Interim financial report 2016

Press release

SNS BANK N.V.

ASN BANK BLGwonen RegioBank SNS

SNS BANK POSTS FIRST HALF 2016 NET PROFIT OF € 181 MILLION

Utrecht, the Netherlands, 25 August 2016

BANKING WITH A HUMAN TOUCH

- People-oriented: several banking industry-specific awards contributing to overall increased customer satisfaction scores
- Social: successful start of 'Mortgage term monitoring service'
- Sustainable: balance sheet 23% climate neutral at the end of June (year-end 2015: 22%)

COMMERCIAL DEVELOPMENTS

- SNS Bank welcomed 101,000 new customers: net growth of 30,000
- Sharp increase in new mortgage production to € 1.5 billion (+67%); market share new retail mortgages higher at 4.8% (2015: 4.1%);
- Retail mortgage portfolio virtually stable at € 45.0 billion compared to year-end 2015
- Slight increase in retail savings balances to € 37.7 billion (+2%); stable market share of 10.8%

FINANCIAL PERFORMANCE

- Net profit of € 181 million (first half of 2015: € 244 million), negatively impacted by a swing of € 59 million net in unrealised results on mortgages and related derivatives
- Slightly lower net profit excluding one-off items of € 193 million (first half of 2015: € 197 million), mainly driven by lower net interest income and higher operating expenses, largely offset by a release from loan provisions
- Improved credit quality retail mortgage portfolio; strong decline in loans in arrears
- Adjusted Return on Equity of 11.5% (first half of 2015: 12.9%)
- Strong Common Equity Tier 1 ratio of 26.6% (year-end 2015: 25.3%); Leverage ratio: 4.8% (year-end 2015: 4.7%)

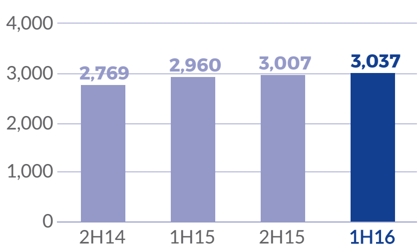
UPDATE ON STRATEGY

- SNS Bank's strategy aimed at creating value for all stakeholders
- Focus on implementation of strategic plan in coming years: strengthening of social identity, enhancing business operations by focusing on simplicity and efficiency and tightening our innovation policy as a 'smart adopter'

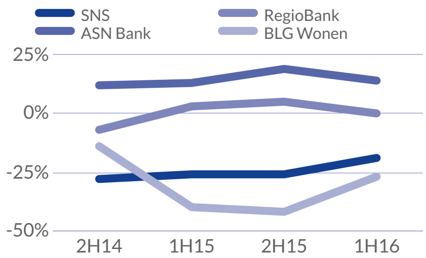
"In the first half of 2016, we continued to translate our vision on people-oriented, social and sustainable banking into useful products and services, leading to a further improvement of our customer experience. Our customer base continued to increase, driven by growth in new current accounts. One in four new current accounts in the Netherlands was opened at one of SNS Bank's brands. New mortgage production increased sharply and our market share in new mortgage production is developing towards target levels. Our capital position remained strong and we posted a solid net profit. Going forward, we will fully focus on the implementation of our updated strategic plan. Our key priorities are the strengthening of our social identity, further enhancing our business operations and tightening our innovation policy", says Maurice Oostendorp, Chairman of the Board of Directors of SNS Bank.

KEY FIGURES

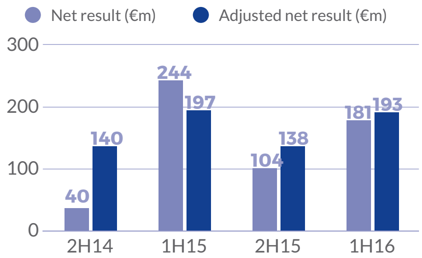
Customers
(in 1,000)



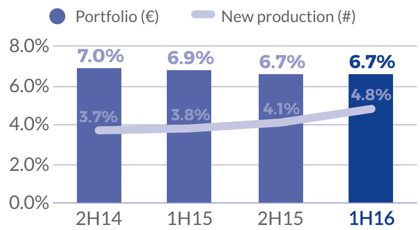
Net Promoter Score
(%)



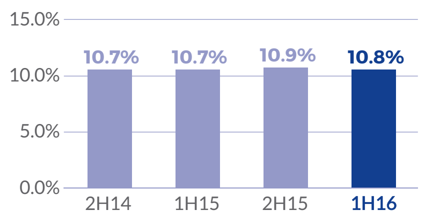
Net result / adjusted net result (€m)



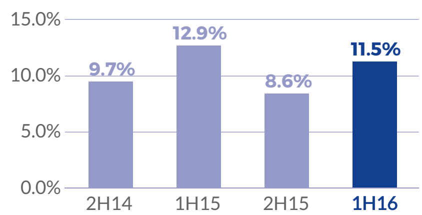
Market share mortgages
(%)



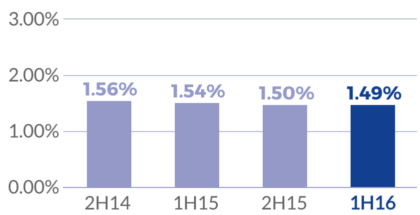
Market share retail savings
(%)



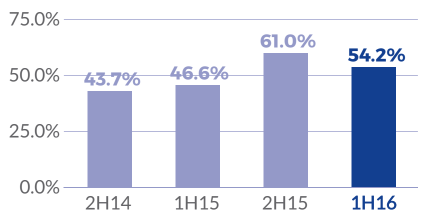
Adjusted return on equity
(%)



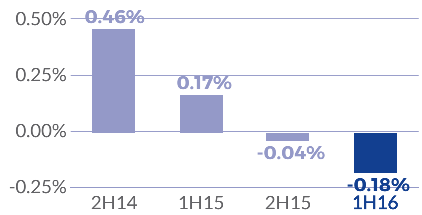
Net interest income
(% average assets)



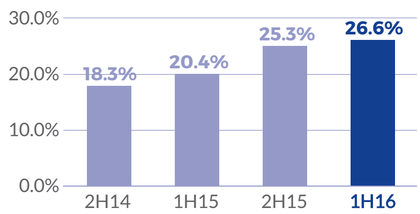
Adjusted efficiency ratio
(%)



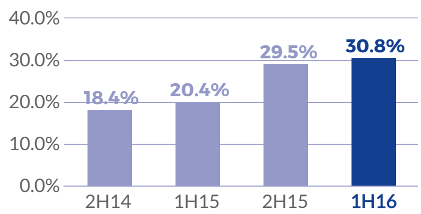
Loan impairments
(% average gross loans)



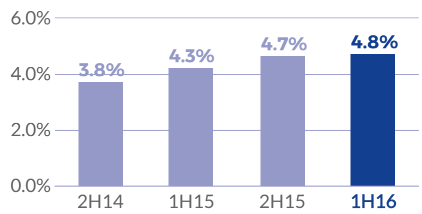
Common Equity Tier 1 ratio
(%)



Total capital ratio
(%)



Leverage ratio
(%)



FOREWORD

BANKING WITH A HUMAN TOUCH

In the first half of 2016, we continued to put our ambition to be a people-oriented, social and sustainable bank, as presented in our Manifesto, further into practice. We launched several new initiatives and continued to develop previous ones.

SNS introduced a purchase protection insurance linked to a debit card, the first bank in the Netherlands to do so. Following the introduction of the 'Mortgage term monitoring service' in November 2015, SNS also proactively contacted more than 85,000 customers to discuss whether their needs or personal situation had changed, which might affect their mortgage.

SNS Bank actively participates in organisations that aim to further develop the financial education for individuals. In the first quarter of 2016, SNS Bank employees gave over 500 guest lessons at primary schools in the 'National Money Week'. RegioBank further expanded its financial services in smaller villages and communities. BLG Wonen continued to make it easier for first-home buyers to purchase a house 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 banking.

SNS Bank has adopted ASN Bank's ambition to become 100% climate neutral with all the investments on its balance sheet by 2030. At the end of June, our balance sheet was 23% climate neutral[1], compared to 22% at year-end 2015, reflecting a decrease of our CO_2 emissions. At the end of the first half of 2016, SNS and RegioBank took further initiatives to reduce the carbon footprint of our mortgage loan portfolio by incorporating the 'sustainable living' theme in their customer mortgage advice interviews and proactively approaching customers about finalising their energy label. Later this year, BLG Wonen will approach its customers with a home insulation offer.

Our office organisation is already 100% climate neutral. In the first quarter of 2016, SNS opened its first circular shop in Zoetermeer. Materials used in this shop are suitable for re-use and have an extended lifespan. SNS intends to build all new shops based on these circular principles.

Our initiatives resulted in an overall positive development of customer satisfaction scores and several banking industry-specific awards for our brands. The ASN Sustainable Mix fund won the VWD Cash Fund Award for the second time in a row. RegioBank was awarded most customer-oriented bank in The Netherlands (CCDNA Awards). SNS was awarded most customer-friendly bank in The Netherlands (SAMR Awards).

COMMERCIAL DEVELOPMENTS

In the first half of 2016, the different brands of SNS Bank jointly welcomed 101,000 new customers. On a net basis, the number of customers rose by 30,000, more than wholly driven by the growth in current account customers. SNS Bank's market share in new current accounts stood at 25%, in line with 2015. On a total portfolio basis, SNS Bank's market share was 7%, equating to 1.1 million current accounts.

SNS Bank's new mortgage production increased to € 1.5 billion, from € 0.9 billion in the first half of 2015 (+67%). SNS, BLG Wonen and RegioBank all contributed to this increase. In a growing market for new mortgages, SNS Bank's total market share rose to 4.8% (first half of 2015: 3.8%), gradually moving towards the bottom of our 5-8% target range. Compared to year-end 2015, our total gross retail mortgage loan portfolio remained virtually stable at € 45.0 billion as new mortgage production was offset by a high volume of (early) redemptions.

1 A document describing the methodology to measure the impact of our activities on the climate, originally developed by ASN Bank, is available on the website of SNS Bank NV.

Retail savings balances increased slightly to € 37.7 billion, compared to € 36.9 billion at year-end 2015. In a growing market, SNS Bank's market share in savings remained stable at 10.8%, in line with our target of above 10%.

FINANCIAL PERFORMANCE

In the first half of 2016, SNS Bank posted a net profit of € 181 million, compared to € 244 million in the first half of 2015. A swing in one-off items explains € 59 million of the decrease. One-off items consisted entirely of unrealised results on former DBV mortgages and related derivatives. The first half of 2016 included a € 12 million unrealised loss while the first half of 2015 had included a € 47 million unrealised gain.

Adjusted for one-off items, net profit decreased by € 4 million to € 193 million (-2%). The main factors behind the decrease were lower net interest income and higher operating expenses, including the impact of regulatory levies. These negative factors were largely compensated by sharply lower impairment charges on loans, resulting in a net release from loan provisions. The completion of the sale of SNS Securities NV on 30 June 2016 did not materially impact the first half 2016 net result as the related book loss was already reflected in the 2015 figures. Based on net profit excluding one-off items, return on equity (RoE) was 11.5% (first half of 2015: 12.9%).

Net interest income decreased by € 43 million to € 472 million (-8%), mainly as a result of high (early) renewals at lower mortgage rates and a lower mortgage portfolio compared to the first half of 2015. Lower interest income on mortgages was partly compensated by lower interest expenses as rates on savings balances were lowered and by the impact of redemptions on relative expensive wholesale funding.

Impairment charges decreased by € 89 million, resulting in a net release of € 45 million, reflecting an improving economic environment and housing market. The credit quality of both the retail mortgage and SME loan portfolio improved, manifesting itself in a significant decrease in the number of loans in default due to a high level of recoveries. This was supported by a lower inflow of defaulting loans. Moreover, the positive developments in the housing market as well as improvements in arrears management resulted in a high number of foreclosures, which were more than sufficiently provided for, also contributing to a net release of provisions.

Total operating expenses increased by € 46 million to € 312 million (+17%). Operating expenses included € 27 million of regulatory levies, consisting of the full year European ex-ante Single Resolution Fund contribution and the first two quarters of the ex-ante Deposit Guarantee Scheme's contribution. In the first half of 2015 there had been a release of € 1 million. Excluding regulatory levies, operating expenses increased by € 18 million to € 285 million (+7%). This was mainly due to costs to facilitate increased mortgage production, to improve the operational effectiveness and control framework and to comply with the supervisory and regulatory framework. The efficiency ratio, adjusted for one-off items and regulatory levies, was 54.2%, up compared to the first half of 2015 (46.6%).

On 5 July 2016, SNS Bank announced its participation in the Uniform Recovery Framework pertaining to SME interest rate derivatives ('Recovery Framework'). SNS Bank attaches great value to the realisation of the Recovery Framework. When executing the Recovery Framework, SNS Bank will first of all focus on the prescribed pilot phase and subsequently carry out reviews and take corrective actions, if required. In the first half of 2016, SNS Bank recognised a provision of € 17 million related to the expected compensation under the Recovery Framework. The impact on operating expenses was more than compensated by releases of other non-credit risk related provisions.

Mainly driven by the termination of a € 100 million credit facility to SRH NV in the first quarter of 2016, the Common Equity Tier 1 (CET1) ratio increased to 26.6%, from 25.3% at year-end 2015. SNS Bank's leverage ratio increased to 4.8%, from 4.7% at year-end 2015.

OUTLOOK

For the remainder of 2016, we expect a further growth of the Dutch economy and a firming of the housing market. However, the British decision for a Brexit has the potential to affect the Dutch economy adversely.

The low interest rate environment will continue to impact the mortgage market, translating into fierce competition from pension funds and insurance companies, a high customer demand for longer term interest fixed-rate mortgages and a high level of (early) renewals, including interest rate averaging. This may impact both the pricing and size of our mortgage loan portfolio. As a consequence, pressure on net interest income is expected to persist.

We aim to contain operating costs comparable to the first half of 2016 . Compared to the first half of 2016, which was positively impacted by releases of loan provisions, we expect a net charge from loan impairments in the second half of 2016. However, due to the ongoing recovery of defaults, a limited inflow of defaults and an expected constant level of outflow and foreclosures in the second half of 2016, the number of defaults is expected to be significantly lower by the end of 2016. As a result, we expect that impairment charges will remain low in the second half of 2016, at a level below 10 basis points of gross outstanding loans.

We expect regulatory levies for the full year 2016 to arrive at approximately € 46 million.

We will press ahead with the implementation of our strategic plan by improving our operational efficiency, to arrive at a lower cost base, and by implementing targeted and timely technological innovations. 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 customer experience.

UPDATE ON STRATEGY

On 1 July 2016, the Dutch Minister of Finance sent a letter to the House of Representatives on the future of and privatisation options for SNS Bank, taking into consideration an advisory report of NLFI, which was published on the same day. NLFI's report had come about on the basis of an intensive dialogue with our bank and included both a description of the strategy and the present and future company profile of SNS Bank. Based on an extensive strategic review, SNS Bank re-affirmed its choice to be a safe retail bank that offers simple and transparent products in the areas of mortgages, savings and payments to Dutch retail customers. In addition, smaller enterprises can be serviced as retail customers. In doing so, SNS Bank will maintain a solid liquidity profile and capital structure.

SNS Bank carries multiple brands: ASN Bank (which also offers sustainable loans and investments), BLG Wonen, RegioBank and SNS. All brands have a distinctive profile that meet the different customer needs for simple financial products. Through its brands, SNS Bank also offers insurance, investment and lending services. A single back office, a powerful IT organisation and a central staff organisation allow SNS Bank to operate effectively and efficiently.

Through this profile, SNS Bank wants to bring about a turnaround of the predominantly product-driven banking model to a model organised around customers' needs: payments are not just about vying for the customer's favour, but about the need for a safe digital wallet; savings not just about retail funding, but about reliably managing financial buffers; mortgages not just assets in which to invest, but about making housing wishes come true.

SNS Bank's 'banking with a human touch' mission has remained unchanged and is geared to the public appeal to give meaning to subservient banking. To live up to this mission, SNS Bank has formulated an ambition based on the principle of shared value. Shared value is directed towards social and economic as well as financial and non-financial aspects, which go hand in hand. SNS Bank's ambition is to optimise this shared value by creating benefits for customers, taking responsibility for society, providing meaning for its employees and achieving adequate returns for its shareholder(s).

To fulfil this ambition, SNS Bank will focus on the maximum strengthening of its social identity. Starting from customer needs, SNS Bank will tighten its brand positioning and continue to develop customer propositions.

In addition, SNS Bank will further simplify and enhance the efficiency of its business operations. Measures leading to simplification and digitalisation of processes and products will make services to customers simpler, cheaper and more transparent and will allow SNS Bank to achieve a sustainable and lower cost level. SNS Bank is faced with a number of operational and structural challenges, most notably in the mortgage market, due to the very low interest rate environment, which is putting pressure on margins and the level of (early) redemptions and renewals. In addition, there is an upward pressure on operating expenses caused by the new regulatory and supervisory framework. To counter these challenges requires a continuous alignment between income and cost levels.

Finally, to keep pace with technological developments, SNS Bank will continue to develop towards a flexible organisation that innovates as smart adopter. SNS Bank will follow innovations in the area of core banking functions and will innovate quickly and with focus to constantly improve customer service in a way that suits customers' needs and expectations. In this respect, SNS Bank has opted for an open innovation process with multi-disciplinary external cooperation and partnering.

SNS Bank is well-positioned to achieve its strategic plan in the next few years. We agree with the remark made by NLFI in its advisory report that execution of this plan will require two to three years to achieve optimal long term value creation.

The execution of SNS Bank's strategic plan does not exclude any future options regarding the ownership of our bank. In his letter to the House of Representatives, the Minister of Finance subscribed to NLFI's conclusion that it is currently too early to make a decision on SNS Bank's future and that he will decide on the future of the bank after SNS Bank has regained a strong position in the Dutch banking landscape. We will examine our future options in consultation with our shareholder, potential investors, regulatory authorities and employees.

MACROECONOMIC DEVELOPMENTS

In the first half of 2016, already low interest rates in the Eurozone decreased further, driven by the ECB monetary policy aimed at boosting the economy, stimulating banks to increase lending, and avoiding deflation. Against this background, the ECB announced new series of targeted longer term refinancing operations (TLTRO II) and expanded its asset purchase programme.

The decreased interest rates translated in generally lower customer mortgage rates and savings rates, which reached historically low levels. Uncertainty about the impact of the British Brexit decision could lead to even lower interest rates and a negative effect on the Dutch economy.

Against the background of this low interest rate environment, key figures of the Dutch housing market showed further improvements. House prices rose by 4.6% year-on-year (first half of 2015: +2.6%) and the number of homes sold rose by 23% (first half of 2015: +20%). These trends were supported by falling unemployment figures and an increase in Dutch gross domestic product.

In all, the current macroeconomic environment is reflected in pressure on net interest income, which could intensify as a result of the British Brexit decision, and low cost of risk for retail mortgage loans.

COMMERCIAL DEVELOPMENTS

Commercial developments

	June 2016	December 2015	June 2015
CUSTOMERS			
Total number of customers (in thousands)	3,037	3,007[1]	2,960
NET PROMOTER SCORE			
SNS	-19	-26	-26
ASN Bank	14	19	13
RegioBank	0	5	3
BLG Wonen	-27	-42	-40
MORTGAGES			
Residential mortgages (gross in € billions)	45.0	45.0	45.8
Market share new mortgages (in #)	4.8%	4.1%	3.8%
Market share mortgage portfolio (in €)[2]	6.7%	6.7%	6.9%
CURRENT ACCOUNTS AND SAVINGS			
Market share new current accounts[3]	25%	25%	23%
Retail savings (in € billions)	37.7	36.9	37.3
Market share retail savings	10.8%	10.9%	10.7%
SME savings (in € billions)	2.7	2.6	2.8

1 Total number of customers year-end 2015 adjusted due to a change in definition

2 Based on CBS data (previously: DNB data)

3 Market share new current accounts is based on market research GfK-TOF Tracker

CUSTOMERS

In the first half of 2016, SNS Bank brands welcomed 101,000 new customers on a gross basis. On a net basis, the number of customers rose by 30,000. The number of current account customers rose by 67,000 gross (42,000 net).

Overall customer satisfaction levels, as measured by Net Promoter Scores (NPS), developed well. The weighted average of all brand specific Net Promoter Scores improved from -11 at year-end 2015 to -9. ASN Bank continued to have one of the highest customer satisfaction rates in the industry, although its NPS was somewhat lower compared to year-end 2015. At SNS, customer satisfaction rose slightly compared to year-end 2015, whereas RegioBank's NPS declined. At BLG Wonen, the NPS rebounded after a fall in 2015, which was due to the first time inclusion of the negative score of former customers of Reaal Bancaire Diensten.

MORTGAGES

The low interest environment resulted in high levels of both early redemptions and renewals. Furthermore, an increase in house movements and a general trend towards partial repayments during the mortgage term contributed to a high level of redemptions in the total mortgage market.

The market for new mortgage production increased from € 26 billion in the first half of 2015 to € 35 billion (+35%). Competition on the Dutch mortgage market remained fierce as insurers and pension funds continued to show considerable interest in Dutch mortgages.

Within the market for new mortgage production, the share of loans with a fixed-rate period of more than 10 years remained high at ~50% compared to ~10% in the years prior to 2014. Increased competition from insurers and pension funds is mainly visible in this segment.

In 2016, the maximum regulatory Loan-to-Value (LtV) for mortgages dropped by 1%-point to 102%. In 2017 and 2018, the maximum LtV will be lowered to 101% and 100% respectively.

As of 1 July 2015, the National Mortgage Guarantee (NHG) maximum has been lowered from € 265,000 to € 245,000. Taking into consideration the increase in residential house prices since then, the planned reduction to € 225,000 as of 1 July 2016 was cancelled. The share of NHG mortgages in the market for new production decreased from ~50% in the first half of 2015 to ~35% in the first half of 2016.

SNS Bank's new mortgage production increased to € 1.5 billion (+67%), from € 0.9 billion in the first half of 2015. SNS, BLG Wonen and RegioBank all contributed to this increase. Total market share of new retail mortgages increased to 4.8% (first half 2015: 3.8%). Market share based on the total retail mortgage loan portfolio remained stable at 6.7% compared to year-end 2015.

Mortgage redemptions remained high at € 1.6 billion, compared to € 1.5 billion in the first half of 2015. SNS Bank strives to increase retention through intensifying contact with its mortgage customers. Against this background, SNS introduced the 'Mortgage term monitoring service' (Hypotheek Looptijdservice) in the fourth quarter of 2015. Since then, SNS has pro-actively contacted more than 85,000 customers, which contributed to a higher retention.

Total renewals were sharply up compared to the first half of 2015, mainly due to a high level of early renewals in the current low interest environment. In all, SNS Bank's gross residential mortgage portfolio remained virtually stable compared to year-end 2015 at € 45.0 billion.

CURRENT ACCOUNTS AND SAVINGS

SNS Bank's market share in new current accounts remained high at 25% (full year 2015: 25%). On a total portfolio basis, SNS Bank's market share amounted to approximately 7%, equating to 1.1 million current accounts.

In the first half of 2016, the Dutch retail savings market increased to € 347 billion (+3.3%) from € 336 billion at year-end 2015. SNS Bank's retail savings balances increased to € 37.7 billion (+2.2%), from € 36.9 billion at year-end 2015, equating to a stable market share of 10.8%, in line with our 10%-plus target.

SME savings, included in Other amounts due to customers, remained stable compared to year-end 2015 at € 2.7 billion.

FINANCIAL RESULTS

RESULTS FIRST HALF OF 2016 COMPARED TO FIRST HALF OF 2015

Profit and loss account

in € millions	1st half year 2016	1st half year 2015	Change	2nd half year 2015
Net interest income	472	515	-8%	479
Net fee and commission income	31	24	29%	24
Other income	7	96	-93%	-13
Total income	**510**	**635**	**-20%**	**490**
Operating expenses	312	266	17%	324
Impairment charges	-45	44	--	-7
Other expenses	1	--	--	22
Total expenses	**268**	**310**	**-14%**	**339**
Result before tax	**242**	**325**	**-26%**	**151**
Taxation	61	81	-25%	47
Net result for the period	**181**	**244**	**-26%**	**104**
One-off items	-12	47		-34
Adjusted net result for the period	**193**	**197**	**-2%**	**138**
Efficiency ratio[1]	55.9%	42.0%		62.9%
Return on Equity (RoE)	10.8%	16.0%		6.5%
Net Interest Income (NII) as % of average assets	1.49%	1.54%		1.50%
Operating expenses as % of average assets[1]	0.90%	0.80%		0.96%
Total number of internal FTEs	3,413	3,207	6%	3,340

1 Excluding the impact of regulatory levies

Net profit in the first half of 2016 decreased by € 63 million to € 181 million. A swing in one-off items, explains € 59 million of this decrease. This entirely related to unrealised results on a specific mortgage portfolio and related derivatives. This portfolio was purchased as part of the transfer of DBV Finance BV from REAAL (currently VIVAT Verzekeringen) on 28 January 2011 and is accounted for at fair value with changes running through the profit and loss account. At the end of June 2016, this portfolio amounted to € 2.0 billion. The first half of 2016 included a net unrealised loss of € 12 million while the first half of 2015 included a € 47 million unrealised gain. These unrealised results were driven by a diverging movement of swap rates and customer mortgage rates, in combination with the development of prepayments in this portfolio.

Adjusted net result

in € millions	1st half year 2016	1st half year 2015	Change	2nd half year 2015
Net result for the period	181	244	-26%	104
Fair value movements former DBV mortgages and related derivatives	-12	47		-12
Book loss sale SNS Securities NV	--	--		-22
Total one-off items	-12	47		-34
Adjusted net result for the period	**193**	**197**	**-2%**	**138**
Adjusted efficiency ratio	54.2%	46.6%		61.0%
Adjusted Return on Equity (RoE)	11.5%	12.9%		8.6%

Adjusted for one-off items, net profit of SNS Bank decreased by € 4 million to € 193 million (-2%). The main factors behind the decrease were lower net interest income and higher operating expenses, including the impact of regulatory levies. These negative factors were mostly, but not wholly compensated by lower impairment charges on loans.

INCOME

Breakdown income

in € millions	1st half year 2016	1st half year 2015	Change	2nd half year 2015
Net interest income	472	515	-8%	479
Net fee and commission income	31	24	29%	24
Investment income	37	32	16%	10
Result on financial instruments	-31	63	--	-24
Other operating income	1	1	0%	1
Total income	**510**	**635**	**-20%**	**490**

Net interest income

Net interest income decreased by € 43 million to € 472 million, mainly as a result of high (early) renewals at lower mortgage rates in 2015 and the first half of 2016 and a lower mortgage portfolio compared to the first half of 2015 as a result of high redemptions.

The impact of early renewals included the impact from the interest rate averaging option, actively offered by SNS as of the second half of 2015, enabling clients to benefit from the low interest rate environment. Compensation for interest income missed out on as a result of interest rate averaging is amortised over the new - often long - contractual interest rate term.

Lower interest income on mortgages was partly compensated by lower interest expenses on account of savings rates reductions and the impact of redemptions on wholesale funding. Relatively high interest expenses on the subordinated Tier 2 notes, issued in the fourth quarter of 2015, mitigated the decline in interest expenses.

Net interest income as a percentage of average assets decreased to 149 bps, from 154 bps in the first half of 2015. The low interest environment will continue to gradually impact interest income in the coming reporting periods, with the pace mainly depending on the timing and level of (early) renewals in the retail mortgage portfolio.

Net fee and commission income

Net fee and commission income increased by € 7 million to € 31 million due to higher received management fees as a result of higher assets under management. In addition, fees paid by SNS Bank related to securitisations were lower.

Investment income

Investment income increased by € 5 million to € 37 million due to a € 10 million gain on the sale of SNS Bank's share in VISA Europe Ltd. This more than compensated for lower realised gains on fixed-income investments, sold as part of asset and liability management and to optimise the investment portfolio. These gains amounted to € 18 million compared to € 23 million in the first half of 2015. Due to the decline in interest rates, the fair value reserve increased from € 111 million at year-end 2015 to € 167 million.

Result on financial instruments

The result on financial instruments decreased sharply to € 31 million negative, from € 63 million positive in the first half of 2015. A swing in unrealised results on former DBV mortgages and related derivatives, both accounted for at fair value with changes through the profit and loss account, explains € 78 million of this decrease. In the first half of 2016, these results were € 16 million negative driven by a decreased swap rate and an increased prepayment rate, only partly compensated by lower customer mortgage rates and a € 15 million positive impact from a change in prepayment assumptions. In the first half of 2015, they were € 62 million positive, driven by a decline in customer mortgage rates and an increased swap rate.

Furthermore, hedge ineffectiveness results on derivatives, partly related to mortgages, were negative in the first half of 2016, compared to slightly positive in the first half of 2015. This was driven by interest rate volatility resulting in relative high fair value movements of derivatives.

EXPENSES

Adjusted efficiency ratio

in € millions (gross)	1st half year 2016	1st half year 2015	Change	2nd half year 2015
Total income	510	635	-20%	490
ONE-OFF ITEMS:				
Fair value movements former DBV mortgages and related derivatives	-16	62		-15
Adjusted income	526	573	-8%	505
Operating expenses	312	266	17%	324
Regulatory levies	27	-1		16
Operating expenses excluding regulatory levies	285	267	7%	308
Efficiency ratio	55.9%	42.0%		62.9%
Adjusted efficiency ratio	54.2%	46.6%		61.0%

The efficiency ratio (total operating expenses excluding regulatory levies divided by total income) was 55.9% compared to 42.0% in the first half of 2015, partly influenced by the swing in one-off items, impacting total income. The efficiency ratio adjusted for one-off items was 54.2%, up compared to 46.6% in the first half of 2015.

Due to higher operating expenses in combination with lower assets, the ratio of total operating expenses divided by average assets, increased to 90 bps, from 80 bps in the first half of 2015.

Operating expenses

Total operating expenses increased by € 46 million to € 312 million (+17%). Regulatory levies accounted for € 28 million of this increase. Regulatory levies in the first half of 2016 amounted to € 27 million (first half of 2015: € 1 million positive), of which € 8 million related to the ex-ante resolution funds contribution and € 19 million to two quarters of the ex-ante DGS contribution.

The ex-ante resolution funds contribution consisted of the full year European Single Resolution Fund contribution over 2016 of € 10 million and € 2 million in refunds of the 2015 ex-ante National Resolution Fund contribution.

Operating expenses excluding regulatory levies increased by € 18 million to € 285 million (+7%). This increase was mainly due to costs to facilitate the increased mortgage production, improve the operational effectiveness and control framework and to comply with the supervisory and regulatory framework. This trend was already visible in the second half of 2015.

In addition, the first half of 2016 included € 17 million provisioning charges related to the expected compensation under the Recovery Framework pertaining to SME Interest Rate Derivatives. The impact of these charges was, however, more than compensated by a release of other non-credit risk related provisions.

The total number of employees (FTEs) at SNS Bank rose to 3,413, compared to 3,340 at year-end 2015. This increase was mainly due to a higher head count at mortgage operations to cope with the increased mortgage activities.

Impairment charges

Breakdown impairment charges

in € millions	1st half year 2016	1st half year 2015	Change	2nd half year 2015
Impairment charges on retail mortgage loans	-40	34	--	--
Impairment charges on other retail loans	-2	1	--	3
Impairment charges on SME loans	-3	10	--	-13
Total impairment charges on loans and advances	**-45**	**45**	**--**	**-10**
Impairment charges on other assets	--	-1	--	3
Total impairment charges	**-45**	**44**	**--**	**-7**
Impairment charges on loans and advances as a % of average gross outstanding loans to customers	-0.18%	0.17%		-0.04%
Impairment charges on retail mortgage loans as a % of average gross outstanding retail mortgage loans	-0.18%	0.15%		0.00%
Impairment charges on SME loans as a % of average gross outstanding SME loans	-0.68%	1.71%		-2.27%

Total impairment charges decreased by € 89 million.

Impairment charges on retail mortgage loans improved by € 74 million to € 40 million positive, equating to 18 bps positive of gross outstanding retail mortgages (first half of 2015: 15 bps negative). Impairment charges were positively impacted by a decrease in loans in default due to a high level of recoveries and a low inflow, positive macroeconomic developments and improvements in arrears management. In addition, rising residential house prices contributed to a surplus on foreclosures.

Impairments charges on other retail loans improved by € 3 million to € 2 million positive.

Impairment charges on SME loans improved by € 13 million to € 3 million positive, mainly driven by recoveries, a low inflow of loans in default, a decrease in non-performing exposures on existing defaults and a surplus on foreclosures.

RESULTS FIRST HALF OF 2016 COMPARED TO SECOND HALF OF 2015

Compared to the second half of 2015, net profit increased from € 104 million to € 181 million. Both periods included negative one-off items. Both periods included a € 12 million unrealised loss related to fair value movements of former DBV mortgages and related derivatives. Furthermore, the second half of 2015, had included a € 22 million book loss related to the sale of SNS Securities.

Adjusted for one-off items, net profit increased from € 138 million in the second half of 2015 to € 193 million. The main factors behind this increase were lower impairment charges and higher investment income.

Net interest income of € 472 million was slightly lower compared to the second half of 2015. The second half of 2015 had included a negative adjustment of received prepayment charges related to early renewals in the first half of 2015. Excluding this adjustment, net interest income decreased by € 15 million, mainly caused by (early) renewals at lower mortgage rates and a decrease in the mortgage portfolio.

Investment income of € 37 million was € 27 million higher compared to the second half of 2015, mainly due to a gain of € 10 million on the sale of SNS Bank's share in VISA Europe Ltd, higher realised gains on fixed-income investments and higher trading results on investments.

The result on financial instruments was negative in both periods mainly due to an unrealised loss on former DBV mortgages and related derivatives and decreased by € 7 million due to lower hedge ineffectiveness results.

Operating expenses of € 312 million were € 12 million lower compared to the second half of 2015, despite € 11 million higher regulatory levies, which increased mainly due to first ex-ante DGS contribution. Excluding regulatory levies, operating expenses were € 23 million lower, mainly due to lower provisioning charges. The second half of 2015 had included additions to the provision for jubilee benefits and restructuring, while the first half of 2016 included on balance a small release of non-credit related provisions.

Total impairments improved from € 7 million positive in the second half of 2015 to € 45 million positive. Impairments on retail mortgages decreased from nil to a net release of € 40 million, impacted by a decrease in loans in default due to an increase in recoveries and a lower inflow. Impairment charges on SME loans were a net release of € 3 million, compared to a net release of € 13 million in the second half of 2015. The latter had included non-recurring releases of provisions of approximately € 10 million, mainly the result of positive developments on foreclosures and the revaluation of collateral.

Other expenses were €1 million compared to € 22 million in the second half of 2015, consisting entirely of the book loss related to the sale of SNS Securities.

RISK, CAPITAL, FUNDING AND LIQUIDITY MANAGEMENT

CREDIT RISK

During the first half of 2016, positive developments in the Dutch economy and housing market and improvements in arrears management contributed to an improvement in credit quality of both the retail mortgage and SME loan portfolio.

Loans and advances to customers

Loans and advances to customers June 2016

in € millions	Gross amount	Specific provision	IBNR provision	Book value loans	Loans in arrears[1]	Non-default loans[2]	Impaired default loans	Loans in arrears (%)	Impaired ratio	Coverage ratio
Retail mortgage loans	44,960	-132	-42	44,786	887	270	617	2.0%	1.4%	21.4%
Retail other loans	207	-28	-1	178	48	4	44	23.2%	21.3%	63.6%
Total retail loans	**45,167**	**-160**	**-43**	**44,964**	**935**	**274**	**661**	**2.1%**	**1.5%**	**24.2%**
SME loans[3]	977	-79	-3	895	164	--	164	16.8%	16.8%	48.2%
Other commercial and semi-public loans	1,756	--	--	1,756	--	--	--	--	--	--
Loans to the public sector	1,082	--	--	1,082	--	--	--	--	--	--
Total loans and advances to customers	**48,982**	**-239**	**-46**	**48,697**	**1,099**	**274**	**825**	**2.2%**	**1.7%**	**29.0%**

Loans and advances to customers December 2015

in € millions	Gross amount	Specific provision	IBNR provision	Book value loans	Loans in arrears[1]	Non-default loans[2]	Impaired default loans	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 Loans in arrears - Retail mortgage loans in arrears exclude loans measured at fair value of € 30 million (year-end 2015: € 30 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 € 898 million (year-end 2015: € 943 million)

Compared to year-end 2015, total gross loans and advances to customers decreased by € 0.6 billion. The decrease was mainly due to lower loans to the public sector; total retail loans and SME loans declined only slightly.

Statement of changes in provision for loans and advances to customers

	June 2016				June 2015			
in € millions	Retail mortgage loans	Retail other loans	SME loans	Total	Retail mortgage loans	Retail other loans	SME loans	Total
Balance as at 1 January	257	35	99	391	326	55	129	510
Usage	-49	-4	-14	-67	-47	-4	-13	-64
Addition	32	2	7	41	81	3	12	96
Release	-72	-4	-10	-86	-46	-2	-3	-51
Other changes	6	--	--	6	--	--	--	--
Balance as at end	**174**	**29**	**82**	**285**	**314**	**52**	**125**	**491**

The total provision for loans and advances to customers decreased to € 285 million, from € 391 million at year-end 2015. Impairment charges on loans and advances in the income statement, reflected in the balance of additions to and releases from the provision, resulted in a net release of € 45 million. A high number of foreclosures resulted in a usage (write-off) of the provision of € 67 million. These foreclosures were more than sufficiently provided for, leading to a net release of the provision. The total loan provision as a percentage of total gross loans decreased to 0.58%, from 0.79% year-end 2015.

In determining the amount of provisions, consideration has been 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 the first half of 2016, the IBNR provision decreased by € 10 million to € 46 million, due to lower amounts in arrears, reflecting the improved credit quality of the loan portfolio.

Retail other loans
Gross retail other loans, a non-selling portfolio, decreased slightly to € 207 million from € 219 million. The decrease was primarily caused by an outflow of customers with personal loans and revolving credit. The provision for retail other loans declined from € 35 million to € 29 million and the coverage ratio decreased slightly to 63.6%, compared to 68.8% at year-end 2015.

SME loans
Gross SME loans decreased to € 977 million, from € 1.089 million at year-end 2015, partly due to a decline of loans in excess of € 1 million. SNS Bank is considering the positioning of these loans within its product portfolio. Multiple strategic options are currently being considered and the portfolio is actively managed.

The credit quality of the SME loan portfolio improved. Impairment charges on SME loans decreased. Total impaired SME loans decreased from € 178 million at year-end 2015 to € 164 million. The coverage ratio for SME loans decreased to 48.2%, compared to 53.4% at year-end 2015.

Other commercial and semi-public loans and loans to the public sector
Other commercial and semi-public loans and loans to the public sector are primarily used for liquidity management. As a result of liquidity management transactions, loans to the public sector decreased by € 0.4 billion to € 1,1 billion. In addition, € 752 million (year-end 2015: € 763 million) of other loans and advances relates to loans and advances to insurance companies (VIVAT) that participate in securitisation programmes. The equivalent is recognised under other amounts due to customers, reflecting the private loans granted to SNS Bank by VIVAT.

Retail mortgage loans
Retail mortgage loans remained virtually stable as new production was offset by redemptions.

The credit quality of retail mortgage loans improved considerably. Impaired default retail mortgage loans decreased to € 617 million, from € 921 million at year-end 2015. This decrease was driven by a decline in inflow and an increase in recoveries, supported by a further improvement in the Dutch economy and more active arrears management. The coverage ratio decreased to 21.4% (year-end 2015: 22.5%) reflecting the positive developments in the Dutch housing market.

Retail mortgage loans in arrears

in € millions	June 2016		December 2015	
No arrears	44,043	98%	43,697	98%
1 - 3 months	472	1%	658	1%
4 - 6 months	99	0%	170	0%
7 - 12 months	118	0%	158	0%
> 12 months	228	1%	361	1%
Subtotal arrears[1]	**917**	**2%**	**1,347**	**3%**
Provision	-174	0%	-257	-1%
Total retail mortgage loans	**44,786**	**100%**	**44,787**	**100%**

1 Including loans measured at fair value of € 30 million (year-end 2015: € 30 million)

The book value of retail mortgage loans in arrears declined to € 917 million (-32%), from € 1,347 million at year-end 2015. This decline was visible in all periods in arrears.

Retail mortgage loans by LtV buckets

in € millions	June 2016		December 2015	
National Mortgage Guarantee scheme (NHG)[1]	12,504	30%	12,507	30%
LtV ≤ 75%[2]	13,460	32%	13,427	32%
LtV >75 ≤ 100%[2]	7,830	19%	7,637	17%
LtV >100 ≤ 125%[2]	6,993	17%	7,277	18%
LtV > 125%[2]	1,169	3%	1,364	3%
Total	**41,956**	**100%**	**42,212**	**100%**
Weighted average indexed LtV	82%		83%	
IFRS value adjustments[3]	946		812	
Savings parts	2,058		2,020	
Provision	-174		-257	
Total retail mortgage loans	**44,786**		**44,787**	

1 The size of guarantees related to NHG-guaranteed mortgages expires on an annuity basis

2 LtV based on indexed appraised market value of the collateral

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

New mortgage inflow had a relatively low risk profile thanks to strict acceptance criteria. In 2016, the maximum regulatory LtV at origination of a mortgage dropped by 1%-point to 102%.

Collateral values are indexed based on house price developments. As a consequence of increased residential house prices, LtVs improved, resulting in shifts of loans to lower LtV classes as well as an improvement within LtV classes. The exposure in the LtV class above 125% fell from € 1.4 billion at year-end 2015 to € 1.2 billion. The weighted average indexed LtV of retail mortgage loans improved to 82% (year-end 2015: 83%). In the first half of 2016, we implemented a new method that allows for a more detailed (per municipality and real estate type) and higher frequency (monthly) indexation of the collateral. On average, the new indexation method had resulted in a minor increase in the indexed collateral values. Comparative figures have been adjusted accordingly.

Retail mortgages by redemption type

in € millions	June 2016		December 2015	
Interest-only (100%)	13,623	31%	14,091	32%
Interest-only (partially)	12,345	28%	12,461	28%
Life insurance[1]	5,470	12%	5,727	13%
Annuity	4,507	10%	3,664	8%
Bank savings	3,761	9%	3,864	9%
Investment	3,477	8%	3,671	8%
Linear	393	1%	303	1%
Other	438	1%	451	1%
Total	**44,014**	**100%**	**44,232**	**100%**
IFRS value adjustments[2]	946		812	
Provision	-174		-257	
Total retail mortgage loans	**44,786**		**44,787**	

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

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

For mortgages provided after 2013, interest is only tax deductible if the mortgage is actually paid off through an annuity or a linear scheme over a maximum period of thirty years. As a result, both the gross amount and the share of annuity and linear mortgages in the total retail mortgage portfolio increased.

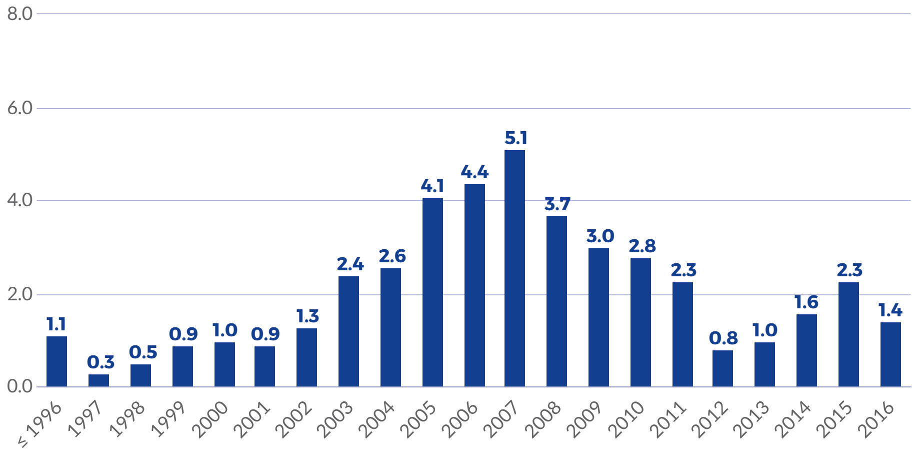
Retail mortgages by fixed-rate maturity

in € millions	June 2016		December 2015	
Floating rate	3,987	9%	4,425	10%
≥ 1 and < 5 yrs fixed rate	1,839	4%	1,970	4%
≥ 5 and < 10 yrs fixed rate	7,850	18%	9,414	21%
≥ 10 and < 15 yrs fixed rate	23,296	53%	21,917	50%
≥ 15 yrs fixed rate	6,586	15%	6,036	14%
Other	456	1%	470	1%
Total	**44,014**	**100%**	**44,232**	**100%**
IFRS value adjustments[1]	946		812	
Provision	-174		-257	
Total retail mortgage loans	**44,786**		**44,787**	

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

In line with the trend visible in 2015, the mortgage portfolio with fixed interest rates of 10 years or more increased. Apart from this the amount of mortgages with fixed interest rates of less than 10 years decreased. This shift was driven by the continued low interest rate environment which has led to a significant growth in demand for fixed-rate mortgages with longer terms. Currently, mortgages with a fixed-rate period of more than 10 years make up ~50% of new mortgage production in the Dutch market.

Retail mortgages origination (in € billions) [1,2]



1 the amounts in this table include conversions of mortgages and exclude granted mortgages in progress

2 2007 includes 0.8 billion of retail mortgages from the acquisition of RegioBank

The breakdown of retail mortgages by year of origination further explains the underlying factors which influence the overall risk profile:

- ≤ 2004: Given their stage in the lifecycle and the fact they were originated more than 4 years prior to the crisis, the risk profile for these mortgages is relatively low and stable (less sensitive to macroeconomic changes)
- 2005-2008: These mortgages have been the primary driver for the overall risk profile of the mortgage portfolio, due to their relative contribution to the total exposure. Apart from this, these mortgages were also subject to less strict criteria of acceptance compared to more recently originated mortgages. However, given their current stage in the lifecycle and the state of the Dutch residential housing market, these mortgages will continue to show an improvement in their risk profile.
- 2009-2011: These mortgages were subject to stricter underwriting criteria, however these were also negatively impacted by the effects of the crisis. These mortgages have, therefore, shown a relative high risk profile. Like the mortgages originated in 2005-2008, we expect the risk profile of these mortgages to continue to improve.
- 2012-2014: In this period, mortgage origination volume was relative low compared to the total portfolio, underwriting guidelines were tightened under external regulations and internal policies and the macroeconomic environment stabilised. All these factors contributed to a low average risk profile.
- 2015: Given the limited time on book these mortgages have had a limited effect on the overall risk profile.

We expect that the key driver for the risk profile of the retail mortgage portfolio will be the volume that was newly originated in the past few years and that will be originated in the coming years.

INTEREST RATE RISK BANKING BOOK

In the first half of 2016 market interest rates remained very low, prompting a further decrease in rates of mortgage loans and advances. As a result, the mortgage prepayment rate increased mainly due to early renewals with a penalty or interest rate averaging. This had an upward effect on the duration of equity in the first half of 2016, which was largely mitigated by interest rate swaps. As per the end of June 2016 SNS Bank managed the duration of equity to a level of 1.3 (year-end 2015: 1.8).

Assuming a scenario of a parallel interest rate shift of 200 bps, the change of the economic value of equity relative to own funds was 10.5% as per the end of June 2016 (year-end 2015: 7.8%), well within the 20% regulatory limit. The higher sensitivity corresponds to a scenario in which interest rates decrease further by 200 bps in which the impact on the economic value of equity is driven by a assumed increase of mortgage loans prepayments.

As per the end of June 2016, the Earnings at Risk (EaR) amounted to € 31 million, compared to € 26 million at year-end 2015. The increase was mainly caused by a refinement of the EaR measurement whereby the floor for negative rates was lowered from -0.25% to -0.50%.

MARKET RISK

SNS Bank has a limited trading portfolio. The market risk resulting from this portfolio is managed on a day-to-day basis by limits on a 1-day Value at Risk (VaR) with a confidence level of 99%. The total VaR limit was € 3 million, reflecting the relatively low risk profile of these activities in terms of actual size. As a result of the sale of SNS Securities, the VaR limit declined to € 2 million.

CAPITAL MANAGEMENT

SNS Bank has a strong capital position, in terms of both risk-weighted capital ratios and the leverage ratio. The current capital position offers a substantial buffer against the estimated impact of developments in capital regulation on SNS Bank's risk-weighted capital ratios. The size of this impact, however, is still a major uncertainty.

Capitalisation

Capitalisation

in € millions	June 2016 *CRD IV transitional*	December 2015 *CRD IV transitional*	June 2015 *CRD IV transitional*	June 2016 *CRD IV fully phased-in*	December 2015 *CRD IV fully phased-in*	June 2015 *CRD IV fully phased-in*
Shareholders' equity	**3,432**	**3,302**	**3,148**	**3,432**	**3,302**	**3,148**
Not eligible interim profits	-170	-104	-135	-170	-104	-135
Not eligible previous years' retained earnings	-1	-2	-2	-1	-2	-2
Shareholders' equity for CRD IV purposes	**3,261**	**3,196**	**3,011**	**3,261**	**3,196**	**3,011**
Increases in equity resulting from securitised assets	--	-9	-20	--	-9	-20
Cash flow hedge reserve	-51	-57	-54	-51	-57	-54
Fair value reserve	-67	-67	-38	--	--	--
Other prudential adjustments	-3	-3	-5	-3	-3	-4
Total prudential filters	**-121**	**-136**	**-117**	**-54**	**-69**	**-78**
Intangible assets	-14	-15	-12	-14	-15	-12
IRB shortfall	-43	-29	-40	-54	-42	-40
Facility SRH	--	-100	-100	--	-100	-100
Total capital deductions	**-57**	**-144**	**-152**	**-68**	**-157**	**-152**
Total regulatory adjustments to shareholders' equity	**-178**	**-280**	**-269**	**-122**	**-226**	**-230**
CRD IV Common Equity Tier 1 capital	**3,083**	**2,916**	**2,742**	**3,139**	**2,970**	**2,781**
Additional Tier 1 capital	--	--	--	--	--	--
Tier 1 capital	**3,083**	**2,916**	**2,742**	**3,139**	**2,970**	**2,781**
Eligible Tier 2	500	493	--	500	493	--
IRB shortfall	-11	-12	--	--	--	--
Tier 2 capital	**489**	**481**	**--**	**500**	**493**	**--**
Total capital	**3,572**	**3,397**	**2,742**	**3,639**	**3,463**	**2,781**
Risk-weighted assets	11,610	11,513	13,423	11,610	11,513	13,423
Exposure measure as defined by the CRR	63,901	61,464	64,067	63,957	61,518	64,093
Common Equity Tier 1 ratio	**26.6%**	**25.3%**	**20.4%**	**27.0%**	**25.8%**	**20.7%**
Tier 1 ratio	26.6%	25.3%	20.4%	27.0%	25.8%	20.7%
Total capital ratio	30.8%	29.5%	20.4%	31.3%	30.1%	20.7%
Leverage ratio	4.8%	4.7%	4.3%	4.9%	4.8%	4.3%

With effect from 1 January 2016, SNS Bank is required to hold a minimum Common Equity Tier 1 (CET1) ratio of 11.75% following from the Supervisory Review and Evaluation Process (SREP) performed by the European Central Bank (ECB). This includes the capital conservation buffer, equaling 0.625% in 2016, but excludes the buffer for Other Systemically Important Institutions (O-SII buffer). The O-SII buffer for SNS Bank is equal to 0.25% from 1 January 2016 onwards and will be increased by 0.25% per annum thereafter, up to 1% in 2019. As the countercyclical buffer has been set at 0% for the Netherlands, SNS Bank's minimum CET1 capital requirement is currently equal to 12.0%. At the end of June 2016, SNS Bank's CET1 capital ratio was well above this minimum requirement.

In the first half of 2016, SNS Bank's transitional CET1 ratio increased to 26.6% from 25.3% at year-end 2015. The fully phased-in CET1 ratio increased to 27.0% from 25.8% at year-end 2015.

CET1 capital increased to € 3,083 million from € 2,916 million at year-end 2015, mainly due to the termination in February of a € 100 million credit facility provided to SRH NV, which had been fully deducted from CET 1 capital. In addition, the rise in CET1 capital was driven by profit retention and capital adjustments related to the fair value reserve.

In the first half of 2016, profit retention resulted in a net capital increase of € 15 million. Deducting the dividend distribution of € 100 million over 2015 from the net profit of € 104 million for the second half of 2015 , led to a net increase of € 4 million. In addition, the net profit of € 61 million for the first quarter of 2016 was added to capital, minus a reservation of € 50 million for the intended dividend distribution over 2016.

At year-end 2015, the fair value reserve incorporated in shareholders equity amounted to € 111 million in total. Applying the phase-in ratio of 40% resulted into a capital add-on of € 44 million. Per the end of June 2016, the reserve had increased to € 167 million. Due to this increase in the reserve and the increase in the phase-in ratio to 60%, the capital adjustment increased to € 100 million. This positive development was partly offset by the opposite development of the IRB shortfall [2], which, in transitional terms, increased by € 14 million to € 43 million negative. The increase of the IRB shortfall is largely related to the implementation of the improved credit risk model (PHIRM 2.1) in April 2016, resulting in lower provisions due to higher expected recovery rates and NHG payments. Including the impact of intangible assets, the regulatory adjustments on CET1 capital decreased by € 102 million in the first half of 2016.

The total capital ratio increased to 30.8% from 29.5% at year-end 2015. Eligible Tier 2 capital amounts to € 489 million, including the regulatory adjustment of € 11 million related to the IRB shortfall.

The leverage ratio increased slightly to 4.8%, from 4.7% at year-end 2015. This was due to an increase of Tier 1 capital with € 167 million on the hand, and an increase of the exposure measure as defined by the Capital Requirements Regulation (CRR) of € 2.4 billion on the other. The latter was mainly caused by a € 1.7 billion balance sheet growth. The balance sheet increased mainly due to a € 1.7 billion increase in amounts due to customers and a € 0.5 billion increase in amounts due to banks, partly offset by € 0.9 billion debt certificate redemptions. The fully phased-in leverage ratio increased to 4.9% from 4.8%.

The 4.8% leverage ratio of SNS Bank is well above the anticipated future requirement of 4%. Under current regulations, the amount of capital necessary to meet the leverage ratio requirement is higher than the amount of capital necessary to meet the risk weighted capital ratio requirements, resulting in relatively high risk weighted capital ratios. This is a consequence of SNS Bank's focus on residential mortgages, a low-risk activity, with a correspondingly low risk-weighting.

Risk-weighted assets

in € millions	June 2016	December 2015	June 2015
	CRD IV	CRD IV	CRD IV
Credit risk	9,350	9,221	11,469
Operational risk	1,698	1,698	1,566
Market risk	150	209	180
Credit Valuation Adjustment (CVA)	412	385	208
Total	**11,610**	**11,513**	**13,423**

Risk-weighted assets (RWA) for SNS Bank increased to € 11.6 billion, compared to € 11.5 billion at year-end 2015.

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

In the first half of 2016, credit risk-related RWA increased to € 9.4 billion (year-end 2015: € 9.2 billion). Mainly as a consequence of a model update (PHIRM 2.1) RWA calculated on the basis of the Internal Ratings-Based (IRB) approach increased from € 6.9 billion at year-end 2015 to € 7.1 billion. The estimated impact of the deployment of PHIRM 2.1 on RWA amounted to € 0.7 billion. However, this increase was partly offset by decreasing probabilities of default (PDs) and loss given defaults (LGDs) of the retail mortgage portfolio as a result of improved economic circumstances. RWA density[3] of retail mortgages increased from 16.0% at year-end 2015 to 16.4%. RWA subject to the Standardised Approach (SA) and RWA for other risk categories decreased by € 105 million to € 4.5 billion.

BCBS consultations: revised Standardised Approach (SA) for credit risk RWA

In December 2015, the BCBS released a second consultative paper on the revised SA for credit risk. Under the revised SA as proposed in the second consultative paper, the risk-weighting for mortgages will lie between 25% and 75% depending on the loan-to-value ratio (LtV) based on the collateral value of the underlying residential property at origination. The risk-weighting may increase to 100% if documentation required is not available. The treatment of NHG guaranteed mortgages is not addressed in the consultation paper.

In April 2016 the BCBS performed a Quantitative Impact Study (QIS), to recalibrate the proposal in the second consultative paper and to assess the impact. The capital floor framework as proposed by the BCBS in December 2014 will not be consulted and it is expected that the BCBS will decide on the capital floor based on the revised SA this year. SNS Bank currently applies the internal ratings based approach to determine the risk-weighting of its residential mortgages, resulting in an average risk-weighting of 16.4% as per the end of June 2016.

Based on the new QIS, the outcome of the BCBS consultation on a revised SA for credit risk in combination with a revised capital floor framework may significantly impact the risk-weighted capital ratios. Going forward, the amount of capital necessary to meet the risk-weighted capital ratio requirements may be higher than is required to meet the leverage ratio requirement. In its capital planning, SNS Bank is preparing itself for the expected impact of the BCBS papers for credit risk-weightings in combination with the capital floor.

BCBS consultations: constraints on Internal Rating Based (IRB) models

In March 2016, BCBS issued a consultative document on constraints on the use of internal ratings-based (IRB) approaches to credit risk. BCBS proposes in this consultative document (1) to remove the option to use the IRB approaches for certain exposures (e.g. Banks & Other Financials, Large Corporates and Equities) and (2) to adopt modelparameter floors to ensure a minimum level of conservatism for portfolios where IRB approaches remain applicable (e.g. floors for PD (0.05%) and LGD (10%) are proposed for retail mortgages). In June 2016, BCBS performed an additional 'ad hoc' QIS to assess the impact of this proposal. Results show that applying the proposed input floors for residential mortgages would result for SNS Bank in an RWA increase of € 0.6 billion as of year-end 2015. Although, depending on the input floors to be applied, the final impact is uncertain. The expected impact of the BCBS consultation on the use of internal ratings-based approaches to credit risk appears less severe than the impact of the proposed revised SA for credit risk in combination with the revised capital floor framework.

Gone-concern capital: MREL and TLAC

Minimum Requirement for own funds and Eligible Liabilities

The Bank Recovery and Resolution Directive (BRRD) aims to provide authorities with comprehensive and effective measures to deal with failing banks. The BRRD came into force in the EU in 2015 and was implemented into Dutch law in the fourth quarter of 2015. At the same time, Dutch insolvency law was amended to ensure that deposits from natural persons and SMEs have a higher priority ranking over the claims of ordinary unsecured, non-preferred creditors under normal insolvency

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[3] RWA density is defined as risk-weighted assets divided by the exposure at default (EaD).

proceedings. The bail-in framework was introduced in January 2016. According to the bail-in framework, equity and eligible liabilities representing at least 8% of total liabilities (including own funds) or, under certain conditions 20% of RWA, need to be written down before deployment of public funds may be considered. SNS Bank aims to exclude deposits from natural persons and SMEs from bail-in. Implementation of the bail-in framework also resulted in the introduction of a Minimum Requirement for own funds and Eligible Liabilities (MREL) as a buffer to absorb losses. The institution-specific MREL is expected to be set by the National Resolution Authority (NRA) at end of 2016 and is closely interlinked with the resolution strategy for each bank. MREL-eligible liabilities will be defined by the NRA. It is expected that on top of equity, eligible MREL liabilities will consist of Additional Tier 1 (AT1) capital, Tier 2 capital, subordinated debt that is not Tier 1 or Tier 2 capital and, possibly, other eligible liabilities with a remaining maturity of more than 1 year.

Total Loss Absorbing Capacity

The Financial Stability Board launched its own proposal in the fourth quarter of 2015 for what it refers to as Total Loss Absorbing Capacity (TLAC). Like the MREL, it is bail-in regulation. TLAC is first and foremost intended for global systemically important institutions. Therefore, TLAC is not yet applicable to SNS Bank. However, it may also become applicable to domestic systemically important institutions, i.e. to SNS Bank. The minimum TLAC requirement will be equal to the higher of: (1) 16% of RWA (before CET1 capital buffers) as of 2019 increasing to 18% in 2022; and (2) 6% of the Leverage Ratio denominator as of 2019 increasing to 6.75% in 2022. Given SNS Bank's total CET 1 capital Buffer Requirement of 3.5% (excluding the countercyclical buffer), the risk-weighted TLAC requirement would equal 19.5% of RWA in 2019, and would increase to 21.5% in 2022. On top of equity, eligible TLAC instruments are AT1 capital, Tier 2 capital and other TLAC eligible debt with a remaining maturity of more than 1 year. Currently, it is unclear how and when TLAC will be implemented in European regulation. We assume that eventually TLAC will be incorporated in BRRD regulation and expect the MREL requirements to be harmonised with TLAC.

The table below shows both MREL and TLAC non-risk weighted and risk-weighted metrics per the end of June 2016 and year-end 2015. The non-risk weighted metrics reflect the amount of eligible liabilities versus SNS Bank's total exposure, while the risk-weighted metrics reflect the amount of eligible liabilities versus RWA.

MREL and TLAC

				Non-risk weighted		Risk-weighted	
in € millions	**30-6-2016**	31-12-2015		**30-6-2016**	31-12-2015	**30-6-2016**	31-12-2015
CET1 capital	3,083	2,916					
Tier 2 capital	489	481					
Total capital	**3,572**	3,397	MREL (own funds)	**5.8%**	5.6%	30.8%	29.5%
			TLAC	**5.6%**	5.5%	30.8%	29.5%
Other eligible unsecured liabilities with remaining maturity longer than 1 year	1,335	1,597					
Total capital including other eligible liabilities	**4,907**	4,994	MREL (including all eligible liabilities)	**7.9%**	8.2%	42.3%	43.4%
Exposure measure as defined by the CRR (TLAC)	63,901	61,464					
Exposure measure as defined by the BRRD (MREL)	61,881	60,592					
Risk-weighted assets	11,610	11,513					

Including all MREL-eligible liabilities, the non-risk weighted MREL ratio amounts to 7.9% (year-end 2015: 8.2%[4]) and the risk-weighted MREL ratio equals 42.3% (year-end 2015: 43.4%). The decrease was mainly due to balance sheet growth and a shorter remaining maturity of unsecured debt, as a result of which this debt no longer qualifies for MREL. It is expected that the NRA will require the bail-in buffer to be filled up with MREL-eligible liabilities that are subordinated to ordinary unsecured liabilities. At the end of June 2016, the non-risk weighted MREL ratio including only eligible liabilities subordinated to ordinary senior unsecured liabilities amounts to 5.8%. TLAC-eligible equity and liabilities is currently composed of CET1 capital and Tier 2 capital[5]. As of 30 June 2016, the non-risk weighted TLAC ratio amounts to 5.6% and the risk-weighted TLAC ratio equals 30.8%. We will monitor developments closely and plan to strengthen and diversify our capital structure accordingly.

Dividend

Upon its transfer to the Dutch State effective 30 September 2015, SNS Bank became a stand-alone bank. As a stand-alone bank, SNS Bank distributed € 100 million dividend for 2015.

LIQUIDITY AND FUNDING

Liquidity

The liquidity position of SNS Bank remained solid in the first half of 2016 and amply complied with both internal targets and regulatory requirements.

Key liquidity indicators

	June 2016	December 2015	June 2015
LCR	>100%	>100%	>100%
NSFR	>100%	>100%	>100%
Loan-to-Deposit ratio	101%	105%	107%
Liquidity buffer (in € millions)	10,969	11,831	14,106

An increasing percentage of our total funding is made up of retail funding, which is reflected in a decreasing Loan-to-Deposit ratio. This decline, from 105% at year-end 2015 to 101% on 30 June 2016, was mainly due to an increase of € 0.8 billion in retail savings (including € 0.4 billion interest accrual in January) and an increase of € 0.9 billion in current account balances. In addition, loans provided to customers declined.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the regulatory minimum requirement of 100%. As of 31 December 2015, the LCR is to be reported in accordance with the LCR Delegated Act definition that came into force for banks throughout the European Union on 1 October 2015. The regulatory minimum requirement of 100% for the NSFR will come in force in 2018.

SNS Bank maintains a liquidity buffer in order to withstand severe liquidity stress events. The liquidity buffer consists of high quality liquid assets and retained RMBS notes that are ECB-eligible collateral. The table below shows the liquidity buffer, with liquid assets included at market value after an ECB haircut.

4 As per June 2016, the calculation of the MREL numerator ratio changed (comparative figures as of year-end 2015 have also been restated resulting in a decrease of 0.5% from 8.7% to 8.2%), mainly due to adjustments in the numerator: (1) the amount of senior unsecured debt > 1 year is now included based on book value instead of nominal value as SNS Bank believes that using book values is most consistent with the current requirements under the BRRD based on SNS Bank's outstanding liabilities; and (2) deposits from natural persons and SMEs for amounts over € 100,000 with a remaining maturity exceeding 1 year are no longer included.

5 Currently outstanding unsecured liabilities are assumed not to be TLAC-eligible.

Liquidity buffer composition

in € millions	June 2016	December 2015	June 2015
Cash position	2,866	2,142	3,729
Sovereigns	2,746	3,762	3,637
Regional/local governments and supranationals	719	702	600
Other liquid assets	294	413	360
Eligible retained RMBS	4,344	4,812	5,780
Liquidity buffer	**10,969**	**11,831**	**14,106**

In the first half of 2016, the liquidity buffer declined to € 11.0 billion, from € 11.8 billion at year-end 2015. In the first half of 2016, € 0.5 billion government bonds were sold or redeemed. In addition, the amount of sovereigns in the liquidity buffer declined due to a higher volume of repo transactions in which government bonds served as collateral. Eligible retained RMBS decreased due to the repayment of mortgages underlying the securitised positions and the exercise of the call option of the Hermes XII securitisation.

The cash position as defined by SNS Bank comprises Central Bank reserves, accounts with correspondent banks and cash management positions with an original maturity shorter than 10 days. In the first half of 2016, the cash position increased by € 0.7 billion. Cash outflows from wholesale redemptions of € 1.1 billion and an increase in cash collateral posted by SNS Bank with other banks of € 0.5 billion were more than offset by cash inflows. Cash inflows mainly stemmed from current accounts of € 0.9 billion, retail savings of € 0.4 billion (adjusted for interest accrual), a € 0.8 billion higher volume of repo transactions, a decrease in government bonds of € 0.5 billion and a decrease in loans provided to customers of € 0.1 billion.

In addition to the liquidity buffer, the current volume of SNS Bank's short-term cash management investments outside the cash definition equalled € 3.2 billion versus € 2.3 billion at year-end 2015. This volume is also available as liquidity at short notice.

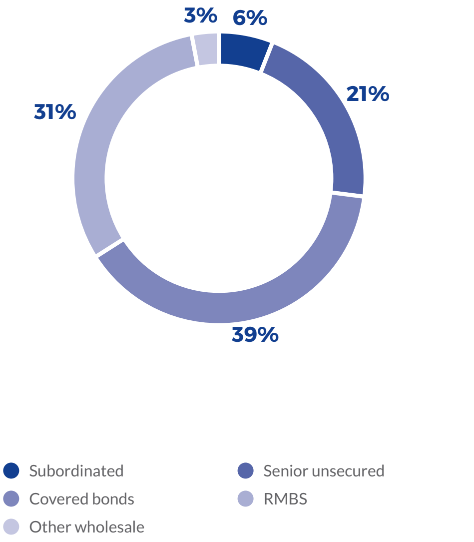
Funding

SNS Bank funds itself mainly with retail deposits. Through our different brands, we attract term deposits, sight deposits and retail current account balances. Furthermore, SNS Bank funds itself via SME savings and current account balances. In the first half of 2016, total deposits increased to € 47.9 billion, from € 46.1 billion at year-end 2015.

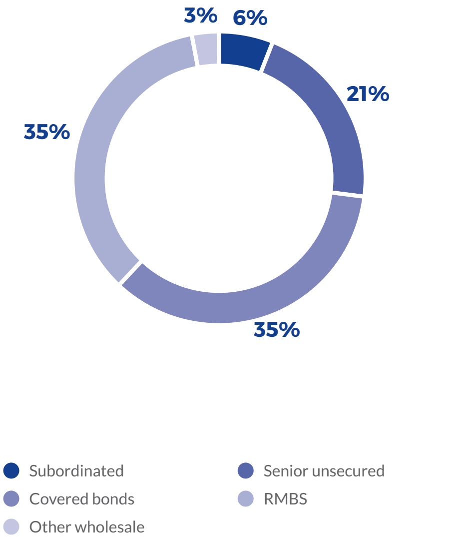
In addition, SNS Bank attracts funding from the financial markets. We aim to diversify our sources of funding in the financial markets. Therefore, SNS Bank funds itself with various funding instruments diversified across maturities, markets, regions and investor types.

In the financial markets, SNS Bank attracts funding in excess of one year by means of senior unsecured funding, (mortgage) securitisations (RMBS), the statutory covered bond programme and subordinated debt. For funding of less than one year, SNS Bank is able to finance itself in the money markets with European and French commercial paper programmes.

Wholesale funding mix June 2016: € 7.7 billion [1]



Wholesale funding mix December 2015: € 8.9 billion [1]

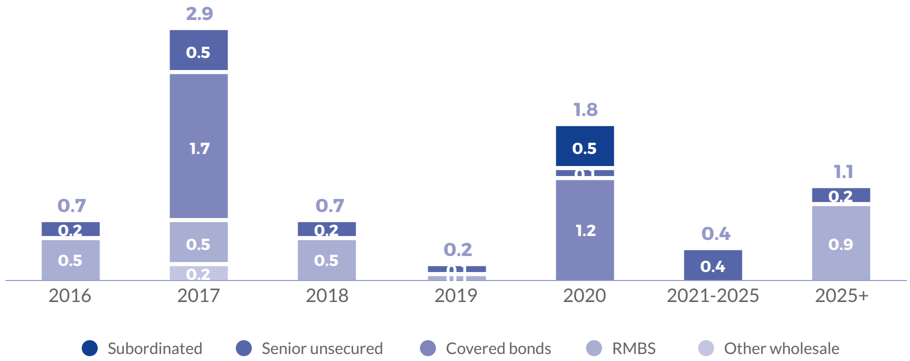


1 Based on nominal value of funding

The figures above present an overview of the outstanding wholesale funding with an original maturity of more than one year as of 30 June 2016 and year-end 2015. 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 positions. This nominal value differs from the IFRS measurement in the balance sheet, which is predominantly based on amortised cost. In the first half of 2016, the amount of wholesale funding declined mainly due to the redemption of the Hermes XII securitisation (€ 0.6 billion) and senior unsecured debt redemptions (€ 0.2 billion).

The figure below presents an overview of the maturity calendar of the outstanding wholesale funding with an original maturity of more than one year, assuming first call dates are adhered to. We take into account the wholesale funding maturity calendar in our liquidity planning.

Wholesale funding maturities (in € billions)



RESPONSIBILITY STATEMENT

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act (*Wet op het financieel toezicht* (Wft)), the members of the Board of Directors state that to the best of their knowledge:

- The condensed consolidated interim financial statements, for the six months period ending on 30 June 2016, give a true and fair view of the assets, liabilities, size and composition of equity, financial position and profit or loss of SNS Bank NV and the companies included in the consolidation; and
- The Interim Financial Report, for the six months period ending on 30 June 2016, gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of SNS Bank NV and the companies included in the consolidation.

Utrecht, 24 August 2016

The Board of Directors

Maurice Oostendorp, Chief Executive Officer

Annemiek van Melick, Chief Financial Officer

Jeroen Dijst, Chief Risk Officer

Rob Langezaal, Chief Commercial Officer

Alexander Baas, Chief Operations Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Before result appropriation and in € millions	30-6-2016	31-12-2015
ASSETS		
Cash and cash equivalents	3,110	2,259
Loans and advances to banks	3,333	2,081
Loans and advances to customers	48,697	49,217
Derivatives	1,864	1,993
Investments	6,646	6,376
Property and equipment	74	77
Intangible assets	14	15
Deferred tax assets	367	284
Other assets	303	278
Assets held for sale	--	110
Total assets	**64,408**	**62,690**
EQUITY AND LIABILITIES		
Savings	37,666	36,860
Other amounts due to customers	11,482	10,580
Amounts due to customers	**49,148**	**47,440**
Amounts due to banks	1,522	1,000
Debt certificates	6,008	6,941
Derivatives	2,536	2,189
Deferred tax liabilities	282	216
Corporate income tax	90	11
Other liabilities	808	955
Other provisions	53	83
Provision for employee benefits	24	23
Subordinated debts	505	493
Liabilities held for sale	--	37
Total other liabilities	**11,828**	**11,948**
Share capital	381	381
Other reserves	2,870	2,573
Retained earnings	181	348
Shareholders' equity	**3,432**	**3,302**
Total equity and liabilities	**64,408**	**62,690**

CONSOLIDATED INCOME STATEMENT

in € millions	1st half year 2016	1st half year 2015
INCOME		
Interest income	827	961
Interest expense	355	446
Net interest income	**472**	**515**
Fee and commission income	57	49
Fee and commission expenses	26	25
Net fee and commission income	**31**	**24**
Investment income	37	32
Result on financial instruments	-31	63
Other operating income	1	1
Total income	**510**	**635**
EXPENSES		
Staff costs	190	178
Depreciation and amortisation of tangible and intangible assets	11	11
Other operating expenses	111	77
Impairment charges	-45	44
Other expenses	1	--
Total expenses	**268**	**310**
Result before taxation	**242**	**325**
Taxation	61	81
Net result continued operations	**181**	**244**
ATTRIBUTION:		
Net result attributable to shareholder	181	244
Net result attributable to minority interests	--	--
Net result for the period	**181**	**244**

OTHER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € millions	1st half year 2016	1st half year 2015
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Unrealised revaluations property and equipment	--	--
Change in other reserves	--	--
Other changes in comprehensive income	-1	-2
Total items never reclassified to profit or loss	**-1**	**-2**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Change in revaluation reserve	1	1
Change in cashflow hedgereserve	-7	-25
Change in fair value reserve	56	-33
Total items that may be reclassified subsequently to profit or loss	**50**	**-57**
Change in other comprehensive income (after tax)	**49**	**-59**

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

in € millions	1st half year 2016	1st half year 2015
Net result continued operations	181	244
Change in other comprehensive income (after tax)	49	-59
Total comprehensive income	**230**	**185**
ATTRIBUTION:		
Total comprehensive income to shareholder	230	185
Total comprehensive income to minority interests	--	--
Total comprehensive income	**230**	**185**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

Condensed consolidated statement of changes in total equity 1st half year 2016

in € millions	Issued share capital[1]	Share premium reserve	Revaluation reserve	Cashflow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2016	381	3,787	1	57	111	-1,383	348	3,302
Transfer of net result 2015	--	--	--	--	--	348	-348	--
Amounts charged directly to total equity	--	--	1	-7	56	-1	--	49
Net result 2016	--	--	--	--	--	--	181	181
Total result 2016	**--**	**--**	**1**	**-7**	**56**	**347**	**-167**	**230**
Transactions with shareholder	--	--	--	--	--	-100[2]	--	-100
Total changes in equity 2016	**--**	**--**	**1**	**-7**	**56**	**247**	**-167**	**130**
Balance as at 30 June 2016	**381**	**3,787**	**2**	**50**	**167**	**-1,136**	**181**	**3,432**

1 The issued share capital is fully paid and comprises of 840,008 ordinary shares with a nominal value of € 453.79 per share.

2 Dividend of € 100 million was paid to NLFI.

Condensed consolidated statement of changes in total equity 1st half year 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	--
Amounts charged directly to total equity	--	--	1	-25	-33	-2	--	-59
Net result 2015	--	--	--	--	--	--	244	244
Total result 2015	**--**	**--**	**1**	**-25**	**-33**	**149**	**93**	**185**
Transactions with shareholder	--	--	--	--	--	--	--	--
Total changes in equity 2015	**--**	**--**	**1**	**-25**	**-33**	**149**	**93**	**185**
Balance as at 30 June 2015	**381**	**3,787**	**1**	**54**	**64**	**-1,383**	**244**	**3,148**

Condensed consolidated statement of changes in total equity 2nd half year 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 July 2015	381	3,787	1	54	64	-1,383	244	3,148
Amounts charged directly to total equity	--	--	--	3	47	--	--	50
Net result 2015	--	--	--	--	--	--	104	104
Total result 2015	**--**	**--**	**--**	**3**	**47**	**--**	**104**	**154**
Transactions with shareholder	--	--	--	--	--	--	--	--
Total changes in equity 2015	**--**	**--**	**--**	**3**	**47**	**--**	**104**	**154**
Balance as at 31 December 2015	**381**	**3,787**	**1**	**57**	**111**	**-1,383**	**348**	**3,302**

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

in € millions	1st half year 2016	1st half year 2015
Cash and cash equivalents as at 1 January	2,259	1,968
Net cashflow from operating activities	1,799	3,727
Net cashflow from investment activities	73	404
Net cashflow from financing activities	-1,021	-2,186
Cash and cash equivalents as at 30 June	**3,110**	**3,913**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Accounting principles

General information

SNS Bank NV (referred to as 'SNS Bank') is a public limited liability company incorporated under Dutch law and registered at Croeselaan 1, 3521 BJ Utrecht. SNS Holding BV is the parent company of SNS Bank. All shares of SNS Bank are held by SNS Holding BV. All shares of SNS Holding BV are held by Stichting administratiekantoor beheer financiële instellingen (NLFI).

The condensed consolidated interim financial statements of SNS Bank comprise financial information of all entities controlled by SNS Bank including its interests in associates. The condensed consolidated interim financial statements were prepared by the Board of Directors and approved by the Supervisory Board on 24 August 2016.

Basis of preparation

Statement of IFRS compliance

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

Main accounting principles for financial reporting

The accounting principles applied in these condensed consolidated interim financial statements are consistent with those set out in the notes to SNS Bank's financial statements for the year ended 31 December 2015, except for the changes in accounting policies described below.

Changes in published Standards and Interpretations effective in 2016

In the first half of 2016 SNS Bank adopted the following amendments to IFRS, as endorsed by the EU:

- Amendments to IAS 1 Disclosure Initiative
- 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 or Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer plants
- Improvements to IFRSs 2012-2014 Cycle

None of the above amendments have a material effect on these condensed consolidated interim financial statements.

New accounting Standards and Interpretations, not yet effective in 2016

The changes in Standards that may have a material impact on the financial statements of SNS Bank are discussed below. These new standards and amendments have been issued by the IASB, but are not yet effective for these condensed consolidated interim financial statements. These standards are subject to endorsement by the European Union and are therefore not eligible for early adoption.

IFRS 9 Financial Statements

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and the mandatory effective date, subject to endorsement by EU, is 1 January 2018. IFRS 9 has changed requirements for Classification and Measurement, Impairments and Hedge Accounting.
In 2015 SNS Bank has launched a programme to implement IFRS 9. SNS Bank is currently assessing the impact of implementing IFRS 9. For the following areas significant impact on the financial statements, including equity is expected:

- Impairments: Under the impairment requirements of IFRS 9, credit risk provision will be based on expected losses rather than solely incurred losses and should incorporate forward looking information. As a result, credit risk provisions will increase and will likely become more volatile. The impact on transition from IAS 39 to IFRS 9 will largely be dependent on the (macro) economic circumstances at the moment of transition and the assets held by SNS Bank at that time.
- Classification and Measurement: IFRS 9 transition-accounting allows SNS Bank to reconsider the current treatment of a part of the mortgage portfolio, the DBV mortgages, historically elected to be accounted for at fair value. If the measurement basis will be changed to amortised cost, this results in a step up or step down from fair value to the

amortised cost value at the date of transition. Since currently the fair value is above the amortised cost value, SNS Bank anticipates a step down, and therefore a negative impact on equity at transition, if the treatment is revised.

Estimates and assumptions
The preparation of the condensed consolidated interim financial statements requires SNS Bank to make estimates and assumptions. Although these estimates and assumptions are made to the best of management's knowledge, actual results may differ.

Change in accounting estimate for prepayment assumption mortgages
The fair value of the DBV mortgages is determined based on a discounted cash flow method. In determining the expected cash flows, future redemptions are taken into account, both contractual redemptions and expected prepayments. The methodology to determine the expected prepayments has been refined, such that only penalty-free prepayments are taken into account. Where penalties are received in relation to prepayment, these penalties can be considered a compensation for the potential fair value loss. As per 30 June 2016, this change in methodology had an impact of € 15 million positive on the fair value of the DBV mortgages.

Notes to consolidated balance sheet and consolidated income statement

Other provisions
In December 2015, the AFM announced that the re assessment of the SME interest rate derivatives had to be reconsidered. Following this announcement, on 1 March 2016 a Committee of Experts (CoE) was appointed, who were assigned to compose a recovery framework. The CoE has consulted the banks, including SNS Bank, and other stakeholders such as (the representatives of) the SME's during this process.

On 5 July 2016, the CoE presented the so called Uniform Recovery Framework pertaining to SME Interest Rate Derivatives (*Herstelkader*, Recovery Framework) to the Minister of Finance. This Recovery Framework will form the basis on which the banks have to re asses the interest rate derivatives in order to investigate whether or not compensation has to be offered to individual clients of the bank. With the introduction of this Recovery Framework, SNS Bank was able to assess the potential for required recovery for individual clients, including an estimate for such compensation. This is considered an event after the reporting period, that provided additional evidence to the conditions as at 30 June 2016 and therefore SNS Bank has recognised a provision in these interim financial statements.

The Recovery Framework mainly focuses on SME's and provides for a step-by-step plan. SNS Bank will participate in the Recovery Framework and will start the process to determine which client is entitled to compensation based on this framework in the third quarter of 2016. SNS Bank has recognised a provision in relation to the expected compensation under the Recovery Framework of € 17 million in the first half of 2016. This estimate is based on the interpretation of and the assumptions noted in the Recovery Framework published on 5 July 2016 both on the scope of the Recovery Framework and the entitled compensation.

Assets and liabilities held for sale
On 30 June 2016, SNS Bank and NIBC finalised the sales transaction of the shares in SNS Securities NV. The conditions of sale, including the approval for this transaction from regulatory authorities and works councils, were met. The book loss resulting from this sale amounts to € 22 million. A provision for this had already been made in 2015. This amount has been calculated on the basis of the net asset value of SNS Securities on the date of transaction taking the sales conditions following from the sales agreement into consideration. The sales transaction has no further impact on the income statement in 2016, nor on the equity of SNS Bank as at 30 June 2016.

Investment income
As a result of the closing of the acquisition of VISA Europe by VISA Inc. as of 21 June 2016, SNS Bank realised a gain on the sale of its equities securities in VISA Europe, amounting to € 10 million. In addition to a cash payment of € 8 million and a deferred payment to be received in 2019, SNS Bank received a number of Series C Visa Inc. preferred stock which will be converted to Common Visa Inc. stock in 2028 at the latest.

Impairment charges
Impairment charges decreased by € 89 million, resulting in a net release of € 45 million, reflecting an improving economic environment and housing market. The credit quality of both the retail mortgage and SME loan portfolio improved,

manifesting itself in a significant decrease in the number of loans in default due to a high level of recoveries. This was supported by a lower inflow of defaulting loans. Moreover, the positive developments in the housing market as well as improvements in arrears management resulted in a high number of foreclosures, which were more than sufficiently provided for, also contributing to a net release of provisions.

Related parties

As part of its business operations, SNS Bank frequently enters into transactions with related parties. Parties related to SNS Bank include NLFI with control, the Dutch State with significant influence, SNS Holding, SNS REAAL pension fund, associates, joint ventures, the Board of Directors, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. Loans and advances to the Managing Board of Directors, the Supervisory Board and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions. For further information see note 23 of the Annual financial statements 2015.

Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships. Normal banking transactions relate to loans and deposits, financial assets held for trading, available for sale financial investments, and are entered into under the same commercial and market terms that apply to non-related parties.

During the first half year of 2016 a final dividend of € 100 million was paid to NLFI (first half year 2015 nil).

Update legal proceedings

SNS Bank finalised its dispute with a foundation on losses suffered on investments in foreign investment funds. Consequently, the proceedings have been terminated.

Post balance sheet events

On 9 July 2016 an agreement between SRH, VIVAT Verzekeringen, Anbang and SNS Bank was signed as a result of which the defined benefit pension obligations of SNS Bank were transferred to VIVAT Verzekeringen. The buyout of these obligations has no material impact on the financial statements of SNS Bank.

Fair value of financial instruments

Fair value accounting of financial assets and liabilities

in € millions	30-6-2016 Fair value	Book value	31-12-2015 Fair value[1]	Book value
FINANCIAL ASSETS				
INVESTMENTS				
- Fair value through P&L: held for trading	1,335	1,335	668	668
- Available for sale	5,311	5,311	5,708	5,708
Derivatives	1,864	1,864	1,993	1,993
Loans and advances to customers	50,616	48,697	51,081	49,217
Loans and advances to banks	3,333	3,333	2,081	2,081
Other assets	303	303	278	278
Cash and cash equivalents	3,110	3,110	2,259	2,259
Assets held for sale	--	--	110	110
Total financial assets	**65,872**	**63,953**	**64,178**	**62,314**
Financial liabilities	--	--	--	--
Subordinated debts	489	505	493	493
Debt certificates	6,014	6,008	6,964	6,941
Derivatives	2,536	2,536	2,189	2,189
Savings	38,395	37,666	37,557	36,860
Other amounts due to customers	11,804	11,482	10,861	10,580
Amounts due to banks	1,524	1,522	1,015	1,000
Other liabilities	808	808	955	955
Liabilities held for sale	--	--	37	37
Total financial liabilities	**61,570**	**60,527**	**60,071**	**59,055**

1 As of this book year the effects of hedge accounting are corrected. Comparative figures have been adjusted accordingly.

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 of 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 customer 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

Hierarchy financial instruments 30 June 2016

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	1,335	1,335	--	--	1,335
- Available for sale	5,311	5,119	170	22	5,311
Derivatives	1,864	--	1,678	186	1,864
Loans and advances to customers[1]	1,970	--	--	1,970	1,970
Assets held for sale	--	--	--	--	--
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Loans and advances to customers[1]	46,727	--	--	48,646	48,646
Loans and advances to banks	3,333	--	--	--	3,333
Other assets	303	--	--	--	303
Cash and cash equivalents	3,110	--	--	--	3,110
Assets held for sale	--	--	--	--	--
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	2,536	--	2,212	324	2,536
Debt certificates[1]	541	--	--	541	541
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Subordinated debts	505	--	489	--	489
Debt certificates[1]	5,467	--	--	5,473	5,473
Savings	37,666	--	34,172	4,223	38,395
Other amounts due to customers	11,482	--	11,804	--	11,804
Amounts due to banks	1,522	--	1,524	--	1,524
Other liabilities	808	--	--	--	808
Liabilities held for sale	--	--	--	--	--

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 instruments 31 December 2015

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value[1]
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
INVESTMENTS					
- Fair value through P&L: held for trading	668	668	--	--	668
- Available for sale	5,708	5,502	179	27	5,708
Derivatives	1,993	--	1,786	207	1,993
Loans and advances to customers[2]	2,047	--	--	2,047	2,047
Assets held for sale	94	3	90	1	94
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Loans and advances to customers[2]	47,170	--	--	49,034	49,034
Loans and advances to banks	2,081	--	--	--	2,081
Other assets	278	--	--	--	278
Cash and cash equivalents	2,259	--	--	--	2,259
Assets held for sale	16	--	--	--	16
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	2,189	--	1,842	347	2,189
Debt certificates[2]	585	--	--	585	585
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Subordinated debts	493	--	493	--	493
Debt certificates[2]	6,356	--	--	6,379	6,379
Savings	36,860	--	33,831	3,726	37,557
Other amounts due to customers	10,580	--	10,861	--	10,861
Amounts due to banks	1,000	--	1,015	--	1,015
Other liabilities	955	--	--	--	955
Liabilities held for sale	37	--	--	--	37

1 As of this book year the effects of hedge accounting are corrected. Comparative figures have been adjusted accordingly.

2 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 measured at fair value 1st half year 2016

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 2016	27	2,047	1	207	347	585
Purchases/advances	3	51	--	--	--	--
Unrealised gains or losses recognised in P&L[1]	--	8	--	-17	-18	--
Unrealised gains or losses recognised in other comprehensive income[2]	3	--	--	--	--	--
Movement accrued interest	--	--	--	-4	-5	--
Sale/settlements	-12	-136	--	--	--	-44
Other	1	--	-1	--	--	--
Balance as at 30 June 2016	**22**	**1,970**	**--**	**186**	**324**	**541**

1 These are included in the line item 'Result on financial instruments'.

2 These are included in the line item 'Fair value reserve'.

Change in level 3 financial instruments measured at fair value 1st half year 2015

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 2015	11	2,206	4	379	677	1,107
Purchases/advances	--	85	--	--	--	--
Unrealised gains or losses recognised in P&L[1]	--	32	--	-90	-137	27
Movement accrued interest	--	--	--	-12	-12	--
Sale/settlements	--	-136	-1	--	--	-85
Other	--	--	--	--	--	--
Balance as at 30 June 2015	**11**	**2,187**	**3**	**277**	**528**	**1,049**

1 These are included in the line item 'Result on financial instruments'.

Change in level 3 financial instruments measured at fair value 2nd half year 2015

in € millions	Available for sale	Loans and advances to customers	Assets held for sale	Derivatives assets	Derivatives liabilities	Debt certificates
Balance as at 1 July 2015	11	2,187	3	277	528	1,049
Purchases/advances	6	51	--	--	--	--
Unrealised gains or losses recognised in P&L[1]	--	-29	--	-62	-170	10
Unrealised gains or losses recognised in other comprehensive income[2]	16	--	--	--	--	--
Movement accrued interest	--	--	--	-8	-11	--
Sale/settlements	-6	-162	-2	--	--	-475
Other	--	--	--	0	0	1
Balance as at 31 December 2015	**27**	**2,047**	**1**	**207**	**347**	**585**

1 These are included in the line item 'Result on financial instruments'.

2 These are included in the line item 'Fair value reserve'.

Breakdown level 3 financial instruments

in € millions	30-6-2016	31-12-2015
Bonds issued by financial institutions	--	1
Equity	22	27
Derivatives	186	207
Loans and advances to customers	1,970	2,047
Total assets	**2,178**	**2,282**
Derivatives	324	347
Debt certificates	541	585
Total liabilities	**865**	**932**

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-observable parameters financial instruments level 3 per 30 June 2016

	Valuation technique	Main assumption	Carrying value	Reasonably possible alternative assumptions	
in € millions				Increase in fair value	Decrease in fair value
Assets					
Loans and advances to customers	Discounted cashflow	Discount curve / pre-payment rate	1,970	48	44
Derivatives	Discounted cashflow	Discount curve / pre-payment rate	186	10	11
LIABILITIES					
Debt certificates	Discounted cashflow	Discount curve	541	4	5
Derivatives	Discounted cashflow	Discount curve / pre-payment rate	324	13	12

Sensitivity non-observable parameters financial instruments level 3 per 31 December 2015

	Valuation technique	Main assumption	Carrying value	Reasonably possible alternative assumptions	
in € millions				Increase in fair value	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 discount rate is based on current customer mortgage rates. These rates and the prepayment rates are interrelated (i.e. a decrease in current customer mortgage rates will likely cause an increase in the prepayment rates). The effect of current customer mortgage rates and prepayment rates on the fair value is therefore opposite, whereby a decrease in current customer mortgage rates will result in a higher fair value, whereas an increase in prepayment rates will result in a lower fair value.

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. How this unobservable discount curve is determined in the valuation process is discussed in the notes on the accounting techniques and assumptions applied for determining the fair value of loans and advances to customers. With regard to the discount curve, the assumptions to determine the creditrisk 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.

Transfers between categories 2016

No significant movements occured during the first half year.

Transfers between categories 2015

No significant movements occured during 2015.

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of SNS Bank N.V., Utrecht, set out on pages 31 to 46, which comprise the consolidated balance sheet as at 30 June 2016, the consolidated statements of income and comprehensive income and the condensed consolidated statements of changes in total equity, and cashflow for the six-month period then ended and the related notes.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 24 August 2016

Ernst & Young Accountants LLP

signed by N.M. Pul

OTHER INFORMATION

ADDITIONAL PILLAR 3 DISCLOSURES

Risk weighted assets (RWA) and capital requirement

	EAD[1]		RWA		8% Pillar 1 capital requirement	
in € millions	30-6-2016	31-12-2015	30-6-2016	31-12-2015	30-6-2016	31-12-2015
CREDIT RISK INTERNAL RATINGS BASED						
Retail mortgages[2]	42,992	42,052	6,405	6,134	512	491
Securitisation positions	170	619	13	80	1	6
Other	--	--	640	642	51	51
Total credit risk Internal Ratings Based	**43,162**	**42,671**	**7,058**	**6,856**	**564**	**548**
CREDIT RISK STANDARDISED APPROACH[3]						
Central governments and central banks	8,111	7,745	212	170	17	14
Regional governments or local authorities	3,002	2,531	--	--	--	--
Public sector entities	42	44	11	12	1	1
Multilateral developments banks	297	284	--	--	--	--
International organisations	--	15	--	--	--	--
Financial institutions	1,089	1,286	367	447	29	36
Corporates	949	812	465	424	37	34
Retail excl. mortgages	184	201	139	151	11	12
Secured by mortgages immovable property	1,084	1,122	762	780	61	62
Exposures in default	125	137	148	161	12	13
Covered bonds	--	--	--	--	--	--
Equity exposures	21	25	21	25	2	2
Other Items	255	260	167	195	13	16
Total credit risk Standardised Approach	**15,159**	**14,462**	**2,292**	**2,365**	**183**	**190**
MARKET RISKS (STANDARDISED)[4]						
- Traded debt instruments	4,329	2,526	150	206	12	16
- Equities	--	1	--	3	--	--
OPERATIONAL RISK						
- Standardised approach	--	--	1,698	1,698	136	136
Total other risks	**4,329**	**2,527**	**1,848**	**1,907**	**148**	**152**
Credit Valuation Adjustment (CVA)	--	--	412	385	33	31
Total SNS Bank	**62,650**	**59,660**	**11,610**	**11,513**	**928**	**921**

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.

3 The counterparty credit risk amounts to € 1.0 billion EAD, corresponding to € 304 million RWA (2015: € 1.0 billion EAD, € 373 million RWA).

4 This concerns position risk.

PD-risk category retail mortgages per 30 June 2016

Internal rating grade	On-balance	Off-balance[1]	Average LGD	Average PD	EAD in each grade	RWA in each grade (or band)	RWA/EAD
PERFORMING							
1	9,453	232	8.79%	0.07%	9,685	171	2%
2	5,082	50	8.90%	0.21%	5,132	198	4%
3	6,096	30	11.80%	0.31%	6,126	420	7%
4	7,104	14	14.34%	0.45%	7,118	783	11%
5	6,041	14	18.42%	0.70%	6,055	1,163	19%
6	1,332	4	19.27%	1.02%	1,336	346	26%
7	2,058	697	13.22%	1.25%	2,755	465	17%
8	1,241	2	18.43%	1.70%	1,243	429	35%
9	996	1	15.48%	3.24%	997	425	43%
10	976	--	14.69%	6.77%	976	582	60%
11	419	--	15.89%	13.32%	419	356	85%
12	312	--	14.86%	22.83%	312	282	90%
13	235	--	15.58%	43.08%	235	211	90%
Non-performing	603	--	21.09%	100.00%	603	573	95%
Total	**41,948**	**1,044**			**42,992**	**6,404**	**15%[2]**

1 Off balance exposure: a credit conversion factor of 100% is used

2 Including the 10% margin of conservatism (MOC) of € 640 million, the RWA density is 16%.

In April 2016, the calibrated models (EAD, PD and LGD) for the retail mortgages portfolio have been deployed (called PHIRM 2.1). This calibration consisted of the use of more recent data as well as the use of a new collateral indexation method.

Use of more recent data

One of the most important changes is the extension of the data period used for the estimation of the models. For the PHIRM 2.0 PD model, data of January 2006 until March 2013 was used. For the PHIRM 2.0 LGD model, data of January 2006 until January 2014 was used. For the PHIRM 2.1 PD and LGD model, this period is extended from January 2006 until December 2014.

Indexation method

A new collateral indexation method has been used in the calibration of the PHIRM models, using indexation figures from Ortec. The new indexation methodology is more granular compared to the current indexation methodology based on Kadaster information. The collateral values in the current methodology are determined on a quarterly basis using a general indexation percentage per province (from CBS/Kadaster). With the new indexation methodology, both the frequency as the granularity have increased. In PHIRM 2.1, the collateral is indexed using monthly updated figures depending on the house type as well as the municipality.

Please note that the underlying model methodologies themselves have not changed as part of the calibration which has been substantiated by the fact that this calibration is a non-material change.

Although the deployment of the calibrated models have resulted in an increase of the credit risk-related RWA this increase was partly offset by decreasing PDs and LGDs of the retail mortgage portfolio as a result of improved economic circumstances.

PD-risk category retail mortgages per 31 December 2015

Internal rating grade	On-balance	Off-balance[1]	Average LGD	Average PD	EAD in each grade	RWA in each grade (or band)	RWA/EAD
PERFORMING							
1	10,542	248	8.76%	0.07%	10,790	172	2%
2	5,044	48	8.75%	0.19%	5,092	184	4%
3	5,114	27	11.10%	0.32%	5,141	340	7%
4	6,181	14	12.74%	0.43%	6,195	587	9%
5	6,309	15	17.13%	0.71%	6,324	1,136	18%
6	1,426	4	17.82%	1.23%	1,430	387	27%
7	2,055	483	12.63%	1.26%	2,538	496	20%
8	838	1	17.41%	2.01%	839	304	36%
9	798	2	13.32%	3.44%	800	304	38%
10	915	1	13.47%	6.87%	916	505	55%
11	411	--	14.82%	13.36%	411	326	79%
12	381	--	14.21%	21.80%	381	327	86%
13	326	--	14.97%	41.85%	326	284	87%
Non-performing	869	--	21.22%	100.00%	869	782	90%
Total	**41,209**	**843**			**42,052**	**6,134**	**15%[2]**

1 Off balance exposure: a credit conversion factor of 100% is used

2 Including the 10% margin of conservatism (MOC) of € 613 million, the RWA density is 16%.

Own funds

	Common Equity Tier 1 (CET1) capital: instruments and reserves in millions	Amount at disclosure date	Amount subject to pre-regulation (EU) No 575/2013
6	Common Equity Tier 1 (CET 1) capital before regulatory adjustments	3,261	--
	CET1 capital: regulatory adjustments		
28	Total regulatory adjustments to CET1	-178	--
29	CET1 capital	3,083	--
	Additional Tier 1 (AT1) capital: instruments		
36	AT 1 capital before regulatory adjustments	--	--
	AT1 capital: regulatory adjustments		
43	Total regulatory adjustments to AT1 capital	--	--
44	AT1 capital	--	--
45	Tier 1 capital (T1= CET1 + AT1)	3,083	--
	Tier 2 (T2) capital: instruments and provisions		
51	T2 capital before regulatory adjustments	500	--
	T2 capital: regulatory adjustments		
57	Total regulatory adjustments to T2 capital	-11	--
58	Tier 2 capital	489	--
59	Total capital (TC = T1 + T2)	3,572	--
61	CET1 (as a % of total risk exposure amount)	26.6%	0.0%
62	T1 (as a % of total risk exposure amount)	26.6%	0.0%
63	TC (as a % of total risk exposure amount)	30.8%	0.0%

Leverage ratio common disclosure

		Exposures voor de berekening van de CRR leverage ratio	
		2016	2015
KAPITAAL EN TOTALE EXPOSURE MAATSTAF			
20	Tier 1-kapitaal	3,083	2,916
21	Maatstaf voor de totale risico exposure voor de berekening van de hefboomratio (som van de lijnen 3, 11, 16, 19, EU-19a en EU-19b)	63,901	61,464
Leverage ratio			
22	Leverage ratio	4.8%	4.7%
Gemaakte keuze betreffende de overgangsregelingen en bedrag van de niet in aanmerking genomen fiduciaire posten			
EU-23	Gemaakte keuze betreffende de overgangsregelingen voor de definitie van de kapitaalmaatstaf	Overgangs-regeling	Overgangs-regeling

GENERAL INFORMATION

About SNS Bank

General

SNS Bank NV (SNS Bank) is a financial services provider engaged in banking, with a particular focus on the Dutch retail market, including small and medium-sized enterprises. SNS Bank carries multiple brands with a single back office and IT organisation. The product range consists of three core product groups: payments, mortgages and savings. SNS Bank has a balance sheet total of € 64 billion and about 3.400 employees (FTE), which makes it a major player in the Dutch market. The head office of SNS Bank is located in Utrecht.

Mission and ambition

The mission of SNS Bank is 'banking with a human touch'. To live up to our mission we formulated an ambition based on the principle of shared value. Shared value is directed towards both social and economic, financial, and non-financial aspects. Our ambition is to optimise this shared value by delivering benefits for customers, taking responsibility for society, providing meaning for employees and achieving returns for the shareholder.

Our brands

There is no such thing as the average customer. Everyone has different desires, needs and preferences. We want to serve our customers in the way that best fits their needs. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them best. Each brand has its own way of working, image, mentality and products, from savings and investments through to insurance.

SNS

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

Products: current accounts, savings, mortgages, insurance, loans, investments and bank savings.
www.snsbank.nl

ASN Bank

ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for 50 years. Money is invested in projects and companies that respect people, animals and the environment. ASN Bank aims to demonstrate that sustainable banking goes perfectly hand-in-hand with competitive results.

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

RegioBank

RegioBank is the SNS Bank regional bank format to which some 530 independent advisors are affiliated. RegioBank is the local bank without the fuss or hassle. With great personal attention, a sense of service and a full range of banking products all under one roof.

Products: mortgages, savings, current accounts, loans and investments.
www.regiobank.nl

BLG Wonen

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

Products: mortgages, savings and insurance.
www.blg.nl

Disclaimer

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