of the financial structure, the financial strength of the project and the parties involved, the project's legal environment and the collateral provided. This assessment produces a score that enables a comparison of the credit quality of projects and monitoring of the portfolio developments. In addition, ASN Bank uses a credit class model to monitor the credit quality of corporate clients. This model determines the credit risk scores for all loans in the SME loan portfolio. The model incorporates business funding standards for (adjusted) solvency, profitability and liquidity as evident from the financial statements, while also taking account of collateral provided. The outcome is a rating of creditworthiness, with a strong emphasis on the financial statements. The bank uses the scores to monitor movements in the portfolio.

6.5.7 LOANS AND ADVANCES TO THE PUBLIC SECTOR

Loans and advances to the public sector are mostly loans provided to local authorities.

Loans and advances to the public sector

in € millions	2015	2014
SNS Bank	745	2,421
ASN Bank	772	837
Credit provision	--	--
Total loans and advances to the public sector	**1,517**	**3,258**

The total of € 1,517 million in loans and advances to the public sector comprises € 772 million in loans of ASN Bank and € 745 million in loans provided through SNS Bank.

SNS Bank provided loans to the public sector, particularly in the Netherlands, Germany and Belgium. The decrease of loans in the 'Public sector' category is mainly attributable to two short-term money market loans (of € 1 billion each) to the German and Belgian government.

ASN Bank did not extend any new loans in 2015.

6.5.8 INVESTMENTS

The total of fixed-income investments includes an amount of € 1.7 billion of SNS Bank and € 4.6 billion of ASN Bank. A breakdown of the fixed-income investments according to rating is set out below, followed by breakdowns of the SNS Bank and ASN Bank portfolios.

51%

of the investments is rated AAA

Breakdown of fair value of fixed-income investments (rating)

in € millions	2015	2014
AAA	3,259	3,631
AA	2,353	1,929
A	626	1,023
BBB	112	406
< BBB	--	--
No rating	--	--
Total	**6,350**	**6,989**

The single A rating includes a short-term investment in Japanese government paper in the amount of € 435 million. The BBB category concerns an investment in Italian government paper.

SNS Bank

The table below provides a breakdown of SNS Bank's investments.

Investments porfolio SNS Bank

in € millions	2015	2014
Government bonds	1,396	2,191
Other (corporate)bonds	350	352
Total	**1,746**	**2,543**

ASN Bank

The table below provides a breakdown of ASN Bank's investments.

Investments portfolio ASN Bank

in € millions	2015	2014
Government bonds	3,581	3,650
Greenbonds and sustainable bonds	421	321
Other (corporate)bonds	602	475
Total	**4,604**	**4,446**

Government bonds ASN Bank

ASN Bank evaluates countries that issue government bonds using its sustainability criteria relating to such matters as human rights, climate change and biodiversity. As ASN Bank does not wish to run any currency risk, only government bonds denominated in euros qualify. The government bonds on ASN Bank's balance sheet have a relatively low risk profile. As at year-end 2015, 64.1 percent of the loans were rated AAA, 29.4 percent were rated AA and 6.5 percent were rated AA+.

Green bonds and sustainable bonds ASN Bank

'Green bonds' allow ASN Bank to invest in fixed-income securities in the fields of renewable energy, energy reduction and biodiversity. These bonds contribute to achieving SNS Bank's internal objective of having a fully carbon-neutral balance sheet by 2030. This means that all its investments jointly should prevent as much greenhouse gases as they create.

Other (corporate) bonds ASN Bank

ASN Bank holds a portfolio of other (corporate) bonds with a moderate risk profile. This portfolio grew by € 127 million in 2015.

6.5.9 RISK MITIGATION

6.5.9.1 Offsetting of financial assets and liabilities

The table below discloses the potential effect of netting arrangements and collateral agreements on the financial position of SNS Bank. This includes the potential effect of rights of set-off associated with the SNS Bank's recognised financial assets and recognised financial liabilities.

The amounts eligible for offsetting pursuant to the International Swaps and Derivatives Association (ISDA) contracts, are related to certain derivatives amounting to € 1,268 million in total (2014: € 1,646 million).

Besides cash collaterals the Bank has provided sovereign bonds as other financial collateral on its derivative liabilities for the amount of € 85 million (2014: € 138 million).

The amounts due to banks of € 487 million at year-end 2014 are related to sovereign bond repos. SNS Bank did not have any outstanding repurchase transactions at year-end 2015.

Financial assets and liabilities SNS Bank 2015

				Related amounts not set off in the balance sheet value			
in € millions	Gross recognised balance sheet value	Offsetting balance sheet value	Net balance sheet value	Financial instruments	Cash collateral	Other financial collateral	Net value
FINANCIAL ASSETS							
Derivatives	1,993	--	1,993	1,268	299	--	426
Total financial assets	**1,993**	**--**	**1,993**	**1,268**	**299**	**--**	**426**
FINANCIAL LIABILITIES							
Derivatives	2,189	--	2,189	1,268	459	85	377
Amounts due to banks	1,000	--	1,000	--	--	--	1,000
Total financial liabilities	**3,189**	**--**	**3,189**	**1,268**	**459**	**85**	**1,377**

Financial assets and liabilities SNS Bank 2014

in € millions	Gross recognised balance sheet value	Offsetting balance sheet value	Net balance sheet value	Related amounts not set off in the balance sheet value		Other financial collateral	Net value
				Financial instruments	Cash collateral		
FINANCIAL ASSETS							
Derivatives	2,701	--	2,701	1,646	410	--	645
Total financial assets	**2,701**	**--**	**2,701**	**1,646**	**410**	**--**	**645**
FINANCIAL LIABILITIES							
Derivatives	3,266	--	3,266	1,646	805	138	677
Amounts due to banks	2,099	--	2,099	--	--	487	1,612
Total financial liabilities	**5,365**	**--**	**5,365**	**1,646**	**805**	**625**	**2,289**

6.5.9.2 Collateral

The table below shows how exposures were collateralised as at year-end 2015.

Exposure secured by collateral, guarantees and credit derivatives 2015

in € millions	Exposure	Of which secured by guarantees	Of which secured by credit derivatives	Of which secured by collateral
STANDARDISED EXPOSURE CLASSES				
Central governments and central banks	6,149	--	--	--
Regional governments or local authorities	1,557	--	--	--
Public sector entities	87	43	--	--
Multilateral developments banks	284	--	--	--
International organisations	15	--	--	--
Financial institutions	3,075	1,513	--	276
Corporates	3,334	997	--	1,427
Retail excl. mortgages	809	--	--	--
Secured by mortgages immovable property	1,147	16	--	1
Exposures in default	267	--	--	--
Covered bonds	--	--	--	--
Equity exposures	27	--	--	--
Other Items	260	--	--	--
Total standardised approach	**17,011**	**2,569**	**--**	**1,704**
IRB EXPOSURE CLASSES				
Retail mortgages[1]	42,052	12,158	--	--
Securitisation	619	--	--	--
Total IRB approach	**42,671**	**12,158**	**--**	**--**
Total exposure	**59,682**	**14,727**	**--**	**1,704**

1 The retail mortgages are secured by residential real estate. The value of this collateral has already been included in the LGD calculations and is not included in this table.

Exposure secured by collateral, guarantees and credit derivatives 2014

in € millions	Exposure	Of which secured by guarantees	Of which secured by credit derivatives	Of which secured by collateral
STANDARDISED EXPOSURE CLASSES				
Central governments and central banks	8,108	--	--	--
Regional governments or local authorities	1,442	--	--	6
Public sector entities	161	--	--	--
Multilateral developments banks	232	--	--	--
International organisations	18	--	--	--
Financial institutions	4,909	1,463	--	1,135
Corporates	2,849	861	--	1,078
Retail excl. mortgages	892	1	--	1
Secured by mortgages immovable property	1,243	15	--	2
Exposures in default	280	--	--	--
Covered bonds	24	--	--	--
Equity exposures	10	--	--	--
Other Items	177	--	--	--
Total standardised approach	**20,345**	**2,340**	**--**	**2,222**
IRB EXPOSURE CLASSES				
Retail mortgages[1]	40,921	11,792	--	--
Securitisation	1,124	--	--	--
Total IRB approach	**42,045**	**11,792**	**--**	**--**
Total exposure	**62,390**	**14,132**	**--**	**2,222**

1 The retail mortgages are secured by residential real estate. The value of this collateral has already been included in the LGD calculations and is not included in this table.

The collateral used for ‘Financial institutions’ primarily includes collateral under derivative transactions, while the guarantees are bonds with guarantees issued by regional or central governments. Exposures under ‘Corporates’ are hedged by means of government guarantees for, for example, healthcare institutions or housing corporations. Of the IRB exposure class ‘Residential mortgages’, € 12.2 billion (2014: € 11.8 billion), i.e. almost 29 percent, is hedged with NHG guarantees. The size the NHG guarantees is based on the size of the guarantee at the time of providing the mortgage.

We do not use credit derivatives as collateral.

The table below shows the ratios of the collateral obtained as mentioned in the table ‘Exposure secured by collateral, guarantees and credit derivatives’.

Collateral concentration

	2015	2014
Guarantees	90%	86%
COLLATERAL:		
- of which real estate	8%	7%
- of which financial collateral	2%	7%
Total	**100%**	**100%**

‘Guarantees’ represent an extremely large share of the collateral obtained (€ 14.7 billion of € 16.4 billion in total at year-end 2015, i.e. 90 percent).

The collateral of residential mortgages is not included in this table.

6.5.9.3 Derivatives and collateral management

In order to curb the counterparty risk on derivative transactions, SNS Bank applies the following risk-mitigating order when entering into such transactions:

- Where possible, derivative transactions with financial institutions are concluded using clearing[7] via a central counterparty (CCP)[8]. Exceptions are the type of transaction not supported by the CCP or very short-term transactions entailing extremely high costs of central clearing. Of these derivatives, 83 percent (based on par value) is CTP cleared.
- If central clearing is not possible, derivative transactions with financial institutions are subjected to collateral agreements under which the credit risk on derivatives is mitigated by means of the provision and acquisition of collateral in the form of cash and marketable securities. If a counterparty remains in default, the derivative transactions will be terminated and collateral in the amount of the replacement value of the transactions will be available on the basis of the collateral agreement.
- Transactions are concluded by means of ISDA-standardised contracts with a Credit Support Annex agreed in advance with each counterparty, laying down the collateral arrangements.

Other risk-mitigating measures include the following:

- SNS Bank makes sure to hedge derivative transactions with sufficient collateral at all times. SNS Bank checks every day whether the market value development of positions with collateral arrangements are proportionate to the collateral to be received or to be provided;
- Forward exchange transactions are settled via the Continuous Linked Settlement system, a global settlement system that limits settlement risk by means of payment versus payment and payment netting;
- SNS Bank continuously monitors the market conditions to assess whether the assets available still meet the requirements to serve as collateral for lending and in the various transactions (for example, repo transactions);
- A valuation function assesses whether the market value used for the collateral is plausible.

In order to hedge counterparty risk, the industry standard is to provide cash and government bonds as collateral in derivative transactions. The types of asset generally accepted as collateral are cash and government bonds of creditworthy governments.

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7 Regulation (EU) No 648/2012: ‘clearing’ means the process of establishing positions, including the calculation of net obligations, and ensuring that financial instruments, cash, or both, are available to secure the exposures arising from those positions.

8 Regulation (EU) No 648/2012: ‘CCP’ means a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer.

6.6 MARKET RISK

Market risk is the risk that shareholders' equity, the result or continuity of SNS Bank are threatened by market price fluctuations (interest rates, credit risk surcharges, share prices and exchange rates). The market risk arises because SNS Bank concludes contracts and enters into obligations with customers and professional counterparties. We enter into these contracts and obligations for the purposes of services to customers and for the purposes of raising funding, investing funds and other transactions as part of balance sheet management. Market risk occurs in the trading book and the banking book.

6.6.1 RISK PROFILE

We aim for a moderate risk profile for market risk in the banking book. The market risk in the banking book mainly comprises interest rate risk. The equity risk in the banking book is very limited with an equity exposure of € 26 million, and the exchange rate risk is minimised by transferring that risk from the banking book to the trading book on a daily basis. In the trading book, which is limited in size, exchange rate positions are monitored comprehensively and adjusted within the frameworks of the Value-at-Risk limits.

Main developments in 2015

In 2015 market rates remained extremely low, which led to a relatively large number of mortgages being redeemed early or converted to longer-term fixed-rate mortgages. The conversion of mortgages to a longer term raises the interest rate risk. In 2015 SNS Bank mitigated the interest rate risk increase by steering the interest rate risk profile using interest rate swaps. Long-term fixed-rate mortgages carry relatively more risk than those with a shorter term, which is why SNS Bank determined a risk appetite for mortgages with a fixed-rate term to maturity of more than 12 years. By extension, bond positions with a term to maturity of more than 15 years were reduced in 2015.

6.6.2 INTEREST RATE RISK MANAGEMENT

Interest rate risk in the banking book

Interest rate risk management aims to protect and optimise the economic value of current and future interest cash flows and to achieve a stable interest income. We take an optimal interest rate position in this respect, taking account of the portfolio outlook and economic projections and always considering whether this position is in line with the risk profile that the Bank is aiming for.

The key measures used to manage the banking book's interest rate position and interest rate risk are the Economic Value of Equity (EVE) and interest income (Earnings). Interest rate risk is managed in respect of the total of interest-bearing assets and liabilities including interest rate derivatives used to adjust the interest rate position.

The control measures we apply for EVE are 'duration of equity', 'key rate durations' and the 'outlier criterion'. The key measure of economic value sensitivity is the duration of equity, which measures the percentage decrease in the EVE in the event of a parallel rate hike of 100 basis points (1 percent). In 2015, the bandwidth for the duration of equity was set at 0 to 6. For the purposes of duration control within the limits, the ALCO sets a tactical bandwidth every month based on the envisaged risk profile and the market outlook.

We also control the EVE based on key rate durations, which represent interest rate sensitivity for each maturity individually. In this way, we clarify sensitivity to non-parallel shifts in the yield curve. The key rate durations are used to determine the maturities in the event that interest rate sensitivity is adjusted.

The outlier criterion is another major control measure for EVE. We report this measure, prescribed by DNB, to DNB on a quarterly basis. The outlier criterion pertains to the maximum loss of economic value expressed as a percentage of own funds in the event of a parallel rate hike or drop of 200 basis points (2 percent). The outlier criterion is subject to a limit of 20 percent.

The Earnings-at-Risk (EaR) is the key control measure for the assessment of interest income sensitivity. The EaR measures the maximum loss of interest income within a year based on certain interest rate scenarios (immediate, gradual and inverse interest rate movements), while allowing for balance sheet developments expected in the next twelve months. In the EaR measurement we take account of the degree to which customer rates for demand deposits keep pace with market rates and the resulting narrowing margins. The degree of margin narrowing depends on the interest rate scenario.

The interest rate risk measures are reported to the ALCO on a monthly basis. In the assessment and management of interest rate risks we take into account such matters as future prepayments on mortgage loans, early adjustments of mortgage rates, behavioural aspects of demand deposits, embedded options as well as the interest rate environment and its anticipated development.

Interest rate risk in the trading book

The interest rate risk in the trading book is measured on a daily basis using Value at Risk (VaR) and stress testing. These are used for internal monitoring and for specifying limits. Both VaR and the stress tests look ahead to the next day (one-day horizon), applying a confidence interval of 99 percent.

The VaR methodology is based on Monte Carlo simulations, with underlying probability distributions being based on historical data. The VaR models take account of interest rate, credit spreads, currency risk and share price risk in the Monte Carlo simulations. Stress testing is based on fifteen stress scenarios.

6.6.3 MARKET RISK PROFILE IN FIGURES

6.6.3.1 Market risk exposure traded and non-traded risk

The overview below shows SNS Bank's balance sheet broken down by the risks associated with the banking book and the trading portfolio.

Market risk exposure traded and non-traded risk

in € millions	Carrying amount	Market risk measure		Carrying amount	Market risk measure		Primary Risk Sensitivity
		Non-traded risk	Traded risk		Non-traded risk	Traded risk	
	2015	2015	2015	2014	2014	2014	
ASSETS SUBJECT TO MARKET RISK							
Investments held for trading	668	--	668	817	1	816	interest rate, exchange rate, credit spread
Investments available for sale	5,708	5,708	--	6,184	6,184	--	interest rate, credit spread
Derivatives	1,993	1,797	196	2,702	2,524	178	interest rate, exchange rate, credit spread
Loans and advances to customers	49,217	49,217	--	52,834	52,834	--	interest rate
Loans and advances to banks	2,081	2,081	--	2,604	2,604	--	interest rate
Cash and cash equivalents	2,259	2,259	--	1,968	1,968	--	interest rate
Assets held for sale	110	16	94	149	24	125	interest rate, exchange rate, credit spread
Other	654	654	--	901	901	--	
Total assets	**62,690**	**61,732**	**958**	**68,159**	**67,040**	**1,119**	
LIABILITIES SUBJECT TO MARKET RISK							
Subordinated debts	493	493	--	40	40	--	interest rate
Debt certificates	6,941	6,941	--	11,252	11,252	--	interest rate, exchange rate
Derivatives	2,189	1,984	205	3,266	3,082	184	interest rate, exchange rate, credit spread
Savings	36,860	36,860	--	35,666	35,666	--	interest rate
Other amounts due to customers	10,580	10,580	--	10,542	10,542	--	interest rate
Amounts due to banks	1,000	1,000	--	2,099	2,099	--	interest rate
Other	4,627	4,627	--	5,294	5,294	--	
Total liabilities	**62,690**	**62,485**	**205**	**68,159**	**67,975**	**184**	

The overview demonstrates that, given its activities, SNS Bank is most sensitive to the interest rate risk in the banking book. The positions in the trading portfolio are of a limited size.

6.6.3.2 Market risk profile in the banking book

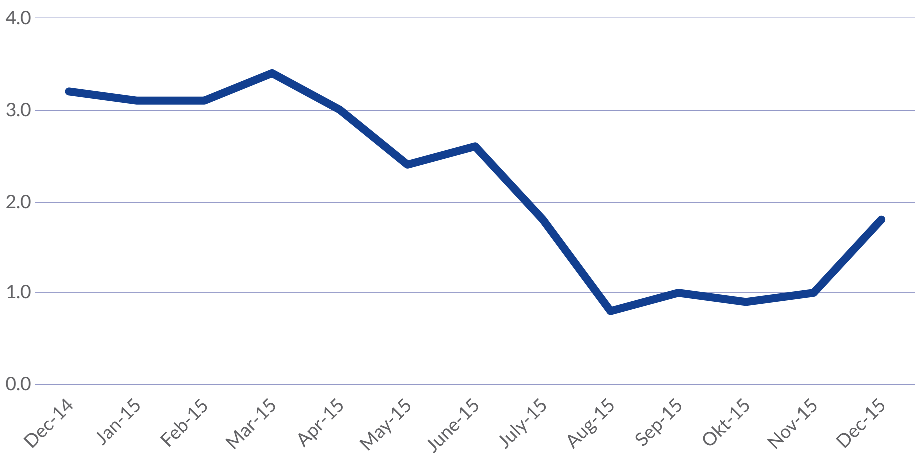
Interest rate risk

Interest rate risk

	2015	2014	limit
Equity duration	1.8	3.2	0 tot 6
Earnings at Risk (mln)	€ 26	€ 30	€ 45
Outlier criterium	7.8%	13.4%	20%

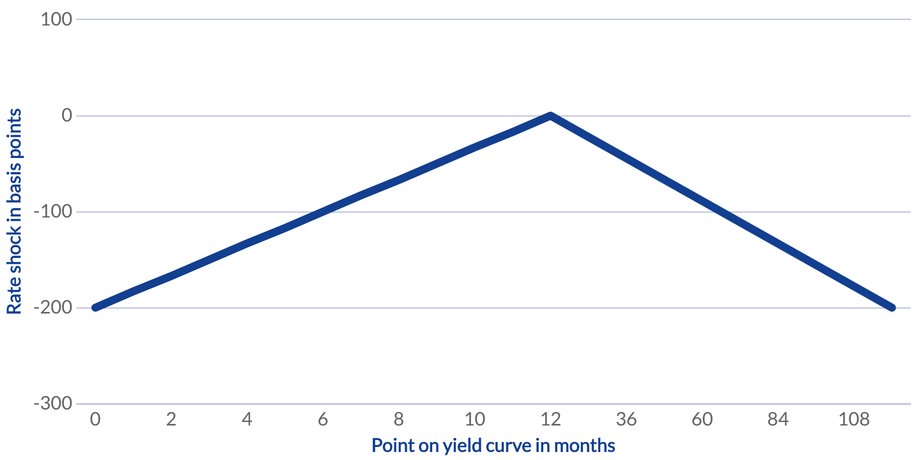
The key measures for interest rate risk are shown above. The low, flat yield curve and the risk of an interest rate hike led us to decide to keep the duration of equity low at 1.8 at year-end 2015 (year-end 2014: 3.2). Many customers opted for a longer-term fixed-rate mortgage in 2015. During the year we actively countered this duration-extending effect using interest rate derivatives.

Development duration of equity



At year-end 2015, the (EaR) was € 26 million (€ 30 million at year-end 2014). The interest income is most sensitive to the 'butterfly down' scenario. In this scenario, the 12-month point on the yield curve remains the same, while the interest rate points for less than 12 months and more than 12 months gradually fall by a maximum of -200 basis points. The figure below graphically shows which interest rate shock in this scenario is applied to the yield curve for each maturity. Sensitivity to this scenario results in particular from the effect that a decline in short-term interest rates has on liquid assets and the floating-rate mortgage portfolio.

Butterfly down scenario



The outlier criterion describes the change in the economic value of equity following a parallel yield curve shift of 200 basis points. Reflecting a reduced interest rate position and higher own funds, the outlier decreased in 2015. The increase in the Bank's own funds was mainly due to profit additions and the issue of subordinated Tier 2 notes. The outlier was 7.8 percent at year-end 2015 (year-end 2014: 13.4 percent), which is well within the regulatory limit of 20 percent.

Sensitivity analyses illustrate the interest rate risks run by the Banking activities. Such analyses calculate the impact of an immediate parallel shift of the yield curve of +100 or -100 basis points on the fair value of shareholders' equity, interest income and IFRS equity.

The column 'Fair value equity' shows the sensitivity of the fair value of shareholders' equity, including embedded options. The 'Interest income' column shows the sensitivity of the interest income to interest rate fluctuations for the first 12 months. The 'IFRS equity' column expresses the sensitivity resulting from the available-for-sale investment portfolio and the cash flow hedge derivatives to a parallel 100 basis point interest rate increase or decrease, because the effect of both of these on items measured at fair value is directly visible in shareholders' equity. The reported outcomes are after taxation, except for the sensitivity of the fair value of shareholders' equity to interest rate changes. These amounts are before taxation.

Sensitivity interest rates

	Fair value equity		Interest result		IFRS equity	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014
Interest rate + 1%	5	-54	4	-14	-106	-242
Interest rate - 1%	101	63	-25	-13	113	169

An interest rate increase has a small positive impact of € 5 million on the fair value of shareholders' equity. An interest rate decrease has a positive impact of € 101 million on the fair value of shareholders' equity. While instant-access savings adversely affect the fair value of shareholders' equity in the event of an interest rate decrease, this effect is limited, reflecting the assumption that customer interest rates will not become negative.

Increasing interest rates had a limited positive impact on interest income of € 4 million at year-end 2015. The positive impact generated by the liquidity position is largely negated by the gradual pass-through of this rate hike to customer rates for demand deposits. The negative impact of € 25 million ensuing from falling interest rates is caused mainly by the same liquidity position. However, the negative impact of a rate decrease is limited by an interest cut-off at the level of minus 0.25 percent.

The interest rate sensitivity of IFRS equity resulting from the available-for-sale investment portfolio and the cash flow hedge reserve declined at year-end 2015 compared to year-end 2014 following the phase-out of the portfolio containing government bonds with a term to maturity of more than 15 years and the unwinding of cash flow hedge derivatives.

6.6.3.3 Market risk exposure in the trading book

The table below shows the limits of the trading book. These internal limits are compared on a daily basis with the VaR and stress measured.

Market risk profile of trading portfolio

	Value-at-Risk (99% on daily basis)		Stress test	
in € millions	**2015**	2014	**2015**	2014
LIMIT				
SNS Financial Markets	2.2	2.2	6.7	6.7
SNS Securities	1.0	1.0	3.0	3.0
Total	**3.2**	**3.2**	**9.7**	**9.7**

The total VaR limit of the trading book was € 3.2 million at both year-end 2015 and year-end 2014. For SNS Securities[9] the spread risk is also measured and contained under a VaR limit.

[9] On 18 December 2015, it was announced that we had reached an agreement with NIBC Bank NV on the acquisition of SNS Securities NV by NIBC Bank NV. The transaction is expected to close in the second quarter of 2016 and is subject to approval of regulatory authorities and works councils.

6.7 LIQUIDITY MANAGEMENT AND FUNDING

Liquidity risk is the risk that SNS Bank has insufficient liquid assets available in the short or long term to meet its financial obligations without incurring unacceptable costs or losses. This applies both under normal circumstances and in times of stress.

6.7.1 GENERAL

SNS Bank seeks to maintain a moderate risk profile, which is reflected in our risk management. In this context, SNS Bank pays close attention to managing its liquidity risk to retain its ability to meet its financial obligations at all times. SNS Bank holds sufficient liquidity reserves. The liquidity position is managed in such a way that it can absorb the consequences of bank-specific stress factors such as tensions in the money and capital markets.

Main developments in 2015

SNS Bank maintained its strong liquidity position in 2015. Financial markets access improved considerably due to the disentanglement of SNS REAAL Group and the subsequent transfer of SNS Bank to the Dutch State. This was demonstrated by the issue of a € 500 million Tier 2 transaction. The transaction further diversified and strengthened SNS Bank's funding, which largely consists of savings.

The Loan-to-Deposit ratio decreased from 113 percent at year-end 2014 to 105 percent at year-end 2015, mainly due to an increase of retail savings in combination with a decrease in outstanding loans provided. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained above the regulatory minimum of 100 percent. The liquidity position comfortably met both internal targets and external regulations in 2015.

SNS Bank maintained its strong liquidity position in 2015

6.7.2 LIQUIDITY MANAGEMENT

Liquidity management supports SNS Bank's strategy. We determine our risk appetite based on our strategy, regulations and external stakeholders' expectations and document it in our Risk Appetite Statement. We then establish our strategy for meeting our liquidity need. The system of frameworks and guidelines within which we perform liquidity management is laid down in the liquidity risk policy.

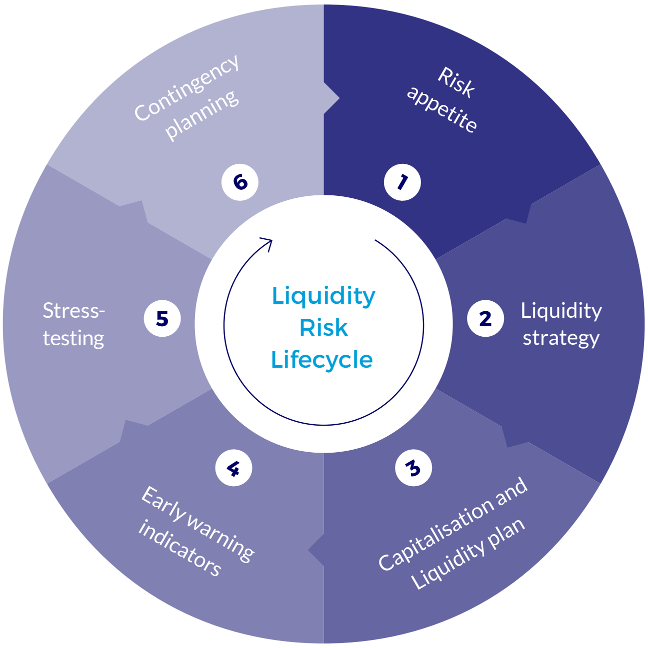
Liquidity risk management begins by establishing the desired amount of liquidity, which must be in line with our risk profile and is determined by subjecting the Bank's liquidity position to stress testing. The amount of liquidity available is then steered to the preferred level.

We calculate the liquidity need using business plans and the requirements of supervisory authorities, rating agencies and investors. SNS Bank's appeal to investors as well as developments in the financial markets are decisive for such aspects as our ability to access the capital markets and the feasibility of liquidity actions.

Every year we review our strategic objectives, while identifying all associated risks. Based on the risk appetite we determine the frameworks for SNS Bank's annual Operational Plan, which also comprises the Capital and Liquidity Plan.

The Capital and Liquidity Plan compares the projected available liquidity with the required liquidity amount ensuing from the Operational Plan. This is done for both the liquidity buffer and the funding. Multiple scenarios are worked out to this end. The liquidity position assessment includes a comparison between the available liquidity and the internal standards derived from the current regulatory framework. Instruments to raise funding and to enhance the liquidity position are used for control purposes. These include securitisation transactions based on the Bank's mortgages.

Liquidity management proces



Adjustments are continuously made to achieve the desired liquidity position. In addition to the long-term planning in the Capitalisation and Liquidity Plan, we issue an update of the development of this plan each month. This monthly Liquidity Adequacy Assessment Report (LAAR) is discussed in the ALCO. This report may lead us to conclude that adjustments need to be made through transactions. Daily and weekly reports and projections are also issued and we perform liquidity stress tests each month, which are reviewed each year. We use these as a basis for any adjustments that may be necessary. They are also the key components of the Internal Liquidity Adequacy Assessment Process.

The financial crisis prompted the introduction of various measures and increased the focus on contingency planning, the planning for unforeseen events that is worked out in the Liquidity Contingency Plan and the Recovery Plan.

Management instruments

Key liquidity ratios

Two liquidity ratios have been introduced in the context of the EU regulation and directive CRR/CRD IV: the LCR and the NSFR. The purpose of the LCR is to test whether sufficient liquid assets are available to absorb a 30-day stress scenario. Having a horizon of one year, the NSFR serves to determine the extent to which longer-term assets are financed with more stable forms of funding. The regulatory standard for both liquidity measures is 100 percent. This minimum will apply to the NSFR as from 2018. In managing the liquidity position we focus on both the total liquidity position as reported in the liquidity reports to DNB and the LCR and NSFR.

Liquidity stress testing

The robustness of the liquidity position is also determined by means of stress tests. Of the various scenarios that have been defined for this purpose, the extreme stress test has the greatest impact. This scenario takes into account, among other things, an extreme outflow of savings and credit funds, a lack of funding options in the money and capital markets, and a decline in the market value of the liquidity buffer. The extreme stress test also considers the additional collateral requirements in the event of a 3-notch downgrade in SNS Bank's rating, a decline in the market value of derivatives and a possible liquidity outflow in the event that committed credit lines are fully drawn. SNS Bank's liquidity management is aimed at surviving the extreme stress scenario for a certain minimum period of time. The extreme stress test is updated every month in the LAAR and reviewed every year.

The key objectives of stress testing are:
- Establishing and monitoring stress capacity: the stress test results are used to determine the amount of stress that can be absorbed and the associated minimum quantity of available liquidity needed;
- Contingency planning: determining relevant stress indicators and establishing the levels at which these indicators detect liquidity stress.

Liquidity Contingency Plan
The Liquidity Contingency Plan (LCP) serves as an action plan that allows us to take early measures upon (sudden) deterioration of the liquidity position or an acute liquidity crisis. The LCP's purpose is to safeguard SNS Bank's continuity. The LCP describes a series of available measures that may be implemented depending on the urgency and severity of possible issues. One of the possible measures is collateral-based financing. Identification takes place by frequent monitoring of 'early warning indicators'. Changes in their value may be the first signs of stress. The LCP is part of the Recovery Plan and is updated every year.

Recovery Plan
The key objective of the Recovery Plan is to prepare SNS Bank for liquidity crises in a way that enables us to recover independently. SNS Bank has various recovery measures at its disposal in such a situation.

The set of measures in the Recovery Plan has a wide scope and comprises capital, operational and communication aspects as well as liquidity aspects, such as the issue of Additional Tier 1 capital and the isolation of critical systems or applications. The Recovery Plan is updated every year and is shared and discussed with DNB in its capacity as National Resolution Authority (NRA).

Cash position
Under normal circumstances, the cash position is the source of liquidity that is used to meet regular obligations. SNS Bank defines the cash position as the non-restricted and restricted demand deposits with DNB, current account balances held at other banks as part of liquidity management, and deposits with an original maturity of ten days or less. As a result, the cash position differs from the cash and cash equivalents balance stated in the IFRS balance sheet, which is based on another definition.

Liquidity buffer
The purpose of the liquidity buffer, of which the cash position also forms part, is to absorb unexpected changes/increases in our liquidity need. We set high liquidity need on the underlying investments that can be used as collateral.

The liquidity buffer comprises (highly) liquid investments that are not only eligible as ECB collateral, for example, but can also be sold in (highly) liquid markets or can be used in repo transactions.

The liquidity buffer mainly consists of government bonds and Residential Mortgage Backed Securities (RMBS) with underlying SNS Bank mortgages. The liquidity value of investments in the liquidity buffer is determined on the basis of the market value of the investments after application of the haircuts set by the ECB. The ECB periodically publishes a list of permitted collateral along with their corresponding haircuts, which are mark-downs on the liquidity value for lending.

6.7.3 LIQUIDITY RISK PROFILE

Access to liquidity and capital via the financial markets improved considerably as a result of the disentanglement of SNS REAAL and the subsequent transfer of SNS Bank. The successful Tier 2 issue with a nominal value of € 500 million in the fourth quarter testifies to this.

In 2015, the Bank's liquidity position amply complied with both internal and regulatory requirements. An increasing percentage of our funding is made up of savings (the Loan-to-Deposit ratio has declined). SNS Bank was also funded by means of various funding instruments in the capital market, such as mortgage securitisations (RMBS), covered bonds and subordinated debt. SNS Bank continually aims for access to diversified funding.

LCR, NSFR and Loan-to-Deposit ratio

	2015	2014
LCR	>100%	>100%
NSFR	>100%	>100%
Loan to deposit ratio	105%	113%

The Loan-to-Deposit ratio decreased even further in 2015. The decline, from 113 percent at year-end 2014 to 105 percent at year-end 2015, was mainly due to an increase of € 1.2 billion in retail savings in combination with a decrease of € 1.9 billion in loans provided to customers. The LCR and the NSFR remained well above the regulatory minimum of 100 percent, which will apply to the NSFR as from 2018. The 2015 LCR was based on the LCR Delegated Act definition that came into force for banks within the European Union on 1 October 2015. The 2014 LCR was based on the Basel III monitoring definition. The NSFR is based on the CRR/CRD IV.

The table below shows the liquidity position, with liquid assets being expressed as market value after ECB haircut.

Liquidity position

in € millions	2015	2014
Cash position	2,142	2,537
Sovereigns	3,762	4,033
Regional/local governments and supranationals	702	540
Other liquid assets	413	215
Eligible retained RMBS	4,812	6,220
Liquidity position	**11,831**	**13,545**

The liquidity position declined to € 11.8 billion, but remained high nevertheless. The decline was mainly caused by excercising call options of securitisations and the run-off of securitised positions in the amount of € 1.4 billion. In addition, the liquidity position declined because of the sale and redemption of government bonds in the liquidity buffer of € 0.8 billion. On balance, the government bond portfolio declined by € 0.3 billion because of a lower volume of repo transactions in which government bonds served as collateral. The decrease in the cash position was mainly driven by the redemption of € 5.0 billion wholesale funding. This was partly compensated by retail savings inflows of € 1.2 billion, a decrease in the mortgage portfolio of € 1.5 billion, a decrease in the investment portfolio of € 0.6 billion and the issue of € 0.5 billion Tier 2 capital.

Maturity of assets and liabilities

Set out below is an overview of assets and liabilities, with a breakdown by remaining contractual (liquidity) maturity. The net (assets minus liabilities) nominal amounts due at maturity give an indication of the liquidity risk and of obligations that may not be met from inflows on time.

The table represents SNS Bank's liquidity gap profile at year-end 2015 and 2014 on the basis of the remaining contractual maturity. Non-maturity savings and current account balances are presented in the '<1 month' column. For mortgages, the contractual maturity is maintained without taking prepayments into account.

SNS Bank's asset & liability management takes behavioural aspects into account. A shorter term to maturity is used for mortgages due to expected prepayments. A longer term to maturity is used for non-maturity savings and balances in customers' current accounts, because customers tend to keep such products for more than one day under normal conditions.

Loans and advances to banks and Amounts due to banks include collateral delivered and received related to derivative transactions. Allocation of this collateral over the maturity buckets is conducted in accordance with the maturity classification of the derivative contracts.

We refined the breakdown by maturity bucket in 2015 following new insights, adding a separate 'unspecified' category for items to which no specific maturity can be assigned. The comparative figures for 2014 have been adjusted accordingly.

Remaining contractual maturity of assets and liabilities in 2015

in € millions	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Not determined	Provision	Total
ASSETS								
Investments (interest bearing)	399	263	284	1,942	3,462	--	--	6,350
Derivatives	74	48	101	716	1,054	--	--	1,993
Loans and advances to customers	1,212	141	356	2,287	45,612	--	-391	49,217
Loans and advances to banks	496	785	35	349	416	--	--	2,081
Other assets	2,263	297	--	--	--	379	--	2,939
Assets held for sale	--	--	110	--	--	--	--	110
Total assets	**4,444**	**1,534**	**886**	**5,294**	**50,544**	**379**	**-391**	**62,690**
LIABILITIES								
Shareholders' equity	--	--	--	--	--	3,302	--	3,302
Subordinated debts	--	--	--	493	--	--	--	493
Debt certificates	17	633	694	4,290	1,307	--	--	6,941
Derivatives	80	50	91	898	1,070	--	--	2,189
Savings	31,421	152	628	2,094	2,565	--	--	36,860
Other amounts due to customers	6,362	26	963	722	2,507	--	--	10,580
Amounts due to banks	81	31	22	590	276	--	--	1,000
Other liabilities	967	--	5	9	3	304	--	1,288
Liabilities held for sale	--	--	37	--	--	--	--	37
Total equity and liabilities	**38,928**	**892**	**2,440**	**9,096**	**7,728**	**3,606**	**--**	**62,690**
Net liquidity gap	**-34,484**	**642**	**-1,554**	**-3,802**	**42,816**	**-3,227**	**-391**	**--**

Remaining contractual maturity of assets and liabilities in 2014

in € millions	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Not determined	Provision	Total
ASSETS								
Investments (interest bearing)	865	277	483	1,698	3,666	--	--	6,989
Derivatives	20	20	115	956	1,591	--	--	2,702
Loans and advances to customers	3,418	301	263	3,240	46,122	--	-510	52,834
Loans and advances to banks	1,368	40	40	129	1,028	--	-1	2,604
Other assets	1,575	688	66	--	--	552	--	2,881
Assets held for sale	--	--	149	--	--	--	--	149
Total assets	7,246	1,326	1,116	6,023	52,407	552	-511	68,159
LIABILITIES								
Shareholders' equity	--	--	--	--	--	2,963	--	2,963
Subordinated debts	--	--	40	--	--	--	--	40
Debt certificates	20	703	3,111	4,955	2,462	1	--	11,252
Derivatives	15	22	272	1,351	1,606	--	--	3,266
Savings	29,482	133	547	2,697	2,807	--	--	35,666
Other amounts due to customers	6,053	9	1,335	355	2,790	--	--	10,542
Amounts due to banks	298	222	585	916	38	40	--	2,099
Other liabilities	1,971	--	5	10	--	327	--	2,313
Liabilities held for sale	--	--	18	--	--	--	--	18
Total equity and liabilities	**37,839**	**1,089**	**5,913**	**10,284**	**9,703**	**3,331**	**--**	**68,159**
Net liquidity gap	**-30,593**	**237**	**-4,797**	**-4,261**	**42,704**	**-2,779**	**-511**	**--**

The tables below provide a breakdown of the above liquidity gap profiles for financial liabilities and derivatives on the liability side of the balance sheet at year-end 2015 and at year-end 2014. These tables also present the related future cash flows, such as interest payments.

Maturity schedule for financial liabilities 2015

In € millions	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Subordinated debts	--	--	--	493	--	**493**
Debt certificates	19	701	799	4,443	1,636	**7,597**
Savings	32,287	158	728	2,262	2,603	**38,038**
Other amounts due to customers	6,641	43	887	881	2,949	**11,401**
Amounts due to banks	517	20	3	426	30	**996**
Total	**39,463**	**922**	**2,416**	**8,505**	**7,219**	**58,525**

Maturity schedule for financial liabilities 2014

In € millions	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Subordinated debts	--	--	--	62	--	62
Debt certificates	28	746	2,816	5,491	2,929	12,010
Savings	29,872	161	653	2,945	2,790	36,421
Other amounts due to customers	6,039	62	715	1,060	3,811	11,687
Amounts due to banks	1,069	--	518	480	31	2,098
Total	**37,008**	**969**	**4,702**	**10,038**	**9,561**	**62,278**

Maturity schedule derivatives 2015

in € millions	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Interest rate derivatives	47	92	374	1,104	512	2,129
Currency contracts	75	10	5	--	--	90
Total	**122**	**102**	**379**	**1,104**	**512**	**2,219**

Maturity schedule derivatives 2014

in € millions	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Interest rate derivatives	52	85	404	1,627	1,021	3,189
Currency contracts	12	10	84	3	--	109
Total	**64**	**95**	**488**	**1,630**	**1,021**	**3,298**

6.7.4 FUNDING STRATEGY

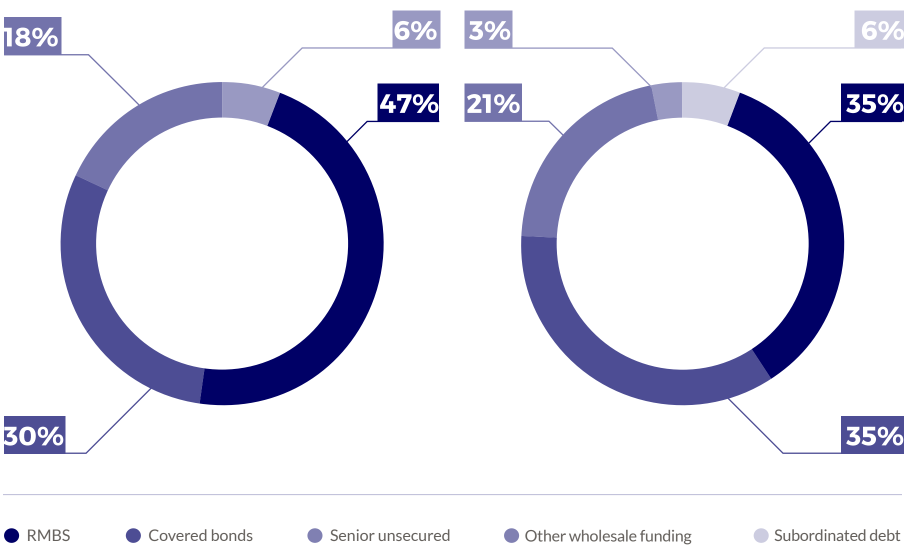
SNS Bank mainly uses retail savings for its funding. Via our various brands, we accept term deposits as well as non-maturity savings and retail current account balances. Further, SNS Bank obtains funding from SME savings and current account balances and from the financial markets, depending on the current market conditions.

We aim to diversify our sources of funding in financial markets, which is why we fund ourselves with various funding instruments with a spread of maturities, markets, regions and investor types. It is vital to have access to a large number of funding sources: if one or more of them become unavailable or less available, another source can be used.

In the financial markets, SNS Bank funds itself with senior unsecured funding, (mortgage) securitisation (RMBS), the statutory covered bond programme and subordinated loans for its funding in excess of one year. The covered bond programme permits not only the issue of public covered bonds but also private placements. In addition, we obtain long-term funding using our liquid assets as collateral, for example in repo transactions. Please refer to www.snsbanknv.nl for more information on the various public funding programmes available to SNS Bank.

Wholesale funding mix 2014: € 13.4 billion

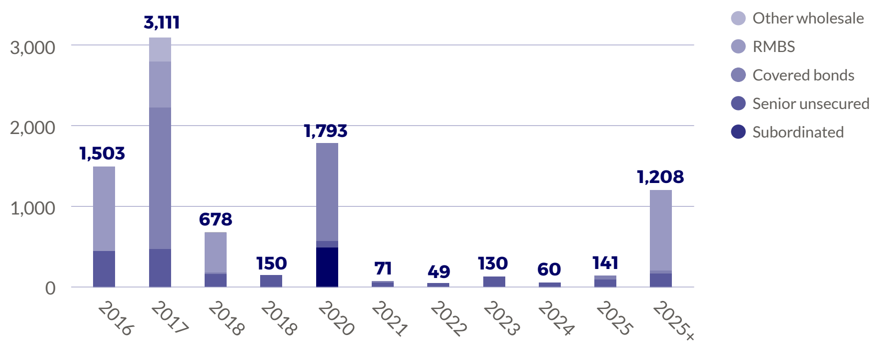
Wholesale funding mix 2015: € 8.9 billion



The figures above present an overview of the outstanding wholesale funding with an original maturity of more than one year at year-end 2015 and year-end 2014. In the balance sheet, this funding is recognised under debt certificates, amounts due to banks and other amounts due to customers. The information presented is based on the nominal value of the loans. This nominal value differs from the IFRS measurement in the balance sheet, which is based on amortised cost. In 2015 part of the securitisations, covered bonds and capital market funding raised were repaid and a subordinated loan was issued. The figure below presents an overview of the maturities of the outstanding wholesale funding.

Wholesale funding maturities

(in € millions)



SNS Bank finances itself with the European and French Commercial Paper programmes on the money markets for its funding of less than one year.

6.7.5 ENCUMBERED AND UNENCUMBERED ASSETS

This section provides insight into the encumbered and unencumbered assets that may be used as collateral for funding to be raised.

Encumbered and unencumbered assets 2015

in € millions	Encumbered	Unencumbered	Total
Cash and other liquid assets	--	2,259	2,259
Cash collateral	851	--	851
Equity instruments	--	26	26
Other investment securities	751	5,598	6,349
Loans	9,731	40,715	50,446
Other financial assets	--	1,993	1,993
Non-financial assets	--	766	766
Total	**11,333**	**51,357**	**62,690**

Encumbered and unencumbered assets 2014

in € millions	Encumbered	Unencumbered	Total
Cash and other liquid assets	--	1,968	1,968
Cash collateral	1,279	--	1,279
Equity instruments	--	11	11
Other investment securities	1,141	5,848	6,989
Loans	14,064	40,094	54,158
Other financial assets	--	2,702	2,702
Non-financial assets	--	1,052	1,052
Total	**16,484**	**51,675**	**68,159**

As at year-end 2015, € 11.3 billion of the assets was encumbered on account of outstanding securitisations, covered bonds, repurchase transactions, CSAs, FX transactions and payment transactions. The other € 51.4 billion is unencumbered and may partly be converted into cash, for example by securitisations where SNS Bank buys the issued bonds back. Securitised mortgages of which SNS Bank itself holds the bonds are not considered to be encumbered, except if these bonds are used as collateral for instance in a repurchase transaction.

Total encumbered assets

The Bank's total encumbered assets amount to € 11.3 billion (2014: € 16.5 billion) and mainly consist of pledged mortgages related to securitisation transactions. The total amount of liabilities related to these assets amounts to € 7.6 billion (2014: € 13.2 billion) and mainly consists of bonds issued by the securitisation entities.

6.8 CREDIT RATINGS

MAIN DEVELOPMENTS IN 2015

In 2015, SNS Bank's credit ratings for senior unsecured debt remained unchanged on balance. Stand-alone ratings showed further improvement but rating agencies removed or reduced the ratings uplift ensuing from possible State aid ('sovereign support').

Further improvement of stand-alone ratings

Stand-alone ratings reflect a bank's creditworthiness without taking account of the option of external aid, for example from the State. Reflecting the good progress being made with the reconstruction of SNS Bank's franchise and the stronger capital position, the stand-alone ratings at all three rating agencies improved in 2015.

SNS Bank's stand-alone rating at S&P (Stand-Alone Credit Profile) was upgraded from BBB- to BBB. At Moody's, the stand-alone rating (Baseline Credit Assessment) increased from Ba1 to Baa3, and at Fitch the stand-alone rating (viability rating) was upgraded from BBB- to BBB. By the end of 2015, all of SNS Bank's stand-alone ratings had returned to investment grade level.

Rating changes related to sovereign support and new bank rating elements

In the course of 2015, the rating agencies modified their view of possible sovereign support for holders of senior unsecured debt instruments. This came on the back of new regulations with regard to bail-in regimes, such as those ensuing from the Bank Recovery & Resolution Directive (BRRD). Under future bail-in regimes, holders of senior unsecured debt instruments will have to factor in the possibility that they, too, may have to contribute to losses. It is no longer self-evident that the State will shelter them. The new regulations have had far-reaching consequences for sovereign support as an element of Dutch banks' credit ratings, resulting in a complete removal of sovereign support at S&P and Fitch and the reduction of the same at Moody's. This negated the improvements in the stand-alone ratings for SNS Bank.

In 2015, the rating agencies also introduced new elements in their rating methodologies to enhance their ability to assess banks' balance sheet structures and bail-in profiles. S&P introduced the element 'Additional Loss Absorbing Capacity': banks with sufficient additional equity and/or subordinated debt may be eligible for a one- or two-notch uplift in their long-term ratings. Moody's introduced the 'Loss Given Failure' analysis: depending on the volume of debt instruments (subordinated debt, senior unsecured debt and non-guaranteed savings) that can serve as a bail-in buffer, banks are eligible for a rating upgrade of several notches. Fitch, too, indicated that banks with sufficient subordinated debt buffers may qualify for a notch uplift in their long-term ratings.

As SNS Bank had only a limited amount of outstanding subordinated debt in 2015, it was not eligible for these upgrades.

Rating ambition

SNS Bank seeks to further improve its long-term ratings by means of stronger stand-alone ratings, reinforced where possible by additional upgrades resulting from an improved balance sheet structure.

Rating changes in chronological order

On 17 March 2015, Fitch upgraded the viability rating of SNS Bank by one notch from BBB- to BBB. At the same time, Fitch confirmed SNS Bank's BBB+ rating at support rating floor level. The rating outlook remained negative, as Fitch had already indicated

Credit ratings senior unsecured debt SNS Bank

S&P

Long term rating
BBB

Outlook
positive

Short term rating
A2

Moody's

Long term rating
Baa2

Outlook
stable

Short term rating
P-2

Fitch

Long term rating
BBB

Outlook
stable

Short term rating
F3

at an earlier stage that it expected sovereign support to be removed from the Dutch banks' ratings, which would result in cancellation of the support rating floor.

On 19 May 2015, Fitch downgraded SNS Bank's rating by one notch from BBB+ to BBB and its short-term rating from F2 to F3, now with a stable outlook. The reason for the downgrade was the removal of the aforementioned support rating floor. The viability rating was confirmed at BBB.

On 28 May 2015, Moody's completed its reassessment of six Dutch bank ratings following a methodology change announced in March 2015. Moody's confirmed SNS Bank's Baa2 rating and affirmed its P-2 short-term rating. The stand-alone rating (Baseline Credit Assessment) remained unchanged at Ba1. Moody's raised this by one notch on account of sovereign support (formerly two notches), and by one notch reflecting the provisional outcome of its Loss Given Failure analysis. The Baa2 rating was assigned a positive outlook due to improvements identified in SNS Bank's stand-alone profile.

On 10 November 2015, Moody's upgraded SNS Bank's stand-alone rating by one notch from Ba1 to Baa3. However, the outcome of the Loss Given Failure analysis was downgraded from one notch positive to nil, because the volume of savings available for absorbing losses in a bail-in scenario was lower in the revised assessment than had been previously assumed. As a result, the (senior unsecured) rating remained unchanged at Baa2. The outlook was revised to stable.

On 3 December 2015, S&P upgraded SNS Bank's Stand-Alone Credit Profile by one notch from BBB- to BBB to reflect the Bank's improved capitalisation. At the same time S&P completed its review of sovereign support in long-term ratings, which led to the removal of one notch of support for SNS Bank's long-term rating. On completion of the review, the outlook for the resulting rating (BBB) was changed from negative to positive as S&P believes that, going forward, the Bank has the prospect of one notch of support from the Additional Loss Absorbing Capacity analysis.

6.9 KEY NON-FINANCIAL RISKS

6.9.1 INTRODUCTION
Besides financial risks, SNS Bank also has to control non-financial risks properly. This is essential if we are to protect our customers' and society's interests and maintain confidence in our organisation – in both the short and the long term. Having highly reliable, high-quality services, products and processes also results in lower costs for the Bank: there are efficiency savings and fewer unexpected losses. Non-financial risk management thus helps to achieve our strategic objectives. Examples of non-financial risks include systems and websites that may crash, fraud, insufficient ability needed to create transparent products, and the inability to meet the increasing information needs of supervisory authorities. Even though the cause of this type of risk is 'non-financial', the consequences often lead to financial loss and reputation damage.

6.9.2 MAIN DEVELOPMENTS IN 2015
In 2015, we refined our non-financial risk management. Adequate, effective control of the processes and systems enhances our ability to provide our customers with excellent, uninterrupted service. Bank-wide risk analyses, regular monitoring of the effectiveness of control measures and the implementation of improvements enhance the quality of our business operations.

In 2015, we started implementing the Integrated Control Framework (ICF) with the aim of creating controlled business operations in all of SNS Bank's units and ensuring its continued application in the organisation. We reached a number of milestones this year: we drafted risk policy for organisation-wide, integrated risk management and non-financial risk management, the Risk Appetite Statement and Risk Appetite Dashboard and we performed strategic risk analyses for all business units. We also made great progress with risk analyses of the most material and high-risk value flows within SNS Bank, including Mortgages, Special Credits and Finance. In addition, the non-financial risk reports expressly form part of our strategic decision-making.

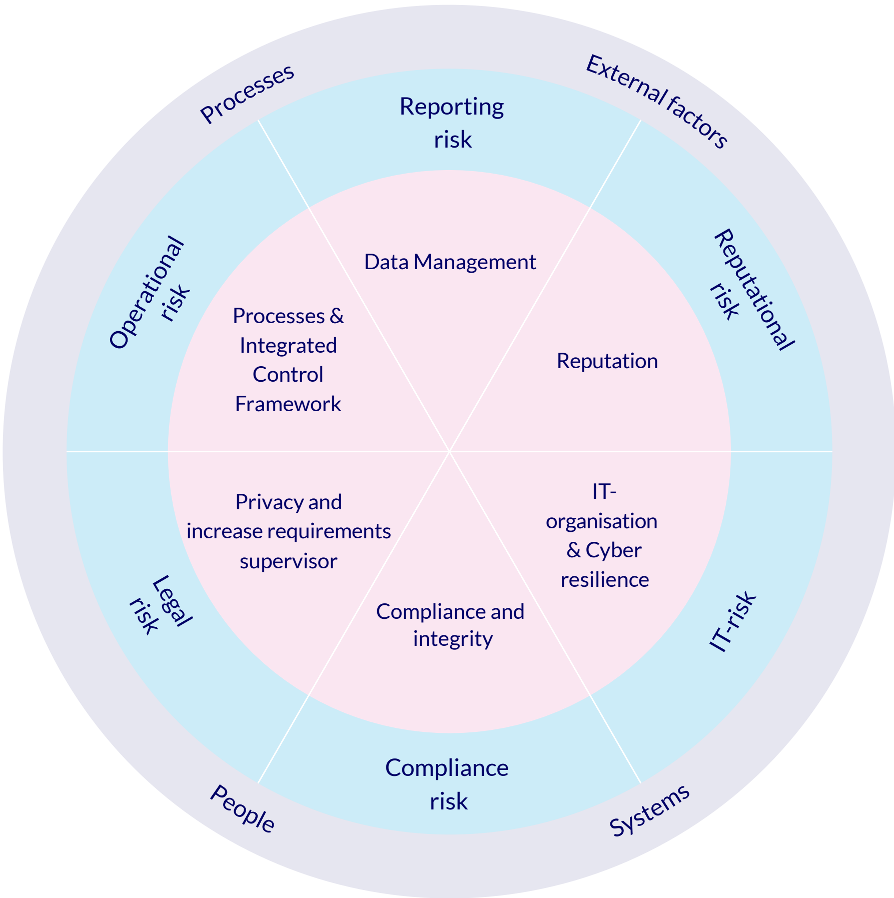
Our aim is to create a controlled business operation

6.9.3 GOVERNANCE AND CONTROL
We set great store by assigning risk ownership to line management, where the risks arise. That is why line managers are responsible for analysing and controlling the risks from their own focus area. They do so within the risk policy frameworks and the 'three lines of defence' model, by establishing risk limits, performing risk analyses, implementing control measures and monitoring risk control. Line management is assisted in this regard by departments such as Enterprise Risk & Management Control, Compliance & Security, Legal Affairs, Information Security and Business Continuity Management.

Committees
The Non-Financial Risk Committee is responsible for monitoring compliance with the non-financial risk policy and risk appetite. The Product Approval and Review Committee conducts an additional assessment of the non-financial risks of existing and new products. The Model Governance Committee ensures the correct use of models applied by the Bank.

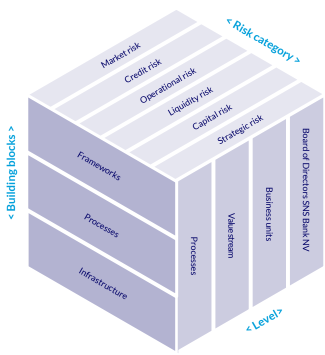
6.9.4 RISK THEMES
Having divided the non-financial risks into various types of risk, we distinguish operational, reporting, reputation, IT, compliance and legal risks. These risks may occur as a result of internal or external factors. The material non-financial risk themes that received explicit attention within SNS Bank in 2015 are discussed below.

Risk themes



- Internal and external causes of operational risk
- Non-financial risks SNS Bank
- Material non-financial risk themes within SNS Bank

ICF-cube



6.9.4.1 Processes and the Integrated Control Framework

The Integrated Control Framework (ICF) is positioned as a strategic programme and contributes to excellent business operations. This means that SNS Bank's organisation, processes, risk management and costs are properly in order, enabling us to do seemingly ordinary things exceptionally well, as customers and other stakeholders may expect of a bank. We make responsible choices in our business operations, always putting the customers' interests first.

Focus areas

We have clustered ICF implementation into six focus areas. Periodic self-assessments are conducted to measure progress and the status of these focus areas.

Raising risk awareness

Successful ICF implementation and continuation requires permanent behavioural change in terms of recognising, acknowledging and discussing risks. We encourage risk awareness and its embedment in the culture and behaviour through communication and training. We explicitly include controlled business operations in the appraisal and remuneration structure. To this end, SNS Bank's existing core values have been translated into five characteristics of preferred conduct: loyalty, integrity, openness to discussion, ability to reflect, and organisational and stakeholder sensitivity.

Improving (risk) policy
We are improving the processes and structure for risk classification, risk policy, risk governance and the definitions used by SNS Bank. The same goes for the process and structure for the assessment and implementation of new legislation and regulations.

Improving control
To improve control, we performed a strategic risk analysis as part of the preparation of the annual budget. The analysis reveals the risks that threaten achievement of the objectives.

Controlling changes
SNS Bank has created a programme portfolio to manage the desired change centrally. The portfolio comprises programmes and projects that contribute to strategy achievement. Project risk control forms a standard part of this uniform project approach.

Controlling processes
Value stream management gives a complete picture of all risks at process level. It supports the business units in identifying the complete primary banking and supporting processes. Value stream management comprises a set of activities performed to increase customer focus, avoid waste in the chain, and clarify and bring order to the internal control structure. This puts us in a better position to maintain a grip on our business operations and gives management better control information. In 2015, a large number of processes were addressed within this project.

Frequent monitoring of risks
We are working to improve monitoring, adjustment and follow-up, taking account of performance, risks, incidents and losses. We have introduced a new quarterly report that provides insight into current non-financial risks, operational losses and the follow-up to actions mitigating the top risks. In combination with the quarterly report on top financial risks this gives us a more complete picture that we can use as a basis for taking adjustment measures.

6.9.4.2 Data management
Active (customer) data management is becoming increasingly important in banks' business operations. On the one hand, data form an essential source of information for operational management and for serving customers more effectively. On the other, the supervisory authority is setting increasingly high requirements for the quality, level of detail and rapid availability of data. The supervisory authority is also requesting detailed information that differs from the regular reports more and more frequently. We are undergoing a development towards data-driven supervision, so it is very important to have our data management in order. We recognise that the inability to meet the regulator's requirements is a risk.

In the run-up to SNS Bank's disentanglement, it was established that an investment needed to be made in the way we store data in our systems and in the way we exchange and incorporate these data in our processes. The data warehouse serves as the locus of our data architecture, allowing data from various existing source systems to be accessed. We are aiming to expand and improve this data warehouse and initiated a strategic Data Management programme to this end in 2015. The purpose of this programme is to develop a single integrated data set that allows our own business operations to function more effectively and efficiently and that enables us to provide reports to the supervisory authority and others more easily.

6.9.4.3 Reputation

An organisation's reputation is the sum of the experiences and expectations of stakeholders. Management of SNS's reputation across the organisation enables us to reduce the reputational risks and to make the most of communication opportunities. It helps us to make specific choices in the spirit of the Manifesto. We are aiming for a clear and distinctive profile to win customers, employees and – in the longer term – investors.

In the fourth quarter of 2015, SNS Bank started measuring its own and its brands' reputation using a tried and tested reputation measurement model, the RepTrak monitor. It is a scientific and commonly used standard in reputation measurement and management, allowing us to benchmark our scores effectively and perform reliable trend analyses.

6.9.4.4 IT organisation and cyber resilience

Change

The IT organisation is primarily responsible for supporting the business units in the implementation of changes to existing services. We design our IT processes in accordance with generally accepted standards and best practices or variants of these, such as the Capability Maturity Model for Software Development (CMMI-DEV), PRINCE2, Business information Services Library (BiSL) and Managing Successful Programs (MSP). Within the IT organisation there are three key processes for making changes to the information provision and infrastructure: Change Management, Release Management and Functional Change Management. SNS Bank uses these processes to ensure that expansions and/or improvements in the existing hardware and software infrastructure and new functionalities are effectively and efficiently implemented in the information systems.

The cyber resilience organisation limits damage to customers and bank

Information security and continuity of services

SNS Bank considers information security and the continuity of services for its customers, 24 hours a day, to be important cornerstones. We control (IT) risks by taking or procuring measures to safeguard the security and continuity of SNS Bank's disclosure of information and critical business processes.

A great deal of (security) research was performed in 2015: (security) incidents were identified in a timely fashion or resolved in an adequate manner. Collaboration within and outside SNS Bank is essential here. Calamities are tested regularly with disaster recovery tests to safeguard continuity. The availability of our core systems and our mobile and online channels was again among the highest in the financial/banking market in 2015.

Cyber resilience

SNS Bank strives to minimise inconvenience for customers and business units resulting from cyber attacks. This is a challenge, because the use of our digital services continues to rise while phishing, malware and Distributed Denial of Service (DDoS) attacks are increasing in frequency and scope. This means that cybercrime may impact increasing numbers of customers. Nevertheless, we have succeeded in limiting the financial loss for customers and the Bank: it is even lower than in previous years. This downward trend is visible in the entire industry, because we collaborate intensively.

Throughout 2015, we invested in the further strengthening of our cyber resilience with a modern approach. We set up a unique organisation in which specialists from the business, risk organisation and IT work together on the security and availability of services to customers. Furthermore, we ensure that the availability of our digital services is constantly being improved and are continuously developing their integrity.

SNS Bank has an Intelligence team comprising a large number of cyber specialists from various departments. As part of the Cyber Resilience organisation, this team makes analyses that we use to further improve the effectiveness of our fight against cybercrime. This is achieved by, for instance, further improvement and integration of our detection and response measures and by intensive interbank collaboration, which enables us to respond to cyber attacks rapidly and flexibly – now and in the future. The risk specialists contribute more than just their knowledge: in their role in the second line of our 'three lines of defence' model they provide independent advice and escalate where necessary.

6.9.4.5 Compliance and integrity

Ethical business conduct is fundamental to SNS Bank and encompasses the integrity of our directors, staff, products and services as well as that of our customers and partnerships. SNS Bank aims to put banking with a human touch into practice, using the Manifesto as our guide. This is reflected in the conduct of management and staff, which is to contribute to restoring trust in our company and in the financial market in general.

Employee integrity

The integrity of our employees is crucial. The Supervisory Board and the Board of Directors were the first to take the bankers' oath in early 2015. Employees began to take the bankers' oath in the first quarter of 2015, also indicating their submission to the disciplinary rules that apply to banks in the Netherlands.

We also included questions on integrity in the employee survey we have performed each year to assess the extent to which desirable employee behaviour is being encouraged and undesirable behaviour is being prevented. The results show that SNS Bank scores well, and scores better on a number of topics such as the practical application of rules and commitment than in 2014.

In 2015, the 'Common Sense, Clear Conscience' Code of Conduct and the supplementary rules of conduct for employees were amended and tailored to SNS Bank. The Code of Conduct is now in line with the Bank's Manifesto.

Since 1 January 2015 we have a Sanctions Committee that determines whether measures should be imposed on employees who break the rules of conduct and, if so, what those measures should be. The acts concerned are those that lead to a serious breach of the Bank's trust in its employees and/or damage to SNS Bank's reputation. The Sanctions Committee also safeguards the consistency of the measures imposed. If there is reason to do so, the Sanctions Committee decides whether the infringement of the rules has to be reported to the supervisory authorities or the Foundation for Banking Ethics Enforcement. The Sanctions Committee met four times in 2015 to give a decision on such infringements and to determine appropriate measures. In two cases this led to dismissal, and in two cases to a discussion with the employee about ethical conduct.

Customer integrity

The Customer Integrity Policy, which aims to prevent money laundering and the financing of terrorism, was revised on 1 July 2015. SNS Bank uses this policy to protect its integrity as well as the interests of other stakeholders such as customers.

We are winding up the Customer Integrity programme that was initiated in 2014 to further supplement customer information and reinforce various control measures in the customer management process.

Customers' interests and trust

Product development and review involves focusing on such matters as the added value that our products have for customers and whether the information about those products is comprehensible. We have also assessed whether our new website, www.snsbank.nl, offers our customers comprehensible, correct information in accordance with the applicable requirements set by law.

6.9.4.6 Customer privacy

SNS Bank sets great store by privacy. Being clear and transparent about how we deal with personal data is important to us; it gives both customers and employees confidence that their data are in good hands.

We have a privacy programme in place to offer this security and to safeguard the confidentiality of personal data in our business operations. We performed privacy impact assessments on our systems in 2015 and will repeat these periodically over the next few years. We are developing a central system to record the privacy permissions obtained from customers. Various processes are being introduced that monitor customer rights, such as the right of inspection. We have also improved the process that is initiated if there is a possible data leak.

Confidential personal information

A 'Privacy Day' is organised twice a year to raise privacy awareness among our employees and we are devoting additional attention to people's awareness of the occurrence of possible data leaks. On the intranet, employees can obtain the information they need on how to safeguard the privacy of customers and themselves.

A new governance structure has been set up for privacy assurance. We have appointed a Privacy Officer and Privacy Staff, who monitor compliance with privacy regulations and privacy protection. The Privacy Staff are located decentrally in various places in the organisation, where they are the point of contact on privacy matters. The Privacy Officer is the central point of contact for both the organisation and the supervisory authority.

6.9.4.7 Supervisory authority's increased requirements

The financial crisis has resulted in more legislation and regulations to protect customers, to make banks more resilient and to make the financial services industry more robust. Another consequence is the modified supervision, centralised at European level.

In 2015 we saw the publication of a large number of standards providing the details of the legislative frameworks. We have also had intensive communication and data exchange with our regulator. As stated, we also see this increased regulatory pressure and constant stream of new laws and regulations as a risk. It places considerable demands on the specialists we can deploy for this purpose and on the capacity for changing processes and systems. We do not expect this to lessen over the coming year.

To safeguard the timely identification and implementation of new regulations, we set up a Regulatory Board in 2014 to identify prudential rules. Working groups work under this Board to further develop identification, impact analysis, implementation and compliance monitoring practices. The Regulatory Board's monitoring has increased our understanding and helps us to improve our control. We set priorities where necessary to effectively deploy the manpower available. We monitor developments closely and, where possible, assess the effects of proposed legislation and regulations. We also contribute to consultations by the Dutch and European regulators.

Our contact with the European supervisory authority is frequent and intensive. The introduction of uniform reporting processes and queries made by the EBA, the ECB or other authorities impose high requirements in respect of the rapid availability of data, reports and policy-related information in prescribed templates. As part of its regular supervision, the supervisory authority also performs on-site inspections and regularly exchanges ideas with the bank's management. To streamline communication with the supervisory authority, we will set up a separate ECB Office in 2016 to serve as a linking pin between the supervisory authority and the bank.

6.9.5 CAPITAL REQUIREMENTS FOR NON-FINANCIAL RISKS/OPERATIONAL RISK

We maintain capital to absorb unexpected losses that may arise as a result of the occurrence of non-financial risks. In 2015, this was € 136 million (2014: € 125 million). We apply the standardised approach to calculate the statutory capital requirements for non-financial risks in accordance with CRD IV (Pillar 1). The Bank's income is split by risk weight, in categories such as retail banking, payment and settlement, and retail brokerage. Depending on the category, we keep between 12 and 18 percent of the income as capital charges. Apart from the Pillar 1 calculation, we make a Pillar 2 calculation of the capital charges. As Pillar 1 and Pillar 2 differ to a limited extent only, we are examining whether a more advanced calculation method would be useful and necessary.

We also perform the Internal Capital Adequacy Assessment Process (ICAAP) every year, based on which we determine the amount of capital required. Please refer to Section 6.4 for a further explanation of the ICAAP.


hp

IN 2015 OUR CUSTOMER SERVICE CENTRE RECEIVED

1.8mn

PHONE CALLS

IN 2015 OUR CUSTOMER SERVICE CENTRE RECEIVED

203,000

E-MAILS

7 Corporate governance

This chapter addresses various topics in the field of corporate governance. The compositions of Board of Directors and Supervisory Board of SNS Holding are described. The last section includes the management statements.

7.1 COMPOSITION, APPOINTMENT AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors consisted of the following persons as at 31 December 2015:
- Maurice Oostendorp,
- Alexander Baas
- Rob Langezaal
- Annemiek van Melick
- Martijn Wissels

All members of the Board of Directors have the Dutch nationality.

The members of the Board of Directors also serve on the Board of Directors of SNS Holding BV (SNS Holding), thus forming a personal union. Meetings of the Board of Directors of SNS Holding are combined with meetings of the Board of Directors of SNS Bank NV (SNS Bank).

The Board of Directors is composed in such a way that it is able to perform its tasks adequately through the combined knowledge of its members and the experience of each member. Individual members have extensive expertise and knowledge of the financial or banking industry. Collectively, members of the Board of Directors have experience with and knowledge of SNS Bank's products and services, good corporate governance, setting up organisations and (risk) management, information technology, communication, commerce and operational processes.

As at 31 December 2015, the proportion of women on the Board of Directors was 20 percent. This means that the target ratio described in the Management and supervision Act was not met. However the target proposed by the Monitoring Talent to the Top Committee – 20 percent female representation on the Board of Directors by 31 December 2019 – was achieved in 2015. SNS Bank drawn up internal diversity guidelines in 2015, including implementation and safeguarding arrangements.

For more information on the members of the Board of Directors, please refer to Additional information on the composition of the Board of Directors.

Due to Martijn Wissels's illness, Jeroen Dijst has acted as ad interim CRO since 1 September 2015.

Members of the Board of Directors are appointed, dismissed and suspended by the General Meeting of Shareholders. Such resolutions require prior approval of the Supervisory Board and NLFI. The Supervisory Board appoints one member of the Board of Directors as Chairman, on the General Meeting's recommendation.

Appointments are for a period of four years. Reappointments are for a period of no more than four years at a time.

Name	Appointed until
Maurice Oostendorp	17 August 2019
Alexander Baas	1 October 2019
Rob Langezaal	1 October 2019
Annemiek van Melick	1 October 2019
Martijn Wissels	1 November 2016

Because of the personal union, the terms of office stated are the same for the directors of SNS Holding.

The Board of Directors' resolutions are passed by a majority of the votes cast. The rules governing the formal aspects of the functioning of the Board of Directors are laid down in SNS Holding's Articles of Association and Regulations for the Board of Directors. SNS Holding's Articles of Association and the Regulations for the Board of Directors list resolutions that require the approval of the Supervisory Board and/or General Meeting of Shareholders.

The Board of Directors is responsible for the adequate management of SNS Bank and is accountable to the General Meeting of Shareholders and internal and external regulatory authorities.

In everything it does, the Board of Directors ensures that all the interests of the parties involved with SNS Holding and SNS Bank, such as its customers, shareholder and employees, are carefully considered. In doing so, account is taken of SNS Bank's continuity, the social environment in which SNS Bank operates and the laws and regulations and codes applicable to SNS Bank and SNS Holding. The Manifesto is a beacon guiding the Board of Directors' thoughts and actions.

In connection with the transfer of SNS Bank to the Dutch State on 30 September 2015, NLFI, SNS Holding and SNS Bank signed a Memorandum of Understanding (MoU) containing arrangements about how duties and powers of the Board of Directors, Supervisory Board and shareholder, as laid down in the Articles of Association of SNS Holding and SNS Bank, are to be carried out and exercised in practice.

The State's/NLFI's stake through SNS Holding in SNS Bank will be phased out in due course. SNS Bank is drafting a future-proof strategic plan, also with a view to this privatisation . NLFI will then include this plan in the considerations that will result in its advice to the Minister of Finance regarding the ownership of SNS Bank.

The transfer of SNS Bank on 30 September 2015 caused major changes in the governance and organisational structure of SNS Bank in 2015. SNS Holding's only role is to hold the shares in SNS Bank. All relevant considerations regarding SNS Bank's policy are made at SNS Bank level. It is also at this level that the Banking Code and the Corporate Governance Code are applied. The Regulations for the Board of Directors have been adapted to reflect the new situation and were formally amended on 1 October 2015.

7.2 COMPOSITION, APPOINTMENT AND DUTIES OF THE SUPERVISORY BOARD

The Supervisory Board members also serve on the Supervisory Board of SNS Holding, thus forming a personal union. Meetings of the Supervisory Board of SNS Holding are combined with meetings of the Supervisory Board of SNS Bank.
The Supervisory Board consisted of the following persons as at 31 December 2015:

- Jan van Rutte, Chairman
- Charlotte Insinger
- Monika Milz
- Jos Nijhuis
- Ludo Wijngaarden

Four members of the Supervisory Board have the Dutch nationality. One member of the Supervisory Board is a German national.

The Supervisory Board is composed in such a way that it is able to perform its tasks adequately through its combined knowledge and experience. Individual members have extensive expertise and knowledge of the financial services sector or banking industry. Collectively, the Supervisory Board members have experience with and knowledge of SNS Bank's products and services, good corporate governance, setting up organisations and (risk) management, information technology, communication, commerce and operational processes.
As at 31 December 2015, the proportion of women on the Supervisory Board was 40%, which means that the Management and Supervision Act's target ratio was met in 2015. The target proposed by the Monitoring Talent to the Top Committee – 20% women representation on the Supervisory Board by 31 December 2019 – was also achieved in 2015.

For more information on the members of the Supervisory Board, please refer to Additional information on the composition of the Supervisory Board.

Members of the Supervisory Board are appointed, dismissed and suspended by SNS Bank's General Meeting of Shareholders of SNS Holding (comprising NLFI). Appointments will be made on the recommendation of the Supervisory Board of SNS Holding. The Works Council of SNS Bank has the right to nominate at least one third of the members of the Supervisory Board for appointment.

NLFI appoints the Chairman of the Supervisory Board of SNS Holding and may dismiss or suspend this person. The Supervisory Board may submit a recommendation to NLFI to this end. NLFI only deviates from recommendations submitted by the Supervisory Board on well-reasoned grounds.

Appointments are for a period of four years. Reappointment for a subsequent four-year term is only approved after careful consideration, and at most twice. When reappointing Supervisory Board members, due consideration is given to the profile of the Supervisory Board, the performance of the individual concerned, terms of office and other criteria to be determined further from time to time.

Name	Appointed until
Jan van Rutte	1 November 2017
Charlotte Insinger	6 June 2017
Monika Milz	1 November 2017
Jos Nijhuis	6 June 2017
Ludo Wijngaarden	6 June 2017

Because of the personal union, the same applies for the Supervisory Board members of SNS Holding.

Supervisory Board resolutions are passed by a majority of the votes cast . The rules governing the formal aspects of the functioning of the Supervisory Board are laid down in SNS Holding's Articles of Association and Regulations for the Supervisory Board, which also specify its main duties and relationship with the Board of Directors. The main duties of the Supervisory Board are its role as employer with respect to the Board of Directors and the supervision of:

- The achievement of SNS Bank's objectives;
- The strategy and risks associated with the business activities;
- The risk policy pursued by the Board of Directors;
- The design and effectiveness of internal risk management and control systems;
- The financial reporting process;
- Compliance with laws and regulations;
- The integrity of business operations;
- The relationship with the shareholder;
- The relevant social aspects of running a business.

In everything it does, the Supervisory Board ensures that all the interests of the parties involved in SNS Bank and SNS Holding, such as its customers, shareholder and employees, are carefully considered. In so doing, account is taken of SNS Bank's continuity, the social environment in which SNS Bank operates and the legislation, regulations and codes applicable to SNS Bank. The Manifesto is a beacon guiding the Supervisory Board's thoughts and actions.

In principle, the Supervisory Board meets six times a year in accordance with a schedule drawn up annually. Supervisory Board resolutions are passed by a majority of the votes cast.

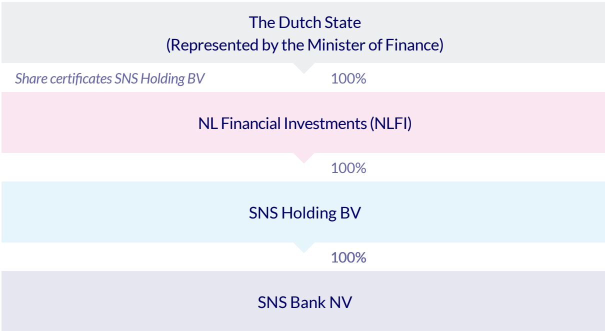
In connection with the transfer of SNS Bank, the Regulations for the Supervisory Board have also been adapted to reflect the new situation and were formally amended on 30 September 2015.

7.3 TRANSFER OF SNS BANK AND EC COMMITMENTS

TRANSFER OF SNS BANK

Upon its transfer to the Dutch State effective 30 September 2015, SNS Bank became an independent bank. SNS Bank was sold by SRH (formerly: SNS REAAL NV) at a purchase price of € 2.7 billion. SNS Bank is a direct and wholly-owned subsidiary of SNS Holding. This holding company is a direct subsidiary of NLFI, which issued depositary receipts for shares to the Dutch State. The European Commission (EC) informally indicated that it does not consider the purchase of SNS Bank by the Dutch State to be State aid. Both SNS Bank and SNS Holding publish consolidated financial statements.

Organisation Holding



COMPLETION OF DISENTANGLEMENT

SNS Bank's transfer also marked the completion of SRH's disentanglement. Effective 1 January 2015 all of the Bank's employees moved to, and entered the employ of, SNS Bank. In 2014 some of the staff members of SRH had already been transferred to SNS Bank, followed by the other staff members in the first six months of 2015. SRH thus completed the transfer of the administrative structure to the Bank.

EC COMMITMENTS

Following SRH's nationalisation on 1 February 2013, the EC gave final approval for the measures and the restructuring plan of the Minister of Finance on 19 December 2013. The EC imposed a number of conditions and restrictions on SNS Bank that, unless provided otherwise, apply until the end of the restructuring period in late 2017. The main conditions and restrictions are:

- An acquisition ban applies for a period of three years starting from the date of the EC decision;
- SNS Bank is not permitted to advertise the fact that it is State-owned or make any reference to the State aid received in its communications with existing and/or potential customers or investors;
- SNS Bank is to refrain from making any payments on hybrid debt instruments outstanding at the time of the EC decision, unless those payments stem from a legal obligation, and will not repay or buy back those instruments without prior approval from the EC;
- Restrictions apply to the remuneration of employees and senior management until the end of the restructuring period or until SRH has repaid the State aid.

The sale of VIVAT Verzekeringen (VIVAT) by SNS REAAL to Anbang Insurance Group Co., Ltd . on 26 July 2015, the disentanglement of the administrative structure and the financial interdependence between Bank and Insurer and the sale of Propertize (2013) were conditions the EC had imposed on SRH. Owing to the stand-alone position of SNS Bank, the book loss incurred on the sale did not impact SNS Bank's regulatory capital position.

CLAIMS AND LEGAL ACTIONS

At the time of drawing up this annual report, no court proceedings had (yet) been initiated against SNS Bank NV in connection with the nationalisation other than those described in note 20 Off-balance sheet assets and liabilities to the financial statements.

7.4 MANAGEMENT STATEMENTS

IN-CONTROL STATEMENT

The Board of Directors of SNS Holding hereby declares that it has ascertained with a reasonable degree of assurance that the material risks SNS Holding and SNS Bank is facing are actually identified and that these risks are adequately monitored and controlled. The basis for this is the risk management organisation (control framework).

SNS Bank NV has a structured process of completion of internal In-Control Statements at department level, which are then aggregated at board level. Grounds on which the results of the In-Control Statements are based are discussed with the relevant experts and subsequently weighted, reviewed and adopted by the Board of Directors.

The Board of Directors of SNS Bank is responsible for the set-up and presence of an integrated risk management system that operates effectively. This system is designed to manage the risks that may prevent SNS Holding from achieving its objectives. This system provides a reasonable degree of assurance but cannot, however, provide absolute assurance that material misstatements, fraud or violations of laws and regulations are avoided.

Control framework

In addition, SNS Bank implemented the ‘three lines of defence’ model with a clear underlying organisational structure and accompanying accountability structure as laid down in governance and risk committees.

Over the past year, SNS Bank focused its attention on the ongoing development and implementation of the Integrated Control Framework (ICF). The accountability structure, based on the underlying organisational structure, is laid down in governance and risk committees.

SNS Bank’s risk management is centred around risk appetite, which expresses the amount of reasonably foreseeable risk SNS Bank is prepared to accept in pursuing its objectives, taking its strategy and business and earnings models into account. In the annual Operational Plan (OP) cycle, the risk appetite and strategic objectives for the years ahead are translated into key risk indicators, operational objectives, budgets and investment needs. The main risks that are associated with the implementation of the OP are identified by means of a Strategic Risk Assessment (SRA). The OP cycle forms the basis for both the monthly and the quarterly control cycle. This cycle is carried out throughout the company and includes reports on performance data, the related development of risks and the need to control these risks.

The effectiveness of the key control measures and monitoring is regularly inspected and tested.

Developments

SNS Bank aims at controlled and responsible business operations and has ascertained that certain areas require improvements. These improvements are mainly directed at redesigning processes via value stream management, managing and controlling the extensive Bank-wide change programmes, improving the quality of Finance and Risk data in particular and internal control accountability. In doing so, SNS Bank ensures that processes are carried out appropriately, reports are reliable, laws and regulations are complied with, thus showing that SNS Bank is demonstrably in control [excellent business operations and excellent customer experience with a moderate risk profile].

In 2015, this ambition of SNS Bank with respect to controlled and responsible business operations was translated into specific action plans for the business units, which are based on the starting points of the ICF. This year, these action plans will be further operationalised and periodically evaluated. Various measures for improvement and change programmes will lay a solid foundation for achieving a demonstrably more mature level of controlled business operations.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management and control systems for financial reporting constitute an integral part of the entire risk management and control system of SNS Holding and Bank. The key elements for the management of financial reporting are:

- The Finance Management Team that establishes the framework for policies and the structure of financial accounting systems and processes.
- The business units and staff departments that are responsible for the execution of the work and thus for the accurate and complete recording of transactions and reporting thereon.
- A system of financial key controls within the accounting and reporting departments, to monitor the proper functioning of the management and control system for financial reporting.
- The Finance Management Team's assessment of the financial reporting, based in part on the results from the financial key controls. Approval is subsequently given by the Board of Directors of SNS Bank. The findings from the reporting process are, together with the financial reporting itself, discussed in the Audit Committee.
- The internal audit department examines the effectiveness of this system. Moreover, the external auditor reports on the system of financial key controls to the extent he has findings in this respect in the context of his audit of the financial statements. The findings are discussed with the financial and risk committees of the Bank, the Board of Directors and the Audit Committee.

We are of the opinion that the measures will lead to an adequate control over the financial reporting.

TRANSPARENCY STATEMENT

The members of the Board of Directors of SNS Holding state the following: "SNS Holding prepares the 2015 consolidated and company financial statements of SNS Bank NV in accordance with International Financial Reporting Standards (IFRS) as adopted within the European Union (EU) and with Title 9 Book 2 of the Dutch Civil Code and, to the best of our knowledge, they give a true and fair view of the assets, liabilities, size and composition of equity, financial position as at 31 December 2015 and the financial results and companies included in the consolidation. The annual report gives, to the best of our knowledge, a true and fair view of the position as at the balance sheet date and the development and performance of the business during the financial year. The principal risks SNS Holding faces are described in the annual report."

Utrecht, 23 March 2016

Maurice Oostendorp (Chairman)
Alexander Baas
Rob Langezaal
Annemiek van Melick
Martijn Wissels[10]

7.5 REMUNERATION REPORT

Introduction

The members of the Board of Directors of SNS Holding and the Supervisory Board of SNS Holding do not receive any compensation for their activities from SNS Holding as these activities are part of their responsibilities as a member of the Board of Directors and the Supervisory Board of SNS Bank, respectively. SNS Bank, on the other hand, awards remuneration that sees to both the position of member of the Board of Directors and the Supervisory Board of SNS Holding, respectively, and the position of member of the Board of Directors and the Supervisory Board of SNS Bank, respectively.

The Remuneration Report sets out the remuneration policy for the Board of Directors of SNS Bank (Board of Directors) and the Supervisory Board of SNS Bank NV (Supervisory Board) for 2015. For more information about the remuneration policy of SNS Bank, we refer you to the Corporate Governance section on our website: www.snsbanknv.nl.

The remuneration policy of SNS Bank is compliant with the relevant legal requirements as laid down in the Dutch Corporate Governance Code, the Banking Code, the Regulation on Sound Remuneration pursuant to the Financial Supervision Act 2014 (*Regeling beheerst beloningsbeleid Wft 2014, Rbb 2014)* and the Act on Remuneration Policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen, Wbfo*), which was introduced on 7 February 2015, and other applicable regulations.

This Remuneration Report is structured as follows:

1. Principles and governance
2. Remuneration policy of the Board of Directors SNS Bank
3. Actual remuneration of the Board of Directors for 2015 SNS Bank
4. Remuneration policy of the Supervisory Board SNS Bank
5. Actual remuneration of the Supervisory Board for 2015 SNS Bank

PRINCIPLES AND GOVERNANCE

Principles

The basis for SNS Bank's remuneration policy is laid down in the 'SNS Bank NV Group Remuneration Policy' (Group Policy). This Group Policy applies to all brands, business units and employees of SNS Bank, including the Board of Directors SNS Bank. To external employees engaged temporarily by SNS Bank, only the Group Policy's section on External Staff Remuneration applies. The Group Policy defines the way in which SNS Bank wants to deal with remuneration. It responds, and gives direction, to the many current developments in the field of remuneration practices.

The remuneration policy is based on the following principles, i.e. it

- is compliant with applicable laws and regulations
- is characterised by its consideration for all stakeholders of the company i.e. its customers, employees, shareholder and society and starts from a human touch;
- contributes to a healthy balance between the organisation's revenues and profitability on the one hand and labour costs and our positon in the labour market on the other;
- is transparent;

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[10] The annual report is not signed by M. Wissels in connection with his absence due to illness.

- matches the risk profile of SNS Bank and the risk profile of the relevant staff member;
- is compliant with and contributes to sound and effective risk management and does not encourage staff to take more risks than acceptable to the company;
- does justice to the requested output of the relevant staff member;
- attracts and retains sufficient talent, taking SNS Bank's specific position into account;
- contributes to the realisation of SNS Bank's business strategy and long-term interests;
- offers an appropriate balance between the fixed and variable remuneration;
- is as consistent as possible throughout the group to encourage the exchange and movement of staff to other positions.

Governance

The Group Policy includes a governance framework that sets out the division of duties and responsibilities in relation to SNS Bank's remuneration policy. Parties involved are the Supervisory Board of SNS Bank, the Board of Directors of SNS Bank and various other staff departments of SNS Bank including control departments Risk, Compliance and Audit. In addition, the Risk Committee (RC) discusses the Group Policy from a risk management perspective once a year. In the event of any changes, SNS Bank will perform (or outsource) scenario analyses to show the effects of these changes under different economic conditions.

Supervisory Board

The Supervisory Board of SNS Bank adopts the Remuneration Report. The Remuneration Report contains an account of how the remuneration policy for members of the Board of Directors of SNS Bank has been put into practice during the past financial year as well as an overview of the remuneration policy. In the case of any special allowance awarded to a (former) director during the financial year, the Remuneration Report will include an explanation for this allowance. The Remuneration Report will in any event account for and provide an explanation for any allowances that have been paid or promised to a director who has left the company during the financial year. In 2015, no such allowances were awarded.

The Supervisory Board of SNS Bank is responsible for the implementation and evaluation of the adopted remuneration policy for members of the Board of Directors of SNS Bank. This remuneration policy is adopted by the shareholer. The Supervisory Board of SNS Bank also approves the remuneration policy for Senior Management as proposed by the Board of directors and monitors its implementation by the Board of Directors of SNS Bank. Likewise, the Supervisory Board of SNS Bank approves the principles of the remuneration policy proposed by the Board of Directors of SNS Bank for other SNS Bank staff. The remuneration policy of SNS Bank also includes the policy on awarding retention, buy-out and sign-on fees.

The Supervisory Board of SNS Bank approves the general principles of the remuneration policy as referred to in the *Rbb 2014* and periodically reviews these principles. The Supervisory Board of SNS Bank is also responsible for the implementation of the remuneration policy as referred to in the Regulation on *Rbb 2014*. In addition, the Supervisory Board of SNS Bank will at least once a year arrange for a central and independent internal review of the implementation of SNS Bank's remuneration policy on compliance with the policy and procedures for the remuneration as adopted by the Supervisory Board of SNS Bank.

The Supervisory Board of SNS Bank annually discusses the highest variable remunerations. The Supervisory Board of SNS Bank sees to it that the Board ensures that variable remuneration is in keeping with the adopted remuneration policy of SNS Bank and in particular that the variable remuneration complies with the principles as set out in the Banking Code on remuneration policy. The Supervisory Board of SNS Bank also discusses any highly exceptional material retention, sign-on and buy-out fees and sees to it that they are in keeping with the adopted remuneration policy of SNS Bank and are not excessive.

The Supervisory Board of SNS Bank directly supervises the remuneration of the directors of the control departments, i.e. Risk, Compliance and Audit. If so required, the Supervisory Board may call upon the expertise of independent remuneration experts.

Board of Directors

The Board of Directors of SNS Bank is responsible for all remunerations schemes of SNS Bank with the exception of the remuneration policy for the Board of Directors and Senior Management of SNS Bank. The Board of Directors of SNS Bank approves policy proposals and presents these to the Supervisory Board of SNS Bank for review where necessary.

In exceptional situations (not involving the Board of Directors of SNS Bank itself) and on good grounds, the Board of Directors of SNS Bank has the discretionary power to deviate from the remuneration policy as adopted, insofar as laws and regulations permit. Any such deviations are subject to prior review by the Supervisory Board of SNS Bank.

The Board of Directors of SNS Bank has a number of specific responsibilities with regard to remuneration, such as decision-making on the application of the reasonableness test to Senior Management and Other Identified Staff, approving benchmarks for Senior Management and other employees (market competitiveness of the total remuneration) and approving any highly exceptional material retention, sign-on and buy-out fees for staff members, with the exception of the members of the Board of Directors.

Staff departments

A Remuneration Steering Group, comprising various staff departments of SNS Bank, monitors the remuneration policy and compliance with the remuneration policy. SNS Bank Staff departments involved are Risk, Compliance, Finance, Legal Affairs and Human Resources.

The Audit Department periodically performs independent audits of the set up and implementation of remuneration policies.

REMUNERATION POLICY OF THE BOARD OF DIRECTORS

Remuneration components

At reappointment the member of the Board of Directors of SNS Bank enters into a contract for services, or a temporary contract of employment, with SNS Bank for the duration of a four-year term.

The remuneration of the members of the Board of Directors of SNS Bank (including the Chairman) consists of the following components:

- Fixed annual salary;
- Pension contributions;
- Other fringe benefits.

These remuneration components are explained in more detail in the sections below. Members of the Board of Directors of SNS Bank (including the Chairman) are not entitled to any variable remuneration.

Fixed annual salary

As from 1 July 2015, the fixed salary of the Chairman of the Board of Directors of SNS Bank is set at € 396,000. Until the transfer of SNS Bank as from 1 October 2015, the Chairman of the Board of Directors was also a member of the Executive Board of SNS REAAL (current name SRH) and until this privatisation, the salary of the Executive Board of SNS REAAL was applicable. The fixed annual salary of other members of the Board of Directors of SNS Bank ddepends on where on the scale they are. As from 1 July 2015, the maximum of the salary scale is € 324,170.

Members of the Board of Directors of SNS Bank are not entitled to an increase in the fixed annual salary (with the exception of collective pay rises) as long as SNS Bank falls within the scope of the prohibition of bonuses of the *Wbfo*.

Benchmarking

In May 2015, a new peer group benchmark was conducted for all members of the Board of Directors of SNS Bank with respect to:

1. The financial benchmark group: consisting of financial institutions operating in the Netherlands, or having their registered office in the Netherlands. Given SNS Bank's small size, the 'large' Dutch financial institutions were not included in the benchmark, with the exception of some of these banks' business units.
2. The cross-industry benchmark group: consisting of (a selection of) companies listed on the AMX index and AMCX in May 2015.

Benchmark 2015

in €	Remuneration policy SNS Bank	Median financial peer group	Median cross-industry peer group
CHAIRMAN OF THE BOARD OF DIRECTORS			
Fixed	396,000	540,000	455,000
Variable short and long	--	110,000	340,000
Total fixed + variable short and long	396,000	650,000	795,000
MEMBER OF THE BOARD OF DIRECTORS			
Fixed[1]	324,170	380,000	330,000
Variable short and long	--	75,000	200,000
Total fixed + variable short and long	324,170	455,000	530,000

1 For SNS Bank, the comparison of the fixed salary is based on the salary scale maximum. Members of the Board of Directors have not yet reached the scale maximum.

The benchmark shows that the Group Policy (and actual remuneration) for all members of the Board of Directors of SNS Bank is more sober than required by the Banking Code (i.e. below the median for comparable positions within and outside of the financial services sector).

Performance targets

Performance targets for the Board of Directors of SNS Bank are set by the Supervisory Board of SNS Bank on an annual basis. The performance targets must meet several requirements (requirements pursuant to laws and regulations, supplemented by a number of requirements established by the Supervisory Board of SNS Bank).

Control departments Risk and Compliance and staff departments of SNS Bank Finance and HR monitor the performance targets prior to the performance period (ex ante risk analysis) and report their findings to the Remuneration and Nomination Committee. The performance targets are ultimately established by the Supervisory Board of SNS Bank .

The performance targets are derived from SNS Bank's long-term strategic goals and take the desired risk profile into consideration.

When establishing performance targets, all stakeholders of SNS Bank, including customers, employees, the shareholder and society, are taken into account where relevant and possible.

After each performance period has been completed, the Supervisory Board of SNS Bank determines the extent to which performance targets have been achieved by the Board of Directors of SNS Bank .

The table below provides an overview of the performance targets of the Board of Directors of SNS Bank .

Performance targets Board of Directors

	Performance year 2015		Performance year 2016		
Target	KPI	Weighting[1]	Target	KPI	Weighting[1]
30% financial	1 Net result SNS Bank N.V.	20%	0% financial		
	2 Return on Equity (ROE)	5%			
	3 Cost over assets	5%			
70% non financial	4 Customer orientation	20%	100% non financial	1 Net Compliant Customer Growth	15%
	5 Employee satisfaction	10%		2 Customer experience	15%
	6 Manifesto	10%		3 Employee commitment	15%
	7 Marketshare	10%		4 Integrated Control Framework	15%
	8 Strategic projects	20%		5 SNS Bank's new strategy	15%
				6 Manifesto	15%
				7 Savings/Mortgages balance	10%
Total		100%			100%

1 The weighting is the average of the members of the Board of Directors

Pension contribution

The Board of Directors of SNS Bank participates in tthe same pension scheme as all other SNS Bank employees, as is laid down in SNS Bank's Collective Labour Agreement. Thus, the Board of Directors also pays the 4.5% member's contribution on the pension basis as set out in the Collective Labour Agreement. Pensions are not granted on a discretionary basis.

Pension accrual for pensionable income in excess of € 100,000 ceased with effect from 1 January 2015 by virtue of legislation. To everyone to whom this applies the employer's portion of the premium in excess of € 100,000, which was previously paid to the pension fund, will now be paid in the form of a gross supplement of 16.35%. This change does not affect the costs. The arrangement for this fixed supplement will be evaluated after three years. In the table presenting the remuneration of Board of Directors, this premium is included in line item 'Other' .

The other adjustment in the fiscal pension accrual framework (known as the Witteveen framework 2015), i.e. the reduction in the accrual rate, is not compensated.

Other fringe benefits

SNS Bank took out two insurance policies for the Board of directors of SNS Bank that are regarded as income, a disability insurance and a term life insurance. The corresponding premiums are paid for by SNS Bank. In the table presenting the remuneration of Board of Directors of SNS Bank , these premiums are included in line item 'Other' .

In the event of termination of employment at SNS Bank's initiative through no fault of the director, the latter is entitled to compensation in accordance with the subdistrict court formula that came into effect on 1 January 2009 with a maximum of one year's salary.

Other fringe benefits are in keeping with the terms and conditions that apply to the majority of the employees.

ACTUAL REMUNERATION OF THE BOARD OF DIRECTORS FOR 2015

The table below gives an overview of the actual remuneration for each member of the Board of Directors of SNS Bank . In 2014, Steenpoorte and Oostendorp, in addition to serving on the Executive Board of SNS REAAL, also served as a member of the Board of Directors of SNS Bank from 1 January to 30 June. The remuneration of Steenpoorte and Oostendorp was not passed on and was borne in their entirety by SNS REAAL, hence this remuneration is not shown in the table below. When Mr Okhuijsen stepped down as a member of the Board of Directors of SNS Bank, he stayed on as a member of the Board of Directors of SRH. From this moment on, his remuneration will only be reported on in SRH's Remuneration Report.

Gross remuneration of the Board of Directors

in € thousands	Fixed salary[1] 2015	Fixed salary[1] 2014	Variable remuneration[2] 2015	Variable remuneration[2] 2014	Pension[3] 2015	Pension[3] 2014	Other[4] 2015	Other[4] 2014	Total 2015	Total 2014
M.B.G.M. Oostendorp (Chairman) (from 17-8-2015)[5]	154	--	--	--	7	--	32	--	193	--
V.A. Baas (from 1-7-2014)	252	125	--	--	18	17	53	13	323	155
R.G.J. Langezaal (from 1-7-2014)	302	145	--	--	18	22	72	20	392	187
A.T.J. van Melick (from 1-7-2014)	302	146	--	--	18	23	72	18	392	187
M. Wissels (from 1-7-2014)	284	142	--	--	18	25	67	18	369	185
D.J. Okhuijsen (untill 17-8-2015)	278	440	--	--	11	77	59	35	348	552
Total Board of Directors	**1,572**	**998**	**--**	**--**	**90**	**164**	**355**	**104**	**2,017**	**1,266**

1 The fixed remuneration consists of the fixed annual salary, holiday pay and 13th month bonus.

2 As in previous years, no variable remuneration was paid to the Board of Directors for 2015.

3 The pension is the employer pension contribution minus the employee's personal pension contribution.

4 'Other' includes all remaining remunerations such as the disability insurance premium and life insurance premium (the basis for the valuation of the disability insurance and life insurance is the grossed-up benefit to the employee), the salary supplement as compensation for the loss of pension accrual in excess of € 100,000, the addition for the private use of a company car (or cash compensation) minus the personal contribution(s), the contribution to the health insurance and social security.

5 The fixed remuneration 2015 consists of the remuneration as member of the Executive Board until 1-10-2015 and as Chairman of the Board of Directors as from 1-10-2015. In the period from 17-8-2015 until 1-10-2015, Oostendorp had a double role, that of Chairman of the Board of Directors of SNS Bank and that of member of the Executive Board of SNS REAAL. During that period the remuneration of member of the Executive Board remained in force.

Each year, SNS Bank establishes the relationship between the remuneration of the Chairman of the Board of Directors of SNS Bank and:

1. the average remuneration in the Netherlands in accordance with the Organisation for Economic Cooperation and Development (OECD);
2. the average remuneration at SNS Bank.

Point of departure is the calculation in accordance with the OECD, i.e. the fixed annual salary including the variable remuneration and excluding the social security and pension contributions.
The most recent comparison is the remuneration for 2014 as the 2015 figure of the average remuneration in the Netherlands is not yet known.

In 2014, the remuneration of the Chairman of the Board of Directors of SNS Bank in relationship to the average remuneration in the Netherlands was 10:1. The ratio between the remuneration of the Chairman of the Board of Directors of SNS Bank and the average remuneration at SNS Bank for 2014 was 7:1

Share ownership

The Board of Directors of SNS Bank is designated as Identified Staff. Pursuant to legislation, any variable remuneration to this target group is to be awarded partially in shares (at SNS Bank in the form of 'phantom' shares). The Board of Directors is however not entitled to, nor was it granted, any variable remuneration over the past few years. For this reason, members of the Board of Directors do not own any phantom shares in SNS Bank NV.

Loans

The table below provides an overview of the loans provided to the Board of Directors of SNS Bank and of the loans that were outstanding on 31 December.

Loans outstanding to members of the Board of Directors

	Outstanding on 31 December		Average interest rate		Redemption mortgage loan	
in € thousands	2015	2014	2015	2014	2015	2014
V.A. Baas	232	342	3.65%	3.77%	110	10
R.G.J. Langezaal	766	844	2.54%	2.96%	78	5
Total	**998**	**1,186**			**188**	**15**

REMUNERATION POLICY OF THE SUPERVISORY BOARD

The table below provides an overview of the annual remuneration (excluding 21% VAT) of the Supervisory Board of SNS Bank , the fee per committee and the expense allowance.

Remuneration of the Supervisory Board

in €	
Fixed annual remuneration Chairman of the Supervisory Board	45,000
Fixed annual remuneration member of the Supervisory Board	30,000
Member of the Remuneration & Nomination Committee	3,250
Member of the Risk Committee	3,250
Member of the Audit Committee	7,000
Fixed expense allowance Chairman of the Supervisory Board	2,156
Fixed expense allowance member of the Supervisory Board	1,617

The last benchmark for the Supervisory Board of SNS Bank was conducted in December 2014 (at that time still SNS REAAL) in relation to:

1. The financial market: a group of Dutch (listed) financial institutions;
2. The cross-industry market: a group of medium-sized Dutch (listed) non-financial institutions.

Benchmark December 2014

in €	SNS Bank	Median financial peer group	Median cross-industry peer group
CHAIRMAN SUPERVISORY BOARD			
Fixed remuneration	45,000	62,500	57,500
Fee Audit Committee	7,000	10,000	10,000
Fee ReNomCo	3,250	8,000	8,000
Fee other committees[1]	3,250	8,000	8,000
MEMBER OF THE SUPERVISORY BOARD			
Fixed remuneration	30,000	42,500	42,500
Fee Audit Committee	7,000	7,000	6,000
Fee ReNomco	3,250	5,000	5,000
Fee other committees[1]	3,250	5,000	5,000

1 At SNS Bank only the Risk Committee

ACTUAL REMUNERATION OF THE SUPERVISORY BOARD

The table below provides an overview of the actual remuneration of each member of the Supervisory Board of SNS Bank . It states the remuneration for the fourth quarter only as, in 2015, SNS Bank's Supervisory Board members served both as members of the Supervisory Board of SNS REAAL, presently SRH NV (SRH), and of SNS Bank NV. The remuneration for the period up to the transfer of SNS Bank to the Dutch State on 30 September 2015 will be borne in its entirety by SRH and is, therefore, not included in this remuneration report. For that reason, no remuneration was awarded by SNS Bank for 2014. The current remuneration covers both the position as member of the Supervisory Board of SNS Holding and the position of member of the Supervisory Board of SNS Bank.

Gross remuneration of the Supervisory Board, excluding 21% VAT

	As a member of the Supervisory Board[1]		As a member of a committee[2]		Total	
in € thousands	**2015**	2014	**2015**	2014	**2015**	2014
J.C.M. van Rutte (Chariman)[3]	11	--	4	--	15	--
C.M. Insinger[4]	8	--	3	--	11	--
M.R. Milz[5]	8	--	2	--	10	--
J.A. Nijhuis[5]	8	--	3	--	11	--
L.J. Wijngaarden[5]	8	--	3	--	11	--
J.A. Nijssen[6]	--	--	--	--	--	--
J.J. Nooitgedagt[7]	--	--	--	--	--	--
Totaal	**43**	--	**15**	--	**58**	--

1 Fixed annual remuneration for the membership/chairmanship of the Supervisory Board.

2 Annual remuneration for membership of one or more committees, including fixed expense allowance.

3 Mr Rutte was a member of the Supervisory Board of SNS REAAL until 1-10-2015 and is Chairman of the Supervisory Board of SNS Bank NV as from 1-10-2015.

4 Mrs Insinger was a member of the Supervisory Board of SNS REAAL/SRH throughout the year and separately a member of the Supervisory Board of SNS Bank NV as from 1-10-2015.

5 The remuneration in the table under 2015 is related to the fourth quarter at SNS Bank NV

6 Mr Nijssen was a member of the Supervisory Board of SNS REAAL until 1-10-2015 and resigned from the Supervisory Board as from 1-10-2015.

7 Mr Nooitgedagt was Chairman of the Supervisory Board of SNS REAAL until 26-7-2015. Mr Nooitgedagt resigned from the Supervisory Board as from 27-7-2015.

In 2015, no loans were provided to members of the Supervisory Board of SNS Bank , nor were any loans outstanding to members of the Supervisory Board of SNS Bank on 31 December 2015.

IN 2015

55%

OF OUR CUSTOMERS HAD A HOME WITH AN ENERGY LABEL OF AT LEAST C

IN 2015

36,568

PEOPLE USED OUR MORTGAGE TOOL


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INSULATION
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TOITURES

Annual report

CONSOLIDATED FINANCIAL STATEMENTS 192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 197

COMPANY FINANCIAL STATEMENTS 253

NOTES TO THE COMPANY FINANCIAL STATEMENTS 255

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Before result appropriation and in € millions	Notes[1]	31-12-2015	31-12-2014
ASSETS			
Cash and cash equivalents	1	2,259	1,968
Loans and advances to banks	2	2,081	2,604
Loans and advances to customers	3	49,217	52,834
Derivatives	4	1,993	2,702
Investments	5	6,376	7,001
Property and equipment	6	77	86
Intangible assets	7	15	15
Deferred tax assets	8	284	450
Corporate income tax	9	--	66
Other assets	10	278	284
Assets held for sale	19	110	149
Total assets		**62,690**	**68,159**
EQUITY AND LIABILITIES			
Savings	11	36,860	35,666
Other amounts due to customers	12	10,580	10,542
Amounts due to customers		**47,440**	**46,208**
Amounts due to banks	13	1,000	2,099
Debt certificates	14	6,941	11,252
Derivatives	4	2,189	3,266
Deferred tax liabilities	8	216	287
Corporate income tax	9	11	--
Other liabilities	15	955	1,971
Other provisions	16	83	55
Provision for employee benefits	17	23	--
Subordinated debts	18	493	40
Liabilities held for sale	19	37	18
Total other liabilities		**11,948**	**18,988**
Share capital		--	381
Other reserves		2,954	2,431
Retained earnings		348	151
Shareholders' equity		**3,302**[2]	**2,963**
Minority interests		--	--
Total equity		**3,302**	**2,963**
Total equity and liabilities		**62,690**	**68,159**

1 The references next to the balance sheet items relate to the notes to the consolidated financial statements.

2 The equity statement in the company financial statements is leading for the legal distribution of equity components.

CONSOLIDATED INCOME STATEMENT

in € millions	Notes[1]	2015	2014
INCOME			
Interest income		1,888	2,132
Interest expense		894	1,108
Net interest income	25	994	1,024
Fee and commission income		103	95
Fee and commission expenses		55	51
Net fee and commission income	26	48	44
Investment income	27	42	72
Result on financial instruments	28	39	-46
Other operating income	29	2	5
Total income		**1,125**	**1,099**
EXPENSES			
Staff costs	30	371	217
Depreciation and amortisation of tangible and intangible assets		23	17
Other operating expenses	31	196	264
Impairment charges	32	37	274
Other expenses	33	22	76
Total expenses		**649**	**848**
Result before taxation		**476**	**251**
Taxation	34	128	100
Net result continued operations		**348**	**151**
ATTRIBUTION:			
Net result attributable to shareholder		348	151
Net result attributable to minority interests		--	--
Net result for the period		**348**	**151**

1 The references next to the income statement items relate to the notes to the consolidated income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Other consolidated statement of comprehensive income

in € millions	2015	2014
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Other changes in comprehensive income	-1	1
Total items never reclassified to profit or loss	**-1**	**1**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Change in cashflow hedgereserve	-22	31
Change in fair value reserve	14	198
Total items that may be reclassified subsequently to profit or loss	**-8**	**229**
Change in other comprehensive income (after tax)	**-9**	**230**

Total comprehensive income for the period

in € millions	2015	2014
Net result continued operations	348	151
Change in other comprehensive income (after tax)	-9	230
Total comprehensive income	**339**	**381**
ATTRIBUTION:		
Total comprehensive income to shareholder	339	381
Total comprehensive income to minority interests	--	--
Total comprehensive income	**339**	**381**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity 2015

in € millions	Issued share capital	Share premium reserve	Revaluation reserve	Cashflow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2015	381	3,787	--	79	97	-1,532	151	2,963
Transfer of net result 2014	--	--	--	--	--	151	-151	--
Unrealised revaluations	--	--	--	-22	48	--	--	26
Realised revaluations through P&L	--	--	--	--	-34	--	--	-34
Realised revaluations through equity	--	--	1	--	--	-1	--	--
Other movements	--	--	--	--	--	-1	--	-1
Impairments	--	--	--	--	--	--	--	--
Amounts charged directly to total equity	**--**	**--**	**1**	**-22**	**14**	**149**	**-151**	**-9**
Net result 2015	--	--	--	--	--	--	348	348
Total result 2015	**--**	**--**	**1**	**-22**	**14**	**149**	**197**	**339**
Transactions with shareholder	-381	381	--	--	--	--	--	--
Total changes in equity 2015	**-381**	**381**	**1**	**-22**	**14**	**149**	**197**	**339**
Balance as at 31 December 2015	**--**	**4,168**	**1**	**57**	**111**	**-1,383**	**348**	**3,302**

Consolidated statement of changes in equity 2014

in € millions	Issued share capital	Share premium reserve	Revaluation reserve	Cashflow 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 net result 2013	--	--	--	--	--	-1,352	1,352	--
Unrealised revaluations	--	--	--	31	266	--	--	297
Realised revaluations through P&L	--	--	--	--	-67	--	--	-67
Other movements	--	--	--	--	--	1	--	1
Impairments	--	--	--	--	-1	--	--	-1
Amounts charged directly to total equity	**--**	**--**	**--**	**31**	**198**	**1**	**--**	**230**
Net result 2014	--	--	--	--	--	--	151	151
Total result 2014	**--**	**--**	**--**	**31**	**198**	**-1,351**	**1,503**	**381**
Transactions with shareholder	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Total changes in equity 2014	**--**	**--**	**--**	**31**	**198**	**-1,351**	**1,503**	**381**
Balance as at 31 December 2014	**381**	**3,787**	**--**	**79**	**97**	**-1,532**	**151**	**2,963**

CONSOLIDATED CASHFLOW STATEMENT

in € millions	2015	2014
CASHFLOW FROM OPERATING ACTIVITIES		
Operating profit before tax	476	251
ADJUSTMENTS FOR		
Depreciation and amortisation of tangible and intangible assets	21	17
Changes in other provisies and deferred tax	146	159
Impairment charges and reversals	37	274
Unrealised results on investments through profit or loss	23	-54
Tax paid / received	--	--
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Change in advances and liabilities to customers	3,655	485
Change in advances and liabilities to banks	-482	-1,899
Change in savings	1,194	2,390
Change in trading portfolio	209	-232
Change in other operating activities	-1,572	1,684
Net cashflow from operating activities	**3,707**	**3,075**
CASHFLOW FROM INVESTMENT ACTIVITIES		
Sale of property and equipment	1	7
Sale and redemption of investments and derivatives	3,505	2,501
Purchase of intangible assets	-6	-1
Purchase of property and equipment	-14	-53
Purchase of investments and derivatives	-3,165	-3,199
Net cashflow from investment activities	**321**	**-745**
CASHFLOW FROM FINANCE ACTIVITIES		
Issue of subordinated loans	493	--
Issues of debt certificates	216	660
Redemption of subordinated loans	-40	--
Redemption of debt certificates	-4,406	-6,550
Net cashflow from financing activities	**-3,737**	**-5,890**
Net decrease of cash and cash equivalents	**291**	**-3,560**
Cash and cash equivalents as at 1 January	1,968	5,528
Change in cash and cash equivalents	291	-3,560
Cash and cash equivalents as at 31 December	**2,259**	**1,968**
ADDITIONAL DISCLOSURE WITH REGARD TO CASHFLOWS FROM OPERATING ACTIVITIES		
Interest income received	2,239	2,528
Dividends received	--	1
Interest paid	1,190	1,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

SNS Holding B.V. (referred to as 'SNS Holding'), is a public limited liability company incorporated under the laws of the Netherlands. SNS Holding's registered office is located at Croeselaan 1, 3521 BJ Utrecht. SNS Holding is the parent company of SNS Bank.

All shares of SNS Holding are held by Stichting administratiekantoor beheer financiële instellingen (NLFI). SNS Holding holds all shares of SNS Bank.

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

Adoption of the financial statements

The consolidated financial statements of SNS Holding for the year ended on 31 December 2015 were authorised for publication by the Board of Directors following their approval by the Supervisory Board on 23 March 2016 . The financial statements will be submitted to the General Meeting of Shareholders for adoption.

Based on the articles of association of SNS Holding, the adoption of the (consolidated) annual financial statements of SNS Bank by the Executive Board of SNS Holding requires prior approval from the General Meeting of Shareholders of SNS Holding (NLFI).

BASIS OF PREPARATION

Statement of IFRS compliance

SNS Holding prepares the annual accounts in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, SNS Holding prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements (reference is made to section *Principles for the preparation of the company financial statements* for further detail on the application of section 2:402 of the Dutch Civil Code).

To combine disclosures where possible and to reduce duplication, the IFRS 7 Risk disclosures of financial instruments have been integrated into the Board of Directors report. These are disclosed in chapter 6 Risk, Capital & Liquidity management. These disclosures are an integral part of the Consolidated Annual Financial Statements and as such, support the compliance to these IFRS requirements.

Accounting treatment acquisition of SNS Bank

The transaction whereby SNS Bank was transferred to SNS Holding by SNS REAAL NV (now SRH NV) took place under common control of NLFI, which owns 100 percent of the shares in SRH and SNS holding. This transaction may therefore be characterised as a 'capital restructuring' of the entities under common control. In this context, SNS Holding accounted for this transaction at carrying values of assets and liabilities of SNS Bank in its consolidated financial statements. The result of SNS Bank for the full year 2015 has also been included in the income statement, as have the pro forma comparative figures for 2014.

The difference between the consolidated financial statements of SNS Holding and the consolidated financial statements of SNS Bank therefore is limited to the composition of equity.

Changes in published Standards and Interpretations effective in 2015

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2015, the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) respectively, became mandatory, and are adopted by the European Union. The changes, as a result of these publications, have no material effect on the consolidated financial statements of SNS Holding.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010 - 2012 Cycle
- Annual Improvements to IFRSs 2011- 2013 Cycle

Interpretations of existing standards or amendments to standards, not yet effective in 2015

The following new standards, amendments to existing standards and interpretations, published prior to 1 January 2016 and effective for accounting periods beginning on or after 1 January 2016 were not early adopted by SNS Holding NV.

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from contracts with Customers
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture
- Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the Consolidation Exception.
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IFRS 11: Accounting for Acquisition of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Improvements to IFRSs 2012 - 2014 Cycle

The changes that are most relevant and may have a material impact on the financial statements of SNS Holding are discussed below.

IFRS 9 Financial Instruments

The mandatory adoption date is set by the IASB for annual periods beginning on or after 1 January 2018. This new standard will replace most elements of the current standard IAS 39 and is subdivided into three phases: Classification and Measurement, Impairments and Hedge Accounting. The purpose of the new standard is to align the accounting of financial instruments in the financial statements with the business and risk management model of the reporting entity. The new standard is not yet endorsed by the EU, hence early adoption by SNS Holding is not possible. It is expected that the standard will have a significant effect on the classification and measurement of financial instruments, impairments and the application of hedge accounting. In 2015 SNS Holding has launched a programme to implement IFRS 9. The impact on the financial statements is expected to be significant due to changes to the impairment model, where both incurred and expected credit losses should be taken into account when determining the provision for loan losses. Changes to the requirements of classification and measurement of financial assets will result in a reassessment of the measurement basis of all financial instruments. Changes in the measurement basis, in comparison to the current basis (under IAS 39) are anticipated, although for the majority of instruments the measurement basis of amortised cost or fair value, is expected to remain unchanged. However, under the transition to IFRS 9 it is possible to transfer a part of the current fair value mortgage portfolio, historically elected to be accounted for at fair value, to an amortised cost measurement.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces a new method for revenue recognition in which an entity allocates revenues to parts of contracts and related rendering of goods and services. Main principle is that an entity recognizes revenues based on what the expected receipts will be for the rendered goods and services. In order to apply this principle the following steps are required:

1. identify contracts with clients;
2. identify and differentiate contractual obligations;
3. determine the price of the transaction;
4. allocate the price of the contract to the identified obligations;
5. recognize revenue if contractual obligations are met and risk and rewards are transferred to the client.

However the requirements of IFRS 15 shall not apply to contracts that fall within the scope of the lease standard or financial instruments standard. SNS Holding does not expect IFRS 15 to have a significant impact on the consolidated financial statements.

Changes in accounting policies, estimates and presentation

In 2015 no changes in accounting policies or estimates have been carried out.

Changes in presentation

The presentation of the expenses related to the banking tax has been reclassified from "Other expenses" to "Other operating expenses". The other regulatory charges that are imposed as of 2015, e.g. ex-ante resolution fund contribution, are presented within the 'other operating expenses' as well.
Changes in presentation

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements. All group entities have applied the accounting principles consistently, for the purposes of these consolidated financial statements.

Accounting principles applied to balance sheet items

In preparing the financial statements, the accounting principles 'fair value', 'amortised cost' and 'historical cost' are used. More specifically, fair value is used for:

- land and buildings in own use;
- loans and advances to customers, which are held for trading or designated at fair value;
- investments classified at fair value through profit or loss;
- investments classified as available for sale;
- derivatives;
- debt certificates, which are designated at fair value.

All other financial assets (including all other loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities measured at amortised cost that is part of a fair value hedge accounting relationship is restated to reflect the change in fair value that is attributable to the hedged risk.

Non-financial assets and liabilities are generally measured at historical cost. Except for the cash flow information, the financial statements have been prepared on an accrual basis.

Functional currency and reporting currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional and reporting currency of SNS Holding. All financial data presented in euros are rounded to the nearest million, unless stated otherwise. Counts are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

The applied principles for conversion of transactions and translation of balance sheet items denominated in foreign currencies are further described in section 'Foreign currencies'.

MAIN ACCOUNTING PRINCIPLES, ESTIMATES AND ASSUMPTIONS

General

The preparation of the consolidated financial statements requires SNS Bank to make estimations and assumptions based on complex and subjective opinions and best estimates. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. Hereby, management judges situations on the basis of available information and financial data which could potentially change going forward. Although the estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other propositions or data can lead to materially different results.

Estimations and underlying assumptions are reviewed on a regular basis. The impact of changes in estimates on the accounting outcome is 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 fair value of assets and liabilities and determining impairments on loans and advances.

For detailed information and disclosure of the accounting estimates and assumptions reference is made to the next sections and the notes to the financial statements items.

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

Valuation of certain balance sheet items are highly dependent on the use of estimations and assumptions. Further disclosure is made on the use of estimations and assumptions in the specified accounting principles of these balance sheet items. The use of estimations and assumptions regarding fair valuations of financial instruments are further described below in the section 'Fair value of financial assets and liabilities', since this relates to multiple balance sheet items and disclosures.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is determined on the basis of quoted prices where available. Such quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. SNS Holding applies an exit price when determining fair value, therefore financial assets are recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement. Available market information on fair value of the instrument is taken into account.

For certain financial assets and liabilities, no market price is available. The fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from discounted cash flow calculation to valuation models that use accepted economic methodologies. Input for the models is, where available, based on observable market information. All valuation methods used are assessed and approved in-house according to SNS Holding's governance procedures.

ACCOUNTING PRINCIPLES USED FOR CONSOLIDATION

Subsidiaries

Subsidiaries, i.e. all companies and other entities, including special purpose entities, which are controlled by SNS Holding, are consolidated. Control over companies and entities is assumed if SNS Holding possesses all three of the following elements:

- power over a company or entity by means of existing rights that give the current ability to direct the relevant activities of the company or entity;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to SNS Holding. They are de-consolidated from the date control ceases. The financial statements of these group companies, drafted for the purpose of these SNS Holding financial statements, are fully consolidated and aligned with the accounting principles applied by SNS Holding.

Associated companies and joint ventures

Investments in associated companies (associates) are entities in which SNS Holding generally has between 20% and 50% of the voting rights, or over which SNS Holding can exercise significant influence on the operational and financial policies, but over which it has no control.

Joint ventures are entities over which SNS Holding NV has joint control, which arises from joint arrangements, and strategic decisions on the financial and operational policies are taken unanimously.

The consolidated financial statements include SNS Holding's share in the total results of associates and joint ventures, from the date that SNS Holding acquires significant influence to the date that significant influence ceases. The result is accounted for using the equity method, after adjusting the result to comply with SNS Holding's accounting principles, if needed.

Upon recognition, associates and joint ventures are initially accounted for at the cost price (including the transaction costs) and subsequently according to the equity method. The item also includes goodwill paid upon acquisition less accumulated impairment losses, where applicable.

Under the equity method, SNS Holding's share in the result of associates and joint ventures is recognised in the income statement under 'share in the result of associates'. SNS Holding's share in changes in the reserves of associates or joint ventures is recognised directly in shareholders' equity (change in share of associates in other comprehensive income).

If the book value of the associate depreciates to zero, no further losses are accounted for, unless SNS Holding has entered into commitments, made payments on its behalf or acts as a guarantor.

Elimination of group transactions

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

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

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

Foreign currencies

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

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

Accounting based on transaction date and settlement date

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised on the transaction date, more specifically, the date on which SNS Holding commits itself to buy or sell the asset or liability.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. There is an enforceable right to set off provided, it is not dependent on a future event and is legally enforceable under normal circumstances as well as in bankruptcy. If these conditions are not met, amounts will not be offset.

Discontinued operations or assets held for sale

Assets and liabilities that are part of discontinued operations and assets held for sale, of which it is highly probable that, on balance sheet date the discontinuation or sale is within twelve months, are recognised at the lower of the book value or fair value less expected costs to sell. Any write-down is divided between the assets within the IFRS 5 measurement scope.

Financial instruments held for sale follow the measurement of the instrument in accordance with IAS 39.

SPECIFIC BALANCE SHEET PRINCIPLES

Cash and cash equivalents

Cash and cash equivalents include the non-restricted and restricted demand deposits with the Dutch Central Bank (DNB) and advances from the banking activities to credit institutions with a remaining maturity of less than one month. Restricted demand deposits that SNS Holding has with other credit institutions are included under loans and advances to banks. These receivables are measured at amortised cost using the effective interest method, less any impairments.

Loans and advances to banks

This comprises receivables to banks with a remaining maturity of one month or more and non interest- bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and advances to customers

Mortgages and mortgage-backed property finance

These are defined as loans and advances to customers with mortgage collateral. These loans and advances are measured at amortised cost using the effective interest method. The conditions of loans and advances can change as a result of renegotiations or other reasons. If the net present value of the cashflows under the new terms and conditions deviates from the net present value of the cashflows under the current terms and conditions, this could hit an impairment trigger such as days past due or unlikely to pay.

A number of securitised mortgages with mortgage collateral, mortgages to be securitised and related derivatives and liabilities are measured at fair value with changes through the income statement. This relates to the mortgages of the Holland Homes MBS securitisation programme and mortgages held for trading. Further details of these mortgages are provided in the notes.

Non-mortgage backed property finance and other loans and advances

This comprises loans and advances to business and retail clients without mortgage collateral. Loans and advances are measured at amortised cost on the basis of the effective interest method. If the conditions of loans and advances without mortgage collateral change, the resulting actions follow the same criteria as mortgages and mortgage-backed property finance.

Provisions for loans and advances to customers

As far as the loans and advances with or without mortgage collateral are concerned, a provision for impairment is made if there is objective evidence that SNS Holding will not be able to collect all the amounts in accordance with the original contract. Objective evidence can either be the result of arrears or due to another indication of a loss event that results in an expectation that the customer is unlikely to meet its payment requirements. For loans and advances, that are individually significant, the provision equals the difference between the book value and the recoverable value. The recoverable value equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans and advances.

The criteria for impairment are applied to the entire loan portfolio. Homogenous groups of loans and advances with smaller amounts per individual loan or advance (and corresponding credit risk), such as mortgages and consumer credit, are tested collectively for impairment. The same applies to smaller business loans managed in a portfolio. The provision with respect to the collective approach is calculated using models, including risk-rating models for homogenous pools of consumer and SME loans. The loss factors developed using these models are based on historical loss data of SNS Holding, and are when deemed necessary adjusted according to current information that, in the opinion of the management, can affect the recoverability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred in the loan portfolio (IBNR: incurred but not reported). Losses of mortgages and mortgage-backed property finance are estimated on the basis of historical loss patterns of loans and advances that carry similar risk characteristics as the loans and advances held in the portfolio. Losses on non-mortgage backed property finance and other loans and advances are estimated on the basis of historic loss patterns and the creditworthiness of the borrowers. Both estimates take into account the current economic climate in which the borrowers operate.

If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the income statement. When a loan is uncollectable, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the income statement.

Financial instruments

SNS Holding classifies its financial instruments in one of the following categories: (1) at fair value through profit or loss, (2) loans and receivables and (3) available for sale. The category depends on the purpose for which the financial assets are acquired and the characteristics of the instrument.

Upon initial recognition, financial instruments are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', where transaction costs are recorded directly in the income statement.

The categories are explained in more detail in the following section.

Derivatives

General

Derivatives are recognised at fair value upon entering into the contract. The fair value of publicly traded derivatives is based on listed bid prices for assets held or liabilities to be issued, and listed offer prices for assets to be acquired or liabilities held.

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

Changes in the fair value of derivatives that do not qualify for cash flow hedge accounting are accounted for in the income statement under 'result on financial instruments'.

Embedded derivatives

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

Hedge accounting

SNS Holding uses derivatives as part of asset and liability management and risk management. These instruments are used for hedging interest rate and foreign currency risks, including the risks of future transactions. SNS Holding can designate certain derivative as either:

1. a hedge of the risk of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
2. a hedge of the possible variability of future cashflows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cashflow hedge).

Hedge accounting is applied for derivatives designated as such and are in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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

SNS Holding ceases the hedge accounting relationship after a management decision to this end or as soon as it has been established that a derivative is no longer an effective hedging instrument; when the derivative expires, is sold or terminated; when the hedged item expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

Fair value hedge accounting

Derivatives designated as a hedge of fair value movements of recognised assets or of a firm commitments, are stated as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedging instrument are recognised directly in the income statement and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

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

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

Cashflow hedge accounting

Derivatives can be designated to hedge the risk of variability of future cashflows of a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as a cashflow hedge and that meet the conditions for cashflow hedge accounting are stated in the cashflow hedge reserve as a separate component of shareholders' equity. The portion of the gain or loss on the hedging instrument that is considered to be the ineffective portion is recognised in the income statement. The underlying measurement of the hedged item, which is designated as part of a cashflow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses that were previously taken to the cashflow hedge reserve are transferred to the income statement and classified as income or expense in the period during which the hedged transaction influences the result.

If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated result that was included in the cashflow hedge reserve fully remains in the cashflow hedge reserve in other comprehensive income (OCI) until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated result reported in OCI is directly recycled to the income statement.

Investments

Fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading purposes ('held for trading') or if it is designated as such upon initial recognition ('designated'). Investments are only designated as valued at fair value through profit or loss if:

1. this eliminates or considerably limits an inconsistency in valuation or recognition that would otherwise arise; or
2. SNS Holding manages and assesses the investments on the basis of fair value.

Realised and unrealised gains and losses are recognised directly in the income statement under 'Investment income'.

Interest income earned on securities is recognised as interest income under the 'Interest income'. Dividend received is recorded under 'Investment income'.

Loans and receivables (amortised cost)

The category loans and receivables comprises unlisted investments with a fixed term and the saving components of endowment mortgages. The loans and receivables are measured at amortised cost using the effective interest method, less a provision for impairment if necessary.

Available for sale (fair value through other comprehensive income)

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

After initial recognition, investments available for sale are restated at fair value on the balance sheet. Unrealised gains and losses resulting from fair value adjustments of these investments are recognised in other comprehensive income (shareholders' equity), taking account of deferred taxes.

When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as 'investment income'. SNS Holding applies the average cost method to determine these results, where necessary.

Interest income earned on securities is recognised as interest income under 'Interest income'. Dividend received is recorded under 'Investment income'.

Impairment of investments

Each reporting date, SNS Holding assesses whether there is objective evidence of impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the income statement under 'impairment charges'. With investments available for sale, any positive revaluation reserve of shareholders' equity is deducted, before any impairment charge is recognised in the income statement.

Investments in debt securities

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there are objective indications of financial difficulties at the counterparty, declining markets for the product of the counterparty or other objective evidence of impairment. This test comprises both quantitative and qualitative considerations. Debt securities are assessed on aspects including expected credit losses and credit losses already incurred (for example due to default), market data on credit losses and other evidence of the issuer's inability to meet its payment commitments.

Investments in equity instruments

An investment in equity instruments is considered to have been subject to impairment if its book value exceeds the recoverable value for an extended period. More specifically, if the fair value:
- decreased 25% or more below cost; or
- has been at least 5% below cost for 9 subsequent months or more.

The fair value of investments in the form of unlisted equity instruments is determined according to the following criteria, depending on the availability of data:
- the price of the most recent transaction as an indication;
- current fair values of other, similar investments;
- using valuation methods that use market data as much as possible, and that are in accordance with accepted economic methods.

Reversal of impairments on debt securities and equity instruments

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recorded impairment loss is reversed in the income statement. This does not apply to investments in equity securities, where an increase in value is always recognised through shareholders' equity.

Property and equipment

Land and buildings in own use

Property in own use mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based on yearly valuations, performed by external, independent valuators with sufficient professional expertise and experience in the specific location and categories of properties.

Property in own use is valued at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be transferred between willing parties in a transaction at arm's length. The capitalisation method is used to determine this value. This method uses an expected result and the market rental value to determine the fair value of an asset. The determination of the result on property in own use is also dependent on lease incentives, discount rates and expected vacancy, but also location, quality, age and liquidity of the specific property.

Increase in the fair value exceeding the cost price is added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as these result in the reversal of earlier write-downs on the same asset, are credited to the income statement. Decreases in the fair value, insofar as these result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in the fair value are accounted for in the income statement.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years, taking into account the possible residual value. Land is not depreciated. Regular impairment tests are carried out on land and buildings .

Repairs and maintenance expenses are recognised under 'other operating expenses' at the moment the expenses are incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of land and buildings in own use in relation to their original use, are capitalised and subsequently amortised.

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

IT equipment and other assets

All other tangible assets included in this item are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses.

The cost price comprises the expenses directly attributable to the acquisition of the assets and is depreciated on a straight-line basis over the useful life, taking into account any residual value. The estimated useful life can vary from 3 to 10 years.

Impairment tests are performed on the other tangible assets at the end of each reporting period, if there is an indication that an asset may be impaired. If the book value of the tangible asset exceeds the realisable value, it is written down to the realisable value.

Repairs and maintenance expenses are recognised under 'other operating expenses' at the moment the expenses are incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other tangible assets in relation to their original use, are capitalised and subsequently amortised.

Results on the sale of property and equipment are defined as the balance of the realisable value less transaction costs and the book value. These results are recognised as part of 'other operating income'.

Intangible assets

Goodwill

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

Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. Adjustments that occur after a period of one year are recognised in the income statement. Adjustments to the purchase price that are contingent on future events, and to the extent that these are not already included in the purchase price, are included in the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if there are indications of impairment (see section 'Impairment charges of intangible assets and investments in financial instruments').

Software

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

The capitalised development costs for software are amortised on a straight-line basis over the useful life, with a maximum of five years. Every reporting date an assessment is carried out for possible impairments.

Other intangible assets
The other intangible assets include assets with a definite and an indefinite useful life, such as distribution channels, trademarks and client portfolios. The assets with a definite useful life are either amortised in accordance with the straight-line method over their useful life or on the basis of the profit flows from the underlying portfolios, in general between five and fifteen years. If objective indications require so, an impairment test will be performed. The assets with an indefinite useful life are not amortised. These intangible fixed assets are assessed for impairment at each balance sheet date.

Impairments of intangible assets
Intangible assets
An intangible asset is subject to impairment if its book value exceeds the realisable value from continued use (value-in-use) or sale of the asset. The realisable value of assets not classified at fair value through profit or loss is estimated if there are indications of impairment of the asset. Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

Goodwill
Goodwill accounted for at the acquisition of subsidiaries, associated companies and joint ventures is allocated to cash-generating units. The book value of the cash-generating unit (CGU), including goodwill, is compared to the calculated recoverable value, determined on the basis of value-in-use. If the recoverable value is lower than the book value, the difference will be recognised as impairment in the income statement. Assumptions used in these goodwill impairment tests are listed below:
- the value-in-use is determined for every CGU individually;
- the value-in-use is based on the business plans of the CGU concerned; and
- the discount rate is determined on the capital asset pricing model, in which the beta is calculated on the basis of a group of comparable companies. This reference group is determined individually per CGU.

Software and other intangible assets
On each reporting date, the capitalised costs for software, distribution channels and client portfolios are reviewed for indicators of possible impairments.

Brand names are tested for impairment once every year. The recoverable value is determined by a value-in-use calculation. The key assumptions used herein are the discount rate and the use of the brand name which defined by the royalty rate.

Reversal of impairments on intangible assets
Except for goodwill, impairment losses on intangible assets are reversed if there is proof that a change in the estimates of the realisable value occurred after the impairment loss was recognised. The reversal is included under ‘impairment charges’ in the income statement. The book value after reversal can never exceed the amount before recognition of the impairment loss.

Taxes

Deferred tax assets and liabilities
Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax base of assets and liabilities and the book value. This is based on the tax rates applicable as at the balance sheet date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred taxes are measured at nominal value.

Deferred tax assets are only recognised if sufficient tax profits are expected to be realised in the near future to compensate these temporary differences. Deferred taxes are recognised for temporary differences between the book value and the value for tax purposes of investments in group companies and associates, unless SNS Holding can determine the time at which these temporary differences will end and if it is likely that these differences will not end in the near future.

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

The most significant temporary differences arise from the revaluation of property and equipment, certain financial assets and liabilities, including derivative contracts and the application of hedge accounting, provisions for pensions and other post-retirement employee plans, deductible losses carried forward and, as far as acquisitions are concerned, from the difference between (a) the fair value of the acquired net assets and (b) the book value.

Deferred taxes with respect to the revaluation of the aforementioned assets and liabilities of which value adjustments are recognised directly in shareholders' equity are also charged or credited to shareholders' equity and upon realisation included in the income statement together with the deferred revaluations.

Corporate income tax

Corporate income tax relates to payable or recoverable tax on the taxable profit for the period under review, and taxes due from previous periods, if any. Current tax receivables and payables are measured at nominal value according to the tax rate applicable at the reporting date.

Other assets

Other assets consist of taxes (including VAT, payroll tax), other receivables and accrued assets. The net amount of advances and provisions in relation to the Deposit Guarantee Scheme (DSG) is accounted for under other receivables. Accrued assets also include the accumulated interest on financial instruments measured at amortised cost, as well as other accruals, which item includes amounts receivable by SNS Holding from clients and the clearing counterparty regarding derivative positions

Financial liabilities

Savings, other amounts due to customers and amounts due to banks

Savings consist of balances on (bank) savings accounts, savings deposits and term deposits of retail clients.

Amounts due to customers represent unsubordinated debts to non-banks, other than in the form of debt certificates. This item mainly comprises demand deposits, cash and mortgage deposits.

Amounts due to banks comprise unsubordinated debts to credit institutions. Bonds issued to or held by banks are recognised under 'debt certificates'. Amounts due to banks include private loans, current accounts and outstanding repos.

Upon initial recognition, savings, amounts due to customers and amounts due to banks are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised under 'interest expense, Banking activities' in the income statement during the term of these savings and amounts owed.

Derivatives

See section 'Derivatives'.

Debt certifcates

Outstanding debt certificates are measured at fair value upon initial recognition, which ordinarily corresponds to the issue income (the fair value of the payment received) net of the transaction costs incurred. Subsequently, these instruments are measured at amortised cost, using the effective interest method.

A specific category of outstanding debt certificates (the securitised mortgages through Holland Homes MBS securitisation transactions) remains measured at fair value after initial recognition, whereby subsequent value adjustments are accounted for in the income statement so that a mismatch in valuation is eliminated that would otherwise arise from the different valuation principles of the assets and liabilities.

When SNS Holding purchases its own debt securities, these debt certificates are derecognised.

Other liabilities
Other liabilities primarily consist of interest accrued on financial instruments that are stated at amortised cost. This item also includes creditors, other taxes and accrued liabilities, which item also includes amounts due by SNS Holding to clients and amounts due to the clearing counterparty regarding derivative positions.

Other provisions

General
Provisions are made if there is a legally enforceable or present obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the size of the obligation can be made. Provisions are measured at the present value of the expected future cashflows. Additions and any subsequent releases are recorded in the income statement.

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

SNS Holding recognises severance payments if SNS Holding has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:
- the termination of the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- the payment of termination benefits as a result of an offer to encourage voluntary redundancy.

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

Legal provisions
SNS Holding makes a provision for legal proceedings at the balance sheet date for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal costs and payments due during the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the balance sheet date, and a reliable estimate can be made of the obligation. Where relevant, any possible external insurance coverage is deducted from the provision.

Provision for employee benefits
SNS Holding provides a provision for pension obligations and various forms of employee benefit plans such as health insurance, savings, mortgage and jubilee benefits schemes, to the extent that it is more likely than not that an obligation exists at the balance sheet date and a reliable estimate can be made of the amount of the obligation. The measurement is based on the net present value taking into account actuarial assumptions.

Subordinated debt
Subordinated debt is measured at fair value upon initial recognition, which ordinarily corresponds to the issue income (the fair value of the payment received) net of the transaction costs incurred. Subsequently, these instruments are measured at amortised cost, using the effective interest method. For prudential reporting the subordinated debt instruments that SNS Holding currently holds are considered Tier 2 capital.

Equity

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

Dividend ordinary shares

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

Revaluation reserve

Revaluations of property in own use (see section 'Land and buildings in own use') are included in the revaluation reserve.

Cashflow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes to the fair value of the derivative designated through the application of cash flow hedge accounting, net of taxes, provided the hedged transaction has not yet occurred; reference is made to the section 'Hedge accounting'.

Fair value reserve

Gains and losses as a result of changes in the fair value of assets that are classified as available for sale are recorded in the fair value reserve, net of taxes. If the particular assets are sold, settled or become due for other reasons, the assets are no longer recognised, the corresponding cumulative result will be transferred from the fair value reserve to the income statement (see section 'Investments'). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are recorded in this reserve.

Other reserves

Other reserves mainly comprise SNS Holding's retained profits.

SPECIFIC INCOME STATEMENT ACCOUNTING PRINCIPLES

Income and expenses are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

Segment reporting

In the internal reports used by the Managing Board to allocate resources and monitor performance targets, SNS Bank is regarded as one single operating segment.

Income

Income represents the fair value of the services, after elimination of intra-group transactions within SNS Holding. Income is recognised as described in the following sections.

Interest income

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

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

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

Penalty interest received related to an existing financial asset, whereby the terms of the financial asset do not have significantly changed compared to the original terms, is treated as an adjustment to the effective interest rate and thus is recognised over the remaining expected maturity of the instrument.

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

Interest expenses

Interest expenses comprise the interest expenses arising from financial liabilities. Interest on financial liabilities which are valued at amortised cost are recognised using the effective interest method. Interest on financial liabilities that are classified at fair value through profit or loss is accounted for based on nominal interest rates.

Fee and commission income

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

Fee and commission expenses

Commission expenses and management fees are accounted for as ‘fee and commission expense’ to the extent services are acquired in the reporting period.

Share in the result of associates

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

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

Investment income

Investment income consists of interest, dividend, rental income and revaluations.

Interest

The item interest comprises the interest income from investments.

Dividend

Dividend income is recognised in the income statement as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividend.

Rental income

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

Revaluations

Under revaluations, realised and unrealised increases and decreases in the value of investments in the category fair value through profit or loss are recognised. The revaluations concern the difference between on the one hand the fair value at the end of the reporting period or net proceeds from the sale during the reporting period, and on the other hand the fair value at the beginning of the reporting period or the purchase price during the reporting period.

Realised revaluations of investments in the other categories are recognised here, being the difference between sales price and amortised cost.

Result on financial instruments

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

This item also includes the results from the revaluation of the outstanding debt certificates, which are measured at fair value at initial recognition and subsequent measurement, with value adjustments recorded in the income statement. In addition, buy-back results on own funding paper and results from the sale of full loans are accounted for under this item.

Other operating income

This comprises all the income that cannot be accounted for under the aforementioned line items of the income statement.

Expenses

Expenses are recognised in the income statement on the basis of a direct relationship between the costs incurred and the corresponding economic benefits. If future economic benefits are expected to be derived across different reporting periods, expenses are recognised in the income statement using a systematic method of allocation. Expenses are directly included in the income statement if they do not generate any future economic benefits.

Staff costs

These costs concern all costs that pertain to the personnel. This includes, inter alia, salaries, social security costs and pension costs.

Depreciation and amortisation of fixed assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets. The specific principles for depreciation and amortisation are explained in more detail in section specific balance sheet principles under the applicable items.

Other operating expenses
This includes housing, information technology, marketing, consultancy and other operating costs and regulatory charges.

Lease
The lease agreements that SNS Holding as a lessee enters into are operational leases. The total amounts paid under the lease agreements are accounted for according to the straight-line method over the term of the agreement. Future commitments pursuant to operational lease contracts are recognised as contingent liabilities and commitments. This item includes the leased land and buildings in own use and the fleet.

Impairment charges
This item includes downward revaluations of assets for which the book value exceeds the recoverable value or discounted value of estimated future cash flows. Loans and advances, intangible assets, property and equipment, associated companies, investments, receivables and other assets may be subject to impairment. As soon as impairment is identified, it is included in the income statement. The specific principles for impairment are explained in more detail in section specific balance sheet principles under the applicable items.

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

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

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

CASHFLOW STATEMENT
The cashflow statement is prepared according to the indirect method, and distinguishes between cashflows from operational, investment and financing activities. Cashflows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cashflow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries and associates are stated under cashflow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price.

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

ACQUISITIONS AND DISPOSALS

SNS Bank NV and NIBC Bank NV have reached an agreement on the acquisition of SNS Securities NV. The transaction is expected to close in the second quarter of 2016 and is subject to approval of regulatory authorities and works councils. The sale will lead to a book loss of approximately € 22 million, which loss is recognised in SNS Bank’s result for 2015.

In 2015 there are no material acquisitions or disposals except for the transfer of SNS Bank to SNS Holding.

1 CASH AND CASH EQUIVALENTS

Specification cash and cash equivalents

in € millions	2015	2014
Non-restricted demand deposits at Dutch Central Bank	1,372	505
Restricted demand deposits at Dutch Central Bank	375	355[1]
Short-term bank balances	448	1,051
Cash	64	57
Total	**2,259**	**1,968**

1 In 2014 the restricted cash reserve at the Dutch Central Bank was presented under the non-restricted demand deposits. As of 2015 this deposit will be presented under the restricted demand deposits. The comparative figures have been restated.

As at the end of December 2015, € 253 million (2014: € 465 million) of the short-term bank balances was encumbered on account of securitisations, covered bonds and repurchase transactions.

At year-end 2015 the cash and cash equivalents of SNS Securities were classified as assets held for sale for an amount of € 4 million (2014: € 14 million).

2 LOANS AND ADVANCES TO BANKS

This item relates to loans and advances to banks, excluding interest-bearing securities.

in € millions	2015	2014
Deposits	2,081	2,589
Other	--	16
Provision	--	-1
Total	**2,081**	**2,604**

Part of the loans and advances to banks was provided as collateral to third parties. The book value of the collateral is € 851 million (2014: € 1.1 billion).

3 LOANS AND ADVANCES TO CUSTOMERS

Specification loans and advances to customers

	Loans		Provisions		Net amount	
in € millions	2015	2014	2015	2014	2015	2014
Mortgages Retail	45,044	46,556	-257	-326	44,787	46,230
Other Retail	219	268	-35	-55	184	213
SME	1,089	1,164	-99	-129	990	1,035
Other	3,256	5,356	--	--	3,256	5,356
Total	**49,608**	**53,344**	**-391**	**-510**	**49,217**	**52,834**

SNS Bank has securitised a part of the mortgage loans. The remaining principal of the securitised portfolio amounts to € 15.6 billion (2014: € 21.0 billion), of which € 6.9 billion (2014: € 9.0 billion) is on own book . Further information on securitisation transactions is provided under note 14 debt certificates.

An amount of € 8.6 billion (2014: € 13.3 billion) of the mortgage loans has been provided as collateral to third parties under the Hermes, Pearl, Holland Homes securitisation programmes and issued covered bonds. The underlying obligations were sold to third parties. The collateralisations took place under normal market conditions.

Under the other loans and advances, € 763 million (2014: € 806 million) relates to loans and advances to insurance companies. These insurance companies are participating in securitisation programmes in which offset mortgages have been securitised. The same amount in private loans granted to SNS Bank by the insurance companies is recognised under other amounts due to customers (for more information see note 23 paragraph Mortgage-related transactions and positions with SRLEV).

Under other loans and advances, the € 250 million loan to insurer VIVAT was redeemed in full in December 2015.

Statement of changes in loans and advances to customers 2015 (gross)

in € millions	Mortgages Retail	Other Retail	SME	Other	Total
Balance as at 1 January	46,556	268	1,164	5,356	53,344
Reclassifications	4	--	--	-4	0
Advances	2,363[1]	--	--	41,264[2]	43,627
Redemptions	-3,719[1]	--	-106	-43,358[2]	-47,183
Change in fair value as a result of hedge accounting	-168	--	--	--	-168
Change in mortgage loans at fair value through P&L	1	--	--	--	1
Movement in current accounts	--	-49	--	4	-45
Other movements	7	--	31	-2	36
Transfer assets held for sale	--	--	--	-4	-4
Balance as at 31 December	**45,044**	**219**	**1,089**	**3,256**	**49,608**

1 The advances and redemptions mentioned in this table include conversions of € 217 million for new production and -/- € 233 million for redemptions.

2 As from 2015, the actual transactions are available on a daily basis. In 2014, the administration was conducted on a monthly basis, hence the comparative figure has not been adjusted.

Movement in current accounts of € 45 million (2014: € 284 million) relates to short-term exposures.

Statement of changes in loans and advances to customers 2014 (gross)

in € millions	Mortgages Retail	Other Retail	SME	Other	Total
Balance as at 1 January	47,316	293	1,249	5,000	53,858
Purchases	416	--	--	--	416
Advances	1,811[1]	--	--	506	2,317
Redemptions	-3,150[1]	--	-92	-443	-3,685
Change in fair value as a result of hedge accounting	36	--	--	--	36
Change in mortgage loans at fair value through P&L	105	--	--	--	105
Movement in current accounts	--	--	7	277	284
Other movements	22	-25	--	23	20
Transfer assets held for sale	--	--	--	-7	-7
Balance as at 31 December	**46,556**	**268**	**1,164**	**5,356**	**53,344**

1 The advances and redemptions mentioned in this table include conversions of € 220 million for new production and -/- € 229 million for redemptions.

In 2009, SNS Bank purchased a part of the mortgages from VIVAT, which it held for trading and measured at fair value in VIVAT's balance sheet at that time. Management changed the intention to hold these mortgages for trading purposes and decided to hold them for the foreseeable future or until maturity. In this respect, SNS Bank used the reclassification option under IAS 39.50D in 2009, reclassifying an amount of € 680 million in mortgages from the fair value through profit or loss category to loans and receivables. As a result of sales and redemptions, this portfolio had a value of € 496 million as at 31 December 2015 (2014: € 538 million; 2013: € 576 million; 2012: € 604 million; 2011: € 628 million; 2010: € 649 million; 2009: € 674 million). The fair value change of the portfolios was marginal and would not have significantly affected results. At the moment of reclassification, the weighted average effective interest rate of the reclassified mortgages was 5.2%. The expected recoverable cash flows amounted to € 700 million for the portfolio at the time of reclassification in 2009.

Statement of changes in specific provision loans and advances to customers

	Mortgages Retail		Other Retail		SME		Total	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at 1 January	266	265	52	46	123	94	441	405
Withdrawals	-108	-102	-24	-7	-27	-15	-159	-124
Additions	85	120	7	15	24	59	116	194
Releases	-41	-6	-2	-1	-25	-15	-68	-22
Other movements	5	-11	--	--	--	--	5	-11
Transfer assets held for sale	--	--	--	-1	--	--	--	-1
Balance as at 31 December	**207**	**266**	**33**	**52**	**95**	**123**	**335**	**441**

Statement of changes in IBNR provision loans and advances to customers

	Mortgages Retail		Other retail		SME		Total	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at 1 January	60	41	3	1	6	6	69	48
Additions	12	17	1	2	--	--	13	19
Releases	-22	-21	-2	--	-2	--	-26	-21
Change in estimate	--	23	--	--	--	--	--	23
Balance as at 31 December	**50**	**60**	**2**	**3**	**4**	**6**	**56**	**69**

The total provision for loans and advances to customers decreased to € 391 million from € 510 million at year-end 2014. Both the retail mortgage portfolio and the SME portfolio contributed to this decrease, reflecting the improved market developments.

In determining the amount of provisions, consideration is given to the actual amount of defaults and the experience that credit losses may also be caused by non-default accounts (Incurred but not Reported, or IBNR). In 2015, IBNR calculations resulted in a release of € 13 million. This was mainly driven by the improvement of underlying parameters used to calculate the IBNR, reflecting the improved credit quality of the portfolio.

4 DERIVATIVES

Specification derivatives

	Positive value		Negative value		Balance	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014
Derivatives held for cashflow hedge accounting	59	141	27	13	32	128
Derivatives held for fair value hedge accounting	1,240	1,701	1,282	2,070	-42	-369
Derivatives held for asset and liability management that do not qualify for hedge accounting	498	682	675	999	-177	-317
Derivatives held for trading	196	178	205	184	-9	-6
Total	**1,993**	2,702	**2,189**	3,266	**-196**	-564

Most derivatives are held to hedge against undesired markets risks. This is explained in note 22 Hedging and hedge accounting.

Statement of changes in derivatives

in € millions	2015	2014
Balance as at 1 January	-564	-186
Disposals	134	-52
Revaluations	219	-337
Exchange rate differences	15	11
Balance as at 31 December	**-196**	**-564**

5 INVESTMENTS

Investments: overview

in € millions	2015	2014
Fair value through P&L (held for trading)	668	817
Available for sale	5,708	6,184
Total	**6,376**	**7,001**

Fair value through profit or loss: listing

	Held for trading					
	Equity and similar investments		Fixed income investments		Total	
in € millions	2015	2014	2015	2014	2015	2014
Listed	--	1	668	816	668	817
Unlisted	--	--	--	--	--	--
Total	**--**	**1**	**668**	**816**	**668**	**817**

Fair value through profit or loss: statement of changes

	Held for trading					
	Equity and similar investments		Fixed income investments		Total	
in € millions	2015	2014	2015	2014	2015	2014
Balance as at 1 January	1	2	816	711	817	713
Reclassifications	--	--	24	-8	24	-8
Revaluations	--	--	5	5	5	5
Change in investments held for trading[1]	-1	--	-208	232	-209	232
Transfer to assets held for sale	--	-1	31	-124	31	-125
Balance as at 31 December	**--**	**1**	**668**	**816**	**668**	**817**

1 Purchases and disposals in the trading portfolio are reported as net amount under the line item "change in investments held for trading".

Available for sale: listing

	Equity and similar investments		Fixed income investments		Total	
in € millions	2015	2014	2015	2014	2015	2014
Listed	--	--	5,682	6,174	5,682	6,174
Unlisted	26	10	--	--	26	10
Total	**26**	**10**	**5,682**	**6,174**	**5,708**	**6,184**

Available for sale: statement of changes

	Equity and similar investments		Fixed income investments		Total	
in € millions	2015	2014	2015	2014	2015	2014
Balance as at 1 January	10	12	6,174	4,932	6,184	4,944
Purchases and advances	--	1	3,159	3,198	3,159	3,199
Disposals and redemptions	--	-1	-3,633	-2,448	-3,633	-2,449
Revaluations	16	--	-21	506	-5	506
Impairments	--	-1	--	--	--	-1
Amortisation	--	--	19	-16	19	-16
Other	--	-1	-16	2	-16	1
Balance as at 31 December	**26**	**10**	**5,682**	**6,174**	**5,708**	**6,184**

Available for sale: valuation

	Equity and similar investments		Fixed income investments		Total	
in € millions	2015	2014	2015	2014	2015	2014
(amortised) Cost price	11	11	5,380	5,650	5,391	5,661
Unrealised gains in value	15	-1	302	524	317	523
Total	**26**	**10**	**5,682**	**6,174**	**5,708**	**6,184**

Part of the investments has been pledged as collateral for amounts due to banks (repos). The book value of assets pledged as collateral at 31 December 2015 amounts to € 1.9 billion (31 December 2014: € 1.3 million) for SNS Bank.

The book value of the investments that have been plegded to the European System of Central Banks (ESCB) is € 10.5 billion (2014: € 11.7 billion). These investments include the bonds and securitisations that SNS Bank holds on own book and that are recognised as a deduction on the debt certificates in the financial statements (€ 6.9 billion).

6 PROPERTY AND EQUIPMENT

Specification property and equipment

in € millions	2015	2014
Land and buildings in own use	16	23
IT equipment	14	14
Other assets	47	49
Total	**77**	**86**

Statement of changes in property and equipment 2015

in € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	52	32	85	169
Accumulated revaluations	-13	--	--	-13
Accumulated amortisation and impairments	-23	-18	-38	-79
Balance as at 31 December	**16**	**14**	**47**	**77**
Balance as at 1 January	23	14	49	86
Reclassifications	-2	--	2	--
Revaluations	-2	--	--	-2
Investments	--	7	7	14
Divestments	-1	--	--	-1
Disposals	--	-1	-1	-2
Depreciation	--	-6	-10	-16
Impairments	-2	--	--	-2
Reversals	--	--	--	--
Change in group structures	--	--	--	--
Balance as at 31 December	**16**	**14**	**47**	**77**

At year-end 2015 the renovations to the leased office premises, which are not yet in use, amount to € 3 million (2014: € 4 million).

Statement of changes in property and equipment 2014

in € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisitions costs	60	30	82	172
Accumulated revaluations	-16	--	--	-16
Accumulated amortisation and impairments	-21	-16	-33	-70
Balance as at 31 December	**23**	**14**	**49**	**86**
Balance as at 1 January	30	--	22	52
Reclassifications	3	--	-3	--
Revaluations	1	--	--	1
Investments	--	1	17	18
Divestments	-7	--	--	-7
Disposals	--	--	-3	-3
Depreciation	-1	-1	-7	-9
Impairments	-3	--	--	-3
Reversals	--	--	2	2
Change in group structures	--	14	21	35
Balance as at 31 December	**23**	**14**	**49**	**86**

RENTAL INCOME

Future rental income based on irrevocable operational leases

in € millions	2015	2014
< 1 year	1	1
1 - 5 year	1	1
> 5 year	--	--
Total	**2**	**2**

VALUATION OF LAND AND BUILDING IN OWN USE

Land and buildings in own use with a fair value of more than € 1 million are valued by an external surveyor every year. Other land and buildings in own use are valued once every three years.

The valuations were carried out in the period between April and December 2015.

Valuation of land and buildings in own use

in € millions	Appraised book value	Total book value	% Appraised book value
2015	9	16	59%
2014	14	23	61%
2013	19	30	63%

DETERMINATION OF THE FAIR VALUE OF PROPERTY AND EQUIPMENT HIERACHY

The table below categorises property and equipment recognised in the balance sheet at fair value into level 1 (the fair value is based on published stock prices in an active market), level 2 (the fair value is based on observable market data) and level 3 (the fair value is not based on observable market data).

Hierarchy property and equipment

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings in own use 2015	--	--	16	16
Land and buildings in own use 2014	--	--	23	23

SNS Bank classifies land and buildings in own use as level 3 fair value measurement. These assets are measured based on yearly valuations. The main parameters for these valuations are the market rental value and the expected return. As these parameters are not directly observable in the market, we classify land and buildings in own use as level 3.

7 INTANGIBLE ASSETS

Specification intangible assets

in € millions	2015	2014
Software	8	6
Other intangible assets	7	9
Total	**15**	**15**

At year-end 2015, the book value of internally developed and capitalised software amounts to € 8 million (2014: € 6 million). Other intangible assets comprise the distribution network of RegioBank of € 7 million (2014: € 9 million).

Statement of changes in intangible assets

	Software		Other intangible assets		Total	
in € millions	2015	2014	2015	2014	2015	2014
Accumulated acquisition costs	19	23	34	34	53	57
Accumulated amortisation and impairments	-11	-17	-27	-25	-38	-42
Balance as at 31 December	**8**	**6**	**7**	**9**	**15**	**15**
Balance as at 1 January	6	11	9	11	15	22
Capitalised costs	6	1	--	--	6	1
Purchases	--	--	--	--	--	--
Depreciation capitalised costs	-3	-6	--	--	-3	-6
Depreciation purchases	--	--	-2	-2	-2	-2
Impairments	-1	--	--	--	-1	--
Balance as at 31 December	**8**	**6**	**7**	**9**	**15**	**15**

8 DEFERRED TAX ASSETS AND LIABILITIES

Specification

in € millions	2015	2014
Deferred tax assets	284	450
Deferred tax liabilities	-216	-287
Total	**68**	**163**

Origin of deferred tax assets and liabilities 2015

in € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Intangible assets	--	-1	--	--	-1
Property and equipment	3	--	--	--	3
Investments	-90	47	-4	--	-47
Derivatives	190	-80	7	--	117
Loans and advances to customers	-201	167	--	--	-34
Provisions	16	2	--	5	23
Tax-deductible losses	239	-239	--	--	--
Other	6	1	--	--	7
Total	**163**	**-103**	**3**	**5**	**68**

Origin of deferred tax assets and liabilities 2014

in € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Intangible assets	1	-1	--	--	--
Property and equipment	2	1	--	--	3
Investments	--	-24	-66	--	-90
Derivatives	129	71	-10	--	190
Loans and advances to customers	-178	-16	--	-7	-201
Provisions	19	-3	--	--	16
Tax-deductible losses	354	-115	--	--	239
Other	6	--	--	--	6
Total	**333**	**-87**	**-76**	**-7**	**163**

Specification tax-effect changes shareholders' equity

in € millions	2015	2014
Change in cash flow hedge reserve	7	-10
Change in fair value reserve	-4	-66
Change in other reserve	5	-7
Total	**8**	**-83**

Tax-deductible losses

in € millions	2015	2014
Total tax-deductible losses	1	956
Deferred tax assets calculated on tax-deductible losses	--	239
Average tax rate	25.0%	25.0%

Deferred tax assets (DTA) as at year-end 2014 comprised an amount of € 239 million related to tax losses carried forward. These tax losses related to the write-off on the real estate finance portfolio of Propertize (formerly SNS Property Finance) in 2013. The DTA is recognised by SNS Bank, as part of the fiscal unity with SNS REAAL, which bore the loss. Within a fiscal unity, tax losses can be offset against taxable profits of the fiscal unity in the next nine years. However, against the background of the anticipated break-up of the fiscal unity on 30 June 2015, management decided to accelerate the compensation of the remaining tax loss position by realising deferred taxable profits within the fiscal unity of SNS REAAL.

As a result, as at 30 June 2015, the DTA related to tax losses carried forward, which was deducted from CET1 capital at year-end 2014, was converted into a DTA related to a temporary valuation difference. Of this temporary valuation difference, € 139 million is recognised through the profit & loss account. The treatment of the DTA for prudential reporting changed accordingly. On balance, however, the impact of this conversion on the CET1 ratio as at 31 December 2015 was limited.

The realisation of the deferred taxable profits is based on standard tax law provisions and regulations. For reasons of transparency and open communication, the Dutch Tax Authorities were informed about the realisation beforehand and all this was coordinated. On request, the Dutch Central Bank issued a declaration of no objection for the transaction.

9 CORPORATE INCOME TAX

Corporate income tax relates to advances and amounts due and includes dividends withholding tax, which is settled through the corporate income tax return.

Corporate income tax receivable and payable for the years up to and including 2013 are irrevocable.
The corporate income tax due by the various subsidiaries based on the final assessments has been settled with the head of the fiscal unity. Only the year 2014 and the first six months of 2015 (being the period in which SNS Bank still formed part of the fiscal unity SNS REAAL) still have to be settled with SNS REAAL as the fiscal unity's parent company. This settlement will take place when the tax returns for these years are filed.

At year-end 2015 corporate income tax payable by SNS Securities was classified as liabilities held for sale for an amount of € 3 million (2014: € 3 million).

10 OTHER ASSETS

Specification other assets

in € millions	2015	2014
Accrued interest	170	191
Other accrued assets	86	93
Accrued assets	**256**	**284**
Other advances	22	--
Total	**278**	**284**

Other accrued assets include the advanced contribution of SNS Bank to the Dutch Central Bank of € 48 million (2014: € 63 million) under the Deposit Guarantee Scheme (DGS) in relation to its share related to the bankruptcy of DSB Bank. This advance payment is reduced by a provision (2015: nil; 2014: € 17 million). In 2015, the receivable has become current as a result of positive asset developments, thus releasing the provision associated with the receivable. However, this positive effect is largely offset by the discounting effect caused by the receivable's longer maturity period. Consequently, the impact on SNS Bank's results is limited.

At year-end 2015 other assets of SNS Securities were classified as assets held for sale for an amount of € 1 million (2014: € 4 million).

11 SAVINGS

Specification savings

in € millions	2015	2014
Due on demand	31,421	28,969
Other savings	5,439	6,697
Total	**36,860**	**35,666**

Savings comprise balances of savings accounts, bank savings accounts, savings deposits and term deposits of retail clients. The interest payable on savings is included under other liabilities.

Savings include an amount of € 2,923 million (2014: € 3,056 million) in bank savings and € 195 million (2014: € 231 million) in life-course savings.

12 OTHER AMOUNTS DUE TO CUSTOMERS

Specification other amounts due to customers

in € millions	2015	2014
Private loans	1,301	1,529
Private loans securitisation programme	763	806
Due on demand	6,358	6,161
Mortgage deposits	138	89
Savings deposits	2,020	1,957
Total	**10,580**	**10,542**

Under private loans, € 877 million (2014: € 1,076 million) relates to German debt instruments (Schuldscheine) issued by pension funds and insurance companies.

A part of the private loans is issued by the Covered Bond programme of SNS Bank. The bookvalue of the private loans amounts to € 358 million (2014: € 370 million). Additional repayment security was given by SNS Covered Bond Company for these private loans. For more information about the Covered Bond programme, reference is made to note 23 Related parties.

The private loans under the securitisation programme of € 763 million (2014: € 806 million) were provided by insurance companies. These insurance companies are participating in securitisation programmes in which offset mortgages have been securitised. The same amount in private loans granted by SNS Bank to the insurance companies is recognised under loans and advances to customers (for more information see paragraph Mortgage-related transactions and positions with SRLEV).

At year-end 2015, the other amounts due to customers of SNS Securities were classified as liabilities held for sale for an amount of € 4 million (2014: € 5 million).

13 AMOUNTS DUE TO BANKS

Specification amounts due to banks

in € millions	2015	2014
Due on demand	486	580
Repo-contracts	--	487
Private loans	514	1,032
Total	**1,000**	**2,099**

In 2015 liabilities related to repurchase agreements (repos) amounted to nil (2014: € 487 million).

Under private loans, € 114 million (2014: € 130 million) relates to German debt instruments (Schuldscheine) issued by banks.

At year-end 2015 the amounts due to banks of SNS Securities were classified as liabilities held for sale for an amount of € 25 million (2014: € 4 million).

14 DEBT CERTIFICATES

Specification debt certificates

in € millions	2015	2014
Medium-term notes (MTN)	3,828	5,004
Debt certificates issued under Hermes and Pearl Securitisation programmes	2,528	5,141
Debt certificates classified at fair value through profit or loss (Holland Homes securitisation programme)	585	1,107
Balance as at 31 December	**6,941**	**11,252**

Debt certificates include the non-subordinated bonds and other debt certificates with a fixed or variable interest rate.

MEDIUM TERM NOTES

Specification Medium Term Notes

	Coupon rate	Book value	Nominal value	Book value	Nominal value
in € millions		2015	2015	2014	2014
SNS Bank NV	Fixed	3,200	3,034	4,238	4,010
SNS Bank NV	Structured	414	381	503	437
SNS Bank NV	Floating	208	208	249	248
SNS Bank NV	Zero	6	10	14	21
Total		**3,828**	**3,633**	**5,004**	**4,716**

The Medium Term Notes have a maturity of less than five years and comprise both private loans and public loans that are issued under the EMTN programme. Under the line item Medium Term Notes, € 2.9 billion (2014: € 3.9 billion) bonds were issued under the Covered Bond programme by SNS Bank. (for more information see paragraph consolidated structured entities).

DEBT CERTIFICATES ISSUED UNDER HERMES, PEARL AND LOWLAND SECURITISATION PROGRAMMES

SNS Bank has securitised part of the mortgage loans. In these securitisation transactions, the economic ownership of mortgage loans is transferred to separate companies. These loans were transferred at nominal value plus a deferred selling price. A positive result within the separate companies leads to the creation of a positive value of the deferred selling price. SNS Bank thus retains an economic interest in the companies. On the basis of this economic interest and other criteria established by IFRS for dominant control, SNS Bank has these companies fully consolidated in the financial statements.

Securitisation transactions have a so called call + step-up structure. This means that after a specific call date, the company will have the right to early redeem the bonds. Additionally, at this specific date, the coupon on the bonds will be subject to a rise in interest rate (step-up). Under normal market conditions, this will create an economic incentive to redeem the bonds early. All notes issued under the securitisation programmes with a call date in 2015 have been called. An overview of the securitisations as at 31 December is provided below:

Overview debt certificates issued under Hermes, Pearl and Lowland securitisation programmes

	Initial principal	Start of securitisation	Book value		First call-option date	Contractual expiration
in € millions			**2015**	2014		
Hermes X	1,528	09-2005	--	762	18-03-2015	01-09-2039
Hermes XI	1,528	02-2006	--	888	18-09-2015	01-09-2040
Hermes XII	2,241	10-2006	1,016	1,107	18-03-2016	01-12-2038
Hermes XV[1]	1,618	04-2008	--	1,204	18-04-2015	01-04-2042
Hermes XVIII	960	10-2012	752	820	18-09-2017	01-09-2044
Pearl 1[1]	1,014	09-2006	984	1,014	18-09-2026	01-09-2047
Pearl 2[1]	852	05-2007	528	594	18-06-2014	01-06-2046
Pearl 4	1,000	07-2010	--	907	18-07-2015	01-07-2047
Lowland 1	3,793	01-2012	2,556	2,898	18-02-2017	18-01-2044
Lowland 2	1,917	07-2013	1,464	1,660	18-07-2018	18-10-2042
Lowland 3	2,613	12-2013	2,100	2,335	18-12-2018	18-09-2045
Total	**19,064**		**9,400**	**14,189**		
On own book			-6,872	-9,048		
Total			**2,528**	**5,141**		

1 After restructuring

In 2015, SNS Bank holds bonds, issued under the securitisation programmes, with an amortised cost of € 6.9 billion (2014: € 9.0 billion).

Part of the senior tranches of Hermes XII, Hermes XVIII, Pearl 1 and Pearl 2 and all of the Lowland securitisations are held for own account and qualify as eligible assets at the European Central Bank.

The debt certificates issued under the securitisation programmes Hermes X, Hermes XI, Hermes XV and Pearl 4 were redeemed in 2015.

The debt certificates issued under the Hermes XII securitisation programme were redeemed on 18 March 2016.

DEBT CERTIFICATES DESIGNATED AT FAIR VALUE WITH VALUE MOVEMENTS RECOGNISED THROUGH PROFIT OR LOSS (HOLLAND HOMES SECURITISATION PROGRAMMES)

Besides its regular securitisation programmes, SNS Bank has securitised part of its mortgages through the Holland Homes transactions. Companies established for the purpose of these transactions (special purpose entities, SPEs) are funded through long-term bonds issued by these SPEs. The obligations to bondholders and the income from the mortgages are matched by means of interest rate swaps.

Since these derivative contracts were concluded with parties outside SNS Bank NV, an accounting mismatch could arise after consolidation of the companies since derivatives, unlike the bonds and the mortgages, are measured at fair value through profit or loss. By measuring not only the derivatives, but also the bonds and mortgages at fair value through profit or loss, this mismatch is partially eliminated. A mismatch may, however, occur when a maturity difference arises from early redemption of the bonds. This is taken into account in measuring the derivatives.

The securitisation transactions have a so-called clean-up call structure. This means that if the amount of outstanding notes is less than 10% of the initial outstanding notes (notional), the issuer has the option to redeem the bonds.

Apart from the above mentioned clean-up call these securitisation transactions also have a put plus step-down structure. This means that the bondholder is entitled to call for early redemption of the bonds from a predetermined date (put). If the bondholder exercises this right and neither SNS Bank, which will be offered the bonds first as it is the initiating party, nor a potential third party repurchase the bond, the interest rate of the coupon will be increased. The coupon rate on the bond will be lowered after this date if the bondholders do not exercise this right. Under normal market conditions, this will create an economic incentive to redeem the notes early.

Specification Holland Homes securitisatisation programme

in € millions	Initial principal	Start of securitisation	Book value 2015	Book value 2014	Date put-option	Contractual expiration
Holland Homes MBS 2000-1 BV	350	11-2000	92	106	n.a.	24-09-2030
Holland Homes MBS 2005-1 BV	757	11-2005	--	462	20-12-2015	31-12-2083
Holland Homes Oranje MBS BV	1,601	04-2006	493	539	20-01-2018	31-12-2083
Total	**2,708**		**585**	**1,107**		

The contractual non-discounted amount that will have to be redeemed at the maturity date of the bonds amounts to € 608 million (2014: € 1,168 million).

The debt certificates issued under Holland Homes (MBS 2005-1) securitisation programme were redeemed in 2015.

15 OTHER LIABILITIES

Specification other liabilities

in € millions	2015	2014
Other taxes	16	--
Other liabilities	354	1,253
Accrued interest	585	718
Total	**955**	**1,971**

At year-end 2014 the other liabilities included a cash loan of € 952 million, which has been disbursed on 2 January 2015.

At year-end 2015 the other liabilities of SNS Securities were classified as liabilities held for sale for an amount of € 5 million (2014: € 5 million).

16 OTHER PROVISIONS

Specification other provisions

in € millions	2015	2014
Restructuring provision	13	15
Other provisions	70	40
Total	**83**	**55**

The restructuring provision mainly relates to restructuring programmes associated with cost reduction programmes.

Other provisions are predominantly long-term in nature and are mainly made in connection with the expected outflow of resources as a result of pending legal proceedings against SNS Bank. The provision made, is the best possible estimate of the expected outflow of resources. No provision has been made for pending proceedings for which it is not possible to make a reliable estimate of the amount of the claim. See Note 20 Legal proceedings for a more detailed explanation of the main pending legal proceedings against SNS Bank.

A constructive obligation of € 22 million (book loss) is recognised for the sale of SNS Securities NV. For more information see Assets and liabilities held for sale.

With regard to a claim from the Madoff funds a provision is included at year-end. Moreover, other provisions comprise planned compensation to customers in connection with offset mortgages (*spaarhypotheken*).

Statement of changes in other provisions

	Restructuring provision		Other provisions		Total	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at 1 January	15	26	40	40	55	66
Change in Group structures	--	4	--	--	--	4
Additions / releases	9	-9	35	4	44	-5
Withdrawals	-11	-7	-6	-4	-17	-11
Transfer liabilities held for sale	--	--	1	-1	1	-1
Other movements	--	1	--	1	--	2
Balance as at 31 December	**13**	**15**	**70**	**40**	**83**	**55**

17 PROVISION FOR EMPLOYEE BENEFITS

Pension commitments

in € millions	**2015**	**2014**
Pension commitments	4	--
Other employee commitments	19	--
Total	**23**	**--**

The pension rights of the majority of employees of SNS Bank are included in the defined contribution plan of the independent Stichting Pensioenfonds SNS REAAL.

As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have not been included in the balance sheet. SNS Bank pays a fixed annual contribution for the accrual of new rights; a fixed percentage of 21.85 percent of gross wages was paid in 2015. Employees pay an employee contribution of 4.5% of pensionable earnings (after deduction of the contribution-free amount). The existing administration agreement with Stichting Pensioenfonds SNS REAAL has been extended until 31 December 2017.

Until 31 December 2014, these rights were provided for by SNS REAAL as part of employee benefit liabilities under IAS 19. At the beginning of 2015 these liabilities were allocated to SNS Bank NV insofar as they relate to staff transferred to this entity. A provision of € 4 million has been made for this defined benefit plan.

Statement of changes in other employee commitments

in € millions	**2015**	**2014**
Balance as at 1 January	--	--
Change in group structures	13	--
Allocation to / release from other employee commitments	6	--
Balance as at 31 December	**19**	**--**

The other employee commitments resulting from the disentanglement of SNS REAAL were transferred to SNS Bank in early 2015. These consist mostly of discounts on mortgage-, saving- and health insurance products granted to (former) employees after the date of their retirement. The line ‘allocation to/release from other employee commitments’ also includes the effect (€ 1 million) of the update of the parameters used to calculate the other employee commitments (the discount on mortgage rates in particular). The allocation also relates to the anniversary provision.

18 SUBORDINATED DEBTS

In 2015, SNS Bank placed subordinated (Tier 2) bonds for a total amount of € 500 million, with a book value of € 493 million as at 31 December 2015. The Tier 2 bonds, with a maturity of ten years, have a fixed coupon rate of 3.75% with a one-off option to redeem or to adjust the rate after five years.

In June 2015, the private loan from SNS REAAL (€ 40 million) was repaid in full. The average interest rate was 4.0%.

The subordinated debts of SNS Bank form part of the own funds used in determining the solvency position of SNS Bank NV.

19 ASSETS AND LIABILITIES HELD FOR SALE

The balances of the assets and liabilities held for sale as at 31 December 2015 wholly consist of assets and liabilities of SNS Securities, and are expected to be transferred in 2016 as part of the sale of SNS Securities. This divestment, if and when completed, is expected to result in a estimated loss of € 22 million. The sale, when completed, will result in an estimated book loss of approximately € 22 million (recognised as a provision, see Note 16 Other provisions). The estimated loss on the sale of SNS Securities is determined on the basis of the SNS Securities’ net asset value at year-end 2015, taking the conditions of sale resulting from the sales contract into account.
The assets and liabilities held for sale are measured at book value or lower fair value less costs to sell with the exception of assets that fall outside the IFRS 5 measurement scope. The main assets of SNS Securities are financial instruments and therefore fall outside the IFRS 5 measurement scope.

Specification assets held for sale

in € millions	2015	2014
Cash and cash equivalents	4	14
Loans and advances to banks	11	6
Investments	94	125
Other assets	1	4
Total	**110**	**149**

Specification liabilities held for sale

in € millions	2015	2014
Other amounts due to customers	4	5
Amounts due to banks	25	4
Other provisions	--	1
Corporate income tax	3	3
Other liabilities	5	5
Total	**37**	**18**

SNS Securities has several intercompany positions with other units of SNS Bank. These intercompany positions are eliminated when drawing up the consolidated financial statements of SNS Bank and, therefore, are not part of the assets and liabilities held for sale.

20 OFF-BALANCE SHEET COMMITMENTS

CONTINGENT LIABILITIES

Specification contingent liabilities

in € millions	2015	2014
Liabilities from irrevocable facilities	1,255	1,471
Repurchase commitments	1,425	1,132
Total	**2,680**	**2,603**

The irrevocable facilities mainly consist of credit facilities pledged to customers, but against which no claim has yet been made. These facilities are pledged for a fixed term and at a variable interest rate. Collateral has been secured for the majority of the irrevocable credit facilities.

Part of the collateralised loans and advances sold includes a repurchase obligation on the interest repricing date of the loans and advances. In determining the maturity schedule below, an early repayment risk on mortgages of 10.8% per annum (2014: 6.8%) is taken into account.

In addition, SNS Bank and SRLEV agreed in 2015 that SNS Bank would (re)purchase a mortgage portfolio from SRLEV. The value of the mortgage portfolio to be repurchased was € 461 million as at 31 December 2015. The mortgages are repurchased on a monthly basis if a loan component meets certain conditions, such as interest repricing date and conversion of the form of redemption. In determining the maturity calendar below, an early repayment risk on mortgages of 10.8 percent is taken into account.

Maturity calendar repurchase commitments

in € millions	2015	2014
< 1 year	218	131
1 - 5 year	548	391
> 5 year	659	610
Total	**1,425**	**1,132**

GUARANTEE AND COMPENSATION SYSTEMS

The European Deposit Guarantee Scheme Directive was implemented in Dutch legislation on 26 November 2015. The Deposit Guarantee Scheme Directive establishes common standards across the EU and aims to strengthen the protection of depositors. It ensures that depositors will continue to benefit from a guaranteed coverage up to € 100,000 in case of bankruptcy. This will be backed by funds that will be collected from the banking sector. A significant component of the new rules is a new, pre-funded Deposit Guarantee Scheme (DGS). In the new DGS, banks will pay quarterly contributions into a new Deposit Guarantee Fund (DGF). The level of the contribution paid by SNS Bank depends on the amount of guaranteed deposits at SNS Bank and the risk profile, partly in relation to the other banks that are part of the Scheme. The target size of the Fund is equal to 0.8 percent of the total guaranteed deposits of the banks collectively, a target that needs to be reached by 2024.

In order to finance an orderly winding up of failing banks, a National Resolution Funds (NRF) was established in 2015, which is ex ante financed by contributions raised from the banks. The NRF will be replaced by the Single Resolution Fund (SRF) as of 2016. The SRF will be built up over eight years, reaching a target level of at least 1 percent of the amount of covered deposits of all credit institutions of all the participating member states. SNS Bank contributed € 13 million to the NRF in 2015.

FUTURE COMMITMENTS

The future minimum operating lease commitments relate to leased premises.

Maturity calendar future minimum operating lease commitments

in € millions	2015	2014
< 1 year	15	6
1 - 5 year	50	8
> 5 year	58	--
Total	**123**	**14**

The moment the future operating lease commitments are incurred, they are recognised under the item Other operating expenses. The most important contracts have renewal options. Under the operating leases there are no options to acquire property and no imposed restrictions. SNS Bank stands surety for the lease for head office, which is still in the name of SRH (former parent company SNS REAAL), and these commitments are included in the above table. Part of the headquarters will be sublet to a third party (to former sister company, VIVAT Verzekeringen). For 2015, this future rental income amounts to € 1 million, and for a period of 1 to 5 years to € 4 million. For a period exceeding 5 years, the rental will amount to € 1 million. The lease will expire on 1 July 2021.

The future payment obligations for company car contracts stand at € 6 million for 2015 and € 4 million for a period exceeding one year. There is no commitment for a period longer than 5 years.

SNS Bank concluded some large long-term IT support contracts in the amount of € 24 million (2014: € 12 million).

Maturity calendar future IT commitments

in € millions	2015	2014
< 1 year	12	6
1 - 5 year	12	6
> 5 year	--	--
Total	**24**	**12**

LEGAL PROCEEDINGS

SNS Bank and its other subsidiaries are and may become from time-to-time involved in governmental, legal and arbitration proceedings that relate to claims by and against it which ensue from its normal business operations. The most important proceedings are described below.

Madoff

In April 2010, a foundation acting on behalf of a group of execution-only customers initiated legal proceedings against SNS Bank for alleged losses suffered on investments in certain foreign investment funds (including Madoff feeder funds). In January 2013, in the proceedings before the court, the court reached a verdict. The court ruled that SNS Bank made mistakes and therefore failed to meet its contractual obligations. SNS Bank lodged an appeal and has made a provision for the claim.

In 2010, three Madoff-feeder funds initiated legal proceedings in New York against, amongst others, the custody entity of SNS Bank, SNS Global Custody, and its clients as former beneficial owners of investments in these funds. A similar proceeding was initiated by one of these funds against SNS Global Custody in the British Virgin Islands (BVI). They claim repayment of payments made by the funds for redemptions of investments by these beneficial owners. In line with these lawsuits, Madoff's trustee initiated proceedings against SNS Bank and SNS Global Custody. The aforementioned proceedings in New York, in which many financial institutions worldwide are sued in similar proceedings, are mainly in the early stages. SNS Bank will strongly defend itself, but cannot give a reliable estimate of possible provisions resulting from these claims at the moment. With regard to a number of important preliminary questions about the claim on the BVI, judgment was given in favour of SNS Bank by final judgment.

Proceedings following the nationalisation

General

Various former holders of the in 2013 expropriated securities and capital components have initiated legal proceedings to seek compensation for damages. At the time that the financial statements were drawn up, no court proceedings had (yet) been initiated against SNS Bank other than those stated below. Currently, it is not possible to make an estimate of the probability that possible legal proceedings of former holders or other parties affected by the nationalisation may result in a liability, or the level of the financial impact on SNS Bank. For this reason, at year-end 2015 no provisions were made in respect of possible legal actions by former 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 cannot be ruled out that a negative outcome may have a material negative financial impact on the capital position, results and/or cash flows of SNS Bank.

Inquiry proceedings by Dutch Investors' Association

In November 2014 the Dutch Investors' Association (*Vereniging van Effectenbezitters*; 'VEB') filed a petition with the Enterprise Chamber of Amsterdam for an inquiry into the management of SNS REAAL, currently SRH, SNS Bank and the former SNS Property Finance, currently Propertize, for the period 2006 – present. SRH, SNS Bank and Propertize disputed the authority to file a petition for an inquiry. The Enterprise Chamber granted the request related to SRH and rejected the request related to Propertize. The decision related to SNS Bank has so far been deferred by the Enterprise Chamber. SRH appealed against the decision to grant the request in October 2015. SNS Bank and Propertize joined this application for cassation. Only if the VEB's request is found to be admissible, the substantive grounds of the request can be assessed.

Guarantees pursuant to section 2:403, Volume 2 of the Dutch Civil Code for Propertize et al.

These proceedings are not directly related to the expropriation decree but ensue from the subsequent transfer of Propertize BV. In the context of this transfer, SRH and SNS Bank have withdrawn the 403 Guarantees issued for Propertize et al. in the past. The expiry of the objection period made this withdrawal irrevocable for all creditors, with the exception of two parties that assert to have claims against Propertize et al., being Commerzbank and – briefly put – the receivers in the bankruptcies of the 2SQR companies, former Propertize clients. In January 2015, the objection that these parties had raised against the withdrawal of the 403 Guarantees was declared well-founded by the District Court. SRH, SNS Bank and Propertize lodged an appeal against this at the Enterprise Section of the Amsterdam Court of Appeal. At the end of December 2015, the Enterprise Section also declared the objection well-founded. SRH and SNS Bank have instituted an appeal in cassation. The outcome of these objection proceedings as such will not have any material significance for the balance sheet of SNS Bank. No provisions have been made for the underlying asserted claims that Propertize disputes. The receivers in the bankruptcies of the 2SQR companies have now commenced proceedings at the District Court regarding the claim they assert to have against Propertize – for which they hold SNS Bank liable pursuant to the 403 Guarantee. The asserted claim is thus subject to substantive assessment in these proceedings.

Furthermore, some counterparties of Propertize who are conducting legal proceedings against Propertize have also summoned SNS Bank to appear. The legal basis of this is unclear and SNS Bank consider the chance of success of these claims against SNS Bank to be limited.

Other proceedings relevant to SNS Bank

In addition, there are proceedings to which SNS Bank is not a party or in which it is not the direct subject of investigation, but the course and results of which may have a material impact on SNS Bank's position.

This applies first and foremost to the compensation proceedings before the Enterprise Chamber initiated by former holders of expropriated securities and capital components. In the interim ruling rendered by the Enterprise Chamber on 11 July 2013, experts were appointed to assess the value of the capital components and securities expropriated on 1 February 2013, and the Enterprise Chamber itself also issued basic principles for the value assessment. The Supreme Court expressed its opinion on those principles in its judgment of 20 March 2015.

One of the principles was that the compensation must be higher than the offer of € 0 as the Minister had failed to adequately explain that offer. According to the Supreme Court the Enterprise Chamber itself must determine the compensation, so independently of the offer, in which respect it is irrelevant how the Minister explained his offer. This means that the compensation might still be set at € 0.

The Supreme Court also assessed a large number of other compensation principles given by the Enterprise Chamber, including the significance of the share price for the value assessment and the question of whether DNB's actions prior to the expropriation (known as the SREP decision) may be taken into account. New principles will be formulated on several points. The result of the Supreme Court's judgment is that the compensation proceedings, which will be continued before the Enterprise Chamber, must be adjusted in several respects.

With due observance of the framework of the Supreme Court's 20 March 2015 ruling, the Enterprise Chamber decided on 26 February 2016 that the value of the expropriated securities and assets, and consequently whether or not any compensation is due, is to be determined by court-ordered expert examination. In this context, the Enterprise Chamber appointed three experts to carry out this examination. It follows from the ruling that the Enterprise Chamber aims to ensure delivery of the expert examination on 1 October 2016. Any ensuing damages arising from these proceedings will be paid by the Dutch State.

In addition, a number of parties have referred the outcome of the appeal proceedings before the Council of State, which upheld the expropriation decree, to the European Court of Human Rights ('ECHR') for review. In its decisions of 14 January 2014 and 11 February 2014, the ECHR declared the cases to be inadmissible on a number of points and, for the rest, ruled that national proceedings relating to (possible) compensation in connection with the expropriation are currently pending. This pertains in particular to the compensation proceedings before the Enterprise Chamber. The parties may appeal to the ECHR again after the proceedings before the Enterprise Chamber have irrevocably ended. However, in principle this legal action can then only pertain to the procedure concerning the compensation to be paid in connection with the nationalisation. This is because the ECHR ruled by judgment of 9 April 2015 that the appeal proceedings themselves are to be considered legitimate, while declaring the complaints directed at this to be inadmissible. The Court of Appeal stated that bondholders had not been confronted with an unfair disadvantage during the expropriation process.

Other

AFM investigation into interest rate derivatives

At the AFM's request, SNS Bank reassessed its customers' interest rate derivatives in 2014 and 2015 in order to establish whether customers had been adequately advised in the past. This reassessment pertained to interest rate derivatives that had not yet expired on 1 April 2014. SNS Bank personally informed the customers concerned of the assessment results in mid-2015.

On 4 December 2015, the AFM informed SNS Bank that a reassessment of the interest rate derivatives may have to be carried out. Since then, SNS Bank has been in close contact with the AFM to discuss this matter. On 1 March 2016, the AFM and the Minister of Finance announced the appointment of three independent experts who will set up a uniform recovery framework in collaboration with the banks. According to the AFM and the Minister of Finance, this framework will define how the new reassessments are to be conducted and what corrective action should be taken. SNS Bank has agreed to this approach. As the exact magnitude and scope of the uniform recovery framework is still unclear, no reliable estimate can be made as to a potential provision.

21 SPECIFIC DISCLOSURES ON FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities

in € millions	2015 Fair value	2015 Book value	2014 Fair value	2014 Book value
FINANCIAL ASSETS				
INVESTMENTS				
- Fair value through P&L: held for trading	668	668	817	817
- Fair value through P&L: designated	--	--	--	--
- Available for sale	5,708	5,708	6,184	6,184
Derivatives	1,993	1,993	2,702	2,702
Loans and advances to customers	51,674	49,217	54,932	52,834
Loans and advances to banks	2,081	2,081	2,604	2,604
Other assets	278	278	284	284
Cash and cash equivalents	2,259	2,259	1,968	1,968
Assets held for sale	110	110	149	149
Total financial assets	**64,771**	**62,314**	**69,640**	**67,542**
Financial liabilities	--	--	--	--
Subordinated debts	492	493	41	40
Debt certificates	7,241	6,941	11,672	11,252
Derivatives	2,189	2,189	3,266	3,266
Savings	37,557	36,860	36,369	35,666
Other amounts due to customers	10,907	10,580	10,858	10,542
Amounts due to banks	1,024	1,000	2,172	2,099
Other liabilities	955	955	1,971	1,971
Liabilities held for sale	37	37	18	18
Total financial liabilities	**60,402**	**59,055**	**66,367**	**64,854**

The table provides information on the fair value of the financial assets and liabilities of SNS Bank. For a number of fair value measurements estimates have been used. This table only includes financial assets and liabilities. Balance sheet items that do not meet the definition of a financial asset or liability are not included. The total of the fair value presented above does not reflect the underlying value of SNS Bank and should, therefore, not be interpreted as such.

The fair values represent the amounts at which the financial instruments could have been sold or transferred at balance sheet date between market parties 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 have been used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and are based on various assumptions, for instance certain discount rates and the timing and size of expected future cashflows. The degree of subjectivity affects the fair value hierarchy, which is discussed in the 'Hierarchy in determining the fair value of financial instruments' section. Wherever 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 for each balance sheet item are explained in the section below.

For financial assets and liabilities measured at amortised cost, the fair value is provided excluding accrued interest. Accrued interest related to these instruments is included in other assets or other liabilities.

Notes to the valuation financial assets and liabilities

The following techniques and assumptions have been used to determine the fair value of financial instruments

Investments

The fair values of shares are based on quoted prices in active markets or other available market data. The fair values of interest-bearing securities, excluding mortgage loans, are also based on quoted market prices or – in the event that actively quoted market prices are not available – on the present value of expected future cashflows. These present values are based on the relevant market interest rate, taking account of the liquidity, creditworthiness and maturity of the relevant investment.

Loans and advances to customers

The fair value of mortgages is determined based on a present value method. The yield curve used to determine the present value of expected cashflows of mortgage loans is the average of the five lowest mortgage rates in the market, adjusted for interest rates that are considered not to be representative ('teaser rates'). These rates may differ for each sub-portfolio due to differences in maturity, Loan-to-Value class and form of repayment. In determining the expected cashflows, any expected future early redemptions are taken into account.

The fair value of other loans and advances to customers has been determined by the present value of the expected future cashflows. Various surcharges on the yield curve were used for the calculation of the present value. In this respect, a distinction was made by type of loan and customer group to which the loan relates.

Derivatives

The fair values of nearly all derivatives are based on observable market information, such as market rates and foreign exchange rates. For a number of instruments for which not all information is observable in the market, estimates or assumptions are used within a net discounted cashflow model or an option valuation model to determine their fair value. In determining the fair value, the credit risk that a market participant would include in his valuation is taken into account.

Loans and advances to banks

Given the short-term nature of the loans that are classified as loans and advances to banks, the book value is considered to be a reasonable approximation of the fair value.

Other assets

Because of the predominantly short-term nature of other assets, the book value is considered to be a reasonable approximation of the fair value.

Cash and cash equivalents

The book value of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Subordinated debt

The fair value of subordinated debt is estimated on the basis of the present value of the expected future cashflows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding subordinated debt issued by SNS Bank or the entity within the SNS Bank Group whose contractual obligation it is, differentiated to maturity and type of instrument.

Debt certificates

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

Amounts due to customers

The fair value of readily available savings and term deposits differs from the nominal value because the interest is not adjusted on a daily basis and because, in practice, customers leave their savings in their accounts for a longer period of time. The fair value of these deposits is calculated based on the net present value of the relevant portfolios' cashflows using a specific discount curve. For savings covered by the Deposit Guarantee Scheme (DGS), the discount curve is based on the average current rates of several Dutch market parties. SNS Bank's Internal Funds Price-curve (IFTP) was used for savings not covered by the DGS.

Amounts due to banks

The fair value of amounts due to banks is estimated on the basis of the present value of the expected future cashflows, using the interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by SNS Bank, differentiated to maturity and type of instrument. The book value of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other liabilities

The book value of the other liabilities is considered to be a reasonable approximation of its fair value.

Hierarchy in determining the fair value of financial instruments

A major part of the financial instruments is measured in the balance sheet at fair value. In addition, the fair value of the other financial instruments is disclosed. The table below classifies these instruments into level 1, level 2 and level 3. The fair value level classification is not disclosed for financial assets and liabilities where the book value is a reasonable approximation of the fair value.

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 the 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, stock prices are observable and publically available from stock exchanges, brokers or pricing institutions. In addition, these financial instruments are traded on an active market, which allows for the stock prices 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 for which prices have been issued by brokers, but which are also subject to 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 classifications.

Level 3 – Fair value not based on observable market data

A significant part of the financial instruments in this category has been determined using assumptions and parameters that are not observable in the market, such as assumed default rates belonging to certain ratings. The level 3 valuations of investments (shares) are based on quotes from illiquid markets. The derivatives in level 3 are related to some mortgage securitisations and the valuation is partly dependent on the underlying mortgage portfolios and movements in risk spreads.

Hierarchy financial assets and liabilities at fair value 31 December 2015

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
INVESTMENTS					
- Fair value through P&L: held for trading	668	668	--	--	668
- Fair value through P&L: designated	--	--	--	--	--
- Available for sale	5,708	5,502	179	27	5,708
Derivatives	1,993	--	1,786	207	1,993
Loans and advances to customers[1]	2,047	--	--	2,047	2,047
Assets held for sale	94	3	90	1	94
Other assets measured at fair value	--	--	--	--	--
Loans and advances to customers[1]	47,170	--	--	49,627	49,627
Loans and advances to banks	2,081	--	--	--	--
Other assets	278	--	--	--	--
Cash and cash equivalents	2,259	--	--	--	--
Assets held for sale	16	--	--	--	--
Financial liabilities measured at fair value	--	--	--	--	--
Derivatives	2,189	--	1,842	347	2,189
Debt certificates[1]	585	--	--	585	585
Financial liabilities not measured at fair value	--	--	--	--	--
Subordinated debts	493	--	492	--	492
Debt certificates[1]	6,356	--	--	6,656	6,656
Savings	36,860	--	33,831	3,726	37,557
Other amounts due to customers	10,580	--	10,907	--	10,907
Amounts due to banks	1,000	--	1,024	--	1,024
Other liabilities	955	--	--	--	--
Liabilities held for sale	37	--	--	--	--

1 A part of the Loans and advances to customers and Debt certificates is measured at fair value and the remainder at amortised cost.

Hierarchy financial assets and liabilities at fair value 31 December 2014

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
INVESTMENTS					
- Fair value through P&L: held for trading	817	816	1	--	817
- Fair value through P&L: designated	--	--	--	--	--
- Available for sale	6,184	5,923	250	11	6,184
Derivatives	2,702	--	2,323	379	2,702
Loans and advances to customers[1]	2,206	--	--	2,206	2,206
Assets held for sale	125	1	120	4	125
Other assets measured at fair value	--	--	--	--	--
Loans and advances to customers[1]	50,628	--	--	52,726	52,726
Loans and advances to banks	2,604	--	--	--	--
Other assets	284	--	--	--	--
Cash and cash equivalents	1,968	--	--	--	--
Assets held for sale	24	--	--	--	--
Financial liabilities measured at fair value	--	--	--	--	--
Derivatives	3,266	--	2,589	677	3,266
Debt certificates[1]	1,107	--	--	1,107	1,107
Financial liabilities not measured at fair value	--	--	--	--	--
Subordinated debts	40	--	41	--	41
Debt certificates[1]	10,145	--	--	10,565	10,565
Savings	35,666	--	31,277	5,092	36,369
Other amounts due to customers	10,542	--	10,858	--	10,858
Amounts due to banks	2,099	--	2,172	--	2,172
Other liabilities	1,971	--	--	--	--
Liabilities held for sale	18	--	--	--	--

1 A part of the Loans and advances to customers and Debt certificates is measured at fair value and the remainder at amortised cost.

Change in level 3 financial instruments 2015

				Derivatives		
in € millions	Available for sale	Loans and advances to customers	Assets held for sale	Assets	Liabilities	Debt certificates
Balance as at 1 January	11	2,206	4	379	677	1,107
Transfers into level 3	--	--	--	--	--	--
Purchases/advances	6	--	--	--	--	--
Unrealised gains or losses recognised in P&L	--	1	--	-152	-307	37
Unrealised gains or losses recognised in other comprehensive income	16	--	--	--	--	--
Movement accrued interest	--	--	--	-20	-23	--
Sale/settlements	-6	-159	-3	--	--	-560
Other	--	-1	--	--	--	1
Balance as at 31 December	**27**	**2,047**	**1**	**207**	**347**	**585**

Change in level 3 financial instruments 2014

in € millions	Available for sale	Loans and advances to customers	Assets held for sale	Derivatives Assets	Derivatives Liabilities	Debt certificates
Balance as at 1 January	11	--	--	--	242	--
Transfers into level 3	1	2,206	4	379	386	1,107
Unrealised gains or losses recognised in P&L	--	--	--	--	49	--
Sale/settlements	-1	--	--	--	--	--
Balance as at 31 December	**11**	**2,206**	**4**	**379**	**677**	**1,107**

Breakdown level 3 financial instruments

in € millions	2015	2014
Bonds issued by financial institutions	1	4
Equity	27	11
Derivatives	207	379
Loans and advances to customers	2,047	2,206
Total assets	**2,282**	**2,600**
	--	--
Derivatives	347	677
Debt certificates	585	1,107
Total liabilities	**932**	**1,784**

Sensitivity of level 3 valuations of financial instruments

Level 3 financial instruments are largely valued using a net discounted cashflow method in which expectations and projections of future cashflows are discounted to a present value on the basis of market data. The models use market observable information, such as yield curves, or information that is not observable in the market, such as assumptions about certain credit risk surcharges or assumptions about customer behaviour. The valuation of a level 3 instrument may change significantly as a result of changes in these assumptions.

Sensitivity non-market observable parameters financial instruments level 3

in € millions	Valuation technique	Main assumption	Carrying value	Reasonably possible alternative assumptions: Increase in fair value	Reasonably possible alternative assumptions: Decrease in fair value
Assets					
Loans and advances to customers	Discounted cashflow	Discount curve / pre-payment rate	2,047	47	45
Derivatives	Discounted cashflow	Discount curve / pre-payment rate	207	14	17
LIABILITIES					
Debt certificates	Discounted cashflow	Discount curve	585	6	6
Derivatives	Discounted cashflow	Discount curve / pre-payment rate	347	15	17

The derivatives on the liabilities side of the balance sheet include certain contracts in which fixed pre-payment rates have been agreed with the counterparty. Therefore, these contracts are not sensitive to adjustments.

The main non-market observable parameters for determining the fair value of level 3 instruments are the applied estimate of early redemptions and the discount curve. With regard to the discount curve, the assumptions to determine the credit risk surcharge in particular are not observable in the market. SNS Bank adjusted the discount curve upwards or downwards by 50 basis points and had the expectation of early redemptions increased or decreased by 1% in order to calculate sensitivity. It should be noted here that a direct relationship exists between the fair values of the loans and advances to customers, debt certificates and some of the derivatives, as these positions form part of a securitisation structure. As a result, any changes in the value of loans and advances to customers are offset by changes in the value of the debt certificates and derivatives. The other level 3 derivatives also relate to securitisation transactions. Here, too, there is a relationship between the fair values this is due to the fact that the derivatives of the SPVs (front swaps), which are part of the securitisation programmes Hermes, Pearl and Lowland, are entered into back-to-back with the same counterparties (back swaps). As a result, the fair value changes of the front and back swaps are always comparable, but opposite. The level 3 derivatives related to the SPVs of the Holland Homes securitisation programmes are not entered into back-by-back by SNS Bank.

The table below presents the fair value changes caused by the credit risk.

Changes fair value caused by credit risk

	Carrying amount	Accumulated changes in fair value due to credit risk	Carrying amount	Accumulated changes in fair value due to credit risk
in € millions	2015		2014	
Loans and advances to customers	2,047	16	2,206	-73
Total assets	2,047	16	2,206	-73
			--	--
Debt certifiates	585	-23	1,107	-61
Total liabilities	585	-23	1,107	-61

The cumulative changes in the fair value due to credit risk in the loans and advances to customers amounts to € 16 million (2014: € -73 million). This has been calculated from 2010, the moment at which the (mortgage) loans were recognised in the balance sheet by SNS Bank. The movement as a result of credit risk in 2015 is € 89 million (2014: € 35 million).

Impairments charges and reversals per level

	Level 1		Level 2		Level 3		Total	
in € millions	2015	2014	2015	2014	2015	2014	2015	2014
Equity	--	--	--	--	--	1	--	1
Total	**--**	**--**	**--**	**--**	**--**	**1**	**--**	**1**

SNS Bank recognises impairments on equity instruments if the fair value has declined to 25% or more below cost price, or has been quoted below cost price uninterruptedly for at least nine months.

SNS Bank recognises impairments on financial instruments if there is a loss event with regard to the financial instrument. To identify this, the financial instruments are periodically assessed on the basis of a number of indicators set by the Financial Committee. Financial instruments meeting one or more of those indicators are analysed and assessed individually to determine whether there is a loss event.

Transfers between categories 2015

No significant movements occurred in 2015.

Transfers between levels 2014

in € millions	to Level 1	to Level 2	to Level 3	Total
FROM:				
Based on observable market data (Level 2)	409	--	4,082	4,491

Transfers between level 2 and 1
At the beginning of 2014 an amount of € 409 million in investments available for sale was transferred from level 2 to level 1. This transfer is the result of a further fine-tuning of the level classification.

Transfers between level 2 and 3
At the end of 2014 amounts of € 2,206 million in loans and advances to customers, € 379 million in derivatives on the asset side, € 386 million in derivatives on the liability side and € 1,107 million in debt certificates were transferred from level 2 to level 3. These transfers are the result of a new method for determining the fair value of SNS Bank's mortgage portfolio. The loans and advances to customers are valued based on this method and the valuations of the derivatives and debt certificates are derived from the methods used.

22 HEDGING AND HEDGE ACCOUNTING

The hedging strategies are mostly aimed at managing the interest rate risk and the foreign exchange risk. Under IFRS, derivatives are measured at fair value in the balance sheet and any changes in the fair value are accounted for in the income statement. In the event that changes in fair value of hedged risks are not recognised through the income statement, an accounting mismatch occurs, causing volatility in the results. In these cases, hedge accounting is applied as much as possible to mitigate the accounting mismatch and volatility. Derivatives held for trading purposes are not included in this overview.

Derivatives for hedging purposes 2015

	Nominal amounts				Fair value	
in € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
INTEREST RATE CONTRACTS						
- Swaps and FRAs	9,896	22,492	14,891	**47,279**	1,758	-1,984
- Options	705	1,065	200	**1,970**	4	--
CURRENCY CONTRACTS						
- Swaps	15	1	22	**38**	35	--
- Forwards	--	--	--	**--**	--	--
Total	**10,616**	**23,558**	**15,113**	**49,287**	**1,797**	**-1,984**

Derivatives for hedging purposes 2014

	Nominal amounts				Fair value	
in € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
INTEREST RATE CONTRACTS						
- Swaps and FRAs	13,274	30,142	14,119	**57,535**	2,470	-3,069
- Options	3,110	1,405	710	**5,225**	6	--
CURRENCY CONTRACTS						
- Swaps	69	15	22	**106**	47	-13
- Forwards	--	--	--	**--**	--	--
Total	**16,453**	**31,562**	**14,851**	**62,866**	**2,523**	**-3,082**

The nominal amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying values of the primary financial instruments. These nominal amounts provide no indication of the size of the cashflows, the market and credit risks related to the transactions.

HEDGING

SNS Bank uses derivatives for the following objectives:

- To hedge the basis risk;
- To manage the duration of the shareholders' equity. The policy is that this duration ranges between 0 and 8;

- To hedge specific embedded options in mortgages. It concerns mortgages of which the interest rate is capped or where movements in interest rates are not completely passed on to customers;
- To convert fixed-rate funding into floating-rate funding;
- To hedge the risks related to hybrid savings products;
- To hedge the quotation risk when offering mortgages if the new business of fixed-rate mortgages is substantial;
- To hedge foreign exchange risks by converting non-euro funding into euro funding; and
- To hedge risks associated with investment portfolios.

HEDGE ACCOUNTING

In most of the hedging strategies explained above, SNS Bank applies hedge accounting. In addition to the main distinction between fair value hedges and cashflow hedges, there is also a distinction between micro hedges and macro hedges in hedge accounting. Micro hedging is a technique used to hedge individual contracts. Macro hedging is a technique used to hedge the risk on a portfolio of contracts. SNS Bank applies the following types of hedge accounting:

Fair value hedges

Hedging the interest rate risk in the banking book (macro hedge)
The portfolio hedged comprises fixed-rate mortgages of SNS Bank. These are mortgages that have a fixed-rate interest period of more than 6 months. The hedging instruments are interest rate swaps entered into as part of the interest rate risk management in the ALM process. The risk being hedged is the risk of change in fair value of the portfolio attributable to movements in market interest rates.

Hedging embedded derivatives in mortgages (macro hedge)
The mortgage portfolio contains mortgages with interest rate derivatives embedded in the mortgage. These 'embedded options' are hedged by purchasing mirrored interest rate derivatives in the market. The two mortgage products for which hedge accounting is applied are the *Rentedemperhypotheek* and the *Plafondhypotheek*. The hedge covers the interest rate risk that results from writing the embedded interest rate option to the customer.

Hedging the interest rate risk on funding (micro hedge)
SNS Bank conducts micro hedging to convert fixed-rate funding into floating interest rates by means of interest rate swaps. If such funding is denominated in a foreign currency, cross-currency swaps are entered into. In addition to converting foreign currencies into euros and fixed-rate funding into floating-rate funding, SNS Bank also uses derivatives to convert structured funding into floating-rate funding. In structured funding, the funding charge is related to, for example, developments in an equity index or inflation. The funding programme also includes interest rate structures such as floating-rate coupons with a multiplier or a leverage factor. SNS Bank fully hedges the interest rate risk on these structures.

Hedging the interest rate risk on investments (macro hedge)
The interest rate risk on fixed-income investments (government bonds) is hedged by swapping the coupon to a floating interest rate with interest swaps and interest rate futures. The country or credit spread is not hedged. The hedges provide protection for the accumulated revaluation reserve of the relevant fixed-income investments.

Cashflow hedges

Hedging the quotation risk of mortgages
The mortgage quotation risk is hedged with swaptions and forward-starting swaps. The risk being hedged is the interest rate variability up to the time of financing. The intrinsic market value movements of the derivatives up to the moment of payment of the mortgage (up to 3 months) are included in the shareholders' equity. After termination of the hedge relationship the value accrued in the hedge is amortised to the income statement over the remaining term to maturity of the funding. The accrued value in shareholders' equity was € 55.6 million positive (gross) as at 31 December 2014 (2014: € 4.5 million negative (gross)).

Hedging floating interest rate cashflows
The risk of the floating interest rate cashflows on the liquidity position, floating interest rate mortgages, property finance loans and funding are hedged by entering into interest rate swaps and basis swaps. The accrued value of the derivatives is included in the shareholders' equity over the remaining term of the hedge. The value accrued in shareholders' equity was € 20.6 million positive (gross) as at 31 December 2015 (2014: € 110.4 million positive (gross)).

23 RELATED PARTIES

IDENTITY OF RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. As a part of its ordinary business operations, SNS Bank maintains various forms of ordinary business relationships with related companies and parties. Related parties of SNS Holding could be SNS Bank, associated companies, joint ventures, SNS REAAL (currently SRH), VIVAT, SNS REAAL Pensioenfonds, Stichting administratiekantoor beheer financiële instellingen (NLFI), the Dutch State and senior executives and their close family members. Transactions with these related parties mainly concern day-to-day matters in the field of banking, taxation and other administration.

Transactions with related parties have been conducted under normal market terms and conditions ('at arm's length'), except where stated otherwise. In the transactions with related parties, Best Practices provisions II.3.2, II.3.3, II.3.4, III.6.1, III.6.3 and III.6.4 of the Dutch Corporate Governance Code were complied with.

POSITIONS AND TRANSACTIONS RELATED PARTIES

	RegioBank		SNS Securities		ASN		Overige		Totaal	
in € miljoenen	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Assets	794	80	102	257	108	58	1,509	2,948	2,513	3,343
Liabilities	7,030	9,011	45	581	712	741	305	82	8,092	10,415
Income received	40	--	1	1	84	33	91	96	216	130
Expenses paid	127	124	2	1	136	142	1	--	266	267

Fiscal unity

On 30 June 2015, the fiscal unity for corporate income tax purposes between SNS REAAL, SNS Bank and VIVAT was terminated. Immediately following the termination, SNS Bank and its subsidiaries and/or group companies formed a new fiscal unity for corporate income tax and VAT purposes. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts stemming from the relevant tax entities.

For more information about the current corporate income tax receivables and payables reference is made to note 9 Corporate income tax of the consolidated financial statements.

Mortgage-related intragroup transactions and positions

The mortgage-backed loan that ASN Bank provided to Woonhuishypotheken BV, a fully consolidated subsidiary of SNS Bank, amounted to € 4.5 billion (2014: € 4.5 billion) as at 31 December 2015. The underlying mortgages were originally initiated by SNS Bank and RegioBank.

Other transactions

In 2015, RegioBank sold the Reaal Bancaire Diensten (bank) savings portfolio to SNS Bank for an amount of € 2,449 million with a nominal value of € 2,435 million. SNS Bank positions this portfolio under the BLG trade name.

SNS Bank pays pension premiums for its employees to the SNS REAAL pension fund in the amount of € 33 million.

Positions and transaction within the SNS REAAL Group

On 30 September, SNS REAAL transferred all shares in SNS Bank NV to the Dutch State ('the State'). Immediately after the transfer, the State transferred SNS Bank NV to SNS Holding BV, a wholly-owned subsidiary of Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI). The transfer of SNS Bank NV to the State – following the earlier sale of VIVAT Verzekeringen to Anbang by SNS REAAL on 26 July – means that SNS REAAL and VIVAT Verzekeringen ceased to form part of the SNS REAAL Group on 31 December 2015. As SNS Bank did form part of the SNS REAAL Group during the year, the positions and transactions between SNS Bank and SNS REAAL and its sister companies until the date of participation in the group are explained below. Following the transfer, SNS REAAL changed its name to SRH NV on 30 September 2015.

Positions and transactions between SNS bank NV, SNS REAAL NV and sister companies

	SNS REAAL		Sister companies	
in € millions	**30-9-2015**	2014	**31-7-2015[1]**	2014
POSITIONS				
Loans and advances	14	20	1,027	1,056
Corporate income tax (receiveable)	--	54	--	--
Subordinated debt	--	40	--	--
Other liabilities	60	76	2,541	2,681
Transactions				
Mutation loans and advances	-6	-182	-29	-60
Mutation provisions for doubtful debt	-54	--	--	--
Mutation subordinated debt	-40	--	--	--
Mutation other liabilities	-16	-121	-140	-466
Income	9	--	9	11
Other expenses	12	141	50	86

1 Because 26 July 2015 is not a closing date, the positions are included as at 31 July 2015. The positions on 31 July 2015 do not materially differ from those on 26 July 2015.

Funding-related intragroup transactions and positions

SNS Bank has granted a credit facility to SNS REAAL of € 100 million. The term will run until 31 December 2015 with an extension option. On 28 December 2015, SNS Bank has extended the facility until 28 February 2016. The facility is revocable daily and payable on demand for SNS REAAL. The interest rate of the loan is the 1 month EURIBOR plus 300 basis points. SNS REAAL bound itself in the deed towards SNS Bank to never establish any right of pledge, right of mortgage or any other right of security on any of its assets as security. Furthermore, SNS REAAL, will establish as security, immediately upon request to that effect, a right of pledge in favour of SNS Bank on its shares in the share capital of SNS REAAL NV. This credit facility to SNS REAAL is not considered as an 'at arm's length' facility and is fully deducted from the capital of SNS Bank. As at 30 September 2015 this facility was not drawn down under.

Mortgage-related transactions and positions with SRLEV

SRLEV and SNS Bank have sold so-called *spaarhypotheken* (offset mortgages) to their customers. An offset mortgage is a financial product that combines an insurance policy issued by SRLEV with a mortgage issued by SNS Bank. The proceeds from the insurance policy will ultimately be used to redeem the mortgage. The savings parts of these insurance premiums received by SRLEV from the policyholders have been deposited at SNS Bank by SRLEV in the name and at the risk of the latter against interest rate equal to the interest rate on the mortgage linked to this insurance policy. SNS Bank has pledged assets to SRLEV to secure this receivable.

SRLEV and SNS Bank entered into a cession/retrocession transaction. In this transaction, SRLEV purchased and got transferred and will continue to purchase and get transferred from SNS Bank a portion of the legal ownership of each offset mortgage. This portion is equal to the amounts of the savings parts deposited by SRLEV at SNS Bank including the interest added to this savings part by SNS Bank. The amounts deposited at SNS Bank, including the accrued interest thereon, are equal to the purchase price of the legal ownership of the mortgages. These amounts are used to settle SRLEV's related payment obligations. Insofar as these amount increase due to new (monthly) saving parts deposited by SRLEV at SNS Bank and interest accrued thereon, this amount will be paid by SRLEV to SNS Bank, and SNS Bank sells additional portions of legal ownership of offset mortgages and transfers ownership thereof to SRLEV. Insofar as these amounts decrease, for example in case of the expiration of an insurance policy, SNS Bank repurchases the legal ownership of the mortgage and gets it transferred at a predetermined purchase price equal to the amount of the decrease of the savings parts deposited including the interest accrued thereon. The above-mentioned cession/retrocession transaction does not apply to securitised mortgages. In addition to the aforementioned, SNS Bank is not allowed to enter into (securitisation) transactions with offset mortgages linked to SRLEV insurance policies without SRLEV's prior permission.

Whereas the sale price of the legal ownership corresponds to the repurchase price and the cession/retrocession agreement explicitly stipulates that the credit risk on the offsets mortgages remains with SNS Bank,there is no transfer of economic ownerships. The mortgages, therefore, remain recognised on SNS Bank's balance sheet. As at 31 July 2015, the total savings value outstanding between SNS Bank and SRLEV was € 1,676 million (31 December 2014: € 1,641 million), € 775 million of which related to sub-participations in securitisations. SNS Bank legally transferred the balance of these two amounts to SRLEV via cession/retrocession.

For the amounts deposited by SRLEV at SNS Bank in relation to the mortgages securitised by SNS Bank (31 July: € 775 million; 31 December 2014: € 806 million; 31 December 2013: € 811 million), SRLEV received a loan from SNS Bank that was used by SRLEV to acquire sub-participations in the securitised mortgages from the Special Purpose Entities involved in the securitisation.

Other material transactions between SNS Bank, SNS REAAL and sister companies

- As of 31 july 201,5 the investments of SRLEV in fixed income securities issued by SNS Bank amounted to € 23 million (2014: € 23 million).
- As of 31 july 201,5 the investments of SRLEV in bonds issued by various Holland Homes securitisation entities fully consolidated by SNS Bank, amounted to an amortised cost of € 45 million (2014: € 48 million).
- As from 1 January 2015 part of SNS REAAL's staff employees was transferred to SNS Bank. As a result of this, the benefits related to these employees were transferred to SNS Bank in early 2015. The provision for employee benefits amounted to approximately € 17 million.
- All intercompany positions with SNS REAAL and sister companies were settled at the time of sale of VIVAT Verzekeringen and transfer of SNS Bank.

POSITIONS AND TRANSACTIONS WITH MANAGERS IN KEY POSITION OF SNS BANK

Until 30 September 2015, managers in key positions comprised members of the SNS REAAL Executive Board and the SNS Bank Board of Directors. Since then, senior management has consisted solely of the SNS Bank Board of Directors. The members of the Board of Directors are included under Statutory in the table below. 'Other' includes the non-statutory Board members and, until 30 September 2015, the members of the SNS REAAL Executive Board. At the end of 2015, senior management comprised 6 members (2014: 9 members).

Specification remuneration managers in key positions

	Statutory		Other		Total	
in € thousands	**2015**	2014	**2015**	2014	**2015**	2014
Fixed annual income	1,927	1,583	1,383	1,651	3,310	3,234
Pension contribution	90	241	52	256	142	497
Long-term remuneration	--	--	--	--	--	--
Termination benefits	--	--	132	--	132	--
Total	**2,017**	**1,824**	**1,567**	**1,907**	**3,584**	**3,731**

Fixed annual income (IFRS: 'Short-term employee benefits') means the fixed salary (including holiday allowance, year-end bonus, 13th month pay, the benefit of the private use of a company car, contribution to health insurance and social security) the salary supplement by way of compensation for the loss of pension accrual over € 100,000 and the unconditionally granted variable remuneration for 2015. Managers in key postions were not granted any variable remuneration for 20145

For those members who were managers in key positions before 1 July 2015, two insurance policies have been taken out, which are regarded as income: a WIA (Work and Income) insurance, a disability insurance and mortality risk insurance. The corresponding premiums are paid by SNS Bank. These premiums are also included in the fixed annual income.

'Pension contribution' (IFRS: 'Post-employment benefits') means the pension contribution paid for by the employer, after deduction of the contribution paid by the employee.

'Long-term remuneration'(IFRS: 'Other long-term employee benefits') means the remuneration that has been awarded but has not yet been paid out. Managers in key postions did not receive any variable remuneration for 2015.

‘Termination benefits’ (IFRS: ‘Severance and redundancy pay’), means the pay under termination of the employment contract, including any compensation to which the employee is entitled in connection with the employment termination without performing work.

Specification loans to managers in key positions

	Outstanding as at 31 December		Average interest rate[1]		Redemptions		Advances	
in € thousands	2015	2014	2015	2014	2015	2014	2015	2014
Mortgage loans	998	2,222	2.88%	3.61%	188	53	--	--

1 The average interest rate is the interest paid as a percentage of the average outstanding mortgage loan balances.

The table above provides an overview of the loans granted to managers in key positions that were outstanding on 31 December 2015. These loans were mortgage loans provided in the course of ordinary business and under conditions that also apply to other members of staff.

The difference between the outstanding debt in 2015 and 2014 is due to repayments in 2015 and by changes in managers in key positions.

The remuneration of individual members of the Board of Directors and members of the Supervisory Board are explained in more detail in the annual report of SNS Bank in Section 7.7 Remuneration report which is part of the financial statements.

SUBSIDIARIES SNS HOLDING BV

Specification principal subsidiaries

	Place of business	Nature of business	Proportion of ordinary shares
SNS Bank NV	Utrecht	Banking	100%
ASN Bank NV	The Hague	Banking	100%
SNS Securities NV	Amsterdam	Investment banking	100%
RegioBank NV	Utrecht	Banking	100%

Other capital interests

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

CONSOLIDATED STRUCTURED ENTITIES

The structured entities over which SNS Holding can exercise control are consolidated. SNS Bank’s activities involving structured entities are explained below in the following categories:

- Securitisation programme
- Covered bond programme

Securitisation programmes

SNS Bank entered into securitisation programmes to obtain funding and to improve liquidity. Within the programme SNS Bank sells mortgage receivables originated by itself to a Special Purpose Vehicle (SPV). The SPV issues securitised notes which are eligible collateral for the European Central Bank. In most programmes, SNS Bank acts as investor of the securitised notes. As the SPVs are set up for the benefit of SNS Bank and there is limited transfer of risks and rewards, SNS Bank continues to consolidate the SPVs.

Specification securitisations

in € millions	2015	2014
Hermes	1,768	4,781
Pearl	1,512	2,515
Lowland	6,120	6,893
Holland Homes	585	1,107
Total	**9,985**	**15,296**

SNS Bank set up various securitisations with approximately € 10 billion notes outstanding at year-end 2015 (2014: € 15.3 billion). SNS Bank holds € 6.9 (2014: € 9.0) on own book.

Covered bond programme

SNS Bank issued bonds under a covered bond programme. At year-end 2015, the book value of the issued bonds was € 2.9 billion (2014: € 3.9 billion). Payment of interest and principal is guaranteed by a structured entity SPV, SNS Covered Bond Company BV ('CBC'). To enable CBC to fulfil its guarantee, SNS Bank legally transferred Dutch mortgage loans originated by SNS Bank to CBC. Furthermore, SNS Bank offers protection against the deterioration of the mortgage loans. CBC is fully consolidated by SNS Bank.

24 POST BALANCE SHEET EVENTS

In February 2016, a € 100 million credit facility between SNS Bank and SRH (formely SNS REAAL) was terminated and repaid. The absence of this deduction has a positive impact of 0.9% on the CET1 ratio.

The debt certificates issued under the Hermes XII securitisation programme were redeemed on 18 March 2016.

25 NET INTEREST INCOME

Specification net interest income

in € millions	2015	2014[1]
Interest income	1,888	2,132
Interest expenses	894	1,108
Net interest income	**994**	**1,024**

1 An elimination of € 51 million in interest income and interest expense was adjusted in the comparative figures for 2014.

Interest income includes the proceeds derived from the Banking activities lending money and related transactions, as well as related commissions and other interest-related income.

Interest expenses includes costs incurred from the Banking activities from borrowing money and related transactions, as well as other interest-related charges.

At yeard-end the interest income includes € 45 million (2014: € 48 million) interest income on impaired assets. Interest income and expenses also include the interest results from derivative positions insofar as they have been established with the aim of limiting the interest rate risk on hedged financial instruments.

Specification interest income

in € millions	2015	2014
Mortgages	1,765	1,954
Other loans and advances to customers	98	104
Loans and advances to banks	-9	16
Investments	34	58
Total	**1,888**	**2,132**

The negative interest income on loans and advances to banks is driven by the negative short-term EURIBOR interest rates

Specification interest expenses

in € millions	2015	2014
Debt certificates	79	142
Subordinated debt	4	2
Savings	641	762
Other amounts due to customers	155	173
Amounts due to banks	15	26
Other	--	3
Total	**894**	**1,108**

26 NET FEE AND COMMISSION INCOME

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

Specification net fee and commission income

in € millions	2015	2014
FEE AND COMMISSION INCOME:		
Money transfer and payment charges	35	36
Securities activities	7	6
Insurance agency activities	16	16
Management fees	29	26
Advice and agency activities	15	10
Other activities	1	1
Total fee and commission income	**103**	**95**
Fee and commission expenses	36	34
Fee franchise	19	17
Total fee and commission expenses	55	51
Total	**48**	**44**

27 INVESTMENT INCOME

Specification investment income

in € millions	2015	2014
Fair value through profit or loss	-163	36
Available for sale	205	36
Total	**42**	**72**

Included in the investment income is a net gain due to foreign exchange rate movements of € 10 million (2014: € 4 million gain).

Breakdown of investment income 2015

	Fair value through P&L				
in € millions	Held for trading	Designated	Available for sale	Loans and receivables	Total
Dividend	--	--	--	--	--
Interest	--	--	--	10	10
Realised revaluations	--	-143	186	--	43
Unrealised revaluations	--	-30	19	--	-11
Total	**--**	**-173**	**205**	**10**	**42**

Breakdown of investment income 2014

	Fair value through P&L				
in € millions	Held for trading	Designated	Available for sale	Loans and receivables	Total
Dividend	--	--	1	--	1
Interest	--	--	--	4	4
Realised revaluations	1	-70	90	-4	17
Unrealised revaluations	--	105	-55	--	50
Total	**1**	**35**	**36**	**--**	**72**

The decrease was mainly driven by sharply lower realised gains on fixed-income investments, sold as part of asset and liability management and to optimise the investment portfolio.

28 RESULT ON FINANCIAL INSTRUMENTS

Specification result on financial instruments

in € millions	2015	2014
Fair value movements in hedging instruments	6	15
Fair value movements in hedged item attributable to hedged risks	1	-23
Fair value movements in derivatives held for fair value hedge accounting	**7**	**-8**
Fair value movements in derivatives held for trading	-1	-7
Fair value movements in other derivatives	-19	16
Fair value movements in other financial instruments	64	-50
Repurchase debt instruments	-12	3
Total	**39**	**-46**

In 2015, the result on financial instruments was positively impacted by unrealised gains on former DBV mortgages and related derivatives, both accounted for at fair value with changes through the profit and loss account. The fair value of these mortgages is influenced by changes in customer mortgage rates and the fair value of related derivatives is mainly influenced by swap rate movements. In 2015, a general decline in customer mortgage rates in combination with an increased swap rate and an increased prepayment rate resulted in a one-off gain of € 47 million (€ 35 million net) compared to nil in 2014.

29 OTHER OPERATING INCOME

The total other operating income in 2015 amounted to € 2 million (2014: € 5 million). In 2014 there was a profit of € 3 million by the sale of SNS Fundcoach.

30 STAFF COSTS

All staff is employed by SNS Bank.

Specification staff costs

in € millions	2015	2014
Salaries	186	123
Pension costs	33	20
Social security	28	19
Other staff costs	124	55
Total	**371**	**217**

The increase in staff costs and FTEs was mainly driven by the transfer of employees from holding company SNS REAAL in January 2015, following previous transfers in 2014 as a result of the disentanglement process. Furthermore, staff costs and FTEs increased due to the transfer of the business activities of RBD from VIVAT to BLG Wonen on 1 January 2015 and due to a higher head count at operations to facilitate the increased mortgage activities. Also, a large part of the costs of IT staff is recognised under employee expenses rather than passing IT costs in other operating expenses.

The pension rights of the majority of employees of SNS Bank are included in the defined contribution plan of the independent Stichting Pensioenfonds SNS REAAL. SNS Bank pays a fixed annual contribution for the accrual of new rights; a fixed percentage of 21.85% of gross wages was paid in 2015. As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have not been included in the balance sheet. Employees pay an employee contribution of 4.5% of pensionable earnings (after deduction of the contribution-free amount). The existing administration agreement with Stichting Pensioenfonds SNS REAAL has been extended by one year until 31 December 2017.

A small portion of the pension rights are classified as defined benefit plans. These are rights that were accrued by employees in the past and that remained in pension schemes taken over as part of business acquisitions. The costs of these pension plans for the employer consist mainly of interest accrual on the pension commitments, totalling approximately € 0.1 million for 2016 (2015: € 0.1 million).

Other staff costs consist largely of the costs of temporary staff, fleet, travel costs and vocational education and training costs. The lease commitments of the fleet amount to € 4 million (2014: € 4 million) and hiring staff € 88 million (2014: € 39 million).

Number of FTEs

in numbers	2014	2013
Number of FTEs	3,340	2,009

The Group's governance structure changed in 2014. In 2014 a part of SNS REAAL's staff members was transferred to the SNS Bank. As from 1 January 2015 the new employer of all these employees is SNS Bank.

Specification phantom shares (awarded in financial year)

	Shares (in numbers)		Fair value per share (in €)	
	2015	2014	2015	2014
Total	117	4	3,842	3,941

The revised Regulation on Sound Remuneration Policies (Rbb) was activated as from 1 January 2012. Under this new regulation, which came into force on 1 January 2013, a possible variable remuneration granted to SNS Bank staff is partly awarded in phantom shares. The fair value per phantom share is obtained by comparing the equity at the end of the year of performance against the number of outstanding ordinary shares (initial value). Subsequently, the share will annually be revalued with the results of the current year.

The value development of the phantom shares is based on the development of SNS Bank's result, possibly adjusted for non-recurring income or expenses. The value of the phantom shares is paid in cash at the end of the specified period of time. For 2015, € 445,000 (2014: € 15,000) in phantom shares will be awarded. At year-end 2015, the total amount of liabilities arising from the phantom shares is € 584,000.

31 OTHER OPERATING EXPENSES

Specification other operating expenses

in € millions	2015	2014
Housing costs	20	23
Information technology costs	21	99
Marketing and public relations costs	36	36
Consultancy costs	28	23
Other costs	76	76
Prudential costs	15	7
Total	**196**	**264**

Other expenses comprise costs for payment transactions, securities management and printed matter. Other costs also comprise € 17 million (2014: € 9 million) in costs on account of lease commitments.

IT costs decreased because IT staff are now employed by SNS Bank and are no longer recognised via pass-through expenses in other operating expenses.

Prudential costs include an amount of € 13 million in relation to SNS Bank's annual contribution to the Resolution Fund. The remaining amount of € 2 million (2014: € 7 million) relates to the banking tax, which was recognised under other expenses in 2014.

32 IMPAIRMENT CHARGES/ (REVERSALS)

Specification impairment charges / (reversals) by asset class

	Impairments		Reversals		Total	
in € millions	**2015**	2014	**2015**	2014	**2015**	2014
THROUGH PROFIT OR LOSS						
Loans and advances to customers	129	278	95	72	34	206
Property and equipment	2	3	--	2	2	1
Intangible assets	1	67	--	--	1	67
Total through profit or loss	132	348	95	74	37	274
THROUGH EQUITY						
Investments	--	1	--	--	--	1
Total through equity	**--**	**1**	**--**	**--**	**--**	**1**

Impairment charges on retail mortgages decreased. This decrease was supported by macro-economic developments, most notably higher residential house prices and declining unemployment figures. In addition, improved arrears management contributed to a decline in the inflow of loans in default and to an increase in recoveries. Finally, impairment charges on retail mortgages in 2014 had been impacted by non-recurring items.

Impairment charges on intangible fixed assets decreased as a result of the one-off goodwill impairment of RegioBank in 2014 (€ 67 million).

33 OTHER EXPENSES

The € 22 million book loss in connection with the sale of SNS Securities is recognised under other expenses.

In 2014, SNS Bank's contribution to the "Temporary Resolution Levy Act 2014" was recognised under other expenses (€ 76 million).

34 TAX

Specification Tax

in € millions	**2015**	**2014**
In financial year	22	13
Prior year adjustments	3	--
Corporate income tax due	**25**	**13**
Due to temporary differences	103	87
Deferred tax	103	87
Total	**128**	**100**

Reconciliation between the statutory and effective tax rate

in € millions	2015	2014
Statutory income tax rate	25.0%	25.0%
Result before tax	476	251
Statutory corporate income tax amount	**119**	**63**
Exemptions	1	20
Prior year adjustments (including tax provision release)	3	--
Permanent differences	5	17
Total	**128**	**100**
Effective tax rate	26.9%	40.0%

The sum of € 6 million under permanent differences is related to the book loss on the sale of SNS Securities.

Dividend

SNS Holding BV proposes to pay out to its shareholder NLFI a dividend of € 49 million to be charged to the profit and € 51 million to be charged to the share premium reserve. Dividend withholding tax in the amount of € 6 million will be deducted from the dividend distribution.

Utrecht, 23 March 2015

Supervisory Board

J.C.M. van Rutte (chairman)
C.M. Insinger
M.R. Milz
J.A. Nijhuis
L.J. Wijngaarden

Board of Directors

M.B.G.M. Oostendorp (chairman)
A.T.J. van Melick
V.A. Baas
R.G.J. Langezaal
M. Wissels[11]

[11] The annual report is not signed by M. Wissels in connection with his absence due to illness.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

Before result appropriation and in € millions	Notes	31-12-2015
ASSETS		
Subsidiaries	1	3,302
Total assets		**3,302**
EQUITY AND LIABILITIES		
Share capital	2	--
Share premium reserve	2	3,247
Statutory reserve associates	2	7
Other reserves	2	-1
Retained earnings	2	49
Total equity		**3,302**
Total equity and liabilities		**3,302**

COMPANY INCOME STATEMENT

in € millions	2015[1]
Result on subsidiaries after tax	49
Other results after tax	--
Net result	**49**

1 The income statement cover the period from 30 June to 31 December 2015. The result of SNS Bank is included as from 1 October.

Costs incurred for SNS Holding, such as legal fees and audit fees, are paid for by SNS Bank.

PRINCIPLES FOR THE PREPARATION OF THE COMPANY FINANCIAL STATEMENTS

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

For additional information on items not explained further in the notes to the company balance sheet, reference is made to the notes to the consolidated financial statements.

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

Subsidiaries are all companies and other entities in respect of which SNS Holding BV has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by SNS Holding BV. The subsidiaries are accounted for using the equity method.

Changes in balance sheet values of subsidiaries due to changes in the revaluation, cash flow and fair value reserve of the subsidiaries are reflected in the statutory reserve associates, which forms part of shareholders' equity.

Statutory reserves that have been formed for the capitalised costs of research and development of software of the subsidiaries are also presented in the statutory reserve associates.

Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with SNS Holding BV accounting policies, are included in the income statement. The distributable reserves of subsidiaries are included in other reserves.

On 30 September 2015, SNS REAAL NV (presently SRH NV) transferred SNS Bank to SNS Holding BV, which thus acquired 100 percent ownership. The transfer was conducted under common control of NLFI, which owns 100 percent of the shares of SRH and SNS Holding. This transaction may thus be characterised as a capital restructuring, as a result of which SNS Holding recorded the transfer at the book value of SNS Bank at the time of transfer. On 30 September 2015, the book value amounted to € 3,247 million.

The equity statement as included in the company financial statements is leading for the disclosure of SNS Bank's legal ability to distribute equity components.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 SUBSIDIARIES

Statement of changes in subsidiaries

in € millions	2015
Balance as at 1 January	--
Capital contribution/Share premium	3,247[1]
Revaluations	6
Result	49
Balance as at 31 December	**3,292**

1 On 30 September, SNS REAAL NV transferred all shares in SNS Bank NV to the Dutch State (the State). Immediately after the transfer, the State transferred SNS Bank NV to SNS Holding BV, a wholly-owned subsidiary of NL Financial Investments (NLFI).

2 EQUITY

Statement of changes in equity 2015

in € millions	Issued capital[1]	Share premium reserve	Statutory reserves associates	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2015	--	--	--	--	--	--
Unrealised revaluations	--	--	24	--	--	24
Realised revaluations through P&L	--	--	-18	--	--	-18
Other changes	--	--	1	-1	--	--
Transactions with shareholder	--	3,247	--	--	--	3,247
Amounts charged directly to equity	--	3,247	7	-1	--	3,253
Net result 2015	--	--	--	--	49	49
Total result 2015	--	3,247	7	-1	49	3,302
Total changes in equity 2015	--	3,247	7	-1	49	3,302
Balance as at 31 December 2015	**--**	**3,247**	**7**	**-1**	**49**	**3,302**

1 Issued capital is € 1

The transaction with the shareholder relates to the transfer of SNS Bank to SNS Holding against the issue of share premium. The transfer took place at book value. The share premium reserve arising from the transfer of SNS Bank to SNS Holding is equal to the net asset value of SNS Bank on the date of transfer. On that date, the equity of SNS Bank had a legal reserve of € 172 million. This part of the share premium reserve of SNS Holding is not available for distribution.

Issued share capital

The issued share capital is fully paid up and comprises one share. The nominal value of the share is € 1. No new shares were issued during the year.

3 AUDIT FEES

Notes to the audit fees

in € thousands, excluding applicable VAT	KPMG Accountants NV 2015	KPMG Accountants NV 2014	Other KPMG Network 2015	Other KPMG Network 2014	Total 2015	Total 2014
Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities	1,904	1,049	--	--	1,904	1,049
Other assurance services	437	240	--	--	437	240
Tax advisory services	--	--	--	15	--	15
Other non-audit services	--	--	--	--	--	--
Total	**2,341**	**1,289**	**--**	**15**	**2,341**	**1,304**

Audit fees for the year 2015 increased as a result of the disentanglement of SNS REAAL, resulting in a reallocation of audit fees from SNS REAAL to SNS Bank.

Utrecht, 23 March 2015

Supervisory Board
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Board of Directors
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V.A. Baas
R.G.J. Langezaal
M. Wissels[12]

12 The annual report is not signed by M. Wissels in connection with his absence due to illness.

OUR CUSTOMERS USED THEIR DEBIT CARD

6x

A WEEK ON AVERAGE

THAT COMES DOWN TO

€180

A WEEK IN 2015

Provisions regarding profit or loss appropriation

PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING PROFIT OR LOSS APPROPRIATION

Article 33

1. The net result shall be at the free disposal of the General Meeting of Shareholders.
2. The company may only make distributions to shareholders and other persons entitled to the distributable profits in so far as its equity exceeds the total amount of its issued share capital plus the reserves required to be held by law.
3. Distribution of profits shall only take place upon adoption of the financial statements from which it appears that such distribution is allowed.

Article 34

1. Dividends shall be made payable fourteen days of declaration of dividend, unless the General Meeting of Shareholders determines another on a motion by the Board of Directors.
2. Dividends that have not been collected within five years after having been made payable shall revert to the company.
3. If the General Meeting of Shareholders so determines on a motion by the Board of Directors, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of the provisions in article 2:105, paragraph 4 of the Dutch Civil Code.
4. A deficit may only be offsett against reserves required by law in so far as permitted by law.

PROFIT OR LOSS APPROPRIATION

SNS Holding BV proposes to pay out to its shareholder NLFI a dividend of € 49 million to be charged to the profit and € 51 million to be charged to the share premium reserve. Dividend withholding tax in the amount of € 6 million will be deducted from the dividend distribution.
The profit after dividend payment for the financial year 2015 will be added to the other reserves.

Independent auditor's report

To: the General Meeting and the Supervisory Board of SNS Holding B.V.

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS 2015

OPINION

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of SNS Holding B.V. ('SNS Holding' or 'the company') as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements give a true and fair view of the financial position of SNS Holding as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

WHAT WE HAVE AUDITED

We have audited the financial statements 2015 of SNS Holding, based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2015;
2. the following consolidated statements for 2015: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2015;
2. the company income statement for the period 30 June 2015 through 31 December 2015; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of SNS Holding in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

AUDIT APPROACH

Summary

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 30 million. The materiality is determined with reference to total income of SNS Holding (2.7%). We considered total income as the most appropriate benchmark because it is the best reflection of the main operating activities of SNS Holding's 100% banking subsidiary, SNS Bank N.V. ('SNS Bank') and the associated risks of misstatement in the financial statements: providing loans and offering payment and savings products. Furthermore, this benchmark is less susceptible to one-off or volatile items, contrary to the widely-applied benchmark profit before tax. We additionally assessed our materiality against equity as a benchmark. SNS Bank operates in a regulated market that requires the level of shareholders' equity to meet certain minimum capital requirements. In relation to the equity of SNS Bank and SNS Holding, the materiality is 0.9% of the equity benchmark. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Audit Committee of the Supervisory Board that misstatements in excess of EUR 1.5 million (impact on profit before tax or shareholders' equity), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

SNS Holding is at the head of a group of legal entities and operating units. The financial information of this group is included in the consolidated financial statements of SNS Holding. Our audit primarily focused on group entities and operating units that are significant in the context of the consolidated financial statements and comprise: SNS Bank N.V., ASN Bank N.V., RegioBank N.V., SNS Financial Markets and the Service Centres 'Betalen en Sparen (Payments and Savings)', 'Hypotheken (Mortgage processing)', 'Zakelijk Beheer (SME Lending)' and 'Beleggen (Retail Investment Services)' ('the group entities').

The audit procedures performed for the aforementioned group entities are performed by one audit team. In order to obtain sufficient and appropriate audit evidence about the group's financial information we have determined the nature, timing and extent of the audit procedures to be carried out for the various group entities. Decisive factors we considered in this respect were the size and/or the risk profile of each of the group entities or operations. On this basis, we selected the above mentioned group entities for which a full-scope audit was carried out on the set of financial information included in SNS Holding's consolidated financial statements. Our assessment also included determining the procedures to perform for entities and/or account balances that are, based on materiality, not subject to the aforementioned full-scope audit. These procedures comprise, for example, analytical reviews and substantive audit procedures regarding specific items in the financial statements that, in our opinion, contain an increased inherent risk of a material misstatement.

By performing the procedures mentioned above for the group entities, together with performing the procedures described for entities and/or account balances not subject to a full-scope audit, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Management Board and the Audit Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Finalisation of the disentanglement from SNS REAAL N.V.

Description

On 30 September 2015, SNS REAAL N.V. (currently named SRH N.V. ('SRH')) transferred its 100% participation in SNS Bank (SNS Holding's sole direct and wholly-owned subsidiary) to Stichting administratiekantoor beheer financiële instellingen ('NLFI'). As a result, SNS Bank became fully independent of SRH after the earlier separation of the insurance operations of SRH (VIVAT N.V.) on 26 July 2015. In the period prior to 30 September 2015, SNS Bank worked on the last steps of the organisational and financial disentanglement from SRH and VIVAT. For more detailed information, please refer to note 3, 8, 23 and 24 of the consolidated financial statements and paragraph 7.5 of the Management Board Report.

These developments had an impact on our audit of the financial statements of SNS Bank and therefore are reported as a key audit matter:

- The preparations for the organisational changes started in 2014 and therefore the largest impact on the control environment was in 2014. However, the finalisation of the transition continued to impact the internal control environment of SNS Bank in 2015. For example due to changes in the composition of the Management Board and the Supervisory Board, a changed relationship with the shareholder and the transfer of the last remaining group functions, such as Group Internal Audit from SRH to SNS Bank. Furthermore, SNS Bank continued with the implementation of an Integrated Control Framework. These changes impacted the control environment as it affected entity level controls.
- The disentanglement from SRH required a number of one-off transactions with (former) related parties, for example the settlement of all intercompany positions and the breakup of the fiscal unity. Given the unique character of these transactions we observe an increased risk of material misstatement or inadequate disclosure in the financial statements.

Our response

In our audit approach, we distinguished two main components:

- We assessed, through inquiry with responsible senior management, inspection of underlying documentation and test work over entity level controls, the impact of the disentanglement of SNS Bank on the internal control environment to the extent relevant to the audit of the financial statements. We reviewed the changes in responsibilities of individual Management Board members that could impair the quality of internal control over financial reporting. Based on our procedures we did not note any findings with respect to the internal control environment that required us to modify our planned audit approach.
- We performed specific audit procedures in relation to the correct accounting and adequate disclosure of the settlement of all significant financial relationships between SNS Bank, SRH and VIVAT in 2015, as well as the adequate disclosure of the remaining financial relationships as at 31 December 2015. We, for example, verified the collection or collectability of receivables from VIVAT and SRH by assessing the counterparty's financial position and/or verifying the receipt of the funds. We furthermore verified whether the consequences of breaking up the fiscal unity with SRH have been adequately recorded. The latter included the appropriate accounting for a transaction aimed at the accelerated realisation of SNS Bank's deferred tax asset for carry forward losses that could otherwise have evaporated. As part of our procedures we inquired of the company's head of tax and inspected underlying documentation, including correspondence with tax authorities.

Our work also included obtaining information from and inquiry of members of the Management Board and the Supervisory Board, as well as agreeing the disclosures in the financial statements to underlying documentation.

Our observation

We conclude that the accounting and disclosure in the financial statements of the transactions associated with the finalisation of the disentanglement is appropriate (refer to note 3, 8, 23 and 24). We also concluded that the aforementioned realisation of the deferred tax asset associated with carry forward tax losses is recorded in accordance with the applicable accounting principles and is adequately disclosed.

Estimation uncertainties in the valuation of the mortgage loan portfolio

Description

SNS Bank (SNS Holding's sole direct and wholly-owned subsidiary) has a retail mortgage loan portfolio of EUR 45.0 billion as at 31 December 2015. As explained in the accounting principles, the majority of these mortgages (EUR 43.0 billion) is measured at amortised cost, less a provision for loan losses (EUR 257 million). This provision is accounted for if, at balance sheet date, there is objective evidence, for example the existence of payment arrears, that not all the contractually-agreed cash flows will be collected. For a full description of the accounting principles applied to mortgage loans, refer to the accounting principles included in the financial statements.

Failure to promptly recognise objective evidence of the risk of uncollectability and/or errors in the estimate of the expected cash flows for items deemed to be impaired can result in the incorrect valuation of the mortgage loan portfolio in the financial statements.

Given the relative size of the mortgage portfolio of SNS Bank (72% of total assets) we identified the valuation of the mortgage loan portfolio as a key audit matter.

Our response

Our audit approach included testing both the effectiveness of internal control around determining loan loss provisions as well as substantive audit procedures.
Our procedures over internal controls mainly focused on controls around the origination of mortgage loans, the accurate registration of loan and collateral static data in back office systems and the process for identifying arrears and the management thereof. In our audit we also considered the process around the internal validation of the models used to determine the loan loss provisions, as well as the periodic evaluation of the parameters applied in these models.

In addition we performed substantive audit procedures. We, for instance, independently reviewed the adequacy of the provisioning models used. This included the involvement of our own credit risk management specialists. We did this by ascertaining whether, on the basis of the model documentation, the models were adequately developed. In this respect we paid specific attention to SNS Bank's methodology for determining the loan loss provisions for loans that have been in default for more than twelve months, as these loans, historically, have a low chance of recovery (cure rate). Furthermore, we tested the accuracy of the data used in the model with respect to the mortgage portfolio as of 31 December 2015 by reconciling this information to the underlying back office systems. Lastly, in order to challenge and verify the outcomes of the model, we performed a number of alternative analyses that consider the size of the loan loss provisions in relation to the developments in the underlying mortgage portfolio (such as developments in arrears, the duration of arears and loan to value), including increasing (early) repayment by customers.

Our observation

We observed that the valuation of the mortgage portfolio as at 31 December 2015 is mildly cautious.

We note in this context that, as described in paragraph 6.5.2 of the Management Board Report, in 2015, SNS Bank continued its efforts to improve data quality and the robustness of the provisioning process and also continued to further fine-tune the provisioning models applied.

Adequate disclosure of information with respect to capital and other prudential ratios

Description

SNS Holding's subsidiary, SNS Bank, is a licensed banking institution supervised by the European Central Bank and is therefore subject to prudential regulation. Over the past few years the banking sector has been experiencing a significant increase in prudential (reporting) regulations (such as requirements with respect to solvency, liquidity and the bank's funding structure), which have also become more extensive and more complex. Examples of such regulations (and associated ratios) are the Capital Requirements Regulation and Capital Requirements Directive IV (CRR/CRD-IV) which also includes the Leverage Ratio, the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Minimum Requirement for Eligible Liabilities (MREL). In this context we note that based on the prudential reporting requirements the banking sector needs to provide more detailed information, sometimes based on new definitions, in their periodic reporting to prudential regulators (such as the European Central Bank in the case of SNS Bank). These developments require banks to implement robust regulatory reporting processes and to maintain a high level of data quality.

In Chapter 6 of the annual report, SNS Bank discloses information with respect to a number of the ratios associated with the above-mentioned prudential regulations. The information included in Chapter 6 of the annual report is part of the required disclosures under IFRS 7 and IAS 1 and is therefore within the scope of our audit.

Given the importance of these ratios and the associated complexity, we have identified the correct application of the relevant prudential regulations in calculating these ratios as reported in Chapter 6 of the annual report as a key audit matter.

Our response

Our audit over the prudential information included in Chapter 6 of the annual report consisted of a combination of controls based and substantive audit procedures.

Our test work over controls primarily related to controls over the completeness and accuracy of the static data, included in SNS Bank's back office systems, with respect to the various products on SNS Bank's balance sheet. These controls include the segregation of duties between front and back office, system authorisations and applying the four-eyes principle to the processing of changes to static data. The accuracy and completeness of the source data used for calculating regulatory capital and other ratios is an important prerequisite for the correct application of prudential regulations. We furthermore made a high level assessment of the organisational set-up of the regulatory reporting department and made use of the controls in place around the reconciliation between the exposures included in the general ledger and the exposures included in the calculation of regulatory capital and other prudential ratios. Based on the procedures performed we noted that SNS Bank is currently in the process of implementing numerous measures to make their regulatory reporting processes more robust and to increase their data quality. Although significant progress is made in 2015, these improvements need more time for full implementation and management's testing for robustness. We took this into consideration when determining our substantive audit procedures.

Our substantive audit procedures included selecting samples to determine that:
- the information used in the calculation of regulatory capital and other ratios agreed to the underlying source systems or documentation; and

- SNS Bank appropriately applied the applicable regulatory requirements (such as CRD-IV and CRR) when calculating Risk Weighted Assets, regulatory capital and other prudential ratios. It furthermore involved verifying that SNS Bank applied the model used for calculating the risk weighted assets for the mortgage portfolio that is subject to the Internal Ratings Based Approach, as reviewed by SNS Bank's regulator.

Our sample was selected in such a way that it covered all types of products of SNS Bank – and the specific characteristics involved – that are material to the disclosed ratios. When determining the nature, timing and extent of our procedures, we considered how the current level of the disclosed ratios relates to the minimum requirements.

As part of our audit we furthermore read and reviewed the written communication between SNS Bank and its regulators and inquired with members of management about the nature of the informal communication. We did this to determine whether findings from the regulator require refinement of our audit approach.

When performing our procedures, we extensively involved our own regulatory specialists in all stages of the audit.

Our observation

Based on the procedures performed we conclude that, in the context of the financial statements taken as a whole, Chapter 6 of the annual report provides an adequate disclosure of the prudential information that is part of the risk and capital disclosures as required under IFRS 7 and IAS 1.

Transfer of SNS Bank to SNS Holding

Description

In 2015, SNS Holding B.V. was established by Stichting administratiekantoor beheer financiële instellingen ('NLFI') for the purpose of holding the shares in SNS Bank on behalf of NLFI. These shares were, on 30 September 2015, transferred by SRH N.V. (the former SNS REAAL N.V.), via the Dutch State and NLFI to SNS Holding by means of a contribution in kind. The transfer of the shares of SNS Bank from SRH to SNS Holding is the final step in the separation of the banking and insurance activities of SNS REAAL. Other than holding a 100% share interest in SNS Bank, SNS Holding does not have any activities. We refer to note 1 in the company financial statements for a more detailed description of the relevant transactions that took place during the year and how these are accounted for.

Given the specific nature of transaction, which involves parties that are ultimately under common control by the Dutch State/NLFI, and the size of the transaction (approximately EUR 3.2. billion), we identified an increased inherent risk of incorrectly recording the transfer in financial statements and the associated disclosures. We therefore consider the accounting of the transfer of SNS Bank to be a key audit matter.

Our response

SNS Holding prepares both consolidated and company financial statements. As a consequence, our assessment of the correct application of the relevant accounting standards in respect of the transfer is performed for both the consolidated and company financial statements. For both we determined whether management made an appropriate assessment of the facts and circumstances regarding the transfer and of the applicable accounting standards. We specifically focused on whether management appropriately considered the accounting literature around transactions under common control and whether IFRS 3 Business Combinations should or should not be applied. Our IFRS reporting specialists were involved in performing these procedures, which included considering alternative views. As part of our audit we furthermore tested whether the fact pattern used by SNS Holding as the basis for their accounting assessment is accurate through verification with underlying (contractual) documentation and enquiries with senior management. In addition we verified whether the information included in the consolidated and company financial statements agrees to the underlying documentation and books and records of SNS Holding. Lastly, we verified the adequacy of the disclosure of this transaction in the company financial statements.

Our observation

Based on the procedures performed we conclude that the transfer of SNS Bank to SNS Holding has been recorded and disclosed in the consolidated and company financial statements of SNS Holding in accordance with the relevant accounting standards.

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF SNS HOLDING FOR THE FINANCIAL STATEMENTS

The Management Board of SNS Holding is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Management Board Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE MANAGEMENT BOARD REPORT AND THE OTHER INFORMATION

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Management Board Report and other information):

- we have no deficiencies to report as a result of our examination whether the Management Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed;
- we report that the Management Board Report, to the extent we can assess, is consistent with the financial statements.

ENGAGEMENT

We were engaged as auditor of SNS Holding on 16 December 2015. As we have been appointed as auditor of subsidiaries of SNS Holding that qualify as Organisatie van Openbaar Belang ('OOB') as of the financial year 2003 we will, as a result of the mandatory firm rotation requirements, no longer serve as the auditor of SNS Holding with effect from the 2016 financial year.

Amstelveen, 23 March 2016

KPMG Accountants N.V.

P.A.M. de Wit RA

Independent Auditor's Assurance Report

To the Readers of the Annual Report of SNS Holding N.V.

WHAT IS OUR CONCLUSION?

We have reviewed the Corporate Responsibility information as included in chapters 4 and 5 of the Annual Report, and the appendices 'Additional Stakeholder Information' and 'About this Report' on pages 292-306 (hereafter: the CR information) of SNS Holding B.V. (hereafter SNS Holding).

Based on our review, nothing has come to our attention to indicate that the CR information as reported in 4 and 5 of the Annual Report, and the appendices 'Additional Stakeholder Information' and 'About this Report' is not presented, in all material respects, in accordance with the relevant aspects of the GRI G4 Guidelines as defined on page 294 of the Annual Report.

WHAT WAS THE BASIS FOR OUR CONCLUSION?

We conducted our review engagement in accordance with the Dutch Standard 3810N: "Assurance engagements relating to sustainability reports".

We do not provide any assurance on the achievability of the objectives, targets and expectations of SNS Holding.

Our responsibilities under Standard 3810N and procedures performed have been further specified in the paragraph titled "*Our responsibility for the review of the* CR information"

We are independent of SNS Holding in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

WHICH MATTERS WERE OF MOST SIGNIFICANCE IN OUR REVIEW?

Key assurance matters are those matters that, in our professional judgment, were of most significance in our review of the CR information. We have communicated the key assurance matters to the Audit Committee. The key assurance matters are not a comprehensive reflection of all matters discussed.

These assurance matters were addressed in the context of our review of the CR information as a whole and in forming our conclusion thereon, and we do not provide a separate conclusion on these matters.

Materiality assessment by the Managing Board

Description – Based on stakeholder expectations and the company's strategy, the Board of SNS Holding has analysed which topics in respect of CR information it assesses of material significance to the readers of the Annual Report. Such an assessment is subject to the Board's judgment and as such the risk occurs that material topics are not included in the Annual Report.

Our response – We have reviewed the internal process SNS Holding undertook to identify its material topics for 2015. We have also included in our review the results of our own media analysis and peer benchmarking with other banks. We then appraised the findings of our analyses against the actual topics listed in the Annual Report regarding CR information.

Our observations – We have observed that SNS Holding has undertaken a sufficiently solid process to identify its material topics regarding CR information. In addition, we have observed that these material topics are included in the Annual Report.

Reporting on climate impact targets

Description – SNS Holding reports on CO_2 climate impact of its activities for the first time in the Annual Report 2015. Generally accepted methods for calculating climate impact are not yet available. The Board's calculation is therefore based on assumptions. The subjective nature of these assumtions bear the risk that disclosures on CO_2 impact are materially misstated.

Our response – We have assessed design and implementation of the impact calculation methodology. In addition, we compared input data to source data. We have discussed the assumptions and principles of calculating CO_2 impact with management and assessed if these were plausible for the purpose of the calculation. Finally, we have reviewed overall view from the CR information to assess if that view could be interpreted otherwise.

Our observations – We have observed that the calculation methodology is based on external sources to the extent possible. We have also observed that SNS Holding disclosed the methodology to its stakeholders in a transparent manier so that readers of the CR information have access to the assumptions and choices made during calculations. We further observe that CO_2 impact based on market value calculations is plausible and will also reflect trends in those market values. We expect that calculating CO_2 impact will improve in the future as new insights will become available.

WHAT ARE THE RESPONSIBILITIES OF MANAGEMENT?

SNS Holding uses the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) to draft its Report. Management is responsible for the preparation of the CR information in scope as included above under 'Our conclusion' in accordance with the relevant aspects of the GRI G4 Guidelines as defined on page 294 of the Annual Report. It is important to view the CR information in the Annual Report in the context of these criteria. We believe these criteria are suitable in view of the purpose of our assurance engagement.

As part of this, management is responsible for such internal control as it determines is necessary to enable the preparation of CR information that are free from material misstatement, whether due to fraud or error.

WHAT IS OUR RESPONSIBILITY FOR THE REVIEW OF THE CR INFORMATION?

Our objective is to plan and perform the review assignment in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

The following procedures were performed:
- A risk analysis, including a media search, to identify relevant sustainability / environmental, safety and social issues for SNS Holding in the reporting period.
- Evaluating the design and implementation of the systems and processes for the collection, processing and control of the CR information.
- Evaluating internal and external documentation, based on sampling, to determine whether the CR information in is supported by sufficient evidence.
- Additionally we determined, as far as possible, whether the information concerning sustainability in the other sections of The Report is consistent with the CR information.

Amstelveen, 23 March 2016

KPMG Accountants N.V.

P.A.M. de Wit RA

IN 2015 AN AVERAGE OF

€8,000

WAS SAVED IN SAVINGS ACCOUNTS

IN 2015 CUSTOMERS LOGGED IN APPROXIMATELY

30x

PER MONTH TO THEIR MOBILE APP

Composition of the Board of Directors

MAURICE OOSTENDORP

Chief Executive Officer

Maurice Oostendorp (1956) has been the Chief Executive Officer of SNS Bank NV since 17 August 2015. Until 1 October 2015, he also served as Chief Financial and Risk Officer on the Executive Board of SNS REAAL. Maurice Oostendorp also serves as a member on the Supervisory Boards of SRH NV, ASN Bank NV, RegioBank NV and SNS Securities NV. Before joining SNS REAAL, Maurice Oostendorp held various positions at *Coöperatie VGZ* and ABN AMRO, including that of Chief Financial Officer and member of the Executive Board at *Coöperatie VGZ* and Director General of Group Finance at ABN AMRO. In addition to his work at SNS Bank, he is a member of the Supervisory Board of the *Nederlandse Waterschapsbank NV*, member of the Supervisory Board and Chairman of the Audit Committee of Propertize NV and member of the Advisory Board at Women in Financial Services (WIFS).

ALEXANDER BAAS

Chief Operations Officer

Alexander Baas (1966) is the Chief Operations Officer of SNS Bank NV. He has been a member of the Board of Directors of SNS Bank NV under the Articles of Association since 1 July 2014. His focus areas are the service centres for payment services, savings, mortgages, investments and SMEs. He is also responsible for IT & Change and Facility Management. He was appointed CIO of SNS Bank in 2005, having previously held various IT positions at SNS Bank and at an engineering firm.
In addition to his work at SNS Bank, he serves as a member on the Supervisory Boards of ASN Bank NV and RegioBank NV, as a member of the board of *Betaalvereniging Nederland* and as Chairman of the Advisory Council of *Stichting HBO-I*.

ROB LANGEZAAL

Chief Commercial Officer

Rob Langezaal (1958) is the Chief Commercial Officer of SNS Bank NV. He has been a member of the Board of Directors of SNS Bank NV under the Articles of Association since 1 July 2014. He is responsible for the retail activities of ASN Bank, BLG Wonen, RegioBank, SNS and ZwitserlevenBank. He joined the Board of Directors of SNS Bank in 2007. As director he was responsible for the marketing, sales and product management portfolios. Langezaal also serves as Chairman on the Supervisory Boards of ASN Bank NV, RegioBank NV and SNS Beleggingsfondsen NV. Before joining SNS Bank in 2007, he worked at KPN. In addition to his work at SNS Bank, he is a member of the Consumer Matters Committee of the Dutch Banking Association (NVB) and board member/Treasurer of Stichting Weet Wat Je Besteedt (in the process of being wound up since 1 October 2015).

ANNEMIEK VAN MELICK

Chief Financial Officer

Annemiek van Melick (1976) is the Chief Financial Officer of SNS Bank NV. She was appointed to the Board of Directors of SNS Bank NV under the Articles of Association in July 2014. Annemiek van Melick joined SNS REAAL in 2008 as Director of Corporate Strategy and Mergers & Acquisitions of SNS REAAL and was subsequently appointed Chief Financial & Risk Officer of SNS Bank in 2012. Previously employed by Goldman Sachs in London, Van Melick has extensive experience in the financial services sector. She also serves as a member on the Supervisory Boards of ASN Bank NV, RegioBank NV and SNS Securities NV. In addition to her work at SNS Bank, she is a member of the Supervisory Council of Radio Netherlands Worldwide.

MARTIJN WISSELS

Chief Risk Officer

Martijn Wissels (1958) has been the Chief Risk Officer and a member of the Board of Directors of SNS Bank NV under the Articles of Association since 1 July 2014. He was appointed Director of Group Risk Management of SNS REAAL in November 2013. Wissels previously worked for Achmea in the position of CFRO of Achmea Bank. He was also Director of Credit and Market Risk at Fortis Bank Nederland and worked for Fortis and MeesPierson in Singapore and New York. In addition to his work at SNS Bank NV, he serves as a member on the Supervisory Boards of ASN Bank NV and RegioBank NV and as a member of the Programme Advisory Council of the Nyenrode Supervisory Board Member Cycle.

Composition of the Supervisory Board

JAN VAN RUTTE

Acting Chairman from 26 July 2015 and Chairman from 1 October 2015

During his long career Jan van Rutte (1950) served as Chairman of the Executive Board of Fortis Bank Nederland, CFO of ABN AMRO and board member of the Dutch Banking Association (NVB). Van Rutte is currently Supervisory Board member of ORMIT Holding BV, Supervisory Council member of BNG NV since 1 November 2015, Supervisory Board member of the *Nederlandse Investeringsinstelling NV* since 8 April 2015, board member of *Stichting Administratiekantoor Aandelen KAS Bank NV* since 1 July 2015, Supervisory Council member of *Stichting de Koninklijke Schouwburg* in The Hague, board member of the ABN AMRO Foundation, Supervisory Council member of *Stichting Health Center Hoenderdaal* and advisor to the Monitoring Committee of the Dutch Banking Code since 26 August 2015. Van Rutte was appointed to the Supervisory Board as a member on 1 November 2013. He will step down from the Supervisory Board at or before the first General Meeting of Shareholders to be held after 1 November 2017.

CHARLOTTE INSINGER

Charlotte Insinger (1965) is an independent management consultant and interim manager. Insinger currently serves as a Supervisory Board member of SRH NV, Supervisory Board member of Ballast Nedam NV, Supervisory Board member of *Vastned Retail NV* since 24 April 2015, Supervisory Council member of *Luchtverkeersleiding Nederland*, as Chair of the Supervisory Council of the World Expo Rotterdam 2025 Foundation, and as a member of the Strategic Audit Committee of the Ministry of Foreign Affairs, in which she fulfils an advisory role. Insinger was first appointed as a member to the Supervisory Board on 15 April 2009, having been nominated by the Dutch government. She was reappointed on 6 June 2013. She will step down from the Supervisory Board at or before the first General Meeting of Shareholders to be held after 6 June 2017.

MONIKA MILZ

Monika Milz (1957) has been a multiple non-executive director and management consultant since 2011. She has 30 years of experience in the banking industry, 20 years of which at ABN AMRO and from 2000 to 2011 at the Rabobank Group. Her in-depth knowledge of the banking industry includes services provided to business customers on the one hand and HRM on the other. Milz has served as non-executive director for two decades and her current roles include that of Supervisory Council member of the Amsterdam University of Applied Sciences Foundation, Chair of the Green Deal Board and Supervisory Board member of HandelsVeem Beheer BV since 1 September 2015. Milz was appointed as a member to the Supervisory Board on 1 November 2013. She was appointed at SNS REAAL NV in accordance with the reinforced right of recommendation of SNS Bank's Works Council. She will step down from the Supervisory Board at or before the first General Meeting of Shareholders to be held after 1 November 2017.

JOS NIJHUIS

Jos Nijhuis (1957) is President of the Schiphol Group. He formerly served as Chairman of the Executive Board of PwC. Nijhuis is a non-executive Board member of Aeroports de Paris SA, non-executive Director of Brisbane Airport Corporation PTY ltd and a Supervisory Board member of *Aon Groep Nederland BV*. In addition, he is currently a member of the Supervisory Council of the Kids Moving the World Foundation and a member of the Supervisory Council of the National Opera & Ballet Foundation. Nijhuis was first appointed as a member to the Supervisory Board on 15 April 2009 and reappointed on 6 June 2013. He will step down from the Supervisory Board at or before the first General Meeting of Shareholders to be held after 6 June 2017.

LUDO WIJNGAARDEN

Ludo Wijngaarden (1947) served as Chairman of the Executive Board of Nationale Nederlanden and Executive Board member of ING Netherlands until 2008. He formerly served as Chairman of the Executive Board of Postbank and the ING Retail Division. Until 2008, he also served as Chairman of the Dutch Association of Insurers, board member of VNO-NCW and Bank Council member of *De Nederlandsche Bank*. Wijngaarden is currently Chairman of the Supervisory Board of Oasen NV, Supervisory Board member of the Rochdale housing corporation, board member of DAK *Intermediairscollectief* and Advisory Board member of Dutch Data Protection Authority, Supervisory Board member of PBLQ and Advisory Board member of IP Soft Nederland BV since 1 August 2015. Wijngaarden was first appointed as a member to the Supervisory Board on 15 April 2009, having been nominated by the Dutch government, and reappointed on 6 June 2013. He will step down from the Supervisory Board at or before the first General Meeting of Shareholders to be held after 6 June 2017.

Definitions

Term	Definition
Advanced Internal Ratings Based (AIRB)	The highest and most detailed method for calculating the capital requirements for credit risk under Basel II on the basis of internal credit risk models.
Advanced Measurement Approach (AMA)	Assets, including investment funds and assets of individuals and institutions, that are professionally managed to maximise investment returns.
Basel I	The Basel I Capital Accord is the 1988 agreement among the G10 central banks (at that time) to apply common minimum capital standards to the banking industry.
Basel II	The Basel II Framework offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.
Basel III	The third set of Basel accords, which was developed in response to the financial crisis of the late 2000's. The Basel III standards prescribe higher and better-quality capital, better risk coverage and the introduction of a maximum leverage ratio.
Basis point (BPS)	One hundredth of 1 percentage point.
Capital adequacy	Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.
Capitalisation risk	The risk that the capital position is insufficient to serve as a buffer to absorb unexpected losses that may occur when one or more risks to which the company is exposed manifest themselves.
CO2	A greenhouse gas that is produced primarily through the burning of fossil fuels and that contributes to climate change. Also known as carbon dioxide.
Compliance risk	The risk that the integrity of the company is affected by actions (or failure thereof) in conflict with its internal (core) values, social norms and values, or behaviour-related laws or, as the case may be regulations to which the company is bound, arising from the provision of its financial services, or incorporating them into internal regulations.
Core Tier 1-ratio	The bank's core capital, excluding preference shares, expressed as a percentage of total risk exposure amount.
Counterparty Valuation Adjustment (CVA)	The market value of counterparty credit risk compared to the (total) market value of a derivative.
Covered bonds (CB)	Covered bonds (CB) are secured long-term funding Instruments (bonds). This type of bond differs from a standard bond by recourse to a pool of assets (cover assets). In a default event, the bondholder has recourse to the issuer and this pool of assets.
Credit equivalent	Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.
Credit rating	Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.
Credit risk	The risk that a borrower / counterparty fails to fulfil a financial or other contractual obligation.
Duration of equity	The duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve.
Economic capital	An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.
Exposure at Default (EAD)	The EAD is the expected counterparty credit exposure at the time of default.
Hedging	Complete or partial hedging of a financial position by entering into a transaction of which the change in value moves in the opposite direction of the change in value of the original position, often through derivatives.
Impairment losses on loans and other receivables	Charge to the income statement to cover possible loan losses on non-performing loans.
International Financial Reporting Standards (IFRS)	The IFRS, formerly known as International Accounting Standards (IAS), are drawn up and recommended by the International Accounting Standards Board. With effect from the financial year 2005, all listed companies in the EU are required to report under IFRS.
Legal risk	The risk that the company will be held liable for present and future damages.

Term	Definition
Liquidity Coverage Ratio (LCR)	The Liquidity Coverage Ratio (LCR) is an indicator that provides insight into whether sufficient liquid assets are available to absorb a 30-day stress scenario.
Liquidity risk	The risk that the company may not have sufficient liquidity in the short term to meet financial obligations, under normal circumstances and in times of stress. Liquidity risk is also understood to mean the chance that the balance sheet structure develops such that the company becomes excessively exposed to disruptions in its funding sources.
Market risk	The risk that the capital, results or continuity may be threatened by movements in the level and / or volatility of market prices to which the company is exposed.
Net Stable Funding Ratio (NSFR)	The NSFR aims to determine the extent to which longer-term assets are funded with stable forms of funding.
Operational risk	The risk of direct or indirect loss resulting from inadequate or failed internal processes and systems, inadequate or incorrect performance of human actions, or external events (such as fraud and crime risks).
Options	The contractual right, during a certain period or on a specified date, to purchase (call option) or to sell (put option) a certain number of underlying shares or currency at an agreed price.
Repo	A repo, also known as a repurchase agreement, is the sale of securities together with an agreement for the seller to buy back the securities at a certain date.
Reporting risk	The risk that the company provides its internal and external stakeholders and regulatory authorities with unreliable information.
Reputation risk	The risk that objectives are not (cannot be) achieved as insufficient account is taken of the image shared by the outside world and the opinion on the company (including customers, counterparties, shareholders and regulators).
Residential Mortgage Backed Securities (RMBS)	RMBS, or mortgage securitisations, are secured long-term funding instruments. A pool of underlying assets, in this case own-originated residential mortgages, provides the cash flows to bondholders.
Return on equity (ROE)	Net profit attributable to ordinary shareholders of the parent company divided by shareholders' equity.
Savings-based mortgages	Savings-based mortgages are mortgages with an insurance-linked savings scheme whereby the accumulated capital will be used to repay the principal at maturity. A bank savings-based mortgage operates on the same principle, except it is linked to a bank savings account.
Securitisatie	Structuring and bundling debts and trading them in the form of securities.
Special credit servicecentre	Service centre that deals with customers who have problems paying their mortgage.
Standardised approach (Basel II and III)	The standardised approach for credit risk calculates the credit risk according to a standardised methodology, using external credit assessments.
Strategic risk	The risk that strategic objectives are not achieved because the company does not (sufficiently), or not quickly enough, respond to changes in environmental factors and the business environment.
Stresstest	A method of testing a system's or entity's stability when exposed to exceptional conditions by means of a simulation.
Unencumbered assets	Assets that were pledged or subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.

Abbreviations

Abbreviations	Description	Abbreviations	Description
AC	Audit Committee	IIRC	International Integrated Reporting Council
AFM	The Netherlands Authority for the Financial Markets	ILAAP	Internal Liquidity Adequacy Assessment Process
ALCO	Asset & Liability Committee	IRB	Internal Rating Based (approach)
ALM	Asset Liability Management	ISDA	International Swaps and Derivatives Association
AQR	Asset Quality Review	KC	Credit Committee
ASN	Algemene Spaarbank voor Nederland	KPI	Key Performance Indicator
BLG	Bouwfonds Limburgse Gemeenten	LCP	Liquiditeit Contingency Plan
BRC	Bank Risk Committee	LCR	Liquidity Coverage Ratio
BRRD	Bank Recovery and Resolution Directive	LGD	Loss Given Default
BSM	Balance Sheet Management	LTRO	Long Term Refinancing Operation
CLA	Collective Labour Agreement	LtV	Loan to value
CDO	Collaterised Debt Obligation	MBS	Mortgage Backed Securities
CFO	Chief Financial Officer	MFH	Mixed Financial Holding
CLO	Collaterised Loan Obligation	MGC	Model Governance Committee
CO_2	Carbon dioxide	MREL	Minimum Requirement for own funds and eligible liabilities
COO	Chief Operations Officer	MVO	Corporate social responsibility
COR	Central Works Council	NFRC	Non-Financial Risk Committee
CRD	Capital Requirements Directive	NHG	National Mortgage Guarantee
CRO	Chief Risk Officer	NLFI	NL Financial Investments
CRR	Capital Requirements Regulation	NPS	Net Promoter Score
CSA	Credit Support Annex	NSFR	Net Stable Funding Ratio
CVA	Credit Valuation Adjustment	PARC	Product Approval and Review Committee
DMA	Disclosure on Management Approach	PD	Probability of Default
DNB	Dutch Central Bank	RAROC	Risk Adjusted Return On Economic Capital
DPC	Management Pricing Committee	RC	Risk Committee
EAD	Exposure at Default	RMBS	Residential Mortgage Backed Securities
EaR	Earnings at Risk	ROE	Return on Equity
EBA	European Banking Authority	RvC	Supervisory Board
EC	European Committee	RWA	Risk Weighted Assets
ECB	European Central Bank	SME	Small Medium Entities
EDTF	Enhanced Disclosure Task Force	SNS	Samenwerkende Nederlandse Spaarbanken
EMTN	European Medium Term Note	SPV	Special Purpose Vehicle
ESCB	European System of Central Banks	SREP	Supervisory Review and Evaluation Process
FTE	Full Time Equivalent	STP	Straight Through Processing
GRI	Global Reporting Initiative	SWOT	Strengths, Weaknesses, Opportunities & Threats
IAS	International Accounting Standard	TLAC	Total Loss-Absorbing Capacity
IBNR	Incurred but not Reported	VaR	Value at Risk
ICAAP	Internal Capital Adequacy Assessment Process	Wft	Financial Supervision Act
ICF	Integrated Control Framework	WfZ	Guarantee fund for the health care
IFRS	International Financial Reporting Standards	WSW	Social Housing Guarantee Fund

About this report

SNS Bank NV reports in line with the latest guidelines of the Global Reporting Initiative, G4, and has chosen the 'Core' option. Compared to the previous version, materiality and relevance are much stronger positioned in these new guidelines. This fits in with our new strategy, in which we reach back to our core values and increase our focus on the material issues that are relevant to achieving our vision and strategic objectives.

SCOPE

We present our Corporate Responsibility (CR) information for the calendar year 2015 for the benefit of our stakeholders. Our role in society takes centre stage here, related to our Manifesto strategy and objectives and our mission 'Banking with a human touch'.

The scope of the CR information presented in this annual report, including the GRI table and the appendices, covers SNS Bank NV (SNS Bank) and its business units and brands. They are jointly referred to as SNS Bank in this annual report. Where possible, we also report data and results regarding previous years. The appendices contain more specified data, for example broken down by business unit. The GRI table is published separately (www.snsbanknv.nl/media/download/2583) and forms an integral part of this annual report. The performance of our suppliers, customers and other actors in our value chain is not included in our figures, unless explicitly stated otherwise. Where CR data relate to parts of the organisation other than SNS Bank, this will be indicated with the relevant CR data.

MANAGEMENT APPROACH TO CORPORATE RESPONSIBILITY

The Corporate Responsibility Manager is charged with CR at SNS Bank. The CR Manager bears executive responsibility for the policy, activities, evaluation and stakeholder management in the area of CR and, where necessary, engages various departments and disciplines for their execution. Ultimate responsibility for CR and the Manifesto lies with the Board of Directors. Reports are regularly submitted to the Board member responsible and, in addition, relevant CR issues and the Manifesto are regularly discussed at Change Board meetings, which are held around three times per month. In 2015, the objectives and activities for the Manifesto workflows Sustainable Housing, Sustainable Operations and Sustainable Balance Sheet were discussed at this Board meeting.

The Manifesto Programme Manager is responsible for the day-to-day management of the nine workflows within the Manifesto. He reports on a monthly basis to both the Manifesto Steering Group, consisting of senior managers from the business, and to the Board member responsible. The Manifesto Steering Group meets every month to discuss the policy, objectives and results within the various Manifesto workflows. The nine individual workflows consist of teams of employees from different disciplines within SNS Bank, headed by a manager from the department responsible for the theme in question. This manager reports to the Manifesto Programme Manager on the progress made within a particular workflow. With effect from early 2016, responsibility for the Manifesto rests with line management.

The different workflows coordinate their activities every month at the workflow managers' meeting. In addition, all SNS Bank departments are expected to determine their added value for the Manifesto workflows and to set goals for themselves to contribute to achieving the Manifesto objectives.

SNS Bank has an Advisory Council in order to obtain sufficient feedback from the outside world, in addition to stakeholder engagement, about issues that are important to the organisation. The Council meets three times per year and consists of seven members from the worlds of business, politics and science and from social organisations. The Advisory Council deals with issues ranging from strategic to operational and from CR and Manifesto to brand positioning.

DATA COLLECTION AND REPORTING

This report was published on 24 March 2016 and drawn up in accordance with the ‘Core’ option of the GRI G4 guideline of the Global Reporting Initiative (GRI). The process of determining material issues and reporting priorities is presented in the section ‘Determination of materiality’. The report provides an overview of the main developments and performance of SNS Bank in 2015 and is based on the issues that are highly material to SNS Bank. More static issues, such as our responsible investment policy and responsible procurement policy, are reported in the GRI Index or on our website. Issues having a low level of materiality can also be found here.

All material aspects, including sector-specific indicators are reported according to the 'comply or explain' principle of GRI. If a material aspect is not reported on, the reason for omission is explained in the GRI index. In 2015, as a result of the update of our determination of materiality, we included more GRI indicators in our reporting, ensuring more comprehensive reporting on our material issues. The biggest changes concern reporting on GRI indicators related to energy consumption and CO_2 emissions, our investments and specific indicators for financial institutions.

In addition to GRI G4, we considered the recommendations made by the International Integrated Reporting Council (IIRC) when compiling this annual report.

The quantitative and qualitative information in this report was collected on the basis of qualitative interviews and quantitative data requests. For this purpose, we consulted those responsible for CR within the business units and staff departments (project managers, policy officers, programme managers etc.). Those responsible for CR within the business units provided the quantitative data requested and manage the CR issues on a daily basis. Additional information, such as data concerning human resources and environmental performance, was retrieved from central information systems. The CR department verified the acquired data by means of a plausibility check. The internal audit department also reviewed a selection of qualitative and quantitative information and indicators regarding relevant material themes. KPMG verifies the processed data.

The contents of the report were reviewed and verified within the business units and by the various staff departments such as Audit, Corporate Communications, Purchasing, Legal Affairs and Compliance, and Security & Operational Risk Management. The reported CR data relate to the reporting year 2015. These do not include the environmental data, which are reported on the basis of the actual results for the first quarter up to and including the third quarter of 2015, supplemented by an estimate for the fourth quarter based on the actual results achieved in the fourth quarter of 2014.

CALCULATION OF CO_2 EMISSIONS – CARBON-NEUTRAL OPERATIONS

Our operations are carbon neutral, which means that we have a net zero carbon footprint. We achieve this by purchasing as many green energy sources as possible. Where these are not yet available or are only available to a very limited extent, such as for car fuels and natural gas, we offset our remaining CO_2 emissions by purchasing Gold Standard credits. We thus offset 6.180 tonnes of CO_2 in 2015. With the purchase of these credits, investments are made in efficient cooking stoves in Ghana, which reduces CO_2 emissions there. Our carbon neutrality does not stop us from continuing our efforts to reduce our CO_2 emissions for compensation and the CO_2 emissions of our mobility (both 50% in 2020 compared with 2014) and to avail ourselves of more green energy sources. In order to monitor our progress, we annually report the CO_2 emissions of our own operations on the basis of scopes 1, 2 and 3 of the Greenhouse Gas Protocol. To this end, a set of specific Dutch CO_2 emission factors is used (www.CO2emissiefactoren.nl).

Scope 1: all direct CO_2 emissions caused by fuels that we ourselves purchase and consume (natural gas for office heating and the fuel for our company cars)

Scope 2: indirect CO_2 emissions from SNS Bank operations (consumption of electricity)

Scope 3: other indirect CO_2 emissions from streams not purchased and directly emitted by SNS Bank itself, including commuting by our employees who have no company car and consumption by third parties from which we obtain services (such as air travel).

CALCULATION OF CO_2 EMISSIONS – SUSTAINABLE BALANCE SHEET

SNS Bank signed the PRI Montreal Pledge in 2015. This means that we report in a transparent way on the impact our investments have on the climate. In this annual report, we are for the first time including a sustainable balance sheet to indicate where we stand in achieving our goal to be carbon neutral in all our investments in 2030. The sustainable balance sheet identifies the CO_2 emissions of virtually all (89%) of SNS Bank's balance sheet items, except for the categories 'Cash and cash equivalents' and 'Derivatives'. The SNS investment funds are managed by asset manager ACTIAM and are not included in the SNS Bank balance sheet. Therefore, they are not part of this sustainable balance sheet. The GHG Protocol 'Corporate Value Chain Standard' offers guidance to identify and report on scope 3 emissions. These also include emissions from investments, which are reported under scope 3, category 15, Investments. Category 15 is the most material category for banks. As no official methodology exists as yet to identify category 15 emissions, SNS Bank has adopted, and for some operating activities expanded, the methodology applied by ASN Bank. The CO_2 calculations were performed by external consultancy firm Ecofys in accordance with the operational control method of the GHG Protocol. In this process, three scopes were distinguished:

Scope 1: all direct CO_2 emissions from SNS Bank operations (natural gas and fuel consumption by the company car fleet)

Scope 2: indirect CO_2 emissions from SNS Bank operations (consumption of electricity, heat & steam)

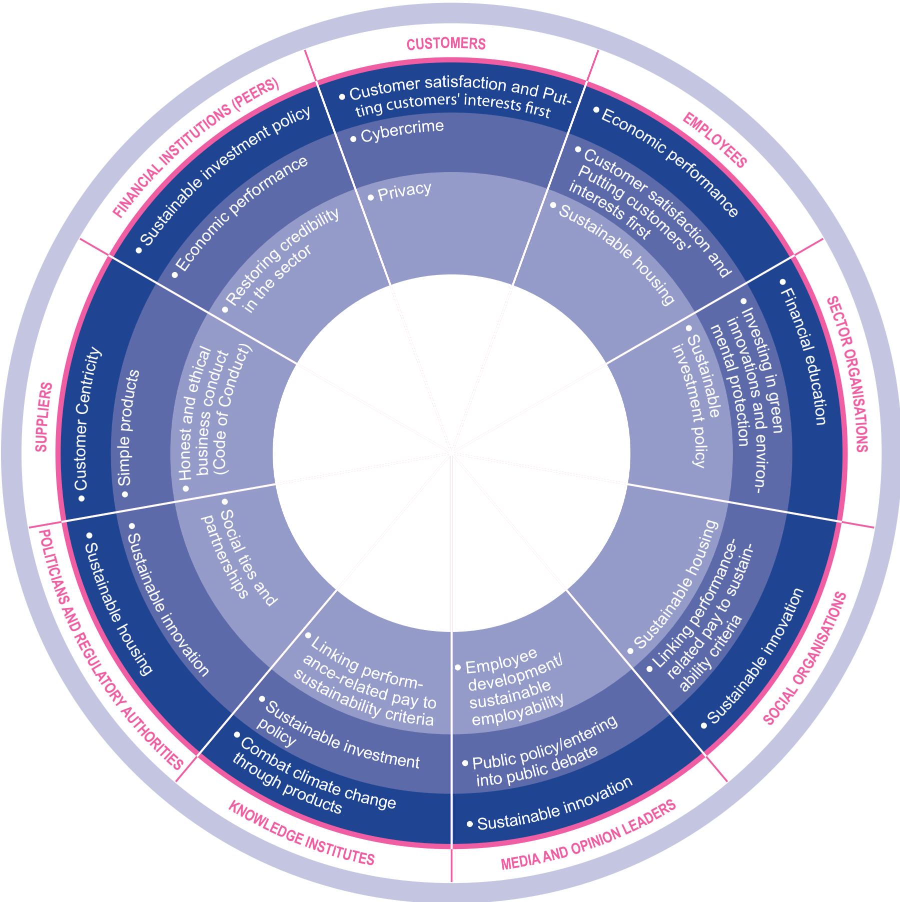
Scope 3: other indirect CO_2 emissions not covered by scope 2, such as purchased goods and services, waste disposal and, in SNS Bank's situation, especially emissions from investments

Data collection and calculations for the sustainable balance sheet take place every quarter starting from the third quarter of 2015. The data are verified in-house by the CR department. The results are presented as an income statement. SNS Bank's emissions are shown as a loss for the climate and the emissions avoided are seen as a profit for the climate balance sheet. In order for us to achieve full carbon neutrality, the CO_2 loss must be equal to the CO_2 profit. The margin of uncertainty of the calculations is also identified. In 2015, the total margin of uncertainty was 17% (2014: 18%). We have relatively reliable data on investments avoiding CO_2 (7% margin of uncertainty) compared with investments creating CO_2 (20% uncertainty). We will try to further reduce the margin of uncertainty in the years to come, for example by looking at actual energy consumption where possible.

The complete methodology has been published on our website and offers a detailed overview of the calculations made, the definitions used and the measurement methods. There have been no changes in the methodology since our baseline measurement. Insight is also provided into the assumptions made and the limitations that are inherent in the methodology.

DETERMINATION OF MATERIALITY

The annual materiality determination is used as a basis to determine the contents of the annual report, which is why we perform this analysis before drafting the annual report. The Board of Directors approves the materiality determination. In 2014, we conducted an extensive materiality analysis by means of a quantitative and qualitative survey among 165 internal and external stakeholders. We have visualised stakeholder wishes and expectations in the stakeholder wheel diagram below and have included these in the materiality determination.



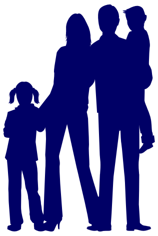
The materiality determination was updated in 2015 based on stakeholder discussions, a media analysis and a peer scan. The update is based on three steps:

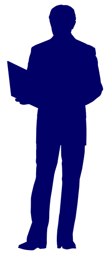
1. We update the list of reportable issues. Then we make a selection of relevant issues within this list based on the wishes and expectations of various stakeholder groups and external developments. We do this by means of a media scan, discussions with stakeholders and a peer analysis.

2. We determine the reporting priority of the relevant issues using nine criteria that are based on GRI G4. These criteria help us determine the priority of issues for both stakeholders and SNS Bank itself. We distinguish three priority categories: high-, medium- and low-priority material issues. High-priority issues are discussed in the report. We report on the middle category in the report, in the GRI index or on the website. We only report on low-priority issues if this adds value to specific stakeholder groups or SNS Bank itself, but we still monitor these issues. The results are graphically presented in the materiality matrix below, with the horizontal axis reflecting the issue's importance to SNS Bank and the vertical axis its importance to stakeholders.

3. We determine which issues to include in the report, in the GRI index or on the website and inform the various business units of new issues on which we must report, in order to collect the information required in a timely fashion.

Stakeholder engagement





	CUSTOMERS	RATING AGENCIES AND INVESTORS

EXPECTATIONS	• Open and transparent communication
	• High-quality and simple products
	• Fairly priced products and clear conditions
	• Putting the customer's interests first by listening, taking a constructive approach and showing appreciation
	• Clear course
		• Timely, transparent and comprehensive reporting on the financial state of affairs, in particular on:
		  • Profitability
		  • Solvency
		  • Putting our mission, vision and strategy with regard to financial targets into practice
		• Accessible consultation process

DIALOGUE	Our brands continuously engage their customers in dialogue, including: • SNS customer communities • For the world of tomorrow by ASN Bank • Social media (a WhatsApp service channel for SNS) • Customer service • Other meetings	There are regular consultations between the Board of Directors of SNS Bank and NLFI. We organise an 'annual review' for rating agencies and there is frequent contact with analysts. SNS Bank took a roadshow to visit a wide variety of investors in several European countries. Occasionally, we received potential investors at our head office.
FOCUS AREAS IN 2015	• **SNS:** fair and transparent communication and personal services • **ASN Bank:** improve account opening process for new customers and give substance to our role of driving force of sustainability • **RegioBank:** Continue to stimulate and intensify personal contact with customers and being the bank nearby • **BLG Wonen:** Clear application process when buying a home. Proactive customer approach and bringing relevant changes to their attention.	• Re-entry capital market • Disentanglement SNS Bank from SNS REAAL • Financial updates • Impact of new and future regulations for capital position • Future exit strategy • Quality mortgage portfolio
WHAT ACTION DID WE TAKE	• **SNS:** introduced the Mortgage term monitoring service and added extra capacity to arrears management department. Tightened campaign based on feedback (areas for improvement) from customers. • **ASN Bank:** introduced possibility to digitally send the documents required to open a new account to simplify the process. ASN Bank was 70.8% climate neutral at the end of 2015 and founded the Platform Carbon Accounting Financials (PCAF). • **RegioBank:** opened 11 new branches in villages and small towns. • **BLG Wonen:** developed of a 10-step guide informing first home buyers what to expect when buying a home and taking out a mortgage. Will start a programme to improve and intensify customer contact in 2016.	• Started to diversify SNS Bank's capital position by issuing € 500 million Tier 2 notes. • Exit options analysis started up Investments were made in the arrears management department's capacity to improve the quality of the loan portfolio

EMPLOYEES AND SALES ADVISORS 	SOCIETY 
• Compelling mission • Cooperation to build a better bank for our customers • Opportunities for talent development • People-oriented culture • Management with a human touch	A transparent bank that responsibly fulfils its role and obligations with respect to its customers, society and the climate.
SNS Bank maintains continuous communication with its employees. Information is shared through iD, our intranet, the Works Council and employee surveys. Moreover, employees can actively respond to issues presented on the digital collective labour agreement platform.	We regularly exchange ideas with the Fair Bank Guide and other NGOs, trade associations, politicians, academics, opinion leaders, and participate in various working groups. We also have an Advisory Council and engage our stakeholders in dialogue.
• Staff's future following organisational changes • Sustainable employability of staff	• Making current account switching easier • Putting customers' interests first • Transparency in investments • Mapping CO_2 emissions of investments and drawing up climate targets • Remuneration policy • Actively assist customers with financial problems
• Informed staff on organisational changes and physical and digitally involved in engagement sessions 'Your Collective Labour Agreement, will you participate in drawing it up?' • Facilities offered with respect to sustainable employability • Signed Letter of Intent with oPuce to create jobs after cancer	• Drew attention to make switching banks easier • Publication memorandum by Dutch Banking Association (NVB) on transparent reporting • Signatory Montreal Carbon Pledge, introduction climate goals and initiator climate covenant by financial institutions • Cooperation Confidence Monitor • Set up Active Mortgage Management (start in 2016), pilot 'Job in sight' and continuation Preventive Management.

The table below includes an explanation of and references for every material issue.

Material issues	Explanation	References
Financial performance	Financially independent and sound organisation standing on its own legs	Keyfigures, Annual report, 5.1 Financial developments, Responsible investing
Responsible investment policy	Investments made with respect for human rights, the environment and society	GRI table, Additional stakeholder information
Technology & innovation	Innovative partnerships, development sustainable products and services, technological innovations	4.1 Developments, 5.5 The importance of IT
Climate neutral bank	100% sustainable balance sheet, claimate neutrale business operations, circular purchasing, CO_2 accounting	4.1 Developments, 4.5 Mission and strategy, 5.2 Our strategic themes, About this report, Additional stakeholder information
Sustainable employability of employees	Development training opportunities, resilience in the (future) labour market, employability, health and vitality of staff	5.4 Our people
Employee satisfaction	Results employee satisfaction survey, points of improvement, employee satisfaction	5.4 Our people
Employee diversity	Male/female ratio, reflection of society, diversity (senior) management, gender pay differences	5.4 Our people, GRI table
Putting customer's interests first	Continued focus on customer needs, clear products and product terms, transparency on added value, complaints procedures, customer satisfaction, reputation	5.2 Our strategic themes, 6.9.4.3 Reputation
Sustainable living	Making existing mortgages greener, helping customers to make their home more sustainable, sustainable (new) mortgage stimulation, development social policy	5.2 Our strategic themes
Financial resilience	Debt prevention, preventive management, arrears management, educational programmes, training and coaching, helping vulnerable groups	5.2 Our strategic themes
Service svailability	Service level, availability of customer systems, disruptions	5.5 The importance of IT, 6.9.4.4 IT-organisatiom and cyber resilience
Regulatory compliance	Violations of laws and regulations, sanctions, increase in regulatory requirements	5.5 The importance of IT, 6.9.4 Risk themes
Responsible risk management	Financial and non-financial risks, risk management, Integrated Control Framework, risk profile and risk appetite	6 Risk
Ethical banking	Compliance and integrity, Banker's oath, rules of conduct	5.2 Our strategic themes, 5.4 Our people, 6.9.4.5 Compliance and integrity, GRI table
Responsible tax policy	Tax policy in keeping with the legal standards and social framework	5.6 Tax policy
Responsible remuneration policy	Sound and varied bonus policy, bonuses, performance-based remuneration coupled to social criteria	5.4 Our people, 7.8 Remuneration Report

EXTERNAL AUDIT

In order to give our stakeholders more confidence in the reliability of our data and information, we engaged KPMG to verify the CR-related issues and to issue an unqualified opinion with 'limited assurance' in that respect. KPMG performed its work in accordance with Dutch Assurance Standard 3810N 'Assurance engagements relating to sustainability reports' as drawn up by the Netherlands Institute of Chartered Accountants (NBA).

The CR-related issues are described in Chapters 1 to 5, About this report, Additional stakeholder information and the GRI Table. We attach importance to the validation of these sections of the report in order to enhance its reliability, completeness and transparency in respect of our stakeholders.

EXTERNAL BENCHMARKS

In the annual general policy survey conducted by the Fair Bank Guide (Annual Update 2015), SNS Bank obtained a top 3 position as the banking group with the most sustainable policy. We were given ten points out of ten no less than three times and nine out of ten five times. We also achieved adequate scores on all themes and in all sectors. The Fair Bank Guide's website lets you compare our performance with that of other banks.

Our annual report is assessed in the annual Transparency Benchmark of the Ministry of Economic Affairs. The 2014 Annual Report scored 172 points. With this score, we climbed from 55th to 27th position.

SNS BANK VALUES YOUR OPINION ON THIS ANNUAL REPORT

We invite all stakeholders, including social organisations, to ask questions, express complaints and share tips via verantwoord.ondernemen@sns.nl.

Additional Stakeholder Information

SOCIAL ENGAGEMENT

SNS Bank is committed to various social issues and therefore has regular talks with representatives of ministries, the House of Representatives, local and provincial authorities, regulators, industry associations, civil society organisations and consumer associations. Listed below are the main topics SNS Bank stood for in 2015:

- SNS Bank strongly believes that bank switching should get easier and discussed this matter with various political parties, the Ministry of Finance and consumer organisations. During the presentation of its annual results, SNS Bank paid attention to this issue as well. SNS opened a 'Switch Service Shop' in Rotterdam, followed by one in The Hague. Several policymakers from politcal parties and regulatory authorities were invited to attend the opening.
- SNS Bank is convinced that the Dutch market would benefit greatly from *Bouwsparen*. Having customers deposit some of their own money before taking out a mortgage, reduces the risk when taking out a mortgage and prevents them being left with a residual debt. We raised this subject several times last year with social organisation (for example from the construction industry) and polical parties.
- We discussed the forthcoming privatisation of SNS Bank with various stakeholders including employees and MPs.
- On the topic of liveability and money facilities in shrinking rural areas in the Netherlands, we had several discussions with local entrepreneurs and representatives from municipalities, industry associations and regulators. We also participated in two round table sessions on this topic organised by the province of Overijssel.
- On the topics of sustainable banking and energy efficiency, SNS Bank drew MPs' and Ministries' attention to the bank's role in promoting energy efficiency.

ADVISORY COUNCIL

SNS Bank has an Advisory Council that discusses dilemmas and issues we face as a company. The members of our Advisory Council come from different sectors of civil society, thus creating additional critical power and advice. In 2015, we focused on a strategic reorientation of the role of the Advisory Council. The outcome was to get the Advisory Council more involved in the bank's future.

In 2015, the Advisory Council met once. In addition, there were consultations with its individual members. The Advisory Council comprised the following members: Gerhard van den Top (Chairman), Peter Verhaard, Giuseppe van der Helm, Fokko Wientjes, Henriëtte Prast, Melek Usta (from May 2015) en Jaap Smit (from September 2015).

CLIMATE NEUTRAL BUSINESS OPERATIONS

Over 99% of our total carbon dioxide (CO_2) impact is caused by our investments, and only 1% by our offices and transportation. We nevertheless believe that our aim to be a sustainable bank is not credible without having green business operations. We therefore strive for 100% climate neutral business operations
and want our procurement department to meet the circular economy standards by

2020. We also want to continue to save energy in order to offset less CO_2 emissions. We want our CO_2 compensation to be reduced by 50% by 2020. By then, the CO_2 emissions from transportation should also have been reduced by 50%.

As in 2014, we were 100% climate neutral in 2015 as we offset our CO_2 emissions with Gold Standard certificates. The CO_2 transportation emissions decreased by 22% compared to 2014 and the CO_2 emissions for carbon offsetting by 14%. This means we are well on track in achieving our targets for 2017 (-20%) and 2020 (-50%).
This reduction is mainly driven by a drop in commuting travel and a drop in our gas usage.

A large part of our emissions are related to transportation. In 2015, we therefore examined how to make commuting more sustainable and how to encourage our employees to take public transport or the bike to work. Our participation in Urgenda's Low Car Diet, in which we entered into a one-month competition with nine other companies to make as much sustainable kilometres as possible, was rewarded with a first place. The experience gained in this project was used to sharpen our new transportation policy.

Once again in 2015, we implemented energy-efficiency measures in our offices. The fact that our buildings are sustainable is confirmed by the three-star certificate (very good) awarded by BREEAM for the management of the three buildings (A, B and C) of our head office in Utrecht. For the B and C buildings, we received two two-star BREEAM certificates, one for the use of the building and one for the building itself. The A building in fact has three stars.

Category	Units	2015	2014	Change
Energy consumption of offices				
Green gas	GJ	6,552	7,165	-9%
Grey gas[1]	GJ	6,586	5,119	29%
Generators	GJ	0	12	-100%
Green energy	GJ	24,755	25,361	-2%
Grey energy	GJ	0	0	0%
Total energy consumption	GJ	37,893	37,658	1%
Energy consumption per FTE[2]	GJ	14.4	12	22%
Energy consumption per m²	GJ	0.8	1	0%
Share of green energy consumption of offices				
% green energy	% of total	100%	100%	0%
% green energy consumption	% of total	83%	86%	-4%
CO_2 emissies				
Heating	tonnes	482	493	-2%
Company cars	tonnes	2,288	2,344	-2%
Scope 1	**tonnes**	**2,770**	**2,837**	**-2%**
Electricity	tonnes	3,191	3,297	-3%
Scope 2	**tonnes**	**3,191**	**3,297**	**-3%**
Flights[3]	tonnes	174	365	-52%
Commuting[4]	tonnes	1,989	3,674	-46%
Business travel[4]	tonnes	1,332	780	71%
Scope 3	**tonnes**	**3,495**	**4,819**	**-27%**
Gross CO2 emissions	tonnes	9,456	10,953	-14%
Net CO2 emissions	tonnes	5,894	7,249	-19%
CO_2 in tonnes per FTE	tonnes	1.77	2.05	-13%
Modes of transport				
Company cars	km	742,248	769,541	-4%
Flights[3]	km	906,696	1,939,547	-53%
Commuting (car)	km	6,551,292	11,554,574	-43%
Commuting (public transport)	km	14,128,706	20,457,606	-31%
Business travel (car)	km	6,342,186	3,503,435	81%
Business travel (public transport)	km	0	726,199	-100%
Total travel	**km**	**37,578,104**	**48,185,394**	**-22%**
Kilometres per FTE	*km*	*11,315*	*13,600*	*-17%*
Paper consumption				
Paper	tonnes	639	685	-7%
Paper in kg per FTE	*kg per fte*	*192*	*193*	*0%*
Waste[5]				
Residual waste	tonnes	156	95	64%
Biodegradable waste	tonnes	55	33	66%
Small chemical waste	tonnes	0.76	0.31	143%
Business waste	tonnes	10	5	88%
Paper and cardboard waste	tonnes	137	112	22%
Plastic	tonnes	25	15	64%
Total waste	**tonnes**	**383**	**261**	**47%**
Share of residual waste	*%*	*41%*	*36%*	
Waste in kg per FTE	*kg per fte*	*115*	*82*	*41%*

1 An additional building was taken into use (C building) at headquarters in 2015

2 Point of departure is the number of FTEs stationed in the large offices

3 2014 result is based on an assumption of the distribution of flights by former SNS REAAL between the bank and the insurer

4 Results for 2014 have been revised in connection with double counting of lease kilometres in total transportation mileage

5 The retail organisation was included in the waste data for the first time in 2015

RESPONSIBLE INVESTING

Our Manifesto sets out what we stand for as a bank. This includes dealing responsibly with the money entrusted to us. Therefore, we have a responsible investment policy defining in which sectors, companies and activities we do and do not invest. In our business operations we respect human rights and the environment in general, i.e. we do not invest in companies that (proven and systematically) violate human rights or harm the environment. In doing so, (inter)national guidelines and laws serve as a starting point. Even though we are currently not providing any new business loans, as of 2016 we want to provide more transparency on our existing portfolio towards stakeholders regarding the regional focus and size of our SME portfolio and the extent to which this portfolio meets our responsible investment policy. In the year ahead, we will also examine the investments of our shareholders' equity.

We regularly engage with internal and external stakeholders to keep our policy up to date and to improve our performance. Our policy and investments are tested and benchmarked by different independent parties, such as the Fair Bank Guide and PAX. More information on our responsible investment policy is available via www.snsbanknv.nl/verantwoord-ondernemen/ verantwoord-investeren