

FITCH MAINTAINS SNS REAAL'S BBB+ ON RWN; AFFIRMS SNS BANK'S IDR AT 'BBB+', DOWNGRADES VR TO 'BB'

Fitch Ratings-London/Paris-09 October 2012: Fitch Ratings has affirmed SNS Bank's Long-term Issuer Default Rating (IDR) at 'BBB+' and maintained SNS REAAL's Long- and Short-term IDRs on Rating Watch Negative (RWN). The Outlook on SNS Bank's Long-term IDRs is Stable. Fitch has also downgraded SNS Bank's Viability Rating (VR) to 'bb' from 'bbb-' and simultaneously removed it from RWN. The Rating Watch Evolving (RWE) on SRLEV's and REAAL Schadeverzekeringen's Insurer Financial Strength (IFS) rating has been maintained. A list of rating actions is at the end of this comment.

RATING ACTION RATIONALE

The affirmation of SNS Bank's IDRs reflects Fitch's continued belief there is a high probability that the Dutch state will provide support to the bank, if required.

SNS REAAL's ratings have been maintained on RWN, on which they were placed on 18 July 2012. The RWN reflects Fitch's view that if all or the majority of the group's insurance operations are sold, potential future support from the authorities in case of need would likely be provided to SNS Bank directly rather than through the holding company. There are still significant uncertainties on the scope and breath of the various strategic options being considered and, as the agency indicated on 18 July 2012, it expects to resolve the RWN placed on SNS REAAL once there is further clarity on the strategic options. This could, in Fitch's opinion, include the likelihood of part or all of the insurance assets being sold, but would not be restricted to it.

The downgrade of SNS Bank's VR to 'bb' from 'bbb-' and removal from RWN reflects the heightened risks carried by the bank's commercial real estate (CRE) loan book (EUR4.2bn property development and, to a lower extent, the EUR3.6bn property investment - in total around 4x book equity at end-June 2012) in the view of the data published by the bank in its first-half results and the latest commercial property market trends in the Netherlands (around 80% of the total exposures) and across Europe.

SNS Bank's VR was placed on RWN on 18 July 2012 (see 'Fitch Places SNS REAAL on RWN; Affirms SNS Bank at 'BBB+' available at www.fitchratings.com), following SNS REAAL's announcement that it is considering various capital strengthening options to be able to meet the end-2013 timeline for the repayment of state capital securities (EUR848m, including repayment premium) agreed on with the European Commission (EC). This raised concerns of an induced reduced financial flexibility for the bank, because of, among other factors, difficult economic conditions and property markets.

Fitch expects that the difficulties in the highly cyclical commercial property markets will protract if not worsen, notably in the Netherlands, as the public and private sectors are undertaking a substantial deleveraging process, given the reducing refinancing opportunities as financial institutions turn away from property lending and as the economic conditions remains weak. Unlike other major Dutch banks, SNS Bank's CRE portfolio is dominated by exposures to property development (Property Finance) which is, by nature, much riskier than property investment. In addition, SNS Bank has property development exposures to countries that have experienced severe real estate shocks (Spain and US), although these have been largely written-down and/or foreclosed.

The quality of the Property Finance loan book in run-off (EUR4.2bn) has further weakened with impaired loans and average loan-to-value ratios deteriorating again during H112 to high levels (39.6% and 105.4% respectively). In addition, the less risky property investment loan book (Property Finance SME) has started to experience some deterioration and the relatively low 4.3% impaired loan ratio reported at end-June 2012 is expected to increase, causing higher loan

impairment charges. Along with earnings strains in the bank's retail activities due to continued pressure on net interest margin and higher, but still low, loan impairment charges, the CRE exposures will cause significant further losses for the bank over the foreseeable future and, ultimately, pressure on capital. The bank has so far succeeded in mitigating the negative impact on its capital position through deleveraging (but also through some support from the group's insurance operations) but would not be able to continue doing so if the current adverse conditions on the CRE markets protracts, if not worsen.

In Fitch's opinion, the continued, and potentially increasing, burden of the property lending on SNS Bank's earnings and ultimately capital (ahead of the implementation of tougher regulatory requirements) is not commensurate anymore with an investment grade standalone creditworthiness.

Fitch placed the insurance operating entities' ratings on RWE on 16 July 2012 reflecting SNS REAAL's announcement that it will take capital strengthening initiatives by the end of 2012. All scenarios are still under review by management and no final decision has been made yet. Consequently, Fitch has maintained the RWE on the insurance operating entities. Fitch expects to resolve the RWE once there is greater clarity about the future of the insurance operations in the context of the group's capital strengthening initiatives.

RATING DRIVERS AND SENSITIVITIES - IDRS AND SENIOR DEBT

SNS REAAL and SNS Bank's respective Long-term IDRs and senior debt ratings are at their Support Rating Floor, which means that there are sensitive to any weakening of the Dutch state's ability or willingness to provide support. The RWN placed on SNS REAAL's IDRs are expected to be resolved once there is further clarity on the various strategic options envisaged by the group.

SNS Bank's state guaranteed debt securities are rated 'AAA', reflecting the Netherlands' guarantee and so would be sensitive to any change in the Netherlands' rating.

RATING DRIVERS AND SENSITIVITIES - VR

SNS Bank's VR reflects its solid franchise in Dutch retail banking, which has enabled it to maintain a healthy net inflow of customer deposits during H112, improving its funding mix while the bank is reducing its loan book (the loans/deposits ratio improved to 147% at end-June 2012 versus 162% at end-2011). This still high loans/deposits ratio indicates that the bank remains reliant on the capital markets for its funding needs (a structural feature of Dutch banks), but has regained access to secured funding in H212 with a EUR1bn covered bond and EUR960m RMBS placements. This has further strengthened an already solid liquidity position. The VR also incorporates the substantial strains of the property finance exposure on SNS Bank's earnings and the related significant challenges for its capital position.

SNS Bank's VR would be vulnerable to any deterioration in asset quality beyond current expectations causing heightened stress on capital, but also to a weakening of the bank's core retail franchise or to any material set-back in its liquidity profile.

RATING DRIVERS AND SENSITIVITIES - SUPPORT RATING AND SUPPORT RATING FLOOR

SNS Bank's and SNS REAAL's Support Ratings and Support Rating Floors continue to reflect the high probability of support from the Dutch state being made available if required, which means that they are sensitive to any weakening of the Dutch state's ability or willingness to provide support. As indicated SNS REAAL's Support and Support Rating Floor are on RWN.

RATING DRIVERS AND SENSITIVITIES - IFS

The IFS ratings of SNS REAAL's operating insurance subsidiaries, SRLEV and REAAL Schadeverzekeringen, reflect the insurance subsidiaries' strong business position in the Dutch insurance market, solid capital adequacy and stable profitability. These strengths are offset by moderate financial flexibility, including repayment of the capital securities issued by the group to the Dutch. Key ratings drivers for a downgrade of the IFS ratings would be a sustained decline in the group regulatory solvency ratio to below 150% or a structural decline in the insurance activities' profitability (for example, if reported net income was below EUR200m and expected to remain below that level).

Although no final decision has been made yet, Fitch expects capital strengthening initiatives to be taken in the near future. The agency still views the sale of the group's insurance operations, either partly or in total, as a possibility. If the insurance operations are acquired by a financially stronger group, the ratings of SRLEV and/or REAAL Schadeverzekeringen could be upgraded. However, if the insurance operations are sold to a financially weaker group, these insurers' ratings could be downgraded.

SUBORDINATED DEBT AND OTHER HYBRID SECURITIES

SNS Bank's hybrid Tier 1 securities are notched off SNS Bank's VR in line with Fitch's rating criteria for such securities and their downgrade to 'B-' from 'B+' mirrors the two notches downgrade of SNS Bank's VR. Given SNS Bank's hybrid Tier 1 securities are notched off SNS Bank's VR, their ratings are sensitive to any changes in the banks' VR. Fitch notes that there is a possibility that the EC will impose some form of 'burden sharing' (such as coupon omission) on SNS Bank's subordinated debt and hybrid securities if SNS REAAL were not be able to repay according to the agreed timeframe.

The rating actions are as follows:

SNS REAAL:

Long-term IDR: 'BBB+'; remains on RWN

Short-term IDR: 'F2'; remains on RWN

Support Rating: '2' ; remains on RWN

Support Rating Floor: 'BBB+' ; remains on RWN

SNS Bank:

Long-term IDR: affirmed at 'BBB+'; Outlook Stable

Short-term IDR: affirmed at 'F2'

Viability Rating: downgraded to 'bb' from 'bbb-', RWN removed

Senior debt: affirmed at 'BBB+/F2'

Market linked notes: affirmed at 'BBB+(emr)'

Hybrid Tier 1 securities: downgraded to 'B-' from 'B+'; RWN removed

Commercial paper: affirmed at 'F2'

Support Rating: affirmed at '2'

Support Rating Floor: affirmed at 'BBB+'

Dutch government guaranteed securities: affirmed at 'AAA'

SNS REAAL N.V. Insurance Activities:

SRLEV N.V. IFS: 'A-'; remains on RWE

REAAL Schadeverzekeringen N.V. IFS: 'A-'; remains on RWE

For all of Fitch's Eurozone Crisis commentary go to
http://www.fitchratings.com/web_content/pages/grs/eurozone

Contact:

Primary Analyst (SNS Bank, SNS REAAL)

Philippe Lamaud

Associate Director

+33 (0)1 4429 91 26

Fitch France S.A.S.

60, rue de Monceau

75008 Paris

Primary Analyst (SNS REAAL N.V. Insurance Activities)

Anais Daveine

Associate Director

+33 (0)1 4429 92 80

Fitch France S.A.S.

60, rue de Monceau
75008 Paris

Secondary Analyst (SNS Bank)
Olivia Pernet-Guillot
Senior Director
+33 (0)1 4429 91 74

Secondary Analyst (SNS REAAL)
Anais Daveine
Associate Director
+33 (0)1 4429 92 80

Secondary Analyst (SNS REAAL N.V. Insurance Activities)
Marc-Philippe Juilliard
Senior Director
+33 (0)1 4429 91 37

Committee Chairperson (SNS REAAL and SNS Bank)
Christian Kuendig
Senior Director
+44 (0) 203 530 1399

Committee Chairperson (SNS REAAL N.V. Insurance Activities)
Harish Gohil
Managing Director
+44 (0) 203 530 1257

Media Relations: Françoise Alos, Paris, Tel: +33 1 44 29 91 22, Email: francoise.alos@fitchratings.com; Hannah Huntly, London, Tel: +44 20 3530 1153, Email: hannah.huntly@fitchratings.com.

Additional information is available at www.fitchratings.com.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 15 August 2012, 'Rating Bank Regulatory Capital and Similar Securities', dated 15 December 2011; 'Rating FI Subsidiaries and Holding Companies' dated 10 August 2012, 'Treatment of Hybrids in Bank Capital Analysis' dated 9 July 2012 and 'Insurance Rating Methodology' dated 19 September 2012 are all available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181

Rating Bank Regulatory Capital and Similar Securities

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=656371

Rating FI Subsidiaries and Holding Companies

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209

Treatment of Hybrids in Bank Capital Analysis

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=682453

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=688011

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:
[HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION,

RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.