

Today, Friday, 1 February 2013, SNS REAAL has come under the complete control of the State of the Netherlands. SNS REAAL was nationalised under the Intervention Act (Interventiewet), in agreement with the Prime Minister and in close consultation with De Nederlandsche Bank (DNB), as dictated by law.

Yesterday evening it became clear that this move had become inevitable to avoid further problems for the bank, its customers, the Dutch financial sector and the Dutch economy. Over the past period I have closely studied all private and public-private options to solve the problems. I also shared this information on several occasions in confidential consultations with the members of the Standing Finance Committee of the Second Chamber. The Cabinet was also updated several times during the process.

SNS REAAL had been given until 6 PM yesterday evening to come up with a solution. This deadline was set by DNB for eliminating the capital deficit. DNB has informed me that this deadline has passed without a solution being found. As a consequence, I had to conclude that there was no acceptable overall solution. Without intervention, SNS Bank would irrevocably go bankrupt. With a view to financial stability, I had no other option but to nationalise SNS REAAL.

By doing so, I have safeguarded the money in 1.6 million savings accounts and 1 million current accounts, and secured the services to customers of SNS REAAL. This means that customers can access their money as usual, keep making payments and continue using the services offered by SNS REAAL without interruption. In contrast to the earlier state support to banks, the shareholders, subordinated creditors and the banks will contribute substantially to the costs, so that the operation is not shouldered solely by the taxpayers.

I will now discuss in more detail the solution chosen, the costs involved and the way forward with SNS. First of all, the solution. SNS's problems started with the takeover of the real estate portfolio in 2006; these have further increased since 2008 as a result of the financial crisis. DNB had been focusing its supervisory efforts on this particular aspect in the past years. When the problems worsened, a joint working group of DNB and the Ministry of Finance was formed at the end of 2011. This group explored various scenarios and looked intensively at private and public-private solutions. SNS also continued to look actively for such solutions. I had a clear preference for these options.

A fully private option proved infeasible once the problems at SNS REAAL worsened, strongly reducing the company's market value. This made it impossible for SNS REAAL to raise sufficient capital on the market or to solve the problems by selling business units. Since the summer of 2012, the three largest Dutch banks were involved in finding a solution in which they and the State would participate. Several months later a second private party presented itself, a private equity fund, which was prepared to invest capital in SNS REAAL provided that certain conditions were met. An important part of that proposal was that the State, alone or together with the large banks, would cover the risks related to the real estate.

In October, the Ministry of Finance commissioned a specialised firm of consultants to prepare an independent valuation of the real estate portfolio in view of a public-private solution. The results of the assessment made clear in December that the problems were even much larger than the parties involved up to that time had estimated. The capital deficit was also larger than estimated. In January it became clear that the European Commission had serious doubts about a construction in which two state-supported banks would participate on which an acquisition prohibition had been imposed.

Even after that, serious talks with the private equity fund continued about a takeover, right up until yesterday. However, the solutions proposed by this private equity fund laid much of the financial risk and responsibility with the State, without the State getting sufficient control and share in the institution in return. The private equity fund therefore was eventually unable to come up with an acceptable alternative. Besides the scenario with the large banks and the private equity fund solution, no other real options materialised. So without a solution and DNB's deadline having

passed yesterday evening, a serious and immediate danger emerged for the financial stability. I have had to conclude that nationalisation was unavoidable.

Now for the costs of the intervention. I will have private parties, which knowingly opted for risk by investing money in SNS, contribute as much as possible, within the limits deemed responsible by DNB with a view to financial stability. This means that, pursuant to the Intervention Act, I have not only expropriated shareholders but also subordinated creditors. Their claims entirely lose their value, which would also have happened if SNS had gone bankrupt. As a result, they will be contributing €1 billion.

The costs to the State in the choosing this solution amount to €3.7 billion, based on calculations by DNB. This amount is composed of a capital injection of €2.2 billion, a write-down of €0.8 billion of the earlier state-support to SNS REAAL and €0.7 billion to isolate the problematic real estate portfolio. In addition, the State will provide €1.1 billion for a bridging loan and €5 billion for guarantees. In 2013, these costs will negatively affect the EMU balance by 0.6% and increase the EMU debt by 1.6%.

On the other hand, I will levy a non-recurrent resolution tax of €1 billion on Dutch banks in 2014 for the benefit of the Treasury. This is in part justified because the banks would have incurred high costs, should SNS Bank have entered into bankruptcy, following the heavy claim account holders would otherwise have made on the deposit guarantee scheme in that situation.

Which way forward with SNS? The nationalisation of SNS REAAL is accompanied by some changes at the top. CEO Mr Latenstein and CFO Mr Lamp of SNS REAAL have today handed in their resignations. Mr Van Olphen and Mr Oostendorp are prepared to take the helm with immediate effect. The Chair of the Supervisory Board, Mr. Zwartendijk, has also resigned. The current deputy-chair, Mr Overmars, will temporarily take over his duties. It goes without saying that the whole institution will be facing wage moderation in the time ahead. The new CEO will earn less than his predecessor. There were and shall not be bonuses for directors. The new management has been ordered to return parts of the company into private hands as soon as possible after the company has been stabilised and the market allows it, for instance through divestment.

Conclusion. I have every understanding for the many who revolt at the thought that large amounts of public money are once more required to save a bank. And that at a time when we are already enduring a tough financial and economic period. The need for fresh state intervention, after the earlier moves in 2008, marks a setback in our efforts to restore the Dutch financial sector to robust health and socially responsible independence. The necessity for such costly interventions must be prevented in the future. Despite the steps already taken, such as the introduction of the Intervention Act, the higher buffer requirements and stricter supervision, still not enough has been done. Some major steps still have to be taken.

In future, I want banks to be made far easier to break up, so that instead of entire firms only the publicly relevant parts will have to be salvaged. That is why the recommendations by the Commission on the Structure of Dutch Banks led by Mr Wijffels are very important. In addition, institutions must strengthen their balance sheets as quickly as possible. I also want good progress to be made on so-termed living wills. These documents prescribe in advance what measures a financial institution, DNB and I as Minister of Finance may take should the institution find itself in irreversible problems. The aim is to uphold vital functions, limit the risks to tax payers and minimize contagion effects.

For the future, I also want all private parties, including senior bond holders, to foot the bill as much as possible. I will actively pursue this stance at the negotiations in Europe. Finally, I intend to achieve that in future, if the contribution of private creditors proves insufficient to resolve an institution's problems, the banking industry itself will be first in line to pay for the costs of a solution. I will therefore aim for the creation of a resolution fund that may be combined with the deposit guarantee scheme. Given the scale of some financial institutions in proportion to the Dutch

economy, any robust solution will also be a European one. And this confirms once more the great importance of having a European resolution mechanism.

Let one thing be clear: the utmost must be done to avoid a repetition of what we have been compelled to do today.