

INITIAL PUBLIC OFFERING

Prospectus dated 5 May 2006



SNS REAAL

SNS REAAL N.V.

(a public limited liability company, incorporated under the laws of the Netherlands,
with its corporate seat in Utrecht, the Netherlands)

Offering of up to 69,989,172 ordinary shares with a nominal value of € 1.63 per share

SNS REAAL N.V. (the 'Company') is offering up to 24,496,210 new ordinary shares with a nominal value of € 1.63 per share (the 'New Shares'), and Stichting Beheer SNS REAAL (the 'Selling Shareholder') is offering up to 45,492,962 existing ordinary shares with a nominal value of € 1.63 per share (the 'Existing Shares') in the offering (the 'Offering') (the New Shares and the Existing Shares together referred to as, the 'Shares'). The Offering consists of a public offering to institutional investors and retail investors in the Netherlands, and an international offering to certain institutional investors.

The Company will receive the net proceeds from the issue of the New Shares. The Company will not receive any proceeds from the sale of Existing Shares and (if any) Additional Shares (as defined below), the net amount of which will be received by the Selling Shareholder.

Prior to the Offering, there has been no public market for the Ordinary Shares (as defined below). Application has been made to list all the Ordinary Shares on Euronext Amsterdam N.V.'s Eurolist by Euronext ('Eurolist by Euronext') under the symbol 'SR'. Subject to acceleration or extension of the timetable for the Offering, trading, on an 'as-if-and-when-issued-or-delivered' basis, in the Ordinary Shares on Eurolist by Euronext is expected to commence on or about 18 May 2006 (the 'First Trading Date').

See 'RISK FACTORS' beginning on page 10 to read about factors that should be carefully considered before investing in the Shares.

Offer Price: expected to be between € 16.00 and € 18.50 (inclusive) per Share (the 'Offer Price Range')

The Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers and sales of the Shares may lawfully be made. The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the 'Securities Act'), or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Shares being offered outside the United States are being distributed in accordance with the exemption from registration available under Regulation S under the Securities Act ('Regulation S').

For a description of restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus in other jurisdictions, see 'SELLING AND TRANSFER RESTRICTIONS' beginning on page 209.

There will be a preferential allocation of Shares to eligible retail investors in the Netherlands (the 'Preferential Retail Allocation'). Each such eligible retail investor will be allocated the first two hundred Shares that the retail investor applies to subscribe for, provided that if the total number of Shares thus allocated to retail investors, together with the total number of Shares allocated pursuant to the Employee Offering (as defined below), would exceed 13,997,834 Shares (equivalent to 20% of the total number of Shares offered in the Offering), the preferential allocation to eligible retail investors may take place on a basis *pro rata* to the first two hundred Shares (or fewer) that an eligible retail investor applied to subscribe for and to which the Preferential Retail Allocation applies. As a result hereof an eligible retail investor may not be allocated fully the first two hundred Shares (or fewer) that he applied to subscribe for. The exact number of Shares allocated to retail investors will be determined after the end of the Subscription Period (as defined below). See 'THE OFFERING-Preferential Retail Allocation' beginning on page 204. Further, each eligible employee of the Company and its subsidiaries (together, 'SNS REAAL') will be allocated twenty Shares at no cost to the employee (the 'Employee Offering'). See 'THE OFFERING-Employee Offering' beginning on page 203.

The Offer Price and the exact number of Shares offered in the Offering will be determined after the end of the Subscription Period and after taking into account the conditions described under 'THE OFFERING' and by reference to the factors set forth on page 202. Prior to the end of the Subscription Period, the maximum number of Shares offered in the Offering can be increased and/or the Offer Price Range can be changed. Any such increase or change will be announced in a press release, an advertisement in the Daily Official List (*Officiële Pijscourant*) of Euronext Amsterdam N.V. (the 'Daily Official List') and in at least one national newspaper distributed daily in the Netherlands.

The Offer Price and the exact number of Shares offered in the Offering will be set out in a pricing statement which will be deposited with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*; 'AFM'). This pricing statement will be made available on the Company's website. The Offer Price and the exact number of Shares offered in the Offering will also be announced in a press release, an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands.

The timetable for the Offering may be accelerated or extended. Any such acceleration will be announced in a press release at least three hours before the proposed expiration of the accelerated Subscription Period. Any extension of the timetable for the Offering will be announced in a press release at least three hours before the expiration of the accelerated Subscription Period or original Subscription Period, as the case may be, provided that any extension will be for a minimum of one full business day. The Subscription Period will be no less than six business days.

Subject to acceleration or extension of the timetable for the Offering, the date on which the closing of the Offering is scheduled to take place, is expected to occur on or about 23 May 2006, the third business day following the First Trading Date (T+3) (the 'Settlement Date'). If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and Euronext Amsterdam N.V. ('Euronext Amsterdam') may cancel transactions that have occurred. All dealings in the Shares, and in the Additional Shares (as defined below) which may be part of the Over-Allotment Option (as defined below) if this has been exercised prior to the Settlement Date, prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading of the Ordinary Shares on an 'as-if-and-when-issued-or-delivered' basis as from the First Trading Date until the Settlement Date.

Delivery of the Shares is expected to take place on or about the Settlement Date through the book-entry facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. ('Euroclear Nederland'), in accordance with its normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

The Selling Shareholder has granted the Underwriters (as defined below) an option (the 'Over-Allotment Option'), exercisable within 30 calendar days after the First Trading Date, pursuant to which the Sole Global Co-ordinator, on behalf of the Underwriters, may require the Selling Shareholder to sell at the Offer Price additional existing Ordinary Shares held by it, up to 15% of the total number of Shares issued by the Company and sold by the Selling Shareholder pursuant to the Offering (the 'Additional Shares'), to cover over-allotments, if any, in connection with the Offering.

This document (the 'Prospectus') constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC ('Prospectus Directive') and has been prepared in accordance with Article 3 of the 1995 Act on the supervision of the securities trade (*Wet toezicht effectenverkeer 1995*; the 'Dutch Securities Act') and the rules thereunder. This Prospectus has been approved by and filed with the AFM.

Sole Global Co-ordinator

Lehman Brothers

Joint Bookrunners

Lehman Brothers

ABN AMRO Rothschild

Senior Co-Lead Manager

Rabo Securities

Co-Lead Managers

SNS Securities -- Credit Suisse -- Deutsche Bank -- IXIS Corporate & Investment Bank

Date of this Prospectus: 5 May 2006 (the 'Publication Date').

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Summary

This section constitutes the summary (the ‘**Summary**’) of the essential characteristics and risks associated with the Company, SNS REAAL, and the Ordinary Shares, and of the Offering. This Summary should be read as an introduction to this Prospectus and any decision to invest in any Shares should be based on a consideration of this Prospectus as a whole. Civil liability will attach to the Company in any state party to the European Economic Area (an ‘**EEA State**’) in respect of this Summary, including any translation hereof, only if this Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State under the national legislation of the EEA State where the claim is brought, the plaintiff may, under the national legislation of the state where the claim is brought, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

SNS REAAL

General

SNS REAAL is a Dutch financial services group, with total assets of € 68.1 billion, shareholders’ equity of € 2,528 million, and 5,442 full time equivalent (‘**FTE**’) employees at year-end 2005.

Within SNS REAAL, the Company is the ultimate parent company of, among others, SNS Bank (as defined below), the parent company of the banking division of SNS REAAL, and REAAL Verzekeringen (as defined below), the parent company of the insurance division of SNS REAAL. Currently, there are five operating units within SNS REAAL:

- SNS Bank, which focuses on the retail and small and medium sized enterprises (‘**SME**’) (‘**retail-plus**’) banking products and services. It also markets its products and services through BLG Hypotheekbank N.V. (‘**BLG Hypotheekbank**’), Algemene Spaarbank voor Nederland ASN N.V. (‘**ASN Bank**’) and CVB Bank N.V. (‘**CVB Bank**’)
- REAAL Verzekeringen, which sells life and non-life insurance policies, primarily through intermediaries and special distribution partners. It also includes Proteq Direct (as defined below) which is an insurer that primarily distributes its products through the Internet
- SNS Asset Management (as defined below), which is a recognised specialist in sustainability-focused asset management
- SNS Securities (as defined below), which is a securities broker, serving domestic and international institutional customers with specialised fixed-income products and investment advice with respect to Dutch smallcap and midcap shares. In addition, SNS Securities is active in the field of corporate finance (including equity capital markets and acquisition finance), asset management and brokerage and trading
- SNS Reaal Invest, which is a private equity investment unit. It was decided in 2002 to wind down SNS Reaal Invest and the unit has since sold the majority of its remaining investments

SNS REAAL is focused by geography (the Netherlands), by customer type (primarily retail-plus customers), and by product (three core product groups). For a few selected activities SNS REAAL targets larger corporate business customers in addition to retail-plus customers.

SNS REAAL’s focused product offering can be divided into three core product groups:

- Mortgages
- Life and non-life insurance
- Savings and investments

SNS REAAL’s product offering relates mainly to standardised products, combined with the use of standardised processes to facilitate fast and efficient introduction of new products and services. SNS REAAL’s multi-channel distribution platform allows it to serve its customers virtually at any place and at any time. SNS REAAL also benefits from synergies and cross-selling opportunities by distributing products and services through all of the channels of the distribution platform.

SNS REAAL’s competitive strengths

The Company believes SNS REAAL has the following competitive strengths:

Focus

SNS REAAL concentrates on the retail and SME market combined (‘**retail-plus market**’) in the Netherlands and the distribution of standardised products in three core product groups.

Operational efficiency

SNS REAAL has been able to maintain a relatively stable cost base while increasing income. SNS REAAL has a strong efficiency ratio (as defined below) in the Dutch banking industry and a strong operational cost/premium ratio (as defined below) in the Dutch insurance industry.

Innovation

The Company believes SNS REAAL is an innovative retail financial services group. SNS REAAL's relative size, single product centres, as well as uniform IT systems and unified service centres, allow for short time-to-market of its innovative products.

Distribution

SNS REAAL has access to and uses most of the established distribution channels, and is at the forefront of developing new and innovative distribution channels. The Company believes that the multi-channel distribution platform protects SNS REAAL from adverse future developments in any single distribution channel. This platform also enables SNS REAAL to exploit distribution trends.

Moderate risk profile

SNS REAAL aspires to maintain its moderate risk profile with a sound balance between risk and return. The Company believes that the following elements determine its moderate risk profile:

- Retail-plus focus
- Focus on the Netherlands
- Focus on three core product groups
- Diversification within its portfolios
- Banking and insurance business model
- Multi-channel distribution
- Prudent reinsurance policy
- Diversified funding strategy
- Limited exposure to pension obligations
- Sound risk management

Track record of acquisitions

In recent years, acquisitions have contributed considerably to the growth of SNS REAAL's business in a profitable way.

Profitable growth

SNS REAAL has carefully maintained its cost base and realised profitable growth. SNS REAAL's products and distribution platform allow for cost efficient growth.

SNS REAAL's strategy

SNS REAAL's strategy rests on the following three pillars:

- *Focus on retail-plus customers*
SNS REAAL's longstanding history in the Dutch retail financial services business has provided it with in-depth knowledge of the Dutch retail-plus market
- *Sustained growth profile*
SNS REAAL's focus is both on organic growth and growth through selected acquisitions
- *Sustained value creation*
SNS REAAL considers it important that it chooses activities with an adequate return and manageable risks

Summary of terms of the Offering

Issuer	SNS REAAL N.V., a public limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands, with its corporate seat in Utrecht, the Netherlands.
Selling Shareholder	Stichting Beheer SNS REAAL, a foundation (stichting) established under the laws of the Netherlands, with its corporate seat in Utrecht, the Netherlands, and immediately prior to the Offering the holder of 100% of the issued and outstanding Ordinary Shares.
Shares	<p>The Company is offering up to 24,496,210 New Shares and the Selling Shareholder is offering up to 45,492,962 Existing Shares.</p> <p>Prior to the end of the Subscription Period, the maximum number of Shares offered in the Offering can be increased. Any such increase will be announced in a press release, an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands.</p> <p>The Selling Shareholder has granted the Underwriters an Over-Allotment Option, as described below.</p>
Ordinary Shares outstanding	Immediately prior to the (closing of the) Offering, the Company had 208,801,030 Ordinary Shares outstanding. Immediately after the (closing of the) Offering, the Company will have up to 233,297,240 Ordinary Shares outstanding, which corresponds with a dilution of 11.7%.
Share ownership	<p>Immediately after the (closing of the) Offering, assuming no exercise of the Over-Allotment Option, approximately 70% of the Company's issued and outstanding share capital will be owned by the Selling Shareholder.</p> <p>In case of full exercise of the Over-Allotment Option approximately 65.5% of the Company's issued and outstanding share capital will be owned by the Selling Shareholder.</p>
Offering	The Offering consists of a public offering of the Shares to institutional and retail investors in the Netherlands and an international offering to certain institutional investors.
Preferential Retail Allocation	Each eligible retail investor will be allocated the first two hundred Shares that such investor applies to subscribe for, provided that if the total number of Shares thus allocated to retail investors, together with the total number of Shares allocated pursuant to the Employee Offering, would exceed 13,997,834 Shares (equivalent to 20% of the total number of Shares offered in the Offering), the preferential allocation to eligible retail investors may take place on a basis <i>pro rata</i> to the first two hundred Shares (or fewer) that an eligible retail investor applied to subscribe for and to which the Preferential Retail Allocation applies. As a result hereof an eligible retail investor may not be allocated fully the first two hundred Shares (or fewer) that he applied to subscribe for. The exact number of Shares allocated to retail investors will be determined after the end of the Subscription Period. Preferential allocation will only apply to the first two hundred Shares applied for per eligible retail investor, and full discretion is retained as to whether or not and how to allocate the remainder of the Shares applied for.
Subscription Period	<p>The period commencing on 5 May 2006 at 9:00 hours Amsterdam time and ending on 17 May 2006 at 16:00 hours Amsterdam time.</p> <p>The timetable for the Offering may be accelerated or extended and, if so, such acceleration or extension will be published in a press release at least three hours in advance of the expiration of the accelerated Subscription Period or original Subscription Period, as the case may be, provided that any extension will be for a minimum of one full business day. In any event, the Subscription Period will be at least six business days.</p>

Offer Price Range	<p>From € 16.00 to € 18.50 per Share, inclusive.</p> <p>Prior to the end of the Subscription Period, the Offer Price Range can be changed. Any such change will be announced in a press release, an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands.</p>
Pricing	<p>The Offer Price will be determined after the end of the Subscription Period and after taking into account the conditions and factors described elsewhere in this Prospectus.</p> <p>The Offer Price will be set out in a pricing statement which will be deposited with the AFM. This pricing statement will be made available on the Company's website. The Offer Price will also be announced in a press release, an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands.</p>
Allotment	<p>The allotment will occur following the Subscription Period, and is expected to take place on the first business day after the end of the Subscription Period. In the event that the Offering is oversubscribed, an investor may receive a smaller number of Shares than the investor applied to subscribe for. Full discretion is retained as to how to allocate the Shares applied for.</p>
First Trading Date	<p>Subject to acceleration or extension of the timetable for the Offering, expected to be on or about 18 May 2006, being the date on which trading, on an 'as-if-and-when-issued-or-delivered' basis, in the Ordinary Shares is expected to commence on Euronext Amsterdam.</p>
Settlement Date	<p>Subject to acceleration or extension of the timetable for the Offering, expected to be on or about 23 May 2006, being the date on which the closing of the Offering is scheduled to take place and the third business day following the First Trading Date (T+3).</p>
Over-Allotment Option	<p>The Selling Shareholder has granted to the Underwriters an option, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Sole Global Co-ordinator, on behalf of the Underwriters, may require the Selling Shareholder to sell at the Offer Price the Additional Shares, to cover over-allotments, if any, in connection with the Offering.</p>
Use of proceeds	<p>The Company intends to use the net proceeds from the Offering of the New Shares entirely for general corporate purposes to sustain growth and capture new growth opportunities, both organically and through selected acquisitions.</p> <p>The Company will not receive any proceeds from the sale of the Existing Shares and, in case of exercise of the Over-Allotment Option, the Additional Shares, in the Offering, the net amount of which will be received by the Selling Shareholder.</p>
Lock-up arrangements	<p>The Company and the Selling Shareholder have agreed with the Underwriters not to, among other things, issue, offer, pledge, sell, contract to sell, grant any option to purchase or otherwise dispose of, any Ordinary Shares (or any securities convertible into or exchangeable for Ordinary Shares or which carry rights to subscribe or purchase Ordinary Shares) or enter into a transaction (including a derivative transaction) having an effect on the market in the Ordinary Shares or publicly announce any intention to do any of such things, during the period commencing on the date of the underwriting agreement (the 'Underwriting Agreement') among the Company, the Selling Shareholder, the Underwriters, and ABN AMRO Bank N.V. and ending, in case of the Company, 180 days, and in case of the Selling Shareholder, 360 days after the Settlement Date, without the prior written consent of the Joint Bookrunners (as defined below), in accordance with or pursuant to the Underwriting Agreement.</p>
Dividends	<p>The Company will not pay dividends in respect of the financial year 2005. Although it does not give any assurances that it will declare any dividend or as to the amount of any such dividend, the Company intends to declare dividends in respect of the financial years 2006 and thereafter, and aims to pursue a stable dividend policy. The exact amount of any dividend may vary from year to year. The Company intends to declare both interim and annual dividends. An interim</p>

dividend for the financial year 2006 is expected to be the first dividend declared by the Company, and shareholders will have the choice to receive this interim dividend in the form of Ordinary Shares and/or cash. In respect of the financial year 2006, the Company aims to declare a total dividend of approximately 40% to 45% of normalised net profit assuming the Company performs according to its stated financial targets.

Voting rights and ranking

Holders of Ordinary Shares are entitled to one vote per Ordinary Share at a general meeting of shareholders of the Company (the '**General Meeting**').

The rights of holders of New Shares and Existing Shares will rank *pari passu* with each other and with all other Ordinary Shares with respect to voting rights and distributions.

Listing and trading

Application has been made to list the Ordinary Shares on Eurolist by Euronext under the symbol 'SR'. Listing on Eurolist by Euronext and trading on Euronext Amsterdam of the Ordinary Shares are expected to occur on or about the First Trading Date. Prior to the Offering, there has been no public market for the Ordinary Shares. Trading, on an 'as-if-and-when-issued-or-delivered' basis, in the Ordinary Shares will commence prior to closing of the Offering. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and Euronext Amsterdam may cancel transactions that have occurred. All dealings in the Shares, and in the Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading of the Ordinary Shares on an 'as-if-and-when-issued-or-delivered' basis as from the First Trading Date until the Settlement Date.

Payment, delivery, clearing and settlement

Payment for the Shares, and payment for Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date.

Delivery of the Shares and of the Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, is expected to take place on or about the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment in immediately available funds.

Settlement of trades on the First Trading Date is expected to take place on the Settlement Date.

Share trading information

ISIN: NL0000390706

Common Code: 025318811

Amsterdam Security Code Number: 39070

Eurolist by Euronext Symbol: 'SR'.

Sole Global Co-ordinator

Lehman Brothers

Joint Bookrunners

Lehman Brothers and ABN AMRO Rothschild

Senior Co-Lead Manager

Rabo Securities

Co-Lead Managers

SNS Securities, Credit Suisse, Deutsche Bank London, IXIS Corporate & Investment Bank

Joint Listing Agents

Lehman Brothers and ABN AMRO Bank N.V.

Stabilisation Agent

Lehman Brothers

Paying Agent

ABN AMRO Bank N.V.

Summary of essential risks

The following is a summary of what the Company believes are the essential risks associated with the Company, SNS REAAL, the Ordinary Shares and the Offering. It should be noted that this is not a summary of all the risks associated with the Company, SNS REAAL, the Ordinary Shares, and the Offering. A more detailed discussion can be found elsewhere in this Prospectus.

Risks associated with SNS REAAL

- SNS REAAL's business is concentrated in the Netherlands
- A significant portion of SNS REAAL's results relates to SNS REAAL's mortgage loan products
- SNS REAAL's extensive network of intermediaries is its most important distribution channel and SNS REAAL may be unable to maintain a competitive distribution network
- SNS REAAL faces substantial competitive pressures in a mature market
- SNS REAAL faces significant liquidity risk
- SNS REAAL is exposed to the risk of a downgrade of any of the Company's or SNS Bank's credit ratings
- SNS REAAL is exposed to the risk of a decline in the securities markets or poor investment performance
- SNS REAAL is exposed to the level of interest rates
- SNS REAAL is exposed to movements and changes in factors such as interest rates, capital markets and actuarial assumptions which could result in volatility
- SNS REAAL operates in an industry that is highly regulated. There could be an adverse change or increase in the financial services laws and/or regulations governing SNS REAAL's business. There are frequent investigations by supervisory authorities, both into the industry and into SNS REAAL, which could result in governmental enforcement actions
- The performance of SNS REAAL depends on its ability to accurately price its products and services
- The insurance business of SNS REAAL is subject to risks concerning the adequacy of its technical provisions
- The business of SNS REAAL is subject to risks concerning the adequacy of its credit provisions
- SNS REAAL could fail to effectively identify or execute strategic acquisitions, joint ventures, partnerships, investments or divestments, and if such transactions are pursued, SNS REAAL could fail to successfully implement and exploit them or realise anticipated benefits in a timely manner

Risks associated with the Ordinary Shares and the Offering

- There has been no prior market for the Ordinary Shares, the price of the Ordinary Shares may be volatile and investors may not be able to sell the Shares at or above the price paid for them
- If closing of the Offering does not take place on the Settlement Date or at all, subscriptions for the Shares will be disregarded and Euronext Amsterdam may cancel transactions that have occurred
- Following the Offering, the Selling Shareholder will own a substantial majority of the Ordinary Shares and thus will be able to exercise substantial influence on SNS REAAL
- Future sales, or the possibility of future sales, of a substantial number of the Ordinary Shares could depress the price of the Ordinary Shares
- The Company may not be able to pay dividends in the future

Summary of operating and financial information

The following summary of operating and financial information should be read in conjunction with the consolidated financial statements of SNS REAAL, and comparative figures, and notes thereto appearing elsewhere in this Prospectus.

Table: Summary of operating and financial information SNS REAAL

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
<i>Results of operations</i>				
Net interest income, banking operations	587	589	593	622
Net premium income	1,737	1,650	1,650	1,745
Net commission and management fees	106	115	115	129
Investment income for own risk	527	668	640	549
Investment income on behalf of policyholders	196	126	126	394
Valuation result on derivatives	6	(7)	(7)	31
Other operating income	6	14	13	1
Total income	3,165	3,155	3,130	3,471
Total expenses	2,866	2,790	2,816	3,064
Results of associated companies	58	44	44	9
Profit before tax	357	409	358	416
Net profit available for shareholders	243	310	288	323
<i>Consolidated balance sheet of SNS REAAL before profit appropriation</i>				
Total assets	52,691	55,567	59,972	68,088
Investments	11,846	11,359	11,156	12,766
Mortgage loans	31,002	34,419	39,924	43,544
Other loans	3,664	2,868	2,627	2,599
Banks	3,071	3,579	3,421	4,949
Shareholders' equity	1,643	1,961	1,880	2,528
Capital base	3,167	3,474	3,323	4,144
Technical provisions, insurance operations	11,174	11,330	11,330	12,658
Savings	10,404	11,259	10,973	12,333
Other funds entrusted, banking operations	7,411	7,582	6,346	7,078
Debt certificates	16,061	17,710	23,464	25,654
<i>Key ratios</i>				
Return on shareholders' equity	15.9%	17.2%	16.6%	14.1%
Double leverage	115%	107%	114%	105%
Efficiency ratio SNS Bank	64.6%	59.8%	63.1%	59.8%
Tier 1 ratio (banking)	8.3%	8.6%	8.7%	8.7%
BIS ratio (banking)	11.9%	11.7%	11.7%	11.9%
Operational cost/premium ratio REAAL Verzekeringen	16.4%	16.1%	17.2%	16.9%
Solvency ratio life insurance	195%	202%	192%	233%
Solvency ratio non-life insurance	359%	243%	261%	275%
Solvency ratio total	177%	182%	181%	208%
Average number of employees (FTEs)	5,545	5,383	5,383	5,336

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Risk Factors

Before investing in the Shares, prospective investors should consider carefully the following risks and uncertainties in addition to the other information presented in this Prospectus. The Company believes that the following risk factors are specific to the industry in which SNS REAAL operates, to SNS REAAL or to SNS REAAL's business, as well as to the Ordinary Shares and the Offering. If any of the following risks actually occurs, SNS REAAL's business, results of operations or financial condition could be materially adversely affected. In that event, the value of the Ordinary Shares could decline, and an investor might lose part or all of the investor's investment. In addition, prospective investors should realise that in the event two or more risks and/or uncertainties materialise simultaneously or accumulate, SNS REAAL's business, results of operations or financial condition could be even more adversely affected and the value of the Ordinary Shares could further decline. Although the Company believes that the risks and uncertainties described below are SNS REAAL's material risks and uncertainties, they are not the only ones SNS REAAL faces. Additional risks and uncertainties not presently known to the Company or that the Company currently does not deem material may also have a material adverse effect on SNS REAAL's business, results of operations or financial condition and could negatively affect the price of the Ordinary Shares.

Prospective investors should read the detailed information set out elsewhere in this Prospectus and should reach their own views before making an investment decision with respect to any Shares. Furthermore, before making an investment decision with respect to any Shares, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Shares and consider such an investment decision in light of the prospective investor's personal circumstances.

For a more detailed discussion of the business of SNS REAAL and the industry in which it operates, see '**INDUSTRY OVERVIEW**', '**BUSINESS OVERVIEW**', '**RISK MANAGEMENT**', '**FUNDING**', and '**SUPERVISION AND REGULATION**'.

Risks relating to SNS REAAL and the industry in which it operates

SNS REAAL's business is concentrated in the Netherlands

SNS REAAL generates virtually all of its income in the Netherlands and therefore is particularly exposed to the economic conditions in the Netherlands. Economic conditions in the Netherlands have been difficult since 2001 both on an absolute and on a relative basis. The Dutch economy posted a modest recovery in 2004, following a difficult year in 2003 when the economy registered a contraction. Growth remained slow in 2005 with gross domestic product ('GDP') growing by 0.9% in 2005 compared to 2004. Any deterioration or merely a long-term persistence of the difficult economic environment in the Netherlands could negatively affect the demand for SNS REAAL's products and services.

In addition, SNS REAAL is also exposed to the risk of a significant deterioration of the financial position of SNS REAAL's retail-plus customers in the Netherlands.

A significant portion of SNS REAAL's results relates to SNS REAAL's mortgage loan products

Mortgage loans constitute approximately 94.4% of SNS REAAL's total loan portfolio at year-end 2005. An economic downturn, stagnation or drop in property values, changes in or abolition of the tax deductibility of interest payments on residential mortgage loans (see '**INDUSTRY OVERVIEW -- Dutch banking industry**'), or increased interest rates, or a combination thereof, could lead to a decrease in the production of new mortgage loans and/or increased default rates on existing mortgage loans. Further, a decrease in the general level of interest rates could affect SNS REAAL through, among other things, increased pre-payments on the loan and mortgage portfolio.

In addition, a general decrease in the production of mortgage loans in the Netherlands may also result in a decrease in the production of mortgage loan related products, including mortgage loan insurance.

SNS REAAL's extensive network of intermediaries is its most important distribution channel and SNS REAAL may be unable to maintain a competitive distribution network

SNS REAAL uses a variety of distribution channels in the Netherlands for the marketing and offering of its products and services, including its network of branches, the Internet, call centres, intermediaries and partnerships (special distribution).

Substantially more than half of SNS REAAL's distribution originates from distribution of its products and services by intermediaries who may also offer competitors' products and services. As a result, the success of SNS REAAL through this distribution channel depends on the preferences of these intermediaries for the products and services of SNS REAAL. Intermediaries' preferences are determined not only by the level of compensation offered, but also by product quality, the services offered to customers and the support services. SNS REAAL may not succeed in continuing to provide sufficient incentives to intermediaries to market its products and services successfully.

In seeking to attract and retain productive intermediaries, SNS REAAL competes with other financial institutions primarily on the basis of its support services, product features, financial position, and compensation. SNS REAAL may not continue to succeed in attracting and retaining new (productive) intermediaries or maintaining the current quality and/or quantity of its distribution network.

SNS REAAL faces substantial competitive pressures in a mature market

There is substantial competition in the Netherlands for the types of banking, insurance, brokerage and other products and services which SNS REAAL provides. Competition in the financial services industry, especially in the banking sector, is increased by the high level of consolidation in the Netherlands and the relatively mature nature of the markets in which SNS REAAL operates. SNS REAAL faces competition from various national and international financial institutions which are active in the Dutch financial services industry. SNS REAAL is a medium sized financial services provider in the Netherlands and some of its competitors are larger in size. If SNS REAAL is unable to offer competing, attractive, and innovative products and services that are also profitable, if it does not choose the right strategy or if it does not implement a strategy successfully, SNS REAAL could lose market share and/or incur losses on some or all of its activities and/or experience slower growth than in recent years. Consumer demand, technological changes, regulatory changes and actions and other factors also affect competition. Competitive pressures could result in increased pricing pressures, particularly as competitors seek to gain market share.

SNS REAAL faces significant liquidity risk

SNS REAAL faces significant liquidity risk. Liquidity risk refers to the risk that funding and liquid assets will not be (sufficiently) available as a result of which SNS REAAL may not be able to meet short-term financial obligations. SNS Bank's sensitivity to this risk is substantial. The amount of mortgages on SNS Bank's balance sheet is higher than the amount of savings money attracted. This has resulted in an increasing dependency on wholesale funding including the use of securitisation of the mortgage portfolio. The gap between loans granted and savings and deposits entrusted is funded in the money and capital markets. Good access to these markets is necessary to finance the growth of the mortgage portfolio and to refinance all outstanding loans with a shorter maturity than the mortgages in which the money is invested. The access to the money and capital markets may be affected by concerns about the credit strength of the relevant institution, but may also be influenced by concerns about the market segments in which SNS REAAL is active, or by a general market disruption. Access to the markets may be further affected by the Company's or SNS Bank's credit rating (see '**SNS REAAL is exposed to the risk of a downgrade of any of the Company's or SNS Bank's credit ratings**').

SNS REAAL is exposed to the risk of a downgrade of any of the Company's or SNS Bank's credit ratings

Standard & Poor's and Moody's have issued long-term credit ratings for the Company of A- and A3, respectively and Standard & Poor's, Moody's and Fitch have issued long-term credit ratings for SNS Bank of A, A2 and A+, respectively. A downgrade of any of these ratings (for whatever reason) would result in higher funding and refinancing costs for the Company and/or SNS Bank in the capital markets. In addition, a downgrade of any of the Company's and/or SNS Bank's ratings may limit their opportunities to operate in certain business areas and could have an adverse effect on the Company's and/or SNS Bank's image vis-à-vis the capital markets and SNS REAAL's image vis-à-vis its customers.

SNS REAAL is exposed to the risk of a decline in the securities markets or poor investment performance

The evolution of prices and indices of securities, both in terms of equity and fixed income, in which SNS REAAL invests has a considerable impact on its investment income.

Part of the portfolios SNS REAAL handles are non-discretionary portfolios with fee arrangements based on the volume of transactions into which SNS REAAL enters on behalf of its customers. To the extent that trading volumes decline, lower market activity results in lower commission income for SNS REAAL.

Furthermore, a decline in or disruption of the securities market may cause SNS REAAL's customers to withdraw funds in favour of investments they perceive as offering greater opportunity or lower risk, which could result in lower investment advisory fees. Where the fee arrangement depends on the performance of the portfolios SNS REAAL manages, a decline in or disruption of the securities market may cause lower yields, resulting in a decline in SNS REAAL's revenues and profits.

A decline in or disruption of the securities market would also lower the value of collateral pledged as security for margin loans, which would increase the risk that they would default as well as impact recovery in the event of a default. If SNS REAAL is unable to recover the full amount owed to it on SNS REAAL's loans to customers, SNS REAAL would be forced to recognise loan losses, which would adversely affect SNS REAAL's profitability. Even if the number of loans in default does not increase, a decline in or disruption of the securities market could cause SNS REAAL to call margin loans, requiring the assets pledged as collateral for these loans to be sold. If that happens SNS REAAL would lose both the interest income on the loans, as well as the fees for managing the assets.

Furthermore, the decline in or disruption of the securities market may affect the demand for the products and services offered by SNS REAAL.

SNS REAAL is exposed to the level of interest rates

The level of interest rates and changes in prevailing interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) could adversely affect SNS REAAL's results.

SNS REAAL's insurance investment portfolio consists primarily of fixed income securities. The short-term impact of interest rate fluctuations on SNS REAAL's insurance business may be reduced in part by products designed to partly or entirely transfer SNS REAAL's exposure to interest rate movements to the policyholder. While product design and hedging reduce SNS REAAL's exposure to interest rate volatility, changes in interest rates will impact this business to the extent they result in changes to current interest income, impact the value of SNS REAAL's fixed income portfolio, and affect the levels of new product sales or surrenders of business in force.

The results of SNS REAAL's banking business are affected by the management of interest rate sensitivity. The composition of SNS REAAL's assets and liabilities, and any maturity gap position resulting from that composition, causes the banking business' net interest income to vary with changes in interest rates. There can be no assurance that SNS REAAL will be able to successfully manage interest rate spreads or the potential negative impact of risks associated with sustained low interest rates.

The future results of SNS REAAL's insurance operations are impacted by the level of the interest rates. A prolonged period with low yields could harm the ability to create value in the life insurance operations. Even if premiums would increase after a certain period, the transition period would be associated with lower than expected earnings.

SNS REAAL is exposed to movements and changes in factors such as interest rates, capital markets and actuarial assumptions which could result in volatility

SNS REAAL's net profit is mainly determined by the underlying net profits of both SNS Bank and REAAL Verzekeringen. In general, the volatility of net profits and shareholders' equity has increased since the introduction of the International Financial Reporting Standards ('IFRS'). However, volatility is also embedded in the nature of the operations of both entities.

SNS Bank mitigates this risk by the use of hedge accounting in accordance with IFRS standards. Nevertheless, imperfect hedging could have a material impact on SNS Bank's net profit in the future.

For insurance companies it has been decided to introduce IFRS in two phases. During the first phase only the assets of an insurance company are subject to IFRS (applicable from 2005 onwards). In phase two (implementation date yet unknown) the insurance liabilities will most likely be valued at fair value. As a consequence, market value movements on the asset side through the profit and loss account or directly through equity, are in principle not offset by corresponding movements in the insurance liabilities, which could result in increased volatility. Although REAAL Verzekeringen will mitigate this volatility, among other things by hedge accounting and held-to-maturity portfolios, results could continue to be volatile in the future.

In addition to IFRS, other factors that are more inherent to the nature of the insurance activities such as interest rate movements and developments in capital markets, but also real estate markets, can have a substantial impact on the investment income of REAAL Verzekeringen. This also depends on REAAL Verzekeringen's policy in respect of the realisation of capital gains from the sale of investments. Interest rates and capital markets could also affect the technical expenses and the adequacy of technical reserves.

Furthermore, the results of REAAL Verzekeringen also depend on the actuarial assumptions that are applied such as mortality, lapse rate, profit sharing and guaranteed rates. These actuarial assumptions are in general based on estimates and statistical data that change over time, impacting the level of technical expenses and technical reserves. With REAAL Verzekeringen's current technical reserves, a small change in actuarial assumptions could already have a significant impact on the technical expenses.

SNS REAAL could suffer from the introduction of Basel II and Solvency II

On 26 June 2004 the Basel Committee on Banking Supervision of the Bank for International Settlements ('**Basel Committee**') published new capital adequacy guidelines commonly known as Basel II ('**Basel II**'). Certain aspects of the capital adequacy standards pursuant to Basel II may potentially be refined. Participating countries (including the Netherlands) are currently in the process of modifying their bank capital and regulatory standards as necessary to implement the new standards, at the earliest as of year-end 2006 (see '**SUPERVISION AND REGULATION -- International developments -- Basel II**'). The Basel II standards allow banks to use internal credit ratings to determine the amount of regulatory capital that must be maintained by a bank. In addition, the new standards introduce a capital charge for 'operational risk'. Implementation of the internal ratings-based approach envisaged by Basel II requires the application of sophisticated risk management techniques.

Furthermore, the final requirements pursuant to Solvency II are still unclear. The Solvency II project is a continuation of the work already initiated in the Solvency I project (which was aimed at revising and updating the EU solvency regime for insurance companies). Solvency II has a much wider scope than Solvency I. (see '**SUPERVISION AND REGULATION -- International developments -- Solvency II**').

SNS REAAL cannot predict at this time the exact form in which the new standards will be enacted through national legislation, or the exact effect that they would have on the Company or on its subsidiaries' capital ratios, financial condition or results of operations.

SNS REAAL is exposed to the risk of ineffective systems and processes, and interruption, failure or breach thereof

SNS REAAL relies heavily on its operational processes, and communication and information systems in particular to conduct its business. Even with the back-up recovery systems and contingency plans that are in place, the Company cannot assure that interruptions, failures or breaches in security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. Any such interruptions, failures or breaches, even for a limited period of time, could result in, for example:

- Interruptions in the services offered or information provided to customers, or inability to serve customers' needs in a timely fashion
- Interruptions or errors in SNS REAAL's management information and/or information reported to supervisory authorities
- SNS REAAL being unable to report accurate information in a timely manner and thus being in violation of applicable regulations
- Inability to identify in time or at all, inadequate, fraudulent, negligent and/or unauthorised dealings by SNS REAAL's employees or third parties, or telecommunication connection failures or hacking of SNS REAAL's website portal
- Considerable costs in terms of, for example, information retrieval and verification

SNS REAAL's business operations are also vulnerable to interruption from fire, flood, bomb threats, explosions or other forms of terrorist activity and natural and man-made disasters. The same may apply for third parties on which SNS REAAL depends. (See also '**SNS REAAL is exposed to the risk of catastrophic events, terrorist attacks and similar events**').) Furthermore, the Company cannot assure that interruptions, failures or breaches of SNS REAAL's communication and information systems as a result of external fraud will not occur or, if they do occur, that they will be adequately addressed.

SNS REAAL operates in an industry that is highly regulated. There could be an adverse change or increase in the financial services laws and/or regulations governing SNS REAAL's business. There are frequent investigations by supervisory authorities, both into the industry and into SNS REAAL, which could result in governmental enforcement actions

SNS REAAL's business is regulated and supervised by several Dutch supervisory authorities. Laws and regulations applied at national level generally grant supervisory authorities broad administrative discretion over SNS REAAL's activities, including the power to limit or restrict business activities. It is possible that laws and regulations governing SNS REAAL's business or particular products and services could be amended or interpreted in a manner that is adverse to SNS REAAL, for example, to the extent that existing laws and regulations are amended or future laws and regulations are adopted that (i) reduce or restrict the sale of the products and services SNS REAAL offers, whether existing or new, or (ii) negatively affect the performance of the products and services SNS REAAL offers, whether existing or new. SNS REAAL's revenues and costs, profitability and available or required regulatory capital could also be affected by an increase or change in the degree of regulation in any of the markets in which SNS REAAL operates, whether existing or new. Due to the complexity of the regulatory environment in which SNS REAAL operates, it will entail more costs to ensure that SNS REAAL is, and will continue to be, in compliance with all applicable laws and regulations at all times, to the extent that the volume of regulation increases and the scope of the activities changes.

Furthermore, laws and regulations grant supervisory authorities the authority to perform investigations into, among other things, the compliance with specific regulations by the industry and/or SNS REAAL. Such investigations into financial services groups, including SNS REAAL, are on-going. Current and future investigations by supervisory authorities, in particular in the context of, but not limited to, market conduct supervision, could result in sanctions in the event of it being found that SNS REAAL does not or does not fully comply with applicable laws and regulations (see also '**SNS REAAL is exposed to risks of damage to its reputation**'). The outcome of such investigations could necessitate SNS REAAL to take costly measures. The outcome of such investigations by supervisory authorities could also result in changes in laws and regulations and/or policy guidelines of the relevant supervisory authority in a manner that is adverse to SNS REAAL, which could, as indicated above, among other

things, reduce or restrict the sale of the products and services SNS REAAL offers, whether existing or new, or negatively affect the performance of the products and services SNS REAAL offers, whether existing or new.

SNS REAAL is one of the subjects of an investigation into certain control frameworks (*beheersingskaders*) in the context of market conduct supervision. The outcome of this investigation may damage the reputation of the industry and of SNS REAAL (see also '**SNS REAAL is exposed to risks of damage to its reputation**'). This investigation induced SNS REAAL to change certain of its operational processes.

If SNS REAAL would be in breach of any existing or new laws or regulations now or in the future, SNS REAAL is exposed to the risk of intervention by regulatory authorities, including investigation and surveillance, and judicial or administrative proceedings. In addition, SNS REAAL's reputation could suffer and SNS REAAL could be fined or prohibited from engaging in some of its business activities or be sued by customers if it does not comply with applicable laws or regulations (see also '**SNS REAAL is exposed to risks of damage to its reputation**').

SNS REAAL could suffer from the entry into force of the Dutch Financial Services Act

On 1 January 2006 the Act on Financial Services (*Wet financiële dienstverlening*; the '**Dutch Financial Services Act**') and underlying regulations came into force. In summary, the new regulations relate to the offering of, acting as an intermediary in and advising about various financial products, including insurance, (consumer) lending (including mortgage lending) and payment and savings accounts (see '**SUPERVISION AND REGULATION -- Relevant acts -- Dutch Financial Services Act**'). The Dutch Financial Services Act contains a licence requirement for financial service providers, including intermediaries. Furthermore, there are detailed regulations regarding the product information which must be provided to customers, and the relationship between the financial service provider and the intermediaries engaged by the financial service provider must comply with detailed requirements (including, but not limited to, transparency on fees). These regulations will also apply to the intermediaries engaged by SNS REAAL to market and distribute its products and services and their relationship with SNS REAAL. These intermediaries could potentially, willingly or unwillingly, not, or not fully and/or not timely comply with these regulations. SNS REAAL may not be able to identify intermediaries used by it which do not or do not fully and/or timely comply with these regulations. This may expose SNS REAAL to claims against it and reputational damage. (See also '**SNS REAAL operates in an industry that is highly regulated. There could be an adverse change or increase in the financial services laws and/or regulations governing SNS REAAL's business. There are frequent investigations by supervisory authorities, both into the industry and into SNS REAAL, which could result in governmental enforcement actions**' and '**SNS REAAL is exposed to risks of damage to its reputation**').

Furthermore, it is unclear what the consequences of the Dutch Financial Services Act will be for the market share and position of the intermediaries used by SNS REAAL, the relationship between SNS REAAL and its intermediaries, and how such intermediaries would react thereto.

SNS REAAL is exposed to the risk of changes in tax laws, or the interpretation thereof

SNS REAAL could suffer from changes in tax laws or the interpretation thereof, changes in rates of taxation, or the withdrawal of existing tax rulings by relevant regulators and authorities. For example, any further limitation or abolition of the tax-deductibility of residential mortgage interest in the Netherlands could significantly affect the financial position of Dutch households, the Dutch residential housing market and the Dutch residential mortgage market, therefore potentially negatively affecting the demand for SNS REAAL's products and services.

SNS REAAL's current application of IFRS may differ from market practice in the future

Until 31 December 2004 SNS REAAL prepared its consolidated financial statements in accordance with accounting principles generally accepted in the Netherlands. With effect from 2005, all companies incorporated in and listed on a stock exchange in the European Union ('EU') must apply IFRS to their consolidated financial statements. As SNS REAAL was required to include restated comparative figures for the year ending 31 December 2004 in its consolidated financial statements for the year ended 31 December 2005, its consolidated balance sheet as at 31 December 2004 effectively needed to comply with the requirements of IFRS. SNS REAAL decided to use the option to provide restated comparative information for 2004, excluding IFRS 4, International Accounting Standards ('IAS') 32 and IAS 39. The adoption of IFRS affects most of SNS REAAL's consolidated balance sheet items and has a material impact on the manner in which SNS REAAL accounts for certain items such as pensions and derivatives. In addition, as IFRS prescribes that certain financial assets and liabilities are valued at fair value (unlike accounting principles generally accepted in the Netherlands), this has an impact on SNS REAAL's consolidated profit and loss account. As a consequence, SNS REAAL's results of operations and shareholder's equity may become more volatile as a result of the adoption of IFRS. The impact which the full adoption of IFRS has on SNS REAAL is dependent on many factors, including future events, and as such is uncertain. In addition, the preparation of the consolidated financial statements in accordance with IFRS makes it more difficult to compare the figures published before the implementation of IFRS with those published thereafter.

Notwithstanding SNS REAAL's current assessment of the impact of IFRS, the actual impact of IFRS may differ from that anticipated. Furthermore, in view of the recent implementation of IFRS, no market practice has yet developed in the Netherlands with regard to reporting under IFRS. Once such market practice has developed, hindsight may show that SNS REAAL, although SNS REAAL reported in line with the requirements of IFRS, did not previously follow such market practice. With regard to the second phase of the introduction of IFRS see '**SNS REAAL is exposed to movements and changes in factors such as interest rates, capital markets and actuarial assumptions which could result in volatility**'.

SNS REAAL is exposed to legal risks that may arise in the conduct of SNS REAAL's business and the outcome of related legal claims may be difficult to predict

SNS REAAL faces significant legal risks in the conduct of its business. In the Netherlands, the number and size of claims that are the subject of litigation, regulatory proceedings and other adversarial proceedings (including, without limitation, class actions) against financial services providers are increasing. These legal risks could potentially involve, but are not limited to, disputes over the terms of transactions in which SNS REAAL acts as principal, intermediary or otherwise, disputes concerning the adequacy or enforceability of documents relating to SNS REAAL's products or services or transactions entered into by SNS REAAL, disputes regarding the terms and conditions of complex arrangements and products, disputes regarding the independence of SNS REAAL's research, and irregularities with regard to the sale of structured products and services. SNS REAAL faces risks relating to investment suitability determinations, disclosure obligations, performance expectations, and compliance with applicable laws and regulations with respect to the products and services it provides, which could lead to significant losses or reputational damage. Companies in SNS REAAL's industry are increasingly exposed to collective claims (with or without merit) from groups of customers or consumer organisations seeking damages of unspecified or indeterminate amounts or involving novel legal claims. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. It is inherently difficult to predict the outcome of many of the either pending or future claims, regulatory proceedings and other adversarial proceedings involving SNS REAAL, particularly those cases in which the matters are brought on behalf of various groups of claimants, seeking damages of unspecified or indeterminate amounts or involving novel legal claims.

SNS REAAL is exposed to risks of employee misconduct

SNS REAAL, as a financial institution, handles large amounts of money, customer data and privileged information and is therefore highly dependent on the honesty and integrity of its employees. In addition, regulation relating to financial abuse, including money laundering and funding of activities that could be considered to be terrorist activities, has become considerably stricter in many jurisdictions, with effects that are increasingly severe for financial institutions. As a consequence, it is becoming increasingly important that SNS REAAL's employees adhere to the policies it imposes as a result of these regulations. SNS REAAL faces a risk of loss due to errors, negligent behaviour, lack of knowledge or wilful violation of rules and regulations by its employees. Misconduct by employees could include binding SNS REAAL to transactions that exceed authorised limits or present unacceptable risks, or hiding from it unauthorised or unsuccessful activities, which, in either case, could result in unknown and unmanaged risks and losses. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious financial losses. Employee misconduct in any form could also result in significant damage to SNS REAAL's reputation, which could in turn hinder SNS REAAL's ability to retain existing customers or compete for new business. It is not always possible to deter and detect employee misconduct, and the precautions SNS REAAL takes to prevent and detect this activity (such as pre- and in-employment screening) may not be effective in all cases.

SNS REAAL is exposed to risks of damage to its reputation

SNS REAAL is exposed to the risk that, among other things, litigation, employee misconduct, operational failures, outcome of current and future investigations by regulatory authorities and press speculation and the possible negative publicity resulting therefrom, whether or not founded, will harm SNS REAAL's reputation. SNS REAAL's reputation could also be harmed if products or services recommended by SNS REAAL do not perform as expected, for example in relation to unit-linked insurance products and endowment mortgage products.

Negative publicity could, for example, be based on allegations that SNS REAAL does not or does not fully comply with regulatory requirements or anti-money laundering rules, or could result from negative publicity about a third party linked to SNS REAAL (such as an intermediary or a partner) or about politically exposed persons in SNS REAAL's customer base. Furthermore, negative publicity could result from failures in SNS REAAL's information technology systems, loss of customer data or confidential information, or failure in SNS REAAL's risk management procedures. Negative publicity could also, but not exclusively, result from any misconduct or malpractice relating to intermediaries, business promoters or third party managers linked to SNS REAAL.

Any resulting damage to SNS REAAL's reputation, in particular with a view to SNS REAAL's focus on retail-plus customers and the concentration of its business in the Netherlands, could cause disproportionate damage to SNS REAAL's business, regardless whether the negative publicity is factually accurate. Negative publicity could also be repeated by third parties, which could damage SNS REAAL's reputation further.

Any damage to SNS REAAL's reputation could cause existing customers to withdraw their business from SNS REAAL and potential customers to be reluctant or elect not to do business with SNS REAAL. Furthermore, negative publicity could result in greater regulatory scrutiny and influence market or rating agency perception of SNS REAAL, which may make it more difficult for SNS REAAL to maintain its credit rating (see '**SNS REAAL is exposed to the risk of a downgrade of any of the Company's or SNS Bank's credit ratings**').

SNS REAAL is subject to currency-related risks

Currency risk exposure affects SNS REAAL's funding of its operations and part of its investment portfolio. To the extent these are not hedged, SNS REAAL is exposed to certain currency fluctuations between the euro and the US dollar in particular, as well as other currencies, such as the Japanese yen, pound sterling and Australian dollar. SNS REAAL's reporting currency is the euro. Non-euro income and expense items are translated into euro for consolidation of SNS REAAL's profit and loss statement, on the basis of average exchange rates during the period. For the purposes of the Company's consolidated balance sheet, SNS REAAL converts non-euro denominated assets and liabilities into euro at the exchange rate prevailing at the balance sheet date.

SNS REAAL is exposed to the risk of catastrophic events, terrorist attacks and similar events

Catastrophic events, terrorist attacks and similar events, as well as the responses thereto could create economic and political uncertainties, which could have a negative impact on the economic conditions under which SNS REAAL operates.

Some of the insurance products of SNS REAAL could be affected by major (catastrophic) events. For example, some weather-related events could result in substantial cumulative claims in the non-life business of SNS REAAL. The life-insurance business of SNS REAAL could be affected by catastrophic events, such as major incidents (for example, a plane crash or fire in a shopping-mall) or a pandemic. Further, the geographic concentration in certain parts of the Netherlands of insured assets could increase the economic and financial impact of claims arising from catastrophic events.

The performance of SNS REAAL depends on its ability to accurately price its products and services

The results of operations and financial condition of SNS REAAL depend, among other things, on its ability to set rates and prices accurately. Rate adequacy is necessary to generate sufficient premiums to pay losses and expenses and to earn profits on income.

SNS REAAL's ability to price its products and services accurately is subject to a number of uncertainties. As a result, rates and prices of products and services may be determined on the basis of inadequate or inaccurate data or inappropriate analyses, assumptions or methodologies. If SNS REAAL fails to establish adequate rates and prices for its products and services, its revenues could decline while its expenses increase resulting in proportionately greater losses.

Reinsurance may not be available or sufficient to protect REAAL Verzekeringen against losses and REAAL Verzekeringen could incur losses due to the inability of its reinsurers to meet their obligations

REAAL Verzekeringen follows the insurance industry practice of reinsuring a portion of the risks it underwrites, to help manage its risk exposure. To the extent the underlying conditions of an insured risk change, the reinsurance coverage of REAAL Verzekeringen could no longer be adequate and REAAL Verzekeringen could be exposed to losses.

REAAL Verzekeringen remains subject to credit risk with respect to its ability to recover amounts due from its reinsurers.

REAAL Verzekeringen may be unable to procure replacement cover for any reinsurance agreements terminated at rates equivalent to those of the terminated cover, due to changes in market conditions. REAAL Verzekeringen therefore is exposed to the risk that reinsurance cover could become more expensive.

The insurance business of SNS REAAL is subject to risks concerning the adequacy of its technical provisions

The insurance business of SNS REAAL is subject to risks that have their impact on the adequacy of its technical provisions. These provisions relate to the ability to meet policyholders' rights. Depending on the actual realisation of the future liabilities of insurance companies within SNS REAAL, the current technical provisions may prove to be inadequate.

SNS REAAL bases the technical provisions for the insurance business on actuarial practices and assumptions. For the life insurance business of SNS REAAL these practices and assumptions typically include the assessment of mortality

rates and their observed trends, as well as (guaranteed) interest rates. Other factors SNS REAAL takes into account when assessing its technical provisions relate, among other things, to policy holder bonus rates and profit sharing. SNS REAAL's (actuarial) practices and assumptions for its non-life insurance business include disability and recovery rates and their trends, development of future wage-indices and wage-related claim payments and also court rulings in individual claim cases.

If future events or the effects thereof do not fall within or correspond with any such practices, assumptions, factors or assessments, for example if the actual future mortality rates deviate from those projected, the technical provisions could be inadequate.

Furthermore, additional losses, of which SNS REAAL cannot foresee the type or magnitude, may emerge in the future. These losses could, for example, arise from changes in the legal environment, major medical developments, or catastrophic events (see '**SNS REAAL is exposed to the risk of catastrophic events, terrorist attacks and similar events**').

The business of SNS REAAL is subject to risks concerning the adequacy of its credit provisions

SNS REAAL is exposed to general credit risks, for example, SNS Bank is exposed to the credit risk of borrowers. Third parties that owe SNS REAAL money, securities or other assets may not pay or perform under their obligations. These parties include customers (such as borrowers under loans granted), issuers of securities held by any entity within SNS REAAL, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to SNS REAAL due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons. (See '**RISK MANAGEMENT**').

The business of SNS REAAL is subject to risks that have their impact on the adequacy of its credit provisions. These provisions relate to the possibility that a counterparty may default on its obligations to SNS REAAL which arise from lending or other financial transactions. Depending on the actual realisation of such counterparty default, the current credit provisions may prove to be inadequate.

If future events or the effects thereof do not fall within any of the assumptions, factors or assessments used by SNS REAAL to determine its credit provisions, these provisions could be inadequate.

A significant portion of SNS REAAL's business relates to SNS REAAL's dealings with third parties

A significant portion of SNS REAAL's business relates to products and services which SNS REAAL offers in co-operation with third parties or in relation to which SNS REAAL depends on third parties, for example for the distribution of such products and services. SNS REAAL cannot assure that these third parties will continue their co-operation with SNS REAAL, that the relationships with these third parties will continue to be beneficial or that SNS REAAL will be able to sustain its ability to successfully develop and market the products and services which are developed together with third parties.

Negative publicity about these third parties, whether or not founded, could also harm SNS REAAL's reputation (see also '**SNS REAAL's extensive network of intermediaries is its most important distribution channel and SNS REAAL may be unable to maintain a competitive distribution network**' and '**SNS REAAL is exposed to risks of damage to its reputation**').

SNS REAAL may be exposed to failures in its risk management systems

SNS REAAL invests substantial time and effort in its strategies and procedures for managing not only credit risk, but also other risks, such as strategic risk, market risk, underwriting risk, liquidity risk, operational risk and conduct of business risk. These strategies and procedures could nonetheless fail or not be fully effective under some circumstances, particularly if SNS REAAL is confronted with risks that it has not fully or adequately identified or anticipated. Some of SNS REAAL's methods for managing risk are based upon observations of historical market behaviour. Statistical techniques are applied to these observations in order to arrive at quantifications of some of SNS REAAL's risk exposures. These statistical methods may not accurately quantify SNS REAAL's risk exposure if circumstances arise which were not observed in SNS REAAL's historical data. For example, as SNS REAAL offers new products or services, the historical data may be incomplete or not accurate for such new products or services. As SNS REAAL gains more experience it may need to make additional provisions. See '**RISK MANAGEMENT**' for a description of SNS REAAL's risk management policies.

If circumstances arise that SNS REAAL did not identify, anticipate or correctly evaluate in developing its statistical models, SNS REAAL's losses could be greater than the maximum losses envisaged by SNS REAAL. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risk prove insufficient, SNS REAAL may experience unanticipated losses.

SNS REAAL is exposed to the risk of a loss of SNS REAAL's management team and key employees

SNS REAAL's future success depends in part on having a capable management team. Losing the services of one or more members of the management team could adversely affect SNS REAAL. The implementation and execution of SNS REAAL's strategic plans depend in part on the continued availability of key qualified personnel, throughout SNS REAAL. No assurance can be given that SNS REAAL will be successful in the future in attracting and retaining, on acceptable terms, such personnel.

SNS REAAL could fail to effectively identify or execute strategic acquisitions, joint ventures, partnerships, investments or divestments, and if such transactions are pursued, SNS REAAL could fail to successfully implement and exploit them or realise anticipated benefits in a timely manner

SNS REAAL could selectively pursue opportunities to acquire, form joint ventures with or enter into partnerships in respect of or make investments in businesses, products, technologies or innovations which complement SNS REAAL's business and growth strategy. Divestments may also be beneficial for SNS REAAL's business, focus and growth strategy. SNS REAAL may not be able to identify suitable candidates for such acquisitions, joint ventures, partnerships, investments or divestments, or if SNS REAAL does identify suitable candidates, it may not be able to complete any transaction on acceptable terms, or at all. Any acquisitions, joint ventures, partnerships, investments or divestments by SNS REAAL could entail risks, such as:

- Difficulties in realising cost, revenue or other anticipated benefits from the acquired entity, the joint venture, partnership, investment or divestment, including the loss of key employees from the acquired entity, the joint venture, partnership, investment or divestment
- Costs of executing the acquisition, joint venture, partnership, investment or divestment, both in terms of capital expenditure and increased management attention
- Potential for undermining SNS REAAL's growth strategy, SNS REAAL's relationship with customers, intermediaries and/or partners or other elements critical to the success of SNS REAAL's business
- Liabilities or losses resulting from SNS REAAL's control of the acquired entity, participation in the joint venture or partnership, investment or divestment
- Liabilities or losses resulting from claims under guarantees, representations and warranties, and/or indemnities given by SNS REAAL to its counterparties in relation to an acquisition, joint venture, partnership, investment or divestment
- Difficulties in integrating an acquired business in SNS REAAL's business or realising cost reductions from such integration

Risks relating to the Ordinary Shares and the Offering

There has been no prior market for the Ordinary Shares, the price of the Ordinary Shares may be volatile and investors may not be able to sell the Shares at or above the price paid for them

Prior to the Offering, there has been no public market for the Ordinary Shares. The Company cannot predict the extent to which an active market for the Ordinary Shares will develop or be sustained after the Offering, or how the development of such a market could affect the market price for the Ordinary Shares. An illiquid market for the Ordinary Shares could result in lower trading prices and increased volatility, which could adversely affect the value of an investor's investment.

The Offer Price will be agreed between the Company, the Selling Shareholder and the Underwriters based on a number of factors, including, but not limited to, market conditions in effect at the time of the Offering, that may not be indicative of future performance. The market price of the Ordinary Shares may fall below the Offer Price. The market price of the Ordinary Shares could also fluctuate substantially due to various factors.

In the past, following periods of volatility in the market price of a company's securities, litigation has often been instituted against such company. This type of litigation, if instituted against SNS REAAL, could result in substantial costs and a diversion of the attention and resources of management.

If closing of the Offering does not take place on the Settlement Date or at all, subscriptions for the Shares will be disregarded and Euronext Amsterdam may cancel transactions that have occurred

Application has been made to list all the Ordinary Shares on Eurolist by Euronext under the symbol 'SR'. The Company expects that its Ordinary Shares will first be admitted to listing and that trading in such shares will commence prior to the closing of the Offering on the Settlement Date on an 'as-if-and-when-issued-or-delivered' basis. Subject to acceleration or extension of the timetable for the Offering, the Settlement Date, on which the closing of the Offering is scheduled to take place, is expected to occur on or about 23 May 2006, the third business day following the date on which trading is expected to commence (T+3). The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are

not satisfied or waived or occur on or prior to such date (see '**SUBSCRIPTION AND SALE**'). Such conditions include the receipt of officers' certificates and legal opinions and such events include the suspension of trading on Euronext Amsterdam or a material adverse change in the Company's financial condition or business affairs or in the financial markets. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on Euronext Amsterdam will be annulled. All dealings in the Shares, and in the Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading of the Ordinary Shares on an 'as-if-and-when-issued-or-delivered' basis as from the First Trading Date until the Settlement Date.

Following the Offering, the Selling Shareholder will own a substantial majority of the Ordinary Shares and thus will be able to exercise substantial influence on SNS REAAL

After the Offering, the Selling Shareholder will own approximately 65.5% of the Ordinary Shares, assuming inclusion of the maximum number of Shares and full exercise of the Over-Allotment Option. Three members of the Selling Shareholder's board are members of the supervisory board (*Raad van Commissarissen*) of the Company (the '**Supervisory Board**').

Because the Selling Shareholder will own a substantial majority of the Ordinary Shares, the Selling Shareholder will be able to exercise substantial influence on SNS REAAL and investors' influence will be limited. The Selling Shareholder will have the ability to exercise substantial influence over the election and removal of members of the executive board (*Raad van Bestuur*) of the Company (the '**Executive Board**') and the Supervisory Board and will have sufficient voting power to, among other things, delay, deter or prevent a change of control, which could deprive investors of an opportunity to earn a premium for the resale of Ordinary Shares.

Future sales, or the possibility of future sales, of a substantial number of the Ordinary Shares could depress the price of the Ordinary Shares
Future sales of the Ordinary Shares, or the perception that such sales will occur, could cause a decline in the market price of the Ordinary Shares.

The Company cannot predict whether substantial numbers of the Ordinary Shares will be sold in the open market following the First Trading Date. In particular, the Selling Shareholder may reduce its holdings of the Ordinary Shares (see '**SELLING SHAREHOLDER -- Lock-up**'). A sale of a substantial number of the Ordinary Shares, or the perception that such sales could occur, could materially and adversely affect the market price of the Ordinary Shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

The Company may require additional capital in the future, which may not be available to it. Future financing to provide this capital may dilute an investor's shareholding in the Company

The Company may raise capital in the future through public or private debt or equity financings by SNS REAAL by issuing additional Ordinary Shares or other shares, debt or equity securities convertible into Ordinary Shares, or rights to acquire these securities, and exclude the pre-emption rights pertaining to the then outstanding Ordinary Shares. Any additional capital raised through the issue of additional Ordinary Shares may dilute an investor's shareholding interest in the Company. Furthermore, any additional financing SNS REAAL may need, may not be available on terms favourable to SNS REAAL or at all, which could adversely affect SNS REAAL's future plans.

If securities or industry analysts do not publish research or reports about SNS REAAL's business, or if they change their recommendations regarding the Ordinary Shares adversely, the market price and trading volume of the Ordinary Shares could decline

The trading market for the Ordinary Shares will be influenced by the research and reports that securities or industry analysts publish about SNS REAAL. If one or more of the analysts who cover SNS REAAL, or the industry in which it operates, downgrade the Ordinary Shares, the market price of the Ordinary Shares would likely decline. If one or more of these analysts ceases coverage of SNS REAAL or fails to regularly publish reports on SNS REAAL, SNS REAAL could lose visibility in the financial markets, which could cause the market price of the Ordinary Shares or trading volume to decline.

The Company may not be able to pay dividends in the future

The Company's results could fluctuate and the Company's ability to pay dividends may be dependent on the Company achieving sufficient profits. The Company may not pay dividends if it believes that this would cause the Company to be less than adequately capitalised. The payment of dividends is further subject to regulatory, legal and financial restrictions. If dividends are not paid in the future, capital appreciation, if any, of the Ordinary Shares would be the investor's sole source of gains. (See '**DIVIDENDS AND DIVIDEND POLICY**').

Holders of Ordinary Shares outside the Netherlands may not be able to exercise pre-emption rights

In the event of an increase in the Company's share capital, holders of Ordinary Shares are generally entitled to full pre-emption rights unless these rights are excluded either by a resolution of the General Meeting, or by a resolution of the Executive Board (if the Executive Board has been designated by the General Meeting for this purpose). See '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- Issue of shares; pre-emption rights**'. In particular, certain holders of Ordinary Shares outside the Netherlands may not be able to exercise pre-emption rights unless local securities laws have been complied with.

Certain Notices To Investors

No person is or has been authorised to give any information or to make any representation in connection with the offering or sale of the Shares and/or the Additional Shares, other than as contained in this Prospectus, and, if given or made, any other information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholder, or the Underwriters. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

The Company accepts responsibility for the information contained in this Prospectus excluding the section '**SELLING SHAREHOLDER**'. The Selling Shareholder accepts responsibility for the information contained in the sections '**USE OF PROCEEDS**' and '**SELLING SHAREHOLDER**' and, to the extent relating to the Selling Shareholder, the section '**CORPORATE GOVERNANCE**'. Each of the Company and the Selling Shareholder declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Potential investors should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus.

Presentation of financial and other information

The consolidated financial information as well as the financial information for the years 2003 and 2004 were prepared in accordance with accounting principles generally accepted in the Netherlands as applied by SNS REAAL ('**Dutch GAAP**'). The consolidated financial information for the year 2005 was prepared in accordance with IFRS including IFRS 4, IAS 32 and 39. For comparison purposes the financial information for the year 2004 was restated under IFRS, but excluding, as permitted, IFRS 4, IAS 32 and 39 (which deal with financial instruments and insurance contracts).

The Company has implemented IFRS with retroactive effect using the following transitional provisions:

- Goodwill is only capitalised for acquisitions which took place after 1 January 2004. Goodwill on acquisitions which took place before this date was charged to equity and not adjusted for
- Hedge accounting is used for hedges which meet the hedge accounting criteria of IAS 39 as of 1 January 2005
- Unrecognised actuarial losses on pensions and other post-retirement employee benefits are charged to equity as of 1 January 2004

As a result of the transition from Dutch GAAP to IFRS, certain items of the 2003 and 2004 Dutch GAAP financial information have been reclassified to enhance comparability with the 2004 and 2005 IFRS financial information. The presentation of the Dutch GAAP financial information as shown in this Prospectus for the years 2003 and 2004 therefore differs from the audited annual accounts for those years as included in the Company's annual reports. The aforementioned reclassifications have not been audited. For a full overview of the reclassifications, see '**FINANCIAL INFORMATION -- Reclassification**'. The reclassifications have no impact on SNS REAAL's net profit and shareholders' equity.

The consolidated financial information is extracted from the consolidated financial statements of SNS REAAL, and comparative figures, and notes thereto that have been audited by KPMG Accountants N.V. ('**KPMG**'), independent auditors. (See '**FINANCIAL INFORMATION**')

IFRS differs in certain significant respects from Dutch GAAP as it relates to consolidated financial information of SNS REAAL. In making an investment decision, investors should rely upon their own examination of the Company and its subsidiaries, the terms of the Offering and the financial information provided herein. Investors should consult their own professional advisors for an understanding of the differences between IFRS and Dutch GAAP. For a discussion of the most significant differences between IFRS and Dutch GAAP as they relate to SNS REAAL, see '**OPERATING AND FINANCIAL REVIEW -- Changes in accounting principles**'.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

All references in this Prospectus to 'euro', 'EUR' or '€' are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU. All references to 'pounds sterling' or '£' are to the lawful currency of the United Kingdom. All references to 'US dollar' or 'US\$' are to the lawful currency of the United States. All references to 'Australian dollar' or 'A\$' are to the lawful currency of Australia. All references to 'Japanese yen' or 'Yen' are to the lawful currency of Japan.

In this Prospectus, unless otherwise indicated, a reference to a market (for example a market share in relation to a particular activity or product), is to the market (relating to such activity or product) within the Netherlands.

Forward-looking statements

This Prospectus contains forward-looking statements, including statements about the Company's beliefs, expectations, and targets. These statements, including, without limitation, the Company's financial targets as set out in '**BUSINESS OVERVIEW -- Financial targets**', are based on the Company's current plans, estimates and projections, as well as the Company's expectations of external conditions and events. In particular the words 'expect', 'anticipate', 'estimate', 'may', 'should', 'believe', 'intend', 'plan', 'aim', 'could', 'will', 'potential', and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by applicable law. The Company cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to those discussed under '**RISK FACTORS**'.

Market and industry data

Market data and other statistical data used throughout this Prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data is also based on good faith estimates of the Company, which are derived from the Company's review of internal surveys, as well as independent sources referred to above. Although the Company believes that these sources are reliable, it has not verified the information independently and cannot guarantee its accuracy and completeness. Unless otherwise stated, market growth data herein is based on published independent sources.

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In this Prospectus, certain statements are made regarding SNS REAAL's competitive position and market leadership. The Company believes these statements to be true based on market data and industry statistics regarding the competitive position of certain of SNS REAAL's competitors.

No incorporation of the Company's website

The contents of the Company's website do not form part of this Prospectus.

Stabilisation

In connection with the Offering, the Underwriters, through the Lehman Brothers International (Europe) in its capacity as stabilisation agent (the '**Stabilisation Agent**'), may over-allot or effect transactions that stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be effected on Euronext Amsterdam, in the over-the-counter market or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may commence as early as the First Trading Date, may be discontinued at any time without prior notice and will end no later than 30 calendar days after the First Trading Date.

See '**SELLING AND TRANSFER RESTRICTIONS**' for further notices to investors.

Dividends And Dividend Policy

General

The Executive Board may reserve as much of the profits as it deems fit, subject to the approval of the Supervisory Board. Notwithstanding the aforementioned, distribution of profits only takes place following the adoption of the annual accounts from which it appears that such distribution is allowed. The profits which are not reserved in accordance with the foregoing will be at the free disposal of the General Meeting either to be reserved in whole or in part or to be distributed in whole or in part to the holders of Ordinary Shares in proportion to their holding of Ordinary Shares.

On the proposal of the Executive Board, the Supervisory Board may, subject to Dutch law and the Articles of Association, resolve to distribute an interim dividend.

The Supervisory Board, on the proposal of the Executive Board, has the delegated authority to resolve that dividends are to be fully or partly paid in the form of Ordinary Shares instead of in cash or that the shareholder may choose between the two. This authority rests with the General Meeting if the authority to issue Ordinary Shares is not or no longer delegated to the Executive Board (see '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- Issue of shares; pre-emption rights -- Issue of shares**').

As long as the Selling Shareholder holds the majority of the Ordinary Shares, it will have a decisive vote in the General Meeting, including in respect of any resolutions on dividend payments as summarised above. See '**SELLING SHAREHOLDER**'.

Dividend history

The Company has to date not paid any dividend on Ordinary Shares nor on the priority share when this was still outstanding (see '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- Share capital**'). Historically, profits have been retained by the Company for investment in the organic growth of SNS REAAL's business, to acquire new businesses and further improve the balance sheet strength. Within SNS REAAL, both SNS Bank and REAAL Verzekeringen, two directly and wholly-owned subsidiaries of the Company, have historically had a dividend policy to distribute approximately 35% of their respective net profits to the Company.

Dividend policy

The Company will not pay dividends in respect of the financial year 2005 (the financial year of the Company running from 1 January to 31 December 2005). Although it does not give any assurances that it will declare any dividend or as to the amount of any such dividend, the Company intends to declare dividends in respect of the financial years 2006 and thereafter, and aims to pursue a stable dividend policy. The exact amount of any dividend may vary from year to year. The Company intends to declare both interim and annual dividends. An interim dividend for the financial year 2006 is expected to be the first dividend declared by the Company, which the Company expects to declare around the time of the publication of the half-year results, and shareholders will have the choice to receive this interim dividend in the form of Ordinary Shares and/or cash. In respect of the financial year 2006, the Company aims to declare a total dividend of approximately 40% to 45% of the normalised net profit assuming the Company performs according to its stated financial targets (see '**BUSINESS OVERVIEW -- Financial targets**').

The Selling Shareholder appreciates the possible concern of investors that, as minority shareholders, they could be diluted in their shareholding in the Company if shareholders are offered the choice to receive dividends in the form of Ordinary Shares and/or in cash. Accordingly, the Selling Shareholder has agreed with the Company that if shareholders of the Company are offered the choice to receive dividends in the form of Ordinary Shares and/or in cash, it will receive its dividend in the form of Ordinary Shares and/or cash in the same proportion as the other shareholders would elect to receive, thereby avoiding a change in its percentage shareholding (see '**SELLING SHAREHOLDER -- Related party transaction**').

Dividend ranking of New Shares

All Ordinary Shares, including, upon issue, the New Shares, rank equally in all respects and will be eligible for any dividend which the Company may declare on its Ordinary Shares.

Manner and time of dividend payments

Payment of any dividend on Ordinary Shares in cash will be made in euro. Any dividends will be paid to shareholders through Euroclear Nederland, the centralised securities custody and administration system. Dividends would be credited automatically to shareholders' accounts without the need for shareholders to present documentation proving their ownership of the Ordinary Shares.

Dividends would be due and payable twenty-one days after they have been declared, unless the General Meeting determines otherwise on the proposal of the Executive Board. Interim dividends would be expected to be paid after the publication of the half-year results. Final dividends would be expected to be paid after the relevant annual General Meeting.

Uncollected dividends

A claim for any dividend declared lapses five years after the start of the second day on which it becomes due. Any dividend that is not collected within this period, reverts to the Company.

Taxation on dividends

In principle, dividend payments are subject to withholding tax in the Netherlands. See '**DUTCH TAXATION**' for a discussion of certain aspects of Dutch taxation of dividends and refund procedures.

Use Of Proceeds

Rationale for the Offering

The Offering is intended to support SNS REAAL's growth strategy by providing strategic flexibility, to strengthen SNS REAAL's financial flexibility, to reinforce SNS REAAL's profile and to further strengthen SNS REAAL's brand names.

The Company

The gross proceeds from the Offering of the New Shares are expected to amount to approximately € 423 million assuming that the Offer Price will be at the mid-point of the Offer Price Range and assuming the maximum number of New Shares is included in the Offering. The Company estimates receiving approximately € 411 million after deduction of the estimated expenses and commissions and applicable taxes (if any) payable by it from the issue of New Shares in the Offering.

The Company intends to use the net proceeds from the Offering of the New Shares entirely for general corporate purposes to sustain growth and capture new growth opportunities, both organically and through selected acquisitions.

The Company will not receive any proceeds from the sale of the Existing Shares in the Offering, the net amount of which will be received by the Selling Shareholder. Furthermore, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional Shares will be received by the Selling Shareholder.

The Selling Shareholder

The gross proceeds of the Offering of the Existing Shares are expected to amount to approximately € 785 million, assuming that the Offer Price will be at the mid-point of the Offer Price Range and the Over-Allotment Option is not exercised and the maximum number of Existing Shares is included in the Offering. The Selling Shareholder estimates receiving approximately € 763 million after deduction of the estimated expenses and commissions and applicable taxes (if any) payable by it from the sale of Existing Shares in the Offering.

If the Over-Allotment Option is exercised, the Selling Shareholder will receive the proceeds from the sale of the Additional Shares after deducting the estimated expenses and commissions and applicable taxes (if any) payable by it.

The proceeds received by the Selling Shareholder will be at the disposition of the Selling Shareholder. See also '**SELLING SHAREHOLDER**'.

Industry Overview

Dutch economy

The Netherlands is the sixth largest country in the EU in terms of GDP. Furthermore, it ranks among the 15 leading countries of the Organisation for Economic Co-operation and Development ('OECD'). At year-end 2005, GDP per capita of the Netherlands amounted to € 30,675 (current market prices), significantly above the average for the EU of € 25,630.

Economic conditions in the Netherlands have been challenging since 2001 both on an absolute and on a relative basis. The Dutch economy posted a modest recovery in 2004, following a difficult year in 2003 when the economy registered a contraction. Growth remained slow in 2005 with GDP growing by 0.9% compared to 2004. This GDP growth was driven by increasing volume of the export of goods and services, recovering investments, and increase in household and government consumption.

Consumer confidence showed some improvement in the last quarter of 2005 with November 2005 being the second consecutive month that consumer confidence had increased. The increase in consumer confidence was driven by the fact that consumers were less negative about the economic climate in the Netherlands and more willing to consume.

Unemployment reached a multi-year high in 2004, reaching 6.5%, which appears to have been a cyclical peak. The labour market improved slightly in 2005 with an average unemployment rate of 6.1% for the period November 2005 to January 2006, due to a lower rate of job losses and an increasing number of temporary jobs. These developments could further improve consumer confidence. The Dutch Central Bank (*De Nederlandsche Bank N.V.*; the '**Dutch Central Bank**') has projected a gradual recovery in the economy for the period 2005 to 2007. (Source: Economist Intelligence Unit ('EIU'), Dutch Central Bank (Publication dated 26 January 2006), and Statistics Netherlands (*Centraal Bureau voor de Statistiek 'CBS'*) (Statline, press release 14 February 2006))

Dutch banking industry

Relative size

The aggregate balance sheet total of the Dutch banks amounted to € 2,168.6 billion at year-end 2004, making the Netherlands the fifth largest banking market in Europe by total assets. The Dutch banking industry had one of the highest banking assets as percentage of GDP in 2004 (476%). This was driven by the fact that several of the Dutch banks significantly expanded their operations internationally since the late 1980s driven by the relative size of the Netherlands, the increasingly consolidated nature of the Dutch banking industry and the growth offered by other markets versus the domestic Dutch market. Today, the Dutch banking sector is considered to be one of the most internationalised in Europe. (Source: European Banking Federation (General Statistics on the European Financial Sector at 31 December 2004), Dutch Central Bank)

Role of the Dutch government

The involvement of the Dutch government in the banking industry is relatively small and limited to interests held by national and local governments in a few niche players.

Consumer loans

At year-end 2005, the outstanding debt of Dutch consumer credit was € 17.5 billion (see table below). The outstanding debt of consumer credit has grown by an average of 0.6% per year since 2003 which is significantly lower than the growth in the five years before 2003. A fundamental change in the consumer credit market has been the way consumers borrow money. Consumers increasingly opt for the easier types of credit by borrowing with credit cards or increasing their overdrafts on current accounts. In 2005, approximately 17.7% of the total credit extended was provided by credit card credit compared to less than 15% in the late 1990s. Similarly, the overdrafts on current accounts increased by almost 7.4% during the period 2003 to 2005 to reach € 7.5 billion in 2005. The expansion of overdrafts, and the abovementioned increased use of credit cards, was partly driven by the stagnation in the level of disposable income. (Source: Dutch Central Bank, CBS (press release 10 February 2006))

Outstanding consumer savings and consumer credit (2003 -- 2005)

(€ billion)	2003	2004	2005
Consumer Savings	185.1	201.7	211.0
Consumer Credit	17.3	18.1	17.5

Source: CBS

Consumer deposits and savings

At year-end 2005, the balance of the savings accounts of private individuals increased to € 211.0 billion (see table above). Since 2003, the balance of savings accounts has increased by an average of 6.8% per year which is significantly higher than the growth in the five years before 2003. The increased growth rate of savings in recent years was driven by the uncertain economic situation in the Netherlands. The economic uncertainty did motivate Dutch households to save money and reduce spending. In addition, (equity) investments lost much of their appeal as an alternative for savings in the early 2000s. (Source: CBS (Statline), Dutch Central Bank)

Residential mortgages

With a total outstanding amount of € 634.3 billion at year-end 2005, the Dutch residential mortgage market was the third largest market in Europe by volume, trailing only the United Kingdom and Germany. The total amount of outstanding mortgage loans in the Netherlands has increased from € 453.3 billion at year-end 2003 to € 634.3 billion at year-end 2005, representing an annual average growth rate of 18.3%. (Source: Land Registry (Kadaster))

Outstanding mortgage loans (2003 -- 2005)

(€ billion)	2003	2004	2005
Mortgage Loans	453.3	559.3	634.3

Source: European Mortgage Federation (Hypostat 2004, A review of Europe's Mortgage and Housing Markets), Land Registry (Kadaster)

On a relative basis, the Netherlands has the highest outstanding mortgage loans as percentage of GDP in Europe. In addition, the mortgage indebtedness of Dutch households is higher than in most countries in Europe. However, the level of owner occupation in the Netherlands of approximately 54% in 2004 is relatively low compared to the average of the EU (66%). (Source: European Mortgage Federation (Hypostat 2004, A review of Europe's Mortgage and Housing Markets))

The relative size of the Dutch residential mortgage market, the level of mortgage indebtedness of Dutch households and the growth of the Dutch mortgage market are the result of regulatory, macro-economic and market factors. One of the most important factors that influence the Dutch mortgage market is the fact that interest paid on certain residential mortgage loans is tax deductible for a maximum period of thirty years. As a result of this tax benefit, many consumers borrow as much as possible in order to fully benefit from the tax deductibility.

Given that some of the larger political parties are debating the long-term viability of tax-deductibility of residential mortgage interest, it is possible that the Dutch government could at some point further limit or abolish the current tax-deductibility of residential mortgage interest. This could significantly affect the financial position of Dutch households, the Dutch residential housing market and the Dutch residential mortgage market. However, the Company believes that further limitations on or abolishment of the current tax-deductibility of residential mortgage interest should not be expected in the short-term. Furthermore, the Company believes that if the Dutch government would decide to further limit or abolish the tax-deductibility of residential mortgage interest it is likely to implement such a decision gradually.

The National Mortgage Guarantee (*Nationale Hypotheek Garantie*) ('NHG'), established by the government in 1995 as a successor to the municipality mortgage guarantee, is an instrument of the Home Ownership Guarantee Fund Foundation (*Stichting Waarborgfonds Eigen Woningen*) to encourage home ownership in the Netherlands. When a mortgage meets certain conditions, the loan and therefore its repayment can be guaranteed by the government by paying an upfront fee to NHG (0.28% of the borrowed amount). In case of a default on an NHG mortgage loan, the lender is compensated for all incurred losses on the principal and interest payments. The guarantee is subject to several conditions including a maximum mortgage, which has been set at € 250,000 as of 2006. One of the advantages for mortgage loan providers is the fact that there are no solvency requirements for NHG guaranteed mortgages. As at year-end 2004, approximately 36.8% of all house purchases in the Netherlands were financed with an NHG guaranteed mortgage. (Source: NHG)

In the 1990s, sustained economic growth and a low level of unemployment increased overall disposable income significantly, which together with demographic factors and constrained supply supported strong customer demand. This, combined with a decline in mortgage rates, which made financing costs rise less strongly than rent, stimulated house buying and prices during the last ten years. Despite the challenging economic environment, the average house price in the Netherlands increased from approximately € 204,844 in 2003 to approximately € 222,705 in 2005, an average annual increase of 4.3%. (Source: Land Registry (Kadaster); CBS)

Encouraged by low losses, mortgage providers have increasingly introduced mortgage loans without redemption features on the principal amount, such as interest-only mortgages, savings-linked mortgages and life and investment-linked mortgages. Under these mortgages the borrower makes payments in a savings account, endowment insurance

or investment fund with the loan being repaid at maturity with the money in the savings account, the insurance contract or the investment fund respectively. These popular mortgage products provided borrowers with higher mortgages maximising their tax deductibility. In addition to the impact of these new structures, mortgage providers have been granting higher mortgages to customers as lenders increasingly calculate the maximum mortgage based on two full incomes, allowing customers to borrow to pay for all related expenses and increase the maximum allowed mortgage debt versus income.

Historically, the majority of Dutch mortgages have a fixed interest rate limiting the exposure of Dutch households to a rise in interest rates. Mortgages with a five-year and ten-year fixed interest rate have historically been the most popular. More recently, there has been an increasing appetite for other types including short-term fixed rates and variable rates given the relatively low level of the interest rate. However, due to the interest rate environment, many borrowers have been refinancing their mortgages with new mortgages with longer fixed interest terms.

In the Netherlands, mortgages are distributed through bank branches, directly and to a large extent via intermediaries. The increasing importance of mortgages sold by intermediaries is driven by, among other things, the large and independent chains of mortgage intermediaries that came into existence since the mid 1990s, and the increasing number of refinancing transactions triggered by the advice of intermediaries to their customers.

Prepayment levels have traditionally been low in the Netherlands mainly due to the fiscal policy and high prepayment penalties. Borrowers are in general allowed to prepay only 10% to 20% per year of the outstanding loan amount without penalty. In addition, full prepayment without penalty can only be made at times of interest rate resetting, on sale of the property or in case of death of the borrower. In all other cases, a penalty is calculated as the net present value of the difference between the contract rate and the applicable market rate.

The typical Loan-to-Foreclosure Value ('**LtFV**') of new mortgages (including refinancing) is approximately 80%. In 2005, the average issued mortgage loan amounted to € 230,689 and the average house price was approximately € 222,705. Despite the relatively high LtFV ratios, delinquency and loss levels have historically been relatively low. During the last major crisis in the Dutch market, which occurred in the late 1970s and early 1980s, cumulative losses on mortgage pools peaked at 1.4% in respect of loans extended in 1980, which is significantly lower than levels seen in other European markets during comparable crises. The main reasons for the relatively low default levels in the Netherlands include, among other things, the small size of the country, enabling people to change jobs without moving, the relatively high level of conveyance fees and taxes and limited mobility of borrowers, and the fact that under Dutch law the lender is able to seize a portion of the borrower's earnings from his employer in case of default. A development that has also limited default losses is the establishment in 1965 of the Bureau for Credit Registration (*Bureau Krediet Registratie*; '**BKR**') to arrange for central credit registration. The BKR registers almost all credit obligations of retail customers in the Netherlands. Credits are registered as of origination until a period of five years after maturity. Before providing a mortgage loan, lenders are obliged to check the history of the borrower in order to prevent over-borrowing, and to limit the risks for the lender. (Source: Moody's (Banking system outlook the Netherlands, September 2005))

Competitive landscape

The Dutch banking industry is considered one of the most consolidated industries in Europe. Consolidation in the Dutch banking industry started in the 1960s, followed by a wave of mergers in the late 1980s and in the 1990s. The five financial services groups that are the leaders in the Dutch banking market have been successful in retaining significant market share and most foreign entrants have thus far not been successful in capturing a significant market position.

Capital and liquidity

The capital ratios of the Dutch banks remain significantly above regulatory requirements, with the capital of the Dutch banking system scoring well in an international context. In 2004, the Dutch banking system consolidated its solvency position at a high level with a total capital (BIS) ratio of 11.5% at year-end 2004. Capital ratios strengthened as a result of improved earnings, issuance of capital securities and modest growth in risk-weighted assets. (Source: Dutch Central Bank)

The loan portfolios of the Dutch banks are funded with a mixture of deposits and wholesale funding sources. Dutch banks have increasingly diversified their funding sources via active use of capital securities and securitisation. (Source: Moody's (Banking system outlook the Netherlands, September 2005))

Dutch insurance industry

The European insurance industry recorded total premium income of € 966 billion in 2004. With a total premium income of € 48.6 billion, the Dutch insurance industry was the fifth largest insurance industry in Europe, only trailing behind the United Kingdom, France, Germany and Italy, and the ninth largest in the world. The Netherlands accounted for 5.0% of total premium income of the European insurance industry, 4.4% of the European life

insurance industry (ranking fifth) and 5.8% of the European non-life insurance industry (ranking sixth). (Source: Swiss Re (World insurance in 2004: growing premiums and stronger balance sheets; Statistical appendix, updated November 2005))

The Dutch insurance industry is relatively mature given its high insurance density, which can be measured by premium income per capita or premium income as a percentage of GDP. In 2004, the Netherlands ranked fourth within Europe by premium income per capita (€ 2,985) and third by premium income as percentage of GDP (current market prices) (9.9%). (Source: Swiss Re (World insurance in 2004: growing premiums and stronger balance sheets; Statistical appendix, updated November 2005))

Total premium income in the Netherlands stood at € 48.6 billion in 2004. With a premium income of € 25.1 billion, the life insurance market represented 51.7% of the insurance market in the Netherlands, making the life and non-life insurance market segments relatively balanced. (Source: Swiss Re (World insurance in 2004: growing premiums and stronger balance sheets; Statistical appendix, updated November 2005), AM Jaarboek 2005)

GWP (as defined below) income: breakdown life and non-life insurance (2003 -- 2004)

Year	Life insurance premium		Non-life insurance premium		Total insurance premium € million
	€ million	% Total	€ million	% Total	
2003	24,838	53.4%	21,672	46.6%	46,510
2004	25,135	51.7%	23,450	48.3%	48,585

Source: AM Jaarboek 2004 and 2005 and Dutch Central Bank

Life insurance industry

The Dutch life insurance industry showed relatively high growth rates in the late 1990s, mainly driven by the positive sentiment in equity markets combined with tax benefits for life insurance products that existed before 2002. Life insurance premium income has stabilised since 2000 with annual premium income increasing on average by only 1% reflecting lacklustre performance of the equity capital markets, but more importantly the abolition of tax advantages that many life insurance products previously enjoyed. The impact of the abolition of the favourable treatment of life insurance products was most visible in the market for single premium products. (Source: AM Jaarboek 2005)

The individual life insurance products market remains the most important, accounting for 67.5% of life insurance premium income generated by insurance companies in 2004. Group life products accounted for 32.5% of the life insurance premium income generated by insurance companies in the same period. This mix reflects the important role that pension funds play in the group pension markets. Premium income generated by the Dutch life insurance companies represented approximately 26% of the Dutch pension market in 2004, with the government, industry and company pension funds accounting for the remaining 74%. (Source: Dutch Association of Insurers (*Verbond van Verzekeraars*) (*Verzekerd van Cijfers 2005*), Dutch Central Bank)

Unit-linked insurance products accounted for 43% of the Dutch life insurance market in 2004. However, in line with the rest of Europe, premium income of unit-linked products suffered from the negative equity market sentiment in 2001 to 2003 causing consumers to prefer savings products offering a guaranteed pay-off. Unit-linked insurance products accounted for 22% of new individual life insurance business production in 2005 versus 25% in 2003. In 2004 and 2005, unit-linked insurance products started to show some recovery as a result of the improving equity markets. (Source: VB Magazine 2 March 2006, no. 5, AM Jaarboek 2005)

Life insurance GWP (as defined below) income (2003 -- 2004)

Year	Individual		Group		Unit Linked		Traditional		Single		Periodic		Total € million
	€ million	% Total	€ million	% Total	€ million	% Total	€ million	% Total	€ million	% Total	€ million	% Total	
2003	16,275	65.9%	8,416	34.1%	11,143	45.1%	13,549	54.9%	11,471	46.5%	13,221	53.5%	24,691
2004	16,859	67.5%	8,118	32.5%	10,744	43.0%	14,233	57.0%	11,787	47.2%	13,190	52.8%	24,977

Source: AM Jaarboek 2004 and 2005 and Dutch Central Bank. Total excludes indirect business

Non-life insurance industry

During 2004, non-life insurance premium grew by 8.2%. The high growth rate was primarily caused by higher insurance premium rates per policy. The main drivers behind the rate increases were low investment returns and higher loss reserve requirements in combination with potential for rate increases due to historically low underwriting

returns in the late 1990s. (Source: AM Jaarboek 2005) Accident and health insurance was the main driver behind the increase in non-life insurance premium income, growing 11.4% in 2004.

Non-life insurance GWP income (2003 -- 2004)

Year (€ million)	Accident & Health	Motor	Transport	Fire	Other	Total Premium	Reported Total
2003	10,377	4,423	604	3,331	2,923	21,658	21,648
2004	11,565	4,537	635	3,451	3,364	23,552	23,363

Source: AM Jaarboek 2004 and 2005

Competitive landscape

The insurance industry in the Netherlands is relatively consolidated, especially in the life-insurance market segment. Together, the top-ten insurance companies accounted for 84.6% of total premium income in 2004. The ten largest life insurance companies had a combined market share of 90.1%, with the largest ten non-life insurance companies enjoying a combined market share of 78.6%. (Source: AM Jaarboek 2005)

Except for one player, foreign-owned insurance companies have not been able to play a major role in the insurance industry in the Netherlands. Most of the foreign-owned insurance companies have not been able to achieve a top-five ranking either in the life or non-life insurance market. In the past, several foreign insurance companies decided to exit the Dutch insurance market by divesting their Dutch businesses to larger players after being unable to capture significant market share.

Distribution channels

The main distribution channels for insurance products in the Netherlands include intermediaries, banks, direct writers and employers. The largest distribution channel within the Dutch insurance market is the intermediary channel. The Dutch market for intermediaries is fragmented with approximately 6,885 intermediaries at the beginning of 2005. A Dutch intermediary is typically self-employed (37%) or part of a small partnership (22%). Approximately 94% of the intermediaries have ten or less employees with only 1% employing more than fifty employees. However, intermediaries with ten or less employees distribute only half of all insurance products, whereas the largest 100 intermediaries account for approximately 50% of premium income. (Source: CBS, Assurantiejaarboek 2006)

The relative contribution of intermediaries has been decreasing in recent years whilst direct distribution from the insurers themselves and distribution of insurance products through banks has been increasing. In 2004, intermediaries accounted for a combined distribution market share of life insurance policies of 45%. This percentage was significantly above 50% in the 1990s. Direct writing accounted for approximately 36%, significantly higher than the levels seen in the 1990s. Distribution of insurance policies through banks has been increasing consistently and accounted for 13% in 2004. Worksite marketing through employers is expected to grow as more private pension products are being sold to employees via employers. (Source: Dutch Association of Insurers (*Verzekerd van Cijfers* 2005))

Non-life insurance products are important for intermediaries as these products generally represent approximately 75% of their revenue given the more regular commission stream versus life insurance or other products. Consequently, to negotiate shelf space for their life insurance products, all of the major life insurers tend to provide non-life insurance products as well. As with life insurance products, intermediaries are the main distribution channel for non-life insurance products, excluding medical insurance. However, the direct distribution of products to customers is also showing an increasing trend in this market segment. In 2004, approximately 34% of new non-life insurance was distributed through direct writing compared to significantly lower levels in the 1990s. (Source: Dutch Association of Insurers (*Verzekerd van Cijfers* 2005))

Capital adequacy

Dutch insurance companies have relatively strong capital positions. However, the insurance industry's capital resources are particularly affected by stock market fluctuations in those companies where stocks account for a large share of the investment portfolio, and where policies with guaranteed returns are a substantial component of the portfolio. As a result, insurance companies in general have actively monitored their capital position. This, combined with developments in the capital markets since 2003, led to a gradual strengthening of the capital position of Dutch insurance companies as shown below.

Solvency margin (2003 -- 2004)

Year	Solvency margin	
	Life insurance	Non-life insurance
2003	259%	297%
2004	264%	307%

Source: Dutch Central Bank

Given the developments of the capital positions of Dutch insurance companies and the general trend in Europe to introduce new systems to measure capital adequacy of insurance companies, the Dutch Central Bank was in the process of introducing a new Financial Assessment Framework (*Financieel Toetsingskader*; 'FTK') for the Dutch insurance industry. However, the Dutch Central Bank has decided to put the implementation of the FTK on hold for the foreseeable future given the significant time required by the insurance industry to implement this new framework.

Industry trends

Tax benefits

Simultaneously to the abolition of tax advantages on life insurance products (see 'Early retirement reforms'), certain tax benefits were introduced for pension products. These benefits would depend on the size of an individual's pension gap, which is defined by the Dutch government as any shortfall to 70% of the projected final salary at the age of 65. The Dutch government estimates that 70% to 80% of the population qualifies for these tax benefits. Private pension products are expected to remain an important driver of the life insurance market going forward as the state pension combined with pension coverage from employers in most cases will be unable to provide full coverage, especially given that employers are increasingly shifting towards average pay and defined contribution schemes instead of a final pay scheme combined with defined benefits.

Changing demographics

The Netherlands is experiencing an ageing population. The Dutch old-age dependency ratio, the proportion of people over working age (65+ years) to those of working age (20-65 years), is expected to almost double by 2050 (from 22% in 2004 to over 40% in 2050). This development has driven the Dutch government to facilitate private sector solutions. This trend presents longer term opportunities for life insurers in the Netherlands as individuals approaching retirement will increasingly demand tax efficient savings product schemes and estate planning savings products. (Source: CBS)

Early retirement reforms

The Dutch government has recently amended the tax treatment of pre-pension and early retirement plans (*vervroegde uittreding*; VUT). As of 1 January 2006, companies can no longer save for early retirement of their employees in a tax efficient manner. Instead of having the aforementioned systems in place, the Dutch government will introduce tax incentives through the newly created *Levensloop* programme which is an individual savings programme instead of a collective programme. Through *Levensloop*, employees are able to save up to 210% of their gross annual salary based on a maximum contribution of 12% of their gross salary per year. Contrary to the current early retirement system, *Levensloop* is not based on tax exemption, but rather tax deferral (in the same way as a pension plan). *Levensloop* cannot only be used for early retirement, but also at an earlier stage of employment, including, for example, a sabbatical or parental leave.

Disability insurance market reforms

The occupational disability insurance system (*Wet op de Arbeidsongeschiktheidsverzekering* or WAO) was replaced on 1 January 2006. The Dutch government has chosen to replace the old system with a two-tier system, the Act on Employment and Income according to Capacity to Work (*Wet Werk en Inkomen naar Arbeidsvermogen*; 'WIA') to encourage rehabilitation and reintegration into the workforce. The implementation of this new system and the resulting opening of the market have been split into two stages: (i) as of 1 January 2006, the Authority for the Execution of Employee Insurance (*Uitvoeringsinstituut Werknemersverzekeringen*) implements the WIA, and (ii) as of 1 January 2007, private insurance companies will also be allowed to compete against the Authority for the Execution of Employee Insurance. Under the WIA, the treatment of disabled individuals is divided into two plans: (i) one for individuals who are unable to work (or are unable to earn at least 20% of their previous salary) due to full disability (*Inkomensvoorziening Volledig Arbeidsongeschikten*) and (ii) one for individuals who are able to work, but unable to earn more than 65% of their previous salary (*Werkhervatting Gedeeltelijk Arbeidsongeschikten*). Individuals who are less than 35% disabled are not eligible to receive benefits under the WIA. Prior to 1 January 2006, individuals who were unable to earn 15% of their previous salary were entitled to benefits. Under the new system, employees receive

discounts on premiums if they employ partially disabled employees and are subject to lower premiums if claimant numbers are reduced, and disability benefits are paid if a partially disabled claimant becomes sick again within five years.

The Dutch Financial Services Act

The Dutch Financial Services Act became effective on 1 January 2006. The Dutch Financial Services Act relates to the offering of, acting as an intermediary in respect of and advising about various financial products, including insurance, (consumer) lending (including mortgage lending), payment and savings accounts and electronic money (see '**SUPERVISION AND REGULATION -- Dutch Financial Services Act**'). Implications of the Dutch Financial Services Act include improved transparency of costs and commissions paid to intermediaries.

Business Overview

Introduction

Business description

SNS REAAL is a Dutch financial services group, with total assets of € 68.1 billion, shareholders' equity of € 2,528 million, and 5,442 FTE employees at year-end 2005.

SNS REAAL's mission is to be the favoured retail financial services specialist in the Dutch market. SNS REAAL aims to achieve this goal by continuously focusing on innovation of products, services and distribution, primarily targeted at retail-plus customers, and further by applying standardised and efficient operational processes to support multi-channel distribution. The Company believes this enables sustainable growth of its net profit and sustainable value creation for its shareholders.

SNS REAAL distinguishes itself through a distinctive branding and positioning policy. It aims to develop and launch innovative products and services faster and in a more efficient manner than its competitors. SNS REAAL's two main customer brands are SNS Bank and REAAL Verzekeringen.

SNS REAAL has a focused strategy by geography (the Netherlands), by customer type (retail-plus customers), and by product (three core product groups).

SNS REAAL has chosen to focus on the Dutch market, where its roots lie and where it believes it has a sound understanding of risks and opportunities. It targets primarily retail-plus customers. For a few selected activities SNS REAAL targets larger corporate business customers in addition to retail-plus customers, namely in respect of group pension offerings, group disability insurance offerings, securities activities and asset management activities. SNS REAAL's focused product offering can be divided into three core product groups:

- Mortgages
- Life and non-life insurance
- Savings and investments

Discipline and standardisation are key to SNS REAAL's focus. Disciplined limitation of SNS REAAL's product offering to standardised products, combined with the use of standardised processes facilitate fast and efficient introduction of new products and services. SNS REAAL considers one of its key strengths the development of innovative products that can still be offered and distributed in a standardised way, while safeguarding a personal and friendly customer service. SNS REAAL markets and distributes its products and services through a network of branches, the Internet, call centres, intermediaries and partnerships. The discipline and further standardisation allow SNS REAAL to benefit from synergies and cross-selling opportunities by distributing products and services through all of these channels. Synergies and cross-selling opportunities are further reinforced by the fact that all channels use the same back-offices and service centres.

SNS REAAL has deep roots in Dutch society. Its origin goes back to local savings banks and to insurance companies which are partly related to the labour unions and the social-democratic movement. SNS REAAL is the result of several mergers, originally divided into two groups of companies, SNS Groep N.V. and Reaal Groep N.V. (see 'History'). These roots provide SNS REAAL with in-depth knowledge of the Dutch retail-plus market for financial services, extensive experience in developing and distributing retail-plus products, stable and longstanding customer relationships, and a strong profile within the retail-plus market.

Currently, there are five operating units within SNS REAAL:

- SNS Bank, which focuses on retail-plus banking products and services. In addition to its main brand name, it also markets its products and services through niche and specialist brands that focus on specific products, such as BLG Hypotheekbank (mortgages), on specific customers, such as ASN Bank (sustainability-focused customers) and on specific distribution channels, such as its franchise formula for intermediaries operating under the name CVB Bank
- REAAL Verzekeringen, which sells life and non-life insurance policies, primarily through independent intermediaries and special distribution partners. In addition, it includes Proteq Direct which is an insurer that primarily distributes its products through the Internet
- SNS Asset Management, which is a recognised specialist in sustainability-focused asset management. It manages a number of portfolios of sustainability-focused institutions, pension funds and other institutional investors, and the portfolios of SNS Beleggingsfondsen N.V. and ASN Beleggingsfondsen N.V. In addition, SNS Asset Management primarily manages the investment portfolio of REAAL Verzekeringen. In the course of 2006, SNS Asset Management will be repositioned from its current position within SNS Bank to a separate direct subsidiary of the Company. The Company believes this will enable SNS Asset Management to better service the

banking and insurance operations within SNS REAAL and to do so more independently. Furthermore, this repositioning is intended to support the external focus of SNS Asset Management. The repositioning will have an effect on the financial results of SNS Bank, but will not affect on the financial results of SNS REAAL as a whole

- SNS Securities, which is a securities broker, serving domestic and international institutional customers with specialised fixed-income products and investment advice with respect to Dutch smallcap and midcap shares. In addition, SNS Securities is active in the field of corporate finance (including equity capital markets and acquisition finance), asset management and brokerage and trading
- SNS Reaal Invest, which is a private equity investment unit participating in equity and risk-based capital and private equity funds. It was decided in 2002 to unwind SNS Reaal Invest. Participations considered to be of strategic value to SNS REAAL were subsequently integrated into other units of SNS REAAL and SNS Reaal Invest has sold the majority of its remaining investments

Key financials

The following chart shows SNS REAAL's key financial figures (all financial information is based on IFRS):

SNS REAAL	
2005	
Total income ⁽¹⁾	€3,471 mn
Net profit	€323 mn
Total assets	€68,088 mn
Shareholders' equity	€2,528 mn
ROE	14.1%
Double leverage	105%

SNS Bank		100%		100%		REAAL Verzekeringen	
2005						2005	
Total income	€764 mn					Total income	€2,730 mn
Net profit	€204 mn					Net profit	€140 mn
Total assets	€53,098 mn					Total assets	€15,456 mn
Shareholders' equity	€1,440 mn					Shareholders' equity	€1,190 mn
ROE	14.9%					ROE	12.9%
Efficiency ratio	59.8%					Operational cost/ premium ratio	13.5%/16.9% ⁽²⁾
Tier I ratio	8.7%					Life insurance solvency	233%
Total capital ratio	11.9%					Non-life insurance solvency	275%

(1) Total income includes net premium income, net interest income, commission income and other income

(2) In 2005 internal acquisition costs were capitalised resulting in a lower ratio of 13.5% (excluding this effect the ratio would have been 16.9%)

Source: SNS REAAL annual accounts

A more detailed discussion of the financial performance of SNS REAAL is set out in 'OPERATING AND FINANCIAL REVIEW' and 'FINANCIAL INFORMATION'.

Market shares

- In mortgages, SNS REAAL's market share was 8.3%, based on new business (number of mortgages), and new mortgage production amounted to € 8.6 billion, at year-end 2005, compared to 9.7% and € 5.9 billion at year-end 2003 (7.5% and € 2.2 billion at year-end 1998)
- SNS REAAL's market share in life insurance was 5.6% at year-end 2004, based on gross written premium ('GWP'), compared to 6.3% at year-end 2003 (4.6% at year-end 1998). The market share of new business in life insurance at year-end 2005 was 15.2% and 7.7% in regular premium life insurance and single premium life insurance respectively, compared to 11.2% and 8.9% at year-end 2003 (7.0% and 5.4% at year-end 1998)
- SNS REAAL's market share in non-life insurance, based on GWP excluding medical insurance and credit insurance, grew from 2.1% at year-end 2003 (1.9% at year-end 1998) to 3.6% at year-end 2004, including 0.9% which relates to the acquisition of Nieuwe Hollandse Lloyd Verzekeringsgroep N.V. and its subsidiaries ('Nieuwe Hollandse Lloyd') in September 2005
- SNS REAAL increased its market share in savings to 6.0% at year-end 2005 from 5.6% at year-end 2003 (4.9% in savings at year-end 1998)

(Sources: AM Jaarboek 2004 and 2005; Land Registry; CBS; Company)

Strategy

SNS REAAL's strategy rests on the following three pillars:

- Focus on retail-plus customers
- Sustained growth profile
- Sustained value creation

Focus on retail-plus customers

SNS REAAL's longstanding history in the Dutch retail financial services market has provided it with in-depth knowledge of development, distribution and sales of retail-plus products and services in the Netherlands. In addition, this has provided SNS REAAL with a distinctive profile within this market (see 'History'). SNS REAAL's organisation is tailored towards servicing its retail-plus customers. In servicing this customer segment, the Company believes it is important to focus on standardisation, to be distribution and sales driven, to have sound back-office processes, and to have innovative products and services. The Company further aims to develop user-friendly products and services and is expanding its range of do-it-yourself products and services.

Product development is based on both (i) a top-down formal process of translating macro trends into market and customer trends, and finally products and services, and (ii) a bottom-up process of translating customer needs to products and services (for example through customer panels, mystery shopping and analysis of customer behaviour). In addition, SNS REAAL engages in an active dialogue with retailers in other sectors, not only to develop alternative distribution channels, but also to gain experience in terms of product development and distribution.

Through SNS REAAL's multi-channel distribution platform, customers can be served virtually at any place and at any time. The Company believes that the multi-channel distribution platform protects SNS REAAL from adverse future developments in any single distribution channel. When developing distribution channels, attention is given to ease-of-use. SNS REAAL continuously looks for more and improved ways to reach its customers (for example by expanding the branch network towards achieving an optimal geographical presence and introducing interactive ATMs (as defined below), new branch concepts, mobile and wireless distribution offerings, and alternative distribution models).

Through its branding policy and corporate identity, combined with acting directly, being efficient, applying the latest technologies, and providing customers with innovative and relevant products and services, the Company believes it is able to successfully challenge other players in the Dutch financial services industry. The Company believes that SNS REAAL has a distinct brand positioning in the financial services industry in the Netherlands: innovative, challenging and flexible with a focus on Dutch retail-plus customers. The main brands of SNS REAAL use the same kaleidoscope in their logo. Furthermore, the Company believes that SNS REAAL and its brands are not only known for their products and services, but also have a reputation of being transparent and socially responsible. Brand awareness increased from 85% in 2003 to 91% in 2005 for SNS Bank and from 79% in 2003 to 86% in 2005 for REAAL Verzekeringen (sources: Millward Brown, Marketresponse, Carat).

Sustained growth profile

SNS REAAL's growth strategy focuses on both organic growth and growth through selected acquisitions.

Organic growth

SNS REAAL has a customer base with further growth potential and believes it is well positioned to further penetrate the Dutch retail-plus banking and insurance markets through its core brands, SNS Bank and REAAL Verzekeringen, and through its specialised brands. SNS REAAL has identified several sources of organic growth: distribution, bank and insurance products and services.

Distribution

- **Expanding and renewing SNS Bank branches**

SNS Bank is gradually redesigning its branches. It aims to develop branches that are more attractive, colourful and accessible to customers. Although SNS Bank's branch network has a national coverage, it is relatively under-exposed in the Randstad area (metropolitan conurbation in the west of the Netherlands). Since 2003, new branch offices have been opened in the Randstad and SNS REAAL is on track to achieving its target of 25 branches in the Randstad by the end of 2006. Most new Randstad branches have been profitable within 2 years from opening. Randstad branches generated 7.9% of total branch income in 2005.

- **Specialised brands**

Next to its main brands, SNS REAAL's specialised brands offer SNS REAAL additional and cost efficient growth potential, by having a different positioning than SNS REAAL's main brands while still benefiting from a central product development organisation and a central back-office system.

ASN Bank

ASN Bank operates in the growing niche market of sustainability-focused investments. With its own investment funds and Internet based savings proposition, ASN Bank is able to attract an increasing inflow of funds and new customers. Examples are ASN *Optimaal Sparen* and ASN *Spaarmix*, both based on existing SNS Bank products and tailored to meet ASN requirements. In addition, ASN Bank develops products in close co-operation with charity organisations and non-governmental organisations, for example with Novib, which resulted in the ASN-Novib Fund, a sustainability-focused fund that also provides tax advantages. In the course of 2005, ASN Bank attracted 60,670 new customers (see '**Distribution**').

BLG Hypotheekbank

BLG Hypotheekbank is active in mortgages only and is able to profit from the product development and processing capabilities of SNS Bank and, therefore, is able to offer a competitive and attractive proposition in the market. The mortgage portfolio of BLG Hypotheekbank was € 8.1 billion at year-end 2005 (up from € 6.2 billion at year-end 2003) (see '**Distribution**') BLG Hypotheekbank is considering developing a white label proposition for its intermediary customers in order to increase BLG Hypotheekbank's share of the production volume of each intermediary (white labelling exists when a third party with which SNS REAAL enters into a co-operation sells SNS REAAL products under the third party's own brand).

CVB Bank

CVB Bank is a major supplier of a franchising formula for banking services in the Netherlands. At year-end 2005, CVB Bank had 425 intermediaries acting as franchisees compared to 330 at year-end 2003. The mortgage portfolio of CVB Bank was € 3.1 billion at year-end 2005 (up from € 2.4 billion at year-end 2003), while the savings portfolio was € 1.4 billion at year-end 2005 (up from € 1.1 billion at year-end 2003) (see '**Distribution**'). CVB Bank aims to increase the number of its franchisees. At the same time it may terminate contracts with those franchisees which consistently fail to meet performance measures. Furthermore, CVB Bank is considering a stronger franchise formula which aims to increase each franchisee's sales volume under the CVB Bank brand.

Proteq Direct

Proteq Direct offers simple risk non-life insurance products through the Internet. The brand is actively marketed through a range of media, including television, radio and sponsorship of sport events. It developed a new Internet based proposition for its business, based on straight through processing ('STP'), offering its customers the possibility of managing and monitoring the complete chain of activities (offering, acceptance and policy alterations) from home. The application became available in November 2005 for customers. Proteq Direct also aims to offer this Internet based proposition as a white label solution to Dutch intermediaries, thus aiming to generate additional production volumes. In addition, it aims to broaden its existing partnerships with retail organisations, by selling more than a single product via these retail organisations, and to establish new partnerships, for example the recent partnership with Kruidvat.

◦ **Internet**

Innovation in distribution is important for the (organic) growth strategy. The Company believes that its Internet based propositions are a prime example of execution quality, breadth of offering and customer service.

For example, SNS *Fundcoach* allows customers to compose their investment portfolios by selecting from more than 300 leading domestic and foreign investment funds (see '**Products -- Savings and investments**'). SNS *Snelverzekeraar* is another Internet based proposition offering customers the possibility to buy one or more of eight simple risk non-life insurance products, including product packages. This proposition was introduced with a short time-to-market of three months. SNS *Snelverzekeraar* was introduced in July 2005 and generated € 7.0 million GWP for the year 2005 which was 20% of total non-life GWP sold via SNS Bank.

◦ **Distribution partnerships and independent financial advisor network**

SNS REAAL aims to increase the number of partnerships to further broaden its placement power. It uses the network of its partners to distribute its products and services. SNS REAAL's service centres are able to efficiently process production for third parties and its back-offices are able to service different customer groups. All insurance products sold under distribution partnerships are underwritten by SNS REAAL. The Company considers the quality of SNS REAAL's products and services and its back-office capabilities to be a competitive advantage in securing partnerships. SNS REAAL has developed a wide range of distribution partnerships, for example with Bouwfonds Hypotheken B.V. ('**Bouwfonds**'), DSB Groep N.V., and Coöperatie Univé U.A. ('**Univé**'), which are SNS REAAL's three largest partnerships in terms of volume.

SNS REAAL also uses linking-marketing concepts, which are initiatives with third parties, and internal initiatives, created to develop a network of brands aimed at reaching new customer groups and enhancing each individual

brand. Initiatives include Mojo (music and concerts), Bill (payment system via MSN Messenger), Caleidoshop.nl (merchandising), Bart Foundation (charity) and Sprout (SME business magazine).

REAAAL Verzekeringen partners with most of the larger independent financial advisor ('IFA') networks (inkoopcombinaties) in the Netherlands. Typically, an IFA network acts as a central distribution agent for a group of individual and small intermediaries, resulting in higher commissions for the intermediaries and providing specific services. These agents, among other services, offer small and medium-sized intermediaries specific product packages and commission arrangements.

Bank and insurance products and services

◦ **Mortgages**

The Company believes that it will be able to further grow SNS REAAL's mortgage business by introducing innovative products, by the quality of its advice, and by the speed and quality of its processes. The Company recently introduced or has several products ready for introduction in 2006, including Managed Account Mortgages, a Budget Mortgage and a Senior (elderly) Mortgage, which will be distributed through its many channels. Growth in mortgages is also expected from changes in distribution, including targeting the Randstad area and white labelling, leveraging on the experience of REAAAL Verzekeringen in insurance white labelling. Efforts to reduce prepayments should also contribute to the growth of the portfolio. Finally, by targeting the SME customer sector it aims to distribute mortgages in a retail-like and standardised way based on products which are built on products originally developed for retail customers.

◦ **Savings and investments**

The Company believes that the potential to grow its market share in savings and investments in a profitable way justifies further investments in this area. Total retail-plus savings grew from a total of € 10.4 billion in 2003 to € 12.3 billion in 2005. SNS Spaarmix, ASN Optimaal Sparen and Levensloopsparen are examples of successful saving products. The Company aims to further increase its Internet savings business which increased from € 4.4 billion in 2003 to € 5.5 billion in 2005. SNS REAAL's success is also illustrated by the development of SNS Fundcoach with a total of assets under management ('AUM') of € 8 million (at market value) at year-end 2003 and € 296 million (at market value) at year-end 2005. In 2005, SNS Securities strengthened its fixed income expertise by acquiring the fixed income portfolio of Van Der Hoop Bankiers N.V. and employed the teams of this entity's fixed income dealer/brokers, wealth managers and investment advisors. In addition, the Company believes that products related to endowment insurance, together with sustainability products, provide a growing base for further asset gathering.

◦ **Disability**

SNS REAAL aims to grow its market share in the Dutch disability insurance market both through its own individual product range and through its product partnership with De Goudse, where REAAAL Verzekeringen sells De Goudse Verzekeringen group disability products for SMEs under the **REAAAL** Verzekeringen brand. Significant changes in the applicable Dutch legislation have opened up the formerly government-controlled market (see '**INDUSTRY OVERVIEW -- Disability insurance market reforms**'). In addition, SNS REAAL offers ease of administration, fast claim-processing and reimbursement of prevention and reintegration services.

◦ **Pensions**

The changes in the pension market in the Netherlands (see '**INDUSTRY OVERVIEW -- Disability insurance market reforms**') will lead to a shift in demand by retail customers. REAAAL Verzekeringen recently launched a number of products including a new universal life and semi-group pension product. In addition, the Company believes that its *Levensloop* product range is well positioned to capture new market opportunities from changing regulations given SNS REAAL's presence in both the banking and insurance business.

◦ **Non-life**

SNS REAAL has invested and intends to further invest in the development of its non-life insurance business proposition, specifically for its SME customers. Products are offered through different channels, using multiple brands. Internet, partnerships and underwriting agents are the major growth areas for simple risk insurance products. In addition, Proteq Direct has been able to secure selling relationships with retail organisations such as Kruidvat.

◦ **SME**

SNS Bank considers the SME segment an important growth opportunity next to mortgages and savings and investments. In 2006 it aims to develop a programme to further enhance the focus of its SME unit through further standardising processes and products, investigating cost reduction and enhancing distribution. Apart from expanding the core product offering of business mortgage loans, SNS Bank may focus on four to six segments, for example real estate, environmental products, advisory services (environment, water and energy) and foundations. SNS Bank may elect to change its SME organisation, for example by locating some SME account managers closer to those for individual customers, to reflect the renewed proposition during 2006.

For REAAL Verzekeringen the SME segment is equally important specifically considering its pension product offerings, group disability and non-life product offerings. Specific product offerings have been and are being developed and partnerships, such as with De Goudse Verzekeringen, are in place.

Investments

SNS REAAL's management has committed itself in the operational planning process for 2006 until 2008 to certain key investments going forward using internal funding. On group level SNS REAAL renewed the SNS REAAL wide risk management policy and it aims to finalise the business control framework as part of the in-control programme (see '**CORPORATE GOVERNANCE**'). In addition to repositioning SNS Asset Management from its current position within SNS Bank to a separate direct subsidiary of the Company, it will also invest in a new software package for its core systems.

Key investments in SNS Bank's operational plan comprise of:

- The development of savings and investments, for example SNS *Fundcoach* and development of new -- Internet based -- savings products (see '**Organic growth**')
- Implementation of Basel II requirements (see '**RISK MANAGEMENT -- Basel II**')
- Implementation of Goldmine, a data warehouse, to further improve the quality, uniformity and timeliness of information and to standardise reporting
- Investments in fine tuning SNS Bank's approach to the SME market segment, involving closer ties with the individual customer segments and related products
- Further development of the 'clicks and bricks' approach (see '**Distribution and brands**'), including the migration from branches to do-it-yourself concepts, as well as expanding the branch network in the Randstad
- Investments in risk management of mortgages including STP (see '**Straight Through Processing (STP)**'), portfolio management and enhancing arrears management

Key investments in REAAL Verzekeringen's operational plan comprise:

- The full integration of Nieuwe Hollandse Lloyd (see '**Competitive strengths**');
- The implementation of the new automatic acceptance system and related STP in the back-offices (see '**Straight Through Processing (STP)**') and development of the in-control programme as part of the SNS REAAL wide effort;
- Investments in the REAAL Verzekeringen Internet proposition (see '**The Internet**');
- The development of new products or product ranges such as *Levensloop* and *Milieuschadeverzekering*, services, and projects geared towards changing legal and regulatory requirements, such as the Dutch Financial Services Act (see '**SUPERVISION AND REGULATION -- Dutch Financial Services Act**')
- Investments in product categories such as disability and pensions (see '**Products**')

In addition, Proteq Schadeverzekeringen N.V. is engaged in negotiations with the management of Route Mobiel and it intends to acquire the management's interest in Route Mobiel, resulting in a full ownership of Route Mobiel, in the course of 2006 (see '**Innovation**').

Acquisitions

SNS REAAL also intends to achieve growth through selected acquisitions. Acquisition decisions at SNS REAAL are based on strong strategic and business fit, strengthening of existing market positions or expansion in new adjacent markets, moderate integration and execution risks, and attractive level of achievable synergies, thus creating value and contributing to stated financial targets. The Company believes it is a natural consolidator in the Dutch-focused retail financial services market, given its size, operational model and integration capabilities.

Sustained value creation

SNS REAAL considers it important that it chooses activities with an adequate return and manageable risks. In view thereof, SNS REAAL seeks to maintain a moderate risk profile. Increased income, cost control, efficient allocation of capital, and risk management are important elements for maintaining this moderate risk profile. When pricing products and services, the associated costs, risks and capital requirements are key elements.

SNS REAAL aims to develop and maintain longstanding relationships with both its retail and SME customers and intermediaries. SNS REAAL monitors customer satisfaction scores and assesses customer requirements for financial services in order to develop new products and services. SNS REAAL also monitors satisfaction scores with intermediaries and engages actively in strategic dialogues to enhance mutual business relationships.

SNS REAAL has set a minimum target return on shareholders' equity after tax ('ROE') of 12.5%. SNS REAAL's ROE was 14.1% in 2005, 16.6% in 2004 and 15.9% in 2003.

Strict pricing policy is considered a key component of value management. For all products, target prices are calculated satisfying minimum return requirements and taking into account all operational costs as well as compensation for risks taken and the use of risk capital. In regular pricing committee meetings the actual commercial prices are discussed and determined between the finance function, the relevant marketing and sales departments, and back-offices, taking the background of the competitive landscape into account.

Costs are controlled and economies of scale are achieved by sharing back-offices and service centres. SNS Bank's efficiency ratio decreased from 64.6% at year-end 2003 to 59.8% at year-end 2005. The operational cost/premium ratio (before capitalisation of internal acquisition costs) for REAAL Verzekeringen increased from 16.4% at year-end 2003 to 16.9% at year-end 2005 (due to the impact of the acquisitions of the Zurich portfolios (as defined below) and Nieuwe Hollandse Lloyd). The use of economies of scale is part of cost reductions, primarily in areas such as mortgages, life insurances, savings accounts and payments. Standardisation and automation are also drivers behind cost control. Against strict cost control, market shares have increased and income has risen from € 3.2 billion in 2003 to € 3.5 billion in 2005, therefore positively impacting gross profit in 2005 of € 416 million, up from € 357 million in 2003.

SNS REAAL aims to further increase efficiency of its back-offices through further developing distribution partnerships, a limited increase in personnel, further standardisation of processes and finalising implementation of STP. The Company believes that SNS REAAL is able to establish and maintain its distribution partnerships at relatively low costs due to its efficient back-office processes, combined with increased income due to additional placement power in distribution channels. Through efficient integration, SNS REAAL has realised synergies from combining the operations of the Dutch life insurance portfolio and part of the Dutch non-life insurance portfolio of Zürich Versicherungs-Gesellschaft and Zürich Lebensversicherungs-Gesellschaft (together, 'Zurich' and the 'Zurich portfolios') with the insurance operations of REAAL Verzekeringen. The Company believes it is able to achieve comparable synergies after integrating Nieuwe Hollandse Lloyd.

Competitive strengths

The Company believes it has the following competitive strengths:

Focus

SNS REAAL has a focused strategy, which enables it to spend both management time and capital on those areas in which it chooses to be or become a specialist. SNS REAAL concentrates on the retail-plus market in the Netherlands and the distribution of standardised products in three core product groups. The Company believes that this focus has resulted in a moderate risk profile, efficient and low cost back-offices, a simple organisation structure and clear decision-making processes, cost efficiencies, improved risk management, and a distinctive branding and positioning of SNS REAAL.

Operational efficiency

SNS REAAL has been able to maintain a relatively stable cost base while increasing income. SNS REAAL has a strong efficiency ratio in the Dutch banking industry and a strong operational cost/premium ratio in the Dutch insurance industry.

SNS REAAL's operational model enhances its operational efficiency. (See 'SNS REAAL operational model'). It consists of centralised back-office processes organised into four service centres: mortgages, securities, payments, and insurance, which are shared by all business operations. Further, SNS REAAL has advanced IT systems, which contributes to its cost efficiency and ability to manage risk. STP has led to cost reductions and the continued roll-out of STP, mainly in mortgages and insurance, is expected to reduce costs further over the next few years. The use of single product centres and centralised support functions has also contributed, and the Company believes it will continue to contribute to, operational efficiency. Despite its growth profile, past acquisitions and increasing

regulatory complexities, SNS REAAL managed to maintain relatively stable number of FTEs against a total income growth of 6.6% (average growth rate, 1998-2005). The increase in efficiency is evidenced by a decrease in the efficiency ratio of SNS Bank from 69.9% in 1998, to 59.8% in 2005, and a drop in operational cost/premium ratio (before capitalisation of internal acquisition costs) of REAAL Verzekeringen from 20.7% in 1998, to 16.9% in 2005.

The Company believes that its efficient operational framework results in a strong integration platform and that sustainable competitive advantages are gained through its processing capabilities, cost efficient structure and short time-to-market.

Innovation

The Company believes SNS REAAL is an innovative retail financial services group, being innovative in the design and scope of its products and services (see '**Products**'), the marketing and distribution of its products and services (see '**Distribution and brands**') and its back-office processes (see '**Service centres and information technology**'). SNS REAAL's relative size, single product centres, as well as uniform IT systems and centralised service centres, allow for short time-to-market of its innovative products. SNS REAAL also invests in the development of new and existing distribution channels.

The Company believes innovation to be embedded in its operational model and recognises three levels of innovation:

- Product, system and process enhancements, based on an entrepreneurial and innovative mindset. New and existing products are continuously enhanced and features added where appropriate to increase attractiveness, for example from an Internet savings account to an SME Internet account and from that same Internet savings account to the Internet Xtra savings account proposition
- New innovative products, systems and processes, based on innovation teams working on a project basis. SNS *Snelverzekeraar*, launched in July 2005, is an Internet based insurance offering for SNS Bank and already accounted for 20% of SNS Bank's non-life production volumes for the year ending 31 December 2005. Similarly, the interactive ATM, which allows SNS REAAL to provide its customers with personalised offers when they are using an ATM and allows customers to respond immediately, has been developed and was introduced in 2005 showing conversion rates of 3% during its first 6 months
- New business development based on new business models. Examples include the SNS Bank linking-marketing propositions and the successful development of SNS *Fundcoach*. In addition, REAAL Verzekeringen, through one of its subsidiaries, became a minority shareholder in Route Mobiel (launched in September 2004) and developed a partnership with Kruidvat (started in January 2006). Route Mobiel achieved over 175,000 customers by the end of January 2006 and € 5.7 million GWP in 2005 and it is expected that it will increase its portfolio to approximately € 10 million in 2006 due to the fixed expiration date of contracts in this sector

Distribution

SNS REAAL has access to and uses most of the established distribution channels, and is at the forefront of developing new and innovative distribution channels. Its distribution channels include a nationwide branch network, the Internet, call-centres, intermediaries, and partnerships. This multi-channel distribution platform allows SNS REAAL to serve its customers virtually at any place and at any time. The Company believes that the multi-channel distribution platform protects SNS REAAL from adverse future developments in any single distribution channel.

In addition, the access to and use of the full range of distribution channels enable SNS REAAL to capture opportunities that arise from shifts in the relative importance of the different distribution channels in the Dutch market. The Company believes that SNS REAAL's extensive Internet capabilities and experience will enable it to capitalise on this increasingly important distribution channel. In addition to providing a stable source of earnings, the focus on mortgages offers the opportunity to cross-sell life insurance products. In 2005, 12% of the life premium volume was generated through SNS Bank channels. The specialised brands ASN Bank, BLG Hypotheekbank and CVB Bank provide SNS REAAL with additional selling opportunities due to the different customer segments to which these brands relate. CVB Bank and BLG Hypotheekbank sell SNS REAAL's insurance products using their own brand.

Moderate risk profile

SNS REAAL aspires to maintain its moderate risk profile with a sound balance between risk and return. The Company believes that the following elements determine its moderate risk profile:

- Retail-plus focus
- Focus on the Netherlands
- Focus on three core product groups
- Diversification within its portfolios
- Banking and insurance business model

-
- Multi-channel distribution
 - Prudent reinsurance policy
 - Diversified funding strategy
 - Limited exposure to pension obligations
 - Sound risk management

(See 'RISK MANAGEMENT -- SNS REAAL's risk profile'.)

Track record of acquisitions

SNS REAAL is itself the result of a series of mergers and acquisitions (see 'History') whereby management has gained experience in integration processes and delivery of synergies. In addition to organic growth, acquisitions have also contributed to the growth of SNS REAAL's business and profits. Acquisition decisions at SNS REAAL are based on strong strategic and business fit, strengthening of existing market positions or expansion in new markets, moderate integration and execution risk, and attractive level of achievable synergies, thus creating value and contributing to stated financial targets. This applied to the acquisition of the Zurich portfolios, the acquisition of Nieuwe Hollandse Lloyd and the acquisition of the life insurance portfolio of (one of the legal predecessors of) Univé. The Company believes that the acquisition of the Zurich portfolios exemplifies its ability to profit from integrating other businesses by realising approximately a 50% FTE reduction in two years, a full integration of back-offices and a full conversion to REAAL Verzekeringen's IT systems. It is expected to realise similar results in the integration of Nieuwe Hollandse Lloyd. SNS REAAL intends to continue its disciplined acquisition strategy.

Profitable growth

As discussed above, SNS REAAL has identified several sources of organic growth: distribution and bank and insurance products and services.

SNS REAAL has carefully maintained its cost base while realising growth in income. Furthermore, SNS REAAL's product and services and distribution partnerships allow for cost efficient growth. To support SNS REAAL's ongoing growth strategy, a ROE target of at least 12.5% is set, regardless of the distribution channel and brand used.

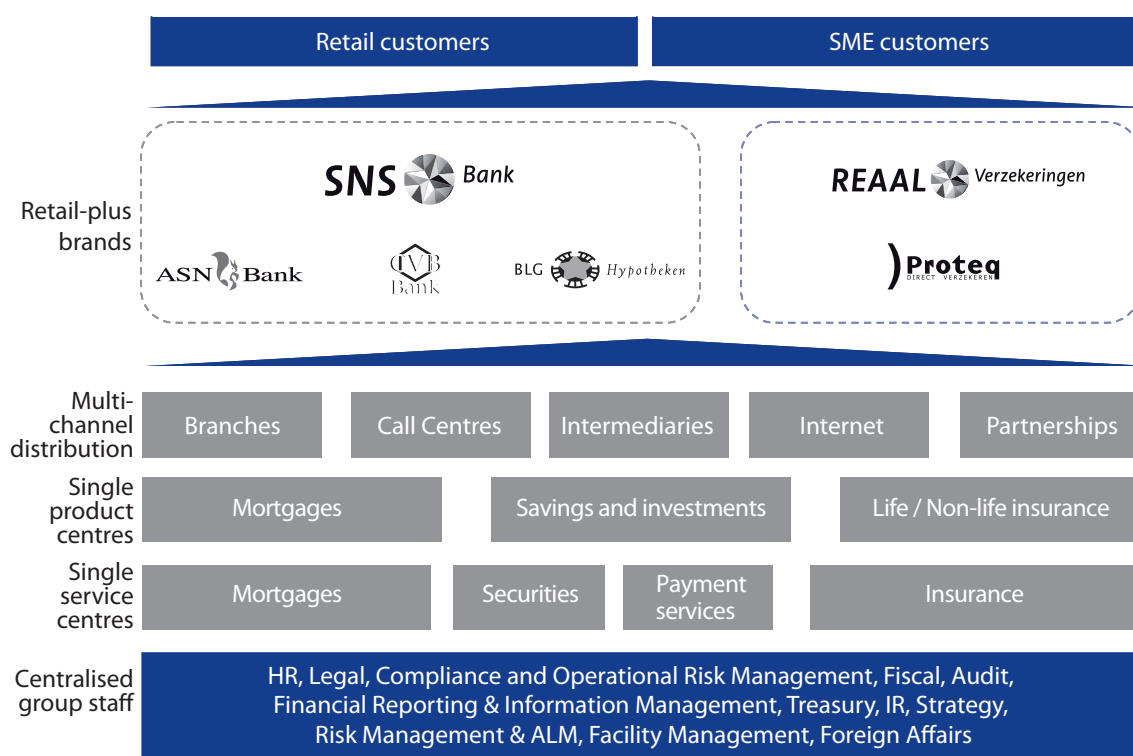
In addition, SNS REAAL intends to grow by selective acquisitions. The integration of the Zurich portfolios contributed directly to REAAL Verzekeringen's net profit in 2003. The Company believes that the integration of Nieuwe Hollandse Lloyd should deliver comparable cost synergies as the integration of the Zurich portfolios. Based on 2004 data, Nieuwe Hollandse Lloyd increased total income of REAAL Verzekeringen, excluding medical insurance and credit insurances, by € 27 million (net) and added 0.9% market share in non-life insurance (source: AM Jaarboek 2004, and Company).

Financial targets

The following are SNS REAAL's current financial targets for the period 2006 -- 2008; these targets are neither a profit estimate nor a profit forecast:

- Earnings per share growth of at least 10% per year (based on normalised net profit of € 311 million in 2005, see table XXXIV on page 97)
- ROE of at least 12.5% per year
- Maximum efficiency ratio for the banking operations of 58% (in 2008)
- Maximum operational cost/premium ratio for the insurance operations, including capitalisation of internal costs, of 13% (in 2008)
- Tier 1 ratio (as defined below) greater than 8% and BIS ratio (as defined below) greater than 11.0%
- Solvency greater than 150% of the regulatory requirements for life insurance operations and 200% of the regulatory requirements for non-life insurance operations
- Double leverage ratio of the Company (being the equity participations in the Company's direct subsidiaries divided by its shareholders' equity; 'double leverage ratio') lower than 115%

SNS REAAL operational model



The operational model of SNS REAAL reflects its focus on retail-plus customers. The core of the model consists of the following three layers:

- Product design: mortgages, savings and investments, and life and non-life insurance
- Distribution channels: branches, call centres, intermediaries, the Internet and partnerships
- Service centres: back-offices for mortgages, securities, payments, and insurance

The operational model enables SNS REAAL to optimally exploit its internal expertise and capabilities. Although the banking and insurance divisions are separate entities from a legal and reporting perspective, SNS REAAL's operational model ensures that SNS REAAL functions as one entity as much as possible. The Executive Board, consisting of the Company's chief executive officer ('CEO') and chief financial officer ('CFO') and the Executive Board members responsible for SNS Bank and REAAL Verzekeringen, respectively, is responsible for SNS REAAL's overall strategy. To implement and enhance SNS REAAL's one-firm approach, support functions have been centralised. Within these support functions, and SNS REAAL's back-office processes, there is a bundling of expertise and efficiencies of scale. The centralisation of support functions has resulted in a 10%-15% reduction in FTEs. This enables SNS Bank's management and REAAL Verzekeringen's management to focus on their core businesses.

SNS Financial Markets

SNS Financial Markets functions as the central treasury of SNS REAAL. Its main tasks include managing liquidity, funding, foreign exchange and derivative positions of SNS REAAL. At year-end 2005, 26% of the balance sheet growth of SNS Bank was funded in the capital markets, for a total of € 2,071 million. The funding strategy is based on three pillars: diversification of funding sources, commitment to markets and investors, and a proactive stance with respect to the regulatory, rating and market environment. Diversification is realised between instruments, investor types, regions and maturities (see 'FUNDING').

SNS Securities

SNS Securities, a wholly-owned subsidiary of SNS Bank, is a broker and dealer in the Netherlands, providing institutional research, brokerage, investment banking and private customer services to a diversified customer base, which includes financial institutions, corporations and high-net-worth individuals. SNS Securities is a leading liquidity provider in shares of small and mid-cap companies listed on Euronext Amsterdam, with an estimated market share of approximately 10% (source: Company). SNS Securities also acts as listing and paying agent and liquidity provider for investment funds and exchange traded funds. Research is primarily distributed through the Internet and major data vendors, such as First Call, Reuters, I/B/E/S, Multex, Investext and Bloomberg.

Other activities of SNS Securities include equity capital markets, acquisition finance, prime brokerage, portfolio management and private customer brokerage, and clearing and settlement. At year-end 2005 SNS Securities managed in excess of € 185 million for high-net-worth individuals, endowments, charities, foundations and private institutions.

In 2005, SNS Securities strengthened its fixed income expertise by acquiring the fixed income portfolio of Van Der Hoop Bankiers N.V. and employed the teams of this entity's fixed income dealer/brokers, wealth managers and investment advisors.

SNS Reaal Invest

SNS Reaal Invest was created to participate in the equity and risk capital of companies and private equity funds broadly related to the activities of a financial institution, such as lease, consumer finance, real estate and financial services. In 2002, SNS REAAL decided to unwind SNS Reaal Invest as it believed that the volatility of earnings of SNS Reaal Invest did not match SNS REAAL's moderate risk appetite. In 2003, the holdings of SNS Reaal Invest amounted to a book value of € 456 million and as at year-end 2005 the book value equalled € 50 million.

In 2003 and 2004, SNS Reaal Invest sold most of its participations and over 80% of its investments. However, a few investments, such as minority stakes in Masterfleet N.V. (leasing) ('**Masterfleet**') and LaSer-Lafayette Services Nederland B.V. (previously named PrimeLine services B.V.) (consumer finance) ('**PrimeLine**'), still remain in the portfolio.

SNS Reaal Invest (indirectly) holds a 40% share of Masterfleet, with the other 60% having been sold to Interleasing (UK) Limited in 2002. SNS Reaal Invest also (indirectly) holds a 40% share of PrimeLine, with the other 60% having been transferred to Cofinoga S.A. in 2003. For both investments and subject to terms and conditions, the relevant share purchase agreement provides for a put option (SNS Reaal Invest) and call option (Interleasing (UK) Limited and Cofinoga S.A., respectively) at market value exercisable under certain conditions. In relation to Masterfleet parties are entitled to exercise their rights as of 1 January 2006. In relation to PrimeLine, parties are fully entitled to exercise their rights after 30 June 2007 and, subject to certain conditions, before that date. The remainder of SNS Reaal Invest's investment portfolio comprises 9 investments, predominantly in funds. In addition to holding these investments, SNS Reaal Invest continues to provide funding for some of its investments. In 2005, SNS Reaal Invest provided PrimeLine funding in the amount of € 220 million. In 2006, SNS Reaal Invest will continue to provide PrimeLine funding to the maximum amount of € 260 million. If SNS Reaal Invest lowers its funding to PrimeLine, subject to the arrangements made in the share purchase agreement, the other shareholder, Cofinoga S.A., will take over the funding. Such funding will then be provided under the conditions as Cofinoga S.A. will agree with PrimeLine's management.

Products

SNS REAAL's product offering consists of three core product groups: mortgages, insurance (life and non-life), and savings and investments. The corresponding product centres are responsible for market intelligence, product development, and marketing of these three core product groups. Innovation of products, services and distribution is essential to SNS REAAL's positioning and a driving force behind growth and profitability. SNS REAAL has formalised its development and innovation processes in which various teams participate to translate macro and customer needs into new products and service concepts.

Mortgages

SNS REAAL is one of the larger players in the Dutch retail mortgage market. SNS REAAL had a market share, based on number of new mortgages, of 8.3% at year-end 2005, representing a volume of € 8.6 billion, compared to 9.7% at year-end 2003, representing € 5.9 billion (7.5% at year-end 1998, representing € 2.2 billion). SNS REAAL's total mortgage volume has grown from € 35.5 billion (including securitised mortgages of € 5.0 billion) at year-end 2003 to € 43.5 billion at year-end 2005. At year-end 2005 SNS REAAL ranked fourth in the Dutch mortgage market (source: Land Registry). In line with SNS REAAL's strategy to focus on profitable growth while maintaining a moderate risk profile, SNS REAAL has tightened its underwriting policies during the last two years. The slight reduction in market share in 2005 for mortgages is a consequence of this strategic choice. SNS REAAL focuses on protecting both its margins and its market shares.

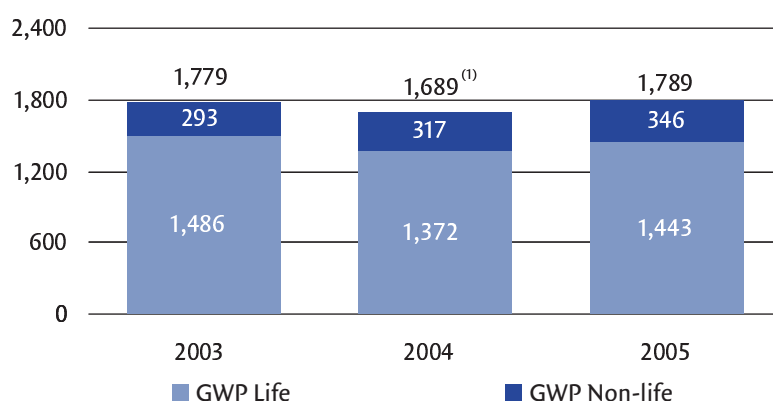
SNS REAAL's market share can be partially attributed to specific and innovative products, such as *Plafondrente*, *Ideaalrente* and *Stabielrente*. These are mortgage products with interest rate solutions for specific customers. *Plafondrente* is a mortgage product with a variable interest rate, which provides the customer with the opportunity to benefit from interest rate cuts without full exposure to interest rate increases as the maximum rate is capped. *Ideaalrente* has an interest rate based on 5 year average interest rates, whereas *Stabielrente* provides a stable interest rate within a pre-defined range. These products offer customers interest rate stability while maintaining relatively low interest rates. *Plafondrente* is an example of a successful introduction of a new product, with a volume amounting to € 1.8 billion at year-end 2003 and a volume of € 3.8 billion at year-end 2005.

SNS REAAL has introduced several product (distribution) concepts since the beginning of 2003 which the Company believes to be significant and will continue to do so. Relevant mortgage related products are *Rentedemper* (product with a relatively low variable interest rate where the impacts of interest fluctuations are moderated), *BLG Pensioen Optimaal Hypotheek* (mortgage product intended for elderly people) and *SNS Bedrijfshypotheek* (flexible SME mortgage product).

Life and non-life insurance

Total GWP has increased slightly over the period 2003 -- 2005 from € 1,779 million to € 1,789 million, despite total GWP being negatively impacted by the new financing agreement with the SNS REAAL pension fund (as defined below) (see '**OPERATING AND FINANCIAL REVIEW -- Pensions and the SNS REAAL pension fund**'). SNS REAAL's GWP volume in life insurance significantly outweighs that in non-life insurance: € 1,443 million and € 346 million, respectively, in 2005.

GWP life and non-life insurance (€ million)



(1) Decrease in GWP is due to the effect of the new financing agreement with the SNS REAAL pension fund

Source: Company

SNS REAAL has introduced several product (distribution) concepts since the beginning of 2003 which the Company believes to be significant and will continue to do so. Of particular importance was the product distribution concept/ Internet proposition *Snelverzekeraar*.

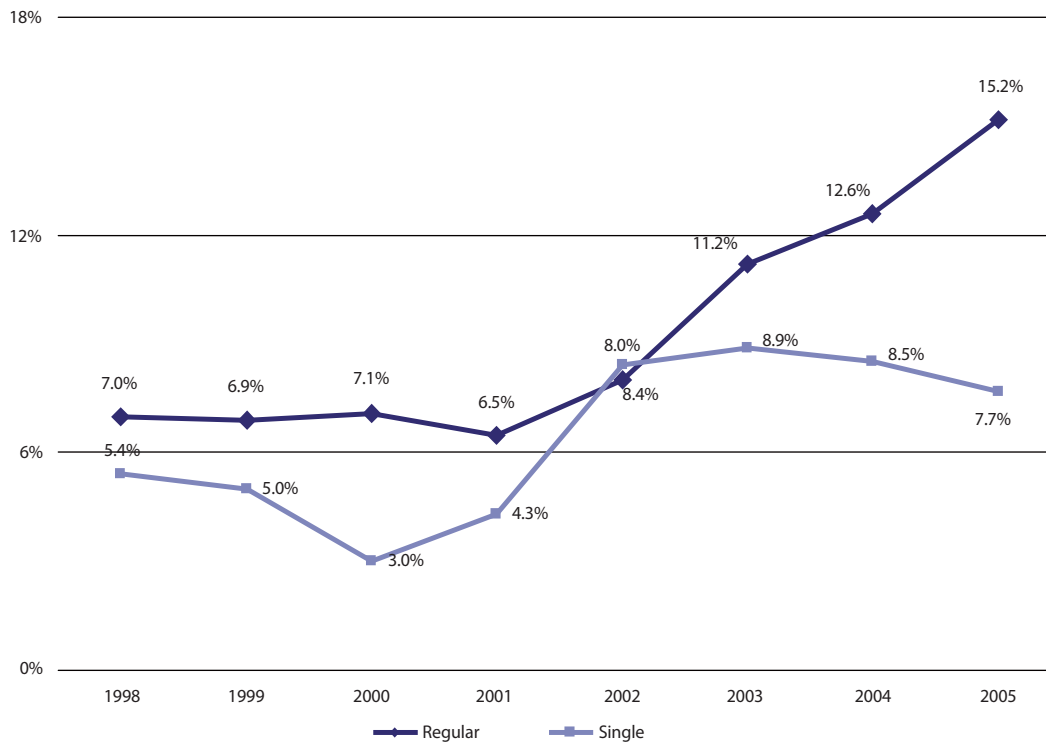
Furthermore, the following products were important for REAAL Verzekeringen: a new disability product line, the PP3 unit-linked universal life product package, *Levensloopsparen* (savings account for long-term leave or early retirement), *Pensioen Optimaal Hypotheek*, *ZekerheidsPensioen* (pension product which is primarily developed for SME clients), *Reisverzekeringen* (travel insurance), *Dier & Zorg* (pet insurance) and *Bedrijven Totaalplan* (SME insurance product including all general non-life insurances). In addition, REAAL Verzekeringen believes it is well positioned in several distribution segments such as underwriting agents and white labelling partnerships. Finally, Proteq Direct's Internet distribution proposition PION aims to offer a complete simple risk non-life product package based on a full STP back- and front-office.

Life insurance

REAAL Verzekeringen's GWP in respect of its life insurance business has shown stable growth over the past 5 years and it has established a good market position in the life insurance market. In 2004, the top-10 insurance companies in the Netherlands together shared 90.1% of total GWP, SNS REAAL ranking sixth with a market share of 5.6% (including single life premium) (source: AM Jaarboek 2005).

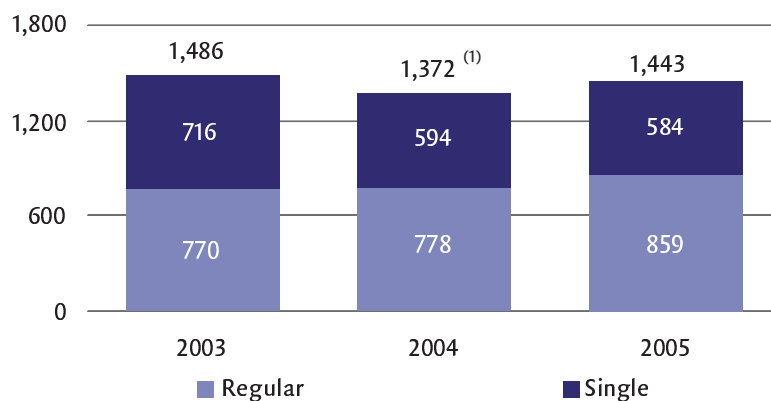
The market shares of SNS REAAL's various life products have increased significantly in the last three years due to organic growth and acquisitions. In 2005, REAAL Verzekeringen's market share based on new regular premium individual life insurance policies was 15.2% (new business). As shown in the following chart, the market share for new single premium individual life insurance products was 7.7% in 2005.

Market share new business individual life insurance



Source: Company

GWP life insurance breakdown by regular and single premium (€ million)



(1) Decrease in GWP is due to the effect of the new financing agreement with the SNS REAAL pension fund

Source: Company

SNS REAAL's life insurance business rests on two pillars, each divided into several product categories: regular premium insurance and single premium insurance.

Regular premium insurance products consist of:

- Universal life, for example:
 - o Universal life products in the individual life insurance market aimed at wealth accumulation for different purposes, such as:
 - Grants (for example *Studiebeursverzekering*)
 - Different mortgage related policies (for example *Opstap Hypotheekverzekering*, *Doorgroei Hypotheekverzekering* and *Comfort Hypotheekverzekering*)
 - Savings and investments related (for example *Vrij Vermogen Verzekering*)
 - Pensions related (for example *Privé Pensioen*) and insurance of pension shortages (for example *Pensioengat Verzekering*)

- o Universal life products for the pensions segment: one for individual entrepreneurs (*PensioenPlan*) and one for employees of SMEs (*Groeps Individueel PensioenPlan* -- all individuals get their own policy)
- o Traditional products, for example:
 - o Funeral insurance, to cover the expenses of a funeral, the premium for which is received over the life of the customer
 - o Temporary life insurance policy, to cover the financial risks of death, for example related to a loan, a mortgage, or the loss of family income
 - o Savings mortgage, the interest received on the saved premium equals the interest rate paid on the mortgage with final capital being guaranteed
 - o Group pensions

Single premium insurance products consist of:

- o Universal life products, for example:
 - o The above mentioned regular premium products are also available as single premium insurance (i.e. against payment of an upfront premium)
- o Traditional products, for example:
 - o Funeral insurance and group pension products are also available as single premium insurance (i.e. against payment of an upfront premium)
 - o Deferred annuity, allowing safeguarding of capital until payment of the annuity benefits
 - o Immediate annuity (*Direct Ingaande Lijfrente*), where annuity benefit payments are made on a regular basis, lifelong or for a fixed period of time

The pension market in the Netherlands is undergoing significant changes (see ‘**INDUSTRY OVERVIEW**’). The Company believes that the gradual retreat of the Dutch government in providing pension provisions and increasing pressure on private pension funds are likely to lead to a shift in demand by retail customers for pension products. For pensions, REAAL Verzekeringen expects to grow. REAAL Verzekeringen has recently launched a number of products including the newly developed universal life and semi-group pension products, for example *Groeps Individueel Pensioen Plan*.

New legislation effective from January 2006 makes it possible for employees to save money for long-term leave or early retirement (*Levensloop*; see ‘**INDUSTRY OVERVIEW**’). SNS REAAL offers customers a flexible account with the opportunity to invest money in a savings account and/or investment funds and/or insurance products and the ability to switch between them. *Levensloop* services are offered on an individual basis and as a collective/group contract with an interest bonus for its participants. REAAL Verzekeringen has also added the option of a specific yearly bonus arrangement. The Company believes that next to mortgages, the *Levensloop* product range could trigger (further) financial planning by customers. The Company believes it is well positioned to benefit from this new legislation given SNS REAAL’s presence in both the banking and insurance market.

Furthermore, developments in the housing market may provide REAAL Verzekeringen with opportunities for further growth, which could strengthen its market share in mortgage-related life insurance products. Customer offerings for the housing market include the *ParticipatiePlan*, which is a universal life product comprising different products aimed at wealth accumulation for different purposes (mortgages, savings, investments, pensions). Key selling points of *ParticipatiePlan* are its flexibility (adaptation during the life of customers), its transparency (seven products with clear purposes and no overlap) and its cost structure (customers only pay for what they actually use). The Company believes its *ParticipatiePlan* product range is still among the most innovative in the market for universal life insurance products.

Non-life insurance

The non-life insurance market in the Netherlands is fragmented in comparison to the life insurance market. In 2004, the top-10 insurance companies in the Netherlands had a combined market share of 78.6% of total GWP excluding medical insurance and credit insurance, with SNS REAAL ranking eighth with a market share of 3.6% in 2004 (including the acquisition of Nieuwe Hollandse Lloyd) (source: Dutch Central Bank).

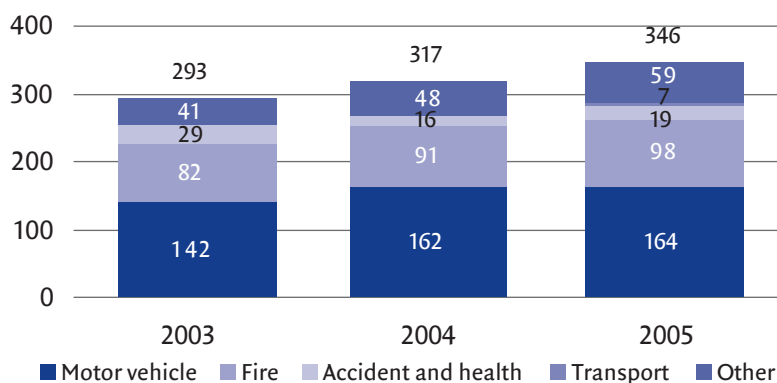
SNS REAAL offers non-life insurance products to retail and SME customers, using a multi-channel and multi-brand strategy:

- o Customers of independent intermediaries are served under the REAAL Verzekeringen brand
- o Simple risk products are marketed through bank branches and the Internet, using the SNS Bank brand (*SNS Snelverzekeraar*)
- o REAAL Verzekeringen’s products are distributed through underwriting agents under the underwriting agent’s own brand

- Special distribution is developing white label solutions and the Company intends to further develop partnerships in 2006
- REAAL Verzekeringen has gained access to the Dutch insurance exchange (*Assurantiebeurs*) through the acquisition of Nieuwe Hollandse Lloyd
- Proteq Direct, using the Internet, acts as a direct writer

Categories of non-life insurance products are fire, accident and health, motor vehicle, and others (for example transport, legal assistance and pet insurance).

GWP non-life insurance (€ million)



Source: Company

The products that REAAL Verzekeringen offers are often packaged into product groups. REAAL Verzekeringen currently offers the following packages to customers:

- *TotaalPakket*, including household contents insurance, building insurance, liability insurance, legal assistance insurance, car/motor bike/caravan insurance, and travel insurance. The customer is required to select at least three of the mentioned types of insurance in order to benefit from the discounts related to *TotaalPakket*
- *Woonpakket*, which includes household contents, building, liability, accident, and legal assistance insurance
- *Verkeerspakket*, which includes the regular car and motor bike and related insurance products (for example accident, legal assistance)
- *Recreatiepakket*, which includes travel insurance and caravan insurance

Key to most of the non-life insurance product offerings of REAAL Verzekeringen is the modular nature of product offerings. Customers are offered the opportunity to pay only for the coverage they need.

Through the acquisition of Nieuwe Hollandse Lloyd, REAAL Verzekeringen now also undertakes co-insurance business on the Dutch insurance exchange (*Assurantiebeurs*). When co-insuring, REAAL Verzekeringen assumes a portion of the insurance risk (based on a capped insurance amount), but does not underwrite any major or industrial risks. The Company believes that, through the acquisition of Nieuwe Hollandse Lloyd, REAAL Verzekeringen has become an important player in the area of transport co-insurance. Co-insurance on the Dutch insurance exchange has been a small but profitable business. REAAL Verzekeringen intends to further expand this business.

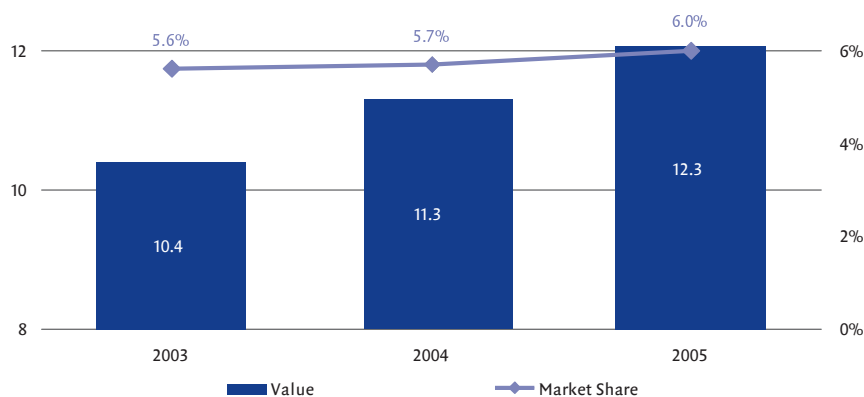
Disability

In 2004, SNS REAAL added disability insurance to its product portfolio. The Company believes that disability insurance is a logical extension of the life insurance and pension business (income protection). In addition, the Company believes that changes in applicable Dutch legislation will open up a formerly government-controlled market and offer a good opportunity for further expansion (see '**INDUSTRY OVERVIEW -- Disability insurance market reforms**'). The Company also believes it is able to become one of the top-5 providers of disability insurance in the Netherlands within the next five years, with a ranking of twelfth as at year-end 2005 (source: Company). REAAL Verzekeringen has extended its Service Centre Insurance ('**SCI**') to be able to process individual disability insurance products, including policies to cover housing expenses in case of disability (*woonlastenverzekering*). In November 2005, SNS REAAL entered into a co-operation agreement with De Goudse Verzekeringen, where REAAL Verzekeringen sells De Goudse Verzekeringen disability insurance products for SMEs under the REAAL Verzekeringen brand. The Company believes it can expand in the disability insurance market segment as it is able to offer ease of administration, fast payment processing of claims due to its Internet based proposition REAALverzuim.nl, and complete reimbursement for prevention and reintegration services.

Savings and investments

The consumer savings market amounted to € 211.0 billion at year-end 2005 with SNS REAAL believed to be ranking fifth with a 6.0% market share (source: Company). Since 31 December 2003, SNS REAAL's retail-plus savings volumes increased by 21.2% from € 10.4 billion to € 12.3 billion as at year-end 2005.

Market share (in %) and volumes retail-plus savings (€ billion)



Source: Company

SNS REAAL has introduced several product (distribution) concepts since the beginning of 2003 which the Company believes to be significant and SNS REAAL will continue introducing product (distribution) concepts. Of particular importance to SNS Bank were the introduction of savings and investment products such as SNS *Spaarmix*, SNS *Managed Account*, ASN *Idealsparen*, ASN *Optimaalsparen* and SNS *Fundcoach*.

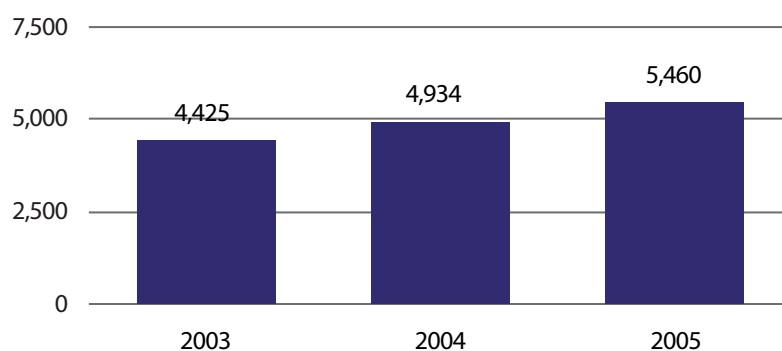
Savings

SNS REAAL offers a wide range of savings products, which are distributed mainly through SNS REAAL's banking subsidiaries. Savings products can be divided into three categories:

- Instant access bank accounts with a variable interest rate
- Fixed interest, single deposit accounts with no or limited access
- Periodical deposits with variable or fixed interest rates

SNS REAAL's Internet based savings propositions have grown rapidly since the introduction thereof, both in terms of number of account holders and the level of deposits. The majority of the growth represents new funds entrusted. The Internet savings volume increased from € 4.4 billion at year-end 2003 to € 5.5 billion at year-end 2005.

Total Internet savings (€ million) ⁽¹⁾



(1) Includes SNS *Internetsparen*, SNS *Internetsparen Xtra*, SNS *Zakelijk Internet Sparen* and SNS *Zakelijk Internetsparen Extra*

Source: Company

Since 2000, savings product introductions of SNS Bank include:

- SNS *Internetsparen*: 24-hour access to the Internet account and easy withdrawal
- SNS *Internetsparen Xtra*: extra interest is paid on money which is not withdrawn for 6 months or longer
- SNS *Spaarmix*: relatively high interest rate and easy access to investments in the SNS and ASN investment funds, with no transaction costs and a 1% fee charged on withdrawal of funds

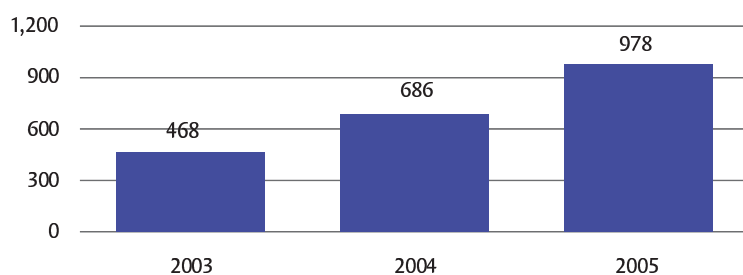
SNS Bank also introduced Internet savings propositions targeted at SME customers, such as SNS Zakelijk Internet Sparen and SNS Zakelijk Internetsparen Extra.

SME customers had on deposit with SNS Bank a total of € 2.7 billion as at year-end 2005. The SNS Toprekening account offers a flexible cash management solution. Dedicated Internet savings products have been introduced for the SME market. An example is the SNS Zakelijk Internet Sparen account, which pays bonus interest on amounts placed on deposit for at least 6 months.

ASN Bank

ASN Bank offers its customers a distinctive range of sustainability-focused savings products, with attractive and innovative features such as a PVC-free ATM card. An example of this product range is ASN Internetsparen, an Internet savings account of ASN Bank, which experienced a significant inflow of savings money from 2003 through year-end 2005.

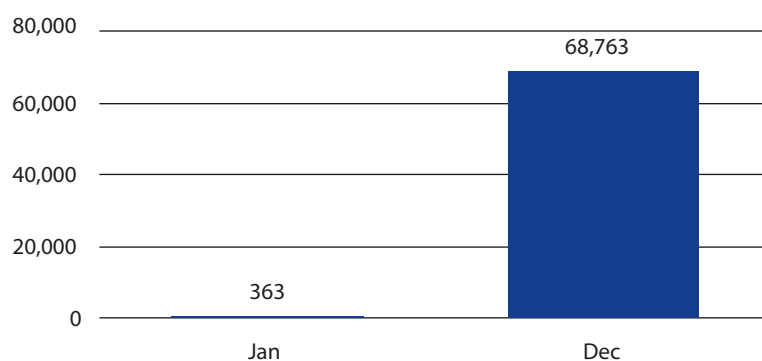
ASN Bank Internet savings account -- volume outstanding (€ million)



Source: Company

On the basis of the savings products, ASN Bank attracted more than 60,000 new customers in 2005, an increase of approximately 30% compared to the number of customers at year-end 2004. Another product which contributed to this success is ASN *Ideaalsparen*, which offers a relatively high interest rate and requires a constant monthly deposit of between € 50 and € 250. The number of withdrawals is not limited, provided that funds are available, and can be made at no cost. The chart below shows the evolution of the number of these accounts since their introduction at the beginning of 2005.

Number of accounts ASN *Ideaalsparen* in 2005



Source: Company

Investments

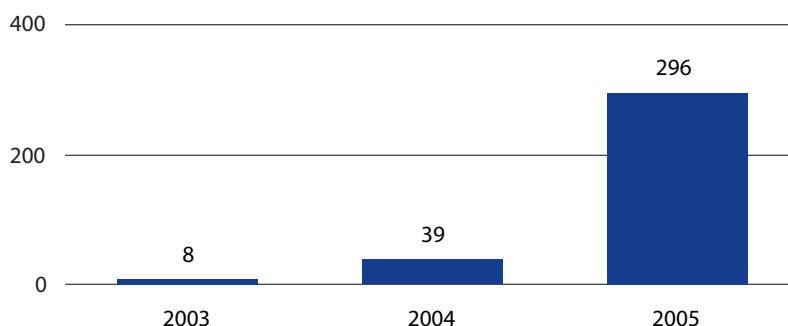
SNS REAAL offers a full range of investment products for retail customers, from do-it-yourself propositions in the area of stock picking and fund selection to personal portfolio management for wealthy individuals. The Company believes this offering to be a solid base for further increasing the total AUM from € 14.3 billion at year-end 2005.

Do-it-yourself proposition

SNS Effectenlijn offers the retail-plus investor Internet and telephone brokerage services on the leading European exchanges. This user-friendly service distinguishes itself by charging a simple and transparent all-inclusive fee. It was the first discount broker in the Netherlands and consistently received top-3 rankings as an Internet brokerage service (source: Belegger.nl).

SNS Fundcoach is an Internet fund supermarket offering easy access to investment funds of asset managers such as AXA Rosenberg, Credit Suisse, DWS, Fidelity, Merrill Lynch and Robeco, and specialist asset managers such as East Capital, Fairfield Greenwich and Pictet. The growing popularity of investing in mutual funds in a cost effective way generated the increase in AUM and the increase in the number of accounts, which is illustrated in the following chart.

SNS Fundcoach (total AUM) (€ million)



Source: Company

Advisory products

SNS Vermogensprisma is a colour-based investment management concept used to assist customers with their asset allocation. The following spectrum of risk profiles is offered:

- Green -- no risk: different savings products
- Yellow -- defensive: SNS Optimaal Geel: a fund investing at least 50% in high quality bonds and cash with a maximum of 25% in equity and real estate
- Orange -- balanced: SNS Optimaal Oranje a fund investing at least 50% in investment grade bonds, with the remainder in equity and up to 10% in real estate
- Red -- aggressive: SNS Optimaal Rood a fund investing at least 50% in equity in established markets
- Purple -- highly aggressive: SNS Optimaal Paars a fund investing at least 90% in equity including up to 10% in emerging markets and 15% in real estate

SNS Effecten adviesdesk is a service providing customers individual investment advice on the basis of model portfolios used to structure the advice (total AUM of € 480 million at year-end 2005). For a limited number of customers a managed account service is offered (total AUM of € 113 million at year-end 2005).

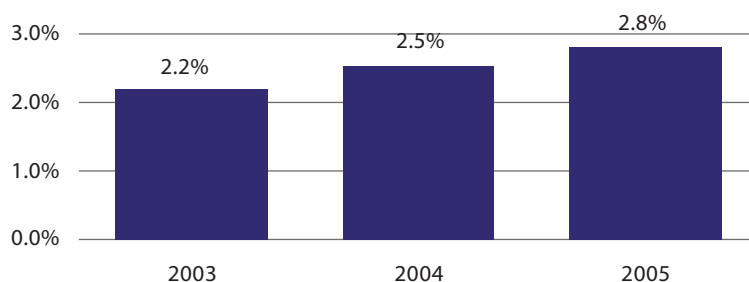
Wealth management products

SNS Managed Account addresses the need for personal investment advice for smaller portfolios, starting at € 20,000. Based on the customer profile, a tailor-made portfolio of investment funds is set up, discussed with the customer, and actively managed by SNS Bank. On the SNS Fundcoach website, the customer is able to follow his portfolio and recent transactions on-line, while quarterly reports are also available. SNS Vermogensbeheer offers management of individual portfolios starting at € 250,000.

Investment funds

The market share of the investment funds managed by SNS REAAL, based on volume, has consistently increased since mid-2003.

Market share SNS REAAL investment funds



Source: Dutch Central Bank

Under the SNS Bank brand, 15 investment funds are offered, with total AUM of € 2.2 billion at year-end 2005, compared to € 1.5 billion at year-end 2003. The funds are managed by SNS Beleggingsfondsen Beheer B.V., and listed on Eurolist by Euronext. Apart from the funds discussed above with regard to SNS *Vermogensprisma*, the following funds are offered:

- SNS Wereld, Euro, Amerika, Azië, en Nederlands aandelenfonds: Global, European, America, Asia, and the Netherlands equity funds
- SNS Duurzaam Aandelenfonds: investing in the more sustainable European companies
- SNS Hoogdividend Aandelenfonds: high dividend European and American stocks
- SNS Euro Mixfonds: approximately 50% European equity, 50% European bonds
- SNS Euro Vastgoedfonds: European real estate
- SNS Euro Obligatiefonds: investment grade European bonds
- SNS Euro Liquiditeitenfonds: investment grade European money market instruments

Under the ASN Bank brand, 6 investment funds are offered, with total AUM of € 985 million at year-end 2005, compared to € 563 million at year-end 2003. The funds are managed by ASN Beleggingsinstellingen Beheer B.V. The following ASN Bank labelled funds are offered:

- ASN Aandelenfonds: equity of global sustainable companies
- ASN Obligatiefonds: bonds of European sustainable companies, and government bonds
- ASN Mixfonds: a balanced mix of the ASN Aandelenfonds and ASN Obligatiefonds
- ASN Groenprojectenfonds: investing in loans to fiscally facilitated environmentally friendly projects
- ASN Milieu & Waterfonds: investing in global environment and water
- ASN Novib fonds: investing in micro-financing in developing countries

SNS Asset Management -- Wholesale and professional customers

SNS Asset Management is currently a unit of SNS Bank and manages the investment portfolio of REAAL Verzekeringen as well as a large number of portfolios of sustainability-focused institutions, pension funds and other institutional investors, and the portfolios of SNS Beleggingsfondsen N.V. and ASN Beleggingsfondsen N.V. In the course of 2006 SNS Asset Management will be repositioned from its current position within SNS Bank to a separate direct subsidiary of the Company. The Company believes this will enable SNS Asset Management to better service the banking and insurance operations within SNS REAAL and to do so more independently. Furthermore, this repositioning is intended to support the external focus of SNS Asset Management.

With total AUM of € 14.3 billion as at year-end 2005, SNS Asset Management is a medium-sized asset manager in the Netherlands. SNS Asset Management is organised into four divisions: research, portfolio management, customer services, and control and administration. Through SNS Asset Management, sustainability-focused organisations, pension funds and other institutional investors with a strong social involvement invest in securities of leading companies on the basis of the bottom line: people, planet and profit. The Company believes that SNS Asset Management is one of the leading Dutch institutions in this field. Its sustainability analysis department, in particular, employs a unique methodology. In contrast to other asset managers, SNS Asset Management has developed its own methodology to assess listed companies on their sustainability. The Company believes that this type of investment provides a risk return profile comparable to general investments, meeting the specific sustainability criteria of SNS REAAL's customers.

Development AUM SNS Asset Management (€ billion)






Source: Company

Distribution and brands

The development of new and innovative distribution channels is as important to the strategy of SNS REAAL as the innovation of its products. Changes in the distribution landscape in the Netherlands due to, among other things, the growth in the use of the Internet and new legislation (such as the Dutch Financial Services Act, see **'SUPERVISION AND REGULATION'**) have given SNS REAAL the opportunity to access new markets and gain market share.

SNS REAAL uses various channels to distribute and market its products and services (a multi-channel approach). This includes direct distribution channels such as SNS Bank's branch network, the Internet and call centres, and indirect distribution channels such as intermediaries, underwriting agents and various forms of partnerships.

Distribution split banking products


		Mortgages ⁽¹⁾	Savings ⁽²⁾
Indirect	Specialised Brands BLG  Hypotheken	23%	0%
	CVB Bank 	8%	0%
	Individual Intermediaries – SNS Bank	46% ⁽²⁾	0%
	IFA Network (Inkoopcombinaties) – SNS Bank		
	Franchise Organisations/Partnerships – SNS Bank		
Direct	Branches / Internet / Call Centres – SNS Bank	23%	52%
	Specialised Brand ASN  Bank	0%	26%

(1) 2005 new business

(2) 46% is the total of individual intermediaries, IFA Networks and franchise organisations/partnerships

Source: Company

Distribution split insurance products

		Life ⁽¹⁾	Non-Life ⁽²⁾
Indirect	Individual Intermediaries	27%	45%
	IFA Network (inkoopcombinaties)	27%	
	Franchise Organisations/Partnerships	35%	
	Underwriting Agents	0%	29%
Direct	Internet (incl. Specialised Brand) 	1%	13%
	SNS Bank	11%	13%
	Retail Chains	0%	<1%

(1) 2005 new business

(2) 2005 premium income. For the distribution of non-life insurance products it is not possible to split between distribution by Individual intermediaries, IFA Networks and franchise organisations/partnerships.

Source: Company

The Company considers it important to explore different distribution methods as a way to maintain a leading position and to learn from different approaches to customers. Current examples are Route Mobiel (insurance cover for mobile emergency repair services for cars), Moneybox (remote and mobile ATMs) and Bill (MSN payment transactions). SNS REAAL aims to further develop these initiatives into successful businesses and intends to build on these experiences of innovation in distribution.

Intermediaries

The intermediary channel is the most important distribution channel for SNS REAAL. In principle, SNS REAAL works with intermediaries on a non-exclusive basis. Mortgage volume generated through SNS Bank intermediaries amounted to € 3.8 billion in 2005 and approximately 18% of this volume was realised with the top-10 intermediaries used by SNS REAAL. This volume is relatively balanced between the top-10 intermediaries. In 2005 24% of new regular life insurance business and 8% of GWP in non-life insurance was generated by the top-10 intermediaries. Similar to its mortgage income, SNS REAAL's GWP is relatively evenly split between the top-10 intermediaries used by SNS REAAL. The Company believes SNS REAAL has a strong position with intermediaries due to sound processing capabilities, a flexible IT infrastructure, flexible product offerings based on a standardised and modular approach, transparent and sound pricing, reliable service levels and fair commission levels.

SNS Bank intermediaries

In 2005 in total approximately 77% of all mortgages were generated through the indirect channel of SNS Bank. This can be explained by the growth at BLG Hypotheekbank and CVB Bank who only use the intermediary channel. For mortgages sold by intermediaries under the SNS Bank brand, customer ownership remains with SNS Bank. Prospective customers are invited by the nearest SNS Bank branch for an introductory meeting which enables customer account managers to actively cross-sell other products and services and establish a banking relationship with the customer as if the customer was sourced directly by SNS Bank. SNS Bank is therefore able to market this customer base directly and on its own accord.

SNS Bank has an active relationship with 1,925 intermediaries (at year-end 2005), which in 2005 generated € 3.8 billion of mortgage loans.

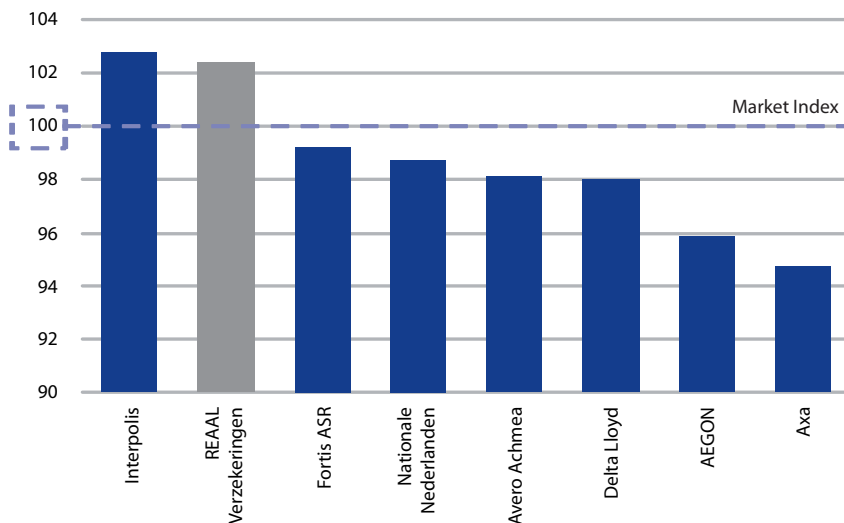
SNS Assurantiën B.V. is an intermediary of SNS Bank which focuses on offering a wide range of insurance products to SME customers. The distribution channels of SNS Bank are actively used to promote the offerings of SNS Assurantiën B.V. (Verzekering op maat product range).

REAAL Verzekeringen intermediaries

REAAL Verzekeringen uses different intermediary channels for distributing its products and services. Apart from the independent intermediary this includes underwriting agents (non-life insurance only), IFA networks (mostly life insurance) and partnerships. In 2005 the largest distribution channels for life insurances in terms of GWP were

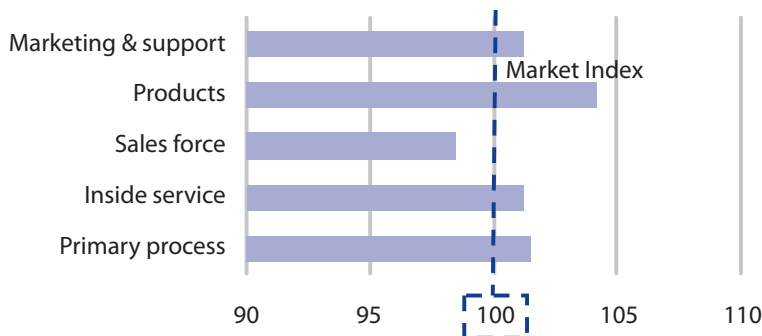
intermediaries and partnerships and the independent intermediary channel for non-life insurance. REAAL Verzekeringen has chosen to focus on the top-200 intermediaries and aims to terminate its relationship with non-profitable intermediaries.

Performance index life insurers 2005



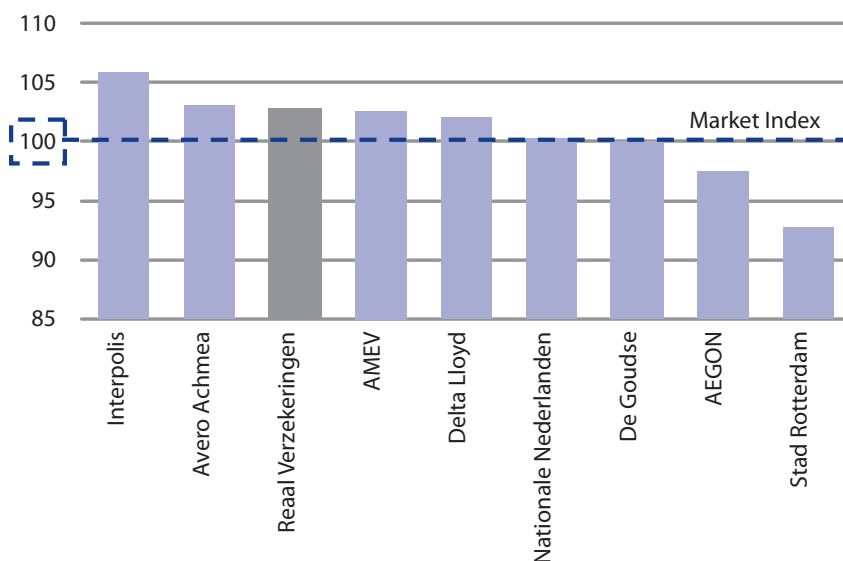
Source: IG&H Management Consultants 2005

REAAL Verzekeringen life insurance breakdown 2005



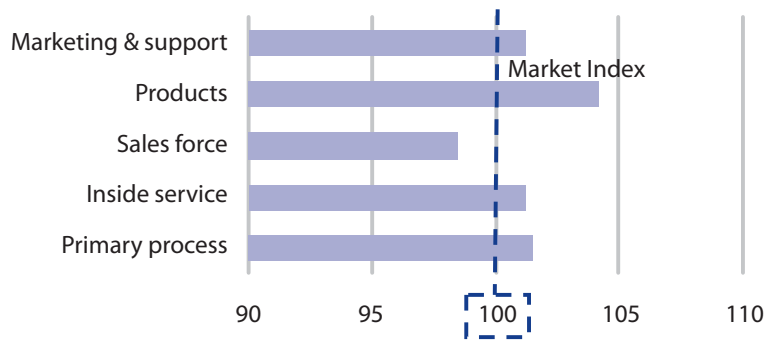
Source: IG&H Management Consultants 2005

Performance index non-life insurers 2005



Source: IG&H Management Consultants 2005

REAAAL Verzekeringen non-life insurance breakdown 2005



Source: IG&H Management Consultants 2005

IFA networks

Recently, IFA networks have established themselves as important partners in the Dutch life insurance market, acting as agents between insurance companies and intermediaries. These networks, among other services, offer small and medium-sized intermediaries specific product packages and commission arrangements.

REAAAL Verzekeringen partners with most of the larger IFA networks. Due to efficient back-offices and flexible IT systems, the Company believes it is able to create relevant solutions for its distribution partners. The Company believes that the growth realised through its IFA networks proves its ability to successfully partner with intermediaries.

Franchise organisations

Franchise organisations are another important distribution channel for REAAAL Verzekeringen, in particular for life insurance products. In general, the franchisee operates under a franchise agreement, in a business model developed by the company offering the franchise (the franchisor). The rights granted to the franchisee may include the use of the franchisor's trade marks, trade names and other intellectual property, access to the franchisor's know-how, and access to a supply network of products and services. As a general policy, REAAAL Verzekeringen no longer seeks equity interests in franchise organisations. In the past few years REAAAL Verzekeringen divested most of the participating interests previously acquired. Currently, it holds a minority interest in Hypotheek Visie. In 2005, REAAAL Verzekeringen generated 35% of its new business in life insurance through franchise organisations/partnerships.

Underwriting agents (volmachten)

Currently, there are approximately 350 underwriting agents in the Netherlands (source: IG&H Management Consultants), of which REAAAL Verzekeringen services approximately 130. The acquisition of the Zurich portfolios and the acquisition of Nieuwe Hollandse Lloyd led to an increase of 57 in the number of underwriting agents engaged by SNS REAAL. Underwriting agents report on a monthly basis to REAAAL Verzekeringen to ensure that claim ratios are kept under control.

The premium volumes generated by REAAAL Verzekeringen through underwriting agents was € 140 million in 2005. The Company believes that REAAAL Verzekeringen has a significant number of the most important underwriting agents in the Netherlands under contract. REAAAL Verzekeringen is focused on increasing the production volumes per underwriting agent. IG&H market research indicates that REAAAL Verzekeringen was the primary insurance provider for 30% of the Dutch underwriting agents at year-end 2004 under contract with REAAAL Verzekeringen.

SNS Bank's distribution network

SNS Bank's branch network

The Company believes that a branch network with nationwide coverage is of strategic importance to SNS Bank. Although new customers are increasingly attracted to innovative direct distribution channels, converting these new customers into relatively stable banking relations requires the presence of a branch network. The branch network and SNS Bank's Internet proposition are integrated in its 'clicks and bricks' approach whereby advice-based concepts and products are fully supported and complemented by do-it-yourself based concepts and products. SNS Bank maintains real-time and on-line customer information, and has integrated its marketing efforts and administrative systems to support its 'clicks and bricks' approach (see 'The Internet').

The roll-out of ATMs and the Internet made it possible for SNS Bank to decrease the number of branches and realise the productivity gains made possible by these new technologies. SNS Bank continues to optimise its branch network, closing down or refurbishing existing branches and opening branches in new areas in order to ensure that it has local presence throughout the Netherlands. From 2003 to 2005, SNS Bank closed a total of 30 bank branches. By

carefully selecting these branches, the decrease in the number of branches did not have a negative effect on market shares and sales volumes in the relevant areas. By the end of 2005, SNS Bank had a total of 167 branches, of which 16 are located in the Randstad area. The Company expects to increase the number of its branches located in the Randstad area to 25 by the end of 2006 (see '**Sustained growth profile**').

SNS Bank's branch network is an important means of cross-selling products to SNS REAAL's customers. This involves selling packaged products (for example *Woonpakket* for retail customers and *Zaak op Maat* for SME customers), selling additional banking and insurance products and services to customers sourced by intermediaries (for example life insurance and investment funds), and providing REAAL Verzekeringen with an additional distribution channel for simple risk products. In 2005, 11% of new regular life insurance business and 13% of non-life insurance GWP of REAAL Verzekeringen was generated through the branch network.

SNS Direct

In addition to branches and intermediaries, SNS Bank has a direct distribution channel through SNS Direct. As direct distribution is becoming increasingly important in the Dutch financial services industry, SNS Direct is expected to contribute to the growth of SNS REAAL's market share and to support the distribution of new products. SNS Direct provides customer services via telephone, an interactive voice response system and the Internet. This enables advisors to sell mortgages, consumer and business credit products and life and non-life insurance policies via call centres. SNS Direct is further developing these call centre services for the other brand names within SNS REAAL.

Specialised brands

Within the multi-channel approach, in addition to SNS Bank and REAAL Verzekeringen, SNS REAAL also uses other differently positioned brands:

- ASN Bank
- BLG Hypotheekbank
- CVB Bank
- Proteq Direct

ASN Bank

ASN Bank, a wholly-owned subsidiary of SNS Bank, is one of the largest sustainability-focused banks in the Netherlands. The bank's products and services are aimed at improving the sustainability of society, under the general principles of 'People, Planet, and Profit' (so-called triple P). All funds deposited are invested in projects and companies that take into account human rights, animal rights and the environment. The Company believes that ASN Bank is a trendsetter in the development of sustainability-focused investment products. The bank also offers its ASN Bank labelled investment funds such as *ASN Aandelenfonds*, *ASN Obligatiefonds*, *ASN Mixfonds*, *ASN Groenprojectenfonds*, *ASN Milieu & Waterfonds*, and *ASN Novib fonds* (see '**Products -- Savings and investments**'). At year-end 2005, ASN Bank had approximately 263,000 customers, an increase of 34% compared to year-end 2003. At year-end 2005, total funds entrusted amounted to € 3.0 billion of which € 2.0 billion was in savings deposits (an increase of € 374 million compared to 2003) and € 985 million was in AUM through the ASN Bank investment funds. During 2003, ASN Bank was able to increase savings deposits considerably through the introduction of the ASN Internet savings accounts. In 2005, ASN Bank's customer base increased by 60,670 and 10.3% in investment deposits. The Company believes that ASN Bank will benefit from a growing trend in the consumer market to invest in sustainability-focused products and services. ASN Bank operates mainly as a direct writer, using telephone, the Internet and mail as its distribution channels. In addition, its products and services are also offered through, among others, the branches of SNS Bank and SNS Fundcoach.

BLG Hypotheekbank

BLG Hypotheekbank is a wholly-owned subsidiary of SNS Bank and is active only in mortgages. BLG Hypotheekbank mortgages are sold via intermediaries such as mortgage advisors, insurance agents and real estate agents. BLG Hypotheekbank is positioned as a low cost mortgage provider, whilst offering SNS Bank further exposure amongst intermediaries. BLG Hypotheekbank is able to benefit from the product development and IT investments of SNS Bank and, therefore, is able to maintain a competitive and attractive proposition in the market. In October 2005 it was awarded the *Zilveren Spreekbuis* (elected by intermediaries), commending its well run organisation and its ability to meet expectations. In addition, its *Pensioen Optimaal Hypotheek* was adjudged best mortgage product in February 2006 by the Institute for International Research. During 2004, BLG Hypotheekbank's back-office was integrated in SNS REAAL's Service Centre Mortgages ('SCM') resulting in further synergies and standardisation within SNS REAAL. The mortgage portfolio of BLG Hypotheekbank was € 8.1 billion at year-end 2005 (up from € 6.2 billion at year-end 2003). The total income of BLG Hypotheekbank amounted to € 80.5 million in 2005.

CVB Bank

CVB Bank is a wholly-owned subsidiary of SNS Bank and offers a full banking franchise formula, and markets and distributes a wide range of SNS REAAL mortgages, insurance policies, and savings and investment products and services. CVB Bank is a major supplier of a franchising formula for banking services in the Netherlands. Since 2003, CVB Bank has expanded and upgraded its network and franchising formula, which initially led to a reduction in the number of franchisees. While maintaining the improved quality, the number of franchisees has substantially grown since 2003. At year-end 2005, CVB Bank had 425 franchisees, compared to 330 at year-end 2003. Through the franchise formula a presence is established in those areas, which are no longer directly serviced by branches of SNS Bank. CVB Bank was adjudged 'Best Provider of banking services' in May 2005 by *Independer* and had the highest employee satisfaction in the Netherlands for companies with less than 1,000 employees according to *Effectory* in February 2005. CVB Bank has benefited from general divestments and closures of bank branches in the Netherlands. The mortgage portfolio of CVB Bank was € 3.1 billion at year-end 2005 (up from € 2.4 billion at year-end 2003), while the savings portfolio was € 1.4 billion at year-end 2005 (up from € 1.0 billion at year-end 2003). The total income of CVB Bank amounted to € 42.9 million in 2005.

Further to the franchising formula, CVB Bank offers banking services to REAAL Verzekeringen's intermediaries through REAAL Bancaire Diensten, including savings accounts, investment accounts and service accounts (incorporated in *ParticipatiePlan*; see '**Products -- Life and non-life insurance**'). Currently, approximately 1,600 intermediaries act as agents for REAAL Bancaire Diensten. Their sales efforts mainly focus on investment funds. At year-end 2005, approximately 19,000 customers were being provided with services and approximately € 257 million of assets had been accumulated.

Proteq Direct

Proteq Direct consists of two wholly-owned subsidiaries of REAAL Verzekeringen. Under the Proteq Direct brand name, REAAL Verzekeringen markets and distributes both its life and non-life insurance products directly to retail-plus customers. Direct sales are realised through telephone, the Internet and mail. Next to its own brand, Proteq Direct develops, markets, processes and administers insurance products for specific target groups (white labelling). Proteq Direct is specifically known for its *Dier & Zorg Verzekering* that provides health and accident insurance for pets. By the end of 2005 Proteq Direct had introduced a significant upgrade of its Internet proposition (calculate, buy, maintain or claim). Proteq Direct aims to offer intermediaries a white label Internet-based customer solution in 2006 based on this proposition. GWP volumes after two years of significant reorganisations increased to € 69 million in 2005, comprising 400,000 customers.

Distribution partnerships

Since 2001, distribution partnerships have played an important role in the sales activities of SNS REAAL and have contributed significantly to the growth of REAAL Verzekeringen. This concept was developed by SNS REAAL in order to establish alliances with third parties aimed at increasing its distribution platform and sales. Next to existing partnerships, such as Bouwfonds, a number of other partnerships have been developed during this period, such as DSB Groep N.V. and Univé.

The Company believes that the quality of REAAL Verzekeringen's products and its back-office capabilities have proven to be a competitive advantage in securing new partnerships. REAAL Verzekeringen also underwrites white labelled products, allowing its partners to use their own marketing and sales organisations and brand names while benefiting from the strengths of the products and the back-office processes of REAAL Verzekeringen, including supply chain integration and STP of REAAL Verzekeringen (see '**Straight Through Processing (STP)**').

The Internet

SNS Bank

In addition to a more traditional branch offering, SNS Bank is developing a self service concept for its customers focused on Internet based solutions, including messaging and webcam. This concept is supported by interactive ATMs and the call centres. Information, transactions, advice, sales and services will be bundled into one customer proposition. For intermediaries SNS Bank offers an Extranet whereby a tracking and tracing system is in place to monitor the status of mortgage applications.

SNS Bank has developed a recognised Internet banking and investments platform and estimates that 70% of customer payment transactions are handled through the Internet, and that approximately 75% of all investment transactions are handled through the Internet. The Internet propositions are translated to most of its specialised brands. In addition, SNS *Fundcoach*, on a separate platform, offers customers an Internet fund supermarket and easy access to investment funds of international asset managers.

The next stage for SNS Bank is to develop a sales driven Internet solution supporting the branch organisations and its intermediaries and offering customers the opportunity to buy SNS Bank products. An early example is SNS

Snelverzekeraar offering customers the opportunity to buy one or more of eight simple risk non-life insurance products, including product packages. SNS Bank has started offering savings products, fund accounts and insurance products on the Internet only. SNS Bank will continue to invest in its Internet proposition to customers and intermediaries.

REAAAL Verzekeringen

REAAAL Verzekeringen recognises three levels of Internet based propositions and is in the process of developing an integrated approach:

- Virtual intermediaries
- Websites of traditional intermediaries
- REAAAL Verzekeringen website: *reaal.nl*, which is used for sales and administrative reporting

Virtual intermediaries

To attract potential customers, REAAAL Verzekeringen believes that one should have the opportunity to directly and immediately buy insurance policies at any time of day. This may require intermediaries to become underwriting agents or to fully integrate their back-offices with REAAAL Verzekeringen's back-office.

Websites of traditional intermediaries

REAAAL Verzekeringen aims to selectively support intermediaries, primarily being the larger nationwide and regional intermediaries, franchise organisations and IFA networks. The smaller ones are supported through *reaal.nl* for lead and traffic generation.

Reaal.nl

Customers looking for insurance products can orientate themselves on the REAAAL Verzekeringen Internet site. This not only includes details of premium levels, but also other information, such as product features and the possibility to structure the product to meet the customer's personal situation. Customers wanting to buy insurance products are requested to choose from a list of participating intermediaries based on their postal code and the type of insurance. Those seeking personal advice will be directed, via *reaal.nl*, to a particular intermediary.

Service centres and information technology

The innovation strategy of SNS REAAAL is facilitated by service centres that enable the implementation and processing of new products and services, and facilitate new service and distribution concepts (for example white labelling and the Internet). Currently, all back-office processes are grouped into one of the four service centres: mortgages, securities, payment services and insurance. Recent distribution alliances of REAAAL Verzekeringen have shown that the flexibility, quality and cost levels of services (and underlying products) provided by the service centres are distinguishing characteristics of SNS REAAAL.

The service centres are organised as cost centres providing services to all brands and distribution channels of SNS REAAAL on the basis of service level agreements between the service centres and the operating units. The service centres are managed and benchmarked on the quality of service and cost levels. In-sourcing of activities enhances productivity and reduces costs per unit.

Service Centre Mortgages (SCM)

The SCM services the main brands of mortgages of SNS REAAAL using digital processing of mortgage files and automated workflow management. At year-end 2005, SCM employed 104 FTEs. Over the years, SNS REAAAL managed to decrease its widespread locations for the different mortgage service centres from 8 (in 1998) to a single location, located in Utrecht. Its previous four systems have been bundled into two systems and it is expected to converge to a single system platform. SCM has started a project to enhance its STP grade in its mortgage mid-office. At year-end 2005, SCM was handling a portfolio of approximately 280,000 mortgage loans.

Service Centre Securities (SCS)

The Service Centre Securities ('SCS') services all brands and channels within SNS REAAAL with regard to securities orders. Next to the retail business services, SCS also handles all wholesale transactions for SNS Asset Management. Retail-plus customers maintain a cash and securities account managed by SCS. SNS Securities has its own back-office facilities, based on specific brokerage transactions without custody. At year-end 2005, SCS employed 28 FTEs. SCS is located in 's-Hertogenbosch. It is a compact organisation capable of realising 100% STP for retail-plus transactions. At year-end 2005, SCS had approximately € 16.8 billion assets in custody and was handling approximately 1.5 million transactions per year, including mutual funds.

Service Centre Payment Services (SCB)

The Service Centre Payment Services ('SCB') offers payment services for all brands and all channels within SNS REAAL and is responsible for archiving customer-related documents, which it does using SNS REAAL's Document Imaging System. At year-end 2005, SCB employed 94 FTEs. SCB is located in Arnhem. SCB is planning to further enhance its STP grade in the near future.

Service Centre Insurance (SCI)

SCI provides services to the brands of SNS REAAL and third party brands from one location, using one system and one process for each product group and distribution channel. At year-end 2005, SCI employed 795 FTEs. It is located in Alkmaar (life insurance, pensions, and white labelled products), Zoetermeer (non-life insurance and disability) and Assen (SNS Bank insurance and Univé). All back-office activities relating to its insurance operations are organised in one service centre, SCI. The implementation was finalised in 2002 by eliminating all remaining legacy systems.

SNS REAAL intends to increase the STP grade for all its products with a view to fully automating the processes for accepting new policies and making policy alterations, and to integrate this system with the systems of intermediaries in order to ensure single point data entry. As the SCI already works with document imaging and workflow management systems, processes are mainly computer-based, providing a solid basis for the implementation of STP. The Company believes that STP will make it possible to reduce the number of employees over the next five years.

The back-office processes of REAAL Verzekeringen have a long-standing reputation. Independent market research indicates that REAAL Verzekeringen has, on a regular basis, out-performed the market with regard to processing life and non-life insurance products.

REAAL Verzekeringen's expertise in the areas of back-office processes and migration of legacy systems onto one platform have enabled REAAL Verzekeringen to increase the speed with which innovations can be launched and implemented.

Straight Through Processing (STP)

STP refers to the total automation of all stages in the business process from application to acceptance and administration and requires integrated back-offices and systems. SNS REAAL considers the implementation of STP of importance in order to maintain a competitive advantage as STP should result in:

- Improvement of performance, quality, output time and availability
- Scalability, both during performance peaks and on a structural basis
- Process and systems innovation
- Cost efficiencies

STP is implemented for the service centres SCB (completed in 2002) and SCS (completed in 2003) and is subject to continuous review for improvements. Within these two service centres a minimum STP grade of 90% has been achieved. FTE reductions amounted to 25% (SCB) and 50% (SCS). In 2005, a project was commenced implementing STP in SNS Bank's mortgage mid-office and REAAL Verzekeringen's back-office (excluding disability insurances). The Company expects that all STP projects will be completed by the end of 2009.

The Company believes that as a result of full implementation of STP, SNS REAAL will be able to increase the productivity per FTE and that should result in improvement of SNS Bank's efficiency ratio and REAAL Verzekeringen's operational cost/premium ratio.

SNS Bank

For the SCM, an STP project is underway to further increase the STP grade in its mid-office processes and systems. SNS Bank has set targets so as to reduce overall costs by 40% in this service centre. In addition, the Company believes that STP could result in automatic acceptance of 70% of applications according to strict predetermined criteria. The Company believes that further efficiencies can be achieved, which could lead to a reduction in the joint back-office and mid-office of approximately 100 FTEs from the total level of 230 FTEs at year-end 2005.

REAAL Verzekeringen

As a result of the redesign of REAAL Verzekeringen's acceptance system environment for its non-life insurance operations, automatic acceptance increased from 28% of volumes in 2003 to 35% of volumes in 2005, and the Company expects this to further increase. An STP roadmap for processes and systems is being designed in respect of pension products. Efficiencies have already been realised, among other things in current account administration and handling of claims. Overall, the Company believes that further efficiencies can be achieved, which could lead to a significant reduction of FTEs from the level of 795 FTEs at year-end 2005 in accordance with other STP projects within SNS REAAL.

Information technology (IT)

SNS REAAL has integrated banking IT systems and integrated insurance IT systems in place. The direct banking and insurance operations are characterised by a 24 hours a day and seven days a week (24/7) operation, offering continuous service to customers. Indirect mortgage and insurance operations have a 16 hours a day, five days a week (16/5) operation, in line with the intermediaries' business hours.

SNS REAAL has separate IT organisations for its banking operations and for its insurance operations, each focusing on different needs of separate front and mid-office system requirements, as well as separate customer characteristics (business-to-consumer and business-to-business). However, information and communication technology policies, activities and investments are combined as much as possible, resulting in, for example, one corporate network and joint decisions on infrastructure, IT procurement, architecture and intranet facilities. Each IT organisation is structured similarly in order to facilitate co-operation.

SNS REAAL has only a few remaining legacy systems. During the integration of its legal predecessors as well as in respect of recent acquisitions, SNS REAAL has integrated its operations and systems in the relevant core systems, creating a single system platform for each of the various operations (Nieuwe Hollandse Lloyd is still running on its own systems; full systems integration is aimed to be finalised in the course of 2007). Each of SNS Bank and REAAL Verzekeringen has a custom-built core IT system. The single system approach is also used for specific areas such as the custom-built core IT system for the administration of investment products, Flexcube is for the back-office administration of financial markets and foreign payments, and the Info Image system for document imaging. The Company considers its IT a core strength whereby any change only needs to be implemented once due to lack of functional redundancy. Most core systems are custom-built.

SNS Bank's management information is based on a corporate warehouse approach based on a common data-warehouse for the banking operations. An equivalent warehouse will be developed for REAAL Verzekeringen.

The Company believes that SNS REAAL has a good track record for providing services through the Internet. Similarly, Internet based applications are used for all brands, thus ensuring economies of scale and enhancing speed of implementation. Customer surveys and industry awards illustrate that SNS REAAL's use of IT adds to its reputation.

Security of its IT systems is important to SNS REAAL. SNS REAAL is further improving its security architecture to ensure that all security measures are aligned. Key systems are mirrored within SNS REAAL, with a view to ensuring continuity in all events. All legacy systems of the insurance operations, excluding those of Nieuwe Hollandse Lloyd, have been replaced or migrated to the core system.

Socially responsible business practices

SNS REAAL adheres to socially responsible business practices and intends to implement these practices in its business as much as possible.

SNS REAAL aims to have products and services which are easy to use and easy to access. In respect of accessibility, SNS REAAL pays extra attention to customers with a physical handicap, for example by developing its website in consultation with various interest groups, by making Internet banking at SNS Bank available for the visually-impaired and by making its branch offices and ATMs accessible for wheelchair-bound persons.

SNS REAAL not only applies its social-responsibility focus to its products and services, but also to its organisation and employees, for example by promoting and facilitating its employees to do voluntary work. SNS REAAL co-operates with various organisations which help employees who want to do voluntary work to put their intentions to action. Further, SNS REAAL grants special leave with full pay to employees for certain activities. SNS REAAL also supports, through SNS REAAL Fonds (see '**SELLING SHAREHOLDER**'), social and charitable projects (nationwide, regional and local) with a focus on culture and education, emancipation, and nature and environment.

In addition, ASN Bank and SNS Asset Management are SNS REAAL's specialists in particular when it comes to sustainability-focused practices. ASN Bank has sustainability as its mission. Savings and investments are only invested in companies, institutions and governments which particularly consider the interest of 'People, Planet, and Profit' (see '**Distribution and brands -- ASN Bank**'). SNS Asset Management specialises in sustainable asset management. Its sustainability analysis department employs a unique work methodology (see '**Products -- SNS Asset Management -- Wholesale and professional customers**').

Trends

The first quarter of 2006 was characterised by continued price competition in the Dutch mortgage market. As a result of this, SNS REAAL has accepted an initial decline in market share as well as in margin. During the last part of the first quarter of 2006, however, SNS REAAL's was able to regain part of its initial loss in market share in mortgages.

History

SNS REAAL has deep roots in Dutch society and is the result of several mergers of regional savings banks and insurance companies, originally divided into two groups of companies, SNS Groep N.V. and Reaal Groep N.V.

Prior to 1997

SNS Groep N.V. was the result of the merger of two savings banks, Stichting Spaarbank Limburg and Stichting Gelders-Utrechtse Spaarbank in 1987. From 1989 onwards, SNS Groep N.V. merged with several other regional savings banks, for instance with Stichting Bondsspaarbank Midden, Noord en Oost Nederland in 1990, with the Stichting Bondsspaarbank Centraal en Oostelijk Nederland in 1991 and with Stichting Spaarbank Rivierenland in 1993.

In 1994, SNS Groep N.V. acquired NOG Verzekeringen N.V. Banque de Suez Nederland N.V. (including its subsidiary Suez Nederland Securities N.V. currently named SNS Securities N.V.) was acquired from Banque Indosuez in 1996. In that same period, SNS Groep N.V. also acquired other financial institutions, such as BLG Hypotheekbank and CVB Bank.

Reaal Groep N.V. originates from the merger of various entities, including Concordia, De Centrale (which both have a long history and roots in the trade union and the social democratic movement), De Centrale Volksbank, Hollandse Koopmansbank and Algemene Spaarbank voor Nederland. From 1990 to 1997 Reaal Groep N.V. grew significantly, among other things by acquiring Proteq Verzekeringen in 1991. Helvetia Nederland was acquired in 1995 followed by Hooze Huys Verzekeringen in 1996.

Merger of SNS Groep N.V. and Reaal Groep N.V.

In 1997 SNS Groep N.V. merged with Reaal Groep N.V. As a result of this merger, NOG Verzekeringen was integrated into REAAL Verzekeringen. Hollandse Koopmansbank and ASN Bank became subsidiaries of SNS Bank. Since 1997, the Company has been the sole shareholder of SNS Bank, REAAL Verzekeringen and SNS Reaal Invest, and has continued to acquire companies (see also '**Sustained growth profile -- Acquisitions**').

Litigation

SNS REAAL is involved in legal proceedings which may have significant effects on its financial position or profitability, may cause damage to its reputation or are otherwise considered material to SNS REAAL's business.

SNS Bank granted mortgage loans to a number of customers of Wagner & Partners, an intermediary involved in the area of financial services. Wagner & Partners advised its customers to invest part of their respective loans in, among other things, investment funds and securities-leasing products (which were not provided by SNS Bank). When the return on investments turned out to be lower than expected as a result of a material decline of the stock markets in 2001 and 2002, the relevant customers were not able to comply with their obligations under the mortgage loans and some of these customers initiated proceedings against Wagner & Partners and the financial institution which offered the securities-leasing products. Some of these customers claimed damages from SNS Bank, most of which claims were settled. However, SNS Bank may not be able to settle the remaining claims and more claims could be filed against SNS Bank.

Wagner & Partners is an intermediary of REAAL Verzekeringen. Products of REAAL Verzekeringen were sold by Wagner & Partners in combination with loans of other banks. In a specific case, one of these banks initiated proceedings against REAAL Verzekeringen, alleging that REAAL Verzekeringen is jointly liable for a portion of the damages that the bank may ultimately be ordered to pay. If REAAL Verzekeringen is indeed ordered to pay a portion of the damages, the likelihood of REAAL Verzekeringen being joined in other such proceedings, would increase. REAAL Verzekeringen (indirectly) holds 20% of the shares in Wanu Beheer B.V. (the holding company of Wagner & Partners), but is not involved in the management of Wagner & Partners.

SNS Bank offered securities-leasing products to the public. Unlike most of the securities-leasing products offered by other financial institutions, the securities-leasing products of SNS Bank provide for a guarantee on the return on investment. This guarantee ensured that customers of SNS Bank were never faced with a claim from SNS Bank to redeem the principal amount of the loan granted to lease the securities. However, some customers of SNS Bank have claimed compensation for costs and interest paid on the loan. These customers state that the relevant brochure and information on the product were insufficient and/or misleading. A number of customers seek annulment of the contract because their spouses failed to co-sign the contract or because the Consumer Credit Act (*Wet op het consumentenkrediet*) has allegedly been violated. A few customers initiated proceedings against SNS Bank. Most of these claims have been settled out of court. Only in one law-suit, it was ruled that SNS Bank had not made sufficiently clear to customers that not all amounts invested by the customer (in particular costs and interest totalling approximately € 6,000 per contract) would fall within the scope of the guarantee. However, SNS Bank was not obliged to compensate for all damage suffered because the complainants were partly to blame for the situation due to not having enquired sufficiently into the matter. SNS Bank was obliged to pay a portion of the damage suffered.

In another case, REAAL Verzekeringen increased its participation in F. van Lanschot Bankiers N.V. to more than 5% in 2000. Before this increase, REAAL Verzekeringen recorded its initial interest in F. van Lanschot Bankiers N.V. as a deemed participation to which the Dutch participation exemption from corporate income tax applies. However, the Dutch tax authorities took the view that REAAL Verzekeringen was not entitled to benefit from the participation exemption in relation to the initial interest in F. van Lanschot Bankiers N.V. If the position of the Dutch tax authorities is upheld, the increase in value of the participation (in the period prior to the increase in the interest) will be taxed if and when such capital gain materialises, i.e. if the interest in F. Van Lanschot Bankiers N.V. would be sold. The relevant capital gain is estimated at an amount of € 23.3 million. SNS REAAL does not currently intend selling the interest in F. van Lanschot Bankiers N.V.

SNS REAAL is engaged in certain legal proceedings as a defendant or is subject to claims of third parties, in addition to the legal proceedings summarised above, in some cases involving significant amounts of money, but which the Company believes have a limited chance of success.

Selected Consolidated Financial Information

The selected consolidated financial information set forth below is that of SNS REAAL and should be read in conjunction with 'OPERATING AND FINANCIAL REVIEW' and the consolidated financial statements, and comparative figures, and notes thereto included in 'FINANCIAL INFORMATION'. See also 'CERTAIN NOTICES TO INVESTORS -- Presentation of financial and other information'. The selected consolidated financial information set forth below may not contain all of the information that is important to investors.

Consolidated financial information of SNS REAAL

Table I: Consolidated profit and loss account of SNS REAAL

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Net interest income, banking operations	587	589	593	622
Regular premium income life	749	761	761	838
Single premium income life	717	593	593	584
Premium income non-life	271	296	296	323
Net premium income	1,737	1,650	1,650	1,745
Net commission and management fees	106	115	115	129
Investment income for own risk	527	668	640	549
Investment income on behalf of policyholders	196	126	126	394
Valuation result on derivatives	6	(7)	(7)	31
Other operating income	6	14	13	1
Total income	3,165	3,155	3,130	3,471
Technical expenses	1,890	1,837	1,837	2,095
Acquisition costs from insurance contracts	135	122	122	167
Other interest charges	87	75	75	60
Staff costs	460	425	451	443
Other operating expenses	182	218	218	201
Value adjustments	68	71	71	60
Depreciation	44	42	42	38
Total expenses	2,866	2,790	2,816	3,064
Results of associated companies	58	44	44	9
Profit before tax	357	409	358	416
Taxes	97	81	70	93
Net profit	260	328	288	323
Third party interests	17	18	--	--
Net profit available for shareholders	243	310	288	323

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table II: Consolidated balance sheet of SNS REAAL before profit appropriation

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
<i>Assets</i>				
Goodwill and other intangible fixed assets	209	248	369	559
Tangible fixed assets	341	321	300	302
Real estate investments	135	130	125	129
Investments for own risk	8,740	8,436	8,233	9,211
Investments on behalf of policyholders	2,971	2,793	2,798	3,426
Equity participation in participating interests	142	51	51	126
Derivatives	--	--	103	1,174
Reinsurance contracts	284	269	269	365
Mortgage loans	31,002	34,419	39,924	43,544
Other loans	3,664	2,868	2,627	2,599
Banks	3,071	3,579	3,421	4,949
Cash and cash equivalents	800	1,391	1,074	1,076
Other assets	1,146	924	473	304
Deferred tax receivables	153	105	167	132
Other tax receivables	33	33	38	192
Total assets	52,691	55,567	59,972	68,088
<i>Liabilities and equity</i>				
Share capital	340	340	340	340
Other reserves	1,060	1,311	1,252	1,865
Net profit for the year	243	310	288	323
Shareholders' equity	1,643	1,961	1,880	2,528
Third party interests	298	298	--	--
Group equity	1,941	2,259	1,880	2,528
Participation certificates and subordinated debts	1,156	1,145	1,443	1,616
Fund for general banking risks	70	70	--	--
Staff pension provisions	133	(9)	187	76
Other provisions	61	52	50	44
Technical provisions, insurance operations	11,174	11,330	11,330	12,658
Savings	10,404	11,259	10,973	12,333
Other funds entrusted, banking operations	7,411	7,582	6,346	7,078
Debt certificates	16,061	17,710	23,464	25,654
Banks	2,344	2,496	2,442	3,419
Other liabilities	1,825	1,572	1,714	1,359
Derivatives	--	--	42	976
Deferred tax liabilities	108	88	82	324
Other tax liabilities	3	13	19	23
Total liabilities and equity	52,691	55,567	59,972	68,088

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Consolidated financial information of SNS Bank, REAAL Verzekeringen, the Company and SNS Reaal Invest

In addition to the consolidated financial information of the Company and its subsidiaries, this document contains the consolidated financial information of SNS Bank and its subsidiaries, of REAAL Verzekeringen and its subsidiaries and of the Company and SNS Reaal Invest.

SNS Bank

Table III: Consolidated profit and loss account of SNS Bank

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Interest income	1,806	1,829	2,111	1,996
Interest charges	1,219	1,240	1,540	1,401
Net interest income	587	589	571	595
Commission and management fees received	104	136	121	138
Commission and management fees paid	12	27	12	24
Net commission income	92	109	109	114
Investment income for own risk	15	21	21	26
Valuation result on derivatives	6	(7)	(7)	33
Other operating income	(3)	2	2	(4)
Total other income	18	16	16	55
Total income	697	714	696	764
Value adjustments	56	59	59	50
Staff costs	279	237	251	258
Depreciation on tangible and intangible fixed assets	30	28	28	27
Other operational expenses	140	160	160	172
Total expenses	505	484	498	507
Result from operating activities	192	230	198	257
Share in the results of associated companies	(2)	(3)	(3)	1
Profit before tax	190	227	195	258
Taxes	61	54	44	54
Net profit	129	173	151	204
Payments on participation certificates	17	18	--	--
Net profit available for shareholders	112	155	151	204

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table IV: Consolidated balance sheet of SNS Bank before profit appropriation

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
<i>Assets</i>				
Cash and cash equivalents	454	829	829	597
Derivatives	--	--	70	915
Mortgage loans	29,901	33,422	38,937	42,558
Other loans	2,853	2,712	2,708	2,667
Banks	2,031	2,478	2,478	4,118
Investments	2,341	1,705	1,705	1,642
Investments in associated companies	5	5	5	2
Tangible fixed assets	197	185	164	153
Intangible fixed assets	10	12	12	12
Deferred tax receivables	45	32	32	85
Other tax receivables	1	2	8	52
Other assets	488	472	294	297
Total assets	38,326	41,854	47,242	53,098
<i>Liabilities and equity</i>				
Share capital	381	381	381	381
Other reserves	658	718	781	855
Net profit for the year	112	155	151	204
Shareholders' equity	1,151	1,254	1,313	1,440
Funds entrusted	6,819	7,170	6,927	7,494
Banks	2,344	2,295	2,295	3,103
Savings	10,405	11,261	10,973	12,333
Debt certificates	15,160	17,443	23,198	25,465
Derivatives	--	--	28	939
Deferred tax liabilities	11	9	3	119
Other tax liabilities	(22)	(2)	--	--
Other liabilities	1,155	1,160	1,309	1,032
Staff pension provision	44	--	--	--
Other provisions	22	30	29	23
Participation certificates and subordinated debts	1,167	1,164	1,167	1,150
Fund for general banking risks	70	70	--	--
Total liabilities and equity	38,326	41,854	47,242	53,098

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

REAAL Verzekeringen

Table V: Consolidated profit and loss account of REAAL Verzekeringen

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Regular premium income life	749	761	761	838
Single premium income life	717	593	593	584
Premium income non-life	271	296	296	323
Net premium income	1,737	1,650	1,650	1,745
Investment income for own risk	453	624	618	545
Investment income on behalf of policyholders	196	126	126	394
Valuation result on derivatives	--	--	--	(2)
Net commission and management fees	28	31	31	43
Other income	3	10	10	5
Total income	2,417	2,441	2,435	2,730
Technical expenses	1,790	1,772	1,772	2,016
Profit-sharing and rebates	100	65	65	79
Technical expenses	1,890	1,837	1,837	2,095
Acquisition costs from insurance contracts	144	140	140	188
Value adjustments	6	9	9	7
Staff costs	147	138	151	127
Depreciation	14	14	14	11
Net other operating expenses	44	60	60	69
Interest charges	41	55	55	41
Total expenses	2,286	2,253	2,266	2,538
Results of associated companies	---	---	---	2
Profit before tax	131	188	169	194
Taxes	45	47	41	54
Net profit	86	141	128	140

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table VI: Life insurance operations

	2003	2004	2004	2005
	Dutch GAAP	Dutch GAAP	IFRS; excl. IFRS 4 / IAS 32,39	IFRS; incl. IFRS 4 / IAS 32,39
(in EUR millions)				
Gross premium income	1,486	1,373	1,373	1,443
Outward reinsurance premium	20	19	19	21
Premiums, net of reinsurance	1,466	1,354	1,354	1,422
Investment income for own risk	432	594	589	516
Investment income on behalf of policyholders	196	126	126	394
Investment income	628	720	715	910
Gross payments	894	1,656	1,658	1,152
Reinsurers' share	(14)	(13)	(15)	(18)
Benefits, net of reinsurance	880	1,643	1,643	1,134
Gross change in provision for life insurance	757	(27)	(27)	719
Reinsurers' share	--	(2)	(2)	2
Changes in provision for life insurance, net of reinsurance	(757)	25	25	(717)
Profit sharing and rebates	100	63	63	79
Operating expenses	210	199	213	210
Investment costs	40	53	55	40
Result of life insurance operations before tax	107	141	120	152

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table VII: Non-life insurance operations

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Gross premium income	293	317	317	346
Outward reinsurance premium	22	21	21	23
Net written premium income	271	296	296	323
Gross change in technical provision for unearned premiums and accrued risks	(10)	2	2	(10)
Reinsurers' share	(1)	--	--	(4)
Change in technical provision for unearned premiums and accrued risks	9	(2)	(2)	6
Net earned premium income	280	294	294	329
Investment income	21	29	29	29
Gross claims	174	187	187	207
Reinsurers' share	(13)	(14)	(14)	(26)
Claims, net of reinsurance	161	173	173	181
Gross change in provision for payable claims	--	(22)	(22)	(19)
Reinsurers' share	(3)	(1)	(1)	(9)
Changes in provision for payable claims, net of reinsurance	(3)	21	21	10
Profit sharing and rebates	--	2	2	--
Operating expenses	113	120	120	147
Investment costs	1	--	--	1
Result of non-life insurance operations before tax	23	49	49	39

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table VIII: Total insurance operations

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Result of life insurance operations before tax	107	141	120	152
Result of non-life insurance operations before tax	23	49	49	39
Total result of insurance operations before tax	130	190	169	191
Other income	3	10	11	5
Other costs	(2)	(3)	(2)	(2)
Value adjustments to loans and advances	--	(9)	(9)	--
Operating profit before tax	131	188	169	194
Taxes	45	47	41	54
Net profit of total insurance operations	86	141	128	140

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table IX: Consolidated balance sheet of REAAL Verzekeringen before profit appropriation

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
<i>Assets</i>				
Intangible fixed assets	200	237	357	547
Tangible fixed assets	105	101	67	76
Real estate investments	171	165	192	201
Investments for own risk	8,593	8,765	8,878	9,749
Investments on behalf of policyholders	2,971	2,793	2,798	3,426
Investments in associated companies	1	--	--	77
Derivatives	--	6	41	237
Deferred tax receivables	106	70	70	30
Reinsurance contracts	--	--	269	365
Banks	75	79	79	88
Other tax receivables	7	29	29	39
Other assets	407	419	173	37
Cash and cash equivalents	146	311	311	584
Total assets	12,782	12,975	13,264	15,456
<i>Liabilities and equity</i>				
Share capital*	--	--	--	--
Other reserves	632	670	678	1,050
Net profit for the year	86	141	128	140
Shareholders' equity	718	811	806	1,190
Third-party interest	3	3	3	3
Group equity	721	814	809	1,193
Participation certificates and subordinated debts	135	132	132	127
Technical provisions, insurance operations **	10,889	11,061	11,330	12,694
Provisions	36	17	16	6
Staff pension provisions	72	3	3	12
Derivatives	--	--	14	33
Deferred tax liabilities	96	79	79	199
Funds entrusted	323	325	330	369
Banks	--	124	129	425
Other tax liabilities	3	26	22	12
Other liabilities	507	394	400	386
Total liabilities and equity	12,782	12,975	13,264	15,456

* Note: Share capital of REAAL Verzekeringen amounted to EUR 239,000 per year-end of each year

** Note: in 2003 and 2004 Dutch GAAP, the technical provisions at REAAL Verzekeringen are netted against reinsurance, while the technical provisions of SNS REAAL are gross

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

The Company and SNS Reaal Invest

Table X: Consolidated profit and loss account of the Company and SNS Reaal Invest

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Net interest income	17	18	--	--
Investment income for own risk	126	71	71	34
Other operating income	6	2	2	--
Total income	149	91	73	34
Other interest charges	118	76	76	49
Staff costs	35	49	49	58
Other operating expenses	(1)	(2)	(2)	(40)
Value adjustments	5	3	3	3
Total expenses	157	126	126	70
Results of associated companies*	60	47	47	2
Profit before tax	52	12	(6)	(34)
Taxes	9	20	15	13
Third party interests	(17)	(18)	--	--
Net profit	44	14	9	(21)

*Note: Results of SNS Bank and REAAL Verzekeringen have not been taken into account within results of associated companies.

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table XI: Balance sheet of the Company (Vennootschappelijke balans)

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
<i>Assets</i>				
Investments for own risk	19	--	--	117
Equity participation in participating interests	1,894	2,092	2,148	2,662
Derivatives	--	--	--	22
Mortgage loans	13	(2)	--	--
Other loans	1,005	368	368	388
Banks	--	8	9	--
Cash and cash equivalents	184	225	225	269
Other assets	68	24	41	11
Deferred tax receivables	1	2	64	17
Other tax receivables	--	--	--	84
Total assets	3,184	2,717	2,855	3,570
<i>Liabilities and equity</i>				
Share capital	340	340	340	340
Other reserves	1,060	1,311	1,252	1,865
Net profit for the year	243	310	288	323
Shareholders' equity	1,643	1,961	1,880	2,528
Participation certificates and subordinated debts	233	227	227	419
Staff pension provisions	1	(11)	184	28
Other provisions	1	4	5	4
Other funds entrusted, banking operations	316	151	151	245
Debt certificates	901	266	266	189
Banks	--	77	77	108
Other liabilities	76	34	39	27
Derivatives	--	--	8	4
Deferred tax liabilities	--	--	--	6
Other tax liabilities	13	8	18	12
Total liabilities and equity	3,184	2,717	2,855	3,570

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Table XII: Balance sheet of SNS Reaal Invest

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Assets				
Tangible fixed assets	1	--	--	--
Participating interests in associated companies	138	49	49	50
Receivables from associated companies	832	267	267	240
Other receivables	16	3	3	17
Current assets	52	43	43	34
Total assets	1,039	362	362	341
Liabilities and equity				
Group equity	24	27	27	32
Long term liabilities	971	329	329	282
Other liabilities	44	6	6	27
Total liabilities and equity	1,039	362	362	341

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Operating and Financial Review

The following review of SNS REAAL's financial condition and results of operations should be read in conjunction with the sections **'SELECTED CONSOLIDATED FINANCIAL INFORMATION'** and **'FINANCIAL INFORMATION'**. Further, in order to have a better understanding of the review set out in this section, investors should have particular regard to the industry and markets in which SNS REAAL operates, the actual operations of SNS REAAL, and the material factors affecting them. With regard to the foregoing, investors are referred to **'RISK FACTORS'**, **'INDUSTRY OVERVIEW'**, **'BUSINESS OVERVIEW'**, **'RISK MANAGEMENT'**, **'FUNDING'** and **'SUPERVISION AND REGULATION'**.

The review set out in this section contains forward-looking statements that are subject to known and unknown risks and uncertainties and speak only as of the date they are made. SNS REAAL's actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under **'CERTAIN NOTICES TO INVESTORS -- Forward-looking statements'** and **'RISK FACTORS'**.

Accounting principles

To prepare its consolidated financial statements, SNS REAAL needs to make calculations and estimates that sometimes require subjective and complex assumptions and judgements. The use of different but equally reasonable assumptions, judgements or estimates may have resulted in significantly different results of operations. For a description of the Dutch GAAP accounting principles applied by SNS REAAL in respect of the 2003 and 2004 consolidated financial statements, see the accounting principles described in the consolidated financial statements included in the section **'FINANCIAL INFORMATION'** starting at page F-59. For a description of the IFRS accounting principles applied by SNS REAAL in respect of the 2005 consolidated financial statements, see the accounting principles described in the consolidated financial statements included in the section **'FINANCIAL INFORMATION'** starting at page F-59.

Changes in accounting principles

Changes in presentation in 2004

To align with what is customary in the banking and insurance industry, and taking into account international developments, a few changes were introduced in the presentation of the Dutch GAAP figures of 2004 compared to principles used for 2003. For example, the asset management fees were presented as commission and no longer as other income. The comparative figures for 2003 were restated to reflect this change.

In addition, the results of a number of structured finance investments were accounted for henceforth in net terms, with the results being stated in the taxes item in the profit and loss account. This change had no effect on shareholders' equity or net profit. As a result, net interest income at SNS Bank for 2004 decreased by € 16 million. This was compensated by lower corporation tax for the same amount. The comparative figures for 2003 were not restated as the impact was not material.

In order to obtain greater insight into the developments of the controllable operating expenses, it was decided to in the future present the amortisation expenses of € 10 million on the 'value of business acquired' as technical expenses, insurance operations. The corresponding technical costs were also accounted for under this item. Since the effect was not material, the comparative figures for 2003 were not restated.

Critical differences between 2004 Dutch GAAP and 2004 IFRS, excluding IFRS 4, IAS 32 and 39

Pensions

Under Dutch GAAP, the pension provisions for staff were stated on the basis of RJ 271, which is a directive of the Dutch Accounting Standards Board (*Raad voor de Jaarverslaggeving*). In the RJ 271 framework the differences between the projected actuarial result (mortality and investments results) and the final actuarial results were amortised over the remaining term of service, provided that this amount remained within a corridor. This corridor was 10% of the highest of the fair value of the pension investments or present value of pension entitlements. Under Dutch GAAP, a positive result of € 33 million (gross) was included in the profit and loss account as a result of the transition from final pay to average pay pension schemes in 2004. Under IFRS, IAS 19 was applied. As part of the first time adoption rules, the remaining actuarial differences as at 1 January 2004 (net € 105 million) were charged to shareholders' equity. In addition, the transition from final pay to average pay pension schemes was also incorporated as at this date. As a result, € 111 million (net) was charged to shareholders' equity.

Fund for general banking risks

IFRS does not permit a general banking risk reserve. The fund for general banking risks of € 70 million was accordingly added to shareholders' equity as of 1 January 2004.

Participation certificates of SNS Bank

Under Dutch GAAP, the participation certificates of SNS Bank were classified as shareholders' equity at SNS Bank. At SNS REAAL's consolidated level, these participation certificates were presented as a third-party interest. Under IFRS, these instruments are treated as liabilities resulting in a decrease in SNS REAAL's group equity by € 298 million. The participation certificates remain a component of regulatory Tier 1 capital (as defined below) and therefore remain included in the calculation of the solvency ratios of SNS Bank. Under Dutch GAAP the third-party interest compensation on the participation certificates was accounted for as part of the profit distribution. As a consequence of the reclassification under IFRS, the third-party interest compensation on the participation certificates (€ 18 million in 2004) is included as interest expenses in the profit and loss account. The comparative information for 2004 was restated to enhance comparability.

Securitisation

SNS REAAL did not consolidate the special purpose vehicles that own the securitised mortgage portfolios of SNS Bank in its annual accounts under Dutch GAAP. Under IFRS, these entities have been consolidated. Although SNS Bank has transferred economic ownership to separate companies, it is still exposed to future performance of the underlying assets, through, among other things, interest rate swaps with the securitisation special purpose vehicles. As a result, the securitised mortgage portfolios were brought back on the balance sheet in accordance with IFRS. This resulted in an increase of € 5.5 billion in mortgage loans on the asset side and an increase in debt certificates on the liability side of the balance sheet of an equal amount.

Real estate -- Investments in real estate

Under Dutch GAAP, investments in real estate were valued at fair value, whereby changes in value, net of deferred taxes, were charged directly to equity under the revaluation reserve. In addition, when a real estate asset was sold the final balance of the revaluation reserve was reported in the profit and loss account. Under IFRS, investments in real estate are also valued at fair value, but changes in value are reported directly in the profit and loss account. In 2004, a charge of € 6 million was recognised in the profit and loss account under IFRS, reflecting lower market values of real estate.

Real estate -- Real estate for own use

Under both Dutch GAAP and IFRS, real estate for own use is valued at fair value, whereby changes in fair value, making allowance for deferred taxes, are reported as part of equity in the revaluation reserve. Under Dutch GAAP, depreciation was not applied to buildings used by REAAL Verzekeringen. Under IFRS, buildings for own use are subject to a depreciation charge based on economic life that takes into account a final residual value. This charge is reported in the profit and loss account. In the opening balance sheet of 2004, a net charge of € 14 million to equity was recognised to reflect the change from replacement value to market value. Under Dutch GAAP, real estate for own use (in 2004: € 179 million) was included under investments in real estate. When sold, the relevant share of the revaluation reserve was booked in the profit and loss account. Under IFRS, the relevant share of the revaluation reserve is transferred to other reserves.

Provisions

Under Dutch GAAP, other provisions (consisting of the reorganisation provision and other non-technical provisions) were stated at nominal value. Under IFRS, they must be stated at present value, to which interest is added periodically. The valuation of provisions at present value led to a decrease of € 1 million, which was accordingly added to shareholders' equity. These provisions were valued using an interest rate of 3% and an estimated duration of three years.

Goodwill and other intangible fixed assets

Under Dutch GAAP, goodwill was charged to equity. Under IFRS, goodwill is capitalised and subjected to a periodic impairment test. Goodwill charged to equity before 1 January 2004 has not been adjusted.

Following certain acquisitions and application of purchase accounting, SNS REAAL has capitalised acquired insurance portfolios as intangible assets on the basis of the value of business acquired ('VOBA'). The VOBA is calculated as the net present value of the estimated future cash flows from the current insurance contracts at the acquisition date. SNS REAAL amortises the VOBA on a straight-line basis over the estimated period of profit generation of the acquired contracts, which is re-assessed on a regular basis.

Summary of impact of IFRS on SNS REAAL's net profit and shareholders' equity, excluding IFRS 4, IAS 32 and IAS 39

The following tables show the impact of IFRS, excluding IFRS 4, IAS 32 and 39, on net profit and shareholders' equity of SNS REAAL:

Table XIII: Impact IFRS on SNS REAAL's net profit available for shareholders

(in EUR millions)	Net profit SNS REAAL
Net profit 2004 available for shareholders, Dutch GAAP	310
<i>Net profit adjustments due to introduction IFRS</i>	
Net interest income	(18)
Staff costs (pensions)	(26)
Investment income (real estate)	(6)
Taxes	11
Third party interests	18
Other	(1)
Total adjustments 2004	(22)
Net profit 2004 available for shareholders, IFRS; excl. IFRS 4 / IAS 32,39	288

Table XIV: Impact IFRS on SNS REAAL's equity

(in EUR millions)	Equity SNS REAAL
Equity as at 1 January 2004, Dutch GAAP	1,643
<i>Equity adjustments due to introduction IFRS</i>	
Pension provision	(111)
Fund for general banking risks	70
Revaluation real estate	(14)
Other	1
Total adjustments 2004	(54)
Equity as at 1 January 2004, IFRS; excl. IFRS 4 / IAS 32,39	1,589

Critical differences as a result of the implementation of IFRS 4, IAS 32 and IAS 39 as of 1 January 2005

The Company adopted IFRS as of 1 January 2005. The comparative figures for 2004 were restated under IFRS. The Company has made use of the option offered under IFRS 1 to not adjust the comparative figures for IFRS 4, IAS 32 and IAS 39. Insurance contracts and financial instruments are reported in the restated comparative figures for 2004 according to Dutch GAAP.

IFRS 4

IFRS 4 'Insurance Contracts' represents the completion of the first phase of the project of the International Accounting Standards Board ('IASB') on accounting for insurance contracts. The IASB sought to minimise the required number of changes from current accounting policies and to avoid changes that may be reversed in the second phase of the IASB's insurance project. Therefore, entities are permitted to continue most of their current accounting policies for insurance contracts. Further, entities are not required to apply IFRS 4 retroactively. As a result, IFRS 4 has little impact on the financial statements. The most significant change for SNS REAAL is the accounting for internal acquisition costs (see below).

Capitalised acquisition costs (IFRS 4)

Under Dutch GAAP and IFRS as applied in 2004, the capitalised acquisition costs consisted of the acquisition commissions paid on life insurance policies with regular premiums. As part of the implementation of IFRS 4, SNS REAAL has decided to bring the accounting of internal acquisition costs more in line with the matching principle. From 2005 onwards, SNS REAAL capitalises internal acquisition costs and amortises them over the remaining terms of average premium payment periods, with a maximum of twelve years. This change in accounting policy resulted in an increase in shareholders' equity as of 1 January 2005 by € 30 million net, representing the capitalised internal acquisition costs for 2004. Applying a first time adoption exemption, the comparative figures were not restated for years before 2005. Adoption for the years 2003 and earlier has proved to be impracticable. This change increased net profit for 2005 by € 30 million (€ 43 million gross).

IAS 32 and IAS 39

Both IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' address the accounting for financial instruments. Compared to Dutch GAAP, derivatives are shown as a separate line item on the balance sheet and are valued at fair value. In addition, more financial instruments are measured at fair value. There have been many uncertainties in the accounting for financial instruments, as IAS 39 was revised in December 2003 and further amendments were made in 2004 and 2005. Further, a few of these amendments are still awaiting endorsement by the EU. Therefore, entities are not required to apply IAS 32 and IAS 39 retroactively. SNS REAAL has applied IAS 32 and IAS 39 as of 1 January 2005.

Participations (IAS 32/39)

Under Dutch GAAP, participations were valued at purchase price or lower market value. Under IFRS, participations in which SNS REAAL has no significant influence are valued at fair value, whereby changes in value are accounted for in the revaluation reserve in equity. This specifically applies to the remaining participations within SNS Reaal Invest such as PrimeLine and Masterfleet (see '**BUSINESS OVERVIEW -- SNS REAAL operational model -- SNS Reaal Invest**').

Investments (IAS 32/39)

Under IFRS, investments fall into four subcategories, namely:

- At fair value through profit and loss. This subcategory refers to items such as investments for unit-linked products and trading positions held. The valuation method under IFRS is the same as under Dutch GAAP, namely the market price used for assets held is the current bid price on the last trading day
- Available for sale. This subcategory includes debt instruments which are not part of a trading portfolio and that are also not being held to maturity. These debt instruments are accounted for at fair value. Under IFRS, changes in fair value, taking into account deferred taxes, are reported in the revaluation reserve in equity, while realised gains or losses are reported in the profit and loss account. Under Dutch GAAP, these instruments were listed at redemption value. The difference between redemption value and the acquisition price was stated under accrued assets or accrued liabilities. Over the remaining period to maturity of the instruments this difference was reported in the profit and loss account as interest income. Realised gains or losses were amortised as interest income in the profit and loss account over the weighted average maturity of the relevant portfolio. Equity investments in this subcategory are accounted for at fair value. Under IFRS, changes in fair value, taking into account deferred taxes, are reported in the revaluation reserve in equity, while realised gains or losses are reported in the profit and loss account
- Held to maturity. Under IFRS, these loans are valued at amortised cost. The balance of costs and provisions, paid up and received, is capitalised and amortised using the effective yield method. Management has designated part of the bond portfolio of REAAL Verzekeringen as 'held to maturity'. These bonds were reported at redemption value under Dutch GAAP. The difference between redemption value and the acquisition price was reported in the profit and loss account on a linear basis according to the remaining life of the bonds
- Loans and receivables. These items are valued under IFRS at amortised cost. Costs and fees are capitalised and amortised. Under Dutch GAAP, loans were reported at redemption value

Under Dutch GAAP, REAAL Verzekeringen accounted for unrealised and realised gains and losses on shares in the revaluation reserve, making allowance for deferred taxes. In the profit and loss account REAAL Verzekeringen showed a return on shares based on a long-term average yield. To achieve this, an amount was added to the received dividends. This amount was taken out of the revaluation reserve (indirect yield method).

Investments can be subjected to impairments. An investment is impaired when its carrying amount exceeds its recoverable amount. A significant or prolonged decline in the fair value of an investment below its cost is a trigger for impairment. The impairment losses are reported directly in profit or loss in the item value adjustments. Any previous net upward revaluation in equity is reversed.

At each balance sheet date SNS REAAL assesses whether there is objective evidence that any investment not measured at fair value through profit and loss is impaired. If there is any objective evidence that such an investment is impaired, then the amount of the impairment loss is calculated as the difference between the carrying amount and the recoverable amount based on a discounted cash flow method.

Evidence that an investment may be impaired includes:

- Significant financial difficulty of the issuer of the investment
- A rating downgrade of the issuer to 'non-investment grade'
- Payment defaults
- Renegotiations of the terms due to financial difficulty of the borrower

Loans and advances to customers and credit institutions and funding (IAS 32/39)

These items are valued under IFRS at amortised cost. Costs and fees are capitalised and amortised. Under Dutch GAAP, loans were reported at redemption value and the balance of costs and fees, paid-up and received, were largely reported directly in the profit and loss account. This applied, for example, to mortgage arrangement fees. Under IFRS, the effective yield method is applied to the amortisation of premiums and discounts, while under Dutch GAAP these were reported directly to the profit and loss account. Profits or losses realised under IFRS are reported in the profit and loss account. Under Dutch GAAP, they were amortised over the remaining period to maturity.

Hedge accounting (IAS 32/39)

SNS REAAL uses derivatives as part of balance sheet and risk management. These derivatives are used for hedging interest rate risks, foreign currency risks, and credit risks, including risks by virtue of future transactions. If a transaction satisfies certain conditions, SNS REAAL applies fair value hedge accounting or cash flow hedge accounting.

SNS REAAL can designate particular derivatives as either (i) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (ii) a hedge of a future cash flow that can be attributed to a recognised asset or liability, an expected transaction or a definite obligation (cash flow hedge).

Hedge accounting is used for derivatives thus identified, provided certain conditions are satisfied. The conditions applied by SNS REAAL for derivatives to qualify for treatment as a hedging instrument comprise:

- Formal documentation of the hedging instrument (the hedged position, the aim, strategy and relationship of the hedge) is completed before hedge accounting is applied
- The documentation shows that the hedge is expected to be effective in compensating the risk in the hedged position for the entire reporting period
- The hedge continues to be effective during the term

A hedge is considered to be effective if SNS REAAL, from the start of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position are almost fully compensated by adjustments in the fair value or cash flows of the hedging instrument, and actual results point in this direction, and the actual effectiveness remains within a bandwidth of 80% to 125%.

SNS REAAL ends the hedge accounting as soon as it is established that a derivative is no longer an effective hedge, or when the derivative expires, is sold, terminated or exercised; when the hedged position expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

Fair value hedge accounting

Adjustments in the fair value of a derivative designated as a hedge and that satisfies the conditions for a fair value hedge are taken directly to the profit and loss account. The corresponding adjustments in the fair value of the effective portion of the hedged asset or hedged liability that can be attributed to the specific hedged risk are also taken directly to the profit and loss account.

Cash flow hedge accounting

Adjustments in the fair value of the effective portion of derivatives that are designated as cash flow hedge and that satisfy the conditions for cash flow hedge accounting and appear to be effective in relation to the hedged risk, are stated in a separate component of shareholders' equity. The underlying transaction, which is designated as part of a cash flow hedge, does not change as far as the administrative processing is concerned.

If the expected transaction leads to actual inclusion of an asset or a liability, the gains and losses that were previously taken to shareholders' equity are transferred to the profit and loss account and classified as income or expense in the period during which the hedged transaction influences the result.

Provisions for credit risk (IAS 32/39)

If there are objective indications that SNS REAAL will not be able to collect all the amounts due by virtue of the original contracted loan terms and conditions, a provision for impairment is formed. For loans that are individually significant, the provision formed equals the difference between the book value of the total position, including commitments and guarantees, and the recoverable amount. The recoverable amount equals the present value of the expected cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans. Loans adjusted after negotiations or otherwise due to financial problems of the borrower are valued on the basis of the original effective interest rate before the terms and conditions were revised. If collateral was furnished for the loan and foreclosure is likely, impairments are based on the fair value of the collateral net of costs to acquire and dispose of the collateral.

Impairment criteria are applied to the entire loan portfolio, except for smaller balance homogeneous loans such as residential mortgages, consumer loans and credit cards, which are collectively assessed for impairment. Smaller business loans managed in a portfolio are also tested collectively for impairment.

The provision with respect to the pool approach is calculated using a range of model-based instruments, including 'risk-rating migration' models for homogeneous pools of consumer and business loans. The loss factors developed using similar models are based on historic loss data of SNS REAAL, and are adjusted according to clear current information that, in the opinion of management, can affect the collectability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred on the loan portfolio. These are estimated on the basis of historic loss patterns in every division and the creditworthiness of the borrowers, and are a reflection of the current economic climate in which the borrowers operate. If a loan cannot be collected, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for loan losses in the profit and loss account.

Summary of impact of IFRS 4, IAS 32 and 39 on SNS REAAL's shareholders' equity

The following table shows the impact of adoption of IFRS 4, IAS 32 and 39, on shareholders' equity of SNS REAAL:

Table XV: Impact IFRS on SNS REAAL's equity

(in EUR millions)	Equity SNS REAAL
Equity as at 1 January 2004, IFRS; excl. IFRS 4 / IAS 32,39	1,589
Net profit 2004	288
Other movements in equity 2004	3
Equity as at 1 January 2005, IFRS; excl. IFRS 4 / IAS 32,39	1,880
<i>Equity adjustments due to adoption IFRS 4 / IAS 32/39</i>	
Investment portfolio	137
Capitalised acquisition costs	30
Funding	(40)
Mortgages	24
Provisions for credit risk	(15)
Derivatives	22
Other	1
Total adjustments	159
Equity as at 1 January 2005, IFRS fully adopted	2,039

Pensions and the SNS REAAL pension fund

In 2002, SNS REAAL adopted RJ271 as its accounting principle for pensions. The various companies' pension schemes in that period were based on a final pay scheme. In 2004, the pension schemes were changed from final pay to average pay schemes, effective from 1 January 2004. This change resulted in a release of the pension provision in the amount of € 33 million gross. This amount was credited against staff costs in the profit and loss account.

In 2005, SNS REAAL's pension fund was financially separated from SNS REAAL, resulting in an independent status (the 'SNS REAAL pension fund'). From 1 January 2005, future risks and actuarial gains and losses are no longer for the account of SNS REAAL, but for the account of the participants. The accounting treatment of the pension plans changed from defined benefit to defined contribution.

Another impact of this development is that the SNS REAAL pension fund no longer reinsures its pensions with REAAL Verzekeringen (premium impact in 2004 of € 127 million, € 62 million being in respect of regular premiums and € 65 million being in respect of single premiums, based on 2003 premiums). The pension provision of € 856 million and the related investments were transferred to the SNS REAAL pension fund at year-end 2004. As part of this arrangement, SNS REAAL paid an additional amount of € 105 million to the SNS REAAL pension fund in order to further strengthen its solvency position.

In addition, SNS REAAL adopted IAS 19 as part of the implementation of IFRS, resulting in a charge to shareholders' equity at 1 January 2004 of € 111 million net. This amount refers to the unrecognised actuarial losses as at 1 January 2004 and the transition from final pay to average pay pension schemes.

Results of operations of SNS REAAL

This results of operations paragraph discusses and analyses the financial performance of SNS REAAL. The first part of this paragraph deals with the consolidated profit and loss account of SNS REAAL and the second part focuses on the consolidated balance sheet of SNS REAAL. Within both these subparagraphs the comparison between 2004 and 2003 results is presented first (both reclassified Dutch GAAP) followed by the comparison between 2005 (IFRS including IFRS 4, IAS 32 and IAS 39) and 2004 (IFRS excluding, as permitted, IFRS 4, IAS 32 and IAS 39) results. This paragraph should be read in conjunction with the other paragraphs of this section, especially those on accounting principles and IFRS.

As a group which is active in both the banking and insurance markets, SNS REAAL's net profit is subject to changes in, among other things, interest rates, capital markets and actuarial assumptions, reflecting the nature of SNS REAAL's operations. This leads to fluctuations that affect SNS REAAL's net profit. Although the size and impact of these fluctuations cannot be predicted and since these fluctuations have occurred on a regular basis and should be expected to continue to occur on a regular basis, these fluctuations should be regarded as an integral part of SNS REAAL's net profit.

SNS REAAL consolidated profit and loss account

Table I: Consolidated profit and loss account of SNS REAAL

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Net interest income, banking operations	587	589	593	622
Regular premium income life	749	761	761	838
Single premium income life	717	593	593	584
Premium income non-life	271	296	296	323
Net premium income	1,737	1,650	1,650	1,745
Net commission and management fees	106	115	115	129
Investment income for own risk	527	668	640	549
Investment income on behalf of policyholders	196	126	126	394
Valuation result on derivatives	6	(7)	(7)	31
Other operating income	6	14	13	1
Total income	3,165	3,155	3,130	3,471
Technical expenses	1,890	1,837	1,837	2,095
Acquisition costs from insurance contracts	135	122	122	167
Other interest charges	87	75	75	60
Staff costs	460	425	451	443
Other operating expenses	182	218	218	201
Value adjustments	68	71	71	60
Depreciation	44	42	42	38
Total expenses	2,866	2,790	2,816	3,064
Results of associated companies	58	44	44	9
Profit before tax	357	409	358	416
Taxes	97	81	70	93
Net profit	260	328	288	323
Third party interests	17	18	--	--
Net profit available for shareholders	243	310	288	323

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

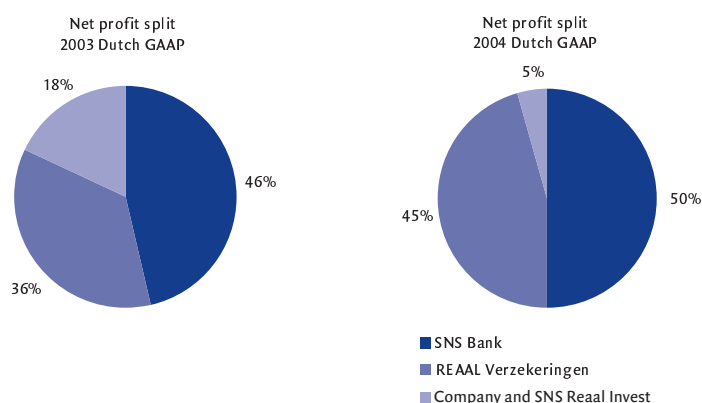
2004 compared to 2003

Net profit available for shareholders

In 2004, net profit available for shareholders grew from € 243 million in 2003 to € 310 million, an increase of 27.6%. Both SNS Bank and REAAL Verzekeringen contributed to the net profit growth. The growth was partly offset by a lower contribution from SNS Reaal Invest in 2004 resulting from the ongoing divestment of its activities.

Table XVI: Net profit available for shareholders

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Net profit available for shareholders SNS Bank	112	155	37.9%
Net profit REAAL Verzekeringen	86	141	64.3%
Net profit Company and SNS Reaal Invest	44	14	(68.2%)
Net profit available for shareholders SNS REAAL	243	310	27.6%



Net operating profit

In 2003, net profit included non-recurring capital gains on the sale of selected participations of SNS Reaal Invest (2003: € 38 million). In 2004, these non-recurring capital gains amounted to € 29 million. In addition, a one-off provision release relating to the transition from final pay to average pay pension scheme amounted to € 24 million (net) in 2004. Net operating profit, excluding these non-recurring items, increased by 25.4% from € 205 million in 2003 to € 257 million in 2004.

Table XVII: Net operating profit of SNS REAAL

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Profit available for shareholders	243	310	27.6%
Book profit on sale of SNS Reaal Invest participations	38	29	
Change of pension scheme (net)		24	
Total non-recurring items	38	53	39.8%
Net operating profit	205	257	25.4%

In 2003, SNS Reaal Invest divested (part of) its shareholdings in Stienstra Holding B.V., Xtensive Franchising B.V. and PrimeLine. The total book value of these participations amounted to € 127 million. A total capital gain of € 38 million was realised on these divestments. In 2004, six participations were (partly) divested: TMF Holding (International) B.V., Leaseco Nederland B.V., TransNed Lease B.V., Abfin B.V., Infra Holding B.V. and Vesting Finance Group B.V. (formerly known as Incasso Vesting Nederland B.V.). The total book value of these participations amounted to € 126 million. On these divestments a total capital gain of € 29 million (net of costs) was realised.

ROE

The following table shows the development of return on shareholders' equity ('ROE') of SNS REAAL. ROE is calculated as the profit available for shareholders realised over the period divided by the average shareholders' equity over that period. The target ROE for SNS REAAL, at the consolidated level, is 12.5%.

Table XVIII: ROE

(in EUR millions)	2003	2004
	Dutch GAAP	Dutch GAAP
ROE SNS Bank	9.3%	11.5%
ROE REAAL Verzekeringen	13.3%	18.7%
Profit SNS REAAL available for shareholders	243	310
Average shareholders' equity SNS REAAL	1,526	1,802
ROE SNS REAAL	15.9%	17.2%

Note: The above figures are derived from the audited annual accounts.

In 2003, the ROE of SNS REAAL was 15.9%. Due to capital gains realised by SNS Reaal Invest, the ROE of SNS REAAL was higher than the weighted average ROE of SNS Bank and REAAL Verzekeringen.

In 2004, the ROE of SNS REAAL increased to 17.2% (from 15.9% in 2003). Both SNS Bank and REAAL Verzekeringen contributed to this increase. While partly reduced by a decline in double leverage (see '**Double leverage**'), the increase reflects a strong increase in net profit, more than offsetting the increase in average shareholders' equity. In 2004 ROE, excluding non-recurring items, amounted to 15.0% (2003: 11.6%).

At SNS Bank, the ROE increased from 9.3% to 11.5%. This resulted mainly from a strong increase in net profit.

The ROE of REAAL Verzekeringen increased from 13.3% to 18.7% as a result of a strong increase in net profit driven by favourable stock market conditions, positively influencing the investment income, and a lower claims ratio.

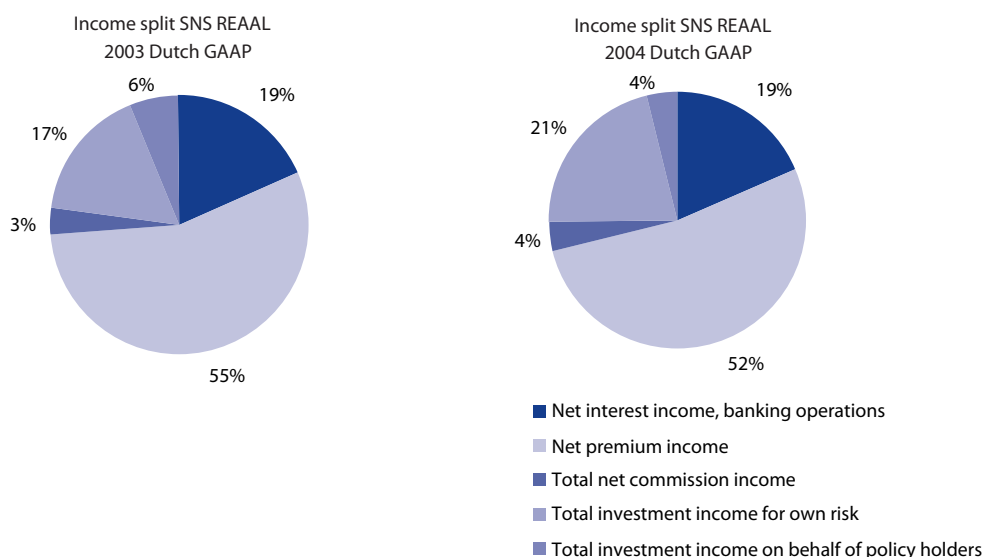
Income

The table below shows the consolidated total income of SNS REAAL for 2003 and 2004 based on Dutch GAAP on the basis of which the main developments are reviewed:

Table XIX: Income of SNS REAAL 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Net interest income, banking operations	587	589	0.3%
Net regular premium income life	749	761	1.6%
Net single premium income life	717	593	(17.3%)
Net premium income non-life	271	296	9.2%
Net premium income	1,737	1,650	(5.0%)
Net commission income from payment services	14	15	7.1%
Net commission income from securities business	6	(1)	(116.7%)
Net commission income from insurance business	24	23	(4.2%)
Net commission income, management fees	40	52	30.0%
Net other commission income	22	26	18.2%
Total net commission income	106	115	8.5%
Income from fixed income securities	152	247	62.5%
Income from private loans	161	161	0.0%
Income from mortgage loans	135	125	(7.4%)
Income from equities	(3)	81	n.a.
Income from real estate	15	16	6.7%
Other investment income	67	38	(43.3%)
Total investment income for own risk	527	668	26.8%
Valuation result on derivatives	6	(7)	(216.7%)
Total other operating income	6	14	133.3%
Total income for own risk	2,969	3,029	2.0%
Income from equities	30	29	(3.3%)
Income from fixed income securities	76	20	(73.7%)
Capital gains on equities	77	64	(16.9%)
Other investment income	13	13	0.0%
Total investment income on behalf of policyholders	196	126	(35.7%)
Total income SNS REAAL	3,165	3,155	(0.3%)

Note: The 2003 and 2004 Dutch GAAP figures are derived from the audited annual accounts. In the above table, these are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.



Net interest income, banking operations

Net interest income is defined as interest income less interest charges and is attributable to SNS Bank. It includes interest income from mortgage loans (including penalty interest for early redemption) and other loans such as consumer and business loans. Net interest income also includes the interest expenses on the borrowings of SNS Bank.

Compared to 2003, net interest income increased by 0.3% to € 589 million in 2004. Net interest income in 2004 was negatively impacted by a change in Dutch GAAP accounting principles with respect to the recognition of interest on bad debts and interest income from a number of specific structured finance investments (prior to 2004 net interest on these structured finance investments was grossed up). Excluding this change, net interest income would have increased by € 25 million (4.3%) in 2004.

The increase in net interest income mainly resulted from increased volumes of mortgage loans reflecting new production of € 8.1 billion and a net increase in the mortgage loan portfolio of € 3.4 billion. The majority of the new production was realised under SNS Bank's own brand, while the majority of the growth in new production came from the BLG Hypotheekbank brand.

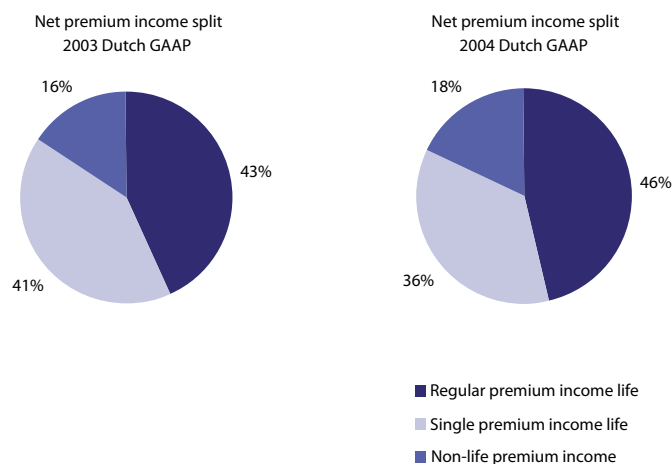
The net interest income on mortgages includes amortised penalty interest charged to borrowers for early redemption. In 2004, this penalty interest amounted to € 28 million, an increase of 76.7% compared to 2003. This increase reflects the low interest rate environment in which refinancing of mortgages is more attractive.

Net interest income of the banking operations, as a percentage of SNS Bank's risk weighted assets at year-end, decreased from 3.0% in 2003 to 2.9% in 2004, mainly resulting from a significant increase in the risk weighted assets and a relatively stable net interest income.

In 2004, SNS Bank's savings balances grew by € 855 million. Approximately 90% of the increase in savings balances was attributable to sight deposits. The new SNS Spaarmix product (introduced in 2004, consisting of a savings product with a favourable interest rate and the option of partially investing in equities without transaction costs) recorded a balance of € 578 million at the end of 2004. Growth was also driven by the Internet savings accounts offered by SNS Bank and its subsidiaries.

Net premium income

Excluding the effect of the loss of the reinsurance premium from the SNS REAAL pension fund, total net premium income would have increased by 2.5% in 2004. Compared to 2003, net premium income decreased by 5.0% in 2004 to € 1,650 million. Net premium income of REAAL Verzekeringen is generated predominantly by life insurance products. In 2004, life insurance accounted for 82% of total net premium income. Of the life insurance income, approximately 56% was generated by regular premiums and 44% by single premiums. Net premium income as shown in the table is net of premiums to reinsurers.



Life insurance

The following table shows an analysis of the net premium income of life insurance operations for 2003 and 2004:

Table XX: Analysis of life insurance premiums 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Total premium income, life insurance policies			
<i>Regular premium policies</i>			
Individual policies	674	713	5.8%
Group policies	95	67	(29.5%)
Total regular premium income	769	780	1.4%
<i>Single premium policies</i>			
Individual policies	552	544	(1.4%)
Group policies	165	49	(70.3%)
Total single premium income	717	593	(17.3%)
Gross premium income	1,486	1,373	(7.6%)
Outward reinsurance premiums	20	19	(5.0%)
Net premium income, life insurance	1,466	1,354	(7.6%)

In 2004, SNS REAAL entered into a new financing agreement with the SNS REAAL pension fund, as a result of which the pension fund's liabilities are no longer reinsured with REAAL Verzekeringen. Net premium income received from the pension fund in 2003 amounted to € 127 million of which € 62 million was regular premium income and € 65 million was single premium income.

Excluding the effect of the new financing agreement with the SNS REAAL pension fund, net regular premium income from life insurance would have increased by 10.8% from € 687 million in 2003 to € 761 million in 2004. Including this effect, net regular premiums from life insurance increased by 1.5%. The increase was mainly generated from REAAL Verzekeringen's own brand and mainly relates to investment-linked insurance products, combined with intensified and successful co-operation with intermediaries and other business partners.

Excluding the effect of the new financing agreement with the SNS REAAL pension fund, net single premium income from life insurance products would have decreased in 2004 by 9.0% from € 652 million to € 593 million. Including this effect, the production of single premium policies declined by 17.3%. The decline reflects difficult market conditions and strong competition together with SNS REAAL's focus on maintaining margins.

Excluding the effect of the new financing agreement with the SNS REAAL pension fund, net premium income from life insurance would have increased by 1.0%. Including this effect, the total net premium income from life insurance decreased by 7.6% in 2004.

The following table shows the effect of acquired life insurance portfolios on 2003 and 2004 net premium income. In addition, the impact of the new financing agreement for the SNS REAAL pension fund is separately presented:

Table XXI: Premium income life insurance 2003 and 2004

(in EUR millions)	2003		2004		Change of total
	Dutch GAAP Total	GAAP	Dutch GAAP Total	GAAP	
Contribution SNS REAAL pension fund	127		--		
Contribution Zurich life portfolio*	94		125		
Contribution Univé portfolio	--		17		
Other premium income life	1,246		1,212		(2.7%)
Total net premium income life	1,466		1,354		(7.6%)

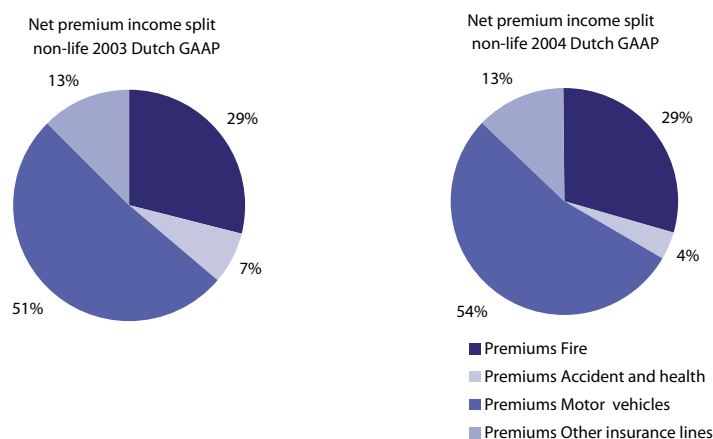
* Note: 2003 and 2004 numbers based on annual premium income Zurich life insurance of EUR 125m in 2003.

SNS REAAL acquired the life insurance portfolio of (one of the legal predecessors of) Univé effective as of 1 January 2004. The net premium income from this life insurance portfolio was included as of this date and amounted to € 17 million for the full year 2004. The Dutch life insurance portfolio of Zurich was acquired, effective as of 1 April 2003, and contributed € 94 million to REAAL Verzekeringen's total life insurance net premium income in 2003 (contribution for 9 months). Following the acquisition, the Dutch life insurance portfolio of Zurich was integrated in the operations of REAAL Verzekeringen. Based on the annual net premium income for 2003, the contribution of this acquisition to net premium income is estimated at € 125 million for the full year 2004.

In 2004, the annual premium equivalent of new business (which comprises 10% of single premium income and 100% of new regular premium income) declined to € 172 million (2003: € 181 million), due to a significant decline in the production of single premiums from € 717 million in 2003 to € 593 million in 2004. Excluding the effect of the new financing agreement with the SNS REAAL pension fund, the annual premium equivalent would have increased to € 174 million in 2003 compared to € 172 million in 2004.

Non-life insurance

In 2004, 18% of the total net written premium income was generated by non-life insurance policies. Compared to 2003, net written premium income of the non-life insurance operations increased in 2004 by 9.2% to € 296 million. Non-life insurance products are divided into fire, accident and health, motor vehicles, and other non-life insurance products. The main contributors to non-life net written premium income are motor insurance and fire insurance (with 51% and 29% contributions respectively in 2004).



In 2004, net written premium income increased organically due to increased premiums relating to motor insurance (net written premium income from motor insurance products amounted to € 159 million in 2004 compared to € 144 million in 2003). This increase was caused by volume and rate increases.

The following table shows the effect of the acquisition of part of the Dutch non-life insurance portfolio of Zurich on the non-life insurance net written premium income (contribution of Zurich for 2003 based on nine months, 2004 full year estimate based on 2003):

Table XXII: Non-life insurance premium income 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Contribution Zurich non-life portfolio	49	65	
Other premium income non-life	222	231	3.9%
Total net written premium income	271	296	9.2%

Note: 2003 and 2004 numbers based on annual premium income Zurich non-life of EUR 65m in 2003.

Non-life insurance operations also received new impetus in 2004 following the growth in the underwriting agency business (*volmachtbedrijf*) and increasing sales of non-life insurance product packages to the SME market segment (in 2004 increased by 40% to € 87 million). As the percentage of products sold by Zurich through underwriting agents was relatively high, net written premium income from underwriting agents increased in 2004. In addition, a new sales office was established focusing on the distribution via the underwriting agents channel.

Total net commission income

The following table shows net commission income for SNS REAAL for 2003 and 2004:

Table XXIII: Net commission income of SNS REAAL 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Net commission income from payment services	14	15	7.1%
Net commission income from securities business	6	(1)	(116.7%)
Net commission income from insurance business	24	23	(4.2%)
Net commission income, management fees	40	52	30.0%
Net other commission income	22	26	18.2%
Total net commission income	106	115	8.5%

Compared to 2003, total net commission income increased by 8.5% to € 115 million and accounted for 3.6% of the total income of SNS REAAL in 2004 under Dutch GAAP. Commission income is mainly attributable to SNS Bank (2004: € 109 million). The commission income of SNS Bank includes fees for services rendered, provided that these are not of an interest-related nature. REAAL Verzekeringen's commission and management income (€ 31 million in 2004) comprises fees received from partners that provide mortgages under their own label. REAAL Verzekeringen provides administrative services for these loans and receives management fees to cover administrative expenses. Under Dutch GAAP, this income was netted against expenses, while after reclassifications this income is disclosed separately.

Table XXIV: Net commission income 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Net commission income SNS Bank	92	109	18.5%
Net commission income REAAL Verzekeringen	28	31	10.7%
Eliminations	(14)	(25)	
Total net commission income SNS REAAL	106	115	8.5%

Net commission income from payment services increased by € 1 million, mainly as a result of increased income from debit cards and international payment services.

Net commission income from securities business comprises commissions earned on securities transactions. These commissions decreased in 2004 reflecting lower commission income from SNS Bank's own brand. Further, commission expenses increased at the Service Centre Securities due to higher external custodian fees. In addition, volumes at the equity desk of SNS Securities decreased resulting in lower net commission income from the securities business.

Net commission income from insurance business remained stable in 2004. The strong production of life and non-life insurance products at SNS Bank, reflecting increased cross-selling of insurance products of REAAL Verzekeringen, is not reflected in SNS REAAL's net commission income from insurance business because it is eliminated in the consolidation. SNS Bank realised approximately 90% of its insurance commission income from selling products of REAAL Verzekeringen.

In 2004, favourable stock market developments led to an increase in net commission income resulting from management fees. Commission and management fees at SNS Bank benefited from an increase in assets under management, which were higher due to the improved capital markets environment, two additional securitisation programmes (Hermes VII and Hermes VIII) and the acquisitions by REAAL Verzekeringen of the Dutch life insurance and part of the Dutch non-life insurance portfolios of Zurich, and the life insurance portfolio of (one of the legal predecessors of) Univé. Assets under management increased by 9.3% to € 11.8 billion at year-end 2004.

Net other commission income comprises commission income for business services, commission for administrative services, commission for safety boxes and expense charges. In 2004, net other commission income increased to € 26 million.

SNS Bank currently includes SNS Asset Management and consolidates SNS Securities, which generated commission income of € 16 million and € 5 million respectively in 2004. In 2003, SNS Asset Management generated commission income of € 19 million and SNS Securities generated commission income of € 5 million. The decline in commission income for SNS Asset Management in 2004 was caused by a new fee arrangement in relation to administrative services rendered to SNS Bank in relation to its securitisation programme.

Investment income for own risk

The following table shows investment income for own risk of SNS REAAL for 2003 and 2004:

Table XXV: Investment income of SNS REAAL 2003 and 2004

(in EUR millions)	2003	2004	Change
	Dutch GAAP	Dutch GAAP	
Income from fixed income securities	152	247	62.5%
Income from private loans	161	161	0.0%
Income from mortgage loans	135	125	(7.4%)
Income from equities	(3)	81	n.a.
Income from real estate	15	16	6.7%
Other investment income	67	38	(43.3%)
Total investment income for own risk	527	668	26.8%

The improvements in capital markets led to an increase in investment income in 2004. Investment income for own risk increased by 26.8% to € 668 million. This investment income is mainly attributable to REAAL Verzekeringen's investment portfolio. REAAL Verzekeringen managed a total investment portfolio for its own risk of € 8.9 billion at year-end 2004. More than 90% of this portfolio was invested in fixed income products, divided into fixed income securities, mortgage loans and private loans. Income from fixed income securities showed a significant increase of € 95 million in 2004 compared to 2003, partly as a result of shortening the amortisation period on realised profits on the sale of fixed income securities.

Investment income from mortgage loans declined in 2004 as a result of lower mortgage interest rates and a switch from mortgage investments to other fixed income investments. Investment income from private loans was stable at € 161 million reflecting a stable fixed coupon investment portfolio.

Further, total income from investments for own risk benefited from increasing results from the equity portfolio. In 2002, the value of the equity portfolio declined below its cost price and therefore the unrealised revaluation reserve within the shareholders' equity was exhausted. This resulted in unrealised losses accounted for in the results of 2002 and 2003. In 2004, the market value of these investments increased and the increase in market value up to the historical cost price was recognised as profit in the profit and loss account.

Investment income from real estate investments increased in 2004 representing higher rental income and increased book results on divestments.

Investment income of SNS Reaal Invest is included in the item income from other investments, reflecting lower book profits and lower investment income in 2004 as a result of the further unwinding of its activities.

Investment income on behalf of policyholders

Investments on behalf of policyholders comprise separate deposits for the risk of policyholders, investments of unit-linked insurance products and segregated investment accounts for large group pension contracts. Income from these investments was negatively influenced by a financing agreement with a third-party pension fund, resulting in decreased investment income (€ 33 million in 2003). Further, an additional transfer of value of a pension fund, not related to the SNS REAAL pension fund, resulted in a decreased investment portfolio on behalf of policyholders, directly affecting investment income from this portfolio.

Valuation result on derivatives

Valuation result on derivatives includes differences on foreign exchange, results on interest rate swaps, results on options and results on futures, and significantly decreased in 2004 (from € 6 million to -/- € 7 million). This decrease was due to lower results on exchange rate differences (decrease of € 8 million to € 0 in 2004), lower results on interest rate swaps (decline of € 3 million to -/- € 7 million in 2004) and lower results on options (decrease of € 2 million to € 0 in 2004).

Other operating income

Total other operating income increased by € 8 million to € 14 million in 2004. This increase mainly reflects the divestment of some minority interests held by REAAL Verzekeringen. Further, other operating income includes results from disposals of non-consolidated participations.

Expenses

The table below shows the consolidated expenses of SNS REAAL for 2003 and 2004 based on Dutch GAAP on the basis of which the main developments are reviewed:

Table XXVI: Expenses of SNS REAAL 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Payments for own account	879	1,643	86.9%
Change in technical provision	754	(25)	(103.3%)
Technical expenses life insurance	1,633	1,618	(0.9%)
Profit sharing and rebates	100	65	(35.0%)
Claims net of reinsurance	162	173	6.8%
Change in provision for payable claims	4	(21)	(625.0%)
Change in provision for unearned premiums	(9)	2	(122.2%)
Technical expenses non-life insurance	157	154	(1.9%)
Technical expenses, insurance operations	1,890	1,837	(2.8%)
Acquisition costs from insurance contracts	135	122	(9.6%)
Interest charges, non-banking activities	23	31	34.8%
Interest on debt certificates	58	34	(41.4%)
Interest on private loans	--	1	n.a.
Other interest expenses	6	9	50.0%
Other interest charges	87	75	(13.8%)
Salaries	276	266	(3.6%)
Pension costs	67	31	(53.7%)
Social costs	29	30	3.4%
Other staff costs	88	98	11.4%
Total staff costs	460	425	(7.6%)
Accommodation costs	40	40	0.0%
IT costs	23	27	17.4%
Marketing and public relations costs	33	45	36.4%
External consultancy costs	19	29	52.6%
Other expenses	67	77	14.9%
Other operating expenses	182	218	19.8%
Value adjustments	68	71	4.4%
Depreciation housing	13	14	7.7%
Depreciation IT	25	22	(12.0%)
Other depreciation	6	6	0.0%
Depreciation	44	42	(4.5%)
Total expenses SNS REAAL	2,866	2,790	(2.7%)

Note: The 2003 and 2004 Dutch GAAP figures are derived from the audited annual accounts. In the above table, these are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

Technical expenses

Compared to 2003, total technical expenses decreased by 2.8% to € 1.8 billion in 2004.

Life insurance

Technical expenses from life insurance products remained stable. Due to the new financing agreement with the SNS REAAL pension fund, which resulted in a transfer of part of the technical provisions and related investments, the

change in technical provisions decreased significantly, while this effect was offset by paying out these amounts. Excluding the impact of the SNS REAAL pension fund, payments for own account would have been € 787 million in 2004 (2003: € 879 million) and the change in technical provisions would have been € 853 million in 2004 (2003: € 754 million). Further, the reduction in new single premiums resulted in a relatively small change in the technical provisions.

Profit sharing and rebates

Profit sharing and rebates relate to the part of the technical result realised by REAAL Verzekeringen that is granted to the life insurance policyholders. At REAAL Verzekeringen, several profit sharing methods exist:

- Company profit sharing (*maatschappijwinstdeling*): in this profit sharing system, profit allocation to policyholders is based on the average accounting results of the fixed income portfolio, whereby part of the mortality profit is added
- Interest rebates (*rentestandskorting*): for single premium insurance policies, the difference between the market interest rate and the guaranteed interest rate is granted as a discount on the single premium
- Final bonus: on an annual basis, a conditional amount is allocated for final bonus profit sharing based on the development of both the interest result and mortality result. Annually, part of the final bonus account is added to the technical provisions

Contrary to REAAL Verzekeringen, where profit sharing amounts for policyholders are added to the technical provisions, the former Zurich Dutch life insurance portfolio uses profit savings accounts. Profit shares are added to these profit savings accounts and interest is added to these accounts based on a yearly fixed interest rate.

In 2004, profit sharing and rebates decreased from € 100 million to € 65 million (35%) as a result of declining market interest rates.

For life insurance policies in which policyholders bear the investment risk, the investment income (after deduction of costs) is allocated to the policyholders as a change in technical provisions.

Non-life insurance

Compared to 2003, technical expenses relating to non-life insurance operations decreased by 1.9% to € 154 million in 2004.

Table XXVII: Net claims ratios non-life 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
Net claims ratio fire	46.0%	40.6%
Net claims ratio accident and health	51.0%	29.8%
Net claims ratio motor vehicles	63.6%	61.1%
Net claims ratio other insurance lines	70.3%	44.4%
Total net claims ratio	58.4%	51.8%

The net claims ratio of REAAL Verzekeringen decreased from 58.4% in 2003 to 51.8% in 2004 as a result of more uniform underwriting policies and slightly increased prices.

Analysis of result of the non-life insurance operations

The following table shows an analysis of the result of the non-life insurance operations for 2003 and 2004:

Table XXVIII: Analysis of result of the non-life insurance operations

(in EUR millions)	Fire		Accident & Health		Motor vehicles		Other insurance lines		Total	
	2003 Dutch GAAP	2004 Dutch GAAP	2003 Dutch GAAP	2004 Dutch GAAP	2003 Dutch GAAP	2004 Dutch GAAP	2003 Dutch GAAP	2004 Dutch GAAP	2003 Dutch GAAP	2004 Dutch GAAP
Gross earned premiums	85	90	29	16	147	162	42	47	303	315
Gross claims	36	35	16	5	93	101	29	24	174	165
Total	49	55	13	11	54	61	13	23	129	150
Reinsurance balance	(6)	(4)	(3)	(3)	(1)	--	(3)	(1)	(13)	(8)
Total	43	51	10	8	53	61	10	22	116	142
Operating expenses and profit sharing	(38)	(39)	(5)	(5)	(57)	(62)	(13)	(16)	(113)	(122)
Operating result	5	12	5	3	(4)	(1)	(3)	6	3	20
Net investment income	3	3	5	4	10	14	2	8	20	29
Result of the non-life insurance operations before tax	8	15	10	7	6	13	(1)	14	23	49

Operating result (defined as the result before allocated investment income) of the non-life insurance operations increased from € 3 million in 2003 to € 20 million in 2004. All branches except accident and health contributed to this increase. For accident and health, the effect of the significant decline in premiums and claims was caused by the termination of a major contract, for which future claims were already foreseen in the claims reserve and incurred but not reported ('IBNR') reserve. In this segment, the net claims ratio decreased due to a release of the IBNR reserve caused by the positive run-off results of past years. The small decrease in the result of this insurance line is a consequence of the small remaining portfolio, partly mitigated by the decreased net claims ratio.

Within the fire and motor vehicles segment the increase in results was caused by positive results from implementing the uniform underwriting policy and slightly increased prices. The increase in results in 'other insurance lines' was mainly caused by the additional strengthening of the claims reserve for third-party liability insurance in 2003, where in 2004 the third-party liability insurance showed a better development due to a lower average claim amount.

Other interest charges

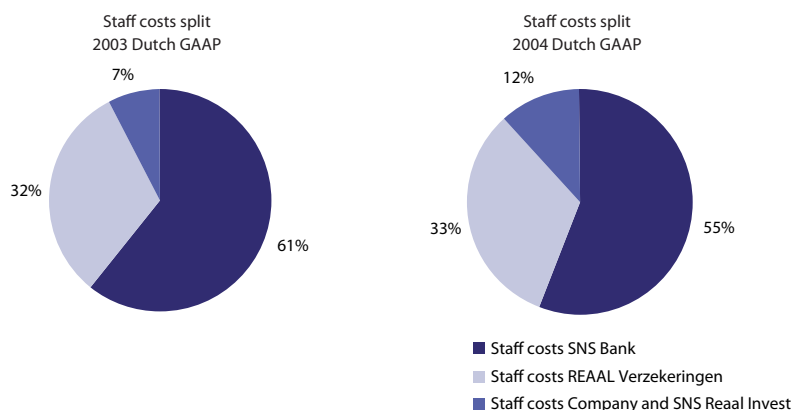
Other interest charges decreased by 13.8% to € 75 million in 2004. Other interest charges comprised interest charges payable by REAAL Verzekeringen and the Company, mainly relating to funding. Interest charges payable by SNS Bank are netted against its interest income.

The decrease in total other interest charges can be mainly attributed to lower interest rates on debt certificates. Further, part of this decline should be attributed to the decrease in the principal amount of debt certificates of the Company from € 901 million to € 269 million, driven by the decrease in the financing needs of SNS Reaal Invest as a result of the further unwinding of its activities.

Staff costs

Compared to 2003, staff costs decreased by 7.6% to € 425 million in 2004 due to a declining headcount (from 5,545 FTEs on average in 2003 to 5,383 on average in 2004) reflecting SNS REAAL's continued focus on cost control and improving efficiency. Consequently, salary expenses decreased by 3.6%, despite increases driven by the implementation of the Collective Labour Agreement (CAO).

The following charts show the breakdown of staff costs between SNS Bank, REAAL Verzekeringen, and the Company and SNS Reaal Invest for 2003 and 2004:



Total staff costs decreased in 2004 reflecting lower staff costs at both SNS Bank and REAAL Verzekeringen.

Efficiency measures from previous years and a strict no-hire policy for a full year resulted in a decrease in the number of FTEs from 3,416 on average in 2003 to 3,328 on average in 2004 at SNS Bank. As a result, staff costs at SNS Bank declined by 15.1% to € 237 million in 2004.

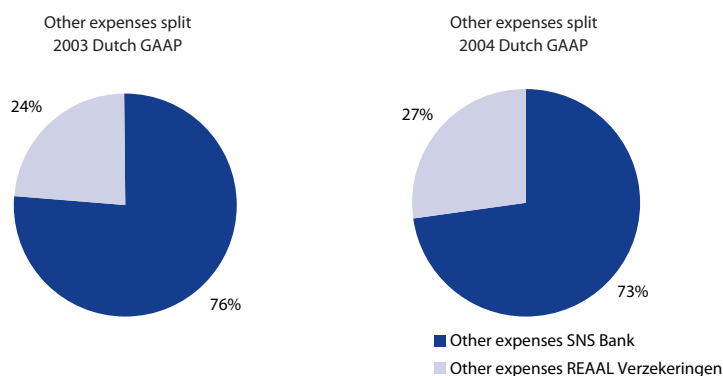
At REAAL Verzekeringen total staff increased by 91 FTEs from 1,658 on average in 2003 to 1,749 on average in 2004, while staff costs were reduced by 5.4% to € 139 million in 2004.

The decrease in staff costs also reflects the release of the pension provision as a result of the transition from final pay to average pay pension schemes as of 1 January 2004. This release in total amounted to a gross amount of € 33 million (€ 18 million for SNS Bank, € 14 million for REAAL Verzekeringen and € 1 million for the Company). Excluding the impact of this release, staff costs would have amounted to € 458 million in 2004, a decrease of € 2 million compared to 2003.

Staff costs of the Company and SNS Reaal Invest increased in 2004 due to interest paid on an additional contribution to the SNS REAAL pension fund (which amounted to € 105 million). These interest expenses were accounted for under pension costs.

Other operating expenses

In 2004, marketing costs were higher compared to 2003 due to expenses related to, among other things, re-branding of the insurance label from Hooge Huys to REAAL Verzekeringen and SNS REAAL's branding strategy towards the unified kaleidoscope logo (€ 4 million).



External consultancy costs increased in 2004 reflecting advisory costs for the adoption of IFRS and Basel II, disposal of participations of SNS Reaal Invest and the change of the financing agreement with the SNS REAAL pension fund. Other expenses increased by € 10 million to € 77 million mainly as a result of increase in the litigation provisions at SNS Bank. The majority of this increase related to antitrust regulations regarding payment services in the Netherlands, affecting the industry as a whole. SNS Bank was held proportionally liable.

Value adjustments

Value adjustments were mainly attributable to SNS Bank. Value adjustments to loans and receivables increased to € 71 million in 2004.

Table XXIX: Value adjustments 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
<i>Value adjustments to loans and advances</i>		
Business loans	18	33
Mortgages	23	17
Consumer loans	2	7
Value adjustments to other loans and advances	15	15
Total value adjustments to loans and advances	58	72
<i>Value adjustments to financial assets</i>		
Investments in bonds	3	(3)
Securitised mortgages	4	2
Other loans	3	--
Total value adjustments to financial assets	10	(1)
Total value adjustments	68	71
<i>Value adjustments SNS Bank</i>		
Value adjustments SNS Bank	56	59
Value adjustments REAAL Verzekeringen	6	9
Value adjustments SNS Reaal Invest	5	3
Provision for doubtful debtors SNS Bank	136	151
Provision for doubtful debtors REAAL Verzekeringen	44	36
Provision for doubtful debtors SNS Reaal Invest	52	41
Total provision for doubtful debtors	232	228
Risk weighted assets	19,313	20,037
Value adjustments of SNS Bank as % of risk weighted assets	0.29%	0.29%

The value adjustments relating to business loans increased significantly because of a continued unfavourable economic environment. In addition, a stricter periodical test was applied for non-collectability.

Value adjustments on mortgage loans decreased as a result of stricter acceptance policies. Additionally, the methodologies for determining the value adjustments for mortgages of ASN Bank, BLG Hypotheekbank and CVB Bank were synchronised with those used for SNS Bank.

The increase in value adjustments to consumer loans are explained by a less favourable economic climate.

These effects were partly offset by a change in methodology which led to interest on doubtful loans being eliminated from the results. This resulted in a reduction of interest income coupled with lower value adjustments.

Focus on costs

Through a disciplined focus on cost reductions, total expenses decreased by 2.7% (€ 76 million) to € 2.8 billion in 2004. In conjunction with the increase in SNS REAAL's total income for own risk by € 60 million to € 3.1 billion, both the efficiency ratio of SNS Bank and the operational cost/premium ratio of REAAL Verzekeringen were positively impacted.

Table XXX: Cost ratios 2003 and 2004

	2003 Dutch GAAP	2004 Dutch GAAP
Efficiency ratio SNS Bank	64.6%	59.8%
Operational cost/premium ratio REAAL Verzekeringen	16.4%	16.1%

The efficiency ratio of SNS Bank improved significantly by decreasing from 64.6% in 2003 to 59.8% in 2004, reflecting increased banking income, continued control of expenses and the release of the pension provision. Excluding the release of the pension provision, the efficiency ratio was 62.4% in 2004. The efficiency ratio significantly improved since the creation of SNS REAAL in 1997 (efficiency ratio 1998: 69.9%), (see '**BUSINESS OVERVIEW -- History -- Merger of SNS Groep N.V. and Reaal Groep N.V.**').

The operational cost/premium ratio of REAAL Verzekeringen (defined as gross operating expenses, excluding commission and acquisition costs, less commission income, divided by premium income in which 10% of single premiums are taken into account and 100% of regular premiums) decreased in 2004 as a result of continued monitoring of operating expenses. As premium income increased, the total operational cost/premium ratio for 2004 improved. The operational cost/premium ratio excluding the effect of loss of premium income from the SNS REAAL pension fund would have equalled 15.9% in 2004 taking into account the effect of release of the pension provision of € 18 million in 2004. The decreased operational cost/premium ratio reflects the fact that expenses of the pension fund are included in technical expenses which is not part of this ratio, while premium income for the pension fund is included in the denominator of the ratio.

Taxes

The following table shows the reconciliation between nominal and effective taxes for 2003 and 2004 under Dutch GAAP:

Table XXXI: Tax reconciliation of SNS REAAL 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
Nominal tax rate	34.5%	34.5%
Nominal tax amount	123	141
Effect of participation exemption	(26)	(49)
Revaluation of deferred taxes because of reduction in tax rate		9
Release of tax provision		(19)
Other tax facilities		(1)
Effective tax amount	97	81
Effective tax rate	27.2%	19.8%

In 2003 and 2004, disposals of investments undertaken by SNS Reaal Invest were exempted from corporate income tax due to the participation exemption. The increased effect of the application of the participation exemption in 2004 is caused by net accounting for specific structured investments, so that the net result of these investments is shown under the taxes item. In 2004 it was announced that the nominal corporation tax rate would be lowered to 31.5% in 2005 (34.5% in 2004). This resulted in deferred corporation tax being recalculated in accordance with the guidelines for annual reporting. Further, the tax provision was partly released as, following the resolution of certain tax disputes, it was considered to be overstated.

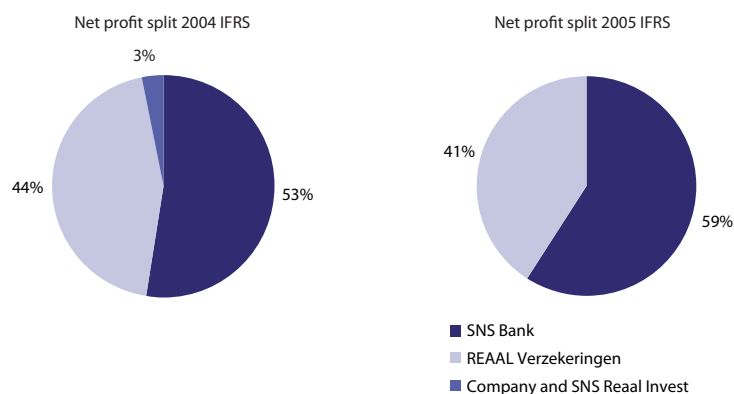
2005 compared to 2004

Net profit available for shareholders

In 2005, net profit available for shareholders grew to € 323 million from € 288 million in 2004, an increase of 12.2%. Both SNS Bank and REAAL Verzekeringen contributed to this net profit growth. Their contributions were partly offset by a lower contribution from SNS Reaal Invest reflecting the results of the divestment of several activities in 2004. In 2005, no material disposals of SNS Reaal Invest's activities took place.

Table XXXII: Net profit available for shareholders

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Net profit available for shareholders SNS Bank	151	204	35.1%
Net profit REAAL Verzekeringen	128	140	9.4%
Net profit Company and SNS Reaal Invest	9	(21)	(333.3%)
Net profit available for shareholders SNS REAAL	288	323	12.2%



The pie chart for 2005 excludes the net profit contribution of the Company and SNS Reaal Invest as their combined result was negative. Of their combined result of -/- € 21 million in 2005, an amount of -/- € 26 million was realised by the Company and € 5 million by SNS Reaal Invest. In 2004, the result split was -/- € 28 million and € 37 million respectively.

Net operating profit

In 2004, net operating profit included non-recurring capital gains on the sale of selected participations of SNS Reaal Invest (2004: € 29 million). In 2005, net operating profit adjusted for non-recurring items increased from € 259 million in 2004 to € 323 million, or an increase of 24.7%.

Table XXXIII: Net operating profit

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Profit available for shareholders	288	323	12.2%
Book profit on sale of SNS Reaal Invest participation	29		
Total non-recurring items	29	--	(100.0%)
Net operating profit	259	323	24.7%

In 2004, several participations of SNS Reaal Invest were (partly) divested: TMF Holding (International) B.V., Leaseco Nederland B.V., TransNed Lease B.V., Abfin B.V., Infra Holding B.V. and Vesting Finance Group B.V. (formerly known as Incasso Vesting Nederland B.V.). The total book value of these participations amounted to € 126 million. On these divestments a total capital gain of € 29 million (net of costs) was realised.

Under IFRS, the change of the pension scheme was directly accounted for in shareholders' equity and did not affect net operating profit of 2004.

Normalised net profit

In 2005, IFRS 4, IAS 32 and IAS 39 were adopted by SNS REAAL. The following table shows unaudited normalised net profit based on IFRS including the effect of IFRS 4, IAS 32 and IAS 39 as estimated by SNS REAAL's management:

Table XXXIV: Normalised net profit of SNS REAAL

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Net operating profit	259	323	24.7%
<i>IFRS 4, IAS 32 and 39 net effects</i>			
Capitalisation of internal acquisition costs of REAAL Verzekeringen	32		
Realised investment results of REAAL Verzekeringen	(48)		
Fair value derivatives of SNS Bank	15		
Total estimated effect adoption IFRS 4, IAS 32 and 39	(1)	--	
Penalty interest on mortgages of SNS Bank		(12)	
Normalised net profit	258	311	20.5%

Note: The adjustments in the table above are unaudited

Starting from 2005, internal acquisition costs from insurance policies are capitalised and amortised. To adjust for this effect, it is assumed that the internal acquisition costs of € 32 million (after deduction of amortisation) in 2004 were capitalised and amortised. In addition, management has estimated that, if IFRS 4, IAS 32 and IAS 39 would have been adopted, investment income would have been € 48 million lower in 2004. This decrease is mainly due to the fact that as of 2005 amortisation of realised profits is no longer applied, combined with the fact that unrealised value adjustments on the portfolio available for sale are taken directly to shareholders' equity and not to the profit and loss account as was the case in 2004.

Further, as of 2005, derivatives to which no hedge accounting is applied or which have shown to be partly ineffective are stated at fair value. Management has estimated the impact of the IFRS effect for fair value of derivatives for the year 2004 of SNS Bank. Adjusting the results for 2004 using this estimate would increase net profit by € 15 million.

The total effect of adoption of IFRS 4, IAS 32 and IAS 39 in 2004 as estimated by SNS REAAL's management would have resulted in a decrease in net operating profit by € 1 million.

In 2005, penalty interest was above normal levels due to increased mortgage refinancing resulting from the low interest rate environment. Normalising net penalty interest to the level obtained in 2004 decreases interest income by a net amount of € 12 million.

ROE

The following table shows the development of return on shareholders' equity of SNS REAAL. In 2004 and in 2005, the actual ROE exceeded the targeted ROE of 12.5% for SNS REAAL.

Table XXXV: ROE

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
ROE SNS Bank	12.0%	14.9%
ROE REAAL Verzekeringen	16.8%	12.9%
Profit SNS REAAL available for shareholders	288	323
Average shareholders' equity SNS REAAL	1,734	2,283
ROE SNS REAAL	16.6%	14.1%

Note: The figures in the table above are derived from the audited annual accounts.

In 2004, the ROE of SNS REAAL was 16.6%. Due to capital gains realised by SNS Reaal Invest and double leverage of SNS REAAL (see 'Double leverage'), the ROE of SNS REAAL was higher than the weighted average ROE of SNS Bank and REAAL Verzekeringen.

In 2005, the ROE of SNS REAAL decreased from 16.6% in 2004 to 14.1%, reflecting the relatively greater increase in shareholders' equity, resulting from the adoption of IFRS 4, IAS 32 and IAS 39, than the increase in net profit. Under IFRS 4, IAS 32 and IAS 39 a revaluation reserve and a cash flow hedge reserve were established resulting in an increase in shareholders' equity of € 338 million in total.

At SNS Bank, the ROE increased from 12.0% in 2004 to 14.9% in 2005. This resulted mainly from a strong increase in net profit driven by the higher net interest income (including penalty interest) and a positive valuation result on derivatives. On the other hand, costs were tightly controlled and value adjustments. The effect of adopting IAS 32 and IAS 39, resulting in an increase in shareholders' equity of SNS Bank, was partly offset by a dividend payment to the Company.

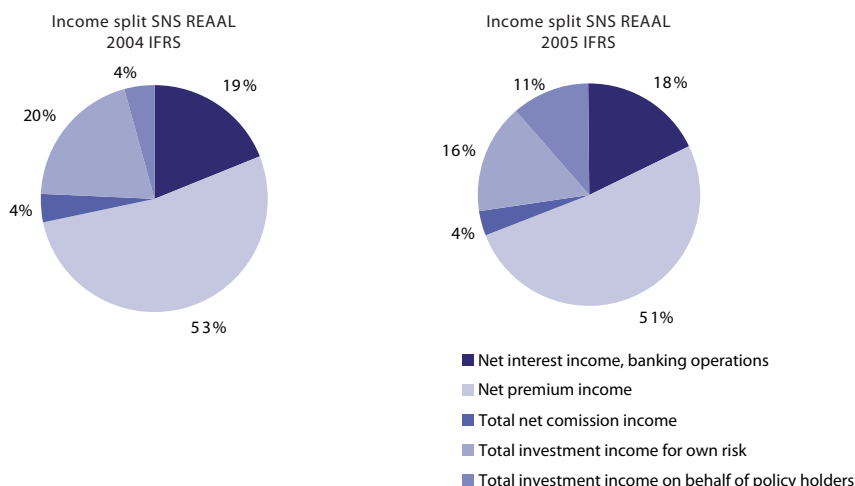
The ROE of REAAL Verzekeringen decreased from 16.8% in 2004 to 12.9% in 2005. Net profit of REAAL Verzekeringen grew driven by increased premium income and favourable capital market conditions. However, the effect of the increase in net profit was offset by the adoption of IFRS 4, IAS 32 and IAS 39 resulting in increased shareholders' equity because of unrealised value adjustments on the portfolio available for sale that were taken directly to shareholders' equity. This increase in shareholders' equity was partly offset by a dividend payment to the Company.

Income

The table below shows the consolidated income of SNS REAAL for 2004 based on IFRS, excluding IFRS 4, IAS 32 and IAS 39, and 2005 based on IFRS. The main developments are reviewed below based on these figures:

Table XXXVI: Income of SNS REAAL 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Net interest income, banking operations	593	622	4.9%
Net regular premium income life	761	838	10.1%
Net single premium income life	593	584	(1.5%)
Net premium income non-life	296	323	9.1%
Net premium income	1,650	1,745	5.8%
Net commission income from payment services	15	15	0.0%
Net commission income from securities business	(1)	6	n.a.
Net commission income from insurance business	23	27	17.4%
Net commission income, management fees	66	69	4.5%
Net other commission income	12	12	0.0%
Total net commission income	115	129	12.2%
Income from fixed income securities	248	230	(7.3%)
Income from private loans	136	88	(35.3%)
Income from mortgage loans	116	108	(6.9%)
Income from equities	80	57	(28.8%)
Income from real estate	11	19	72.7%
Other investment income	49	47	(4.1%)
Total investment income for own risk	640	549	(14.2%)
Valuation result on derivatives	(7)	31	n.a.
Total other operating income	13	1	(92.3%)
Total income for own risk	3,004	3,077	2.4%
Income from equities	29	26	(10.3%)
Income from fixed income securities	20	75	275.0%
Capital gains on equities	64	282	340.6%
Other investment income	13	11	(15.4%)
Total investment income on behalf of policyholders	126	394	212.7%
Total income SNS REAAL	3,130	3,471	10.9%



Net interest income, banking operations

Compared to 2004, net interest income increased by 4.9% to € 622 million in 2005.

The increase in net interest income partly resulted from greater volumes of mortgage loans reflecting new production of € 8.6 billion which resulted in a net increase in the mortgage loan portfolio of € 3.6 billion. The majority of growth in new production came from the BLG Hypotheekbank brand and SNS Bank's own brand. The majority of new production (70%) was realised under SNS Bank's own brand.

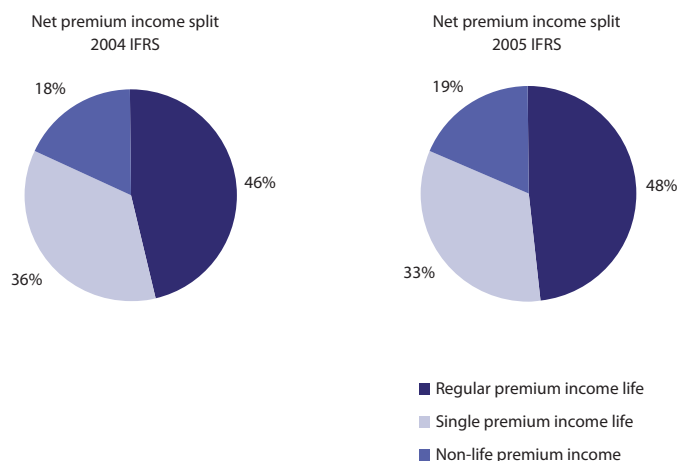
Net interest income on mortgages includes penalty interest charged to borrowers for early redemption. In 2005, net penalty interest amounted to € 46 million, an increase of 64% compared to 2004 (2004: € 28 million). This increase reflects the low interest rate environment in which refinancing of mortgages is more attractive. Further, as of January 2005, penalty interest received on early redemptions is immediately booked as interest income, while previously having been amortised.

Net interest income of the banking operations, as a percentage of SNS Bank's risk weighted assets at year-end, increased from 2.8% in 2004 to 2.9% in 2005, driven by higher margins on mortgages including higher penalty interest.

In 2005, savings balances increased by € 1.4 billion. Almost the entire growth in savings balances was attributable to sight deposits. The SNS Spaarmix product introduced in 2004 recorded a balance of € 2.3 billion at year-end 2005 (compared to € 0.6 billion at year-end 2004).

Net premium income

In 2005, net premium income increased to € 1,745 million, an increase of 5.8% compared to 2004. Net premium income of REAAL Verzekeringen is generated predominantly by life insurance products. In 2005, life insurance accounted for 81% of total net premium income. Of the life insurance income, 59% were regular premiums and 41% single premiums. Net premium income as shown in the table below is net of premiums ceded to reinsurers.



Life insurance

The following table shows an analysis of the gross premium income of life insurance operations for 2004 based on IFRS, excluding IFRS 4, IAS 32 and IAS 39, and for 2005 based on IFRS:

Table XXXVII: Analysis of life insurance premiums 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Total premium income, life insurance policies			
<i>Regular premium policies</i>			
Individual policies	713	796	11.6%
Group policies	67	63	(6.0%)
Total regular premium income	780	859	10.1%
<i>Single premium policies</i>			
Individual policies	544	542	(0.4%)
Group policies	49	42	(14.3%)
Total single premium income	593	584	(1.5%)
Gross premium income	1,373	1,443	5.1%
Outward reinsurance premiums	19	21	10.5%
Net premium income, life insurance	1,354	1,422	5.0%

Gross regular premium income from life insurance increased by 10.1% to € 859 million in 2005. This increase primarily reflects the intensified and successful co-operation with intermediaries and other business partners.

The production of single premium policies declined in 2005 by 1.5% to € 584 million. This decline reflects difficult market conditions and strong competition together with SNS REAAL's focus on maintaining margins.

SNS REAAL acquired Nieuwe Hollandse Lloyd effective as of 20 September 2005. As a consequence, this acquisition contributed to the result of REAAL Verzekeringen only in the last quarter of 2005. The following table shows the effect of the acquisition of Nieuwe Hollandse Lloyd on 2005 net premium income of the life insurance portfolio:

Table XXXVIII: Premium income life insurance 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39 Total	2005 IFRS; incl. IFRS 4 / IAS 32,39 Total	Change of total
Contribution Nieuwe Hollandse Lloyd portfolio*	--	8	
Other premium income life	1,354	1,414	4.4%
Total net premium income life	1,354	1,422	5.0%

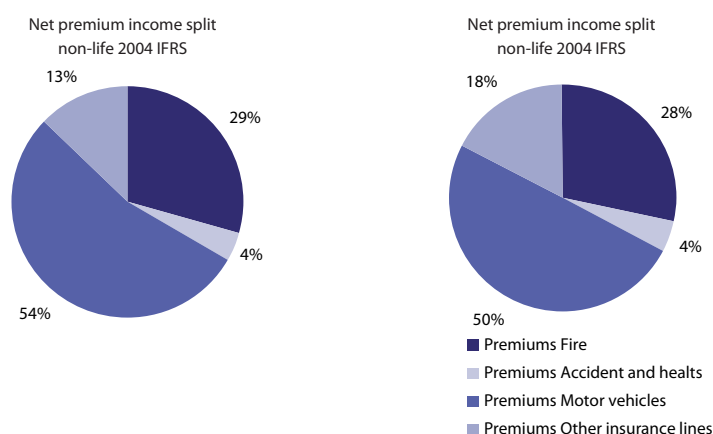
* Note: Nieuwe Hollandse Lloyd contributed to net premium income only in the last three months of 2005

Net premium income relating to the life insurance portfolio of Nieuwe Hollandse Lloyd amounted to € 8 million for the last three months of 2005 of which € 6 million was regular premium income and € 2 million single premium income. The full year net premium income of the life insurance portfolio of Nieuwe Hollandse Lloyd for 2005 amounted to € 34 million.

In 2005, the annual premium equivalent of new business (which comprises 10% of single premium income and 100% of new regular premium income) increased to € 200 million (2004: € 172 million), reflecting greater new regular premium income and relatively constant single premium income.

Non-life insurance

In 2005, 19% of the total net written premium income was generated by non-life insurance products. Compared to 2004, net written premium income of the non-life insurance operations increased in 2005 by 9.1% to € 323 million. The main contributors to non-life net written premiums were motor insurance and fire insurance (with 50% and 28% contributions respectively in 2005).



Besides organic growth of the non-life insurance operations, the acquisition of Nieuwe Hollandse Lloyd contributed to the growth in non-life insurance net premium income. The following table shows the effect of the acquisition on non-life premium income (contribution for 2005 based on three months):

Table XXXIX: Non-life insurance premium income 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Contribution Nieuwe Hollandse Lloyd portfolio*	--	19	
Other premium income non-life	296	304	2.7%
Total net written premium income	296	323	9.1%

* Note: Nieuwe Hollandse Lloyd contributed to net premium income only in the last three months of 2005

The net premium income of the non-life insurance portfolio of Nieuwe Hollandse Lloyd for the fourth quarter of 2005 amounted to € 19 million, which mainly relates to fire insurance (€ 6 million) and 'other' insurance lines (€ 8

million). The net premium income from this portfolio for the full year 2005 amounted to € 106 million, of which € 22 million was realised through transport insurance and € 26 million through fire insurance.

In 2005, net written premium of non-life insurance operations increased across all insurance lines as a result of the growth in the underwriting agency business (*volmachtbedrijf*), partly as a result of the acquisition of Nieuwe Hollandse Lloyd.

In 2005, the organic growth of net written premium income by 2.7% was mainly due to increased premium income in the insurance line 'other'. This resulted largely from increased premium income from Route Mobiel (€ 5 million) and from pet insurance (*Dier & Zorg Verzekering*) (€ 3 million). In accident and health insurance, the increase was a result of the co-operation with De Goudse, partly offset by a decrease in premium income caused by the loss of a contract.

Total net commission income

Compared to 2004, in 2005 total net commission income increased by 12.2% to € 129 million.

Table XL: Net commission income 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Net commission income SNS Bank	109	114	4.6%
Net commission income REAAL Verzekeringen	31	43	38.7%
Eliminations	(25)	(28)	
Total net commission income SNS REAAL	115	129	12.2%

In 2005, net commission income of SNS Bank amounted to € 114 million and net commission income of REAAL Verzekeringen was € 43 million. Mainly as a result of greater assets under management and increased income on securities transactions, net commission income at SNS Bank increased by 4.6%. The growth in net commission income of REAAL Verzekeringen by 38.7% resulted mainly from increased reimbursement from external parties for commission on new production of mortgage loans.

The following table shows net commission income of SNS REAAL for 2004 and 2005:

Table XLI: Net commission income of SNS REAAL 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Net commission income from payment services	15	15	0.0%
Net commission income from securities business	(1)	6	n.a.
Net commission income from insurance business	23	27	17.4%
Net commission income, management fees	66	69	4.5%
Net other commission income	12	12	0.0%
Total net commission income	115	129	12.2%

Net commission income from payment services remained stable at € 15 million in 2005.

Net commission income from securities business increased in 2005 reflecting higher commission income on securities transactions. Further, commission income increased at SNS Fundcoach due to higher assets under management. In addition, net commission income from the securities business increased due to SNS Securities' role in two capital markets transactions.

Net commission income from insurance increased in 2005 by € 4 million to € 27 million, or 17.4%. This increase mainly reflects profit sharing received from insurance companies and bonus commissions.

In 2005, net commission income on asset management grew mainly as a result of increased management fees reflecting greater assets under management. This increase reflects inflows in existing portfolios, new mandates and favourable capital markets developments. Total assets under management increased by 22% to € 14.3 billion. The increase in net commission income was offset by a reclassification of commission expenses of € 10 million relating

to the Hermes SPVs (as defined below) (see 'FUNDING'). Until 2004, these commission expenses were accounted for in net interest income.

Net other commission income comprises commission income on business services, commission on administrative services, commission on safety boxes and expense charges. In 2005, net other commission income remained stable at € 12 million.

SNS Bank currently includes SNS Asset Management and consolidates SNS Securities, which generated commission income of € 19 million and € 7 million respectively in 2005. In 2004, SNS Asset Management generated commission income of € 16 million and SNS Securities generated commission income of € 5 million.

Investment income for own risk

The following table shows investment income of SNS REAAL for 2004 based on IFRS, excluding IFRS 4, IAS 32 and IAS 39, and for 2005 based on IFRS:

Table XLII: Investment income of SNS REAAL 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Income from fixed income securities	248	230	(7.3%)
Income from private loans	136	88	(35.3%)
Income from mortgage loans	116	108	(6.9%)
Income from equities	80	57	(28.8%)
Income from real estate	11	19	72.7%
Other investment income	49	47	(4.1%)
Total investment income for own risk	640	549	(14.2%)

Investment income for own risk decreased by 14.2% to € 549 million in 2005. Applying the IFRS principles IAS 32 and IAS 39 with effect from 2004 instead of 2005, and taking account of a supposed realisation policy in 2004, investment income would have been € 570 million in 2004.

REAAL Verzekeringen managed a total investment portfolio for its own risk of € 10.0 billion at year-end 2005. More than 85% of this portfolio was invested in fixed income instruments, divided into fixed income securities, mortgage loans and private loans. Income from fixed income securities recorded a decrease of € 18 million in 2005 compared to 2004, mainly because realised gains and losses on fixed income securities are no longer amortised but recorded directly in the profit and loss account.

Investment income from mortgage loans decreased in 2005 as a result of a shift from mortgage loans to equity and fixed income securities. This shift is not directly visible in the investment portfolio at year-end 2005 because the investment portfolio of Nieuwe Hollandse Lloyd was added to total investments at the end of the third quarter 2005. Nieuwe Hollandse Lloyd contributed € 26 million to total investment income for own risk of REAAL Verzekeringen in the fourth quarter of 2005.

In 2005, investment income on private loans decreased by 35.3% to € 88 million. This resulted mainly from the adoption of IFRS 4, IAS 32 and IAS 39. As of 2005, results on private loans are no longer amortised but are taken directly to the profit and loss account. In 2004, investment income on private loans included amortisation of results deferred in previous years of € 25 million. In 2005, realised capital gains were € 7 million. Further, investment income on private loans includes interest income of SNS Reaal Invest. This income decreased in 2005 due to the unwinding of activities of SNS Reaal Invest in 2004.

Further, total income from investments for own risk benefited from increased results from the equity portfolio. The asset mix was changed during 2005 with a shift from mainly fixed income securities available for sale to equity investments. Together with the favourable stock market developments this led to an increase in investment income from equities. This effect was fully offset by the adoption of IFRS 4, IAS 32 and IAS 39 resulting in exclusion of unrealised gains and losses from investment income. In addition, the reclassification of a participation in Ducatus, an investment fund which invests in preference shares, from equity investments to equity participations in participating interests resulted in a shift from investment income from equities to other operating income.

Investment income from real estate investments strongly increased in 2005 due to higher rental income, revaluation as a result of appraisals and increased book results on divestments.

In 2005, investment income from other investments decreased slightly to € 47 million. This decrease resulted from disposals of SNS Reaal Invest's activities in 2004 which generated other investment income in 2004.

Valuation result on derivatives

Valuation result on derivatives includes differences on foreign exchange, results on interest rate swaps, results on options and results on futures, and significantly increased in 2005 (from -/- € 7 million to € 31 million). Due to the adoption of IFRS 4, IAS 32 and IAS 39, derivatives are valued at market value as of 2005. Also, in 2004 results from hedges used for hedge accounting were amortised, whilst as of 2005 these are directly taken to the profit and loss account.

The strong increase in valuation results on derivatives followed from a positive development in the yield curve accompanied by an increase in the market value of derivatives and ineffectiveness of hedge accounting.

Other operating income

Total other operating income decreased from € 13 million to € 1 million in 2005. This decrease was partly due to a downward value adjustment in 2005 of real estate at SNS Bank that is to be sold, amounting to € 6 million. Other operating income at REAAL Verzekeringen was € 5 million lower in 2005 than in 2004, mainly because other operating income in 2004 for REAAL Verzekeringen included gains on the divestment of certain minority interests. Further, divestments of SNS Reaal Invest in 2004 resulted in less operating income from leasing activities of € 3 million in 2005.

Investment income on behalf of policyholders

Income from investments on behalf of policyholders increased significantly from € 126 million in 2004 to € 394 million in 2005. Because a large part of the investment portfolio on behalf of policyholders is invested in equities, investment income on behalf of policyholders benefited from favourable stock market developments. In addition, capital inflow from new insurance policies contributed to the growth of the investment portfolio on behalf of policyholders and hence to an increase in investment income. The contribution of investment income on behalf of policyholders from the Nieuwe Hollandse Lloyd investment portfolio amounted to € 11 million, relating to the fourth quarter of 2005.

Expenses

The table below shows the consolidated expenses of SNS REAAL for 2004 under IFRS, excluding IFRS 4, IAS 32 and IAS 39, and for 2005 under IFRS, on the basis of which the main developments are reviewed:

Table XLIII: Expenses of SNS REAAL 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Payments for own account	1,643	1,134	(31.0%)
Change in technical provision	(25)	717	n.a.
Technical expenses life insurance	1,618	1,851	14.4%
Profit sharing and rebates	65	79	21.5%
Claims net of reinsurance	173	181	4.6%
Change in provision for payable claims	(21)	(10)	(52.4%)
Change in provision for unearned premiums	2	(6)	(400.0%)
Technical expenses non-life insurance	154	165	7.1%
Technical expenses, insurance operations	1,837	2,095	14.0%
Acquisition costs from insurance contracts	122	167	36.9%
Interest charges, non-banking activities	31	20	(35.5%)
Interest on debt certificates	34	17	(50.0%)
Interest on private loans	1	9	800.0%
Other interest expenses	9	14	55.6%
Other interest charges	75	60	(20.0%)
Salaries	267	266	(0.4%)
Pension costs	57	51	(10.5%)
Social costs	29	30	3.4%
Other staff costs	98	96	(2.0%)
Total staff costs	451	443	(1.8%)
Accommodation costs	40	42	5.0%
IT costs	27	30	11.1%
Marketing and public relations costs	45	43	(4.4%)
External consultancy costs	29	25	(13.8%)
Other expenses	77	61	(20.8%)
Other operating expenses	218	201	(7.8%)
Value adjustments	71	60	(15.5%)
Depreciation housing	14	11	(21.4%)
Depreciation IT	22	22	0.0%
Other depreciation	6	5	(16.7%)
Depreciation	42	38	(9.5%)
Total expenses SNS REAAL	2,816	3,064	8.8%

Technical expenses

Compared to 2004, total technical expenses of the insurance operations increased by 14.0% to € 2.1 billion in 2005.

Life insurance

Technical expenses in life insurance increased by 14.4% to € 1.9 billion in 2005. Of this amount, € 1.1 billion related to technical expenses for own risk, and € 0.8 billion to expenses for the risk of policyholders (in 2004: € 1.2 billion and € 0.4 billion respectively). The increase in technical expenses mainly reflects increased investment income on behalf of policyholders due to favourable capital market developments and increased premium income. Nieuwe Hollandse Lloyd contributed € 17 million to technical expenses of life insurance operations of REAAL Verzekeringen.

Profit sharing and rebates

In 2005, profit sharing and rebates increased from € 65 million to € 79 million (21.5%) as a result of increased profit sharing on the group pension products. In 2004, the profit sharing and rebates relating to part of the former Zurich portfolios were accounted for under other interest charges from non-banking activities, while in 2005 this was accounted for under profit sharing and rebates (€ 10 million).

Non-life insurance

Compared to 2004, technical expenses relating to non-life insurance operations increased by 7.1% to € 165 million in 2005. Nieuwe Hollandse Lloyd contributed € 12 million to the technical expenses of non-life insurance operations of REAAL Verzekeringen in 2005. Excluding this contribution, technical expenses would have decreased by 0.6%.

Table XLIV: Net claims ratios non-life 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Net claims ratio fire	40.6%	45.9%
Net claims ratio accident and health	29.8%	20.0%
Net claims ratio motor vehicles	61.1%	57.9%
Net claims ratio other insurance lines	44.4%	52.0%
Total net claims ratio	51.8%	51.7%

The net claims ratio of REAAL Verzekeringen decreased slightly in 2005 (51.8% in 2004 compared to 51.7% in 2005). The net claims ratio of accident and health decreased following the release of an IBNR reserve.

Analysis result of the non-life insurance operations

The following table shows the components of the result of the non-life insurance operations for 2004 and 2005:

Table XLV: Analysis of result of the non-life insurance operations

(in EUR millions)	Fire		Accident & Health		Motor vehicles		Other insurance lines		Total	
	2004 IFRS*	2005 IFRS	2004 IFRS*	2005 IFRS	2004 IFRS*	2005 IFRS	2004 IFRS*	2005 IFRS	2004 IFRS*	2005 IFRS
Gross earned premiums	90	101	16	22	162	166	47	67	315	356
Gross claims	35	47	5	2	101	98	24	40	165	187
Total	55	54	11	20	61	68	23	27	150	169
Reinsurance balance	(4)	(4)	(3)	(8)	--	1	(1)	--	(8)	(11)
Total	51	50	8	12	61	69	22	27	142	158
Operating expenses and profit sharing	(39)	(45)	(5)	(5)	(62)	(68)	(16)	(30)	(122)	(148)
Operating result	12	5	3	7	(1)	1	6	(3)	20	10
Net investment income	3	3	4	6	14	12	8	8	29	29
Result of non-life insurance operations before tax	15	8	7	13	13	13	14	5	49	39

* Note: 2004 figures based on IFRS excluding IFRS 4, IAS 32 and 39

Operating result (defined as result before allocated investment income) of the non-life insurance operations decreased from € 20 million in 2004 to € 10 million in 2005, a decrease of 50.0%. Total premiums minus claims net of reinsurance increased by € 16 million, and total operating expenses and profit sharing increased by € 26 million (where total profit sharing amounted to € 0.4 million in 2004 and € 0.6 million in 2005).

In the fire insurance line, the increased premium income was offset by a higher claims ratio. In the accident and health insurance line, premiums minus claims improved by € 4 million due to higher premium income resulting from the acquisition of Nieuwe Hollandse Lloyd and a lower claims ratio mainly caused by the release of an IBNR reserve (relating to the Zurich portfolios and the termination of an insurance contract). Further, in the motor insurance line, the premium income minus claims increased by € 7 million due to higher premium income strengthened by an improved claims ratio. In the 'other' insurance line, premiums less claims improved by € 4 million mainly caused by increased premiums from Nieuwe Hollandse Lloyd, pet insurance and Route Mobiel.

Operating expenses, including commissions, increased by € 26 million, mainly as a result of the addition of operating expenses following the acquisition of Nieuwe Hollandse Lloyd and related integration costs. In addition, a

new cost allocation method within REAAL Verzekeringen led to a relatively higher allocation of total costs to the non-life segment.

Acquisition costs from insurance contracts

Acquisition costs from insurance contracts increased by 36.9% to € 167 million in 2005. This increase reflects greater new production resulting in increased commission expenses. This increase in commission expenses mainly relates to intermediaries distribution partners' businesses, which channel realised a growth in new production.

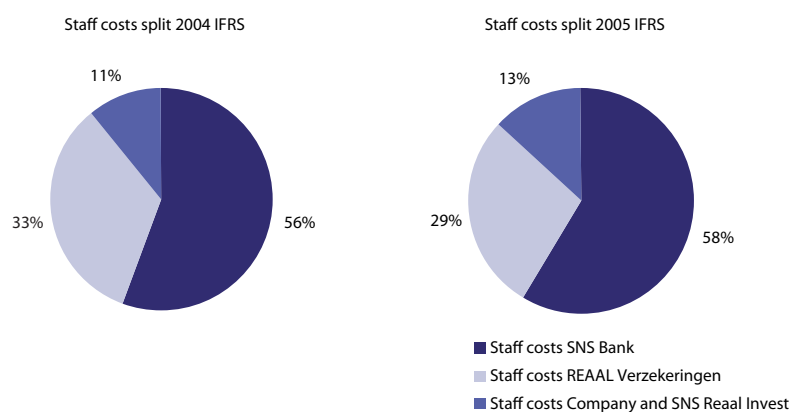
Other interest charges

Other interest charges decreased by 20% to € 60 million in 2005. These comprised interest charges from non-banking activities payable by the Company, mainly related to funding, and by REAAL Verzekeringen. Interest charges payable by SNS Bank are netted against its interest income. Other interest charges from non-banking activities strongly decreased as a result of decreased interest expenses on funding. Moreover, as a result of further unwinding of the activities of SNS Reaal Invest in 2004, interest expenses of SNS Reaal Invest decreased from € 24 million in 2004 to € 9 million in 2005. Further, part of the interest charges of REAAL Verzekeringen in 2004, related to profit sharing on part of the former Zurich portfolios, was reclassified to technical expenses in 2005.

Staff costs

Compared to 2004, staff costs decreased by 1.8% to € 443 million in 2005 as a result of decreased headcount (5,383 FTEs on average in 2004 compared to 5,336 on average in 2005). The decrease in staff costs mainly related to capitalising internal acquisition costs from insurance policies, starting in 2005. Excluding the capitalisation effect, staff costs would have increased by 3.3% to € 466 million in 2005.

The following charts show the breakdown of staff costs between SNS Bank, REAAL Verzekeringen, and the Company and SNS Reaal Invest for 2004 and 2005:



The number of FTEs at SNS Bank decreased from 3,328 on average in 2004 to 3,158 on average in 2005. This effect partly reflects centralising the human resources and facility departments, together 53 FTEs at year-end 2004, at the Company level. The total staff costs of SNS Bank increased by 2.8% to € 258 million in 2005. This increase mainly resulted from temporary personnel in the IT department and due to several projects, such as the adoption of IFRS and Basel II.

At REAAL Verzekeringen total staff decreased by 17 FTEs to 1,732 on average in 2005. Staff costs at REAAL Verzekeringen decreased by 15.9% to € 127 million in 2005. Further, the decrease in staff costs reflects capitalising internal acquisition costs starting in 2005. In 2005, € 26 million of internal acquisition costs relating to staff costs were capitalised, while € 3 million were amortised.

The following table shows capitalisation and amortisation of internal acquisition costs in 2005:

Table XLVI: Capitalisation of internal acquisition costs

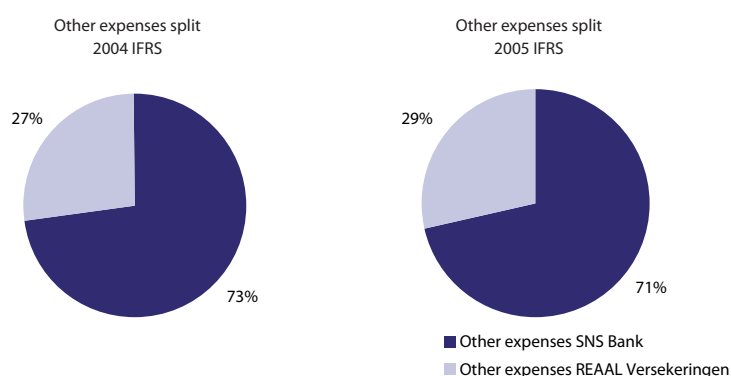
(in EUR millions)	2005 IFRS 4 / IAS 32,39
Staff costs	
Staff costs without capitalisation and amortisation	466
Capitalisation of internal acquisition costs	(26)
Amortisation of internal acquisition costs	3
Staff costs including capitalisation and amortisation	443
Other operating expenses	
Other operating expenses without capitalisation and amortisation	221
Capitalisation of internal acquisition costs	(23)
Amortisation of internal acquisition costs	3
Other operating expenses including capitalisation and amortisation	201
Total capitalisation of internal acquisition costs	(49)
Total amortisation of capitalised internal acquisition costs	6

If capitalisation of internal acquisition costs had been applied in 2004, total capitalisation in 2004 would have amounted to € 47 million (being € 49 million capitalised less € 2 million amortised).

In 2005, staff costs of the Company and SNS Reaal Invest increased from € 49 million to € 58 million as a result of the centralisation of the human resources and facility departments and temporary personnel for projects, for example in respect of implementation of recent regulatory developments.

Other operating expenses

In 2005, other operating expenses decreased by 7.8% to € 201 million, mainly due to a decline in other expenses. This decrease is attributable to capitalisation of internal acquisition costs (of which € 23 million related to other operating expenses, while € 3 million was amortised). This effect was partly offset by increased accommodation costs due to one-time lump sum payments of rental contracts of SNS Bank branches and increased IT costs as a result of a new IT system for asset management (Dimension) and data warehousing projects at both SNS Bank and REAAL Verzekeringen.



The above graph shows the other operating expenses of SNS Bank and REAAL Verzekeringen.

Value adjustments

Value adjustments on loans and receivables decreased by 15.5% from € 71 million in 2004 to € 60 million in 2005.

Table XLVII: Value adjustments 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
<i>Value adjustments to loans and advances</i>		
Business loans	33	24
Mortgages	19	18
Consumer loans	7	--
Value adjustments to other loans and advances	15	19
Impairment on results from equity	--	2
Total value adjustments to loans and advances	74	63
<i>Value adjustments to financial assets</i>		
Investments in bonds	(3)	(3)
Other loans	--	--
Total value adjustments to financial assets	(3)	(3)
Total value adjustments	71	60
<i>Provision for doubtful debtors</i>		
Value adjustments SNS Bank	59	50
Value adjustments REAAL Verzekeringen	9	7
Value adjustments SNS Reaal Invest	3	3
Provision for doubtful debtors SNS Bank	151	167
Provision for doubtful debtors REAAL Verzekeringen	36	34
Provision for doubtful debtors SNS Reaal Invest	41	4
Total provision for doubtful debtors	228	205
Risk weighted assets of SNS Bank	20,037	20,175
Value adjustments of SNS Bank as % of risk weighted assets	0.29%	0.25%

The value adjustments relating to business loans decreased significantly because of lower additions to provisions reflecting the improvement in the economic environment and continued stricter acceptance policies.

Value adjustments on mortgage loans remained stable in 2005 despite growth of the mortgage portfolio, as a result of continued stricter acceptance policies started in 2004 and acceleration of the process of foreclosure.

Due to increased and effective focus on doubtful debtors within the branches, value adjustments on consumer loans decreased.

Cost ratios

Total expenses increased by 8.8% (€ 246 million) to € 3.1 billion in 2005. In conjunction with the relatively stronger increase in SNS REAAL's total income by € 351 million to € 3.5 billion, both the efficiency ratio of SNS Bank and the operational cost/premium ratio of REAAL Verzekeringen, excluding capitalisation of internal acquisition costs, were positively impacted.

Table XLVIII: Cost ratios 2004 and 2005

	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Efficiency ratio SNS Bank	63.1%	59.8%
Operational cost/premium ratio REAAL Verzekeringen excluding capitalisation of internal acquisition costs	17.2%	16.9%
Operational cost/premium ratio REAAL Verzekeringen	13.2%	13.5%

The efficiency ratio of SNS Bank improved by decreasing from 63.1% in 2004 to 59.8% in 2005, reflecting increased net interest income and valuation result on derivatives, while expenses only increased slightly.

The operational cost/premium ratio of REAAL Verzekeringen, excluding the effect of the capitalisation of internal acquisition costs, decreased from 17.2% in 2004 to 16.9% in 2005. Including the effect of the capitalisation of internal acquisition costs, the operational cost/premium ratio would have increased from 13.2% in 2004 to 13.5% in 2005.

Taxes

The following table shows the reconciliation between nominal and effective taxes for 2004 and 2005 under IFRS:

Table XLIX: Tax reconciliation of SNS REAAL 2004 and 2005

(in EUR millions)	2004 FRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Nominal tax rate	34.5%	31.5%
Nominal tax amount	124	131
Effect of participation exemption	(49)	(30)
Revaluation of deferred taxes because of reduction in tax rate	15	2
Adjustments to previous years (including release of tax provision)	(19)	(7)
Other tax facilities	(1)	(3)
Effective tax amount	70	93
Effective tax rate	19.6%	22.4%

In 2004, disposals of investments undertaken by SNS Reaal Invest were exempted from corporate income tax due to the participation exemption. In 2005, no disposals at SNS Reaal Invest took place which would have benefited from the participation exemption. In 2004 it was announced that the nominal corporation tax rate would be lowered to 31.5% in 2005 (34.5% in 2004). Subsequently, it was announced that this nominal corporation tax rate would be lowered further to 29.6% in 2006. This resulted in deferred corporation tax being recalculated in accordance with the guidelines for annual reporting. Further, following the resolution of certain tax disputes, the tax provision was considered to be overstated which resulted in a release of part of the tax provision in 2004 and in 2005.

SNS REAAL consolidated balance sheet

The table below shows the consolidated balance sheet of SNS REAAL:

Table II: Consolidated balance sheet of SNS REAAL before profit appropriation

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. FRS 4 / IAS 32,39
Assets				
Goodwill and other intangible fixed assets	209	248	369	559
Tangible fixed assets	341	321	300	302
Real estate investments	135	130	125	129
Investments for own risk	8,740	8,436	8,233	9,211
Investments on behalf of policyholders	2,971	2,793	2,798	3,426
Equity participation in participating interests	142	51	51	126
Derivatives	--	--	103	1,174
Reinsurance contracts	284	269	269	365
Mortgage loans	31,002	34,419	39,924	43,544
Other loans	3,664	2,868	2,627	2,599
Banks	3,071	3,579	3,421	4,949
Cash and cash equivalents	800	1,391	1,074	1,076
Other assets	1,146	924	473	304
Deferred tax receivables	153	105	167	132
Other tax receivables	33	33	38	192
Total assets	52,691	55,567	59,972	68,088
Liabilities and equity				
Share capital	340	340	340	340
Other reserves	1,060	1,311	1,252	1,865
Net profit for the year	243	310	288	323
Shareholders' equity	1,643	1,961	1,880	2,528
Third party interests	298	298	--	--
Group equity	1,941	2,259	1,880	2,528
Participation certificates and subordinated debts	1,156	1,145	1,443	1,616
Fund for general banking risks	70	70	--	--
Staff pension provisions	133	(9)	187	76
Other provisions	61	52	50	44
Technical provisions, insurance operations	11,174	11,330	11,330	12,658
Savings	10,404	11,259	10,973	12,333
Other funds entrusted, banking operations	7,411	7,582	6,346	7,078
Debt certificates	16,061	17,710	23,464	25,654
Banks	2,344	2,496	2,442	3,419
Other liabilities	1,825	1,572	1,714	1,359
Derivatives	--	--	42	976
Deferred tax liabilities	108	88	82	324
Other tax liabilities	3	13	19	23
Total liabilities and equity	52,691	55,567	59,972	68,088

Note: All figures are derived from the audited annual accounts. In the above table, figures for 2003 and 2004 Dutch GAAP are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

2004 compared to 2003

Total assets

Compared to 2003, the total assets of SNS REAAL increased by 5.5% to € 55.6 billion at year-end 2004. This increase can be partly attributed to mortgage loans, which increased by 11.0% as a result of new production. The investment portfolio decreased due to the transfer of € 856 million of investments to the SNS REAAL pension fund, which also reduced technical provisions. Excluding this transfer, investments increased by 3.2%.

Goodwill and other intangible fixed assets

Goodwill and other intangible fixed assets, including capitalised acquisition costs and capitalised software, increased by 19% to € 248 million in 2004. This increase resulted from greater total capitalised acquisition costs, which were equal to € 233 million in 2004 compared to € 194 million in 2003. The remainder, capitalised software, was equal to € 15 million both in 2004 and in 2003.

Tangible fixed assets

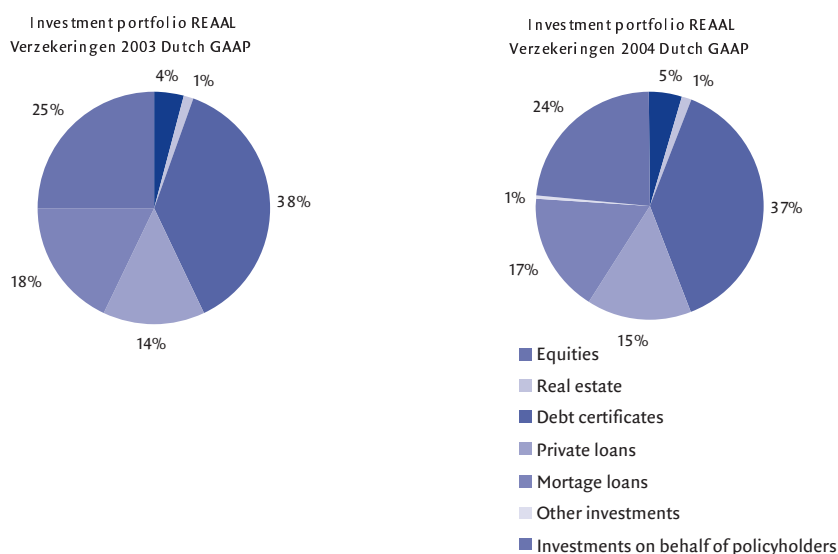
Table L: Tangible fixed assets

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Land and buildings for own use	222	215	(3.2%)
Data processing equipment	38	34	(10.5%)
Other moveable assets	81	72	(11.1%)
Total tangible fixed assets	341	321	(5.9%)

Tangible fixed assets include land and buildings used by SNS REAAL, IT equipment and other moveable assets. Tangible fixed assets equalled € 321 million in 2004, a decrease of 6% compared to € 341 million in 2003. This decline can be explained by the fact that SNS Bank closed some branches outside the Randstad, thereby selling the buildings that housed these branches. SNS REAAL increased its presence within the Randstad, but since the majority of new branches were housed in rented property, total tangible fixed assets decreased.

Investments

The following pie-charts show the 2003 and 2004 year-end investment portfolio of REAAL Verzekeringen. The portfolio comprises investments for own risk, investments for the risk of policyholders and investments in real estate. The largest part of the total investment portfolio was fixed-income related investments which accounted for more than 90% of the portfolio at year-end 2004 (see 'RISK MANAGEMENT').



The transfer of part of the investments to the SNS REAAL pension fund led to a decrease in the total investment portfolio in 2004.

The decrease in investments on behalf of policyholders resulted mainly from the termination of a third-party pension contract.

Equity participation in participating interests

Equity participation in participating interests strongly decreased in 2004 from € 142 million in 2003 to € 51 million in 2004. This decrease mainly reflects the disposal of activities of SNS Reaal Invest partly offset by income from participating interests.

Loan portfolio

The following table shows the loan portfolio of SNS REAAL for 2003 and 2004 under Dutch GAAP:

Table LI: Development loan portfolio

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Mortgage loans with NHG	4,132	5,991	45.0%
Mortgage loans with LtFV ratio \leq 75%	19,464	20,686	6.3%
Mortgage loans with LtFV ratio $>$ 75%	7,406	7,742	4.5%
On-balance mortgages	31,002	34,419	11.0%
Off-balance securitised mortgage loans	5,004	5,517	10.3%
Total mortgage loans	36,006	39,936	10.9%
Private loans to private sector	696	655	(5.9%)
Business loans to private sector	1,265	990	(21.7%)
Other loans and advances	1,703	1,223	(28.2%)
Total other loans	3,664	2,868	(21.7%)
Total loans and advances, including mortgages	39,670	42,804	7.9%

Note: The 2003 and 2004 Dutch GAAP figures are derived from the audited annual accounts. In the above table, these are reclassified to enhance comparability with IFRS figures. This reclassification is unaudited.

The loan portfolio of SNS REAAL, mainly comprising loans and advances of SNS Bank, largely consists of several types of mortgage loans.

In 2004 the on-balance Dutch residential mortgage portfolio constituted 62% of the total assets of SNS REAAL, of which approximately 17% were guaranteed by NHG, 60% secured at a Loan-to-Foreclosure Value (LtFV) ratio below 75%, and 23% secured at a LtFV ratio in excess of 75% (see '**INDUSTRY OVERVIEW -- Dutch banking industry -- Residential mortgages**'). The total amount of securitised residential mortgage loans amounted to € 5.5 billion at year-end 2004.

The total mortgage loan portfolio increased in 2004 as a result of strong new production. The increase was mainly attributable to NHG mortgages. SNS Bank started a temporary campaign, in which the upfront fee to NHG was paid by SNS Bank instead of by the customer, resulting in an increased inflow of NHG mortgages. Although new production was mainly realised under SNS Bank's own brand, the growth in new production was generated mainly by the BLG Hypotheekbank brand.

Other loans and advances

Other loans and advances are loans and advances to non-banks, other than in the form of interest-bearing securities. This item consists of consumer loans, business loans, and other loans. The total outstanding amount of other loans and advances was € 2.9 billion in 2004, compared to € 3.7 billion in 2003. This decrease was primarily driven by the unwinding of certain activities at SNS Reaal Invest. Following divestments in 2003 and 2004, the funding agreement with Masterfleet was fully redeemed and the funding agreement with PrimeLine was partially redeemed, decreasing the total amount outstanding of business loans to the private sector.

Development of provision for loan losses at SNS Bank

The provision for loan losses of SNS Bank increased in 2004 by 9.4% to € 139 million. The year-end balance of the provision for loan losses as a percentage of total risk weighted assets of SNS Bank was 0.69% in 2004 compared to 0.66% in 2003.

Table III: Provisions for loan losses SNS Bank

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Mortgages			
Provision at start of year	26	40	
Write off	4	17	
Addition	27	37	
Release	9	19	
Provision at end of year	40	41	2.5%
Business loans			
Provision at start of year	51	57	
Write off	13	26	
Addition	42	56	
Release	24	24	
Provision at end of year	57	64	12.3%
Consumer loans			
Provision at start of year	21	30	
Write off	5	5	
Addition	20	26	
Release	6	16	
Provision at end of year	30	35	16.7%
Total provisions for loan losses SNS Bank	127	139	9.4%

Risk weighted assets of SNS Bank

Risk weighted assets of SNS Bank are determined based on guidelines of the Dutch Central Bank (see 'RISK MANAGEMENT' and 'SUPERVISION AND REGULATION'). All asset categories are weighted by fixed percentages, reflecting the risk profile of these asset categories. The total risk weighted assets increased due to the fact that the total outstanding loan portfolio increased.

Table LIII: Risk weighting of assets of SNS Bank

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
Assets 100% risk weighted	22%	20%
Assets 50% risk weighted	51%	50%
Assets 20% risk weighted	4%	4%
Assets 0% risk weighted (NHG)	20%	23%
Off-balance items	3%	3%
Total risk weighted assets	19,313	20,037
Value adjustments of SNS Bank as % of risk weighted assets	0.29%	0.29%

Note: for the calculation of the risk weighted assets, the securitised portfolio is not taken into account

NHG mortgage loans are attributed a risk weighting of 0%. The off-balance sheet items include other balance sheet items, such as guarantees. The securitised mortgages are excluded from the total risk weighted assets as the Dutch Central Bank attributes a 0% risk weighting to these mortgages. However, securitisations do have an effect on regulatory capital as the Dutch Central Bank prescribes extra solvency requirements which result in a deduction from Tier 1 capital.

Tax assets

While other tax receivables remained stable, deferred tax assets decreased by € 48 million in 2004. Part of these deferred tax assets related to future pension liabilities. Other tax receivables mainly related to dividend tax receivables (€ 28 million) and withholding tax receivables (€ 1 million). Total dividend tax receivables included € 2 million of foreign dividend tax receivables at year-end 2004. Following the separation of the SNS REAAL pension fund from SNS REAAL in 2004, deferred tax assets decreased. The remaining deferred tax assets reflect losses and the timing difference between the accounting treatment and fiscal treatment of investments and (technical) provisions.

Equity

The following table shows movements in SNS REAAL shareholders' equity in 2003 and 2004 under Dutch GAAP:

Table LIV: Movement of SNS REAAL's shareholders' equity 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
Shareholders' equity balance as at 1 January	1,408	1,643
Profit available for shareholders for the year	243	310
Revaluations	2	1
Released revaluations	(42)	--
Other movements	32	7
Shareholders' equity balance as at 31 December	1,643	1,961

Shareholders' equity increased in 2003 as a result of net profit for the year, partly offset by the release of revaluation of participating interests. A participation of SNS Reaal Invest included an unrealised revaluation reserve for real estate. When this participation was divested in 2003, this reserve was released to the profit and loss account (2003: € 42 million). In 2003, other movements included tax credits in respect of payments on third-party interests. In the profit and loss account, the payments on third-party interests were shown as part of the profit distribution, lowering the profit available for shareholders. These payments on third-party interests however resulted in tax credits of € 6 million, which were accordingly added directly to equity. The remainder of € 26 million was a write back of goodwill on a participation in 2003.

In 2004, shareholders' equity increased mainly as a result of net profit generated in that year. Further, under the item other movements € 7 million was added to equity, of which € 6 million reflected the tax credits on third-party interest compensation. Also, the new corporation tax rate for 2005 resulted in an increase in equity by € 5 million due to a revaluation of deferred tax liabilities relating to the revaluation reserve. Further, goodwill relating to the Zurich portfolios (€ 4 million) was written off.

Liabilities

The assets of SNS REAAL are mainly financed by debt certificates, savings and other funds entrusted to SNS Bank and technical provisions for insurance operations.

For a more detailed description of SNS REAAL's funding base, especially debt certificates, banks and other funds entrusted from banking operations, see '**FUNDING**'.

Savings

The savings on the balance sheet of SNS REAAL mostly relate to SNS Bank. The savings comprise sight deposits, securities accounts, term deposits and an employee savings scheme. In 2004, savings increased by 8.2% to € 11.3 billion. This increase was mainly a result of introducing a new savings product (SNS Spaarmix) by SNS REAAL. At year-end 2004, SNS Spaarmix generated € 578 million of savings. Further, Internet savings accounts also recorded a substantial increase.

Debt certificates

This item mainly comprises public and private euro medium term note loans of SNS Bank. The currency risks of loans that are not denominated in euro are hedged. Debt certificates increased in 2004 by 10.3% to € 17.7 billion. This increase reflected greater debt financing through the capital markets as a result of increased mortgage production, mainly through several private placements in the euro medium term note market.

Technical provisions

The following table shows the composition of technical provisions at year-end 2003 and 2004. The technical provisions on the balance sheet of REAAL Verzekeringen are netted against reinsurance.

Table LV: Technical provisions

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP	Change
Life			
Provision for life insurance obligations	7,687	8,145	6.0%
Unamortised interest rate rebates	(145)	(150)	3.4%
Technical provisions for insurance policies in which policyholders bear the investment risk	3,099	2,845	(8.2%)
Non-life			
Provision for payable claims	471	422	(10.4%)
Provision for unearned premiums and accrued risks	62	68	9.7%
Total technical provisions	11,174	11,330	1.4%

Provision for life insurance obligations

The provision for life insurance obligations increased in 2004 as a result of the strong organic growth in endowment mortgages (*spaarhypotheken*) and annuities (*lijfrentes*) and the transfer of € 191 million to technical provisions following the acquisition of the life insurance portfolio of (one of the legal predecessors of) Univé effective as of 1 January 2004. This increase, combined with a positive balance of premiums and interest, less surrenders and lapses, more than compensated for the decrease in technical provisions that resulted from the transfer of staff pension obligations to the SNS REAAL pension fund.

Effective as at 1 January 2004, approximately € 856 million of group life technical provisions was transferred to the SNS REAAL pension fund. This amount consisted of € 609 million of technical provisions for own risk and € 247 million of technical provisions for which policyholders bear investment risk. Following this transfer, from 2004 onwards technical provisions for life insurance no longer include pension liabilities to staff and former staff of SNS REAAL.

A provision for profit sharing and rebates is part of the provision for life insurance obligations and relates to the Zurich Dutch life insurance portfolio. The profit sharing relating to this portfolio is added to individual savings accounts in the form of monthly interest. In 2003, the balance of these savings accounts amounted to € 164 million. In 2004, this balance decreased by € 2 million to € 162 million.

To reflect the risk that policyholders will live longer than currently expected, the technical provisions for life insurance obligations in 2004 included a provision of € 71 million relating to longevity risk. In 2003, this provision amounted to € 84 million, of which € 9 million related to the SNS REAAL pension fund. For profit guarantees, a provision of € 4 million (€ 13 million in 2003) was included in the provisions for life insurance obligations of REAAL Verzekeringen.

For the mortality and disability risks, proportional reinsurance protection is obtained.

The unamortised interest rate rebates are amortised either on an actuarial basis or over a period of eight years, depending on the type of insurance contract.

Provision for insurance policies in which policyholders bear investment risk

Adjusted for the transfer of pension obligations to the SNS REAAL pension fund, the technical provisions for insurance policies in which policyholders bear the investment risk increased in 2004 as a result of successful sales of individual unit-linked policies.

Liability adequacy test provisions for life insurance

The liability adequacy test for life technical provisions calculates the surplus value of the insurance portfolio and the related investment portfolio taking into account future reinvestment yields based on the current guidelines of the Dutch Central Bank. In 2004, the liability adequacy test for the life technical provisions yielded a surplus of € 1.2 billion (before taxes and costs for required solvency). This surplus is based on the current Dutch Central Bank rules that prescribe discounting with technical rates of 3% and 4%. However, future accounting (IFRS) and solvency (blueprint of Solvency II) standards may prescribe market valuation of assets and liabilities. This would imply discounting with actual market yields and explicit valuation of embedded options and guarantees.

Provision for claims payable non-life

The following table shows the composition of technical provisions for the non-life operations of REAAL Verzekeringen.

Table LVI: Technical provisions, non-life insurance

(in EUR millions)	2003	2004	Change
	Dutch GAAP	Dutch GAAP	
Fire	20	18	(9.7%)
Accident and health	3	5	40.1%
Motor vehicles	32	37	15.3%
Other insurance lines	7	8	14.7%
Provision for unearned premiums and accrued risk	62	68	8.7%
Fire	22	18	(19.1%)
Accident and health	233	194	(16.6%)
Motor vehicles	174	170	(2.6%)
Other insurance lines	42	40	(4.6%)
Provision for payable claims	471	422	(10.4%)

The provision for unearned premiums and accrued risk is computed in proportion to the unexpired risk periods and increased in 2004 by € 6 million to € 68 million. The provision for payable claims decreased by 10.4%, mainly as a result of a significant decline in the claims ratio for the accident and health insurance products (from 52.5% in 2003 to 29.8% in 2004).

Tax liabilities

Deferred tax liabilities decreased in 2004 compared to 2003 as a result of decreased fiscal differences in the valuation of various assets and liabilities, mainly relating to equity investments, real estate investments, capitalised acquisition costs and capitalised interest deductions on individual policies. This decrease was even greater because of decreased equalisation accrual resulting from losses on equities.

Other tax liabilities included taxes payable amounting to € 13 million in 2004 under Dutch GAAP.

2005 compared to 2004

Total assets

In 2005, total assets of SNS REAAL increased to € 68.1 billion, an increase of 13.5% compared to 2004. This increase resulted mainly from net growth in the mortgage portfolio of € 3.6 billion.

Total investments increased by € 1.6 billion, due to new insurance production in 2005 and favourable capital market developments. The balance sheet for 2005 as presented in table II includes Nieuwe Hollandse Lloyd (total assets of € 669 million).

Goodwill and other intangible fixed assets

Total goodwill and other intangible fixed assets amounted to € 559 million in 2005, compared to € 369 million in 2004. The increase in goodwill and other intangible fixed assets was mainly due to increased capitalised acquisition costs in the life insurance operations of REAAL Verzekeringen, amounting to € 421 million in 2005 compared to € 233 million in 2004. Following the adoption of IFRS 4, SNS REAAL capitalises internal acquisition costs and amortises them over the remaining term of average premium payment period. This also resulted in the retroactive recognition of capitalised acquisition costs for 2004 on the opening balance sheet of 2005, amounting to € 47 million. In 2005, € 49 million of internal acquisition costs were capitalised and € 6 million was amortised. The remainder of the increase in goodwill and other intangible fixed assets followed largely from higher insurance production reflected in higher capitalised acquisition commissions on life insurance policies.

Tangible fixed assets

Table LVII: Tangible fixed assets

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32.39	2005 IFRS; incl. IFRS 4 / IAS 32.39	Change
Land and buildings for own use	194	196	1.0%
Data processing equipment	34	35	2.9%
Other moveable assets	72	71	(1.4%)
Total tangible fixed assets	300	302	0.7%

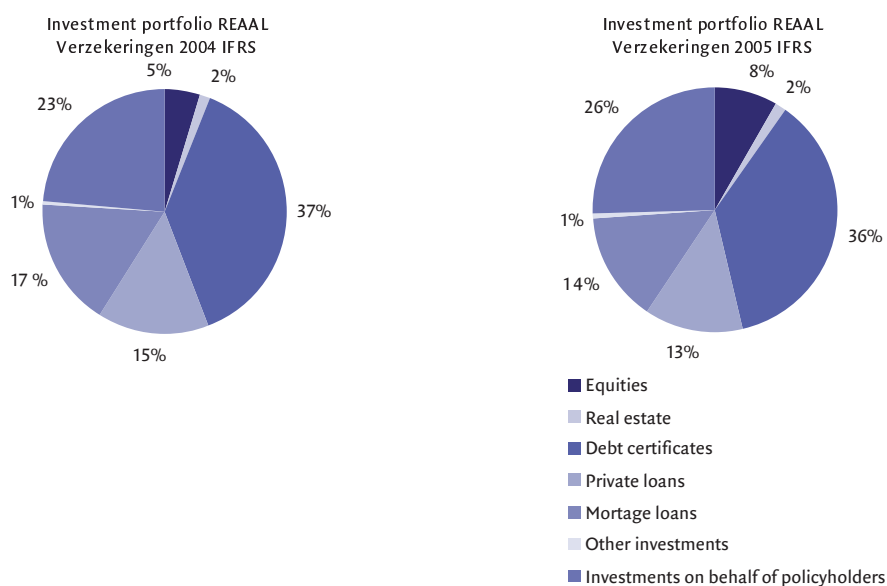
In 2005 the tangible fixed assets remain stable, showing the same amount in investments and revaluations as the depreciations and disinvestments. The acquisition of Nieuwe Hollandse Lloyd is included in the figures of 2005.

SNS REAAL has leased property of which yearly rent is approximately € 15 million in 2005.

Investments

Compared to year-end 2004, the total amount of investments for own risk and account of REAAL Verzekeringen increased by € 1.0 billion. Of this increase, € 356 million was due to the acquisition of Nieuwe Hollandse Lloyd. The remainder of the increase resulted from premium income, increased fixed income securities available for sale and increased equities. Equities balances grew due to favourable stock market developments and due to increased purchases as part of a shift in the asset mix from fixed income securities to equity investments.

Under IFRS, fixed income securities are accounted for as available for sale or held to maturity. At year-end 2005, 58% of fixed income securities in the investment portfolio of SNS REAAL consisted of securities available for sale, and 42% of securities held to maturity.



The total amount of investments on behalf of policyholders increased by € 628 million, of which € 263 million resulted from the acquisition of Nieuwe Hollandse Lloyd. The remainder of the increase resulted from the greater equity balances reflecting favourable stock market conditions and premium income. At year-end 2005, 80% of investments on behalf of policyholders consisted of equities, and 20% of fixed-income securities.

The following table shows the investment portfolio for own risk of SNS REAAL for 2004 based on IFRS, excluding IFRS 4, IAS 32 and IAS 39, and for 2005 based on IFRS:

Table LVIII: Investment portfolio of SNS REAAL 2004 and 2005 under IFRS classifications

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Investments at fair value through P&L	132	326	147.0%
Investments available for sale	4,770	5,587	17.1%
Investments held to maturity	1,932	2,052	6.2%
Loans and receivables	1,399	1,246	(10.9%)
Total investments for own risk	8,233	9,211	11.9%

Equity participation in participating interests

Total equity participation in participating interests amounted to € 126 million in 2005, compared to € 51 million in 2004. This increase can be explained by the fact that REAAL Verzekeringen increased its interest in Ducatus, to 32% during 2005. SNS REAAL's share in the shareholders' equity of Ducatus amounted to € 75 million at year-end 2005.

Derivatives

SNS REAAL records derivatives with a positive value as assets, and derivatives with a negative value as liabilities. Total derivatives recorded as assets increased in 2005 to € 1.2 billion compared to € 103 million in 2004. This increase resulted from the adoption of IAS 32 and IAS 39 which prescribe that all derivatives must be included on the balance sheet according to their fair value. In 2004, only the trading derivatives were recorded on the balance sheet. The derivatives are predominantly used for hedging purposes. An amount of € 144 million related to other derivatives and were recorded as assets.

Loan portfolio

The following table shows the loan portfolio of SNS REAAL for 2004 and 2005, where 2004 excludes IFRS 4, IAS 32 and IAS 39:

Table LIX: Development loan portfolio

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Mortgage loans with NHG	5,991	6,518	8.8%
Mortgage loans with LtFV ratio ≤ 75%	20,686	21,990	6.3%
Mortgage loans with LtFV ratio > 75%	7,730	7,451	(3.6%)
Securitised mortgages loans	5,517	7,585	37.5%
Total mortgage loans	39,924	43,544	9.1%
Private loans to private sector	655	614	(6.3%)
Business loans to private sector	712	616	(13.5%)
Other loans and advances	1,260	1,369	8.7%
Total other loans	2,627	2,599	(1.1%)
Total loans and advances, including mortgages	42,551	46,143	8.4%

In 2005, the mortgage portfolio, which constituted 64% of the total assets of SNS REAAL, included mortgages of which approximately 15% were guaranteed by NHG, 51% secured at a Loan-to-Foreclosure Value (LtFV) ratio below 75%, 17% secured at a LtFV ratio in excess of 75%, and the remaining 17% were securitised.

Total mortgage loans grew from € 39.9 billion in 2004 to € 43.5 billion in 2005, an increase of 9.1%. Of this portfolio of securitised mortgages, the securitised part amounted to € 5.5 billion at year-end 2004 and grew to € 7.6 billion at year-end 2005, after two additional securitisation programmes named Hermes IX and Hermes X (see 'FUNDING').

Development of provision for loan losses at SNS Bank

The following table summarises the development of provisions that SNS Bank held for loan losses in 2004 and 2005.

Table LX: Provisions for loan losses SNS Bank

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Mortgages			
Provision at start of year	43	50	
Write off	17	25	
Addition	27	19	
Release	7	1	
Provision at end of year	46	43	(6.5%)
Business loans			
Provision at start of year	57	77	
Write off	26	15	
Addition	45	43	
Release	13	19	
Provision at end of year	63	86	36.5%
Consumer loans			
Provision at start of year	30	35	
Write off	5	8	
Addition	23	18	
Release	13	7	
Provision at end of year	35	38	8.6%
Total provisions for loan losses SNS Bank	144	167	16.0%

Note: changes between closing balance 2004 and opening balance 2005 result from adoption of IFRS 4, IAS 32 and IAS 39

In 2005, the total provision for loan losses of SNS Bank increased by 16.0% to € 167 million, mainly caused by IFRS opening balance sheet adjustments. The year-end balance of the provision for loan losses as a percentage of total risk weighted assets of SNS Bank was 0.83% in 2005 compared to 0.72% in 2004.

Banks

At year-end 2005, the item banks was equal to € 4.9 billion, an increase of € 1.5 billion compared to € 3.4 billion in 2004. Banks comprises loans and advances to banks, which are not in the form of interest-bearing securities. The increase was primarily attributable to the fact that the surplus of liquidity intended for the granting of mortgages was placed at other banks, through current accounts or structured finance deals.

On the liability side, banks increased by € 1.0 billion, largely through increased deposits and certificates not withdrawable within one year.

Risk weighted assets of SNS Bank

The following table shows the distribution of the risk weighted assets for 2004 and 2005 under IFRS:

Table LXI: Risk weighting of assets of SNS Bank

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Assets 100% risk weighted	20%	18%
Assets 50% risk weighted	50%	49%
Assets 20% risk weighted	4%	5%
Assets 0% risk weighted (NHG)	23%	24%
Off-balance items	3%	4%
Total risk weighted assets	20,037	20,175
Value adjustments SNS Bank as % of risk weighted assets	0.29%	0.25%

Note: for the calculation of the risk weighted assets, the securitised portfolio is not taken into account

Total risk weighted assets of SNS Bank increased by € 138 million in 2005. The growth in total risk weighted assets was driven by the increase in the total assets of SNS Bank and offset by an increased portion of mortgages with NHG and additional securitised mortgages.

Tax assets

Deferred tax receivables decreased by € 35 million in 2005. This decrease resulted partly from a change in the corporation tax rate. In November 2005, the Dutch government announced that the corporation tax rate for 2006 would be lowered to 29.6% (in 2005: 31.5%), which led to a revaluation of deferred tax receivables.

Other tax receivables amounted to € 192 million in 2005, an increase of € 154 million compared to 2004. At year-end 2005, other tax receivables mainly related to company tax receivables (€ 100 million and dividend tax receivables (€ 88 million) of which foreign dividend tax receivables amounted to € 51 million at year-end 2005.

Equity

The following table shows movements in shareholders' equity of SNS REAAL in 2004 and 2005 based on IFRS:

Table LXII: Movement of SNS REAAL's shareholders' equity 2004 and 2005

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Shareholders' equity balance as at 1 January	1,589	2,039
Profit available for shareholders for the year	288	323
Unrealised value adjustments relating to cash flow hedges		71
Deferred interest results relating to cash flow hedges		12
Other unrealised value adjustments		126
Realisation of value adjustments through profit and loss account		(43)
Other movements	3	--
Total adjustments	291	166
Shareholders' equity balance as at 31 December	1,880	2,528
<i>Equity adjustments due to adoption IFRS 4 / IAS 32/39</i>		
Investment portfolio	137	
Capitalised acquisition costs	32	
Funding	(40)	
Mortgages	24	
Provisions for credit risk	(15)	
Derivatives	22	
Other	(1)	
Total adjustments	159	
Shareholders' equity, IFRS fully adopted	2,039	

Shareholders' equity of SNS REAAL increased in 2005 by € 0.6 billion to € 2.5 billion compared to € 1.9 billion in 2004. Part of this increase in shareholders' equity resulted from the implementation of IFRS 4, IAS 32 and IAS 39, which led to an increase in shareholders' equity of € 159 million as at 1 January 2005. The most important changes relate to investments available for sale being accounted for at fair value. Unrealised value adjustments on investments available for sale are taken directly to shareholders' equity. Further, the retroactive recognition of internal acquisition costs increased shareholders' equity by € 32 million as at 1 January 2005. The adjustment relating to mortgages is mainly due to the fact that, as of 2005, penalty interest on early redemptions of mortgages is stated in the profit and loss account in the year of receipt and is no longer amortised. As a result, capitalised penalty interest has been added to shareholders' equity. Further, unwinding results on interest rate swaps are no longer capitalised and amortised, which resulted in the addition of the accrued unwinding results on interest rate swaps to shareholders' equity.

In 2005, the net profit for the year contributed € 323 million to the total increase in shareholders' equity. Also, the favourable economic climate led to unrealised value adjustments on equities and fixed income securities available for sale. Once these securities are sold, the unrealised value adjustments are reversed and related capital gains are realised through the profit and loss account. In 2005, € 43 million of unrealised value adjustments were reversed. Shareholders' equity further increased as a consequence of value adjustments on derivatives used for cash flow hedging.

Liabilities

In 2005, the increase in total assets was financed by funding through debt certificates (€ 2.2 billion), savings (€ 1.4 billion), banks (€ 1 billion), and an increase in financial derivatives (€ 0.9 billion).

Savings

Savings on the balance sheet of SNS REAAL, mostly relating to SNS Bank, increased by 12.4% to € 12.3 billion, compared to € 11.0 billion in 2004. This increase can be almost completely attributed to the successful growth of the savings product SNS Spaarmix that was introduced in 2004. In 2005, this product generated a total of € 1.7 billion in savings.

Debt certificates

Debt certificates increased in 2005 by 9.3% to € 25.7 billion, compared to € 23.5 billion in 2004. This increase reflects additional funding through the capital markets. In previous years, the growth rate in debt certificates was reduced by the fact that debt certificates relating to mortgages securitised by SNS Bank were recorded off balance sheet. Since under IFRS the special purpose vehicles that hold securitised mortgage portfolios are consolidated, debt certificates relating to such portfolios are also recorded on balance sheet.

Technical provisions

The following table shows the composition of technical provisions at year-end 2004 and 2005.

Table LXIII: Technical provisions

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
<i>Life</i>			
Provision for life insurance obligations	8,145	8,588	5.4%
Unamortised interest rate rebates	(150)	(132)	(12.0%)
Technical provisions for insurance policies in which policyholders bear the investment risk	2,845	3,461	21.7%
<i>Non-life</i>			
Provision for payable claims	423	653	55.4%
Provision for unearned premiums and accrued risks	67	88	31.3%
Total technical provisions	11,330	12,658	11.7%

Provision for life insurance obligations

Total technical provisions increased by € 1.3 billion to € 12.7 billion. Major changes included additions of regular-premiums and single-premiums (€ 1.4 billion), claims payments (-/- € 0.5 billion), lapses and surrenders (-/- € 0.5 billion), and additions resulting from differences in equity prices and exchange rates for unit-linked products (€ 0.3 billion).

The total technical provision for the Nieuwe Hollandse Lloyd portfolio amounted to € 566 million, of which € 400 million related to life insurance operations, and € 166 million to non-life insurance operations.

The provision for life insurance obligations increased in 2005 to € 8.6 billion, mainly as a result of an increase in sales of life insurance. The provision for profit sharing and rebates, which is part of the provision for life insurance obligations, amounted to € 161 million for 2005, compared to € 162 million in 2004.

Provision for insurance policies in which policyholders bear investment risk

The technical provisions for insurance policies in which policyholders bear the investment risk increased by 21.7% in 2005 to € 3.5 billion. This increase was driven by successful sales of individual unit-linked policies and favourable stock market developments.

Liability adequacy test provisions for life insurance

At year-end 2005, the liability adequacy test for the technical provisions of life insurance operations yielded a surplus value of € 1.3 billion before deduction of the VOBA, amounting to € 118 million in 2005. This surplus value was calculated based on current guidelines of the Dutch Central Bank that prescribe discounting with technical rates of 3% and 4%.

Provision for claims payable non-life

The following table shows the composition of net technical provisions for the non-life operations of REAAL Verzekeringen:

Table LXIV: Technical provisions, non-life insurance

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39	Change
Fire	18	24	34.7%
Accident and health	5	11	125.5%
Motor vehicles	37	43	17.6%
Other insurance lines	8	11	30.4%
Provision for unearned premiums and accrued risk	67	88	31.3%
Fire	18	55	205.6%
Accident and health	194	300	54.6%
Motor vehicles	170	194	14.1%
Other insurance lines	40	106	165.0%
Provision for payable claims	423	653	55.4%

The provision for unearned premiums and accrued risk is computed in proportion to the unexpired risk periods and increased in 2005 by € 21 million to € 89 million. The provision for payable claims increased by 55.2% to € 655 million. This growth can be mainly explained by the acquisition of Nieuwe Hollandse Lloyd, which increased the technical provisions for non-life operations by € 166 million.

Derivatives

IAS 32 and IAS 39 require that all derivatives must be included on the balance sheet according to their fair value, whereas in 2004 only trading derivatives were recorded on the balance sheet. SNS REAAL records derivatives with a positive value as assets, and derivatives with a negative value as liabilities. The derivatives mainly consist of interest rate swaps and cross currency swaps, which are predominantly used for hedging purposes. An amount of € 76 million related to other derivatives that were recorded as liabilities at year-end 2005.

Tax liabilities

In 2005, the total deferred tax liabilities grew to € 324 million, an increase of € 242 million compared to 2004. This increase can be mainly explained by higher unrealised results on the portfolio available for sale and deferred results on duration swaps. These unrealised results were accounted for directly in the revaluation reserve, after taking account of deferred taxes.

Capital base and capital adequacy

2004 compared to 2003

The table below summarises the capital base and capital adequacy ratios of SNS REAAL for 2003 and 2004 based on Dutch GAAP:

Table LXV: Capitalisation and ratios SNS REAAL

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
Shareholders' equity	1,643	1,961
Third party interests	298	298
Group equity	1,941	2,259
Subordinated debts	1,156	1,145
Fund for general banking risks	70	70
Capital base	3,167	3,474
Total assets	52,691	55,567
Double leverage	115%	107%
Tier 1 ratio (banking)	8.3%	8.6%
BIS ratio (banking)	11.9%	11.7%
Solvency ratio life insurance	195%	202%
Solvency ratio non-life insurance	359%	243%
Solvency ratio total	177%	182%

The capital base, consisting of shareholders' equity, third party interests and subordinated debts (together with the fund for general banking risks under Dutch GAAP), increased in 2004 by € 307 million (9.7%) mainly as a result of 2004 retained earnings.

Both SNS Bank and REAAL Verzekeringen have historically had a dividend policy to distribute approximately 35% of their respective net profits to the Company. The Company has not paid any dividend on Ordinary Shares to date.

SNS REAAL calculates and monitors regulatory capital adequacy requirements according to the provisions pursuant to the 1992 Act on the supervision of the credit system (*Wet toezicht kredietwezen 1992*; the '**Dutch Banking Act**'). Capital adequacy rules require banks to maintain a BIS total capital ratio of at least 8.0% and a Tier 1 ratio of at least 4.0%.

In 2004 the Tier 1 ratio, calculated as the ratio between the risk weighted assets and core capital of the bank, increased to 8.6%, well above SNS REAAL's target of 8.0%. SNS Bank was able to finance its own growth through internal profit generation. The growth in shareholders' equity exceeded the growth of risk weighted assets, resulting in an increased Tier 1 ratio. The BIS ratio decreased slightly due to a relative decline in Tier 2 capital as a proportion of risk weighted assets. At 11.7% however, the BIS-ratio was well above the regulatory minimum of 8.0% and SNS REAAL's target of 11.0%.

The solvency of REAAL Verzekeringen significantly exceeded the minimum solvency requirements of the Dutch Central Bank for the period 2003 -- 2004, both for the life insurance and for non-life insurance operations. The internal solvency requirement for the life insurance operations of SNS REAAL is set at 150% of the minimum solvency requirement. For non-life insurance operations, the internal solvency requirement is set at 200% of the minimum solvency requirement.

In 2004, the solvency of the life insurance operations increased from 195% to 202%, while the solvency of the non-life insurance operations decreased from 359% to 243% as a result of a dividend payment to the Company to further improve the Company's double leverage ratio (being equity participations in the Company's direct subsidiaries divided by its shareholders' equity) (see '**Double leverage**'). Both solvency ratios were well above SNS REAAL's internal requirements.

The solvency ratio of REAAL Verzekeringen in 2004 was lower than the weighted average solvency ratio of life and non-life insurance operations due to a double leverage of € 94 million at REAAL Verzekeringen. In 2003, double leverage amounted to € 123 million.

2005 compared to 2004

The following table describes the capital base and capital adequacy ratios of SNS REAAL for 2004 and 2005 based on IFRS, excluding IFRS 4, IAS 32 and IAS 39 for 2004:

Table LXVI: Capitalisation and ratios SNS REAAL

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Shareholders' equity	1,880	2,528
Third party interests	--	--
Group equity	1,880	2,528
Subordinated debts	1,443	1,616
Capital base	3,323	4,144
Total assets	59,972	68,088
Double leverage	114%	105%
Tier 1 ratio (banking)	8.7%	8.7%
BIS ratio (banking)	11.7%	11.9%
Solvency ratio life insurance	192%	233%
Solvency ratio non-life insurance	261%	275%
Solvency ratio total	181%	208%

The Tier 1 ratio of SNS Bank remained stable in 2005 at 8.7%, and was well above SNS REAAL's internal target of 8.0%. In 2005, the BIS ratio slightly increased to 11.9%, continuing to be well above the regulatory minimum of 8.0% and SNS REAAL's target of 11.0%.

The Dutch Central Bank prescribes certain adjustments to be made to the calculation method of the solvency ratios under IFRS, compared to the calculation method that was used under Dutch GAAP. Under IFRS, guaranteed capital is adjusted for IFRS effects relating to unrealised results on fixed income securities available for sale and cash flow hedge transactions. Total solvency of REAAL Verzekeringen increased from 181% in 2004 to 208% in 2005. The solvency ratios in the above table include Nieuwe Hollandse Lloyd.

In 2005, the solvency of the life insurance operations increased from 192% to 233%. The solvency of the non-life insurance operations also recorded an increase from 261% to 275%. Both ratios increased because of growth in shareholders' equity, resulting mainly from greater unrealised results on equities which are not subject to adjustments under the method prescribed by the Dutch Central Bank. Both solvency ratios were well above SNS REAAL's internal requirements. The internal solvency requirement for the life insurance operations for 2005 is set at 150% of the minimum solvency requirement of the Dutch Central Bank. For non-life insurance operations, the internal solvency requirement is set at 200% of the minimum solvency requirement of the Dutch Central Bank.

The solvency ratio of REAAL Verzekeringen in 2005 was lower than the weighted average solvency ratio of the life and non-life insurance operations due to a double leverage of € 125 million at REAAL Verzekeringen. In 2004, this double leverage amounted to € 94 million.

Working capital

The Company is a holding company and has limited own operational activities. It is the Company's opinion that its working capital is sufficient for its present requirements, that is for at least the next 12 months from the Publication Date.

SNS REAAL's banking and insurance activities are subject to specific solvency and liquidity requirements. Prudential supervision of compliance with such requirements is exercised by the Dutch Central Bank (see "Supervision and Regulation"). SNS REAAL's banking and insurance activities comply with the applicable requirements and accordingly, it is the Company's opinion that the working capital available for such activities is sufficient for the present requirements, that is for at least the next 12 months from the Publication Date.

Furthermore, it is the Company's opinion that the working capital for SNS REAAL's other activities which are not covered by the statements above, is sufficient for the present requirements, that is for at least the next 12 months from the Publication Date.

Double leverage

Part of the shareholders' equity of the Company's subsidiaries is funded by debt issued at the Company level, leading to double leverage.

The following table shows the development of the double leverage ratio for 2003 and 2004 based on Dutch GAAP, and for 2004 and 2005 based on IFRS, where 2004 excludes IFRS 4, IAS 32 and IAS 39:

Table LXVII: Double leverage

	2003	2004	2004	2005
	Dutch GAAP	Dutch GAAP	IFRS; excl. IFRS 4 / IAS 32,39	IFRS; incl. IFRS 4 / IAS 32,39
(in EUR millions)				
Participations SNS REAAL in associated companies	1,894	2,092	2,148	2,662
Shareholders' equity SNS REAAL	1,643	1,961	1,880	2,528
Double leverage ratio	115%	107%	114%	105%

The double leverage ratio of the Company decreased in 2004 under Dutch GAAP as a result of appropriation of SNS Bank's and REAAL Verzekeringen's 2004 net profits and up-streaming of the proceeds from the disposal of certain activities of SNS Reaal Invest to the Company. The decrease of the Company's double leverage was an important factor for its credit rating.

As a result of the adoption of IFRS in 2004, shareholders' equity of SNS REAAL decreased mainly due to a change in the accounting for pensions under IFRS. Participations of SNS REAAL in associated companies increased, mainly resulting from the addition of the fund for general banking risk to the shareholders' equity of SNS Bank. This led to an increase in the double leverage ratio for 2004 under IFRS compared to the double leverage ratio for 2004 under Dutch GAAP.

In 2005, shareholders' equity of SNS REAAL increased significantly, mainly as a result of net profit for the year and first time adoptions relating to the implementation of IFRS 4, IAS 32 and IAS 39. The growth in shareholders' equity exceeded the growth in participations in associated companies. Therefore, the double leverage ratio decreased to 105% compared to 114% in 2004.

Cash flow statement

The cash flow statement is prepared according to the indirect method, making a distinction between cash flows from operating, investment and financing activities. With regard to SNS REAAL's banking operations, the primary sources of liquidity are income from mortgages, income from other loans and commission income, while its main uses of funds are for the granting of new loans, payment of interest on existing funding, and other operating costs. Liquidity requirements of REAAL Verzekeringen are met both in the short-term and the long-term by insurance premium income, investment income and income from the sale and maturing of investments.

SNS REAAL's capital requirements are primarily dependent on SNS REAAL's business plans regarding the levels and timing of capital expenditures and investments.

2004 compared to 2003

The following table shows the consolidated cash flow statement for SNS REAAL for 2003 and 2004 based on Dutch GAAP:

Table LXVIII: Consolidated cash flow statement of SNS REAAL 2003 and 2004

(in EUR millions)	2003 Dutch GAAP	2004 Dutch GAAP
Cash flow from operational activities		
Profit available for shareholders	243	310
Depreciation	44	42
Value adjustments to loans and advances	61	71
Change in general provisions	(43)	(169)
Other changes in accrued and deferred items	98	(2)
Cash flow from business operations	403	252
Change in mortgage loans	(3,564)	(3,453)
Change in other loans	836	710
Change in banks (not payable on demand)	(375)	(515)
Change in technical provisions, insurance	2,921	156
Change in savings	786	858
Change in other funds entrusted, banking	701	183
Other changes relating to operational activities	(28)	(59)
Total cash flow from operational activities	1,680	(1,868)
Cash flow from investment activities		
Investments and purchases		
Investment portfolios	(7,905)	(8,147)
Participating interest in group companies	--	--
Other participating interests	(530)	(160)
Tangible fixed assets	(50)	(32)
Intangible fixed assets	(13)	(5)
Divestments and disposals		
Investment portfolios	5,200	8,501
Participating interest in group companies	472	250
Other participating interests	--	--
Tangible fixed assets	3	10
Intangible fixed assets	--	2
Change in investments on behalf of policyholders	(869)	321
Total cash flow from investment activities	(3,692)	740
Cash flow from financing activities		
Income from subordinated loans	235	--
Redemptions of subordinated loans	(16)	(12)
Income from debt certificates	13,709	10,611
Redemptions of debt certificates	(11,750)	(8,967)
Other changes relating to financing activities	--	--
Total cash flow from financing activities	2,178	1,632
Change of cash balance	166	504

Total cash flow from operating activities was -/- € 1.9 billion in 2004, compared to € 1.7 billion in 2003. The change was primarily attributable to the new financing agreement for the SNS REAAL pension fund, decreasing technical provisions of insurance operations. In addition, the acquisition of the Zurich portfolios resulted in a significant increase in provisions in 2003. There was also a smaller change in other funds entrusted from banking operations which increased significantly in 2003.

Total cash flow from investment activities was € 740 million in 2004, compared to total cash flow from investment activities of -/- € 3.7 billion in 2003 (the latter arising partly as a result of the acquisition of the Zurich portfolios).

The change was primarily driven by a significant increase of divestments in investment portfolios as a result of the new financing agreement for the SNS REAAL pension fund, for own risk and for the risk of policyholders.

Total cash flow from financing activities was € 1.6 billion in 2004, compared to € 2.2 billion in 2003. The decrease was primarily driven by lower income from the issuance of debt certificates, partly offset by a decrease in the redemption of debt certificates. Further, no income was generated through the issuance of subordinated loans in 2004.

2005 compared to 2004

The following table shows the consolidated cash flow statement for SNS REAAL for 2004 and 2005 based on IFRS:

Table LXIX: Consolidated cash flow statement of SNS REAAL

(in EUR millions)	2004 IFRS; excl. IFRS 4 / IAS 32,39	2005 IFRS; incl. IFRS 4 / IAS 32,39
Cash flow from operational activities		
Profit available for shareholders	288	323
Depreciation	43	38
Amortisation VOBA	(1)	3
Amortisation internal acquisition costs	35	48
Changes in provisions and deferred taxes	(81)	271
Value adjustments to financial instruments and other assets	71	60
Accumulated profits of associated companies	(44)	(9)
Cash flow from business operations	311	734
Change in mortgage loans	(3,029)	(3,620)
Change in other loans	198	760
Change in banks (not payable on demand)	(1,217)	(551)
Change in savings	569	1,360
Change in technical provisions, insurance	68	1,121
Changes relating to other operational activities	287	(1,101)
Net cash flow from operational activities	(2,813)	(1,297)
Cash flow from investment activities		
Divestment of intangible fixed assets	2	--
Divestment of tangible fixed assets	20	23
Divestment of associated companies	148	8
Disposal of real estate investments	6	2
Disposal and redemption of investments and derivatives	7,115	5,504
Purchase of intangible fixed assets	(112)	(203)
Purchase of tangible fixed assets	(36)	(44)
Purchase of associated companies	(3)	(29)
Purchase of real estate investments	(1)	--
Purchase of other investments and derivatives	(6,313)	(5,939)
Total cash flow from investment activities	826	(678)
Cash flow from financing activities		
Income from subordinated loans	--	304
Income from debt certificates	12,041	9,614
Redemptions of subordinated loans	(11)	(121)
Redemptions of debt certificates	(9,769)	(7,820)
Total cash flow from financing activities	2,261	1,977
Change of cash balance	274	2

Total cash flow from operating activities was -/- € 1.3 billion in 2005, compared to -/- € 2.8 billion in 2004. The change was mainly the effect of an increased change in technical provisions, which were low in 2004 as a result of the new financing agreement for the SNS REAAL pension fund. In addition, the acquisition of Nieuwe Hollandse Lloyd resulted in a significant increase in technical provisions in 2005. There were also changes in mortgage loans

and savings reflecting new production. Further, the decreased cash flow as a result of changes relating to other operational activities reflected changes in investments.

Total cash flow from investment activities was -/- € 678 million in 2005, compared to total cash flow from investment activities of € 826 million in 2004 (the first arising partly as a result of the acquisition of Nieuwe Hollandse Lloyd). The change was primarily driven by a significant decrease in the disposal and redemption of investments and derivatives in which in 2004 the new financing agreement for the SNS REAAL pension fund is reflected.

Total cash flow from financing activities was € 2.0 billion in 2005, compared to € 2.3 billion in 2004. The decrease was primarily driven by lower income from the issuance of debt certificates, partly offset by a decrease in the redemption of debt certificates. Further, no income was generated in 2005 through the issuance of subordinated loans.

European Embedded Value

Introduction

This chapter is a summary of the European embedded value disclosure report, dated March 2006, prepared by SNS REAAL. The calculations, methodologies and assumptions used in that report have been reviewed by Watson Wyatt Insurance Consulting B.V.

The European Embedded Value Principles ('**EEV Principles**') were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of 20 major European insurers. The principles and additional guidance on European embedded value ('**EEV**') disclosures published in October 2005 provide a uniform framework for calculating and reporting supplementary embedded value disclosure information. The Company is not a member of the CFO Forum. However, the Company recognises the importance of the CFO Forum's framework for embedded value reporting and has chosen to adopt the EEV Principles in reporting and disclosing REAAL Verzekeringen's 2005 embedded value results.

SNS REAAL uses embedded value as an internal management tool to analyse its operating performance in terms of value creation arising from the sale and administration of life insurance business.

Definition of embedded value

Embedded value for the life insurance business comprises two components:

- Adjusted net asset value, being the sum of:
 - required capital, defined as 150% of the EU minimum solvency requirement, plus
 - free surplus
- Value of in-force business, being the sum of:
 - present value of future after-tax profits, less
 - costs of options and guarantees, less
 - the cost of holding required capital

Together, these two components make up the life insurance embedded value. The value of holding activities is included within the life insurance embedded value, as part of the adjusted net asset value. The insurance activities of Nieuwe Hollandse Lloyd were acquired in 2005 and the net asset value of these activities less the price paid to acquire them has been accounted for in the figures shown in this report. The net asset value of the non-life insurance activities is added to this life insurance embedded value to determine REAAL Verzekeringen's total embedded value.

All material blocks of life insurance business are included in the results shown in this chapter. The following product groupings have been valued:

- Life insurance products and their associated disability rider benefits
- Deferred and immediate annuity (or pension) products
- Pension funds

Future after-tax profits are estimated using actuarial methods and best estimates for future operating assumptions. The distribution of these profits, in terms of both amount and timing, is restricted by accounting rules (IFRS). The estimated timing of future after-tax profits allows for these restrictions.

Assumptions

The economic assumptions for 2004 and 2005 are shown in the table below. The interest and inflation assumptions are set by reference to prevailing market rates.

Long term economic assumptions

	2004	2005
Discount rate	7.70%	6.70%
Risk free fixed interest returns	4.60%	3.74%
Equity returns	7.10%	6.24%
Property returns	6.27%	5.41%
Net credit spread on fixed interest	0.34%	0.26%
Inflation rate	2.00%	2.00%

Operating assumptions are best estimates of projected future experience and are set by reference to recent historical operating experience.

Risk free fixed interest returns are set by reference to the 10 year (implied forward) rate. Implied forward rates were derived from the yield curves at the end of 2004 and 2005 respectively for the first five years of the projections. After five years, risk free rates are assumed to remain constant. Equity returns are set by reference to the fixed interest return and assume an equity risk premium of 250 basis points.

The risk discount rate is a combination of a risk free rate to reflect the time value of money plus a risk margin to make allowance for the risk that experience in future years differs from that assumed. In particular, a risk margin is added to allow for the risk that projected additional returns on, for example, equities are not achieved.

When determining the discount rate, SNS REAAL uses the principle that an appropriate risk margin should be derived using a weighted average cost of capital approach. The weighted average cost of capital is calculated using a risk free interest rate, an equity risk premium of 250 basis points, a risk factor (beta), and an allowance for the impact of debt financing. It is noted that no adjustments are made to discount rates at the individual business unit or product level.

The risk factor (beta), i.e. the assumed correlation between Dutch and European stock market returns, is estimated based on a peer group of insurance companies (as represented by the MSCI Insurance Index).

Embedded value results

The table below provides for details of the embedded value at year-end 2004 and year-end 2005. Non-life insurance activities are included at their net asset value.

Embedded Value

Amounts in € million	2004	2005
Free surplus (life)	101.7	257.8
Required capital (life)	705.4	715.3
Total adjusted net asset value (life)	807.1	973.1
Present value of future profits	722.0	748.9
Cost of options and guarantees	-/-20.3	-/-45.7
Cost of capital	-/-213.0	-/-195.4
Value of in-force business	488.7	507.8
Life Insurance embedded value		
Net asset value of non-life and other activities	125.6	179.8
Total embedded value	1,421.5	1,660.7

Financial options and guarantees

In addition to the margin above the risk free rate contained in the risk discount rate and the cost of holding required capital, risk is also allowed for under EEV through an explicit reduction in the embedded value for the time value of financial options and guarantees.

Financial options and guarantees result from a minimum guarantee within a specified profit sharing formula. Minimum guarantees are either 3% or 4% depending on the issue date of the policy. For traditional business, around 40% of the technical provisions relate to business with some form of profit-sharing (discretionary or otherwise). Around 20% of unit-linked business, measured as a percentage of technical provisions, has some form of minimum maturity guarantee.

The change in the cost of financial options and guarantees (from € 20 million at year-end 2004, to € 46 million at year-end 2005) is primarily the result of the decline in bond yields and the flattening of the yield curve over the course of 2005.

Adjusted net asset value

The embedded value is based on local regulatory reporting and required capital is defined as being 150% of the EU minimum solvency requirement. The table below illustrates the derivation of the adjusted net asset value figures for life insurance business and non-life insurance activities that are part of the total embedded value.

Adjusted net asset value

Amounts in € million	2004	2005
Total reported shareholders' equity -- REAAL Verzekeringen	810.0	1,193.3
less minority interests	-/-3.3	-/-2.8
Total shareholders' equity after minority interests	806.7	1,190.5
IFRS adjustments	174.6	
Adjusted shareholders' equity after minority interests	981.3	1,190.5
Adjusted net asset value		
Life insurance activities	855.7	1,010.7
Restricted capital (<i>beklemd vermogen</i>)	-/-48.6	-/-37.6
Sub-total Life	807.1	973.1
Non-life insurance activities	125.6	179.8
Total adjusted net asset value	932.7*	1,152.9

* Including IFRS 4, IAS 32 and IAS 39

The amount shown in the table above as 'Restricted Capital (*beklemd vermogen*)' results from the adoption of IFRS and relates to individual profit-sharing business where part of the revaluation of the underlying assets is to be distributed in the future to policyholders in the form of profit-sharing.

Analysis of the change in embedded value

The embedded value increased by € 239 million (or 17%) during 2005. This is after a dividend payment by REAAL Verzekeringen to the Company of € 58 million in 2005. The change in embedded value in 2005 is explained by the movement analysis shown in the table below. The analysis is shown separately for adjusted net asset value and the value of in-force business, and includes amounts transferred between these two categories. The major components that impact the change in the embedded value in 2005 have been quantified.

Movement analysis

Amounts in € million	Adjusted net asset value	Value of in-force business	Total
Embedded value from prior period	932.7	488.7	1,421.5
New business contribution	-/-12.9	27.8	14.9
Expected return	85.8	3.6	89.3
Operational experience variances	-/-5.3	14.9	9.6
Operating return	67.6	46.3	113.9
Economic experience variances	180.9	17.8	198.7
Economic assumption changes		-/-66.3	-/-66.3
Capital adjustments	-/-58.0		-/-58.0
Miscellaneous impacts	-/-24.5	21.2	-/-3.3
Change in net asset value of non-life and other activities	54.2		54.2
Closing embedded value	1,152.9	507.8	1,660.7

The embedded value at year-end 2004 has been restated in accordance with the EEV Principles. This restated value is the starting point for the movement analysis.

The expected return consists of:

- The unwinding of the discount rate on the value of in-force business at the beginning of the year and of new business written during the year;
- The expected profits included in the present value of future profits that flow from the in-force business to the net asset value;
- The expected return on adjusted net asset value

The value added by new business is discussed below.

The same set of operational parameters was used to calculate the opening and closing embedded values resulting in a zero impact on embedded value. Economic experience variances primarily reflect better than anticipated investment income, particularly from equities. Economic assumption changes reflect both the change in risk discount rate from 7.7% in 2004 to 6.7% in 2005 and the reduction in bond yields.

Value of new business

An important element in the change in embedded value from one year to the next is the value added by new business.

The value of new business is the present value of after-tax distributable profits associated with sales during the reporting period. The value is stated on economic assumptions of the beginning of the year and year-end operational assumptions. The cost of capital associated with the new business is included in the new business value.

New business sales are expressed on the basis of the following:

- Annual premium equivalent ('**APE**'), equal to regular premium plus one tenth of single premium
- The present value of future new business premiums ('**PVNB**P') which equals the single premiums received in the year plus the present value of regular premiums projected to be received over the term of new contracts

New business volumes include premiums arising from the sales of new individual and group contracts. Renewals of existing group contracts are included in new business volumes. Projected contractual increases in premiums (either salary related or due to new members on existing group contracts) are reflected in the in-force value and deviations from these projections are treated as variations in experience rather than new sales. For individual policies, non-contractual increases to the benefits under these contracts are included in new business.

The value added by new business in 2005 amounted to € 14.9 million. The table below provides a breakdown of this figure into its various components.

Value added by new business

Amounts in € million	
Value of new business before tax and cost of capital	47.4
Tax	-/-11.8
Cost of capital	-/-20.7
Value of new business after tax and cost of capital	14.9
APE	176.4
Margin as % of APE	8.5%
PVNB	1,213
Margin as % of PVNB	1.2%

Capitalisation

The following table sets out the Company's consolidated capitalisation as at 31 December 2005 (amounts in € million), is derived from and should be read in conjunction with the Company's consolidated financial statements and the notes thereto included in 'FINANCIAL INFORMATION'.

Total current debt	507
Guaranteed	n.a.
Secured	n.a.
Unguaranteed/unsecured	507
Total non-current debt (excluding current portion of long term debt)	535
Guaranteed	n.a.
Secured	n.a.
Unguaranteed/unsecured	535
Shareholder's equity	2,528
Share capital ⁽¹⁾	340
Legal reserve ⁽²⁾	338
Other reserves	1,527
Others	323

Notes:

(1) The Company's authorised share capital amounts to € 1,701,728,383.09, consisting of 1,044,005,143 Ordinary Shares with a nominal value of € 1.63 each. As at 31 December 2005, the issued and paid up share capital comprised 208,801,029 Ordinary Shares and one priority share with a nominal value of € 1.63 each. The priority share was converted into one Ordinary Share by amendment of the articles of association of the Company on 3 May 2006. (See 'DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE').

(2) The legal reserves comprise a revaluation reserve, a participation interests reserve, and an intangible fixed assets reserve.

It is noted that the capitalisation table as set out above is more than 90 days old. However, while there have been changes to the components of the Company's capitalisation arising in the ordinary course of business during the first quarter of 2006, there has been no material change to the Company's capitalisation during the first quarter of 2006.

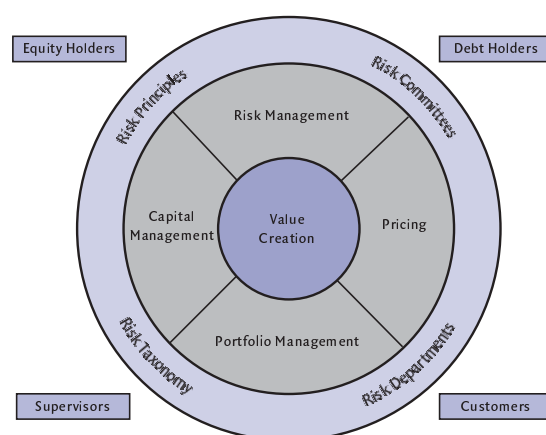
For a discussion of the capitalisation policy of SNS REAAL, see 'RISK MANAGEMENT -- Capital management' and 'FUNDING'.

Risk Management

Introduction

SNS REAAL considers risk management, capital management, portfolio management and pricing to be the main pillars for long-term value growth. Risk drives capital needs; however, available capital also limits SNS REAAL's risk-bearing capacity. Prices should take account of expected losses, unexpected losses and capital needs. In addition, disciplined and risk-based pricing avoids the risk that products will be priced below internally defined rates of return, safeguarding margins and long-term profitability.

The four main external stakeholders with regard to risk management and value creation are equity holders, debt holders, regulatory supervisors, and customers. SNS REAAL aims to provide stakeholders with transparency in respect of its risk management and value creation framework, as well as its risk profile, to enable stakeholders to evaluate if, and how, their interests are being served.



The Executive Board aims to maintain a risk management system that is fully embedded in SNS REAAL's daily operations. By identifying, analysing, auditing, measuring, controlling and managing risks which may arise in the course of SNS REAAL's operations in a timely manner, SNS REAAL intends to maintain the Company's single A credit rating, to meet its obligations towards its creditors (including its customers) and comply with applicable legislation and regulatory requirements.

To maintain a moderate risk profile and to support the risk management and value creation framework, the Executive Board has developed a management structure that consists of:

- Risk management principles
- Risk management taxonomy
- Risk management committees
- Risk management related departments

Risk management principles

In order to have an integrated and consistent risk management framework, the Executive Board has defined a number of general risk management principles which apply to all risk types and determine the general scope of SNS REAAL's risk management framework.

- The Executive Board has final responsibility for SNS REAAL's overall risk management
- The CFO of SNS REAAL acts as the chief risk officer of SNS REAAL
- To support internal and external communication in respect of risk management, SNS REAAL uses a general conceptual framework of risk types (risk management taxonomy)
- The Executive Board established a number of risk committees with transparent tasks, authorities and responsibilities

- ⊙ Risk-owners are appointed from among the members of the Executive Board and the Boards (as defined below) of SNS Bank and REAAL Verzekeringen in accordance with the various risk types. The relevant risk management committee advises the responsible risk-owner. As a result, one person within SNS REAAL is responsible for determining and implementing the risk management policy for each of the risks as identified by SNS REAAL in its risk management taxonomy
- ⊙ The Company seeks to maintain its long-standing single A credit rating. This intention determines the level of risk SNS REAAL is prepared to accept (risk tolerance) per type of risk
- ⊙ The risk tolerance per type of risk determines the relevant risk management objectives, acceptance standards and policies
- ⊙ SNS REAAL's risk management policy consists of three 'layers': (1) risk-owners which are responsible for and manage the relevant risk; (2) risk management committees and risk management staff departments which assist and advise the risk-owners and monitor the relevant risks; (3) Audit department
- ⊙ Stress tests are developed and performed in respect of the most important risks and measures are developed for emergencies
- ⊙ Risk committees and risk management staff departments have specified tasks, responsibilities and authorities, which are determined by the Executive Board
- ⊙ Models used in respect of risk management are regularly tested

Risk management taxonomy

To support internal and external communication in respect of risk management, SNS REAAL uses the following common conceptual framework of risk types:

Strategic risk	The risk of not meeting targets as a result of the business not responding (sufficiently) to (changes in) the business environment
Market risk	The risk of fluctuations in financial market prices which affect profitability and/or value
Credit risk	The risk of losses in profit or value due to a default by a counterparty or deterioration of a counterparty's status
Underwriting risk	The risk that the level and timing of outgoing cash flows in respect of the material risks, such as mortality, disability, claims or insured amount, do not correspond with expectations
Liquidity risk	The risk that liquid assets and funding will not be (sufficiently) available at a reasonable price and as a result of which short-term financial obligations may not be met
Operational risk	The risk that losses occur resulting from inadequacy or malfunctioning of internal processes or systems, human error or criminal behaviour, or from external events
Conduct of business risk	The risk that laws, regulations, internal codes or conduct of business rules are violated

Risk management committees

The audit committee of the Supervisory Board oversees the quality and performance of SNS REAAL's risk management organisation and advises the Supervisory Board in that respect. In addition, the audit committee is advised by the external auditor and actuary.

SNS REAAL's risk management organisational framework has a three tier structure:

- ⊙ Executive Board
- ⊙ Risk committees
- ⊙ Risk management staff departments

The Executive Board determines the tasks, authorities and responsibilities of the various committees. There are risk committees at the Company's level (risk management committee and asset and liability management committee) and there are specific risk committees for both SNS Bank and REAAL Verzekeringen. Furthermore, the banking and insurance divisions each have their own risk committee and asset and liability management committee.



SNS REAAL's risk management committee

The members of the Executive Board, the director Balance Sheet and Risk Management, the director Legal Affairs and the director Compliance and Operational Risk Management are members of this committee. The committee establishes SNS REAAL's risk management structure and translates SNS REAAL's risk tolerance into standards and limits for the different risks within which the entities must operate. Furthermore, the committee determines the mandates of the other risk committees.

SNS REAAL's asset and liability management committee

The committee consists of the members of the Executive Board, the CFOs of SNS Bank and REAAL Verzekeringen, the director Balance Sheet and Risk Management, as well as his head of Asset and Liability Management, and the director SNS Asset Management. The Company's asset and liability management committee oversees the balance sheet of SNS REAAL.

Risk management committee (banking and insurance)

Each of SNS Bank and REAAL Verzekeringen has a risk management committee, comprising their respective Boards, which manage the risks at operational level. Each committee formulates the risk policy and has delegated decision-making authority. The risk management committee of SNS Bank is also responsible for the implementation of Basel II requirements.

Asset and liability management committee (banking and insurance)

Each of SNS Bank and REAAL Verzekeringen has an asset and liability management committee which manages the market risks. Each committee prepares decisions of the SNS REAAL asset and liability management committee, takes decisions within its mandate and executes the decisions of the SNS REAAL asset and liability management committee. Each committee is headed by a member of the Board of SNS Bank and REAAL Verzekeringen respectively.

Credit committees (banking and insurance)

Each of SNS Bank and REAAL Verzekeringen has various credit committees which discuss credit decisions. The Board of each of SNS Bank and REAAL Verzekeringen forms this committee for SNS Bank and REAAL Verzekeringen, respectively. Each committee advises on credit limits, counterparty limits and acceptance of material items.

Pricing committees (banking and insurance)

Each of SNS Bank and REAAL Verzekeringen has a pricing committee which advises on pricing of products and services. Sales, product development, management accounting and risk management departments are represented in the pricing committees. The pricing committee of SNS Bank also manages the composition of SNS Bank's mortgage portfolio.

Risk management related departments

The Executive Board established a number of centralised risk management related departments with the task to advise on risk management and report on the risk profile of SNS REAAL. The purpose of this is to ensure efficiency and uniformity of risk management related processes within SNS REAAL. These risk management related departments operate for the banking and insurance operations of SNS REAAL. The departments advise on risk policies and report to SNS REAAL's risk management committee and SNS REAAL's asset and liability management committee on SNS REAAL's risk profile. The directors of these departments report hierarchically directly to the Executive Board and

functionally to the relevant responsible officers within SNS Bank and REAAL Verzekeringen. These directors are responsible for risk definitions, policy, modelling, measuring, monitoring, reporting and advising on risks.

Balance Sheet and Risk Management department

The Balance Sheet and Risk Management department focuses on:

- SNS REAAL's desired risk profile within the limits set by the Executive Board
- Valuation of portfolios
- Asset and liability management for banking and insurance
- Funding and capitalisation
- Pricing of products and services on the basis of risk-weighted performance
- Analysis of business line portfolios
- Credit risk portfolio management
- Underwriting risk management
- Operational risk management
- Actuarial reporting and embedded value calculation

Legal Affairs department and Compliance and Operational Risk Management department

These departments' main activities in relation to risk management are:

- Identifying and advising on (future) laws and regulations
- Advising on (aspects of) integrity and duty of care
- Preparing and executing policy in respect of (aspects of) integrity and duty of care

The director of the Legal Affairs department and the director of the Compliance and Operational Risk Management department each report directly to the Company's CEO, and have the possibility to report to the chairperson of the Supervisory Board.

The local compliance officers within SNS REAAL's various business units are functionally supervised and managed by the director of the Compliance and Operational Risk Management department. The local compliance officers have an independent position within SNS REAAL.

Audit department

The audit department provides assurance to the Executive Board and the Boards of SNS Bank and REAAL Verzekeringen with regard to the effectiveness and the efficiency of the internal risk management and control system, the effectiveness of the relevant operations and the reliability of the relevant management information. The audit department also validates the control mechanisms within the risk management organisation and reports on this matter directly to the Executive Board and the Boards of SNS Bank and REAAL Verzekeringen. The audit department informs the Audit Committee and the Supervisory Board of the material findings in respect of the quality of the risk management and control system.

The independence of the audit department is ensured by a direct reporting line to the Company's CEO and the possibility to report directly to the chairperson of the audit committee and of the Supervisory Board.

The audit department also reports its findings with respect to the internal risk management and control system to the Board members of SNS Bank and REAAL Verzekeringen responsible for risk management. Each quarter the audit department reports on progress to the respective Boards of SNS Bank and REAAL Verzekeringen, the Executive Board and the audit committee.

Security

SNS Bank has a security department that advises on the prevention and countering of (presumptive) fraud and REAAL Verzekeringen has a security officer. Fraud includes unwanted and punishable acts and failures to act of persons and organisations, intended at financial gain which cause damage to an organisation and/or person.

The security department's and the security officer's main tasks are:

- Advising on the prevention of fraud
- Investigating and analysing fraud
- Reporting fraud
- Advising the department involved how to deal with specific cases of fraud

Credit Risk Management department

SNS Bank has a Credit Risk Management department which focuses on supporting the preparation of policies and operational support in respect of credit risk management. The director of this department reports directly to the CFO of the Board of SNS Bank. The main tasks of the Credit Risk Management department are:

- Analysing and advising SNS Bank's credit committee on business credit proposals
- Managing credit facilities and collateral
- Managing and settling defaulted credits
- Formulating and communicating credit management policy
- Preparing the operational management reports for credit risk (management information system credit risk management)

SNS REAAL's risk profile

SNS REAAL aspires to maintain its moderate risk profile with a sound balance between risk and return. The Company believes that the following elements determine its moderate risk profile:

- *Retail-plus focus*
The Company believes that retail-plus business generally is less risk prone than wholesale banking and wholesale insurance activities. Further, the asset portfolio of SNS Bank is weighted towards retail mortgages, an asset class that has historically shown low loan losses in the Netherlands
- *Focus on the Netherlands*
The Netherlands is a mature and well-developed economy offering reasonably predictable and stable growth. The Company believes that its longstanding concentration on the Netherlands is beneficial for the focus of its management
- *Focus on three core product groups*
SNS REAAL focuses on three core product groups: mortgages, life and non-life insurance, and savings and investments. The Company believes that a focus on a limited number of product groups, also in combination with its focus on retail-plus customers and the standardisation of the product offering, exposes its business to fewer risks than in the case of having a more extensive product portfolio
- *Diversification within its portfolios*
Due to the retail-plus nature of its business SNS REAAL's exposures are well diversified with limited concentration of risks
- *Banking and insurance business model*
Changes in interest rates have an opposite effect on the values of the banking and insurance operations. As a result, the interest rate risks are, to a certain extent, naturally hedged between the banking and insurance operations of SNS REAAL
- *Multi-channel distribution*
Distribution in the financial services industry is changing. New entrants are entering the retail market, distributors are integrating vertically and horizontally, and business models are changing. However, the Company is of the opinion that it is relatively protected from these changes, as it uses a wide range of distribution strategies and channels. Furthermore, the Company believes that one of its strengths is its ability to react quickly to changes in the environment
- *Prudent reinsurance policy*
The reinsurance policy of REAAL Verzekeringen limits the underwriting losses from extreme events to levels consistent with SNS REAAL's moderate risk appetite in relation to its capital position
- *Diversified funding strategy*
The mortgage business of SNS Bank relies on a diversified funding strategy consisting of money market and capital market funding, securitisation programmes and retail funding (savings accounts)
- *Limited exposure to pension obligations*
The Company believes that the separation of the SNS REAAL pension fund in 2005 has improved the risk profile of SNS REAAL
- *Sound risk management*
The Company believes that SNS REAAL has a reliable risk management framework with strong asset and liability management capabilities

Value creation

SNS REAAL's fundamental building blocks of the value creation framework are capital management, pricing, portfolio management and risk management. These building blocks are considered by SNS REAAL to be strongly related.

Capital management

SNS REAAL's capitalisation policy is focused on realising SNS REAAL's strategic goals.

The aim is to optimise use of capital taking the following considerations into account:

- Limitations set by the supervisory authority (Dutch Central Bank)
- Limitations defined by rating agencies
- Internal standards with respect to capital adequacy

Capital demand is driven by commercial plans for a three year period which are prepared on an annual basis. Based on these commercial plans, a capital plan for the same horizon is prepared setting out the capital demand and capital supply, enabling SNS REAAL to meet internal and external standards. When managing capital, instruments to lower the risk profile and to increase capital are used. The capital per division consists of a mix of different types of capital, with an emphasis on shareholders' equity. For the other types of capital, bandwidths are used per division.

Entities	Solvency standard	Internal standards
Company	Double leverage	< 115%
REAAL Verzekeringen	Standard & Poor's capital adequacy rating	> 150%
	Regulatory solvency margin life	> 150%
	Regulatory solvency margin non-life	> 200%
SNS Bank	Tier 1 ratio	> 8%
	Core Capital	> 6%
	BIS-ratio	> 11%

Source: Company

SNS Bank aims for a Core Capital ratio (as defined below) of at least 6%, a Tier 1 ratio of at least 8% and a BIS-ratio of at least 11%. REAAL Verzekeringen has set a minimum internal standard which equals 150% of the Dutch Central Bank minimum standard requirement in respect of the life insurance operations, and 200% in respect of the non-life insurance operations. The Company has set itself a target of maintaining a double leverage ratio of lower than 115%. An upper limit for the double leverage ratio implies a limit on the level of debt the Company can downstream to its direct subsidiaries as equity capital.

The assessment of the capital adequacy is increasingly based on the economic risks of SNS REAAL's activities. These economic risks are measured in terms of economic capital. The Company expects that supervisory authorities and rating agencies will follow this approach to assess risks and capital adequacy, and will therefore look more closely at the internal risk and capital models of financial institutions. (See '**Basel II**' and '**Solvency II**' and '**SUPERVISION AND REGULATION -- International developments**'). The capital mix is based on SNS REAAL's aim to maintain a single A rating.

The Balance Sheet and Risk department determines on an annual basis the capital needs of SNS REAAL's activities for the next three years. This exercise is embedded in the operational plan. For the same three year period a capital plan is prepared for managing the capital needs in accordance with the internally and externally defined limits. The capital mix of SNS Bank and REAAL Verzekeringen consists mainly of equity (Tier 1 capital). Other capital instruments are also used within predetermined bandwidths.

SNS REAAL periodically prepares a twelve month rolling forecast, as it requires significant capital for its activities. As a result, capital is monitored periodically and, if necessary, is adjusted, among other things, by using securitisation and attracting subordinated loans.

Economic capital

Economic capital is one of the most important risk management measures for SNS REAAL's risk profile. SNS REAAL defines economic capital as the capital that is required to accommodate the economic risk of all its operations within a period of one year, using a confidence level of 99.96%. SNS REAAL continuously improves and refines its economic capital methodology.

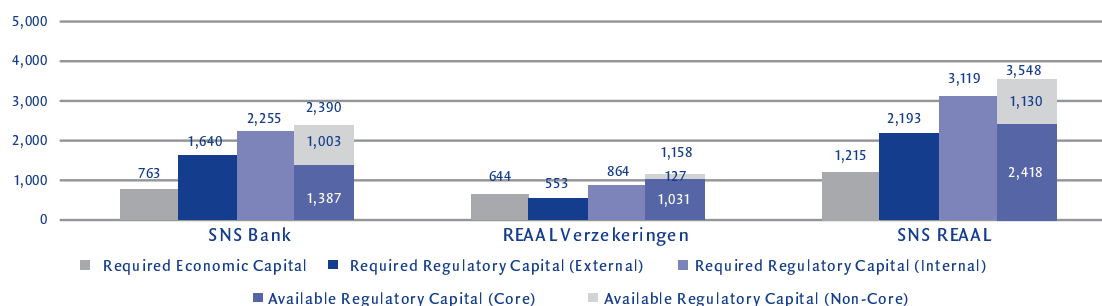
Economic capital determines the amount of capital each business activity requires to cover the economic risks assumed by each activity. Economic capital is calculated for each risk type as defined in the internal risk taxonomy.

The economic capital framework provides insight to the risk consumption per risk type. The Company believes economic capital to be the appropriate tool to make risks more transparent and manageable.

To assess whether an enterprise is economically sound one must, in principle, compare the economic capital (i.e. required capital) with the market value of shareholders' equity (the available capital on an economic basis). The market value of shareholders' equity is defined as the difference between the market value of assets and the market value of liabilities. This means that all balance sheet items must be marked to market: market prices for assets quoted on an exchange and discounted cash flow techniques for non-tradable assets and liabilities, including derivative pricing techniques for embedded options in products.

In practice, however, the minimum regulatory solvency requirements of the Dutch Central Bank and internally-set solvency requirements must also be taken into account. The graph below shows the minimum regulatory solvency requirements and the internal solvency requirements, together with the required economic capital, the available regulatory capital and the internal required regulatory capital (see 'Capital management'). The required economic capital for SNS Bank differs considerably from the regulatory required capital. This difference can be explained by SNS Bank's diversified retail portfolio, which requires less capital due to a lower real economic risk. Furthermore, SNS REAAL benefits from the opposite interest rate positions of the banking and insurance operations, which is reflected in a relatively low economic capital amount. This diversification effect is not taken into account in the current regulatory capital framework.

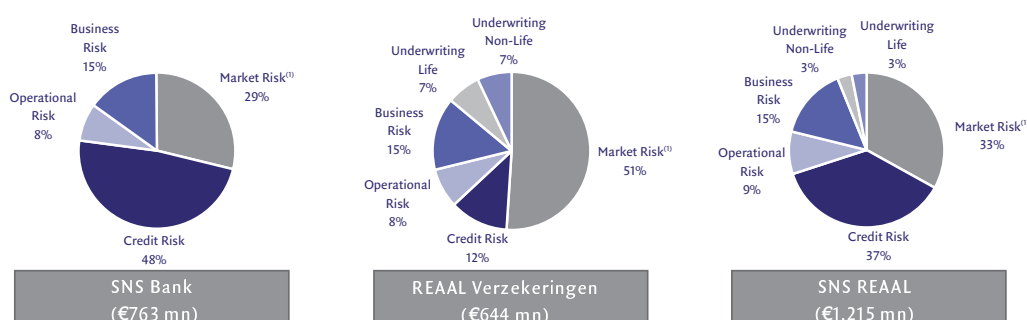
Economic and required capital (€ million)



Source: 2005 annual report Company

The following pie-charts reflect the relative weight of each risk type in the total required economic capital of SNS Bank, REAAL Verzekeringen and SNS REAAL, respectively.

Breakdown required economic capital



(1) Market risk does not refer to earnings at risk

Source: 2005 annual report Company

The percentages per type of risk include the diversification effects, both between risk types and between product groups. These diversification effects result from the fact that not all risks are perfectly correlated. In respect of SNS Bank and REAAL Verzekeringen the charts reflect the risk without taking into account diversification effects between SNS Bank and REAAL Verzekeringen.

Pricing

The Company believes that disciplined, sound and uniform pricing has been an important factor in its success of the last years and an important pillar for future long-term value growth. The expected risk and capitalisation costs are important building blocks in that respect. Examples of risks which are factored in consumer prices are credit risk in mortgages, mortality risk in life insurance, and uncertainties of customer behaviour. As SNS REAAL's prices reflect

expected risks, capitalisation and organisation costs, it is possible to analyse actual experience against the original assumptions. This enables SNS REAAL to adjust consumer prices, if necessary, on the basis of the latest views, which reduces the risk that SNS REAAL continues to sell unprofitable products in the long-term.

The actual pricing for consumers is carried out using recommendations of the pricing committees of SNS Bank and REAAL Verzekeringen. Apart from the theoretical price, market circumstances, capacity ambitions, desired cost-effectiveness and room for commercial campaigns are taken into account.

Portfolio management

Portfolio management is an important element in encouraging sustainable value creation of the business, and avoiding undesirable risks. Results of the business lines are linked to the economic capital consumed, so that the economic performance can be evaluated.

Risk management per type of risk

Strategic risk

Within the SNS REAAL conceptual framework of risk types, strategic risk is defined as the risk of not meeting targets as a result of the business not responding (sufficiently) to (changes in) the business environment.

SNS REAAL defines its strategy in a long-term plan. The strategy is re-assessed annually and the progress of the implementation of SNS REAAL's strategy is monitored in quarterly business reviews.

The strategic risks are outlined annually, using a strategic risk analysis. The Executive Board and the Boards of SNS Bank and REAAL Verzekeringen identify and classify SNS REAAL's strategic risks in this analysis, taking into account the potential impact of the relevant risks on the execution of SNS REAAL's strategy. On the basis of this analysis SNS REAAL adopts suitable measures in the operational plans.

Market risk

General

Within the SNS REAAL conceptual framework of risk types, market risk is defined as the risk of fluctuations in financial market prices which affect profitability and/or value.

In determining the market risk profile for SNS REAAL interest rates, equity prices, bond prices and exchange rates are the relevant market risk factors. Of these market risk factors, the interest rate risk is a key market risk factor for SNS REAAL. Interest rate risk is driven by the difference in interest rate sensitivity of the assets and liabilities on SNS REAAL's consolidated balance sheet.

Generally, banking operations benefit from a decrease in interest rates and insurance operations benefit from an increase in interest rates. Similarly, the duration of a bank's assets exceeds the duration of its liabilities, while the opposite applies to an insurance company (i.e. the duration of its liabilities exceeds the duration of its assets). As a result, the interest rate risks are, to a certain extent, naturally hedged within SNS REAAL.

Duration of Equity

The market value of shareholders' equity is the difference between the market value of the assets and the market value of the liabilities. Duration of equity indicates the effect (for small interest movements) of a parallel shift of the interest curve on the market value of shareholders' equity. For example, in case of a duration of equity of two, the market value of shareholders' equity increases (decreases) approximately 2% when there is a parallel decrease (increase) in the yield curve of 100 basis points.

Value-at-Risk ('VaR')

VaR measures, with a confidence level of 99%, the maximum loss, in terms of market value of shareholders' equity, which may occur within a fixed period of time as a result of fluctuations in risk factors (such as changes in interest rates, share prices, real estate values or foreign exchange rates).

The VaR model used is based on a scenario analysis, for example changes in the market value of shareholders' equity are calculated for 10,000 scenarios of the underlying risk factors. At the confidence level of 99%, the 1% worst-case change in the market value of shareholders' equity is the VaR.

Earnings-at-Risk ('EaR')

EaR measures the maximum loss in net interest margin which may occur within a fixed period of time as a result of fluctuations in interest rates, with a confidence level of 99%. The EaR model used is based on a scenario analysis as well, for example changes in the net interest margin are calculated for 10,000 interest rate scenarios. At the 99% confidence level, the 1% worst-case change in interest rate margin is the EaR.

Gap profile

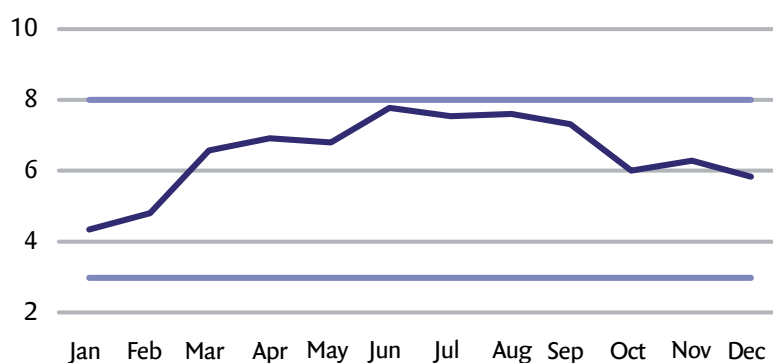
A gap profile outlines the net position of redeeming nominal amounts per interest rate maturity from both assets and liabilities. This gap profile is similar to the regulatory reporting to the Dutch Central Bank on interest rate risk on non-trading positions.

Market risk for SNS Bank

The interest rate risk of SNS Bank is measured and managed using the duration of equity, VaR, EaR, and gap profile analysis.

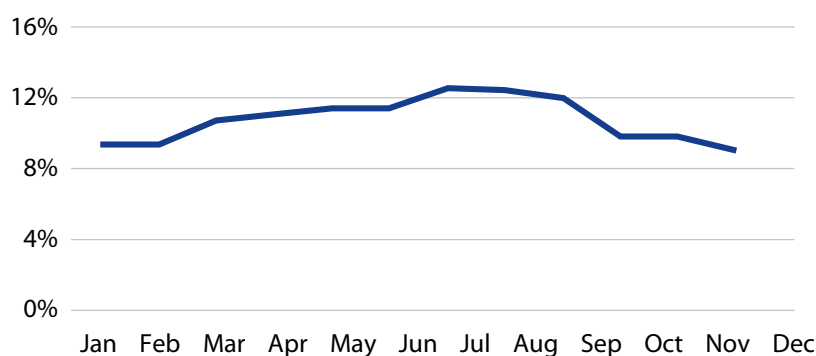
The following charts show the duration of equity, VaR (as percentage of the market value of shareholders' equity) and EaR (as percentage of gross interest margin) of SNS Bank's non-trading activities in 2005 and SNS Bank's gap-profile at the end of 2005. The VaR for SNS Bank is determined for a period of one year (it is thus assumed that SNS Bank's risk profile does not change in a year). The EaR for SNS Bank is calculated with a time horizon of one year. The maximum VaR and EaR during 2005 was 12.5% of the market value of shareholders' equity and 8.7% of the budgeted gross interest rate result for 2005.

Duration of equity banking activities 2005



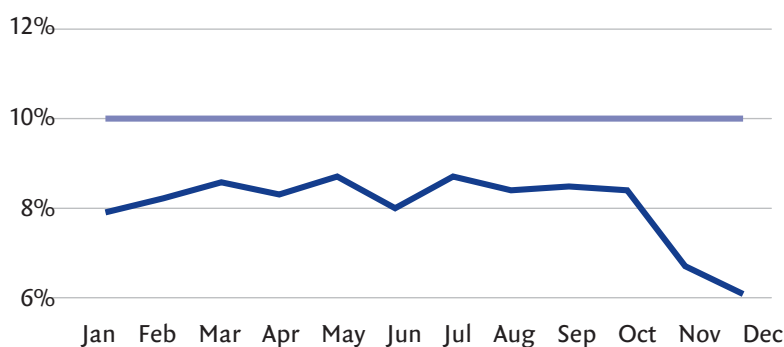
Source: 2005 annual report Company

VaR 2005 (% of market value shareholders' equity)



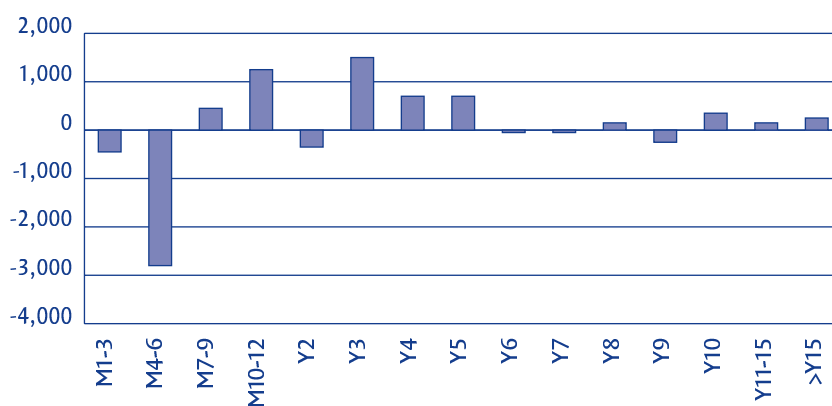
Source: 2005 annual report Company

EaR 2005 (% of gross interest margin)



Source: 2005 annual report Company

Gaprofile year end 2005 (€ million)



Source: 2005 annual report Company

The duration of equity of SNS Bank's banking book has a lower limit of 3 and an upper limit of 8. This bandwidth is reviewed on a yearly basis, and can be updated by the SNS REAAL asset and liability committee. Steering of the interest rate position within the bandwidth is based on risk/return considerations and the short/mid-term view on future interest rate developments. During 2005 the duration of equity was steered near the upper limit, mainly based on SNS REAAL's expectation at the beginning of 2005 that the level of the yield curve would decrease further through the course of the year. At the end of 2005 the duration of equity decreased to approximately 6, driven by SNS REAAL's expectation that interest rates would increase during 2006 and by the relatively low spread between short-term and long-term interest rates.

SNS Bank decides every month whether the pipeline risk (*offerte risico*) for the mortgage portfolio is hedged or not. The pipeline risk is the risk for SNS Bank that the mortgage interest rate decreases in the period between offering the mortgage rate to the customer and the actual settlement of the mortgage contract. In the hedging decision process a trade-off is made between the risk and the option premium that SNS Bank is willing to pay to hedge the risk. In 2005, SNS decided not to hedge this risk.

SNS Bank also monitors sensitivity of revenues and solvency to movements in interest rates and/or share prices, as appears from the table below (figures as at year-end 2005).

Amounts in € millions		Market value shareholders' equity	Net result (after tax)	IFRS shareholders' equity (after tax)	BIS ratio
Interest rates	+/+ 1%	-/- 141	-/- 6	-/- 43	-/- 0.02%
	-/- 1%	+/+ 153	+/+ 6	+/+ 43	+/+ 0.02%
Share prices	+/+ 10%	+/+ 2	0	+/+ 1	0%
	-/- 10%	-/- 2	0	-/- 1	0%

Source: 2005 annual report Company

The following table shows SNS Bank's credit portfolio at year-end 2005:

Asset classes	
Mortgages	85%
Business loans	4%
Banks	10%
Consumer loans	1%

Source: 2005 annual report Company

The market risk of SNS Bank's trading portfolio is limited reflecting the nature of SNS Bank's operations, and is calculated on a daily basis and managed using a system of internally-set limits.

The following chart shows the framework of VaR and stress tests in 2005. SNS Bank remained below the internally-set limits in 2005.

Value at Risk (99% daily) (Amounts in thousand euros)		Stress Test (Amounts in thousand euros)	
Desk	Limit	Desk	Limit
FX/Corporate desk	50	FX/Corporate desk	150
Money market desk	700	Money market desk	2,100
Capital markets desk	150	Capital markets desk	450
Off Balance desk	200	Off Balance desk	600
Equity desk	500	Equity desk	1,500
Derivatives desk	100	Derivatives desk	300
Bond desk regular	150	Bond desk regular	450
Bond desk general management	150	Bond desk general management	450
Total	2,000	Total	6,000

Source: 2005 annual report Company

VaR is calculated using scenario analyses, where many scenarios are generated for all underlying risk factors in the trading book for a time horizon of one day. All positions are then revalued in each scenario. The 1%-worst-case market value loss relative to the market value of the current position is the VaR. Limits for VaR are listed in the left table above. For the stress tests actual stress scenarios which occurred in the past are used. The impact of these historic scenarios on the current market value of the trading portfolio is calculated. The largest loss is then the stress-VaR. Limits for the stress-VaR are listed in the right table above. The economic capital relating to SNS Bank's trading portfolio was less than 1% of SNS REAAL's total economic capital.

Foreign exchange positions in SNS Bank's trading and banking books are structurally hedged (see 'FINANCIAL INFORMATION -- F-96').

Market risk for REAAL Verzekeringen

For REAAL Verzekeringen, market risk arises from the fact that changes in its investment portfolio resulting from changes in financial markets do not correspond with changes in its liabilities.

The market risk is quantified by calculating market risk economic capital, a scenario analysis (effect of changes in the interest rate curve and share prices on market value of shareholders' equity) and a duration analysis. These scenarios are used to visualise the sensitivity of revenues and solvency to interest rates and/or share prices, as follows from the table below (figures as at year-end 2005).

Amounts in € millions		Market value shareholders' equity	IFRS earnings	IFRS shareholders' equity	Regulatory solvency margin
Interest rates	+/+ 1%	+/+ 19	+/+ 2	-/- 203	0%
	-/- 1%	-/- 185	-/- 2	+/+ 203	0%
Share prices	+/+ 10%	+/+ 112	0	+/+ 77	+/+ 15%
	-/- 10%	-/- 112	-/- 49	-/- 77	-/- 15%
Real estate prices	+/+ 10%	+/+ 20	+/+ 14	+/+ 14	+/+ 3%
	-/- 10%	-/- 20	-/- 14	-/- 14	-/- 3%

Source: 2005 annual report Company

Investment policy

REAAL Verzekeringen's investment policy is formulated in an investment plan based on the results of an asset and liability management study. This asset and liability management study analyses the interaction between risk and return in the market value framework using Standard & Poor's capital adequacy rating model and the expected level of investment income as important constraints.

In 2005, REAAL Verzekeringen changed its policy to steer the interest rate position based on the duration of the fixed income portfolio to a steering mechanism based on the duration of the market value of shareholders' equity. As a result, in the beginning of 2005, a monitoring limit (lower red line in the graph below) was established to fall within a predetermined target bandwidth of -/-10 to +/+5 by mid-2006. In 2005, the actual duration of shareholders' equity was lower than the monitoring limit at three points in time (June, September and December 2005). The main reason is that in a low interest rate environment, the market value and the duration of the liabilities are both particularly sensitive to slight changes in the yield curve due to the guarantees in the traditional life insurance portfolios with profit sharing features.

Duration of equity insurance activities 2005



Source: 2005 annual report Company

When the duration of equity insurance drops below the monitoring line, SNS REAAL's asset and liability management committee may decide to extend the duration of the fixed income portfolio which will bring the duration of equity insurance within the stated monitoring limit.

In the beginning of 2006, SNS REAAL's asset and liability management committee decided to introduce a limit system based on VaR for REAAL Verzekeringen. The reason to choose VaR as the leading risk measure is that it captures both interest rate and equity risk. This is important for REAAL Verzekeringen because of the increase in the equity exposure in the investment portfolio at the end of 2005. Duration of equity will remain an evaluation-trigger.

An important outcome of the asset and liability management study in 2005 is to increase the proportion of the investment portfolio invested in equities, arising from SNS REAAL's ability to absorb more investment risk due to its stronger capital position. In November and December 2005 the exposure to equities was increased to 10% of the total investment portfolio. In early 2006, SNS REAAL increased its exposure to equities by an additional 2.5% equivalent by using derivatives.

The investment portfolio of REAAL Verzekeringen is invested in different regions, industries and enterprises to achieve diversification. The asset mix of REAAL Verzekeringen at year-end 2005 is depicted in the following table:

Asset class	Year-end 2005
Fixed Income	76%
-- Government	34%
-- AAA/AA	16%
-- A/BBB	13%
-- High Yield	1%
-- Mortgages	12%
Equity	10%
Real estate	4%
Other	10%

Source: 2005 annual report Company

Foreign exchange positions of REAAL Verzekeringen's fixed income portfolios are structurally hedged with foreign exchange swaps. The foreign exchange positions arising from equity investments in US Dollar, British Pound, and Japanese yen were passively managed with a hedge ratio of 75% during 2005. For 2006 this hedge ratio has been increased to 85%. For more information on actual amounts of the foreign exchange positions related to equity portfolio, see 'FINANCIAL INFORMATION -- F-108'.

Credit risk

Within the SNS REAAL conceptual framework of risk types, credit risk is defined as the risk of losses in profit or value due to a default by a counterparty or deterioration of a counterparty's status.

Credit risk for SNS REAAL

There are several types of credit risk in the portfolio of SNS REAAL. The most important risk is the credit risk in the retail mortgage portfolio. Given the collateral and the low losses in the retail mortgage portfolio, the Company believes the credit risk in SNS REAAL's total credit portfolio is low.

Credit portfolio SNS REAAL at year-end 2005

Mortgages SNS Bank	78%
Business loans SNS Bank	4%
Consumer loans SNS Bank	1%
Banks	9%
Mortgages REAAL Verzekeringen	2%
Fixed income investments with credit risk	5%
Reinsurance	1%
Intermediaries	< 1%

Source: 2005 annual report Company

Credit risk for SNS Bank

The following is a summary of credit risk management of retail credit, business credit and credit risk of financial counterparties, and a summary of arrears management (*bijzonder beheer*), and of SNS Bank's provisioning policy. Within SNS Bank the different types of credit risk are managed separately and differently.

To manage credit risks and prevent concentration of risks, portfolio management processes have been developed for the retail and business portfolios.

Risk management retail credit

Credits to retail customers are accepted by authorised personnel using an extensive set of acceptance standards and policy rules. The current acceptance standards have been developed on the basis of Basel II models.

For portfolio management purposes SNS Bank applies risk indicators such as degree of infection (the number of debtors or loan volume subject to the arrears management department as a percentage of the total portfolio) and the LtFV (the loan in proportion to the foreclosure value of the collateral) (see '**INDUSTRY OVERVIEW -- Residential mortgages**'). A specific portfolio management process has been prepared for the largest portfolio of SNS Bank, the mortgage portfolio.

The development of house prices affects loan losses in the mortgage portfolio, because the development of house prices determines the LtFV-profile of the mortgage portfolio which determines the loss given default. In view thereof, SNS Bank monitors and forecasts the development of the house prices per region and sector of the Dutch market.

The LtFV ratios of SNS Bank's mortgage portfolio at year-end 2005 were as follows:

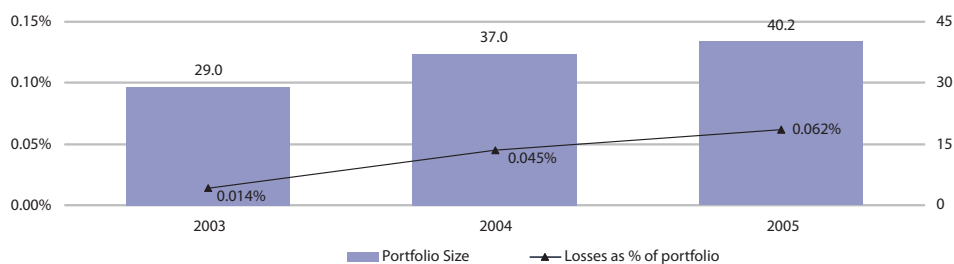
- Weighted average current LtFV: 92%
- Weighted average current loan to indexed foreclosure value: 81%
- Weighted average current loan to market value: 80%
- Weighted average current loan to indexed market value: 71%

20.9% of the mortgage customers have an original LtFV of more than 100%. At year-end 2005, the proportion of non-performing loans to the gross mortgage portfolio was 1.46% compared to 1.87% at year-end 2004 and 2.93 % at year-end 2003.

Under Dutch tax law, interest paid on certain residential mortgage loans is tax deductible for a period of thirty years. As a result of this tax benefit most consumers tend to borrow amounts that maximise the benefit from this tax deductibility (see '**INDUSTRY OVERVIEW -- Residential mortgages**'). In view thereof, the Dutch market has relatively high LtFVs compared to markets which do not have these tax benefits. Credit risks are mitigated because of additional security rights on, for example, life insurance policies and savings or securities deposits. In 2005, SNS Bank conducted a benchmark study on its mortgage portfolio. The conclusion of this study indicated that SNS Bank's mortgage portfolio is similar to a Dutch market benchmark portfolio when comparing all key risk indicators such as the level of non-performing loans and LtFV.

The following chart shows the historic mortgage losses and the development of mortgage portfolio (amounts in € billions) of SNS Bank

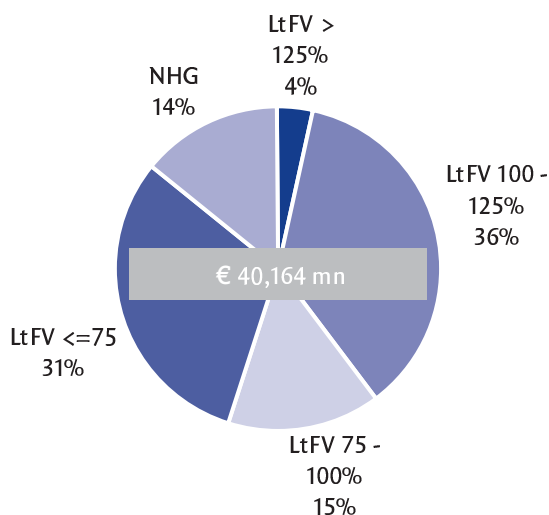
Mortgage portfolio size (€ billion) and losses as % of portfolio



Source: 2005 annual report Company

Throughout most of the 1990s the realised losses on the SNS Bank's mortgage portfolio were at the low level of 0.01%. This was a period of economic growth in the Netherlands, with unemployment levels below the Western European average and a steady increase in house prices. These combined factors explain the low levels of loss during this period. The Company believes that the relative increase in losses since 2003 can be explained by the economic downturn, affecting the income situation of households, and a slowdown in house prices. The Company believes that the loss level of approximately 0.062% for 2005 is a level consistent with the current market conditions. The loss levels will be managed and influenced by, among other things, improved new procedures for debtor and arrears management and the fact that house prices have moderately increased over 2005. In addition, SNS Bank is separating its acceptance and origination processes by moving the acceptance process to a centralised mid-office covering the mortgage distribution network.

LtFV classes (1) retail mortgage portfolio



(1) Not indexed
Source: Company

The following table shows the provisions for expected loan losses over 2004 and 2005 for SNS Bank on a consolidated basis (amounts in € thousands):

	Beginning of year	Write-off	Addition	Release	Year-end	Provision as % of risk weighted assets
2004						
Mortgages	43,219	16,623	26,580	7,279	45,897	
Business loans	57,117	26,050	45,430	12,869	63,627	
Consumer loans	29,708	4,812	23,263	13,484	34,675	
Total	130,044	47,485	95,273	33,632	144,199	0.72%
2005						
Mortgages	50,504	24,613	18,856	1,254	43,493	
Business loans	76,597	14,578	42,866	18,791	86,094	
Consumer loans	34,675	8,427	17,662	6,606	37,304	
Total	161,777	47,618	79,384	26,651	166,891	0.80%

Source: 2005 annual report Company

Stress test

SNS Bank conducts stress tests on its mortgage portfolio twice a year. The main purpose is to assess the vulnerability of earnings and capital base of SNS Bank in scenarios that reflect extreme market conditions. One specific stress scenario considers the termination of the tax deductibility of Dutch income tax of the mortgage interest expenses for households. When implemented in an uncontrolled manner, this is expected to result in a decline in house prices and loss in purchasing power of customers. SNS Bank runs these scenarios through the internal models for credit risk. The probability of default and the loss given default both increase. However, given the current LtFV profile of SNS Bank's mortgage portfolio, SNS Bank's capital base is not expected to be impacted significantly in case of such a change in legislation.

Risk management business credit

A strict credit approval procedure has been set up by the Board of SNS Bank in respect of business credits. The authorisations depend on the amount of the credit and the credit grade granted to the relevant credit approval officers. Credits below € 750,000 can be approved by authorised personnel on the basis of a four-eye principle in accordance with an approval grid. Credits exceeding € 750,000 are analysed by the Credit Risk Management department and submitted to relevant credit approval officers for approval. Credits exceeding € 2 million must be approved by the credit committee of SNS Bank.

Credits exceeding € 750,000 are revised annually, assessing the solvency of the customer on the basis of its most recent annual accounts. Credits below € 750,000 are revised annually depending on their internal credit classification.

Credit control at customer level is performed using the management information system Credit Risk Management which identifies, on a daily basis, potential problems at an early stage on the basis of a number of risk indicators. At portfolio level, risks are monitored quarterly on the basis of an extensive report on the developments in the relevant portfolio. Not only the degree of infection, but also the division among the different branches are monitored and, if necessary, adjusted.

At year-end 2005, the ten largest business credit exposures accounted for 13% of the total amount outstanding in respect of business credit. The ten largest non-performing exposures accounted for 2.25% of the total amount outstanding in respect of business credit. The following chart shows the ten largest business credit exposures at year-end 2005 (€ million) and their respective sectors.

Ranking	Sector	Credit Limit	Exposure
1	Health and welfare	70.1	49.7
2	Other rental companies	66.7	59.4
3	Other companies	57.7	30.6
4	Financial institutions	55.1	55.1
5	Property lease and trade	51.8	47.0
6	Financial institutions	48.9	32.6
7	Property lease and trade	47.0	45.6
8	Financial institutions	39.5	23.7
9	Health and welfare	38.7	38.7
10	Food, beverage, tobacco	37.5	32.1
Total		513.0	414.5

Source: 2005 annual report Company

The ten largest non-performing business credit exposures at year-end 2005 (€ million) are shown in the following chart.

Ranking	Sector	Exposure
1	Real estate	17.3
2	Construction	16.3
3	Real estate	10.3
4	Real estate	6.9
5	Financial institutions	3.9
6	Other	3.7
7	Transportation	3.3
8	Tourism, leisure, and sports	3.2
9	Real estate	3.2
10	Real estate	3.1
Total		71.2

Source: 2005 annual report Company

Risk management financial counterparties

SNS Financial Markets enters into money market and capital market transactions with financial counterparties in relation to its treasury and funding activities. These are mainly short-term and derivatives transactions to hedge interest rate and foreign exchange exposures.

The management of these counterparty risks is based on guidelines which include counterparty credit limits and counterparty credit rating. Different risk mitigation techniques are used such as netting agreements and credit support annexes. SNS Financial Markets may only enter into transactions with financial counterparties for which the credit lines have been approved by the credit committee.

Arrears management department

An essential component of the retail-plus credit management is the timely intervention of the arrears management department (*Afdeling Bijzonder Beheer*). If it is determined that a customer is in default or that its financial position has worsened to such extent that there is a risk of a default in the near future, the customer relationship will be transferred to the arrears management department. This department forms part of the Credit Risk Management department and takes the necessary measures to minimise the risk for SNS Bank. This department also determines the level of the provisions on a quarterly basis, and submits a proposal to that effect to the credit committee of SNS Bank.

Improvement of debtors and arrears management

SNS REAAL is in the process of centralising the activities of debtor and arrears management. Currently, the debtor management is handled by the branch offices and in certain cases at district level, and the arrears management is handled by five separate units. The Company expects that the centralisation will lead to lower vulnerability in the arrears management process. Further, the Company believes that quality of management will improve because all

employees will use the same procedures and the management system will be located at one centralised location. It is intended that the improvement will be fully implemented by year-end 2006.

Furthermore, SNS Bank will further improve the procedures for debtors and arrears management in 2006. The most important items of the new process include:

- Differentiation, in respect of debtor management, between customers on the basis of their risk profile, based on expected loss
- Repayment schedules will no longer be agreed by the arrears management department, but by the debtor management department; customers will be contacted by telephone at an earlier stage
- Foreclosure may start after 90 days, i.e. 4 terms of arrears
- Items will be handled by the arrears management department for a maximum period of one year (this can currently run to several years)

With the improved new procedures SNS Bank will implement best practices for debtor and arrears management. Furthermore, the Company expects that the improved procedures will result in lower credit losses.

Provisions

SNS Bank's provisioning policy as of 2005 conforms to IFRS. Provisions are raised if there are objective indications that a financial asset or group of financial assets is impaired or where there are objective indications of losses likely to be incurred in the loan portfolio. These provisions are based on historical loss experience, if necessary adjusted on the basis of current observable data to reflect current economic conditions.

Provisions are determined individually for loans exceeding € 1 million and collectively for loans below that amount. The expected foreclosure value of the collateral is also taken into account. (See '**OPERATING AND FINANCIAL REVIEW -- Development of provision for loan losses at SNS Bank**')

Credit control banks

SNS Financial Markets enters into transactions with other parties on the money and capital markets in order to execute the funding and treasury activities of SNS Bank. The transactions are short term investments and hedge activities using derivatives. The hedge transactions are used to manage the interest rate and foreign exchange rate position of SNS Bank. The counterparty risk associated with these transactions is controlled using the following set of control mechanisms:

- SNS Financial Markets can only execute transactions with counterparties that have an approved limit from the credit committee of SNS Bank
- Counterparties must have a minimum rating of A-
- These counterparties must be based in an OECD-country
- The size of the counterparty limit is capped, based on a fixed percentage of the minimum of the shareholders' equity of SNS Bank and the shareholders' equity of the counterparty
- SNS Financial Markets makes use of risk mitigating contracts such as cash netting agreements, ISDA-contracts, and Credit Support Annex contracts. For the latter contracts the credit risk is mitigated by using liquid investments as collateral underlying the transactions

The SNS Bank credit committee may decide to deviate from these general guidelines in certain circumstances.

Credit risk for REAAL Verzekeringen

Mortgages

The mortgage portfolio of REAAL Verzekeringen mainly consists of mortgages granted several years ago. A significant portion of these mortgages are also guaranteed by the NHG (see '**INDUSTRY OVERVIEW -- Residential mortgages**'). The increase in house prices in recent years resulted in an increase in the foreclosure value of the collateral, which implies a lower loan to foreclosure profile of REAAL Verzekeringen's mortgage portfolio compared to the Dutch market. In view thereof, REAAL Verzekeringen expects to be able to collect its debts, if necessary, by foreclosing on the collateral. As a result hereof, REAAL Verzekeringen runs a limited risk on its mortgage portfolio.

Intermediaries

The credit risk in respect of the intermediaries engaged by REAAL Verzekeringen is managed by a special credit committee chaired by the CFO of REAAL Verzekeringen. The credit line application criteria were tightened through the course of 2004 and 2005 and the outstanding credit exposure declined during this period. For more information on the composition of the credit portfolio of REAAL Verzekeringen, see '**FINANCIAL INFORMATION -- F-108**'.

Underwriting risk

Within the SNS REAAL conceptual framework of risk types, underwriting risk is defined as the risk that the level and timing of outgoing cash flows in respect of the material risks, such as mortality, disability, claims or insured amount, do not correspond with expectations.

The risk profile of REAAL Verzekeringen's insurance portfolio is mitigated by its focus on retail-plus customers and geographic diversification within the Netherlands.

REAAL Verzekeringen limits the underwriting risk by using a framework of strict procedures and criteria in respect of product development, acceptance and provisioning. Risks that do not match or that exceed certain pre-fixed limits are, if nevertheless accepted, transferred to a reinsurance company.

The development of the portfolio is monitored monthly by a panel consisting of representatives of the Board of REAAL Verzekeringen, the management accounting department and actuaries. The development of premiums and loss ratios are analysed per sector.

Life insurance

The life insurance portfolio of REAAL Verzekeringen consists of individual and group life insurance policies. Both insurance products are sold as a traditional product or as a unit linked product. With traditional contracts the policyholders receive a guaranteed benefit in euro at the end of the contract or at death. In this case the investment risk is for REAAL Verzekeringen. In case of a unit-linked contract the investment risk is for the policyholders. Both traditional and unit-linked policies are offered as a single premium or a regular premium product. The following table gives a breakdown of the life insurance activities of REAAL Verzekeringen. The percentages are based on GWP at year-end 2005:

Year-end 2005	Portfolio
Individual	91%
Group	9%
Traditional	64%
Unit linked	36%
Single premium	39%
Regular premium	61%

Source: 2005 annual report Company

The most important underwriting risks for the life insurance portfolio are mortality and longevity risks. Mortality risk is the risk that the insured dies earlier than estimated and longevity risk is the risk that the insured remains alive longer than estimated.

The mortality risk is primarily observed and reported on by the CBS. REAAL Verzekeringen also investigates the mortality risk of its customers. In the past years, the mortality of the Dutch population (and of the customers of REAAL Verzekeringen) declined and longevity increased. The Company believes that this trend will continue.

REAAL Verzekeringen's product mix benefits from increased longevity given the payout profile of its life insurance portfolio. Nonetheless increased longevity will have a negative impact on the annuity products of REAAL Verzekeringen.

A key risk for a life insurance company in the current low interest rate environment is the risk of inadequate reserves. Dutch insurance companies are required by the Dutch Central Bank to perform an adequacy test for the life technical provisions. The adequacy test assesses the ability of an insurance company to pay all liabilities from the book of in force business in a run-off situation. The most important assumptions in the adequacy test are (i) the interest rate at which redeeming bonds and (ii) future premium income are (re)invested. In the test the unrealised capital gains on the current bond portfolios are taken into account when projecting future investment income. For mortality and lapse rates REAAL Verzekeringen uses experience data from the actual portfolios. Operating costs are allocated to products following internal cost allocation methods assuming a going concern situation.

At the request of the Dutch Central Bank made to all insurance companies under its supervision, REAAL Verzekeringen recently performed an adequacy test for the total life technical provisions (balance sheet end of September 2005) with scenarios of future reinvestment rates of '3%/4%', 3%, 2.5% and 2%. For the '3%/4%' - test the life insurance portfolios with a 3%-guarantee (after 1999) are tested with a 3% reinvestment yield while the 4% life insurance portfolios (before 1999) are still tested with a 4% reinvestment yield. The '3%/4%'-test is the official test of adequacy of reserves required by the Dutch Central Bank on a regular basis. The outcome of the test is that only in the 2% scenario the reserves are inadequate, but that the deficit can be adequately covered by the shareholders' equity while still remaining above the internal solvency target of more than 150% of the regulatory solvency margin.

See the following table for the results of the test for REAAL Verzekeringen and Proteq Direct together. It is noted in that respect that:

- ⊙ The solvency ratio is only impacted when there is a deficit in the reserves (2% reinvestment yield). In that case the reserves must be strengthened. This is financed from the shareholders' equity which will result in a decrease of the shareholders' equity (in this case by € 325 million) and the solvency ratio drops to 180%. A surplus has no impact on the book value of the reserves on the balance sheet -- there is no release of reserves -- and also not on the shareholders' equity. As a result, the solvency ratio does not change
- ⊙ In the third column (2.5% reinvestment yield) the reserves of Proteq Direct are slightly inadequate as a result of which the solvency ratio decreases slightly

Liability adequacy (reinvestment scenario) test per 30 September 2005 (amounts in € millions) ⁽¹⁾

Surplus / Deficit	Results Liabilities Adequacy (surpluses)			
	Reinvestment Yield			
	3% and 4%	3%	2.50%	2%
Total surplus / deficit (in € mn)	1,156	527	142	-325
Solvency	238%	238%	236%	180%

(1) Traditional life and unit-linked insurance

Source: Company

The positive outcome of the test is due to (i) mortality profit (*sterftewinst*) and results on operating costs, and (ii) previously achieved lengthening of the duration of the investment portfolio. The Company believes that the 2% scenario is unlikely as it assumes that long-term interest rates will drop immediately to 2% and remain at this level until the last payment is made. In general insurance companies finance these types of extreme events by holding sufficient capital and not through the technical provisions.

Other underwriting risks for the life insurance portfolio are risks related to the insurance behaviour of policyholders (such as premature termination, invalidation and rehabilitation), risks related to the behaviour of intermediaries (such as termination of relationship by intermediaries and subsequent transfer of their customer base to another insurance company), and catastrophe risk (such as a world wide pandemic).

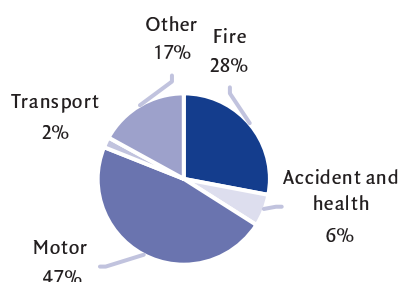
Developments in respect of underwriting risks are periodically investigated and processed and used for pricing, acceptance conditions and valuation of life insurances.

Non-life insurance

REAAL Verzekeringen's non-life insurance portfolio consists of four sectors: fire, accident and health, motor vehicle, and other, which latter includes general third party liability, transport and marine.

The following chart shows the segmentation on the basis of GWP in 2005 (including Nieuwe Hollandse Lloyd for the period starting 1 September 2005):

2005 Breakdown non-life insurance GWP



Source: 2005 annual accounts Company

The non-life insurance portfolio of REAAL Verzekeringen is diversified. As a consequence, the variability in the underwriting result of the non-life insurance portfolios is relatively low.

Through the acquisition of Nieuwe Hollandse Lloyd, REAAL Verzekeringen now also undertakes co-insurance business on the Dutch insurance exchange (*Assurantiebeurs*). When co-insuring, REAAL Verzekeringen assumes a portion of the insurance risk (based on a capped insurance amount), but does not underwrite any major or industrial risks. The main exposures are industrial (fire and business interruption) and marine. This co-insurance activity generated a net written premium volume of € 52 million for 2005.

Damages resulting from violence, nuclear incidents or flooding are excluded from the policy terms. REAAL Verzekeringen reinsures damages resulting from catastrophes or terrorism.

A separate department within REAAL Verzekeringen deals with settlement of non-life insurance claims. This department, among other things, estimates the value of the damages and the progress of the damages.

Finally, there is a risk of paying out claims that have been wrongfully made. Fraud is currently monitored and supervised by various departments (acceptance, damage reporting and damage handling). Since the beginning of 2006, REAAL Verzekeringen has intensified its fraud prevention and investigation, for example by the formation of an operational Fraud department.

Reinsurance

Reinsurance of both the life and non-life insurance portfolio reflects SNS REAAL's risk appetite on an annual basis. The reinsurance coverage is based on the risk analysis of the portfolios, taking into account existing solvency, desired cost-effectiveness and profitability.

Given the growth in earnings and capital, the ability to bear risks increased in the period 2003-2005. Therefore, self-retention under the reinsurance agreements in respect of non-life insurance was increased to a level that the Company believes to be in line with the size of the different portfolios, the nature of the underwriting risk and the financial strength.

Self retention REAAL Verzekeringen in 2003 -- 2006 (€)

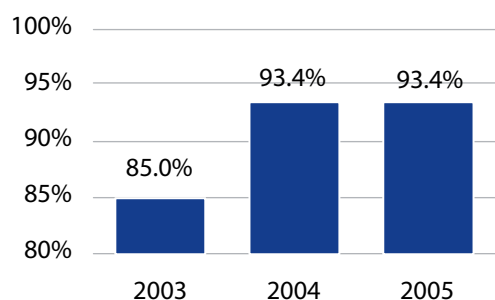
	2003	2004	2005	2006
<i>Non-life insurance</i>				
Catastrophe *	15,000,000	15,000,000	20,000,000	25,000,000
Fire	500,000	700,000	700,000	700,000
Motor liability	1,200,000	1,200,000	1,200,000	1,200,000
General third party liability	500,000	500,000	500,000	500,000
Personal accident	150,000	300,000	300,000	300,000
<i>Life insurance</i>				
Mortality (sum at risk)	400,000	400,000	400,000	1,000,000
Disability life (yearly interest)	20,000	20,000	20,000	35,000
Disability non-life (yearly interest)	7,800	7,800	7,800	35,000

Source: 2005 annual accounts Company

* Aggregate amount of total portfolio per event. All other amounts are per risk (i.e. per insurance policy)

The following graph shows the premium retention rate for REAAL Verzekeringen's non-life insurance business (i.e. net earned premium divided by GWP):

Premium retention rate non-life insurance



Source: Company

When placing its reinsurance agreements, REAAL Verzekeringen looks for optimisation of market opportunities and controlling the reinsurance credit risk. It distinguishes between reinsurance companies for the property portfolio (fire and catastrophe) and casualty portfolio (motor vehicle, liability and accidents).

For reinsurance of motor vehicle liability and general liability, REAAL Verzekeringen uses various reinsurance companies, which have a minimum rating of A+. For reinsurance of other liabilities, the minimum rating for reinsurance companies is A-.

Reinsurance premium REAAL Verzekeringen 2005

(in € million)		
Rating	Non-life	Life
AAA	0.7	--
AA	6.9	18.7
A	15.6	0.3
Not rated	--	1.2
Total	23.2	20.1

Source: Company

Figures excluding reinsurance premium NHT (Dutch terrorism pool): non-life € 0.3 million and life: € 1.3 million

REAAL Verzekeringen has decided to also increase the level of self-retention under the reinsurance agreements in respect of life insurance. This was effected by placing a new reinsurance programme for the life insurance portfolio as of 2006.

Liquidity risk

Within the SNS REAAL conceptual framework of risk types, liquidity risk is defined as the risk that liquid assets and funding will not be (sufficiently) available at a reasonable price and as a result of which short-term financial obligations may not be met.

Liquidity risk is more relevant for SNS Bank which is dependent on capital market funding for the financing of its mortgages. SNS Bank has a broad investor base and uses various funding instruments. In 2005 SNS Bank had good access to the financial markets and its credit spreads were relatively low and stable. The maturity of the funding was increased in 2005 in order to have a better match between assets and liabilities in terms of liquidity profile. At the same time, SNS Bank benefits from the historic low credit spreads in the current market. Within the European single A bank segment SNS Bank has favourable funding costs.

In addition, SNS Bank has a substantial amount of core funding, which consists of sight and savings deposits (which grew to € 16 billion at year-end 2005). SNS Bank conducts a three step evaluation process:

- Assess current balance sheet without growth or decline in core assets
- Add scenarios for gross production and possible decline in core funding
- Assess additional funding sources and potential to securitise or sell non-liquid assets

For a liquidity gap profile as at year-end 2005 and year-end 2004 including sight and savings deposits, see 'FINANCIAL INFORMATION -- F-98'.

The liquidity risk management policy of SNS Bank has four components:

- going concern liquidity management
- diversification

-
- marketability of assets
 - contingency planning

Firstly, the composition of the funding portfolio in a going concern environment is the basis for liquidity risk management. Daily cash management activities are performed by the centralised treasury in order to fulfil SNS Bank's operational needs and compliance with the regulatory liquidity guidelines. As part of the asset and liability management report, SNS Bank produces a 12 month rolling forward liquidity forecast, so that adequate levels of liquidity can be maintained.

Secondly, SNS Bank strives for diversification in the funding portfolio with regard to maturity, instruments, currencies and investors. In order to improve SNS Bank's liquidity profile the funding's maturity was extended in 2005. See '**FUNDING -- Diversification of funding sources**'.

Thirdly, SNS Bank maintains a broad portfolio of highly marketable assets. At year-end 2005 this portfolio consisted of € 1.2 billion in government bonds and € 2.0 billion in structured liquid assets. In addition, SNS Bank has the opportunity to securitise or sell a substantial amount of its mortgage portfolio within a year.

Fourthly, SNS Bank conducts a semi-annual bank-wide stress test including contingency planning. These tests encompass different risk types with an emphasis on liquidity risk. SNS Bank also assesses trends that might impact core funding and events that might trigger problems with raising wholesale funding. The liquidity contingency plan describes a variety of firm-specific and stress scenarios that impact funding needs and funding sources. In each scenario a range of refinancing alternatives is specified that addresses the scenario. The liquidity contingency plan is implemented if there is an extreme change in SNS Bank's business operations or the international financial markets. Furthermore, the plan describes roles and responsibilities of key personnel and assigns tasks to teams that are able to act quickly and effectively during a liquidity crisis.

Operational risk

Within the SNS REAAL conceptual framework of risk types, operational risk is defined as the risk that losses occur resulting from inadequacy or malfunctioning of internal processes or systems, human error or criminal behaviour, or from external events.

SNS REAAL has a firm-wide operational risk management framework and considers operational risk a responsibility of each manager, assisted by several functions within SNS REAAL.

The definitions and the framework for operational risk management are based on Basel II (see '**Basel II -- Operational risk**'). Supervision on the implementation is exercised by the respective risk management committees of SNS Bank and REAAL Verzekeringen. The policy is prepared by SNS REAAL Balance Sheet and Risk Management department in co-operation with departments, such as Legal Affairs, Compliance and Operational Risk Management, Information Security, Business Continuity Management, Human Resources, and Business Process Management. The Internal Audit department also has an important role in operational risk management.

To support risk management activities, the following instruments/procedures have been developed and implemented:

- Risk self-assessment
- Reporting and analysing incidents in the event of (possible) damage exceeding € 5,000
- Indicators for important risks at corporate and business level to spot possible incidents in a timely manner

For the purpose of business continuity, the most important (processing) systems and data are mirrored, and the data is permanently copied to two physically distant locations. As a result hereof, the probability increases that SNS REAAL will be able to continue serving its customers in case of a major incident, such as a terrorist attack or natural disaster.

In 2004, SNS REAAL started an adjustment of REAAL Verzekeringen's financial and actuarial processes, from the main insurance policy systems until the general ledger. For this purpose a specific programme has been implemented called Straight Through Business Reporting ('**STBR**'). The STBR programme includes:

- Review of relevant financial, actuarial and commercial definitions, and key-controls in systems and processes on the basis of an overall control framework
- Entering relevant transactions and events into journals and updating documentation

To the extent available and possible, new and future rules and legislation, such as IFRS II and Solvency II, are taken into account. The STBR programme involves an investment of more than € 10 million and the Company expects to complete the programme by the end of 2007. The programme is managed by a steering committee, representing the different relevant entities within SNS REAAL, including representatives of the Executive Board. Furthermore, a quality assurance board has been installed, including business, audit, financial and actuarial SNS REAAL employees and

external advisers. The STBR programme also includes an update of management information requirements and related systems including data warehouses.

Furthermore, SNS REAAL has started the in-control project in 2005, which is aimed at bringing the constituent elements of risk management and internal control into one general business control framework, in view of the Dutch corporate governance code (the 'Code'; see 'CORPORATE GOVERNANCE'). Furthermore, the project is intended to facilitate the preparation of the in-control statement by the Executive Board in the annual report as required pursuant to the Code.

Conduct of business risk

Within the SNS REAAL conceptual framework of risk types, conduct of business risk is defined as the risk that laws, regulations, internal codes or conduct of business rules are violated.

Financial institutions have an important role in society. SNS REAAL has taken measures to meet this responsibility. SNS REAAL adopted a number of specific measures to manage the risks associated with non-compliance with laws and regulations applicable to it and internal guidelines. SNS REAAL recognises that conduct of business risk cannot only be managed by operational systems or by imposing rules or codes of conduct on employees; this risk is also managed, and, when necessary, enforced, by promoting an atmosphere in which integrity is natural.

SNS REAAL applies specific measures on three main topics in order to deal with conduct of business risk:

- duty of care
- integrity
- laws and regulations

Duty of care

Measures in relation to duty of care are intended to safeguard compliance by SNS REAAL with the written and unwritten standards to be taken into account by a financial institution when serving a customer. A significant measure which has been implemented is the identification of the relevant duties of care when developing a new product or service and to embed these duties into the operational processes related to the development, distribution and sale of such product or service. As a result thereof, compliance with duty of care requirements will be less dependent on circumstances and individuals. Furthermore, SNS REAAL has a procedure for checking new products, services, advertisements and conditions, among other things by the Legal Affairs department, before they are offered to the public.

Integrity

Measures in relation to integrity focus both on SNS REAAL's own integrity as on that of its customers and partners. Integrity of employees is safeguarded by requirements imposed on their behaviour, organisational and administrative measures and enforcement policy. Employees are checked on trustworthiness before they are hired. Board members of supervised entities are checked by the supervisory authorities (Dutch Central Bank and AFM) on trustworthiness and expertise. Furthermore, employees must comply with various codes of conduct, for example in relation to insider trading and private investment transactions.

Laws and regulations

In order to timely and effectively implement new legislation in SNS REAAL's operations, the Legal Affairs department ensures that new legislation is timely identified. A member of management is assigned responsibility for the implementation of such new legislation. The Executive Board or the Board of SNS Bank and/or REAAL Verzekeringen, as applicable, are informed periodically on the progress, and intervene when necessary.

With regard to intermediaries, before REAAL Verzekeringen and SNS Bank conclude an agreement to appoint an intermediary, the intermediary is required to provide various details, including a copy of proof of registration in the AFM register. REAAL Verzekeringen also requires that the intermediary is registered with the Insurance Complaints Institute (Klachteninstituut Verzekeringen). SNS Bank conducts an integrity investigation through its Security department, which inspects various registers. REAAL Verzekeringen also undertakes an inspection of registers. If these investigations and inspections are negative, the intermediary is not appointed. A periodical check is done to verify that the intermediary is still registered in the AFM register.

Basel II

Introduction

In June 2004 the Basel Committee endorsed the publication of new capital adequacy guidelines, Basel II. The Basel II framework sets out the details for adopting more risk-sensitive minimum capital requirements for banking institutions as opposed to Basel I (see 'SUPERVISION AND REGULATION -- International developments'). Basel II allows banks to choose from three approaches for assessing exposure to credit risk and from three approaches for measuring their

exposure to operational risk that they and their supervising authorities agree reflect the quality and sophistication of the banks' operations and internal controls. SNS Bank is on schedule in its implementation of the new rules. As indicated, SNS Bank's risk management committee is responsible for the implementation of Basel II.

Credit risk

In relation to credit risk, SNS Bank has decided to adopt the Internal Rating Based ('IRB') Approach for its mortgage, business loans and consumer loans portfolios. In view hereof, SNS Bank develops internal scoring models which are not only used to calculate the minimum required capital, but which can also be used by acceptance, management, monitoring and directing credits and credit portfolios. The relevant systems and procedures have largely been adjusted.

Operational risk

In relation to operational risk, SNS Bank has decided to adopt the standardised approach. A loss data base was implemented which is used to collect data about operational incidents that resulted in losses. By performing risk self-assessments, business processes are investigated on potential operational inadequacies and, if required, the processes are improved.

Other risks

Apart from the minimum capital requirements based on pre-determined and modular risk valuation, SNS Bank is required to align the remaining risks and its internal control with Basel II. In relation thereto, SNS Bank is developing a process in order to regularly test its capital adequacy.

In order to be able to report in accordance with the new requirements in a timely fashion, SNS Bank implemented a new data and reporting system. The outcome of the recently performed Basel II Quantitative Impact Study 5 appears to reflect SNS Bank's moderate risk profile. The Company believes that the moderate risk profile of SNS Bank will be reflected in future regulatory capital reductions.

Solvency II

Although the final blueprint of Solvency II is still unclear, some elements are already being outlined, such as risk measurement in terms of market valuation of assets and liabilities and economic capital reflecting the true risk in the balance sheet (including risk in the investment portfolios) of an insurance company (see '**SUPERVISION AND REGULATION -- International developments**'). The Company believes that it will be able to implement and operationalise the forthcoming Solvency II requirements given the current state of the internally developed economic capital framework and SNS REAAL's experience with Basel II.

Funding

General

This section describes the capital markets funding activities of SNS Bank. The funding activities of the Company in the capital markets are limited. The Company has at its disposal a € 1 billion euro medium term note programme and also issues privately placed loans.

The main goal of the capital markets funding activities of SNS Bank is to finance and capitalise SNS Bank with minimal economic costs and with limited risks. SNS Bank's funding strategy has consistently been based on three pillars:

- *Diversification of funding sources*

Funding sources are diversified over instrument, investor type, geography and maturity

- *Commitment to the investor base*

SNS Bank applies the policy of seeking a healthy balance between its funding requirements and the demand from investors. Commitment is shown by establishing a benchmark SNS Bank yield curve in the euro medium term note market, by maintaining a presence in and regularly returning to the chosen markets, by providing liquidity, establishing active programmes such as the Hermes securitisation programme (see 'Securitisation'), and by being a stable and predictable issuer

- *Proactive view on the market*

The SNS Bank funding team closely monitors trends and developments in international capital markets, at rating agencies, among regulators and in accountancy. The funding mix is continuously and gradually fine tuned by comparing different alternatives

SNS Bank appreciates the importance of debt investor relations, accompanying each new issue with an institutional marketing, maintaining an investor relations database, keeping close contact with the euro medium term note dealer panel and organising the annual SNS Bank euro medium term note dealer day. The funding needs and targets are communicated clearly to the market. Performance of brokers in SNS Bank's private placements is rewarded by mandating benchmark public transactions.

This approach has provided SNS Bank with relatively good access to international capital markets, which facilitates growth at competitive cost levels.

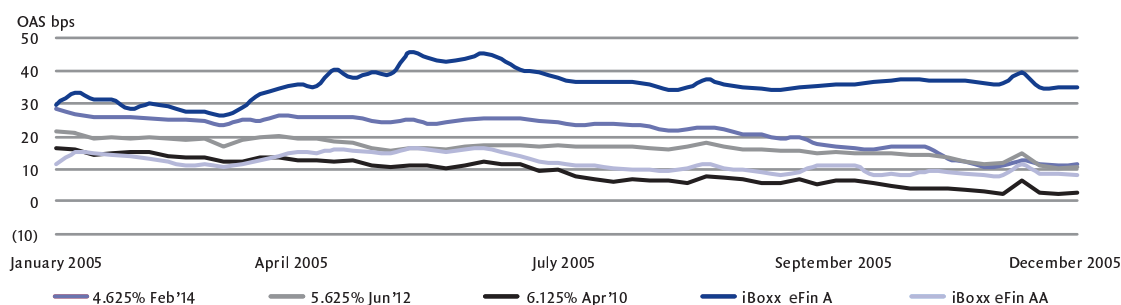
Funding programmes and benchmark loans

SNS Bank uses several funding programmes. It has at its disposal a € 20 billion euro medium term note programme, used to issue listed and non-listed bonds, under which € 16,503 million was outstanding at year-end 2005. SNS Bank is a flexible issuer of non-listed notes, both plain vanilla and structured medium term notes.

The creation of a liquid benchmark curve has established SNS Bank as an issuer in the capital markets. This was realised by issuing a number of public benchmark loans, with a notional of € 500 million or more per issue, in different maturities. These bonds are actively traded, which enables investors to switch between different maturities within the yield curve of SNS Bank. Within SNS Bank's own rating category, the benchmark loans have shown good performance in recent years.

The solid reputation of SNS Bank as an A rated issuer is evidenced by the level and stability of its credit spread, as illustrated in the chart below. SNS Bank bonds trade at or below the low end of its rating category and have shown stability in more volatile credit markets.

SNS Bank euro fixed rate spreads



Source: iBoxx

Furthermore, SNS Bank makes use of its A\$ 3 billion medium term note programme. Under this programme it issued the largest transactions for a foreign financial institution in the A rating category into the Australian market, at the time of the issue, with an issue of A\$ 525 million in 2004 and an issue of A\$ 600 million in 2005.

The € 4 billion euro commercial paper programme and € 4 billion French certificate of deposit programme are used for cash management purposes. Certificates of deposit are a category of French commercial paper which have a maturity of less than one year and may only be issued by banks (French and non-French). SNS Bank has registered a commercial paper programme with the *Banque de France* allowing it to issue up to € 4 billion into the French certificate of deposit market.

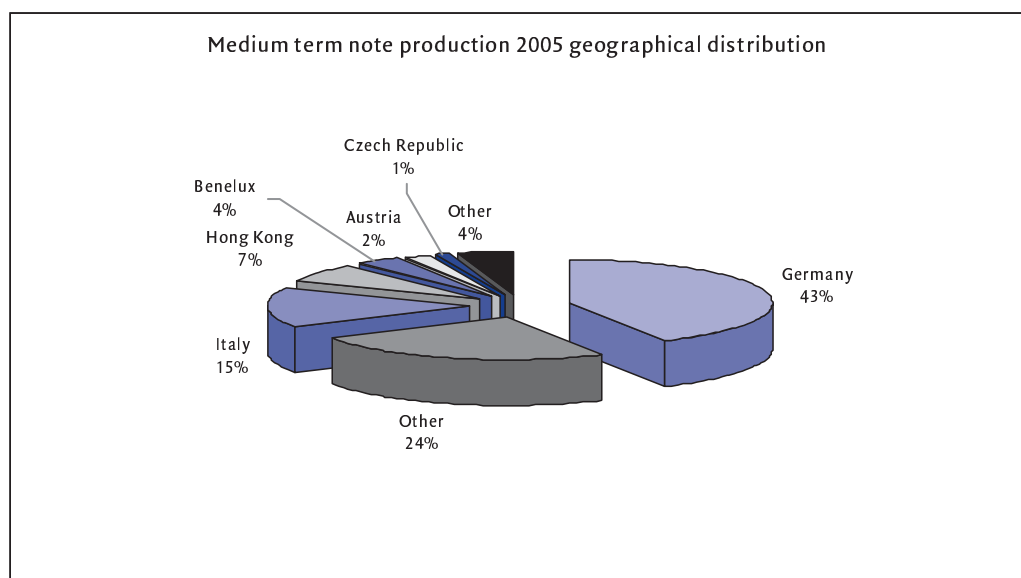
Securitisation

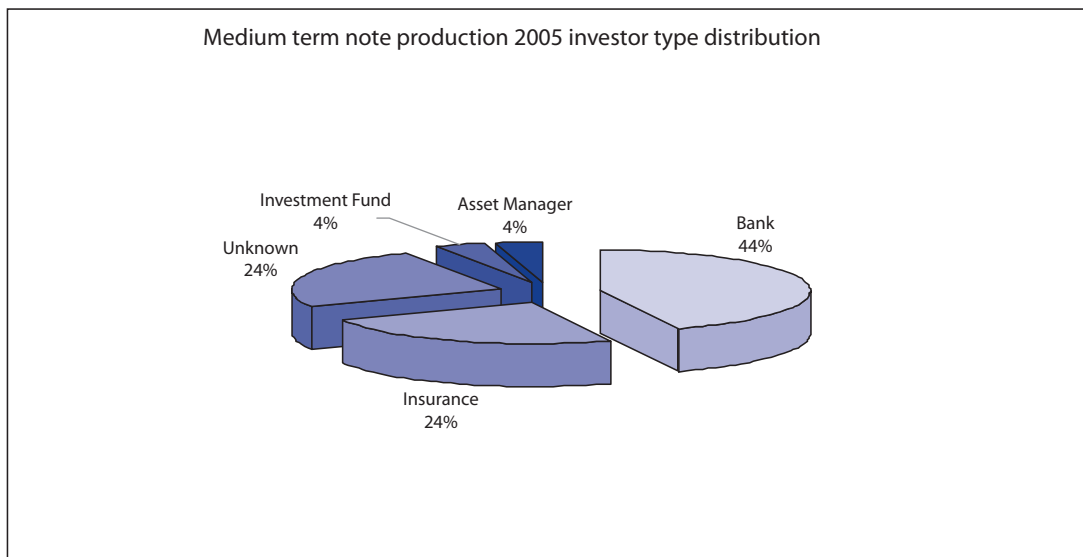
The Company believes SNS Bank has a well established name in the international capital markets. The Hermes programme ranks among the top-three most active securitisation programmes for residential mortgage loans in the Netherlands (source: Bloomberg). The Hermes (Holland Mortgage-Backed Series) programme is SNS Bank's cash securitisation programme. Under this programme a series of financing vehicles have been incorporated (Hermes I to X as at year-end 2005, and Hermes XI in 2006) which have issued bonds backed by residential mortgages purchased from SNS Bank, which originated the mortgages.

At year-end 2005 the outstanding balance of securitised mortgages amounted to € 7.6 billion. As at year-end 2005, SNS Bank had executed 10 transactions under the Hermes programme. In the beginning of 2006 SNS Bank executed an 11th transaction of € 1.5 billion under the Hermes programme. Securitisation forms an integrated part of the funding and capitalisation strategy of SNS Bank. The securitised mortgages are presented on-balance under IFRS, whereas these transactions were presented off-balance under Dutch GAAP.

Diversification of funding sources

Each funding instrument attracts its own investor base, both from a regional and institutional perspective. SNS Bank aims at diversification within the types of instrument. In 2005, the capital markets have shown considerable liquidity and SNS Bank used this opportunity to extend the average maturity of its senior lending from 7.14 years in 2004 to 8.65 years in 2005. The charts below illustrate the diversified investor base for funding under the medium term note programme in 2005:





Source: Company

The following table shows the composition of the funding of SNS Bank in the capital markets at year-end 2005 in € million:

Money market	946
Euro commercial paper programme, French certificate of deposit programme	644
Fiduciary	78
Other	224
Senior unsecured funding	20,250
Medium term note programme	15,802
Public	6,574
Private	9,228
Other	
Public	1,313
Private	3,068
Cross currency swaps	67
Subordinated	863
Medium term note programme	701
Other	162
Securitisation	7,585
Total outstanding funding SNS Bank 2005	29,644
<i>Total outstanding under medium term note programme</i>	<i>16,503</i>

Liquidity risk profile

As a result of its well diversified funding sources, SNS Bank maintains a low liquidity risk profile. In its rating report of September 2005 Moody's states: 'The bank's vulnerability to a liquidity shock is low in our opinion, the bank has taken care to issue its debt with a good spread of maturities. It also has a demonstrated ability to securitize its own mortgages. It is therefore unlikely that a temporary interruption in the bank's ability to refinance maturing debt would compromise its ability to maintain its mortgage lending business.'

Credit ratings

The Company has credit ratings from Moody's and Standard and Poor's, and SNS Bank has credit ratings from Moody's, Standard & Poor's and Fitch.

The following table shows the long term credit ratings:

Long term credit ratings

	Moody's	Standard & Poor's	Fitch
The Company	A3 (positive)	A- (stable)	N/A
SNS Bank	A2 (positive)	A (stable)	A+ (stable)

Source: Moody's report September 2005, press release Moody's, dated 3 May 2006, Standard & Poor's report 30 November 2005, and Fitch report 18 October 2005

REAAL Verzekeringen does not have a credit rating from Moody's, Standard & Poor's or Fitch. However, in its rating report for SNS Bank dated 30 November 2005, Standard & Poor's has given a short view on REAAL Verzekeringen's credit quality. Standard & Poor's indicated that the standing of SNS Bank has been adversely affected by a decline in the performance of the Company's insurance subsidiary REAAL Verzekeringen as a result of the sustained fall in equity markets during 2000 to 2003. The Company believes that REAAL Verzekeringen's profile currently has stabilised due to an improving competitive position, good capitalisation, and a more focused strategy.

Moody's

Moody's rates SNS Bank A2 with a positive outlook. This reflects its good market position in the Dutch mortgage and savings market, the low-risk nature of this type of business, and the bank's healthy financial condition. Moody's outlook is positive as a result of the bank's more focused strategy together with increased efficiency and improved profitability. On a cautionary note, Moody's stated in its September 2005 report that SNS Bank has been unable to keep up with the rapid asset growth of the recent years, a problem which Moody's considers, however, to be common to many mortgage lenders in the Netherlands. Moody's considers SNS Bank's vulnerability to a liquidity shock low, as SNS Bank has taken care to issue its debt with a good spread of maturities. The report also states that SNS Bank has demonstrated ability to securitise its own mortgages and it is therefore considered unlikely that a temporary disruption in SNS Bank's ability to refinance maturing debt would compromise its ability to maintain its mortgage lending business. Moody's rates the Company A3 with a positive outlook.

Standard & Poor's

Standard & Poor's rates SNS Bank A with a stable outlook. The rating on SNS Bank reflects its solid asset quality, good capitalisation, and continued solid financial performance. The rating also reflects the moderate double leverage ratio of the Company and the improved financial performance of SNS REAAL's insurance operations. The Company has an A- credit rating from Standard & Poor's. The lower rating of the Company, compared with SNS Bank, reflects its status as a non-operational holding company. As such, its debt-servicing capability is almost wholly dependent on distributions from its subsidiaries.

Fitch

Fitch rates SNS Bank A+ with a stable outlook. This reflects its improving profitability, solid asset quality, underpinned by low risk Dutch mortgages, diversified funding base and adequate capital levels. The Company is not rated by Fitch.

Supervision and Regulation

Introduction

This section constitutes a summary of the supervision and regulation framework relevant to SNS REAAL. The information in this section is by no means, nor is it intended to be, an exhaustive discussion of the subject matter thereof.

As a financial service provider offering banking and insurance services, SNS REAAL is primarily subject to supervision and regulation of the banking and insurance industry.

The activities carried out by SNS REAAL are subject to supervision exercised by the Dutch Central Bank and by the AFM, the two Dutch supervisory authorities for the financial markets. The supervision by the Dutch Central Bank of SNS REAAL's banking services is mainly exercised pursuant to the Dutch Banking Act, which implements European banking supervision legislation as further discussed below. The supervision by the AFM of SNS REAAL's securities and investment business is mainly exercised pursuant to the Dutch Securities Act, the Act on the supervision of investment institutions (*Wet toezicht beleggingsinstellingen*; the '**Dutch Investment Institutions Act**'), which implement various European legislation with respect to the activities of investment firms (securities intermediaries and portfolio managers) and collective investment undertakings, respectively, and the Dutch Financial Services Act. The insurance services carried out by SNS REAAL are also subject to supervision exercised by the Dutch Central Bank and the AFM. The supervision by the Dutch Central Bank of SNS REAAL's insurance business is mainly exercised pursuant to the 1993 Act on the supervision of the insurance business (*Wet toezicht verzekeringsbedrijf 1993*; the '**Dutch Insurance Act**'), which implements a number of European directives relating to the insurance business. The supervision by the AFM of SNS REAAL's insurance business is mainly exercised pursuant to the Dutch Financial Services Act, but also, for example where insurance companies within SNS REAAL are active as investors on the securities markets, pursuant to the Dutch Securities Act.

SNS REAAL also has contact with other supervisory authorities, such as the Netherlands Competition Authority (*Nederlandse Mededingingsautoriteit*).

Supervision

General

In short, the abovementioned acts applicable to SNS REAAL's business provide for a general prohibition to offer financial services or products to the public without a licence from the relevant supervisory authority. Such licence is granted if the relevant (legal) person complies with various requirements as laid down in the relevant act and further regulations based on that act. In general, the licence requirements relate to, among other things: (i) expertise and trustworthiness, (ii) financial safeguards, (iii) conduct of business (iv) provision of information, and (v) safeguards for the adequate supervision of compliance. Once a licence has been granted, the relevant supervisory authorities supervise compliance with the various on-going requirements.

The various prohibitions and related licence requirements and the on-going supervision of compliance with the various requirements originate from and should be considered in light of the purpose of the acts to protect the public (creditors, investors, insured) and to ensure the adequate functioning of the financial markets.

Prudential supervision and conduct of business supervision

The first step in a major reform of the system for supervision of the financial markets in the Netherlands was completed in 2002 with the introduction of the functional approach of financial markets supervision, which essentially vested the prudential supervision in the Dutch Central Bank and the conduct of business supervision in the AFM, leaving the separate sets of legislation applicable to distinct sectors of the financial markets intact for the time being. The Pensions and Insurance Chamber (*Pensioen- en Verzekeringskamer*), which used to be the prudential supervisory authority for pension funds and insurance companies, merged into the Dutch Central Bank in October 2004.

Prudential supervision addresses the financial soundness of financial institutions and the expertise and trustworthiness of management and employees, and is thus focused on solvency and the internal organisation of financial institutions. Conduct of business supervision addresses orderly and transparent market operation, relations between market participants and proper treatment of customers.

As the various individual financial service providers, such as banks, securities intermediaries and insurance companies, are subject to both prudential and conduct of business supervision, the Dutch Central Bank and the AFM entered into an agreement regarding co-operation and co-ordination in respect of their respective duties (*Convenant tussen de Stichting Autoriteit Financiële Markten en De Nederlandsche Bank N.V. inzake samenwerking en coördinatie op het gebied van toezicht, regelgeving, beleid, (inter)nationaal overleg en andere taken met een gemeenschappelijk belang*).

Prudential supervision

The prudential rules included in Dutch legislation are generally based on international regulations and legislation of the EU.

International regulation

Basel I

The Basel Committee develops international capital adequacy guidelines based on the relationship between a bank's capital and its credit risks. In this context, on 15 July 1988, the Basel Committee adopted risk-based capital measurement guidelines ('**Basel I**'), which have been implemented by banking regulators in the countries which have endorsed them. Basel I was intended to strengthen the soundness and stability of the international banking system. Basel I was also intended to reduce an existing source of competitive inequality among international banking institutions by harmonising the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Basel I was adopted by the European Community and applied to all banks and financial institutions in the EU. On 1 January 1991 the Dutch Central Bank implemented Basel I and incorporated it into Dutch regulations.

National regulation

The Dutch Central Bank exercises supervision with respect to the solvency of credit institutions and insurance companies, the structure of credit institutions and insurance companies and the group to which they belong, and the administrative organisation of credit institutions and insurance companies. In addition, it exercises supervision with respect to certain issues which are specific for credit institutions or insurance companies. Furthermore, the Dutch Central Bank exercises prudential supervision with respect to the solvency of investment firms.

General

Solvency supervision

The Dutch Central Bank's guidelines on solvency supervision provide for rules on the amount of equity a credit institution or an insurance company must maintain.

Structure supervision

Any person is required to obtain a declaration of no-objection from the Minister of Finance (or, in certain cases, from the Dutch Central Bank) before it may hold, acquire or increase a qualified holding in a credit institution or an insurance company, or exercise any voting power in connection with such holding. A 'qualified holding' is a direct or indirect holding of more than ten per cent of the issued share capital of an enterprise or institution, or the ability to exercise directly or indirectly more than ten per cent of the voting rights in an enterprise or institution, or the ability to exercise directly or indirectly a comparable degree of control in an enterprise or institution.

Administrative supervision

The administrative organisation must be such as to ensure that the credit institution or the insurance company has adequate and sound operational systems and internal control systems. As part of the supervision of the administrative organisation, the Dutch Central Bank has stipulated that these systems must be able to prevent conflicts of interests.

Banking activities

Solvency supervision

In addition to the requirements which are similar for credit institutions and insurance companies, the guidelines on solvency supervision in respect of credit institutions also impose limitations on the aggregate amount of claims (including extensions of credit) a credit institution may have against one debtor or a group of related debtors.

Structure supervision

In addition to the requirement of a declaration of no-objection discussed above, the Dutch Banking Act provides that a credit institution must obtain a declaration of no-objection from the Minister of Finance (or, in certain cases, from the Dutch Central Bank) before, among other things, (i) reducing its own funds by way of repayment of capital or distribution of reserves, (ii) holding, acquiring or increasing a qualified holding (as defined in the Dutch Banking Act) in a credit institution, a financial institution, a securities institution or an insurance company if the balance sheet total of the latter equals or exceeds one percent of the consolidated balance sheet total of the credit institution, (iii) holding, acquiring or increasing a qualified holding in another enterprise or institution if the consideration paid for such qualified holding (together with any consideration paid for (part of) this qualified holding previously) equals or exceeds one percent, of the consolidated own assets of the credit institution, (iv) acquiring all or a substantial part

of the assets and liabilities of another enterprise or institution, (v) merging with another enterprise or institution or (vi) undergoing financial or corporate reorganisation.

Administrative supervision

In addition to the requirements which are similar for credit institutions and insurance companies, a credit institution must at all times have a reliable and up-to-date overview of its rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud.

The Dutch Central Bank has published, among other things, the Regulation on Organisation and Control (*Regeling Organisatie en Beheersing*) which seeks to control the risks to which credit institutions are exposed, including the risks arising from non-compliance, or inadequate compliance, with regulations and from breaches of sound business conduct. The Regulation on Organisation and Control leaves room for an interpretation that appropriately reflects the individual circumstances of an institution and new developments.

Liquidity supervision

The guidelines of the Dutch Central Bank relating to liquidity supervision require that a credit institution maintains sufficient liquid assets against certain of its liabilities. The guidelines impose additional liquidity requirements if the amount of liabilities of a credit institution with respect to one debtor or group of related debtors exceeds a certain limited amount.

Insurance activities

In addition to the supervision with respect to solvency, structure and administrative organisation, the Dutch Central Bank exercises supervision with respect to the (assessment and classification of the) technical provisions (*technische voorzieningen*) which insurance companies are required to maintain. The Dutch Central Bank also supervises their investment policy. The guidelines of the Dutch Central Bank on investment in relation to supervision of technical provisions stipulate in which category of assets an insurance company may invest to hedge its technical provisions. The guidelines also impose limitations in respect of certain types of investments.

Conduct of business supervision

As indicated above, conduct of business supervision addresses orderly and transparent market operation, relations between market parties and proper treatment of customers. Conduct of business supervision rules provide for standards and/or requirements in respect of adequate information, know-your-customer requirements and integrity. As with the prudential rules, the conduct of business rules included in Dutch legislation are generally based on legislation of the EU (see '**Relevant acts**').

Duty of care (adequate information)

The rules provide for detailed requirements in respect of the information that must be made available to the public, such as in relation to the content and the presentation thereof. For example, insurance companies are required to provide policyholders and prospective policyholders with timely and accurate information about, among other things, the insurance company's legal form, applicable law and complaints procedures. Life insurance companies must also provide information about the essential terms of the insurance agreements, such as costs, term and possibilities for termination. An investment firm or credit institution performing portfolio management and securities brokerage services must, among other things, provide information about the institution's legal form, specifics of the financial instruments to which the provided services relate and the costs to be charged to the customer and how these are calculated.

If a financial product or service qualifies as a so-called complex product, the (potential) customer must receive a financial information leaflet (*financiële bijsluiter*). A complex product is defined as a financial service or a financial product made up of components which belong to different types of financial services or financial products and where the value of at least one of the components depends on developments in the financial or other markets, and include units in an investment institution and life insurance agreements to the extent they are entitled to profit sharing.

Duty of care (know-your-customer)

The conduct of business supervision rules implement the know-your-customer principle, pursuant to which a financial service provider must determine its customer's financial situation, experience, knowledge and intentions, to the extent relevant for the activities it will perform for the relevant customer.

Integrity

The conduct of business supervision rules provide among other things for the requirement to have insider trading regulations and regulations in relation to private investment transactions by the financial service provider's employees, and requirements in relation to the hiring of new personnel.

Transparency

Pursuant to the Dutch Financial Services Act, financial services providers and intermediaries must comply with disclosure and transparency requirements with respect to (i) identity, (ii) cost of services, and (iii) services and products offered. In addition, financial services providers and intermediaries will be required to be transparent in respect of costs and commissions.

Regulations applicable to the Company

Currently, the Company itself is not regulated directly, but as the holding company of a group of licensed credit institutions and insurance companies, it is subject to the supervision which the Dutch Central Bank exercises on a consolidated level. The principles of this consolidated supervision are laid down in a protocol dated 12 October 1999 (*Protocol De Nederlandsche Bank N.V./Verzekeringkamer*) between the Dutch Central Bank and the (former) Pensions and Insurance Chamber. This protocol provides, among other things, for information and reporting requirements applicable to the Company regarding the solvency of SNS REAAL.

The implementation in the Netherlands of Directive 2002/87/EC of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (the '**Financial Conglomerates Directive**'), which is currently scheduled to take place through the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*; the '**Dutch FMSA**'), will result in the Company itself becoming subject to new regulatory requirements. The Financial Conglomerates Directive introduces supplementary supervision of banking, insurance and investment activities carried out in a conglomerate. The rules relate to capital adequacy, risk concentration, intra-group transactions, internal control mechanisms and risk management processes. The rules are partly directed at the regulated entities within the conglomerate (although some of the rules relate to the conglomerate as a whole) and partly at the mixed financial holding company heading up the conglomerate, such as the Company. SNS REAAL appears on a list drawn up by the European Commission (of 24 April 2006) of groups that have been identified as financial conglomerates within the meaning of the Financial Conglomerates Directive.

Within SNS REAAL, the following entities hold licences under the Dutch Banking Act, the Dutch Insurance Act or the Dutch Securities Act:

- Dutch Banking Act:
 - SNS Bank
 - ASN Bank
 - CVB Bank
- Dutch Insurance Act:
 - REAAL Levensverzekeringen N.V.
 - REAAL Schadeverzekeringen N.V.
 - Proteq levensverzekeringen N.V.
 - Proteq schadeverzekeringen N.V.
 - Nieuwe Hollandse Lloyd Levensverzekeringmaatschappij N.V.
 - Nieuwe Hollandse Lloyd Schadeverzekeringmaatschappij N.V.
- Dutch Securities Act
 - SNS Individual Account Management N.V.
 - SNS Securities
 - SNS Asset Management N.V. (the operations of SNS Asset Management in its current position within SNS Bank will be repositioned into this company in the course of 2006. As at the Publication Date, SNS Asset Management N.V. is not an operating company)

Pursuant to the Dutch Financial Services Act, the relevant entities within SNS REAAL have applied for a licence under this act.

Investment funds

SNS REAAL has two main fund management companies, SNS Beleggingsfondsen Beheer B.V. and ASN Beleggingsinstellingen Beheer B.V. Both companies are fund managers (*beheerders*) within the meaning of the Dutch Investment Institutions Act and subject to supervision by primarily the AFM, and for certain matters relevant to prudential supervision, by the Dutch Central Bank. They both mainly manage ‘umbrella funds’ (SNS Beleggingsfondsen N.V. and ASN Beleggingsfondsen N.V.), which do not form part of SNS REAAL.

The Dutch Investment Institutions Act and the regulations based on it provide for requirements in relation to the equity to be maintained, expertise and trustworthiness of management, administrative organisation and internal control systems to prevent, among other things, conflicts of interest and to facilitate adequate supervision (conduct of business rules). The rules also provide for detailed requirements in relation to the information that must be made available to the public, such as in relation to the content and the presentation thereof. Furthermore, units in an investment institution qualify as complex products as a result whereof, the (potential) customer must receive a financial information leaflet.

Supervision and enforcement

General

The AFM and the Dutch Central Bank are responsible for the supervision of compliance with the acts summarised above. To perform their duties, the AFM and the Dutch Central Bank have various powers.

Supervision

On the one hand, the relevant acts allow the AFM and Dutch Central Bank to control and verify whether the (legal) persons subject to their supervision comply with the applicable regulations. For example, licence holders are required to submit periodic reports on certain issues, such as solvency reports or liquidity reports. In addition, the licence holders are required to notify the supervisory authority of material changes in their internal control and administrative organisation and of incidents that may seriously damage their reputation. Furthermore, the supervisory authorities are entitled to request information in order to exercise their supervisory duties. The persons subject to supervision are generally required to co-operate with such request. Licence holders are also required to perform self-assessments, and the supervisory authorities perform regular and occasional investigations into specific issues, types of products or services or types of activities. Also, the supervisory authorities regularly perform sector-wide investigations into the compliance of specific regulations by the sector to which such regulations apply. (See **‘RISK FACTORS -- SNS REAAL operates in an industry that is highly regulated. There could be an adverse change or increase in the financial services laws and/or regulations governing SNS REAAL’s business. There are frequent investigations by supervisory authorities, both into the industry and into SNS REAAL, which could result in governmental enforcement actions’**)

Enforcement

On the other hand, the AFM and the Dutch Central Bank have various powers to enforce compliance if they determine a violation. For example, they may order the relevant person to comply, they may withdraw a licence, they may impose an order under incremental penalty payments (*last onder dwangsom*) or they may impose an administrative fine. Furthermore, the AFM and Dutch Central Bank may report violation of the relevant regulations to the Public Prosecution Service (*openbaar ministerie*).

Emergencies

In addition to the supervisory powers summarised above, the Dutch Banking Act and the Dutch Insurance Act provide for an ‘emergency regulation’ (*noodregeling*) which can be declared at any time in respect of a credit institution or insurance company by a Dutch court at the request of the Dutch Central Bank if such credit institution or insurance company is in a position which requires special measures for the protection of (the rights of) its creditors. As of the date of the declaration of emergency, only the court-appointed administrators have the authority to exercise the powers of the representatives of the credit institution or insurance company. Furthermore, the emergency regulation provides for special measures for the protection of the interests of the creditors of the credit institution or insurance company. A credit institution or insurance company can also be declared bankrupt by the court.

Relevant acts

Dutch Banking Act

The Dutch Banking Act defines a credit institution as any enterprise whose business it is to receive funds repayable on demand or subject to notice and to grant credits or make investments for its own account. A credit institution established in the Netherlands is required to obtain a licence from the Dutch Central Bank before engaging in any banking activities.

The Dutch Banking Act implements the European Directive 2000/12/EC of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions.

Dutch Insurance Act

The Dutch Insurance Act applies to insurers (both life insurers and non-life insurers) established in the Netherlands or, if established outside the Netherlands, insofar as their business in the Netherlands (either through a branch or on a cross-border basis) is concerned. A (legal) person that carries out direct insurance business in the Netherlands requires a licence from the Dutch Central Bank. A licence is granted for a specific type of insurance business.

The Dutch Insurance Act implements a large number of European directives relevant to the insurance industry, including Directive 98/78/EC of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group.

Dutch Financial Services Act

The Dutch Financial Services Act relates to the offering of, acting as an intermediary in and advising about various financial products, including insurance, (consumer) lending (including mortgage lending), payment and savings accounts and electronic money. The key factors underpinning the aim of this new legislation, financial consumer protection, are 'distribution consistency' (for the protection of consumers it is irrelevant through which distribution channel financial products are offered) and 'cross-sector consistency' (for the protection of consumers it is irrelevant from which sector of the financial markets the financial product originates).

Pursuant to the Dutch Financial Services Act financial service providers are required to obtain a licence from the AFM. There are detailed regulations about the product information which must be provided to customers. In addition, the relevant regulations provide for detailed requirements in relation to the relationship between the financial service provider and the intermediaries used by the financial service provider.

The Dutch Financial Services Act became effective on 1 January 2006 and has replaced the Consumer Credit Act (*Wet op het consumentenkrediet*) and the Act on Insurance Intermediary Business (*Wet assurantiebemiddelingsbedrijf*), and implements Directive 2002/92/EC of 9 December 2002 on insurance mediation, and (a large part of) Directive 2002/65/EC of 23 September 2002 concerning the distance marketing of consumer financial services.

Dutch Securities Act

Securities institutions are subject to supervision by the AFM pursuant to the Dutch Securities Act and require a licence from the AFM to undertake their activities in the Netherlands.

The Dutch Securities Act implements various European directives relevant to securities institutions, including Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions and Directive 93/22/EEC of 10 May 1993 on investment services in the securities field.

Dutch Investment Institutions Act

The Dutch Investment Institutions Act applies to collective investment institutions (*beleggingsinstellingen*), and to managers (*beheerders*) and custodians (*bewaarders*) of such institutions. The AFM grants licences to managers and investment companies (*beleggingsmaatschappijen*) which meet certain requirements.

The Dutch Investment Institutions Act and the regulations based on it implement a large number of European directives relevant to investment institutions, including Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directives 2001/107/EC and 2001/108/EC of the European Parliament and of the Council of 21 January 2002 amending Directive 85/611/EEC.

New developments

National developments

The separate sets of regulations applicable to distinct sectors of the financial markets as discussed at the beginning of this section are due to be replaced by the Dutch FMSA and further regulations based on that act. It is expected that the Dutch FMSA will come into force on [1 January 2007]. This will constitute the second step in the major reform of the system for supervision of the financial markets in the Netherlands which has replaced the sectoral approach by a functional approach.

International developments

Basel II

On 26 June 2004, the Basel Committee endorsed the publication of Basel II. The Basel II framework sets out the details for adopting more risk-sensitive minimum capital requirements for banking institutions as opposed to Basel I.

The new framework reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital and for supervisors to review such assessments to ensure banks have adequate capital to support their risks. It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting. Basel II will serve as the basis for national rule-making and approval processes to continue and for banking institutions to complete their preparations for the implementation of the new framework.

The Basel Committee intends for the new framework to be available for implementation in member jurisdictions as of year-end 2006. The most advanced approaches to risk measurement will be available for implementation as of year-end 2007, in order to allow banks and supervisors to benefit from an additional year of impact analysis or parallel capital calculations under the existing and new rules.

The goal for the Basel II framework is to promote the adequate capitalisation of banks and to encourage improvements in risk management, thereby strengthening the stability of the financial system. This goal will be accomplished through the introduction of 'three pillars' that reinforce each other and that create incentives for banks to enhance the quality of their control processes.

Pillar 1 of the new capital framework revises Basel I's guidelines by aligning the minimum capital requirements more closely to each bank's actual risk of economic loss. Pillar 2 recognises the necessity of exercising effective supervisory review of banks' internal assessments of their overall risks to ensure that bank management is exercising sound judgement and has set aside adequate capital for these risks. And Pillar 3 leverages the ability of market discipline to motivate prudent management by enhancing the degree of transparency in banks' public reporting.

Instead of the current 'one size fits all' approach, Basel II would consist of three different approaches -- simple, intermediate and advanced -- allowing banks and financial institutions to choose the approach best suited to them. SNS REAAL intends to use the advanced approach.

In connection with the publication of the Basel II guidelines, the European Commission in July 2004 adopted a proposal for the amendment of (i) Directive 2000/12/EC of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions and (ii) Directive 93/6/EC of 15 March 1993 on the capital adequacy of investment firms and credit institutions to introduce a new capital requirements framework for banks and investment firms. In September 2005, the European Parliament approved the proposal. The proposal is aimed at ensuring the coherent application throughout the EU of the new international capital requirements framework recently agreed by the Basel Committee (Basel II). By ensuring that financial institutions' capital is more closely aligned with the risks they face, the new framework is designed to enhance consumer protection, reinforce financial stability and promote the competitiveness of the European financial sector.

The resulting European directives will be implemented in the Netherlands through the Dutch FMSA and the rules and regulations based thereon.

Solvency II

The Solvency I project was aimed at revising and updating the EU solvency regime for insurance companies. This project included the adoption of the Directives 2002/83/EC (life insurance) of 5 November 2002 and 2002/13/EC of 5 March 2002 (non-life insurance).

The Solvency II project is a continuation of the work already initiated in the Solvency I project. Solvency II has a much wider scope than Solvency I. It contains a fundamental and wide-ranging review of the current regime in the light of current developments in, among other things, insurance, risk management, finance techniques and financial reporting. One of the key objectives of Solvency II is to establish a solvency system that is better matched to the true risks of an insurance company. The introduction of the Solvency II framework will require significant amendments to the existing relevant Directives. Solvency II is divided into two distinct phases: the first one consisting of studying the subjects in relation to the general form of solvency system, the second one, more technical, will be devoted to the details of the taking into account of each risk in the new system.

Description of Share Capital and Corporate Structure

General

The Company is a public limited liability company (*naamloze vennootschap*) and was incorporated under the laws of the Netherlands on 25 May 1987. The corporate seat of the Company is in Utrecht, the Netherlands. The registered office of the Company is Croeselaan 1, 3521 BJ Utrecht, the Netherlands and the Company is registered in the Commercial Register of the Utrecht Chamber of Commerce (*handelsregister van de Kamer van Koophandel en Fabrieken in Utrecht*), under number 16062627. The telephone number of the Company is +31 (0)30 2915915. The articles of association of the Company (the '**Articles of Association**') were last amended by notarial deed on 3 May 2006 before a duly authorised substitute of Mr. P. Klemann, civil law notary in Amsterdam, the draft of these articles having received the approval of the Minister of Justice, number N.V. 319.435. The Company is subject to the large company regime (*structuurregime*; '**Large Company Regime**') set out in articles 2:152 through 2:162 and 2:164 of the Dutch Civil Code and as further described below. At the time of the latest amendment of the Articles of Association, the Company's name was changed from SNS REAAL Groep N.V. to SNS REAAL N.V.

The following description of the Company's share capital and corporate structure is based on, and qualified in its entirety by reference to, the full text of the Articles of Association.

Corporate purpose

Pursuant to article 2 of the Articles of Association, the Company's corporate objects are to participate in, to conduct the management and administration of, and to finance other business enterprises of whatever nature, and to invest and manage capital. In addition, the Company may guarantee liabilities of other companies with which it is connected in a group.

Share capital

History Company's share capital

As of 13 January 2003, Ordinary Shares had a nominal value of € 453.79 each. On 24 March 2004 the 750,007 then outstanding Ordinary Shares with a nominal value of € 453.79 each, were split into 208,801,029 Ordinary Shares with a nominal value of € 1.63 each. On 20 April 2004 one priority share in the Company's share capital was issued to the Selling Shareholder. On 27 July 2005 the depositary receipts were de-registered and the Ordinary Shares decertified. The priority share was converted into one Ordinary Share by amendment of the articles of association of the Company on 3 May 2006 and the Company's share capital is now only divided into Ordinary Shares.

The following table sets forth the Company's authorised (*maatschappelijk*) and issued (*geplaatst*) share capital as at 4 May 2006.

Nominal value per Ordinary Share:	Number of shares authorised:	Number of Ordinary Shares issued:
€ 1.63	1,044,005,143	208,801,030

All issued and outstanding Ordinary Shares are created under Dutch law and are fully paid up. Immediately prior to the Offering, all issued and outstanding Ordinary Shares were held by the Selling Shareholder.

Issue of shares; pre-emption rights

Issue of shares

Ordinary Shares may be issued pursuant to a resolution of the General Meeting, unless the General Meeting has delegated this authority to the Executive Board. To adopt a resolution to issue Ordinary Shares, the Executive Board requires the approval of the Supervisory Board. The delegation of this authority can only be made for a definite period of not more than five years and may not be extended by more than five years each time. This authority to issue Ordinary Shares was delegated to the Executive Board. The delegation will end on 9 September 2007, unless extended by the General Meeting.

The body authorised to resolve to issue Ordinary Shares determines the price and further terms and conditions of the issuance. If the Executive Board is authorised to resolve to issue Ordinary Shares, the Executive Board's resolutions to determine the price and further terms and conditions of the issuance are subject to the approval of the Supervisory Board.

The above also applies to the granting of rights to subscribe for Ordinary Shares, such as options, but does not apply to an issue of Ordinary Shares pursuant to the exercise of such (previously granted) rights.

Pre-emption rights

In general, each holder of Ordinary Shares has a pre-emption right in respect of Ordinary Shares to be issued in proportion to the aggregate amount of his shares.

Pre-emption rights may be limited or excluded by a resolution of the General Meeting, which requires a majority of at least two-thirds of the votes cast, if less than one half of the issued share capital is represented at the meeting. The General Meeting may delegate this authority to the Executive Board. To adopt a resolution to limit or exclude pre-emption rights, the Executive Board requires the approval of the Supervisory Board. The delegation of this authority can only be made for a definite period of not more than five years and may not be extended by more than five years each time. This authority to limit or exclude pre-emption rights has been delegated to the Executive Board. The delegation will end on 9 September 2007, unless extended by the General Meeting.

The above also applies to the granting of rights to subscribe for Ordinary Shares, such as options, but does not apply to an issue of Ordinary Shares pursuant to the exercise of such (previously granted) rights.

Capital reduction

The General Meeting may, subject to Dutch law and the Articles of Association, resolve to reduce the issued share capital by cancellation of Ordinary Shares or by reducing the nominal value of Ordinary Shares by way of amendment of the Articles of Association. Dutch law and the Articles of Association contain detailed provisions regarding partial repayment of Ordinary Shares, release from the obligation to pay up Ordinary Shares and cancellation of Ordinary Shares. A resolution of the General Meeting to reduce the share capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued and outstanding share capital is represented.

Repurchase by the Company of Ordinary Shares

The Executive Board may, subject to the authorisation of the General Meeting and subject to Dutch law, cause the Company to acquire for consideration fully paid-up shares in its own share capital. However, such repurchase is only permitted, if and to the extent that (i) the shareholders' equity, less the payment required to make the repurchase, does not fall below the sum of called-up and paid-up capital and any reserves required by Dutch law or the Articles of Association; and (ii) the Company and its subsidiaries would thereafter not hold Ordinary Shares with an aggregate nominal value exceeding 10% of the Company's issued share capital. The General Meeting must specify in the authorisation, which would be valid for not longer than eighteen months, the number of Ordinary Shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set. The General Meeting and the holder of the, at the time still outstanding, priority share in the Company's share capital, authorised the Executive Board to cause the Company to acquire for consideration fully paid up shares in its own share capital. The authorisation will end on 9 September 2007 unless extended by the General Meeting.

No votes may be cast at a General Meeting on any Ordinary Shares held by the Company or its subsidiaries. Nonetheless, the holders of a right of usufruct and the holders of a right of pledge in respect of Ordinary Shares held by the Company or a subsidiary are not excluded from the right to vote on such shares, if the right of usufruct or the right of pledge was granted prior to the time such share became held by the Company or such subsidiary.

Form and transfer of Ordinary Shares

The Ordinary Shares are issued in registered form. No share certificates are issued for registered Ordinary Shares.

The names and addresses of holders of registered shares are entered in the shareholders' register maintained by the Executive Board and kept at the Company's offices. This register also indicates the number of shares held by each holder of Ordinary Shares and the amount paid up on each Ordinary Share. The register also includes the names and addresses of persons who hold certain ownership rights (for example, usufruct) or a right of pledge in respect of such Ordinary Shares. On request of the holder of Ordinary Shares, a usufructuary or a pledgee, the Company is required to provide without charge an extract from the register of shareholders in respect of its rights to any Ordinary Shares. The registers are available at the Company's corporate office in Utrecht, the Netherlands, for inspection by holders of Ordinary Shares, and usufructuaries and pledgees insofar as the voting rights attached to the Ordinary Shares have been granted to them. (See **'THE OFFERING -- Delivery, clearing and settlement'**)

Transfer of an Ordinary Share requires an instrument of transfer and, if the Company is not a party to the transfer, a written acknowledgment by the Company of the transfer.

Management and supervision on management

See **'SUPERVISORY BOARD, MANAGEMENT AND EMPLOYEES -- Board practices'** for a description of the duties and authorities of the members of the Executive Board and the Supervisory Board, the rules for their appointment, suspension and dismissal, the rules for the determination of their remuneration and the committees of the Supervisory Board.

Liquidation

The General Meeting may resolve to dissolve the Company. Such resolution requires a majority of at least two-thirds of the votes cast.

In the event of the Company's dissolution and liquidation, the assets remaining after satisfaction of all the Company's debts will be distributed in accordance with the provisions of Dutch law and the Articles of Association to the holders of Ordinary Shares in proportion to the nominal value of their holdings of Ordinary Shares.

General Meeting

General Meetings of shareholders are held in the municipalities of Utrecht, Alkmaar, Amsterdam or 's-Hertogenbosch, the Netherlands. Within six months after the end of each financial year, the Company must convene an annual General Meeting. Additional extraordinary General Meetings may also be held, whenever considered appropriate by either the Supervisory Board or the Executive Board or if one or more shareholders, representing at least one-tenth of the issued share capital, have requested the Executive Board and the Supervisory Board to convene such meeting and have informed the Executive Board and the Supervisory Board of the items to be discussed.

The convocation of the General Meeting shall be published in the form of an advertisement in at least one national daily Dutch newspaper and the Daily Official List. The agenda for the annual General Meeting must contain certain subjects as specified in the Articles of Association, including, among other things, the adoption of the annual accounts, the discharge of the members of the Executive Board and the members of the Supervisory Board for the relevant financial year and the appropriation of that part of the Company's profits that is at the disposal of the General Meeting. In addition, the agenda shall include such items as have been included therein by the Executive Board or the Supervisory Board. The agenda shall also include such items as one or more shareholders and others entitled to attend General Meetings, representing at least one-hundredth of the issued share capital or representing a value of at least € 50,000,000, have requested the Executive Board to include in the agenda, at least sixty days before the day of the convocation. The Executive Board may decide not to place items so requested on the agenda, if it is of the opinion that doing so would be detrimental to vital interests of the Company. No resolutions shall be adopted on items other than those which have been included in the agenda.

The General Meeting is chaired by the chairperson of the Supervisory Board. If the chairperson of the Supervisory Board is absent, or is present, but does not wish to chair the meeting, the meeting is chaired by a vice-chairperson of the Supervisory Board. In the absence of a vice-chairperson of the Supervisory Board, the meeting appoints another person from the members of the Supervisory Board as chairperson. The chairperson designates the secretary. Members of the Executive Board and members of the Supervisory Board may attend a General Meeting. In these meetings, they have an advisory vote. The chairperson of the meeting may decide to admit other persons to a General Meeting.

The General Meeting may adopt rules and regulations to restrict the time to speak. To the extent the rules and regulations do not apply, the chairperson may restrict the time to speak if he considers this to be desirable in view of the orderly conduct of the meeting.

All holders of shares and others entitled to attend General Meetings are authorised to attend the General Meeting, to address the meeting and, in so far as they have such a right, to vote.

The Executive Board may determine that such will apply to those who:

- ⊙ are a shareholder as per a record date, determined by the Executive Board
- ⊙ are registered as such in a register (or one or more parts thereof) designated thereto by the Executive Board

in as far as, at the request of the applicant, the holder of the register has given notice in writing to the Company prior to the General Meeting, that the relevant shareholder has the intention to attend the General Meeting, regardless who will be shareholder at the time of the General Meeting (this requirement also applies to the proxy holder of a shareholder, who holds a written proxy). The notice must contain his name and the number of shares which the shareholder will represent in the General Meeting. The convocation of the General Meeting will contain the time, the place of meeting and the procedures for registration and for notification.

The Executive Board must obtain the approval of the General Meeting and the Supervisory Board for resolutions regarding a significant change in the identity or nature of the Company or its business.

Voting rights

Each share in the Company's capital is entitled to one vote. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by a simple majority of votes cast.

No votes may be cast at a General Meeting in respect of Ordinary Shares which are held by the Company or its subsidiaries. Nonetheless, the holders of a right of usufruct and the holders of a right of pledge in respect of Ordinary Shares held by the Company or its subsidiaries are not excluded from the right to vote on such Ordinary

Shares, if the right of usufruct or the right of pledge was granted prior to the time such Ordinary Share became held by the Company or such subsidiary. Neither the Company nor its subsidiaries may cast votes in respect of an Ordinary Share in respect of which it holds a right of usufruct or a right of pledge. Ordinary Shares which are not entitled to voting rights pursuant to the preceding sentences will not be taken into account for the purpose of determining the number of shareholders that vote and are present or represented, or the amount of the capital that is provided or represented at a General Meeting.

Holders of a material number of Ordinary Shares do not have other voting rights than other holders of Ordinary Shares.

Profits/dividends

The Executive Board may reserve as much of the profits as it deems fit, subject to the approval of the Supervisory Board. Notwithstanding the aforementioned, distribution of profits only takes place following the adoption of the annual accounts from which it appears that such distribution is allowed. The profits which are not reserved in accordance with the foregoing will be at the free disposal of the General Meeting either to be reserved in whole or in part or to be distributed in whole or in part to the holders of Ordinary Shares in proportion to their holding of Ordinary Shares.

On the proposal of the Executive Board, the Supervisory Board may resolve to distribute an interim dividend. Furthermore, in relation to the distribution of dividend, the Supervisory Board is authorised, on the proposal of the Executive Board, to resolve to distribute a dividend fully or partly in the form of Ordinary Shares or that the shareholders may choose between the distribution in the form of Ordinary Shares or in cash.

Dividends are due and payable twenty-one days after they have been declared, unless the General Meeting determines otherwise on the proposal of the Executive Board. A claim for dividends lapses five years after the start of the second day on which they became due and payable.

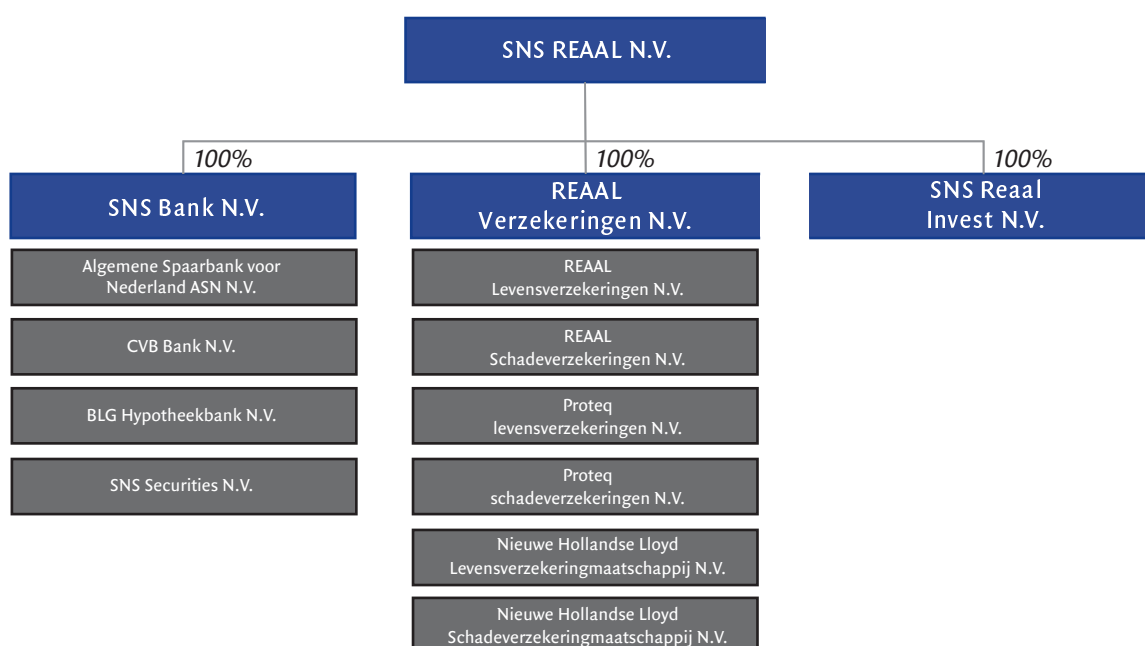
For the Company's dividend policy see '**DIVIDENDS AND DIVIDEND POLICY**'.

Amendment of Articles of Association

The General Meeting may resolve to amend the Articles of Association. Such resolution requires a majority of at least two-thirds of the votes cast.

Organisational structure

The organisational structure of SNS REAAL is as follows:



All entities listed in the chart above are incorporated under the laws of the Netherlands. The entities in grey are indirect wholly-owned subsidiaries of the Company.

It is intended to merge Nieuwe Hollandse Lloyd Levensverzekeringmaatschappij N.V. with REAAL Levensverzekeringen N.V. and Nieuwe Hollandse Lloyd Schadeverzekeringmaatschappij N.V. with REAAL Schadeverzekeringen N.V. in the course of 2006.

Large company regime in the Netherlands

As indicated above, the Company is subject to the Large Company Regime. The Articles of Association comply with the Large Company Regime.

Pursuant to the Large Company Regime, the supervisory board, the general meeting of shareholders and the works council of a limited liability company to which this regime applies have more or different powers than these bodies have if the regime does not apply.

For example, pursuant to the Large Company Regime, the supervisory board is required to nominate a person recommended by the works council with regard to one third of the supervisory board members. The supervisory board must accept such recommendation, unless it is of the opinion that the person recommended would be unsuitable to fulfil the duties of a supervisory board member or that the supervisory board would not be properly composed (if the Large Company Regime does not apply, the works council does not have the right to recommend a person for nomination as supervisory board member). Pursuant to the Large Company Regime, the general meeting of shareholders is entitled to dismiss the supervisory board in its entirety for reasons of lack of confidence. Furthermore, pursuant to the Large Company Regime, the supervisory board appoints the members of the executive board.

Obligations of shareholders to disclose holdings

Holders of Ordinary Shares may be subject to reporting obligations under the 1996 Act on the disclosure of holdings in listed companies (*Wet melding zeggenschap in ter beurze genoteerde vennootschappen 1996*) (the 'Dutch Disclosure Act') and/or the Dutch Securities Act.

Dutch Disclosure Act

Under the Dutch Disclosure Act, any person who, directly or indirectly, acquires or disposes of an interest in the capital and/or the voting rights of a public limited liability company incorporated under Dutch law with an official listing on a stock exchange within the EEA must give written notice of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person falls within a different percentage range to that held by such person prior to such acquisition or disposal.

The percentage ranges referred to in the Dutch Disclosure Act are 0-5, 5-10, 10-25, 25-50,

50-66 $\frac{2}{3}$ and over 66 $\frac{2}{3}$. Notification must be given to the Company and to the AFM upon the occurrence of specified events, including upon passing each percentage threshold.

Each person whose holding of capital interest or voting rights amounts to 5% or more at the time of admission of Ordinary Shares to listing on Eurolist by Euronext, must notify the Company and the AFM within a four-week period after such admission.

Furthermore, each member of the Executive Board and Supervisory Board must immediately give written notice to the AFM by means of a standard form of all Ordinary Shares and voting rights in the Company held by such member and any change in his holding of Ordinary Shares and voting rights in the Company.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (1) shares (or depositary receipts for shares) directly held (or acquired or disposed of) by any person, (2) shares (or depositary receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, and (3) shares (or depositary receipts for shares) which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of, including, but not limited to, on the basis of convertible bonds). Special rules apply to the attribution of shares (or depositary receipts for shares) which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares (or depositary receipts for shares) can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. If a pledgee or usufructarian acquires such (conditional) voting rights, this may trigger the reporting obligations for the holder of the shares (or depositary receipts for the shares).

Future developments

On 1 July 2003, a legislative proposal was submitted to replace the Dutch Disclosure Act. This legislative proposal, entitled the Act on disclosure of voting and capital interest in securities issuing companies (*Wet Melding Zeggenschap en Kapitaalbelang in Effectenuitgevende Instellingen*) is expected to become effective in June or July 2006.

The current legislative proposal currently includes the following material changes with regard to the notification obligations of a person who, directly or indirectly, acquires or disposes of an interest in the Company's capital or voting rights:

- such person must immediately give written notice to the AFM by means of a standard form, if, he or she acquires or disposes of an interest in the Company's capital or voting rights and, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%
- the notification requirement also applies if a person's capital interest or voting right meets or passes the abovementioned thresholds as a result of a change in the Company's share capital or voting rights, and the notification must be made no later than the fourth trading day after the AFM has published the Company's notification as described in the following sentences. The Company is required to notify the AFM immediately if the Company's share capital or voting rights change by 1% or more since the Company's previous notification. Other changes must be notified periodically. The AFM will publish such notification in a public registry.

Dutch Securities Act

Pursuant to the Dutch Securities Act, members of the Executive Board and Supervisory Board and any other person who has (co)managerial responsibilities, has the authority to make decisions affecting the Company's future developments and business prospects and who has regularly access to inside information relating, directly or indirectly, to the Company, must give written notice to the AFM by means of a standard form of any transactions conducted on his own account relating to Ordinary Shares or in securities the value of which is determined by the value of Ordinary Shares.

In accordance with the governmental decree pursuant to the Dutch Securities Act dated 14 September 2005 (*Besluit Marktmissbruik*; the '**Dutch Decree Market Abuse**') certain persons who are closely associated with members of the Executive Board, Supervisory Board or any of the other persons as described above, are required to notify the AFM of any transactions conducted on their own account relating to Ordinary Shares or in securities the value of which is determined by the value of Ordinary Shares. The Dutch Decree Market Abuse determines the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year at the relevant transaction date, (iv) any legal person, trust or partnership whose, among other things, managerial responsibilities are discharged by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified within five days following the relevant transaction date. Under certain circumstances, notification may be postponed until the date the value of the transactions amounts to € 5,000 or more per calendar year.

Non-compliance

Non-compliance with the notification obligations under the Dutch Disclosure Act and the Dutch Securities Act could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the notification obligations under the Dutch Disclosure Act may lead to civil sanctions, including suspension of the voting rights relating to the Ordinary Shares held by the offender for a period of not more than three years and a prohibition on the acquisition by the offender of the Ordinary Shares or the voting on the Ordinary Shares for a period of not more than five years.

Public registry

The AFM keeps a public registry of and publishes all notifications made pursuant to the Dutch Disclosure Act and the Dutch Securities Act.

Obligations of shareholders to make a public offer

Currently there is no obligation under Dutch law for a shareholder whose interest in a company's share capital or voting rights passes a certain threshold to make a public offer for all or part of the issued and outstanding shares in the share capital of the company. However, when the European Directive 2004/25/EC of 21 April 2004 relating to the public take over bid is implemented in the Netherlands, a shareholder who has acquired a certain percentage or more of Ordinary Shares or of the Company's voting rights will be obliged to make a public offer for all issued and outstanding shares in the Company's share capital. The draft legislation for the implementation of this Directive issued by the Dutch Ministry of Finance proposes to set the threshold at 30%. Under the draft legislation as at 4 May 2006, this legislation will only start to apply to the Selling Shareholder once its interest in the Company's share capital would have decreased below 30% (and then again increase to 30% or higher).

Cross-border exercise of shareholders' rights

On 10 January 2006, the European Commission has presented a proposal for a Directive to facilitate the cross-border exercise of shareholders' rights in listed companies, through the introduction of minimum standards. The proposed Directive seeks to ensure that shareholders, no matter where in the EU they reside, have timely access to complete information and simple means to exercise certain rights, voting rights in particular, at a distance.

Supervisory Board, Management and Employees

Management structure

The Company has a two-tier board structure consisting of an Executive Board and a Supervisory Board, in accordance with the Large Company Regime applicable to it. The Executive Board is responsible for the policy and operations of the Company under the supervision of the Supervisory Board.

Supervisory Board

As at 4 May 2006, the members of the Supervisory Board are:

Name	Date of birth	Business experience and activities
J.L. Bouma	9 June 1934	<p>Mr Bouma, the chairman of the Supervisory Board, is a Dutch national. He was first appointed to the Supervisory Board in 1990 and his term runs until March 2008.</p> <p>Mr. Bouma is a former professor of business economics at the University of Groningen and a former deputy chairman of the board of AEGON Association. Mr. Bouma is a member of the Royal Dutch Academy of Sciences and is a member of the supervisory boards of Albron B.V., Eriks Group N.V., Intereffekt Investment Funds N.V., Koop Holding Europe B.V., O. de Leeuw B.V., Raab Karcher Bouwstoffen B.V., Middle Europe Real Estate N.V., Burgfonds Holding B.V. and Versatel Telecom International N.V.</p>
H.M. van de Kar	29 June 1943	<p>Mr. Van de Kar, the vice-chairman of the Supervisory Board, is a Dutch national. He was first appointed to the Supervisory Board in 1997 and his term runs until May 2007.</p> <p>Mr. Van de Kar is a university lecturer at the tax-economics department at the University of Leiden. Mr. Van de Kar is former deputy chairman of the supervisory council of Regionale Instelling Jeugdhulpverlening (R.I.J.); chairman of the board of the Foundation Publisher Aksant; chairman of the board of the Foundation International Institute for Social History; chairman of the Pension Fund for the Dutch National Theatre; auditor of the International Institute of Public Finance; dean of Crisis and Disaster management training; and chairman of the Foundation Sportfund Leo van de Kar</p>
J.V.M. van Heeswijk	20 April 1938	<p>Mr. Van Heeswijk is a Dutch national. He was appointed to the Supervisory Board in 1990 and his term runs until March 2008.</p> <p>Mr. Van Heeswijk is a former executive director of Geveke N.V. and the former chairman of the supervisory boards of Calpam Internationale Petroleum Company, SSM Coal B.V., Merrem & La Porte B.V. and Sligro N.V. and former member of the supervisory board of Showquest Entertainment B.V. Mr. Van Heeswijk is a member of the supervisory boards of Tref B.V. and of Mammoet Holding B.V.</p>
J. den Hoed	25 January 1937	<p>Mr. Den Hoed is a Dutch national. He was first appointed to the Supervisory Board in 2003 and his term runs until May 2007.</p> <p>Mr. Den Hoed is a former member of the executive board of Akzo Nobel N.V. and former supervisory director of Vendex KBB N.V. He is a member of the supervisory boards of Connexion B.V. and ASMI N.V.; chairman of the supervisory council of the St. Jansdal hospital; deputy counsel of the Enterprise Chamber of the Amsterdam Court of Appeal (<i>Ondernemingskamer van het Gerechtshof te Amsterdam</i>; 'Enterprise Chamber'); member of the supervisory council of the Dutch Vaccine Institute</p>
S.C.J.J. Kortmann	25 July 1950	<p>Mr. Kortmann is a Dutch national. He was first appointed to the Supervisory Board in 1990 and his term runs until May 2007.</p>

Name	Date of birth	Business experience and activities
H. Muller	27 March 1942	<p>Mr. Kortmann is the former chairman of the Centre for Postgraduate Education; former chairman of the supervisory board of G.D.K. Holding B.V.; and former member of the supervisory board of the Canisius-Wilhelmina Hospital Nijmegen.</p> <p>Mr. Kortmann is professor in civil law at the University of Nijmegen; chairman of the research centre Business and Law (University of Nijmegen); chairman of the board of the Foundation Grotius Academy; deputy judge at the courts of Arnhem and 's-Hertogenbosch; member of the supervisory boards of Kropman B.V. and Dela Coöperatie; and the chairman and member of various boards of trust offices or anti-takeover foundations of listed companies.</p> <p>Mr. Muller is a Dutch national. He was first appointed to the Supervisory Board in 1997 and his term runs until May 2009. Mr. Muller was appointed pursuant to a recommendation of the works council of 7 March 2005. At the time of the merger between SNS Groep N.V. and Reaal Groep N.V., the Company acquired part of the shares in the capital of Reaal Groep N.V. from Stichting tot beheer van FNV Aandelen Reaal Groep N.V. (see "SELLING SHAREHOLDER - Related party transaction - Pledge Ordinary Shares"). The relevant share purchase agreement stipulated that one member of the Supervisory Board must be appointed in consultation with and with the approval of Stichting tot beheer van FNV Aandelen Reaal Groep N.V. (Foundation for the management of FNV Shares Reaal Groep N.V.) as a representative of Federatie Nederlandse Vakbeweging or FNV (Federation Dutch Trade Union). Mr. Muller was appointed as such representative of FNV.</p> <p>Mr. Muller is a former executive and treasurer of the Trade Union Federation FNV and a former member of the Social Economic Council and the Labour Foundation. He is also former chairman of the supervisory board of ABF Het Andere Beleggingsfonds Webefo; and former employers chairman of the Pensioncommittee Star.</p> <p>Mr. Muller is supervisory board member of ASN Beleggingsfondsen N.V.; chairman of the Dutch Participation Institute; supervisory council member of SNV, Dutch development organisation; chairman of the board of De Burcht (Dutch Trade Union Museum and Henri Polak Institute); chairman of Dutch Platform Elderly and Europe; and member of the AEGON Association.</p>

Other than the fact that three members of the Supervisory Board are not independent within the meaning of the Code (see '**CORPORATE GOVERNANCE**' and '**SELLING SHAREHOLDER -- Management**'), and the fact that the members of the Supervisory Board are also the members of the supervisory board of each of SNS Bank and REAAL Verzekeringen, respectively, the Company is not aware of any potential conflicts between any duties of the members of the Supervisory Board to the Company and their private interests and/or other duties.

The Company has been informed that in the period of the last five years Mr. Van Heeswijk was a member of the supervisory board of Showquest Entertainment B.V, which was declared bankrupt in 2001 after he had ceased being a member of its supervisory board. Other than the foregoing, in relation to the members of the Supervisory Board, the Company is not aware of (i) any convictions in relation to fraudulent offences in the last five years; (ii) any bankruptcies, receiverships or liquidations of any entities to which they were associated in the last five years; (iii) any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

The Company's registered address is the business address of the members of the Supervisory Board (see '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- General**').

Executive Board

As at 4 May 2006, the members of the Executive Board are:

Name	Date of birth	Business experience and activities
S. van Keulen	22 November 1946	<p>Mr. Van Keulen is a Dutch national. He was appointed to the Executive Board on 15 October 2002 for an unlimited period of time as chairman with the title of CEO. Mr. Van Keulen's employment agreement stipulates that the Supervisory Board intends to terminate his appointment as member of the Executive Board as of 1 January 2009.</p> <p>After completing his political science degree at the University of Amsterdam, Mr. Van Keulen started his professional career as a management consultant. From 1981 to 1999, he occupied various management positions and directorships at Pierson Holding & Pierson and later at MeesPierson, including the position of general director and member of the executive board. During this time, Mr. Van Keulen followed various postgraduate courses in the field of banking and securities and the Advanced Management Programme at Insead, Fontainebleau. From 1999 until the end of 2002, Mr. Van Keulen was chairman of the executive board of Fortis Bank Nederland N.V. and a member of the executive board of the Fortis Group in Brussels. In that same period, Mr. Van Keulen acted as member of the executive board of Banque Générale du Luxembourg; vice-chairman of Merchant Bank (Fortis Bank); chairman of the board of directors of Fortis Bank Polska; CEO of Fortis Bank Curaçao; and chairman of the policy committee securities of the Dutch Bankers' Association.</p> <p>Mr. Van Keulen is also a board member of Pharmaces and of Stichting Health Insurance Fund.</p>
C.H. van den Bos	22 September 1952	<p>Mr. Van den Bos is a Dutch national. He was appointed to the Executive Board on 7 August 2001 for an unlimited period of time. Mr. Van den Bos is also CEO of the Board of REAAL Verzekeringen since 4 July 2001 and vice chairman of the Board of SNS Bank since 14 February 2002, both for an unlimited period of time.</p> <p>After completing his business economics degree at the Erasmus University in Rotterdam, Mr. Van den Bos took a postgraduate accountancy course and followed the Advanced Management Programme at Insead, Fontainebleau. After having occupied various financial positions, he joined AEGON Nederland in 1984 as member of the board of the Information Systems and Automation Service Centre and later as director of Controlling. He then spent three years as a company director of the non-life insurance operations. Mr. Van den Bos ended his career at AEGON as a member of the executive board of AEGON Nederland. Before joining SNS REAAL in 2001, Mr. Van den Bos was member of the executive board of Athlon Group.</p> <p>Mr. Van den Bos is a former member of the supervisory board of the Dutch Child Care Foundation. He is a board member of the Dutch Association of Insurers; chairman of the board of the Insurance Science Foundation; and member of the supervisory board of N.V. Trustinstelling Hoevelaken and of NIBE-SVV B.V.</p>
M.W.J. Hinssen	11 April 1956	<p>Mr. Hinssen is a Dutch national. He was appointed to the Executive Board on 1 January 1999 for an unlimited period of time. Mr. Hinssen is also CEO of the Board of SNS Bank since 1999 and vice chairman of the Board of REAAL Verzekeringen since 4 March 2002, both for an unlimited period of time.</p>

Name	Date of birth	Business experience and activities
R.R. Latenstein Van Voorst	23 July 1964	<p>Mr. Hinssen studied Dutch law at the Erasmus University in Rotterdam and received his Masters degree in financial and economic management at the University of Brabant. After having occupied various positions at Rabobank, Mr. Hinssen joined SNS Bank in 1982. He acted as District Director for North and Central-Limburg and was subsequently appointed director of SNS Bank Brabant-Rivierenland N.V. Since 1997, he has been a member of the Board of SNS Bank, holding the position of chairman since 1999. In the same year, he joined the Executive Board.</p> <p>Mr. Hinssen is former member of the supervisory board of Interpay Nederland B.V., the Development Company of Brabant, Easychip and Currence Holding B.V. and former board member of the Employees Association for the Banking Business; and former chairman of the policy committee money transfer of the Dutch Bankers' Association. He is furthermore a board member of the Dutch Bankers' Association; a board member of the European Saving Banks Group; board member of World Savings Banks Institute; board member of the Foundation to Promote Efficient Payment; and board member of Stichting Pensioenfonds SNS REAAL Groep N.V.</p> <p>Mr. Latenstein Van Voorst is a Dutch national. He was appointed to the Executive Board on 26 November 2002 for an unlimited period of time as CFO. Mr. Latenstein Van Voorst was also appointed to the Board of SNS Reaal Invest on 1 April 2004 for an unlimited period of time.</p> <p>After completing his Bachelors degree in economics (international management), Mr. Latenstein Van Voorst received his Masters degree in business administration. He also followed various executive programmes at Harvard and Insead. After having occupied various national and international financial management positions, including at Randstad Dienstengroep and Thomas Cook, Mr. Latenstein Van Voorst joined SNS REAAL in 1995. In addition to his position as CFO of the Company, he was also a member of the Board of SNS Bank Nederland. In 2001, he moved to Bank Insinger de Beaufort, where he was member of the executive board with the title of CFO for just over eighteen months. At the end of 2002, Mr. Latenstein Van Voorst returned to SNS REAAL.</p> <p>Mr. Latenstein Van Voorst is a member of the supervisory board of PrimeLine.</p>

Other than the fact that Mr. Van den Bos and Mr. Hinssen are members of the Board of both SNS Bank and REAAL Verzekeringen, and the fact that Mr. Latenstein Van Voorst is a member of the Board of SNS Reaal Invest, the Company is not aware of any potential conflicts between any duties of the members of the Executive Board to the Company and their private interests and/or other duties.

Other than liquidations of companies within SNS REAAL in the ordinary course of business, in relation to the members of the Executive Board the Company is not aware of (i) any convictions in relation to fraudulent offences in the last five years; (ii) any bankruptcies, receiverships or liquidations of any entities to which they were associated in the last five years; (iii) any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

The Company's registered address is the business address of the members of the Executive Board (see 'DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- General').

Other corporate officers

As at 4 May 2006, other key corporate officers, who are not members of the Executive Board, are:

Name	Date of birth	Business experience and activities
H.K. Kroeze	21 May 1958	<p>Mr. Kroeze is a Dutch national. He joined SNS REAAL on 1 October 2005. Mr. Kroeze was appointed as CFO of SNS Bank on 1 October 2005 for an unlimited period of time.</p> <p>Mr. Kroeze is chartered accountant and completed his Masters degree in accountancy at the Dutch Institute for Chartered Accountants in 1981. He then joined Van Dien & Co, chartered Accountants. As of 1986, Mr. Kroeze has been working for various financial institutions: Credit Lyonnais Bank Nederland, Generale Bank Nederland, Fortis Bank and NIB Capital N.V. as, among other things, director of finance and member of the management team. Before joining SNS REAAL in 2005, Mr. Kroeze acted as CFO of NIB Capital N.V. and NIB Capital Bank N.V. and as group controller of the holding.</p> <p>Mr. Kroeze is former chairman of the Audit Committee of the European Investment Fund in Luxembourg, and of the board of Stichting Pensioenfonds NIBCcapital; former board member of the Stichting Administratiekantoor Preferente Aandelen Kendrion, of NIBC Petercam Derivatives in Belgium, and of Financial Architects, Belgium. Mr. Kroeze is a former member of the supervisory board of Ducatus N.V. and of the board of Stichting Prioriteit Ducatus, and a former non-executive director of Harcourt Investment Consulting in Switzerland.</p>
M. Menkveld	30 April 1956	<p>Mr. Menkveld is a Dutch national. He joined SNS REAAL on 1 July 1985. Mr. Menkveld was appointed as member of the Board of SNS Bank on 27 May 1999 for an unlimited period of time.</p> <p>After graduating from the School for Business Administration and Economics in Arnhem, Mr. Menkveld received his Masters degree in Business Economics at the University of Groningen. Mr. Menkveld started his professional career with NMB Bank in Apeldoorn. In 1985 he joined SNS REAAL as credit manager for central Netherlands and held various positions within SNS REAAL before being appointed member of the Board of SNS Bank in 1999.</p> <p>Mr. Menkveld is a member of the supervisory board of Moneybox Nederland B.V.</p>
B.A.G. Janssen	28 February 1953	<p>Mr. Janssen is a Dutch national. He joined SNS REAAL on 1 April 1997. Mr. Janssen was appointed as member of the Board of SNS Bank on 1 April 1998 for an unlimited period of time.</p> <p>After completing his Masters degree in business economics at the University of Groningen, Mr. Janssen followed various postgraduate programmes and internal trainee programmes with his employer, ABN AMRO. Mr. Janssen worked for ABN AMRO with Albank Alsaudi Alhollandi in Riyadh S.A., Banco Hollanda Unido in Argentina, La Salle National Bank in the USA, and ABN AMRO in Indonesia and the Netherlands Antilles, as senior account officer, director and deputy country manager. In 1991 he was appointed Senior Vice President of the Risk Management Department at ABN AMRO headquarters. He joined SNS REAAL in 1997 as chairman of the board of SNS Bank Groningen -- Friesland -- Drenthe (North Netherlands) before being appointed as member of the Board of SNS Bank in 1998.</p>
G.T. van Wakeren	16 May 1960	<p>Mr. Van Wakeren is a Dutch national. He joined SNS REAAL on 20 August 1991. Mr. Van Wakeren was appointed as member of the Board of SNS Bank on 19 January 2002 for an unlimited period of time.</p>

Name	Date of birth	Business experience and activities
N.J. Jongerius	9 August 1950	<p>Mr. Van Wakeren completed his Masters degree in business economics at the Erasmus University of Rotterdam and studied to become a certified financial analyst. He taught economics at a high school before joining the pension fund of the Dutch Railways as portfolio manager. Mr. Van Wakeren joined SNS REAAL in 1991 as director mortgages and deputy director life insurances. Before he was appointed as member of the Board of SNS Bank in 2002, Mr Van Wakeren held various other positions within SNS REAAL.</p> <p>Mr. Van Wakeren is a member of the supervisory board of Interpay Nederland B.V. and member of the board of Foundation Pension fund SNS REAAL Groep N.V.</p>
		<p>Mr. Jongerius is a Dutch national. He joined SNS REAAL on 1 September 1988. Mr. Jongerius was appointed as member of the Board of REAAL Verzekeringen on 1 August 1999 for an unlimited period of time.</p> <p>Before joining SNS REAAL (then Hooge Huys Verzekeringen) in 1988 he worked with Direktbank and NCB Bank. Mr. Jongerius has been responsible for the (integration of) the computerisation systems of various entities which currently form part of SNS REAAL, including the integration of the various IT systems at the time of the merger in 1997. He joined the Board of REAAL Verzekeringen in 1999.</p> <p>Mr. Jongerius is member of the executive board of Meeting Point B.V.</p>
J. Boven	4 August 1957	<p>Mr. Boven is a Dutch national. He joined SNS REAAL on 1 December 1988. Mr. Boven was appointed as member of the Board of REAAL Verzekeringen on 1 June 2000 for an unlimited period of time.</p> <p>After receiving his Masters degree in law at the University of Utrecht, Mr. Boven started his professional career at the Utilities Savingsbank in 1982. In 1988 he joined SNS REAAL as District Director Veenendaal. Before joining the Board of REAAL Verzekeringen, he had various positions within SNS Bank, including chairman of the board of SNS Bank Groningen-Friesland-Drenthe (North Netherlands).</p> <p>Mr Boven is a former supervisory director of 'Later' Natura-Uitvaartverzekeringsmaatschappij N.V., and a former member of the board of Stichting SDP. He is a supervisory director of DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., DAS Holding N.V., Ducatus N.V. and member of the board of Foundation Pension fund SNS REAAL Groep N.V., Stichting Prioriteit Ducatus, Stichting Dorenweerd College, and Stichting Dienstverlening VOV.</p>
A.F.J. Bakker	23 October 1961	<p>Mr. Bakker is a Dutch national. He joined SNS REAAL on 1 January 2000. Mr. Bakker was appointed as member of the Board of REAAL Verzekeringen on 4 March 2002 for an unlimited period of time.</p> <p>After receiving his Masters degree in business economics at the Erasmus University of Rotterdam, Mr Bakker joined Arthur Andersen & Co., Accountants and participated in a post graduate programme Accountancy. He acted as Financial Director of Dataserv, a subsidiary of BellSouth and as interim manager with RAM Mobiel Data Netherlands (a joint venture between BellSouth and France Telecom), RAM Mobiel Data Belgium, InTouch Belgium, VNU Business Publications, Telfort and REAAL Verzekeringen. In 2000 he joined SNS REAAL as Director Life Insurance Retail, then also Director Non-life Insurance Retail and was appointed as member of the Board of REAAL Verzekeringen in 2002.</p>

Name	Date of birth	Business experience and activities
		Mr. Bakker is a member of the supervisory board of CED Holding B.V. and a member of the executive board of Time Financial Services Holdings B.V.
J.H. Wilkes	3 April 1956	<p>Mr. Wilkes is a Dutch national. He joined SNS REAAL on 1 August 2002. Mr. Wilkes was appointed as member of the Board of REAAL Verzekeringen on 10 September 2002 for an unlimited period of time.</p> <p>After graduating from the School for Business Administration and Economics in Arnhem, Mr. Wilkes acted as Associated Account Manager at Burroughs Nederland B.V.; Senior Account Manager and Marketing Manager at Datapoint Nederland B.V.; Commercial Director and Marketing Director at Nashua/Gestetner Group in the Netherlands, London and Paris before joining AEGON, where he acted as Commercial Director of AEGON Retail and AEGON Axent and later as CEO of the executive board of Van Nierop Assuradeuren N.V. He joined SNS REAAL and was appointed as member of REAAL Verzekeringen in 2002.</p>
M.E. Straub	19 May 1961	<p>Mr. Straub is a Dutch national. He joined SNS REAAL on 1 October 2001. Mr. Straub was appointed as member of the Board of SNS Reaal Invest on 1 April 2004 for an unlimited period of time.</p> <p>After completing his Masters degree in business economics at the University of Groningen, Mr. Straub received a Master of science in Financial Managerial Controls at the University of Southampton. Mr. Straub also followed a post graduate training in Management Consulting at the University of Amsterdam. After graduating from the University of Southampton he started his professional career as a consultant with Andersen Consulting and later with PricewaterhouseCoopers and its predecessors, where he also acted as director in the Corporate & Operations Strategy department. In 2001, Mr. Straub joined SNS REAAL as group director Corporate Strategy. In 2004, Mr. Straub also joined the Board of SNS Reaal Invest and temporarily acted as interim director of Operations Human Resource Management (until April 2005).</p> <p>M. Straub is a member of the supervisory board of PrimeLine and of Masterfleet N.V.</p>

Provided that the required regulatory approvals will have been obtained, Mr. Van Dijn will be appointed as CFO to the Board of REAAL Verzekeringen as of 1 June 2006.

T. van Dijn	16 June 1963	<p>Mr. Van Dijn is a Dutch national. It is intended that he will join SNS REAAL as of 1 June 2006 to the Board of REAAL Verzekeringen for an unlimited period of time.</p> <p>Mr. Van Dijn is chartered accountant and completed his Masters degree in accountancy at the Dutch Institute for Chartered Accountants in 1990.</p> <p>Mr. Van Dijn started his professional career at KPMG Accountants in 1981. In 1994 he joined OPTAS as deputy Finance Director and, as of 1997, as Chief Operating Officer. In 2002 he started working for Meeùs group, first as Group Controller and later as CFO and Chief Operating Officer.</p>
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The Company is not aware of any potential conflicts between any duties of the listed key corporate officers to the Company and their private interests and/or other duties.

The Company has been informed that in the period of the last five years Mr. Kroeze was a member of the supervisory board of NIBC Petercam Derivatives in Belgium, at the time that this company was liquidated. Other than mentioned above and other than liquidations of companies within SNS REAAL in the ordinary course of business, in relation to the listed key corporate officers, the Company is not aware of (i) any convictions in relation to fraudulent offences in the last five years; (ii) any bankruptcies, receiverships or liquidations of any entities to

which they were associated in the last five years; (iii) any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

The Company's registered address is the business address of the key corporate officers to the Company listed above (see '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- General**').

Remuneration

The aggregate remuneration, which includes fees, salary, bonuses, special pension fund contributions and additional benefits, paid by the Company in the financial year 2005 for services in all capacities to the Supervisory Board and the Executive Board, was € 3.3 million. The total amounts set aside or accrued in 2005 to provide pension, retirement or similar benefits for the Executive Board amounted to € 1.1 million and for the other key corporate officers referred to in '**Other corporate officers**' who are not members of the Executive Board € 425,000.

The following tables provide the remuneration (including any contingent or deferred compensation) of each member of the Supervisory Board and Executive Board for their services in all capacities to SNS REAAL for the financial year 2005:

Remuneration of the members of the Supervisory Board in 2005:

	(in € thousands)
J.L. Bouma	
⊙ Remuneration, including committees (gross):	44
⊙ Expenses (net):	12
H.M. van de Kar	
⊙ Remuneration, including committees (gross):	43
⊙ Expenses (net):	2
J.V.M. van Heeswijk	
⊙ Remuneration, including committees (gross):	31
⊙ Expenses (net):	2
J. den Hoed	
⊙ Remuneration, including committees (gross):	31
⊙ Expenses (net):	2
D. Huisman (stepped down on 3 April 2006)	
⊙ Remuneration, including committees (gross):	31
⊙ Expenses (net):	2
S.C.J.J. Kortmann	
⊙ Remuneration, including committees (gross):	31
⊙ Expenses (net):	2
H. Muller	
⊙ Remuneration, including committees (gross):	34
⊙ Expenses (net):	2
Total	269

Remuneration (including bonuses) for the members of the Executive Board in 2005:

In € thousands	Regular payments	Payment in instalments	Severance payment	Profit-sharing and bonuses	Total
S. van Keulen	575	132	n.a.	199	906
M.W.J. Hinssen	438	100	n.a.	150	688
C.H. van den Bos	438	100	n.a.	150	688
R.R. Latenstein van Voorst	438	100	n.a.	150	688
Total	1,889	432		649	2,970

For additional information on executive remuneration, see '**Employment agreements**'.

The aggregate remuneration for the other key corporate officers referred to in '**Other corporate officers**', who are not members of the Executive Board, in 2005 amounted to € 3.3 million. As part of the general employees benefit plans, key corporate officers referred to in '**Other corporate officers**', who are not members of the Executive Board are entitled to employees facilities in respect of mortgages, insurance, consumer credit, savings, investments, and/or

foreign exchange under favourable conditions. These key corporate officers are entitled to an annual bonus to be determined by the Executive Board on the basis of the Company's results and their individual performance. The bonus may not exceed 25% of their respective annual gross salary. Furthermore, they are entitled to a lease car and the use of mobile telecommunication equipment.

Employment agreements

Currently, no other service contracts, other than those described below, exist which provide benefits to members of the Supervisory Board or the Executive Board. In addition, members of the Executive Board are entitled to staff facilities in respect of savings, investments, and/or foreign exchange under favourable conditions.

Mr. S. van Keulen

As at 31 December 2005, the employment agreement between the Company and Mr. Van Keulen provides for an annual salary of € 575,000 gross, all-in (i.e. including holiday benefits, 13th month, and representation costs). Mr. Van Keulen is furthermore entitled to an annual bonus to be determined by the Supervisory Board on the basis of the Company's results and Mr. Van Keulen's individual performance. Until 1 January 2006, Mr. Van Keulen's bonus may not exceed 40% of his annual gross salary. In relation to the recent renewal of the employment agreement between the Company and Mr. Van Keulen it was agreed that Mr. Van Keulen's bonus may not exceed 60% of his annual gross salary. Mr. Van Keulen will be entitled to an additional payment of an amount of € 225.000 (gross) which payment will be made in January 2007. Furthermore, Mr. Van Keulen is entitled to a bonus pursuant to the LTIP (as defined below; see '**Long term incentive for the Executive Board and other key corporate officers**'). Mr. Van Keulen is entitled to a company car, including driver, and the use of mobile telecommunication equipment.

Mr. Van Keulen's employment agreement has been entered into for an indefinite period of time. However, it is stipulated that the Supervisory Board intends to terminate his appointment as member of the Executive Board as of 1 January 2009 as a result of which his employment agreement will terminate. The employment agreement may be terminated by the Company with a notice period of six months and by Mr. Van Keulen with a notice period of three months.

In case of (i) a take-over or merger, (ii) a change in SNS REAAL's structure, or (iii) a unilateral change of the management assignment by the Supervisory Board, provided that such change is not within Mr. Van Keulen's control, resulting in the cancellation of the CEO's position or an equivalent position, or a change in this position or status, respectively and thus resulting in the premature termination of the employment, Mr. Van Keulen will be entitled to a compensation equal to the remainder of his salary for the remainder of his employment until 1 January 2009. In addition, he will be entitled to a premium to be determined by the Supervisory Board for the remainder of this period, taking into account the average short-term bonus paid over the previous financial years immediately preceding the termination. Other than summarised, Mr. Van Keulen's employment agreement does not provide for severance payment upon termination of employment with the Company or any of its subsidiaries.

Mr. C.H. van den Bos

As at 31 December 2005, the employment agreement between the Company and Mr. Van den Bos provides for an annual salary of € 438,000 gross, all-in (i.e. including holiday benefits, 13th month, and representation costs). Mr. Van den Bos is furthermore entitled to an annual bonus to be determined by the Supervisory Board on the basis of the Company's results and Mr. Van den Bos's individual performance. Until 1 January 2006 the bonus may not exceed 40% of the annual gross salary, as of 1 January 2006 this percentage was increased to 50%. Furthermore, Mr. Van den Bos is entitled to a bonus pursuant to the LTIP (as defined below; see '**Long term incentive for the Executive Board and other key corporate officers**'). Mr. Van den Bos is entitled to a company car, including driver, and the use of mobile telecommunication equipment.

The employment agreement has been entered into for an indefinite period of time. The employment agreement may be terminated by the Company with a notice period of six months and by Mr. Van den Bos with a notice period of three months. The employment agreement does not provide for a specific severance payment upon termination of employment with the Company or any of its subsidiaries.

Mr. M.WJ. Hinssen

As at 31 December 2005, the employment agreement between the Company and Mr. Hinssen provides for an annual salary of € 438,000 gross, all-in (i.e. including holiday benefits, 13th month, and representation costs). Mr. Hinssen is furthermore entitled to an annual bonus to be determined by the Supervisory Board on the basis of the Company's results and Mr. Hinssen's individual performance. Until 1 January 2006 the bonus may not exceed 40% of the annual gross salary, as of 1 January 2006 this percentage was increased to 50%. Furthermore, Mr. Hinssen is entitled to a bonus pursuant to the LTIP (as defined below; see '**Long term incentive for the Executive Board and other key corporate officers**'). Mr. Hinssen is entitled to a company car, including driver, and the use of mobile telecommunication equipment.

The employment agreement has been entered into for an indefinite period of time. The employment agreement may be terminated by the Company with a notice period of twelve months and by Mr. Hinssen with a notice period of three months. The employment agreement does not provide for a specific severance payment upon termination of employment with the Company or any of its subsidiaries.

Mr. R.R. Latenstein van Voorst

As at 31 December 2005, the employment agreement between the Company and Mr. Latenstein van Voorst provides for an annual salary of € 438,000 gross, all-in (i.e. including holiday benefits, 13th month, and representation costs). Mr. Latenstein van Voorst is furthermore entitled to an annual bonus to be determined by the Supervisory Board on the basis of the Company's results and Mr. Latenstein van Voorst's individual performance. Until 1 January 2006 the bonus may not exceed 40% of the annual gross salary, as of 1 January 2006 this percentage was increased to 50%. Furthermore, Mr. Latenstein van Voorst is entitled to a bonus pursuant to the LTIP (as defined below; see '**Long term incentive for the Executive Board and other key corporate officers**'). Mr. Latenstein van Voorst is entitled to a company car, including driver, and the use of mobile telecommunication equipment.

The employment agreement has been entered into for an indefinite period of time. The employment agreement may be terminated by the Company with a notice period of six months and by Mr. Latenstein van Voorst with a notice period of three months. The employment agreement does not provide for a specific severance payment upon termination of employment with the Company or any of its subsidiaries.

Loans

The following loans are outstanding in 2005 which have been granted by SNS Bank or REAAL Verzekeringen to the members of the Executive Board and the Supervisory Board:

(in thousand €)	Average interest rate	Outstanding
H.M. van de Kar	6.6%	120
J.V.M. van Heeswijk	4.0%	90
S.C.J.J Kortmann	4.4%	117
H. Muller	6.7%	68
S. van Keulen	5.5%	194
M.W.J. Hinssen	4.6%	558
Total		1,147

The aggregate amount of loans outstanding in 2005 which have been granted by SNS Bank or REAAL Verzekeringen to the other key corporate officers referred to in '**Other corporate officers**', who are not members of the Executive Board, amounted to € 2,493,291.

Board practices

Supervisory Board

The Supervisory Board supervises the policies of the Executive Board, and the Company's general course of affairs and the Company's business. In performing their duties, members of the Supervisory Board must serve the Company's interests and those of the Company's business.

The Supervisory Board must consist of at least three members. The General Meeting determines the number of members of the Supervisory Board. Only natural persons can be members of the Supervisory Board. Pursuant to the articles of association of the Selling Shareholder, only three persons can be both a (former) member of the Supervisory Board and member of the board of the Selling Shareholder (see '**SELLING SHAREHOLDER -- Management**'). Furthermore, persons employed by the Company or a dependent company, members of the Executive Board and persons employed by an employees' organisation customarily involved in the establishment of the employment terms of such persons, may not be appointed as members of the Supervisory Board.

Members of the Supervisory Board are appointed for a term of four years and they may be reappointed two times, each for a further term of four years. The current members of the Supervisory Board are only eligible for two further reappointments. The members of the Supervisory Board are required to resign according to a rotation schedule determined by the Supervisory Board.

The current members of the Supervisory Board have been appointed by the Supervisory Board itself. Further new members of the Supervisory Board will be appointed by the General Meeting. Such appointment is based on a nomination by the Supervisory Board, which nomination must specify the reasons therefor. The General Meeting can, by an absolute majority of the votes cast (representing at least one-third of the issued share capital) reject the

nomination. If less than one-third of the issued share capital was represented at the meeting, a new meeting must be convened to vote on the nomination, whereby the nomination can be rejected by an absolute majority of the votes cast (irrespective of the issued share capital present or represented at the meeting). The General Meeting and the central works council (*centrale ondernemingsraad*) of SNS REAAL (the '**Central Works Council**') may recommend persons to the Supervisory Board for placement on the nomination list. The Supervisory Board is required to nominate a person recommended by the Central Works Council in respect of one third of the members of the Supervisory Board. The Supervisory Board must accept such recommendation of the Central Works Council, unless it is of the opinion that the person recommended would be unsuitable to fulfil the duties of a supervisory board member or that the Supervisory Board would not be properly composed. If the Supervisory Board objects to the recommendation on these grounds, it must consult with the Central Works Council without delay. If no agreement can be reached with the works council, the Enterprise Chamber will determine the matter.

A member of the Supervisory Board can only be dismissed by the Enterprise Chamber and then only for reason of neglect of his or her duties, for other important reasons, or following a significant change in circumstances as a result of which his or her continued membership can no longer be reasonably maintained. A member of the Supervisory Board can be suspended by the Supervisory Board. The General Meeting can dismiss the Supervisory Board in its entirety for reasons of lack of confidence, by an absolute majority of the votes cast, representing at least one third of the issued share capital. If less than one third of the issued share capital is represented, a new meeting may be convened in which the General Meeting may withdraw its confidence in the Supervisory Board by an absolute majority of the votes cast (irrespective of the issued share capital represented at the meeting). On the passing by the General Meeting of a resolution to dismiss the Supervisory Board, the Executive Board is required to apply without delay to the Enterprise Chamber to appoint one or more members to the Supervisory Board on a temporary basis.

The remuneration of each member of the Supervisory Board is determined by the General Meeting. The expenses of the members of the Supervisory Board are reimbursed by the Company. Resolutions of the Supervisory Board are validly adopted by an absolute majority of votes cast by the members of the Supervisory Board present or represented in the meeting, provided that the majority of Supervisory Board members is present or represented. Resolutions of the Supervisory Board can be taken outside a meeting by unanimous vote.

The Supervisory Board appoints a chairperson and may appoint one or more vice-chairpersons from among its members. The Supervisory Board has adopted rules governing its internal organisation.

The Supervisory Board has an audit committee and a remuneration, selection and appointments Committee.

Audit committee

The Audit Committee is comprised of Messrs. Van Heeswijk and Den Hoed and has one vacancy. The Audit Committee is chaired by Mr Van Heeswijk. The Audit Committee prepares the briefing material for decision-making by the Supervisory Board with respect to (i) operation of the risk management and internal control systems; (ii) provision of financial information by the Company; (iii) compliance with recommendations of actuaries and auditors; (iv) the Company's policy on tax planning; (v) the Company's financing; and (vi) control of risks in relation to the applications of information and communication technology.

Remuneration, selection and appointments committee

The remuneration, selection and appointments committee is comprised of Messrs Van de Kar, Bouma, Kortmann and Muller. It is chaired by Mr. Van de Kar. It reviews executive remuneration and recommends candidates to the Supervisory Board for the position of member of the Executive Board or member of the Supervisory Board.

Executive Board

The Executive Board is responsible for the management of the Company under the supervision of the Supervisory Board. At least once a year, the Executive Board submits a written report to the Supervisory Board outlining the strategic policy, the general and financial risks and the management and control systems of the Company.

The Executive Board is responsible for strategic issues such as the introduction of value based management, capitalisation and allocation, potential mergers and acquisitions and strategic alliances. Furthermore, the Executive Board formulates corporate policies on themes such as risk management, solvency standards, management development and compliance. The Executive Board also has a number of operational responsibilities including finance, budgeting, controlling and human resources, which includes recruiting, appointing and remunerating senior management. The Boards of SNS Bank and REAAL Verzekeringen are responsible for their respective financial results, commercial strategy, products, operations and IT systems and human resources.

The Executive Board must consist of at least two members. The Supervisory Board determines the number of members of the Executive Board. The Supervisory Board is entitled to appoint, temporarily suspend and dismiss members of the Executive Board. The Supervisory Board also appoints a chairperson and may appoint one or more vice-chairpersons from amongst the members of the Executive Board. The Supervisory Board notifies the General

Meeting of any intended appointment. The Supervisory Board is only entitled to dismiss a member of the Executive Board after the General Meeting has been given the opportunity to provide its view on the dismissal.

The Executive Board, and two members of the Executive Board acting jointly, are entitled to represent the Company.

Certain resolutions of the Executive Board identified in the Articles of Association require the approval of the Supervisory Board. Furthermore, the Executive Board requires the approval of the Supervisory Board and the General Meeting for resolutions regarding a significant change in the identity or nature of the Company or its business. In addition, the Supervisory Board is entitled to determine that certain other resolutions of the Executive Board are subject to its approval.

The Executive Board has adopted rules governing its internal organisation. These rules may only be amended with the approval of the Supervisory Board.

In the event of a conflict of interest between a member of the Executive Board in its private capacity and the Company, the Company must be represented by a member of the Supervisory Board designated by the Supervisory Board, unless the General Meeting designates a person for such purpose; such person may also be the member of the Executive Board with whom the conflict of interest exists. If a member of the Executive Board has a conflict of interest with the Company other than as referred to in the preceding sentence, he and each of the other members of the Executive Board, still have the power to represent the Company in that matter.

In case one or more members of the Executive Board are prevented from acting or are absent, the remaining members of the Executive Board are, or the only remaining member of the Executive Board is, temporarily in charge of the entire management. In case all members of the Executive Board are, or the only member of the Executive Board is, prevented from acting or are/is absent, the Supervisory Board will assume the management temporarily. In such event, the Supervisory Board is authorised to designate one or more temporary executive directors.

The General Meeting adopts the policy regarding the remuneration of the members of the Executive Board. Simultaneous with the proposal to the General Meeting, the remuneration policy is required to be provided in writing to the Central Works Council for its information. The remuneration of the members of the Executive Board, with due observance of the policy as referred to above, is determined by the Supervisory Board. Any proposal by the Supervisory Board to grant to the members of the Executive Board, shares or rights to acquire shares in the capital of the Company, must be submitted for approval by the General Meeting. The absence of the approval of the General Meeting does not, however, invalidate the representative authority of the Supervisory Board in this respect.

Liability of members of the Supervisory Board and the Executive Board

Under Dutch law, members of management may be liable to the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Company and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, members of management may also incur additional specific civil and criminal liabilities. Members of the Executive Board, the Supervisory Board, and certain executive officers of SNS REAAL are insured under an insurance policy against damages resulting from their conduct when acting in the capacities as such members or officers.

Also, the Articles of Association stipulate that current and former members of the Executive Board and the Supervisory Board are entitled to reimbursement of:

- costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or the exercise of any other duties currently or previously performed by them at the Company's request in a direct or indirect wholly-owned subsidiary of the Company
- any damages or fines payable by them as a result of an act or failure to act as referred to above
- costs of appearing in other legal proceedings in which they are involved as current or former members of the Executive Board or the Supervisory Board, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf

There shall, however, be no entitlement to reimbursement if and to the extent that:

- it has been established by a Dutch court in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless (i) Dutch law provides otherwise or (ii) this would be unacceptable in view of the requirements of reasonableness and fairness (*redelijkheid en billijkheid*) when taking into account the relevant circumstances
- the person concerned has failed to notify the Company in writing as soon as practicable of the circumstances that may result in the costs or financial loss or, as the case may be, of the costs or financial loss; or
- the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss

Labour relations

Employees

The average numbers of employees employed by SNS REAAL in the last three years were:

	2003	2004	2005
Number of full time employees	4,334	4,014	4,150
Number of part time employees	1,689	1,683	1,760
Total number of employees	6,023	5,697	5,910

Source: Company

The following chart shows the number of FTEs (based on a 36-hour working week) employed by the Company, SNS Bank, REAAL Verzekeringen and SNS Reaal Invest, respectively, in the last three years:

	2003	2004	2005
Company	227	326	562
SNS Bank	3,460	3,196	3,121
REAAL Verzekeringen	1,792	1,707	1,758
SNS Reaal Invest	7	2	1
Total	5,536	5,231	5,442

Source: Company

The number of FTEs (based on a 36-hour working week) increased to 5,442 at year-end 2005 (2004: 5,230 and 2003: 5,536).

Trade union relations and works councils

Collective bargaining agreements apply to all SNS REAAL's employees, except for senior executives, including the members of the Executive Board, the members of the Board of SNS Bank, the members of the Board of REAAL Verzekeringen, and the members of the Board of SNS Reaal Invest. These collective bargaining agreements will expire on 1 June 2007.

Within SNS REAAL there are currently works councils at SNS Bank and REAAL Verzekeringen, and a Central Works Council. A works council is a representative body of the employees of a Dutch enterprise elected by the employees. The management board of any company that runs an enterprise with a works council, must seek the non-binding advice of the works council before taking certain decisions with respect to the enterprise, such as those related to a major restructuring, a change of control, or the appointment or dismissal of a member of the management board. If the decision to be taken is not in line with the advice of the works council, the implementation of the relevant decision must be suspended for one month, during which period the works council may appeal against the decision at the Enterprise Chamber. Certain other decisions directly involving employment matters that apply either to all employees or certain groups of employees may only be taken with the works council's consent. In the absence of such prior consent, the decision may nonetheless be taken with the prior consent of the sector Cantonal of the District Court.

Long term incentive for the Executive Board and other key corporate officers

In February 2006, the Supervisory Board approved a long term incentive plan ('LTIP') for senior management, including the members of the Executive Board and the key corporate officers referred to in 'Other corporate officers', who are not members of the Executive Board. The LTIP became effective as of 1 January 2006. Under the LTIP eligible persons are in principle entitled to a bonus of 15% to 40% (depending on their position) of their gross annual salary if the Company's ROE meets the target as laid down in the Company's annual operational plan for a three-year period. If the Company's ROE does not meet the targeted percentage in a particular year the bonus will be adjusted downwards or the eligible employees will not be entitled to a bonus for the relevant period (depending on the ROE). If the targeted ROE is not met in the 2nd or 3rd year of the relevant three-year period, the bonus for the previous one or two years will be reduced by 1/3rd or 2/3rd, as the case may be. If the Company's ROE is higher than targeted, the bonus will increase to a maximum of 25% to 50% (depending on the eligible person's position). The bonus is payable after three years. The eligible person is allowed to use 50% of the bonus to purchase Ordinary Shares with a 10% discount.

In case of termination of an eligible person's employment agreement with SNS REAAL, the eligible person will be entitled to (i) a *pro rata* bonus if they qualify as a so-called good leaver or (ii) no bonus if they do not qualify as such. In the latter case, the Supervisory Board (in case of a member of the Executive Board) or the Executive Board (in case of another eligible person) may determine a reasonable bonus. One qualifies as a good leaver if the employment agreement is terminated because of, among other things, death, illness, disability or retirement of the relevant person or reorganisation (whereby the employment agreement is terminated at the initiative of the Company) or liquidation of the relevant operational unit of SNS REAAL. In case the Company is taken over, merges or is declared bankrupt (or other similar events), the Supervisory Board (in case of the members of the Executive Board) or the Executive Board (in case of another eligible person) may decide on the entitlement to a bonus under the LTIP.

Pension scheme

Effective from 1 January 2004, SNS REAAL's pension schemes were changed from final pay to average pay schemes. In 2005, SNS REAAL's pension fund was financially separated from SNS REAAL. SNS REAAL is also in the process of managerially separating the SNS REAAL pension fund from its organisation. Further, as from 2005 up to and including 2009, SNS REAAL contributes a fixed pension premium of 21.5% of gross salary to the SNS REAAL pension fund (with employees paying to SNS REAAL up to 5% of their pensionable income). In addition, due to certain transitional arrangements SNS REAAL contributes 3.5% in relation to certain employees to SNS REAAL's pension fund. After this five-year period, the financing agreement will be automatically extended for another five years unless the financing agreement is terminated by either the SNS REAAL pension fund or SNS REAAL. If extended, the level of the premium may be renegotiated. SNS REAAL thus now has a defined contribution pension scheme for its employees based on career average pay. The financing agreement has been submitted to the Dutch Central Bank for approval. Former Zurich employees participate in this scheme as of 1 July 2004 with regard to their pension accruing as of that date. Former Nieuwe Hollandse Lloyd employees have not yet been included in this scheme. SNS REAAL's retirement age for employees who were born prior to 1 January 1949 varies between 59 and 62 years, while the retirement age for the other employees is between 62 and 65. (see '**OPERATING AND FINANCIAL REVIEW -- Pensions and the SNS REAAL pension fund**').

Corporate Governance

The Company acknowledges the importance of good corporate governance. In accordance with the Large Company Regime applicable to it, the Company has a two-tier board structure, consisting of the Executive Board and the Supervisory Board (see '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- Large company regime in the Netherlands**' and '**SUPERVISORY BOARD, MANAGEMENT AND EMPLOYEES -- Board practices**').

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the *Tabaksblat* Committee, released the Code. The Code contains 21 principles and 113 best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

The Code applies to all Dutch companies listed on a government-recognised stock exchange, whether in the Netherlands or elsewhere. Such companies are required under Dutch law to disclose in their annual reports whether or not they apply those provisions of the Code that are addressed to the executive board or supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. This disclosure requirement commenced with respect to those annual reports for the financial years beginning on or after 1 January 2004.

Since passing of the Code and notwithstanding the fact that the Ordinary Shares of the Company have not previously been listed, the Company has taken various actions towards compliance with the provisions of the Code:

- The Company believed that the certification of its Ordinary Shares was not in accordance with, among other things, the spirit of the Code. Accordingly, the depositary receipts were de-registered and the Ordinary Shares decertified. Furthermore, in view of the Offering, the Company together with the Selling Shareholder decided to convert the priority share, which was held by the Selling Shareholder, into an Ordinary Share. (See '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE -- Share capital**' and '**SELLING SHAREHOLDER -- History**')
- All members of the Executive Board that were previously members of the board of the Selling Shareholder, stepped down as members of the board of the Selling Shareholder
- The chairperson of the board of the Selling Shareholder is not allowed to act as member of the Supervisory Board
- While the Code does have a more stringent requirement (as further discussed below), the majority of the members of the Supervisory Board that were members of the board of the Selling Shareholder, stepped down as members of the board of the Selling Shareholder. Prior thereto, all members of the Supervisory Board were members of the board of the Selling Shareholder (and vice versa)
- The term of office of the members of the Supervisory Board has been restricted to three four-year terms and the current members of the Supervisory Board are only eligible for two re-appointments
- One of the seven members of the Supervisory Board was appointed pursuant to a recommendation of the Central Works Council
- In addition to the audit committee, the Supervisory Board has established a separate remuneration, selection and appointments committee (albeit that the Code does require a separate remuneration committee and a separate selection and appointments committee)
- In 2005, the Company designed and is currently implementing a business control framework for SNS REAAL in order to enable the Company to include in its annual report a (substantiated) statement by the Executive Board that the Company's internal risk management and control systems are adequate and effective (also referred to as the 'in-control statement'). This framework matches and enhances the regular planning and control frameworks existing within SNS REAAL and focuses in particular on embedding the risk management policy in SNS REAAL's operational processes

The Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Code. The Company has not applied a limited number of best practice provisions, as it has not considered them to be in the interests of the Company and its stakeholders.

The best practice provisions currently not applied by the Company are:

- ⊙ Members of the Executive Board may only be appointed for a maximum term of four years at a time. Further, as a general rule, the maximum compensation to a member of the Executive Board in the event of dismissal, is one year's base salary. The terms and conditions of employment of the current members of the Executive Board deviate from the foregoing. The members of the Executive Board were appointed prior to the release of the Code for an unlimited term and in accordance with applicable law. However, the employment agreement of the CEO of the Company stipulates that the Supervisory Board intends to terminate his appointment as member of the Executive Board as of 1 January 2009 as a result of which his employment agreement will terminate. No fixed compensation has been agreed upon with the members of the Executive Board in the event of dismissal, except for the CEO of the Company. See '**SUPERVISORY BOARD, MANAGEMENT AND EMPLOYEES -- Employment agreements**'. While the Company will consider in respect of each new appointment whether it is in the interests of the Company and its stakeholders to apply the relevant best practice provisions, the Company believes that maintaining the freedom to agree, on a case-by-case basis, on the relevant terms and conditions of employment, enables the Company to attract and retain high calibre persons as members of the Executive Board in a competitive environment
- ⊙ The members of the Supervisory Board, except for no more than one member, should be independent within the meaning of the Code. A member of the Supervisory Board qualifies as independent within the meaning of the Code if none of the eight criteria of dependence, as stipulated in the Code, apply to such member. Because the Selling Shareholder holds more than 10% of the issued and outstanding Ordinary Shares, three of the members of the Supervisory Board are not deemed to be independent since they are also members of the board of the Selling Shareholder. (See '**SELLING SHAREHOLDER - Management**'.) In this regard, the Company believes it important to note that the nature and purpose of the Selling Shareholder can and should be distinguished from those of many other (major) shareholders in listed companies. The Selling Shareholder, being a foundation, has no members or shareholders and has limited objects (none of which are commercial objects), including the specific object to represent the interests of the Company and of SNS REAAL, in such manner that the interests of the Company, of SNS REAAL and of all those involved with these shall be guarded in the best possible way. (See '**SELLING SHAREHOLDER - Purpose**'.)
- ⊙ A member of the Supervisory Board should not participate in the Supervisory Board's deliberations and decision-making process in respect of a subject or transaction in relation to which the Supervisory Board member has a conflict of interest. Depending on the specific circumstances, the three members of the Supervisory Board who are also members of the board of the Selling Shareholder may have a conflict of interest in relation to certain subjects or transactions, because of their position as board member of the Selling Shareholder, although, having regard to the specific object of the Selling Shareholder as referred to above, the Company believes that the likelihood of such a conflict of interest arising would be limited. Accordingly, it has been decided that (i) the relevant members of the Supervisory Board shall not participate in deliberations and decision-making of the Supervisory Board concerning agreements between the Company and the Selling Shareholder, and (ii) in principle in all other cases these members would be permitted to participate in the deliberations and decision-making process by the Supervisory Board

Selling Shareholder

General

The Selling Shareholder is a foundation (*stichting*) established under the laws of the Netherlands. The seat of the Selling Shareholder is in Utrecht, the Netherlands. The registered office of the Selling Shareholder is Croeselaan 1, 3521 BJ Utrecht, the Netherlands and the Selling Shareholder is registered in the Commercial Register of the Utrecht Chamber of Commerce, under number 41091124. The articles of association of the Selling Shareholder were last amended by notarial deed on 3 May 2006 before a duly authorised substitute of Mr. P. Klemann, civil law notary in Amsterdam.

Under Dutch law, a foundation is a legal person which has no members or shareholders and whose purpose is to realise an object stated in its articles of association using capital allocated to such purpose. The foundation's objects may not include the making of distributions to any founder or to those participating in its constituent bodies or to other parties, unless, as regards the latter, the distributions have an idealistic (*ideële*) or social object.

The following description of the Selling Shareholder's structure is based on, and qualified in its entirety by reference to the full text of the articles of association of the Selling Shareholder.

Purpose

Pursuant to article 2 of its articles of association, the Selling Shareholder's objects are:

- to render financial services, more specifically by participating by means of ordinary shares in the share capital of the Company
- to represent the interests of the Company and of SNS REAAL, in such manner that the interests of the Company, of SNS REAAL and of all those involved with these shall be guarded in the best possible way and
- to make distributions with an idealistic (*ideële*) or social purpose

and to undertake all that which is connected to the foregoing or in furtherance thereof.

The Selling Shareholder shall only make or effect distributions with an idealistic or social purpose in accordance with the advice of another foundation, Stichting SNS Reaal Fonds.

History

The Selling Shareholder was established as a foundation on 12 December 1988 and was the only shareholder of, at that time, SNS Groep N.V. Many predecessors to SNS Bank were also foundations. In 1997, a merger took place between the Selling Shareholder and the foundation that at that time held the majority of the shares in Reaal Groep N.V. (*Stichting Continuïteit Reaal Groep*). This Reaal Groep N.V. held all the shares in insurance companies which had their roots in the trade union movement and the social democratic movement starting at the end of the 19th century and two banks that were also linked to the trade union movement. Later a further merger took place with, among other things, Stichting NOG.

For many years, the board of the Selling Shareholder comprised of managers chosen from the ranks of various predecessors. The specific object of the Selling Shareholder to represent the interests of the Company and of SNS REAAL in such manner that the interests of the Company, of SNS REAAL and of all those involved with these shall be guarded in the best possible way, is based on this history.

As of 27 July 2005, the Selling Shareholder holds all issued and outstanding Ordinary Shares. Prior to that date, all issued and outstanding Ordinary Shares were held by Stichting Administratiekantoor SNS Reaal, a trust office, and the Selling Shareholder held all non-voting depositary receipts issued by Stichting Administratiekantoor SNS Reaal and one registered priority share issued by the Company. The Company believed that the certification of its Ordinary Shares was not in accordance with, among other things, the spirit of the Code, in view of which it was decided to deregister the depositary receipts. The Stichting Administratiekantoor SNS Reaal has ceased to exist.

Furthermore, in view of the Offering, the Company and the Selling Shareholder have converted the registered priority share held by the Selling Shareholder into an Ordinary Share.

Management

The Selling Shareholder's board (*bestuur*) is responsible for the management of the Selling Shareholder, its administration and disposal of its assets within the limits of Selling Shareholder's objects.

The Selling Shareholder's board appoints its own members. Until 3 May 2006, the Selling Shareholder's board consisted of the board members that also constituted the Supervisory Board of SNS REAAL. The number of members of the Selling Shareholder's board was then decreased to five and it was determined that no more than three of the Selling Shareholder's board members may be (former) members of the Supervisory Board and two members must be

independent of SNS REAAL. For these purposes, the Selling Shareholder considers a former member of the Executive Board or the Supervisory Board to be independent of SNS REAAL if this person ceased to hold such position more than four years prior to appointment to the board of the Selling Shareholder. The chairperson of the board of the Selling Shareholder is not allowed to act as member of the Supervisory Board (see also '**CORPORATE GOVERNANCE**'). Members of the Selling Shareholder's board are appointed for a term of four years and may be reappointed twice, each for a further term of four years. The members of the Selling Shareholder's board are required to resign according to a rotation schedule determined by the board itself. The person appointed to fill an interim vacancy is appointed for the remaining term of his predecessor.

The Selling Shareholder's board may grant remuneration to its members or to one or more of its members. Members of the board will be reimbursed for their expenses.

The Selling Shareholder's board or two members of the board acting jointly are authorised to represent the Selling Shareholder.

As at 4 May 2006, the members of the Selling Shareholder's board are:

Name	Date of birth	Business experience and activities
S.C.J.J. Kortmann	25 July 1950	see ' SUPERVISORY BOARD, MANAGEMENT AND EMPLOYEES -- Supervisory Board '
J. Den Hoed	25 January 1937	see ' SUPERVISORY BOARD, MANAGEMENT AND EMPLOYEES -- Supervisory Board '
H. Muller	27 March 1942	see ' SUPERVISORY BOARD, MANAGEMENT AND EMPLOYEES -- Supervisory Board '

Pursuant to the articles of association of the Selling Shareholder, its board must consist of five members. As at 3 May 2006 there are two vacancies, and the Selling Shareholder is in the process of finding suitable candidates for these positions. Pursuant to a transitional provision in the Selling Shareholder's articles of association, the board of the Selling Shareholder is able to adopt valid resolutions notwithstanding these two vacancies.

Share ownership

Immediately after the (closing of the) Offering, assuming no exercise of the Over-Allotment Option, approximately 70% of the Company's issued share capital will be owned by the Selling Shareholder.

In case of full exercise of the Over-Allotment Option approximately 65.5% of the Company's issued share capital will be owned by the Selling Shareholder.

Lock-up

The Selling Shareholder agreed with the Underwriters not to, among other things, issue, offer, pledge, sell, contract to sell, grant any option to purchase or otherwise dispose of, any Ordinary Shares (or any securities convertible into or exchangeable for Ordinary Shares or which carry rights to subscribe or purchase Ordinary Shares) or enter into a transaction (including a derivative transaction) having an effect on the market in the Ordinary Shares or publicly announce any intention to do any of such things, during the period commencing on the date of the Underwriting Agreement and ending 360 days after the Settlement Date, without the prior written consent of the Joint Bookrunners, in accordance with or pursuant to the Underwriting Agreement.

Strategy

Use of proceeds

The Selling Shareholder will use the net proceeds from the Offering of the Existing Shares and, if the Over-Allotment Option is exercised, the Additional Shares, to support its purpose (see '**Purpose**').

Dividend

The Selling Shareholder appreciates the possible concern of investors that, as minority shareholders, they could be diluted in their shareholding in the Company if shareholders are offered the choice to receive dividends in the form of Ordinary Shares and/or in cash. Accordingly, the Selling Shareholder has agreed with the Company that if shareholders of the Company are offered the choice to receive dividends in the form of Ordinary Shares and/or in cash, it will receive its dividend in the form of Ordinary Shares and/or cash in the same proportion as the other shareholders would elect to receive, thereby avoiding a change in its percentage shareholding (see '**Related party transactions**' and '**DIVIDENDS AND DIVIDEND POLICY -- Dividend policy**').

Ownership level of the Selling Shareholder

The Selling Shareholder endorses that the purpose of the Offering is directed at the growth of SNS REAAL. It accepts that future growth of SNS REAAL may require the Selling Shareholder to become a minority shareholder.

Related party transactions

Pledge Ordinary Shares

At the time of the merger between SNS Groep N.V. and Reaal Groep N.V., the Company acquired part of the shares in the capital of Reaal Groep N.V. from *Stichting tot beheer van FNV Aandelen Reaal Groep N.V.* (Foundation for the management of FNV Shares Reaal Groep N.V.) The purchase price for these shares was partly paid at the time of the transaction. In respect of the remainder of the purchase price, parties entered into a loan agreement. In relation to this loan, it has been agreed that the Selling Shareholder is required to grant a pledge on a percentage of the (depository receipts for) Ordinary Shares to the benefit of *Stichting tot beheer van FNV Aandelen Reaal Groep N.V.* This percentage is calculated annually on the basis of the outstanding amount of the loan and the intrinsic value of the Ordinary Shares, within 30 days after the publication of the Company's annual accounts. At the time of the deregistration of the depository receipts in July 2005 (see 'History') the Selling Shareholder granted a pledge on 13,927,029 Ordinary Shares (at that time representing 6.67% of the issued and outstanding Ordinary Shares) to *Federatie Nederlandse Vakvereniging* (Federation Dutch Trade Union). Each year after repayment of a part of the outstanding debt, the percentage of Ordinary Shares subject to this right of pledge is recalculated, most recently on 24 February 2006, resulting in a percentage of 4.97% of the then issued and outstanding share capital. The Ordinary Shares subject to this right of pledge do not form part of the Existing Shares nor of any Additional Shares.

Agreement between the Company and the Selling Shareholder

On 3 May 2006, the Company and the Selling Shareholder entered into an agreement pursuant to which the Selling Shareholder has agreed that if it is decided that shareholders are offered the choice to receive dividends in the form of Ordinary Shares and/or in cash the Selling Shareholder will receive its dividend in the form of Ordinary Shares and/or cash in the same proportion as the other shareholders would elect to receive, thereby avoiding a change in its percentage shareholding. The Selling Shareholder is entitled to terminate this agreement taking into account a six-months notice period. Furthermore, an amendment to this agreement will only become effective after six months. In case the Selling Shareholder notifies the Company that it wishes to terminate the agreement or in case of an amendment of the agreement, the Company will notify the (other) shareholders by way of a press release.

Dutch Taxation

Certain Dutch tax consequences for holders of Ordinary Shares

This section describes the principal tax consequences that will generally apply to holders of Ordinary Shares under Dutch tax laws in force and in effect as of the date hereof. This description is subject to changes in Dutch law including changes that could have retroactive effect. Not every potential tax consequence of an investment in the Ordinary Shares under the laws of the Netherlands will be addressed. Each investor should therefore consult its own tax advisor with respect to the tax consequences in relation to the acquiring, owning, and disposing of Ordinary Shares.

Dutch taxation of resident shareholders

The description of certain Dutch taxes set out in this paragraph is only intended for the following investors:

- (1) individuals who are resident or deemed to be resident in the Netherlands or, with respect to personal income taxation, individuals who opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation and who invest in the Ordinary Shares (**'Dutch Individuals'**), excluding individuals:
 - (a) who derive benefits from the Ordinary Shares that are taxable as benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*)
 - (b) for whom the Ordinary Shares or any payment connected therewith constitute employment income; or
 - (c) who have a substantial interest, or a deemed substantial interest, in the Company

and

- (2) corporate entities (including associations which are taxed as corporate entities) that are resident or deemed to be resident in the Netherlands for purposes of Dutch taxation and which invest in the Ordinary Shares (**'Dutch Corporate Entities'**), excluding:
 - (a) corporate entities that are not subject to Dutch corporate income tax
 - (b) pension funds and other entities that are exempt from Dutch corporate income tax
 - (c) corporate entities that hold Ordinary Shares, the benefits derived from which are exempt under the participation exemption (as laid down in the 1969 Act on Dutch corporate income tax); and
 - (d) investment institutions as defined in the 1969 Act on Dutch corporate income tax

Generally, an individual who holds Ordinary Shares will have a substantial interest in the Company if he holds, alone or together with his partner, or if certain relatives (including foster children) of that holder or of his partner hold, whether directly or indirectly, the ownership of, or certain other rights relating to, shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) in the Company, or rights to acquire shares, whether or not already issued, that represent at any time 5% or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares) or the ownership of certain profit participating certificates that relate to 5% or more of the Company's annual profit and/or to 5% or more of the Company's liquidation proceeds. If a holder of Ordinary Shares does not have a substantial interest a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of by this holder, on a non-recognition basis.

Personal and corporate income tax

Dutch individuals not engaged or deemed to be engaged in an enterprise

Generally, a Dutch Individual who holds Ordinary Shares that are not attributable to an enterprise from which he derives profits as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder (a **'Dutch Private Individual'**), will be subject to a fictitious yield tax. Irrespective of the actual income or capital gains, the annual taxable benefit from all the assets and liabilities of a Dutch individual that are taxed under such regime including, as the case may be, the Ordinary Shares is set at a fixed percentage. This percentage is 4% of the average fair market value of these assets and liabilities at the beginning and at the end of every year (minus a tax-free amount). The tax rate applicable under the fictitious yield tax is 30%.

Dutch individuals engaged or deemed to be engaged in an enterprise and Dutch Corporate Entities

Any benefits derived or deemed to be derived from the Ordinary Shares (including any capital gains realised on the disposal thereof) that are attributable to an enterprise from which a Dutch Individual derives profits, whether (a) as an entrepreneur or (b) pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), are generally subject to income tax in his hands. Any benefits derived or deemed to

be derived from the Ordinary Shares (including any capital gains realised on the disposal thereof) that are held by a Dutch Corporate Entity are generally subject to corporate income tax in its hands.

Withholding tax

Dividend distributions are generally subject to a withholding tax imposed by the Netherlands at a rate of 25%. Dividend distributions include, but are not limited to:

- (1) distributions in cash or in Ordinary Shares, deemed and constructive distributions, and repayments of paid-in capital not recognised for Dutch dividend withholding tax purposes
- (2) liquidation proceeds, proceeds of redemption of the Ordinary Shares or, as a rule, consideration for the repurchase of the Ordinary Shares by the Company in excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes
- (3) the par value of Ordinary Shares issued to a holder of the Ordinary Shares or an increase in the par value of Ordinary Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- (4) partial repayment of paid-in capital, recognised for Dutch dividend withholding tax purposes, if and to the extent that the Company has net profits, unless:
 - (a) the General Meeting has resolved in advance to make such repayment; and
 - (b) the par value of the Ordinary Shares concerned has been reduced with an equal amount by way of an amendment of the Articles of Association

Dutch Individuals and Dutch Corporate Entities can generally credit the withholding tax against their income tax or corporate income tax liability and are generally entitled to a refund of dividend withholding taxes exceeding their aggregate income tax or corporate income tax liability.

In case Dutch domestic anti-dividend stripping rules apply, dividend withholding tax cannot be credited or refunded. Dividend stripping is deemed to be present if the recipient of a dividend is not the beneficial owner thereof and is entitled to a larger reduction or refund of dividend withholding tax than the beneficial owner of the dividends. Under the anti-dividend stripping provisions, a recipient of a dividend will not be considered the beneficial owner thereof if, as a consequence of a combination of transactions, a person other than the recipient wholly or partly benefits from the dividends, whereby such person retains, whether directly or indirectly, an interest in the shares on which the dividends were paid comparable with his position in similar shares before such combination of transactions, including the sole acquisition of one or more dividend coupons and the establishment of short-term rights of enjoyment on Ordinary Shares, while the transferor retains the ownership of the Ordinary Shares. The provisions apply to the transfer of the Ordinary Shares and dividend coupons and also to transactions that have been entered into in the anonymity of a regulated stock market.

Gift and inheritance taxes

A liability to gift tax will arise in the Netherlands with respect to an acquisition of the Ordinary Shares by way of a gift by an individual who is resident in the Netherlands or a corporate entity that is established in the Netherlands. A liability to inheritance tax will arise in the Netherlands with respect to an acquisition or deemed acquisition of the Ordinary Shares by way of an inheritance or bequest on the death of an individual who is resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, an individual who holds Dutch nationality will, *inter alia*, be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Dutch taxation of non-resident shareholders

This section describes certain Dutch tax consequences for a holder of Ordinary Shares who is neither resident nor deemed to be resident in the Netherlands (a '**Non-Resident Shareholder**'). This section does not describe the tax consequences for Non-Resident Shareholders whose interest in the Company qualifies as a participation under the participation exemption as laid down in the 1969 Act on Dutch corporate income tax.

Taxes on income and capital gains

A Non-Resident Shareholder will not be subject to any Dutch taxes on income or capital gains in respect of dividends the Company may distribute (other than withholding tax described below) or in respect of any gain realised on the disposal of Ordinary Shares, provided that:

-
- (1) such Non-Resident Shareholder does not derive profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which permanent establishment or permanent representative, as the case may be, the Ordinary Shares are attributable
 - (2) such Non-Resident Shareholder does not have a substantial interest or a deemed substantial interest in the Company, or, if such holder does have such an interest, it forms part of the assets of an enterprise
 - (3) if such Non-Resident Shareholder is an individual, the benefits derived from the Ordinary Shares are not taxable in the hands of such holder as a benefit from miscellaneous activities in the Netherlands
 - (4) such Non-Resident Shareholder is not entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Ordinary Shares or payments in respect of the Ordinary Shares are attributable
 - (5) such Non-Resident Shareholder does not carry out and has not carried out employment activities in the Netherlands with which the holding of or income derived from the Ordinary Shares is connected; and
 - (6) if such Non-Resident Shareholder is an individual, he or she does not opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation

See **‘Dutch taxation of resident shareholders’** for a description of the circumstances under which an investor’s Ordinary Shares form part of a substantial interest or may be deemed to form part of a substantial interest in the Company. It is noted that both non-resident individuals and non-resident corporate entities may hold a substantial interest.

Withholding tax

Dividends distributions are generally subject to a withholding tax imposed by the Netherlands at a rate of 25%. See **‘Dutch taxation of resident shareholders -- Withholding tax’** for a description of the concept dividend distributions. Entities that are resident of a country which is a member of the EU and that qualify for the application of the EU Parent -- Subsidiary Directive are eligible for an exemption of dividend withholding tax, provided certain conditions are met. If a holder of Ordinary Shares, whether an individual or an entity, is resident in a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and the holder is a qualifying resident for purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund (in whole or in part) of the Netherlands dividend withholding tax. See **‘Dutch taxation of resident shareholders -- Withholding tax’** for a discussion of certain anti-dividend stripping legislation. This legislation may also be applied to deny relief from or a refund of Dutch dividend withholding tax under double taxation conventions or the Parent-Subsidiary Directive.

On 21 September 2005 the Court of Appeal in Amsterdam requested the European Court of Justice to respond to prejudicial questions in respect of the Dutch 1965 Dividend Withholding Tax Act (*Wet op de dividendbelasting 1965*). The European Court of Justice has been asked whether the provision in the Dutch 1965 Dividend Withholding Tax Act, pursuant to which an exemption of withholding tax is granted under the condition that the recipient is a Dutch corporate tax payer who is entitled to the benefits of the participation exemption with respect to these dividends, is in conflict with the EU -Treaty since such exemption is not available to non-resident corporate shareholders.

Gift and inheritance taxes

No liability for gift or inheritance taxes will arise in the Netherlands with respect to an acquisition of the Ordinary Shares by way of a gift by, or on the death of, a Non-Resident Shareholder, unless:

- (1) such Non-Resident Shareholder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative, as the case may be, the Ordinary Shares are or were attributable; or
- (2) in the case of a gift of the Ordinary Shares by an individual who at the time of the gift was a Non-Resident Shareholder, such individual dies within 180 days after the date of the gift while (at the time of his death) being resident or deemed to be resident in the Netherlands

For purposes of Dutch gift and inheritance tax, an individual who holds Dutch nationality will, *inter alia*, be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift. The same 12-month rule may apply to entities that have transferred their seat of residence out of the Netherlands. Furthermore, in exceptional circumstances the deceased or

the donor will be deemed to be a resident of the Netherlands for purposes of Dutch gift and inheritance taxes if the heirs jointly, or the recipient of the gift, as the case may be, elect the deceased or the donor, as the case may be, to be treated as a resident of the Netherlands for purposes of Dutch gift and inheritance taxes.

Other taxes and duties

No Dutch capital tax, registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by the investors in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Ordinary Shares.

Value Added Tax

No Dutch value added tax will arise in respect of payments in consideration for the acquisition or the disposition of shares in respect of payments by the Company on the Ordinary Shares.

The Offering

Introduction

Shares in the Offering

The Offering consists of a public offering of up to 24,496,210 New Shares by the Company and up to 45,492,962 Existing Shares by the Selling Shareholder. Eligible retail investors and eligible employees of SNS REAAL will benefit from preferential allocation subject to certain conditions as discussed below. All Shares will be offered as part of a single Offering.

Over-Allotment Option

In addition, the Selling Shareholder has granted to the Underwriters the Over-Allotment Option, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Sole Global Co-ordinator, on behalf of the Underwriters, may require the Selling Shareholder to sell at the Offer Price Additional Shares to cover over-allotments, if any, in connection with the Offering.

In connection with the Offering, the Underwriters, through the Stabilisation Agent, may over-allot or effect transactions that stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be effected on Euronext Amsterdam, in the over-the-counter market or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may commence as early as the First Trading Date, may be discontinued at any time without prior notice and will end no later than 30 calendar days after the First Trading Date.

The table below sets forth the maximum number of Shares offered in the Offering, and the maximum number of Additional Shares which the Selling Shareholder may be required to sell in case of exercise of the Over-Allotment Option.

	Total maximum number of Shares (no exercise of Over-Allotment Option)	Total maximum number of Shares (full exercise of Over-Allotment Option)
New Shares	24,496,210	24,496,210
Existing Shares	45,492,962	45,492,962
Additional Shares	none	10,498,376

Institutional and Preferential Retail Allocation

The Offering consists of a public offering to institutional and retail investors in the Netherlands and an international offering to certain institutional investors.

Offer Price

The Offer Price will be determined on the basis of a book-building process. The Offer Price Range has been and the definitive Offer Price and the exact number of Shares offered in the Offering will be determined by the Company and the Selling Shareholder following recommendations from the Joint Bookrunners taking into account market conditions and factors, including:

- a qualitative assessment of demand for the Shares
- the Company's financial information
- the history of, and prospects for, SNS REAAL and the industry in which SNS REAAL competes
- an assessment of the Company's management, its past and present operations and the prospects for, and timing of, the Company's future revenues
- the present state of the Company's development
- the above factors in relation to other companies engaged in activities similar to those of SNS REAAL
- any other factors deemed appropriate

The Offer Price and the exact number of Shares offered in the Offering will be determined after termination of the Subscription Period and will be announced in a press release, an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands, and details thereof will be set out in a pricing statement which will be deposited with the AFM. The Company and the Selling Shareholder reserve the right to change, prior to the end of the Subscription Period, the Offer Price Range and/or the maximum number of Ordinary Shares being offered. See '**Change of Offer Price Range or number of Shares**' below.

Timetable

Subject to acceleration or extension of the timetable for the Offering, the timetable below sets forth certain expected key dates for the Offering. The same Subscription Period applies to retail and institutional investors.

Event	date
Start of Subscription Period	5 May 2006
End of Subscription Period	17 May 2006
Announcement of Offer Price	18 May 2006
Allotment Date	18 May 2006
First Trading Date	18 May 2006
Settlement Date	23 May 2006

Subscription

Subscription Period

Subject to acceleration or extension of the timetable for the Offering, prospective investors may apply to subscribe for the Shares during the period commencing on 5 May 2006 at 09:00 hours Amsterdam time and ending on 17 May 2006 at 16:00 hours Amsterdam time. In the event of an acceleration or extension of the Subscription Period, pricing, allocation, listing and first trading and payment for and delivery of the Shares in the Offering may be advanced or extended accordingly. If a significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the Shares arises or is noted prior to the end of the Subscription Period, a supplement to the Prospectus will be published and investors who have already agreed to purchase Shares may withdraw their subscriptions within three business days following the publication of the supplement.

Acceleration or extension

Any acceleration of the timetable for the Offering will be published in a press release at least three hours before the proposed termination of the accelerated Subscription Period. Any extension of the timetable for the Offering will be published in a press release at least three hours before the end of the original Subscription Period, provided that such extension will be for a minimum of one full business day. In any event, the Subscription Period will be at least six business days.

Change of Offer Price Range or number of Shares

The Company and the Selling Shareholder reserve the right to change the Offer Price Range or the maximum number of Ordinary Shares being offered prior to the end of the Subscription Period. Any such change on the last day of the Subscription Period will result in the Subscription Period being extended by at least two business days. Any change in the Offer Price Range or the maximum number of Shares being offered will be announced in a press release, in an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands (together with any related revision of the expected dates of pricing, allocation and closing).

Over-subscription

In the event the Offering is over-subscribed, the investor may receive a smaller number of Shares than the investor applied to subscribe for. The Underwriters may, at their own discretion and without stating the grounds, reject any subscriptions wholly or partly.

Allocation

Allocation to investors that applied to subscribe for Shares will be made on the basis of systematic allocation, and full discretion will be exercised as to whether or not and how to allocate the Shares applied for. As a result, certain investors may not be allocated Shares that they applied to subscribe for. Ultimately, the Company will determine the allocation of the Shares.

Notwithstanding the above, it is intended that certain investors will benefit from preferential allocation (see 'Employee Offering' and 'Preferential Retail Allocation').

Employee Offering

Each eligible employee of SNS REAAL will be allocated twenty Shares at no cost to the employee. Eligible employees are not permitted to transfer these Shares for a period of six months after the Settlement Date.

Preferential Retail Allocation

Introduction

There will be a preferential allocation of Shares to eligible retail investors in the Netherlands. Each eligible retail investor will be allocated the first two hundred Shares that such investor applied to subscribe for, provided that if the total number of Shares thus allocated to retail investors, together with the total number of Shares allocated pursuant to the Employee Offering, would exceed 13,997,834 Shares (equivalent to 20% of the total number of Shares offered in the Offering), the preferential allocation to eligible retail investors may take place on a basis *pro rata*, to the first two hundred Shares (or fewer) that an eligible retail investor applied to subscribe for and to which the Preferential Retail Allocation applies. As a result hereof an eligible retail investor may not be allocated fully the first two hundred Shares (or fewer) that he applied to subscribe for. Preferential allocation will only apply to the first two hundred Shares applied for per eligible retail investor, and full discretion is retained as to whether or not and how to allocate the remainder of the Shares applied for. An eligible employee of SNS REAAL is entitled to benefit from the Employee Offering and the Preferential Retail Allocation and as a result will be entitled to twenty Shares at no cost and preferential allocation of the (additional) first two hundred Shares that such employee applied to subscribe for, subject to the aforementioned limitations.

For the purpose of the Preferential Retail Allocation an eligible retail investor is either (i) a natural person resident in the Netherlands, which also includes those employees of SNS REAAL who meet the terms and conditions that will be communicated directly to the eligible employees, or (ii) a special investment vehicle having its seat in the Netherlands, which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for an individual natural person. To be eligible for preferential allocation, retail investors must further place their orders through a securities account in the Netherlands with SNS Bank, ABN AMRO Bank N.V., Rabobank or any other member of Euronext Amsterdam that is a member of the selling group.

Retail investors participating in the Offering will be deemed to have checked whether and confirmed that they meet the selling and transfer restrictions as discussed in '**SELLING AND TRANSFER RESTRICTIONS**'. If in doubt, retail investors should consult their professional advisors. An eligible retail investor may only place one order to benefit from preferential allocation. If the Company or the Joint Bookrunners determine, or have reason to believe, that a single investor has submitted multiple applications through one or more members of Euronext Amsterdam, they may disregard such applications.

Apart from the preferential allocation under the Employee Offering and the Preferential Retail Allocation, full flexibility is retained to change the intended allocation. All Shares will be offered as part of a single offering. There is no separate tranche for retail investors.

The exact number of Shares allocated to retail investors will be determined after the end of the Subscription Period.

In addition to this Prospectus, a brochure in the Dutch language is published. The brochure does not constitute a summary of this Prospectus within the meaning of applicable law and has not been approved by the AFM or any other authority.

Retail application

The period during which applications to subscribe for Shares may be received from retail investors will commence on 5 May 2006 at 09:00 hours Amsterdam time and end on 17 May 2006 at 16:00 hours Amsterdam time, subject to acceleration or extension, but will in any event not be shorter than six business days.

Eligible retail investors wishing to purchase Shares may submit a share application, free of charge, through the regular channels of SNS Bank, ABN AMRO Bank N.V., Rabobank or any other member of Euronext Amsterdam which has agreed to the conditions set by the Joint Bookrunners applicable to the acceptance of share applications. Investors should inquire about the costs that such financial intermediaries may charge and will be solely responsible for any such costs.

Share applications must be received before 16:00 hours Amsterdam time on the last day of the Subscription Period (currently expected to be 17 May 2006), subject to acceleration. In the event of an acceleration of the Subscription Period, the pricing, allocation, listing and first trading and payment for and delivery of the Shares in the Offering may be advanced accordingly. If the Company or the Joint Bookrunners determine, or have reason to believe, that a single investor has submitted multiple applications through one or more members of Euronext Amsterdam, they may disregard such applications.

Retail price

Retail investors can only subscribe on a *bestens* basis. This means that retail investors will be bound to purchase and pay for the Shares indicated in their share application, to the extent allocated to them, at the Offer Price, even if the Offer Price is above the upper end of the original Offer Price Range (see also '**Change of Offer Price Range or**

number of Shares'). Retail investors are entitled to cancel or amend their application, at the financial intermediary where their original application was submitted, at any time prior to the end of the Subscription Period.

Other

Payment

Payment for the Shares, and payment for Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, will take place on the Settlement Date. The Offer Price of the allocated Shares must be paid in full in euro. It is exclusive of any taxes and expenses, if any, which must be borne by the investor. The Offer Price of the Shares must be paid by investors in cash upon remittance of their share application or, alternatively, by authorising their financial intermediary to debit their bank account with such amount for value on or about 23 May 2006 (or earlier in the case of an early closing of the Subscription Period) and consequent acceleration of pricing, allocation, first trading and payment and delivery.

Delivery, clearing and settlement

The Shares will be registered shares which are entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Securities Giro Act (*Wet Giraal Effectenverkeer*). Application has been made for the Shares to be accepted for delivery through the book-entry facilities of Euroclear Nederland. Delivery of the Shares is expected to take place on or about 23 May 2006 through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

Subject to acceleration or extension of the timetable for the Offering, the Settlement Date, on which the closing of the Offering is scheduled to take place, is expected to occur on or about 23 May 2006, the third business day following the date on which trading is expected to commence (T+3). The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement (see '**SUBSCRIPTION AND SALE**') are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers' certificates and legal opinions and such events include the suspension of trading on Euronext Amsterdam or a material adverse change in the Company's financial condition or business affairs or in the financial markets.

There are certain restrictions on the transfer of the Company's Ordinary Shares, as detailed in '**SELLING AND TRANSFER RESTRICTIONS**'.

Listing and trading

Application has been made to list all the Ordinary Shares on Eurolist by Euronext under the symbol 'SR'. Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Eurolist by Euronext is expected to commence on or about 18 May 2006. Trading in the Shares before the closing of the Offering will take place on an 'as-if-and-when-issued-or-delivered' basis. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and Euronext Amsterdam may cancel transactions that have occurred. All dealings in the Shares, and in the Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading of the Ordinary Shares on an 'as-if-and-when-issued-or-delivered' basis as from the First Trading Date until the Settlement Date.

Lock-up

The Company and the Selling Shareholder have agreed with the Underwriters not to, among other things, issue, offer, pledge, sell, contract to sell, grant any option to purchase or otherwise dispose of, any Ordinary Shares (or any securities convertible into or exchangeable for Ordinary Shares or which carry rights to subscribe or purchase Ordinary Shares) or enter into a transaction (including a derivative transaction) having an effect on the market in the Ordinary Shares or publicly announce any intention to do any of such things, during the period commencing on the date of the Underwriting Agreement and ending, in case of the Company, 180 days, and in case of the Selling Shareholder, 360 days after the Settlement Date, without the prior written consent of the Joint Bookrunners, in accordance with or pursuant to the Underwriting Agreement.

Dividends

The Company will not pay dividends in respect of the financial year 2005. Although it does not give any assurances that it will declare any dividends or as to the amount of any such dividend, the Company intends to distribute

dividends in respect of the financial years 2006 and thereafter, and aims to pursue a stable dividend policy. The exact amount of dividends may vary from year to year (see '**DIVIDENDS AND DIVIDEND POLICY**').

Ranking

The rights of holders of New Shares and Existing Shares will rank *pari passu* with each other and will all other Ordinary Shares with respect to voting rights and distributions. Each Share entitles the holder thereof to cast one vote at the General Meeting. See '**DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE**'.

Roles

Sole Global Co-ordinator

Lehman Brothers, is acting as Sole Global Co-ordinator in connection with the Offering.

Joint Bookrunners.

Lehman Brothers and ABN AMRO Rothschild are acting as Joint Bookrunners in connection with the Offering.

Senior Co-Lead Manager

Rabo Securities is acting as Senior Co-Lead Manager in connection with the Offering.

Joint Listing Agents

Lehman Brothers and ABN AMRO Bank N.V. are Joint Listing Agents for the listing of the Ordinary Shares on Eurolist by Euronext. The address of ABN AMRO Bank N.V. is Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

Stabilisation Agent

Lehman Brothers is the Stabilisation Agent with respect to the Shares on Eurolist by Euronext.

Paying Agent

ABN AMRO Bank N.V. is the Paying Agent with respect to the Ordinary Shares on Eurolist by Euronext. The address of ABN AMRO Bank N.V. is Kemelstede 2, 4817 ST Breda, the Netherlands.

Subscription and Sale

The Offering is an offering of up to 69,989,172 Shares consisting of a public offering in the Netherlands to institutional and retail investors and an international offering to certain institutional investors. As part of the Offering, there will be a preferential allocation to eligible retail investors and eligible employees of SNS REAAL.

Lehman Brothers is Sole Global Co-ordinator and, together with ABN AMRO Rothschild, Joint Bookrunner. The Joint Bookrunners are the representatives of the Underwriters. The commission to be paid by the Company and the Selling Shareholder to the Underwriters amounts to € 27 million assuming that the Offer Price will be at the mid-point of the Offer Price Range and the Over-Allotment Option is not exercised and assuming the maximum number of Shares is included in the Offering. The Company and the Selling Shareholder will pay certain costs and expenses incurred in connection with the Offering.

Subject to certain conditions set forth in the Underwriting Agreement, the Company and the Selling Shareholder have agreed to sell to the Underwriters, and the Underwriters have severally agreed to subscribe for and purchase from the Company and the Selling Shareholder, and pay for, the percentage of Shares listed opposite the names of the Underwriters below.

Percentages of Shares

Lehman Brothers.....	(41%)
ABN AMRO Rothschild	(34%)
Rabo Securities	(9%)
SNS Securities.....	(1%)
Credit Suisse.....	(5%)
Deutsche Bank, London	(5%)
IXIS Corporate & Investment Bank	(5%)
Total	(100%)

The Company is offering up to 24,496,210 New Shares in the Offering and the Selling Shareholder is offering up to 45,492,962 Existing Shares in the Offering (excluding the existing Ordinary Shares in relation to which the Underwriters have been granted the Over-Allotment Option by the Selling Shareholder).

Default

If an Underwriter defaults, the Underwriting Agreement provides that in certain circumstances, the purchase commitments of the non-defaulting Underwriters may be increased or the Underwriting Agreement may be terminated.

Representations and warranties

In the Underwriting Agreement, each of the Company and the Selling Shareholder have made certain representations and warranties.

Termination Underwriting Agreement

The Underwriting Agreement provides that, upon the occurrence of certain events, such as the suspension of trading on Euronext Amsterdam or a material adverse change in the Company's financial condition or business affairs or in the financial markets, and on certain other conditions, the Underwriting Agreement will be terminated, provided that the Underwriters, upon the decision of the Sole Global Co-ordinator, have the right to waive the satisfaction of any such conditions or part thereof. In this event, the Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and Euronext Amsterdam may cancel transactions that have occurred. All dealings in the Shares, and in the Additional Shares which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, prior to settlement and delivery are at the sole risk of the parties concerned.

Addresses Underwriters

The addresses of the Underwriters are:

- Lehman Brothers: 25 Bank Street, E14 5LE London, United Kingdom
- ABN AMRO Rothschild: Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands
- Rabo Securities: Rembrandt Tower, Amstelplein 1, 1096 HA Amsterdam, the Netherlands
- SNS Securities: Nieuwezijds Voorburgwal 162-170, 1012 SJ Amsterdam, the Netherlands

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- Credit Suisse Securities (Europe) Limited, Equity Syndicate, 1 Cabot Square, London E14 4QJ London, United Kingdom
 - Deutsche Bank AG, London: Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom
 - IXIS Corporate & Investment Bank: 47, Quai d' Austerlitz, 75648 Paris Cedex 13, France

Stabilisation and short positions

In connection with the Offering, the Underwriters, through the Stabilisation Agent, may over-allot or effect transactions that stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be effected on Euronext Amsterdam, in the over-the-counter market or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may commence as early as the First Trading Date, may be discontinued at any time without prior notice and will end no later than 30 calendar days after the First Trading Date.

If the Underwriters through the Stabilisation Agent create a short position in the Shares in connection with the Offering, for example if they sell more Shares than the Selling Shareholder and the Company offer pursuant to the Prospectus, they may reduce that short position by purchasing Shares in the open market. The Underwriters through the Stabilisation Agent may also elect to reduce any short position by exercising all or part of the Over-Allotment Option. In addition, the Underwriters may impose a penalty bid. This occurs when a particular Underwriter repays to the Sole Global Co-ordinator and Joint Bookrunners a portion of the underwriting commission received by it because the Sole Global Co-ordinator and Joint Bookrunners have repurchased Shares sold by or for the account of such Underwriter in stabilising or short covering transactions.

Purchases of Shares to stabilise the trading price or to reduce a short position may cause the price of the Shares to be higher than it might be in the absence of such purchases.

None of the Company, the Selling Shareholder or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of the Company, the Selling Shareholder or any of the Underwriters makes any representation that the Stabilisation Agent will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Relationships and transactions with directly interested parties

Some of the Underwriters and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company or any parties related to the Company. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations (including those issued by the AFM). The Underwriters have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with an investor's and/or the Company's interests.

Selling restrictions

The Underwriters have agreed to restrictions on where and to whom they and any dealer purchasing from them may offer and sell Shares as part of the distribution of the Shares.

No public offering outside the Netherlands

No action has been or will be taken in any jurisdiction other than the Netherlands that would permit a public offering of the Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Non-Dutch stamp taxes

Purchasers of the Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

Selling and Transfer Restrictions

Notice to investors

The offer of Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional advisers as to whether the investor requires any governmental or other consents or needs to observe any other formalities to enable the investor to purchase the Shares.

None of the Company, the Selling Shareholder, or the Sole Global Co-ordinator are taking any action to permit a public offering of the Shares in any jurisdiction outside the Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for information purposes only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if the investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Shares being offered in the Offering, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements the investor should not distribute or send the same, to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to subscribe for the Shares being offered in the Offering, must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this section is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for the Shares being offered in the Offering, should consult their professional adviser without delay.

For investors outside the United States of America

Each investor of the Shares will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) the investor, and the person, if any, for whose account it is acquiring such Shares (a) is outside the United States and (b) is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- (ii) the investor is aware that the Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S; and
- (iii) the Shares may not be offered, sold, pledged or otherwise transferred in the United States or to or for the account of a U.S. person (as defined in regulation S) except in accordance with Rule 903 or 904 of Regulation S or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States; and

the investor acknowledges that the Company, the Selling Shareholder, the Underwriters and others will rely upon the truth and accuracy of the foregoing representations and agreements. Any certificate representing the Shares or any depositary receipts representing the right to receive deposited Shares shall bear a legend setting forth the foregoing transfer restrictions.

For investors in the United States of America

Terms used in this paragraph that are defined in Regulation S are used herein as defined therein.

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred in the United States or to or for the account of a U.S. person (as defined in regulation S) except in accordance with Rule 903 or 904 of Regulation S or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States.

For investors in the European Economic Area

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Shares to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Shares to the public in that Relevant Member State:

- (i) in the period beginning on the date of publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) total balance sheet assets of more than € 43,000,000 and (3) an annual net turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Articles 3 or 4 of the Prospectus Directive.

For the purposes of this provision, the expression an ‘**offer of Shares to the public**’ in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive includes any relevant implementing measure in each Relevant Member State.

For investors in the United Kingdom

Neither this Prospectus nor any other offering material has been submitted to the clearance procedures of the Financial Services Authority in the United Kingdom. The Shares have not been offered or sold and, prior to the expiry of a period of six months from the sale of the Shares, will not be offered or sold to persons in the United Kingdom except to ‘qualified investors’ as defined in section 86 of the Financial Services and Markets Act 2000 (‘**FSMA**’).

Each Underwriter represents, warrants and agrees that:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;
- (ii) it has not offered or sold and will not offer or sell the Shares other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses;
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of the Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or in respect of which an exemption (as set out in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005) applies; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

For investors in Belgium

The Shares may not be offered publicly, directly or indirectly, in Belgium at the time of the Offering. The Offering has not been notified to, and the offering documents (including this Prospectus) have not been approved by, the Belgian Banking and Finance Commission. The Shares may be sold in Belgium only to professional investors as defined in Article 3 of the Royal Decree of 7 July 1999 on the public nature of financial transactions acting for their own account, and this Prospectus may not be delivered or passed on to any other investors.

For investors in France

Neither this Prospectus nor any other offering material relating to the Shares has been submitted to the clearance procedures of the *Autorité des marchés financiers* in France. The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Prospectus nor any other offering material

relating to the Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Shares to the public in France. Such offers, sales and distributions will be made in France only to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with Article L.411-2 of the French Code *monétaire et financier* and French Decree No. 98-880 dated 1 October 1998. Such Shares may be resold only in compliance with Articles L.411-1, L.411-2 and L.412-1 of the French Code *monétaire et financier*. Investors in France and persons who come into possession of offering materials are required to inform themselves about and observe any such restrictions.

For investors in Germany

This Prospectus may not be distributed, and the Shares may not be offered or sold, in the Federal Republic of Germany other than to persons who are qualified investors as defined in Section 2 no. 6 of the WpPG, or to less than 100 non-qualified investors. Nothing in this Prospectus should be construed as investment advice to persons other than such permitted recipients or as otherwise constituting a public offering within the meaning of the WpPG or any other laws applicable in the Federal Republic of Germany.

For investors in Italy

The Offering has not been cleared by Consob pursuant to Italian securities legislation and, accordingly, the Underwriters will not offer, sell, or deliver any Shares or distribute copies of this Prospectus or of any other document relating to the Shares in the Republic of Italy, except to professional investors, as defined in Article 31, second paragraph, of Consob Regulation n. 11522 of 1 July 1998, as amended, and provided that such professional investors will act in their capacity and not as depositaries or nominees for other shareholders.

For investors in Luxembourg

Each Underwriter has represented, warranted and agreed that no public offerings or sales of the Shares or any distribution of this Prospectus or any other offering material relating to the Shares will be made to the public in or from Luxembourg, except for the Shares in respect of which the requirements of Luxembourg law concerning a public offering of securities in Luxembourg have been fulfilled.

For investors in Norway

The Offering is, with respect to Norway, directed solely to registered professional investors according to the Norwegian Securities Trading Act Section 5-2, 1. Subscriptions by any other Norwegian person or body corporate will be rejected.

For investors in Spain

The Offering has not been registered with the *Comisión Nacional del Mercado de Valores* in Spain. Accordingly, no Shares will be offered or sold in Spain nor may this Prospectus or any other offer material be distributed or targeted at Spanish resident investors save in compliance and in accordance with the requirements of the Spanish Securities Market Law 24/1998. Royal Decree 291/1992 on Issues and Public Offers of Securities, both as amended, and any regulation issued thereunder.

For investors in Sweden

This Prospectus is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority nor any other Swedish public body has examined, approved or registered this document.

For investors in Switzerland

The Offering is not an offering in Switzerland and no Shares will be offered or sold in Switzerland. This prospectus may not be distributed to more than 20 persons in Switzerland.

For investors in Hong Kong

Each of the Underwriters has represented and agreed that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Shares other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent), or (ii) in other circumstances which do not constitute an offer to the public within the meaning of

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- the Companies Ordinance (Cap. 32) ('CO'), or (iii) to 'professional investors' within the meaning of the Securities and Futures Ordinance (Cap. 571) ('SFO') and any rules made under the SFO, or (iv) in other circumstances which do not result in the document being a 'prospectus' within the meaning of the CO; and
- (b) it has not issued, or had in its possession for the purpose of issue, and will not issue, or have in its possession for the purpose of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' within the meaning of the SFO and any rules made under the SFO.

For investors in Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of the laws of Japan.

For investors in Australia

This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission as a disclosure document for the purposes of the Corporations Act 2001.

Any Shares issued upon acceptance of the Offering may not be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia for at least 12 months after their issue, except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act 2001 or unless a disclosure document that complies with the Act is lodged with the Australian Securities and Investments Commission.

For investors in Canada

This communication does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for the Shares and is not for distribution into Canada. The Shares have not been and will not be qualified by a prospectus for sale to the public under applicable Canadian securities laws and, subject to certain exceptions, may not be, directly or indirectly offered or sold within Canada or to, or on behalf of, any national, resident or citizen, including any corporation or other entity, of Canada. Any failure to comply with these restrictions may constitute a violation of the Canadian securities laws.

General Information

Market Information

Eurolist by Euronext

Prior to the Offering, there has been no public market for the Ordinary Shares. The Company has applied to list its Ordinary Shares on Eurolist by Euronext. Following the application for the listing on Eurolist by Euronext, the Company is subject to Dutch securities regulations and supervision by the relevant Dutch authorities in respect of listed companies.

The relevant regulator in the Netherlands is the AFM. The AFM is the competent authority for approving prospectuses published for admission of securities to trading on Eurolist by Euronext and/or for public offering of securities. Pursuant to the implementation of the Market Abuse Directive and related Commission Directives on 1 October 2005, the AFM has taken over from Euronext Amsterdam its supervisory powers with respect to publication of inside information by listed companies. The surveillance unit of Euronext Amsterdam continues to monitor and supervise all trading operations.

Corporate resolutions

The issue of the New Shares will take place on the Settlement Date pursuant to the following resolutions: (i) a resolution of the General Meeting adopted on 9 March 2006 to delegate to the Executive Board the authority to resolve to issue Ordinary Shares and exclude or limit pre-emptive rights; (ii) a resolution of the holder of the, at the time still outstanding priority share, adopted on 9 March 2006, to approve the resolution of the General Meeting; (iii) three resolutions of the Executive Board, adopted on 9 March 2006 and 4 May 2006 and expected to be adopted on 17 May 2006 respectively; (iv) three resolutions of the Supervisory Board adopted on 9 March 2006 and 4 May 2006 and expected to be adopted on 17 May 2006 respectively.

Significant change in SNS REAAL's financial or trading position

No significant change in the financial or trading position of SNS REAAL has occurred since 31 December 2005.

Availability of documents

Copies, in Dutch and in English, of the consolidated audited annual financial statements of SNS REAAL for the years ended 31 December 2005, 31 December 2004 and 31 December 2003, the Articles of Association, the articles of association of the Selling Shareholder, the European embedded value disclosure report, dated March 2006 and the Dutch retail brochure are available free of charge at the Company's head office at Croeselaan 1, 3521 BJ Utrecht, the Netherlands during normal business hours and from the Company's website www.snsreaal.nl, from the date of this Prospectus until at least the date of delivery of the Shares, which is expected to be 23 May 2006.

Independent auditors

KPMG, independent auditors, have audited, and rendered unqualified audit reports on, the Company's financial statements for each of the financial years ended 31 December 2005, 2004 and 2003. The address of KPMG is Burgemeester Rijnderslaan 10-20, 1158 MC Amstelveen, the Netherlands. Each partner of KPMG is a member of the Royal Dutch Institute of Chartered Accountants (*Koninklijk Nederlands Instituut voor Registeraccountants*).

The Company confirms that the information in KPMG's report in '**FINANCIAL INFORMATION**' has been accurately reproduced and that as far as it is aware and able to ascertain from information published by that party, no facts have been omitted which would render KPMG's report inaccurate or misleading.

Definitions

Additional Shares	Additional existing Ordinary Shares held by the Selling Shareholder which it may be required to sell pursuant to the Over-Allotment Option of up to 15% of the total number of Shares issued by the Company and sold by the Selling Shareholder pursuant to the Offering
AFM	Netherlands Authority for the Financial Markets (<i>Stichting Autoriteit Financiële Markten</i>)
APE	Annual premium equivalent
Articles of Association	Articles of association of the Company, as most recently amended on 3 May 2006
ASN Bank	Algemene Spaarbank voor Nederland ASN N.V.
ATM	Automatic teller machine
AUM	Assets under management
Basel Committee	The Basel Committee on Banking Supervision of the Bank for International Settlements
Basel I	Risk-based capital measurement guidelines endorsed by the Basel Committee on 15 July 1988
Basel II	New capital adequacy guidelines adopted by the Basel Committee on 26 June 2004
BIS ratio	Solvency ratio of banks, calculated according to the guidelines of the Bank of International Settlements
BKR	Bureau for Credit Registration (<i>Bureau Krediet Registratie</i>)
BLG Hypotheekbank	BLG Hypotheekbank N.V.
Board	The executive board of SNS Bank, the executive board of REAAL Verzekeringen, or the executive board of SNS Reaal Invest, as the context requires
Bouwfonds	Bouwfonds Hypotheken B.V.
CBS	Statistics Netherlands (<i>Centraal Bureau voor de Statistiek</i>)
Central Works Council	Central works council (<i>centrale ondernemingsraad</i>) of SNS REAAL
CEO	Chief executive officer
CFO	Chief financial officer
CO	Companies Ordinance (Cap. 32) of Hong Kong
Code	The Dutch corporate governance code issued on 9 December 2003
Co-Lead Managers	SNS Securities N.V., Credit Suisse Securities (Europe) Limited, Deutsche Bank AG and IXIS Corporate & Investment Bank
Company	SNS REAAL N.V.
Core Capital ratio	Tier 1 capital (without hybrid Tier 1 capital) divided by the risk weighted assets
CVB Bank	CVB Bank N.V.
Daily Official List	The <i>Officiële Prijscourant</i> of Euronext Amsterdam
Double leverage ratio	The equity participations in the Company's direct subsidiaries divided by its shareholders' equity
Dutch Banking Act	1992 Act on the supervision of the credit system (<i>Wet toezicht kredietwezen 1992</i>)
Dutch Central Bank	De Nederlandsche Bank N.V.
Dutch Corporate Entities	Corporate entities (including associations which are taxed as corporate entities) that are resident or deemed to be resident in the Netherlands for purposes of Dutch taxation and which invest in the Ordinary Shares
Dutch Disclosure Act	1996 Act on the disclosure of voting power and capital interest in listed companies (<i>Wet melding zeggenschap in ter beurse genoteerde vennootschappen 1996</i>)
Dutch Financial Services Act	Act on Financial Services (<i>Wet financiële dienstverlening</i>)
Dutch FMSA	Financial Markets Supervision Act (<i>Wet op het financieel toezicht</i>)

Dutch GAAP	Accounting principles generally accepted in the Netherlands as applied by SNS REAAL
Dutch Individuals	Individuals who are resident or deemed to be resident in the Netherlands or, with respect to personal income taxation, individuals who opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation and who invest in the Ordinary Shares
Dutch Insurance Act	1993 Act on the supervision of the insurance business (<i>Wet toezicht verzekeringsbedrijf 1993</i>)
Dutch Investment Institutions Act	Act on the supervision of investment institutions (<i>Wet toezicht beleggingsinstellingen</i>)
Dutch Decree Market Abuse	Governmental decree pursuant to the Dutch Securities Act dated 14 September 2005 (<i>Besluit Marktmissbruik</i>)
Dutch Private Individual	A Dutch Individual who holds Ordinary Shares that are not attributable to an enterprise from which he derives profits as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder
Dutch Securities Act	1995 Act on the supervision of the securities trade (<i>Wet toezicht effectenverkeer 1995</i>)
EaR	Earnings at Risk
EC	European Commission
EEA State	Each State party to the Agreement relating to the European Economic Area
EEV	European embedded value
EEV Principles	European Embedded Value Principles published by the CFO Forum in May 2004
efficiency ratio	In respect of SNS Bank, operating expenses as a percentage of total income
EIU	Economist Intelligence Unit
Employee Offering	Preferential allocation of Shares to eligible employees of SNS REAAL
Enterprise Chamber	Enterprise Chamber of the Amsterdam Court of Appeal (<i>Ondernemingskamer van het Gerechtshof te Amsterdam</i>)
EU	European Union
€ or EUR or euro	The currency of the European Monetary Union
Euroclear	Euroclear Bank S.A./N.V. as operator of the Euroclear System
Euroclear Nederland	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.
Euronext Amsterdam	Euronext Amsterdam N.V.
Eurolist by Euronext	Euronext Amsterdam's Eurolist by Euronext
Executive Board	The executive board (<i>Raad van Bestuur</i>) of the Company
Existing Shares	Up to 45,492,962 existing Ordinary Shares
Financial Conglomerates Directive	Directive 2002/87/EC of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate

First Trading Date	The date on which trading in the Ordinary Shares on Euronext Amsterdam is expected to commence, which, subject to acceleration or extension of the timetable for the Offering, is expected to be on or about 18 May 2006
FSMA	The United Kingdom Financial Services and Markets Act 2000
FTE	Full time equivalent
FTK	Financial Assessment Framework (<i>Financieel Toetsingskader</i>)
GDP	Gross domestic product
General Meeting	General meeting of shareholders of the Company
GWP	Gross written premium
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	incurred but not reported
IFA	independent financial advisor
IFRS	International Financial Reporting Standards
IRB	Internal rating based
Joint Bookrunners	Lehman Brothers and ABN AMRO Rothschild
KPMG	KPMG Accountants N.V.
Large Company Regime	Large company regime (<i>structuurregime</i>) set out in Article 2:152 to 2:162 and 2:164 inclusive of the Dutch Civil Code
Lehman Brothers	Lehman Brothers International (Europe)
Joint Listing Agents	Lehman Brothers International (Europe) and ABN AMRO Bank N.V.
LtFV	Loan-to-Foreclosure Value
LTIP	long term incentive plan for the members of the Executive Board and the key corporate officers referred to in ' Other corporate officers ', who are not members of the Executive Board
Masterfleet	Masterfleet N.V.
New Shares	Up to 24,496,210 new Ordinary Shares
NHG	National Mortgage Guarantee (<i>Nationale Hypotheek Garantie</i>)
Nieuwe Hollandse Lloyd	Nieuwe Hollandse Lloyd Verzekeringsgroep N.V. and its subsidiaries
Non-Resident Shareholder	A holder of Ordinary Shares who is neither resident nor deemed to be resident in the Netherlands
OECD	Organisation for Economic Co-operation and Development
Offering	The offering of the Shares as described in this Prospectus
Offer Price	€ [●] per Share
Offer Price Range	The price range from € 16.00 to € 18.50 (inclusive) per Share
Operational cost/premium ratio	In respect of REAAL Verzekeringen, gross operating expenses, excluding commission and acquisition costs, less commission income, divided by premium income in which 10% of single premiums are taken into account and 100% of regular premiums
Ordinary Shares	Ordinary shares in the share capital of the Company, each with a nominal value of €1.63
Over-Allotment Option	An option granted to the Underwriters, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Sole Global Co-ordinator, on behalf of the Underwriters, may require the Selling Shareholder to sell at the Offer Price the Additional Shares, to cover over-allotments, if any, in connection with the Offering
Paying Agent	ABN AMRO Bank N.V.
PrimeLine	LaSer-Lafayette Services Nederland B.V. (previously named PrimeLine services B.V.)

Prospectus	This Prospectus dated 5 May 2006
Prospectus Directive	Directive 2003/71/EC
Proteq Direct	Proteq levensverzekeringen N.V. and Proteq schadeverzekeringen N.V.
Publication Date	5 May 2006, the date on which this Prospectus is published
PVNB	Present value of future new business premiums
REAAAL Verzekeringen	REAAAL Verzekeringen N.V., REAAAL Verzekeringen N.V. and its subsidiaries and/or SNS REAAAL's insurance operations as applicable
Regulation S	Regulation S under the Securities Act
Relevant Implementation Date	The date on which the Prospectus Directive is implemented in that Relevant Member State
Relevant Member State	Each Member State of the EEA which has implemented the Prospectus Directive
Retail-plus	Private customers and smaller businesses
Retail-plus market	The retail and SME market combined
Preferential Retail Allocation	Preferential allocation of Shares to eligible retail investors in the Netherlands
ROE	Return on shareholders' equity after tax
SCB	Service Centre Payment Services
SCI	Service Centre Insurance
SCM	Service Centre Mortgages
SCS	Service Centre Securities
Securities Act	United States Securities Act of 1933, as amended
Senior Co-Lead Manager	The equity investment bank of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. acting under the name Rabo Securities
Selling Shareholder	Stichting Beheer SNS REAAAL
Settlement Date	The date on which the closing of the Offering is scheduled to take place, which, subject to acceleration or extension of the timetable for the Offering, is expected to be on or about 23 May 2006, the third business day following the First Trading Date (T+3)
SFO	Securities and Futures Ordinance (Cap. 571) of Hong Kong
Shares	The New Shares together with the Existing Shares
SME or SMEs	Small and medium sized enterprises
SNS Asset Management:	SNS Asset Management, a unit of SNS Bank
SNS Bank	SNS Bank N.V., SNS Bank N.V. and its subsidiaries and/or SNS REAAAL's banking operations, as applicable
SNS REAAAL	The Company and its subsidiaries
SNS Reaal Invest	SNS Reaal Invest N.V.
SNS REAAAL pension fund	SNS REAAAL's pension fund which was financially separated from SNS REAAAL in 2005
SNS Securities	SNS Securities N.V.
Sole Global Co-ordinator	Lehman Brothers International (Europe)
SPVs	Special Purpose Vehicles
Stabilisation Agent	Lehman Brothers International (Europe) in its capacity as stabilisation agent
STBR	Straight Through Business Reporting
STP	Straight Through Processing

Subscription Period	Subject to acceleration or extension of the timetable for the Offering, the period commencing on 5 May 2006 at 9:00 Amsterdam time and ending on 17 May 2006 at 16:00 Amsterdam time
Summary	The section of this Prospectus entitled SUMMARY commencing on page 3
Supervisory Board	The supervisory board (<i>Raad van Commissarissen</i>) of the Company
Tier 1 capital	The core solvency capital calculated according to the guidelines of the Bank of International Settlements. Tier 1 capital is the sum of core capital elements, including capital stock, surplus, undivided profits, qualifying non-cumulative perpetual preferred stock and, in the case of consolidated accounts also, minority interest in the equity accounts of subsidiaries which are less than wholly-owned, less goodwill and other intangible assets.
Tier 1 ratio	Tier 1 capital (including hybrid Tier 1 capital) divided by the risk weighted assets
Underwriters	Joint Bookrunners, Senior Co-Lead Manager and Co-Lead Managers
Underwriting Agreement	The underwriting agreement among the Company, the Selling Shareholder, the Underwriters and ABN AMRO Bank N.V. and dated 17 May 2006
Univé	Coöperatie Univé U.A.
VaR	Value at Risk
VOBA	Value Of Business Acquired
WIA	Act on Employment and Income according to Capacity to Work (<i>Wet Werk en Inkomen naar Arbeidsvermogen</i>)
Zurich	Zürich Versicherungs-Gesellschaft together with Zürich Lebensversicherungs-Gesellschaft
Zurich portfolios	The Dutch life insurance portfolio and part of the Dutch non-life insurance portfolio of Zürich Versicherungs-Gesellschaft and Zürich Lebensversicherungs-Gesellschaft as acquired by SNS REAAL

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Auditor's report

In our opinion, the consolidated financial statements for the year 2005 and the comparative data for the years 2004 and 2003, as included in this prospectus on pages F-3 to F-160, are consistent, in all material respects, with the financial statements for those years from which they have been derived. We issued unqualified auditors reports on these financial statements on 9 March 2006, 9 March 2005 and 15 March 2004 respectively.

Amstelveen, 4 May 2006

KPMG Accountants N.V.

S.J. Kroon RA

Consolidated financial statements for the year 2004 and comparative data for the year 2003

Consolidated balance sheet

Before profit appropriation and in € millions		31 December 2004	31 December 2003
Assets			
Intangible fixed assets	1	10	15
Tangible fixed assets	2	106	119
Participating interests	3	306	478
Investments	4	11,390	11,987
Mortgage loans	5	35,450	31,997
Other loans	6	2,648	3,358
Banks	7	3,124	2,410
Liquid assets	8	753	420
Other assets	9	667	1,059
Accrued assets	10	1,225	1,215
Total assets		55,679	53,058
Liabilities			
Shareholders' equity	11	1,961	1,643
Third-party interests	12	298	298
Group equity		2,259	1,941
Subordinated debts	13	1,145	1,156
Fund for general banking risks	14	70	70
Capital base		3,474	3,167
General provisions	15	140	308
Technical provisions, insurance operations	16	11,330	11,174
Savings	17	11,263	10,404
Other funds entrusted, banking operations	18	7,338	7,156
Debt certificates	19	17,813	16,169
Banks	20	2,372	2,344
Other liabilities	21	1,034	1,055
Accrued liabilities	22	915	1,281
Total liabilities		55,679	53,058

The numbers mentioned with the balance sheet items refer to the notes starting on page F-13.

Consolidated profit and loss account

In € millions		2004	2003
Income			
Gross premium income	23	1,689	1,779
Investment income	24	815	723
Interest income, banking operations	25	1,788	1,794
Commission	26	109	92
Other income	27	74	84
Total income		4,475	4,472
Expenses			
Technical expenses, insurance operations	28	1,876	1,934
Interest charges, banking operations	29	1,283	1,282
Other interest charges	30	41	29
Staff costs	31	426	460
Other operating expenses	32	366	347
Value adjustments to loans and advances and financial fixed assets	33	71	61
Other expenses	34	3	2
Total expenses		4,066	4,115
Operating profit before taxation		409	357
Taxes	35	81	97
Group profit		328	260
Third-party interests	36	18	17
Net profit		310	243

The numbers mentioned with profit and loss account items refer to the notes starting on page F-35.

Consolidated cash flow statement

In € millions	2004	2003
<i>Cash flow from operational activities</i>		
Net profit	310	243
Adjustments for:		
- Depreciation	43	45
- Value adjustments to loans and advances	71	61
- Change in general provisions	(169)	(43)
- Other changes in accrued and deferred items	(3)	97
	(58)	160
Cash flow from business operations	252	403
Change in mortgage loans	(3,453)	(3,564)
Change in other loans	710	836
Change in banks (not payable on demand)	(515)	(375)
Change in technical provisions, insurance operations	156	2,921
Change in savings	858	786
Change in other funds entrusted, banking operations	183	701
Other changes relating to operational activities	(59)	(28)
	(2,120)	1,277
Total cash flow from operational activities	(1,868)	1,680
<i>Cash flow from investment activities</i>		
Investments and purchases:		
- Investment portfolios	8,147	7,905
- Other participating interests	160	530
- Tangible fixed assets	32	50
- Intangible fixed assets	5	13
	(8,344)	(8,498)
Divestments, redemptions and disposals:		
- Investment portfolios	8,501	5,200
- Participating interests	250	472
- Tangible fixed assets	10	3
- Intangible fixed assets	2	--
	8,763	5,675
Change in investments on behalf of policyholders	321	(869)
Total cash flow from investment activities	740	(3,692)

Consolidated cash flow statement

In € millions	2004	2003
<i>Cash flow from financing activities</i>		
Income from subordinated loans	--	235
Redemptions of subordinated loans	(12)	(16)
Income from debt certificates	10,611	13,709
Redemptions of debt certificates	(8,967)	(11,750)
Total cash flow from financing activities	1,632	2,178
Change in liquid assets	504	166

General notes

Principles for the consolidated balance sheet and profit and loss account of SNS REAAL Group

Consolidation principles

SNS REAAL Group N.V. holds 100% of the shares in SNS Bank N.V., REAAL Verzekeringen N.V. and SNS REAAL Invest N.V., which are respectively engaged in banking, insurance and other operations. The classification of items in the consolidated balance sheet, consolidated profit and loss account and the consolidated cash flow statement, as well as the accounting principles, are therefore presented as far as possible in accordance with the relevant guidelines and formal procedures prescribed for banks and insurance companies as a whole. The summary of the group companies shows which of them form part of SNS Bank, REAAL Verzekeringen and SNS REAAL Invest, respectively.

The assets, liabilities, income and expenses of SNS REAAL Group and its group companies are consolidated in full. Third-party interests in the equity and income of group companies are disclosed separately in the consolidated balance sheet and the profit and loss account. Financial relationships and transactions conducted between SNS REAAL Group, SNS Bank, REAAL Verzekeringen and SNS REAAL Invest within the framework of the normal business operations and in line with normal commercial practice are not eliminated. All other mutual financial relationships and transactions are eliminated. This method is designed to provide clear insight into the development of the business activities.

The notes to the consolidated balance sheet and profit and loss account present information by segment, making a distinction between SNS Bank, REAAL Verzekeringen and the group. With effect from 2004, in connection with the change of strategy, the SNS REAAL Invest information is accounted for under 'other'. The results of REAAL Verzekeringen are divided into the categories life insurance, non-life insurance and other.

The company profit and loss account was prepared in accordance with article 402, Book 2 of the Netherlands Civil Code.

Changes to principles and presentation

In order to fall more into line with what is customary in the sector, and/or international developments, the following changes have been introduced in the presentation. The management fees on capital invested in the banking operations are henceforth being presented as commission and no longer as other income. The comparative figures have been adjusted.

Also, the results of a number of specific investments are accounted for henceforth in net terms. As a consequence, the result is stated in the taxes item. This change has no effect on the equity or the results. The net interest income at SNS Bank is € 15.6 million lower as a result. This is compensated by lower corporation tax for the same amount.

In order to obtain greater insight into the developments of the controllable operating expenses, it has been decided to present the amortisation expenses of € 10.2 million on the 'value of business acquired' as technical expenses, insurance operations. The corresponding technical costs are also accounted for under this item. Since it would be of little relevance, we have not adjusted the comparative figures.

Principles for valuation and determination of results

GENERAL PRINCIPLES

Valuation

The assets and liabilities are carried at nominal value unless stated otherwise.

The valuation of tangible and intangible fixed assets, participating interests and investments works on the principle of permanent loss of value. The identified permanent loss of value is charged directly to the profit and loss account. Permanent loss of value in relation to assets stated at fair value is charged to the revaluation reserve and is only charged to the result if and insofar as there is a negative revaluation reserve on balance.

Recognition

Assets are included in the balance sheet if these can be expected to generate future economic benefits for the company and if the value of these benefits can be estimated with a fair degree of accuracy. Liabilities are included in the balance sheet if their settlement will lead to an outflow of assets, which could generate economic benefits whose value can be estimated with a fair degree of accuracy.

Income is included in the profit and loss account if an increase in the value of an asset or decrease in the value of a liability leads to an increase in the economic potential, the size of which can be estimated with a fair degree of accuracy. Expenses are recognised in the profit and loss account if a decrease in the value of an asset or increase in the value of a liability leads to a reduction in the economic potential, the size of which can be estimated with a fair degree of accuracy.

Financial assets and liabilities are balanced and stated as a net amount in the balance sheet if and insofar as legal or contractual provisions permit SNS REAAL Group to simultaneously settle and balance the asset and obligation and if there was a prior intention to settle said items in this manner.

Foreign currency

Assets and liabilities denominated in foreign currency, and forward exchange contracts entered into in relation to borrowing and lending activities, are converted at the spot rate applicable on the balance sheet date. Gains and losses resulting from foreign currency transactions are converted at the rates prevailing on the balance sheet date. Foreign currency differences are accounted for in the profit and loss account. Results arising from forward exchange contracts entered into for borrowing and lending activities are recognised in the profit and loss account in proportion to the expired part of the term.

Derivatives

Derivatives are carried at fair value, i.e. the estimated market value. Value adjustments to these derivatives are accounted for directly in the profit and loss account as income from financial transactions under Other income.

Hedge accounting

Transactions are treated as hedging instruments if identified as such and if the hedging is highly effective in the sense that changes in the fair value of the hedging instrument largely compensate changes in the fair value of the hedged position. Financial instruments (including derivatives) used for hedging purposes are accounted for in accordance with the accounting principles applicable to the hedged position. If financial instruments are used to hedge risks relating to specific assets or liabilities, which are subsequently sold or terminated, then the instruments are no longer treated as hedging instruments. Gains and losses resulting from hedging instruments are included in the profit and loss account concurrently with the gains and losses resulting from the settlement of the hedged position.

Reinsurance

Reinsurance premiums, commission, claims payments, as well as provisions concerned with reinsurance are accounted for in the same manner as the original contracts for which they were concluded. Receivables relating to reinsurance are included under Other assets.

SPECIFIC PRINCIPLES

Tangible and intangible fixed assets

Tangible and intangible fixed assets are carried at cost net of accumulated depreciation or amortisation respectively. Straight-line depreciation or amortisation is applied over the estimated useful lives of the assets. For software, IT equipment and the other movable assets, the amortisation or depreciation period used is three to five years.

Participating interests

Participating interests where significant control is exercised over the business and financial policy are carried at net asset value. The Group's share in the profits or losses of these participating interests and the gains or losses realised on their disposal are accounted for in the profit and loss account as income from securities and participating interests under Other income. Differences between the cost and the share in the fair value of the acquired assets and liabilities (goodwill) are credited or charged directly to the shareholders' equity.

Other participating interests are valued at cost or lower fair value, i.e. the stock exchange prices of the shares in these participating interests or, if unlisted, the estimated market value based on the stock exchange prices of similar securities.

INVESTMENTS

Land and buildings

Land and buildings used by SNS Bank are carried at replacement value, based on continuity and functionality. The replacement value is determined on the basis of regular rotation whereby all buildings are appraised at least once every ten years. Value adjustments resulting from these appraisals are credited or charged directly to the revaluation reserve after deducting deferred taxes. Depreciation is applied on a straight-line basis, taking account of estimated useful life and residual value. Buildings under construction are valued on the basis of incurred expenditure.

Land and buildings used by REAAL Verzekeringen are carried at fair value, i.e. the estimated proceeds from a private sale in their rented state. Appraisals are made on a rotational basis where all land and buildings are independently appraised at least once every five years. Unrealised value adjustments are credited or charged to the revaluation reserve, after deducting deferred taxes. No depreciation is applied in relation to land and buildings, with the exception of payments made for the perpetual settlement of ground rent. Gains and losses realised in the sale of land or buildings are directly incorporated in the profit and loss account, taking account of taxes and/or deferred taxes. Buildings under construction (including land) are valued on the basis of incurred expenditure.

Land and buildings not in own use

Land and buildings not used for the group's own activities are carried at fair value, i.e., the estimated proceeds from a private sale in their rented state. No depreciation is applied. Gains or losses (including realised value adjustments) made on the sale are reported in the profit and loss account.

Shares and convertible bonds

Shares and convertible bonds are carried at fair value. For the listed shares and convertible bonds, as well as the related options, this is the market price on the balance sheet date. Unlisted securities are stated at the estimated fair value.

For the investments in shares held by SNS Bank, unrealised changes in value are reported in the revaluation reserve, taking account of deferred taxes. Realised changes in value are included directly in the profit and loss account.

For REAAL Verzekeringen, unrealised and realised value movements are accounted for in the revaluation reserve, taking account of deferred taxes. In the event of a negative revaluation reserve, value adjustments are charged against profits. Insofar as the revaluation reserve relates to life insurance operations, an amount is released from this reserve to the profit and loss account to supplement the total return on investment. This amount is computed as the difference between, on the one hand, the average yield on ten-year Dutch government bonds over the previous ten years, applied at the average value of this investment portfolio and, on the other hand, the dividends actually received.

Participating interests are carried at cost or lower fair value, i.e. the estimated market value.

Investments in fixed-income securities

Investments in fixed-income securities are carried at redemption value. The difference between the redemption value and the purchase price is included under Prepayments and Accrued assets or under Accrued liabilities, as appropriate, and is reported in the profit and loss account as interest income in proportion to the residual term to maturity of the related asset. Investments in fixed-income securities that do not pay out annual interest (e.g. zero coupon bonds) are carried at purchase price plus the part of the difference between purchase price and redemption value that is attributable to the expired term. Gains or losses on swaps are stated in the profit and loss account as interest income on the basis of the weighted average term of the portfolio concerned. Insofar as this accounting method would, on balance, lead to higher capitalisation of expenses than deferral of income, the surplus is booked directly to the profit and loss account. Gains or losses arising from a structural decline in the portfolio are reported directly in the profit and loss account.

Positions in investment pools

Positions in investment pools held by REAAL Verzekeringen are carried at fair value, in accordance with the accounting principles applied by the pools themselves. Proceeds from divestments are booked directly to the profit and loss account.

Investments on behalf of policyholders

Investments made on behalf of policyholders are carried at fair value, in accordance with the accounting principles applied to the investments held at the risk of the insurer, with the exception of the investments made separately for large group pension contracts. These are valued in accordance with the conditions of the contracts in question. The changes in value are reported in the profit and loss account.

Loans and advances

The Mortgage loans, Other loans, and receivables from Banks are carried at nominal value. A downward value adjustment is applied where necessary to this value, to cover the risk of default. The addition to bad debt provisions, which is stated in the profit and loss account under Value adjustments to loans and advances, is based on the receivables' level of risk. In addition, the adequacy of the provision is evaluated statically on an annual basis, taking account of the value of the provided sureties.

Interest is not booked on credits already in the process of settlement. Depending on the degree of doubt about the repayment, interest on other credits is recorded in the profit and loss account only on receipt.

This item includes lease contracts, usually operational. Leased assets are carried at cost less depreciation and any diminution in value as determined on the basis of the nature of the assets, the contract period, the estimated useful life and the residual value.

Other assets

At SNS Bank, securities held in the trading portfolio – both shares and interest-bearing securities – are stated at fair value, which is usually the market price on balance sheet date. Interest-bearing securities issued by group companies that have been purchased for resale are valued at cost or lower fair value. Realised and unrealised value movements are stated in the profit and loss account as Other income.

Accrued assets

At REAAL Verzekeringen, the accrued acquisition costs exclusively concern the acquisition commissions on life insurance policies with regular premiums. The capitalised acquisition costs are written down on a straight-line basis over a maximum of 10 years, in line with the repayment of expenses by the premiums.

The accrued acquisition costs also include the Value of Business Acquired (VOBA), which has the nature of accrued acquisition costs. VOBA is the cash value of estimated future cash flows in the portfolio of an acquired company, which are present on the date of acquisition.

Subordinated debts

This item includes the subordinated bonds and loans that are considered in the solvency test by De Nederlandsche Bank (the Dutch central bank). These are stated at nominal value. At REAAL Verzekeringen, the final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to the final bonus applies only to specific-individual policies that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to the final bonus lapses on surrender of the policy. Entitlements to final bonuses not yet paid out are subordinated to all other debts. It is also stipulated that entitlement to a final bonus is cancelled if and insofar as the results erode the capital base to the extent that the statutory solvency requirements can or may no longer be complied with. The final bonus account is calculated on an actuarial basis using the same principles as applied to calculate the profit additions, which form part of the Technical provisions for insurance operations, and taking account of the estimated probability of early termination of insurance policies. Part of the final bonus account is converted annually, according to a fixed method, into an unconditional right of the policyholder and added to the Technical provisions for insurance operations.

Fund for general banking risks

SNS Bank keeps an open fund for general banking risks. It serves as a buffer in the event of calamities and is a precautionary measure taken in view of overall banking risk. Deferred tax assets in relation to the fund for general banking risks are deducted from the fund. Additions to and withdrawals from this fund are noted separately in the profit and loss account.

General provisions

Provisions are carried on the balance sheet to cover obligations and losses as at the balance sheet date, for which the amounts are uncertain as at the balance sheet date, but which can be reasonably well estimated; risks with respect to expected obligations or losses, the size of which can be reasonably well estimated; expenses to be incurred in a subsequent financial year, provided such expenses originate at least partly in the year under review or in a prior year and the purpose of the provision is to spread the charges evenly over a number of years.

Deferred tax liabilities

A provision for deferred tax liabilities is carried to cover the differences between the book value according to the financial statements and the tax value, as well as for tax equalisation reserves. The provision for tax liabilities is based on the actual rate of taxation. Deferred tax assets are stated under Other assets insofar as it is likely that these can be realised.

Pensions and early retirement

The pension commitment equals the cash value of the future pension entitlements less the fair value of investments. The value of the pension entitlement is based on the contracts and takes into account demographic and economic assumptions, such as the expected future salary developments, indexations and chances of dismissal. With respect to the counterpart investments, account is taken of the expected return on investment and the investment gains or losses achieved.

The pension costs are charged to the profit and loss account in such a way that the costs are spread across the expected working life of the employees.

TECHNICAL PROVISIONS, INSURANCE OPERATIONS

Life insurance

The provision for life insurance comprises the actuarial commitments, including profits already allocated under profit-sharing schemes, less the actuarial value of future premiums. The costs are calculated using the net method. For insurance policies whose term exceeds the period for which premiums are paid, an additional provision, calculated according to actuarial principles, is levied to cover costs incurred in the premium-free period. The average actuarial interest rate is 4%. Mortality rates are determined on the basis of the same principles used to calculate the premiums. Where necessary, adjustments are made in accordance with the latest mortality tables. In the case of insurance contracts for which there is no exposure to investment risks, the actuarial interest rate is based on the guaranteed return.

The provision for life insurance is checked annually for adequacy and, if necessary, added to for any inadequacy as a result of principles applied. The adequacy test looks at expected future developments, unamortised interest rate rebates and accrued acquisition costs.

The provisions are stated net of capitalised interest rate rebates. Depending on the type of insurance contract, the capitalised interest rate rebate is amortised either on an actuarial basis or over a period of eight years.

Unearned premiums and current risks

The provision for unearned premiums is computed in proportion to the unexpired risk periods. The provision is equal to the unearned gross premiums net of prepaid reinsurance premiums. Gross premiums are stated net of the stated commission. The provision for unexpired risks is calculated on the basis of claims and administrative expenses that may arise after balance sheet date and which are covered by contracts concluded before that date, insofar as the amount estimated in this connection exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts.

Outstanding claims

The provision for reported but unsettled claims is determined for each individual item. A provision is also carried for claims arising from events that have occurred, but have not yet been reported, as well as for claim-handling expenses. The adequacy of the provision for unsettled claims is tested each year using standard actuarial techniques.

Profit sharing and discounts

This provision is valued on the basis of actuarial principles and consists of the amounts set aside in relation to profit-sharing schemes for policyholders or beneficiaries.

Insurance policies in which policyholders bear the investment risk

The technical reserves for insurance policies, in which policyholders bear the investment risk, are generally stated in the balance sheet value of the related investments.

Gross premium income

The premium income from life insurance products is included in the profit and loss account on the date on which the policyholder's payment falls due. Other premiums are allocated to the periods to which they relate.

Method for cost allocation

The costs for group staff are allocated to group subsidiaries proportionately. The costs of the Group Executive Board and certain holding company costs are not allocated to group subsidiaries.

The investment income from the insurance operations is allocated to the technical accounts in the notes to the financial statements.

Taxes

When computing the tax burden, account is taken of all temporary differences between the profit before taxation, calculated on the basis of the accounting principles described above, and the taxable amount according to tax legislation. Taxes on profit are computed on the basis of operating profits before taxation as shown in the financial statements, allowing for tax-exempt profit components such as the participation exemption.

Principles for the consolidated cash flow statement

The cash flow statement is drawn up according to the indirect method, making a distinction between cash flows from operating, investment and financing activities.

Cash flows in foreign currency are converted at the average exchange rates during the financial year.

With regard to cash flow from operations, the net profit is adjusted for income and expenses that did not result in income and expenses in the same financial year and for changes in provisions and accrued and deferred items (Other assets, Accrued assets, Other liabilities and Accrued liabilities).

With investments in consolidated participating interests, the liquid assets available in these participating interests are deducted from the purchase price.

Liquid assets consist of cash, deposits at De Nederlandsche Bank (Dutch central bank) and net amounts at other banks.

Notes to the consolidated balance sheet

In € millions		2004		2003		
Assets						
	Bank		Insurance		Total	
	2004	2003	2004	2003	2004	2003
1. Intangible fixed assets						
Software	8	10	2	5	10	15
Total	8	10	2	5	10	15
Balance as at 1 January				15		7
Investments				5		13
Divestments				(2)		--
Amortisation				(8)		(5)
Balance as at 31 December				10		15
Accumulated amortisation on the intangible fixed assets as at 31 December 2004 amounted to € 14 million (2003: € 6 million)						

	Bank		Insurance		Other		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
2. Tangible fixed assets								
Data processing equipment	25	25	9	12	--	1	34	38
Other moveable assets	42	50	30	30	--	1	72	81
Total	67	75	39	42	--	2	106	119
Balance as at 1 January						119		110
Investments						31		50
Divestments						(11)		(3)
Depreciation						(33)		(38)
Balance as at 31 December						106		119

Accumulated depreciation on the tangible fixed assets as at 31 December 2004 amounted to € 188 million (2003: € 161 million).

The legal ownership is entirely held by SNS REAAL Group.

	Bank		Insurance		Other		Reclassification		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
3. Participating interests										
Equity participation	5	6	--	1	49	138	(3)	(3)	51	142
Receivables	--	--	--	18	255	318	--	--	255	336
Total	5	6	--	19	304	456	(3)	(3)	306	478

Notes to the consolidated balance sheet

In € millions			2004		2003	
	Participating interests with significant influence		Other participating interests		Total	
	2004	2003	2004	2003	2004	2003
<i>Equity participation in participating interests</i>						
Balance as at 1 January	141	163	1	6	142	169
Acquisitions and expansions	3	67	--	--	3	67
Disposals and reductions	(147)	(132)	(1)	--	(148)	(132)
Income from participating interests	36	58	--	--	36	58
Dividend received	--	(23)	--	--	--	(23)
Change in group composition ¹	--	18	--	(5)	--	13
Other movements	19	--	--	--	19	--
Revaluations	(1)	(10)	--	--	(1)	(10)
Balance as at 31 December	51	141	0	1	51	142
<i>Receivables from participating interests</i>						
Balance as at 1 January				336		226
Advances				889		16
Repayments				(970)		(340)
Change in group composition ¹				--		434
Balance as at 31 December				255		336
The receivables from participating interests include a subordinated loan of € 6 million (2003: € 5 million).						
4. Investments						
Land and buildings				345		356
Shares and convertible bonds				569		512
Fixed-Income securities				7,615		8,082
Interests in investment pools of insurance operations				62		58
Deposits at insurers				6		7
Investments on behalf of policyholders				2,793		2,972
Total				11,390		11,987

¹) The change in group composition concerns the treatment of the reduction of two wholly-owned capital interests to interests of less than 50%, involving the interest being partly converted to short-term loans that are included under receivables.

Notes to the consolidated balance sheet

In € millions		2004		2003		
	Bank		Insurance		Total	
	2004	2003	2004	2003	2004	2003
<i>Land and buildings</i>						
Land and buildings entirely or partially in group's own use	118	122	61	61	179	183
Other land and buildings	1	2	165	171	166	173
Total	119	124	226	232	345	356
Balance as at 1 January				356		328
Investments				7		50
Divestments				(15)		(27)
Revaluations				(1)		7
Depreciation				(2)		(2)
Balance as at 31 December				345		356
	Bank		Insurance		Total	
	2004	2003	2004	2003	2004	2003
<i>Shares and convertible bonds</i>						
Listed	15	11	176	454	191	465
Unlisted	--	3	378	44	378	47
Total	15	14	554	498	569	512
Composition of the portfolio by industry:						
- Financial institutions				100		98
- Trade, industry and services				8		13
- Investment funds				326		399
- Other				135		2
Total				569		512
Balance as at 1 January				512		1,136
Additions				363		154
Disposals				(382)		(745)
Revaluations				76		(33)
Balance as at 31 December				569		512

Notes to the consolidated balance sheet

In € millions							2004		2003		
	Bank		Insurance		Other		Elimination		Total		
<i>Fixed-income securities</i>	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	
Bonds and fixed-income securities	1,067	1,372	4,399	4,312	--	--	--	--	5,466	5,684	
Private loans	--	--	1,705	1,772	--	19	(41)	(47)	1,664	1,744	
Deposits at credit institutions	--	--	79	75	--	--	--	--	79	75	
Other fixed-income Securities	430	610	4	4	--	--	--	--	434	614	
	1,497	1,982	6,187	6,163	--	19	(41)	(47)	7,643	8,117	
Bad debt provision	(6)	(5)	(22)	(30)	--	--	--	--	(28)	(35)	
Total	1,491	1,977	6,165	6,133	--	19	(41)	(47)	7,615	8,082	
The balance includes listed securities issued by group companies for an amount of € 10 million (2003: € 0).											
Balance as at 1 January									8,082	4,836	
Additions and advances									5,721	7,694	
Disposals and redemptions									(5,601)	(4,428)	
Other movements									28	(20)	
Change in group composition									(615)	--	
Balance as at 31 December									7,615	8,082	
Composition of the bond portfolio by counterparty:											
- The Dutch government or guaranteed by the Dutch government									1,206	1,355	
- Foreign public bodies or guaranteed by foreign public bodies									2,499	2,545	
- Financial institutions									1,057	1,334	
- Trade and industry									474	404	
- Other									230	46	
Total									5,466	5,684	
Composition of the portfolio of private loans by counterparty:											
- The Dutch government or guaranteed by the Dutch government									16	43	
- Other Dutch public bodies or guaranteed by Dutch public bodies									9	10	
- Financial institutions									1,539	1,273	
- Trade and industry									17	9	
- Other									83	409	
Total									1,664	1,744	

Notes to the consolidated balance sheet

In € millions			2004			2003
<i>Investments on behalf of policyholders</i>						
Investments on behalf of policyholders include separate deposits for account and risk of policyholders, investments for unit-linked insurances and separate investments for large collective pension contracts.						
Shares and convertible bonds			2,000			1,871
Bonds and fixed-income securities			305			856
Private loans			143			9
Other investments			345			236
Total			2,793			2,972
Balance as at 1 January			2,972			2,103
Additions and advances			477			1,324
Disposals and redemptions			(1,124)			(529)
Revaluations			101			74
Change in group composition			363			--
Other movements			4			--
Balance as at 31 December			2,793			2,972
		Bank	Insurance		Total	
<i>5. Mortgage loans</i>	2004	2003	2004	2003	2004	2003
Loans with (government) guarantee	5,835	4,050	1,169	1,047	7,004	5,097
Other mortgage loans	27,668	25,891	822	1,050	28,490	26,941
	33,503	29,941	1,991	2,097	35,494	32,038
Bad debt provision	(41)	(40)	(3)	(1)	(44)	(41)
Total	33,462	29,901	1,988	2,096	35,450	31,997
Breakdown of the portfolio by type of security:						
- Residential property in the Netherlands			33,406			30,251
- Residential property outside the Netherlands			293			244
- Other property in the Netherlands			1,751			1,502
Total			35,450			31,997

Notes to the consolidated balance sheet

In € millions	2004	2003
Balance as at 1 January	31,997	28,433
Advances	8,128	9,810
Repayments	(3,323)	(3,912)
Release from provisions	--	8
Securitisation	(1,250)	(2,500)
Received from securitisations	(102)	158

Balance as at 31 December

35,450

31,997

As further security, an undisclosed lien has been established on mortgages with a total value of € 3 million (2003: € 5 million).

A synthetic securitisation has been closed under the name Provide Lowlands I. In this transaction launched under KfW's Provide platform, SNS Bank bought credit risk protection against € 1 billion of its residential mortgage portfolio.

SNS REAAL Group has securitised mortgage receivables, which are reported as off balance sheet items. With these transactions, the economic ownership of mortgage receivables was transferred to separate companies.

The outstanding principal amounts of the securitised portfolio amount to € 5,517 million for SNS Bank (2003: € 5,004 million).

The net interest income of the separate companies has been made a component of the SNS REAAL Group's interest income by means of an interest rate swap. A positive result within the separate companies creates a positive value for the deferred purchase price. This receivable is reported in the balance sheet under Accrued assets. In the profit and loss account of SNS REAAL Group, this result is included under the net interest income. Realisation and payment depend on the future results of the securitised mortgages portfolio. At year-end 2004, the total receivable was € 83 million (2003: € 52 million).

	Initial principal	Principal as at 31 December 2004	Date of securitisation
As at 31 December, the following portfolios were outstanding:			
Hermes I	437	184	Nov 1999
Hermes II	665	336	Nov 2000
Hermes III	900	442	Jun 2001
Hermes IV	800	402	Nov 2001
Hermes V	1,100	742	Nov 2002
Hermes VI	1,250	922	May 2003
Hermes VII	1,250	1,255	Sep 2003
Hermes VIII	1,250	1,234	May 2004
Total	7,652	5,517	

Notes to the consolidated balance sheet

In € millions			2004	2003
	First Call-option date	Contractual date of expiry	Subordinated bonds in own possession as at 31 Dec 2004	Deferred selling price as at 31 Dec 2004
Hermes I	n.a.	Jul 2009	4.8	4.4
Hermes II	n.a.	Apr 2012	--	13.9
Hermes III	18 Jul 2009	Jun 2009	--	14.5
Hermes IV	18 Jul 2009	Oct 2033	--	12.9
Hermes V	18 Jan 2011	Oct 2034	--	13.6
Hermes VI	18 Nov 2009	May 2035	--	12.5
Hermes VII	18 Feb 2010	Nov 2037	--	7.5
Hermes VIII	18 Nov 2013	May 2038	--	3.3
Total			4.8	82.6

6. Other loans

This item relates to loans and advances to non-banks, other than in the form of interest-bearing securities.

	Banking		Other		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Personal loans	617	595	38	101	--	--	655	696
Business loans	2,187	2,377	378	141	(438)	(42)	2,127	2,476
Lease contracts	--	--	2	317	--	--	2	317
Bad debt provision	2,804 (98)	2,972 (86)	418 (38)	559 (45)	(438) --	(42) --	2,784 (136)	3,489 (131)
Total	2,706	2,886	380	514	(438)	(42)	2,648	3,358

Breakdown by security:

- Public sector		313	173
- Private sector with government guarantee		266	336
- Private sector other		2,069	2,849
Total		2,648	3,358

Breakdown by business sector:

- Public sector		313	173
- Agriculture and horticulture, forestry and fishery		15	18
- Industry		204	168
- Service sector companies		1,367	1,364
- Financial institutions		164	311
- Other (mainly private)		585	1,324
Total		2,648	3,358

Loans include receivables from group companies up to an amount of € 91 million (2003: € 14 million).

Notes to the consolidated balance sheet

In € millions	2004	2003
7. Banks	3,124	2,410
The Banks item concerns loans and advances to banks, insofar as not in the form of interest-bearing securities.		
There is no receivable extended in the form of a subordinated loan (2003: € 5 million).		
8. Liquid assets	753	420
Liquid assets also include the demand deposits at De Nederlandsche Bank and deposits of REAAL Verzekeringen at other banks. Loans and advances of SNS Bank to banks are included in Banks.		
9. Other assets		
Securities trading portfolio	133	239
Amounts due from direct insurance:		
- Policyholders	40	158
- Agents	19	28
Amounts due from reinsurance	285	295
Deferred tax receivables ¹⁾	104	153
Other amounts due	86	186
Total	667	1,059
The securities trading portfolio contains listed securities issued by group companies up to an amount of € 85 million (2003: € 213 million).		
10. Accrued assets		
Accrued interest	498	444
Premiums / discounts	170	210
Accrued acquisition costs	350	253
Other accrued assets	207	308
Total	1,225	1,215
The accrued acquisition costs include an amount of € 117 million for the value of business acquired in connection with the acquisition of the Zurich insurance portfolio.		

¹⁾ For a specification of this item, see page F-22.

Notes to the consolidated balance sheet

In € millions		2004	2003	
Liabilities				
11. Shareholders' equity				
For further details on shareholders' equity, please see the notes to the company balance sheet.				
12. Third-party interests				
This item includes participation certificates issued by SNS Bank to third parties. The certificates have an open-ended term, with SNS Bank maintaining the right to early redemption in full after 10 years, provided permission is given by DNB (the Dutch central bank). Dividend in the form of a coupon rate is fixed over a period of 10 years and equal to the CBS return on 9-10 year Government bonds with a spread (CBS: Central Bureau of Statistics/Statistics Netherlands). The payment on the participation certificates is charged to the profit sharing.				
This item also includes the equity interest of third parties in the group companies of SNS REAAL Group.				
13. Subordinated debts				
Bond loans		951	951	
Private loans		142	150	
		1,093	1,101	
Final bonus account		52	55	
Total		1,145	1,156	
Bond loans				
SNS REAAL Group	7.25%	1996/06	114	114
SNS Bank	6.25%	1997/09	136	136
SNS Bank	5.125%	1999/11	125	125
SNS Bank	4.00%	1999/19	5	5
SNS Bank	Variable	2000/10	50	50
SNS Bank	Variable	2000/10	50	50
SNS Bank	Variable	2001/11	81	81
SNS Bank	7.625%	Perpetual	80	80
SNS Bank	5.75%	Perpetual	200	200
SNS Bank	Variable	2003/13	110	110
Total		951	951	

Notes to the consolidated balance sheet

In € millions

2004

2003

The two perpetually subordinated bond loans mentioned above have a term that is basically open-ended. However, both loans will be reassessed after 10 years, when the new interest rate will be set. At that time, redemption can be opted for.

Private loans

The average interest rate amounts to 6.3% (2003: 6.3%).

Final bonus account

The final bonus account is largely of a long-term nature.

14. Fund for general banking risks

70

70

As the fund is deemed to be more than sufficient to absorb adverse effects resulting from banking risks, no additions were made to the reserve in recent years.

	Bank		Insurance		Other		Group		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
15. General provisions										
Deferred tax liabilities	9	12	79	96	--	--	--	--	88	108
Pensions and early retirement	--	44	3	87	--	--	(11)	1	(8)	132
Other general provisions	36	26	20	38	--	2	4	2	60	68
Total	45	82	102	221	--	2	(7)	3	140	308

Deferred taxes

The sources of deferred tax receivables can be specified as follows:

- Bonds	31	39
- Technical provisions, insurance operations	31	35
- Pension provision	--	38
- Other provisions	14	23
- Tax-deductible losses	2	1
- Other	26	17
Total	104	153

The sources of deferred tax liabilities can be specified as follows:

- Real estate	51	40
- Investments	32	14
- Capitalised acquisition costs	3	7
- Interest rate rebates	--	12
- Equalisation reserve	--	23
- Other	2	12
Total	88	108

Notes to the consolidated balance sheet

In € millions	2004	2003
The deferred tax receivable on tax-deductible losses can be specified as follows:		
- Total tax-deductible losses	6	4
- Tax deductible losses carried as deferred tax receivable	2	1
Average tax rate	31.5%	34.5%
Pensions and early retirement		
The various pension schemes provided by SNS REAAL Group for its staff were changed from final-pay schemes to average-pay schemes with effect from 1 January 2004. The majority of employees are being guaranteed pensions of 70% of their average wage, taking account of the AOW-franchise and other specific conditions. The pension granted commences at the age of 60, 62 or 65.		
The tables below illustrate the pension liabilities and the fair value of the pension investments.		
The additional pension provision required as at 31 December is calculated as follows:		
Present value of pension entitlements	1,446	1,264
Investments/pension provision already accounted for	1,168	948
Shortfall in entitlements less investments	278	316
Actuarial loss not yet incorporated (corridor)	(298)	(194)
Pension provision for former Zurich employees	12	10
Additional pension provision accounted for	(8)	132
Provided the pension schemes remain unchanged, € 15.9 million of the loss to be amortised will be charged to 2005.		
The changes in the additional provision during the year can be specified as follows:		
- Additional pension provision as at 1 January	132	204
- Additional Zurich pension provision	2	10
- Other movements	--	6
- Change of pension scheme	(33)	--
- Already stated pension charges	64	67
- Pension premiums paid	(173)	(155)
Additional pension provision as at 31 December	(8)	132
The change from final-pay scheme to average-pay scheme amounts to € 33 million gross, and is presented in the summary as change of pension scheme. This amount is accounted for as staff costs in the profit and loss account.		

Notes to the consolidated balance sheet

In € millions	2004	2003
With effect from 1 January 2004, all staff pension rights were placed with the former pension fund of SNS Bank, the name of which has been changed to 'Pensioenfonds SNS REAAL Groep' (SNS REAAL Group Pension Fund). In order to bring the assets of the pension fund up to an adequate level, SNS REAAL Group made a deposit in addition to the normal premium payments, as it also did last year. The payments are accounted for as 'Pension premiums paid' in the summary of changes above.		
The following important long-term assumptions were applied in the calculation of the pension provision:		
- Discount rate	4.25%	4.75%
- Expected salary development (including correction for inflation)	4.25%	4.5%
- Expected return on investments/technical provisions, insurance operations	5.3%	5.3%
- Expected indexation	2.0%	2.0%
<i>Other general provisions</i>		
Other general provisions include provisions for reorganisation.		
Balance as at 1 January	68	40
Change in group composition	6	25
Changes:		
- Through profit and loss	(13)	7
- Through the shareholders' equity	--	(4)
Balance as at 31 December	61	68
<i>16. Technical provisions, insurance operations</i>		
Provision for life insurance obligations	7,983	7,685
Unamortised interest rate rebates	(150)	(145)
Provision for unearned premiums and accrued risks	68	62
Provision for payable claims	422	471
Provision for profit-sharing and rebates	162	2
	8,485	8,075
Technical provision for insurance policies in which policyholders bear the investment risk	2,845	3,099
Total	11,330	11,174
The technical reserve for life insurance includes no amount for pension liabilities to staff and former staff, due to the transfer to the pension fund of SNS REAAL Group (2003: € 886 million).		
The technical provisions for insurance operations are largely of a long-term nature.		
<i>17. Savings</i>	11,263	10,404
The Savings item comprises balances of savings accounts, savings deposits and term deposits of private customers. This item also includes interest payable on savings, insofar as the contract terms stipulate that this interest is to be added to the savings account.		

Notes to the consolidated balance sheet

In € millions	2004	2003
18. Other funds entrusted, banking operations		
Other funds entrusted concern non-subordinated debts to non-banks other than in the form of debt certificates.		
Breakdown by category:		
- Private loans	1,334	1,266
- Business deposits	571	608
- Credit balances of account holders	4,397	4,330
- Mortgage deposits	351	345
- Other credit balances	685	607
Total	7,338	7,156
Other funds entrusted, banking operations, also include debts to group companies up to an amount of € 389 million (2003: € 334 million).		
19. Debt certificates	17,813	16,169
Debt certificates concern bonds and other debt certificates with a fixed or variable interest rate insofar as not subordinated.		
The debt certificates have an average interest rate of 3.3% (2003: 3.3%).		
20. Banks	2,372	2,344
The Banks item refers to debts to banks, insofar as not in the form of interest-bearing debt certificates.		
Banks includes no debts to group companies (2003: € 1 million).		
21. Other liabilities		
Loans and other long-term debts	91	105
Debts in relation to direct insurance	162	184
Deposits of reinsurers	164	157
Debts to reinsurers	18	--
Taxes and social security contributions	12	2
Other liabilities	587	607
Total	1,034	1,055
The non-subordinated bond loans, private loans and deposits held by SNS Bank are included in other funds entrusted, banking operations, debt certificates and banks.		
22. Accrued liabilities		
Accrued interest	391	393
Premiums / discounts	30	220
Other accrued liabilities	494	668
Total	915	1,281

Notes to the consolidated balance sheet

In € millions	2004	2003
Off-balance sheet commitments		
<i>Contingent liabilities</i>		
Commitments regarding sureties and guarantees issued	106	106
Commitments arising from irrevocable facilities	1,301	1,055
<p>In order to meet its clients' requirements, SNS REAAL Group offers loan-related financial products, such as surety bonds and guarantees. The underlying value of these products is not accounted for as assets or liabilities in the balance sheet. For these products, the above mentioned underlying value indicates the maximum potential credit risk incurred by SNS REAAL Group, assuming that all its counterparties would default on their contractual obligations and all existing sureties would be worthless.</p> <p>Guarantees concern both credit replacement and non-credit replacement guarantees. It is expected that the majority of guarantees will expire without any claim being made against them and will therefore not cause any future cash flows.</p> <p>The irrevocable facilities consist mainly of credit facilities granted to clients, but which have not yet been used. These facilities are granted for a specified period and at a floating interest rate. The majority of the irrevocable credit facilities that have not yet been used have sureties pledged for them.</p>		
<p><i>Securitisations</i></p> <p>The SNS REAAL Group has securitised mortgage receivables. With these transactions, the economic ownership of mortgage receivables was transferred to separate companies. The outstanding principal of the securitised portfolio amounts to €5,517 million for SNS Bank (2003: € 5,004 million) and € 267 million for REAAL Verzekeringen (2003: € 301 million). These special purpose vehicles (SPVs) are not consolidated in the SNS REAAL Group's financial statements.</p>		
<p><i>Rental commitments</i></p> <p>The future rental commitments arising from lease contracts as at 31 December are as follows:</p>		
2005	7	7
2006	5	5
2007	3	3
Financial years after 2007	--	--
<p><i>Legal proceedings</i></p> <p>Group subsidiaries of SNS REAAL Group are involved in legal proceedings that relate to claims by and against these companies that ensue from normal business operations. Although it is impossible to predict the result of pending or threatened legal procedures, on the basis of information currently available and after consulting legal advisors, the Group Executive Board believes that the results of these proceedings are unlikely to adversely materially affect the financial position or results of SNS REAAL Group's activities.</p>		

Notes to the consolidated balance sheet

In € millions

Terrorism-pool

Dutch insurance companies have jointly set up the ‘Nederlandse Herverzekeringsmaatschappij voor Terrorisme’ (NHT – Dutch reinsurance company for terrorism), the company that accommodates the risk of terrorism.

REAAL Verzekeringen reinsures itself with this company, with maximum cover of € 1 billion per event per year. At the same time, the terrorism cover in policies is limited to the reimbursement provided by the NHT insurers.

Risk policy of SNS REAAL Group

SNS REAAL Group has chosen a conservative risk profile. Management decisions are taken on the basis of a broad knowledge of the risks and a number of established risk parameters. Individual activities are assessed according to their capital requirements, risk and return.

Market risk

Market risk concerns adverse value changes in the trading positions and the structural positions of the group due to interest rate changes and changes in foreign currency and equity markets. SNS REAAL Group monitors market risks with the aid of simulation models, scenario analyses and stress tests. This enables insight to be gained into the potential consequences of the market risk for capital and profit. SNS REAAL Group uses derivatives in the management of market risk.

Interest rate risk

SNS REAAL Group is exposed to structural interest rate risk. This risk arises from the difference between the term of loans provided/ investments made and that of loans contracted/liabilities. The interest rate risks with respect to these positions are monitored by the relevant ALM Committee. The interest rate risk of SNS Bank is monitored with the aid of gapping and duration analysis, value-at-risk and the analyses of stress scenarios. As an indication of the interest rate risk, the table below shows SNS Bank’s typical interest maturity calendar.

	Payable on demand	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Assets						
Banks	1,914	707	245	--	--	2,866
Loans and advances	10,052	1,566	6,737	11,662	6,151	36,168
Interest-bearing securities	23	3	20	834	296	1,176
Liabilities						
Banks	1,425	540	330	--	--	2,295
Funds entrusted	4,547	2,212	4,643	4,821	2,227	18,450
Debt certificates	1,986	4,502	2,219	4,577	4,260	17,544
Subordinated debts	50	240	5	8	563	866
Derivatives						
Swaps	442	(1,017)	(751)	(63)	1,080	(309)

Notes to the consolidated balance sheet

In € millions

Currency risk

Given that SNS REAAL Group focuses on the Dutch market, it has little or no sensitivity to foreign currency rates. At SNS Bank, all the relevant currency risks are hedged. The currency risks in the investment portfolio of REAAL Verzekeringen are hedged for 75%. The table below gives an indication of the foreign currency position of SNS Bank.

	Balance sheet debit	Balance sheet credit	Net	Derivatives
US Dollars	139	1,486	(1,347)	(1,345)
Japanese Yen	459	212	247	(247)
British Pounds	411	415	(4)	6
Swiss Francs	23	--	23	(23)
Canadian Dollars	1	43	(42)	44
Australian Dollars	--	379	(379)	379
Other	100	411	(311)	311
Total	1,133	2,946	(1,813)	1,815

The converted total assets and liabilities of SNS REAAL Group in foreign currency come to € 1,421 million (2003: € 903 million) and € 3,119 million (2003: € 3,552 million) respectively.

Credit risk

The table below gives an indication of the credit risk of SNS Bank, based on the weighting percentages used in regular reporting to De Nederlandsche Bank (DNB). Generally, these percentages are 0% for claims against or guaranteed by OECD governments, 20% for claims against or guaranteed by OECD banks, 50% for loans entirely and fully covered by mortgages and 100% for the other counterparties.

	National amount	Risk-weighted amount
Loans and advances to the public sector	313	--
Liquid assets	442	--
Short-dated government paper	430	--
Banks	2,866	305
Loans and advances to the private sector	35,855	18,712
Interest-bearing securities	1,176	47
Equities	33	15
Fixed assets and participating interests	199	191
Other assets	40	40
Accrued assets	686	307
Derivatives and off balance sheet products	--	355
Solvency requirements for market risks	--	75
Total	42,040	20,047

Notes to the consolidated balance sheet

In € millions

Liquidity risk

The residual term of a number of assets and liabilities as at 31 December 2004 is illustrated in the table below.

Assets	Payable on demand	> 1 month ≤ 3 monts	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Banks	2,139	770	176	31	8	3,124
Mortgage loans	--	774	31	362	34,283	35,450
Other loans	1,449	75	189	509	426	2,648
Interest-bearing securities	1	75	132	2,709	2,549	5,466
Liabilities						
Banks	214	384	271	809	694	2,372
Private loans	--	--	--	121	21	142
Funds entrusted:						
- Savings	9,470	155	243	550	845	11,263
- Other	4,094	357	208	346	2,333	7,338
Debt certificates	--	1,871	1,349	9,728	4,865	17,813
Other liabilities	346	13	411	16	248	1,034

The table below illustrates the residual term as at 31 December 2003.

Assets	Payable on demand	> 1 month ≤ 3 monts	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Banks	521	1,769	77	35	8	2,410
Mortgage loans	175	647	36	364	30,775	31,997
Other loans	66	1,542	462	817	471	3,358
Interest-bearing securities	221	137	160	2,314	2,852	5,684
Liabilities						
Banks	127	416	266	962	573	2,344
Private loans	--	--	--	3	147	150
Funds entrusted:						
- Savings	8,623	95	153	835	698	10,404
- Other	4,658	422	214	466	1,396	7,156
Debt certificates	--	1,012	2,795	9,558	2,804	16,169
Other liabilities	--	1	4	810	240	1,055

The fair value of the financial assets and liabilities

The table below sets out the estimated fair value of the financial assets and liabilities of SNS REAAL Group. A number of balance sheet items have not been included in this table because they do not satisfy the definition of a financial asset or liability. The total of the fair value shown below does not represent the underlying value of SNS REAAL Group and should, therefore, not be interpreted as such.

Notes to the consolidated balance sheet

In € millions	2004		2003	
	Estimated fair value	Balance sheet value	Estimated fair value	Balance sheet value
Financial assets				
Participating interests Investments:	306	306	503	478
- Shares and convertible bonds	569	569	512	512
- Fixed-Income securities	8,082	7,762	8,186	8,082
Loans and advances	39,436	38,098	36,534	35,355
Banks	3,106	3,124	2,404	2,410
Liquid assets	753	753	420	420
Other assets:				
- Trading portfolio	133	133	239	239
- Other receivables	534	534	820	820
Accrued assets ^{1,2}	253	992	307	962
	53,172	52,124	49,925	49,278
Financial liabilities				
Subordinated loans	1,150	1,145	1,164	1,156
Funds entrusted and debt certificates of the banking operations	36,375	36,414	33,631	33,729
Banks	2,406	2,372	2,374	2,344
Other liabilities	1,034	1,034	1,060	1,055
Accrued liabilities ²	506	915	594	1,281
	41,471	41,880	38,823	39,565

The estimated fair values represent the amounts for which financial instruments can be traded at balance sheet date on a realistic commercial basis between properly informed parties prepared to enter into a transaction 'at arm's length'. The fair value of financial assets and liabilities is based on market prices, insofar as these are available. If not, various techniques have been developed for estimating the fair value of these instruments. These techniques are subjective by nature and rely on different assumptions with respect to the discount rate and the timing and volume of the expected future cash flows. Changes in these assumptions can have a significant influence on the estimated fair value. This can lead to the stated fair value not being an accurate estimate of the net fair value. Furthermore, the estimated fair value is based on the market conditions at a given moment and, therefore, probably not an accurate estimate of the future net fair value.

The following methods and assumptions have been applied in order to determine the estimated fair value of the financial instruments.

Financial assets

Participating interests

The fair value of participating interests is based on the stock exchange prices of the shares in these participating interests or, if unlisted, the estimated market value based on the stock exchange prices of similar securities. The fair value of receivables from participating interests is determined in the same way as described below for fixed-income securities.

¹⁾ Accrued assets exclude accrued acquisition costs with respect to insurance policies.

²⁾ The difference between the balance sheet value and fair value of the accrued items is caused by the fact that the accrued interest and share premiums/discounts have been discounted in the fair value of the interest-bearing items.

Notes to the consolidated balance sheet

In € millions

Investments

The fair value of shares and convertible bonds is based on stock market prices. The fair value of interest-bearing securities, insofar as these are not mortgage loans, is based on the cash value of the expected future cash flows, using the current market interest rate as applicable given the return, the creditworthiness and term of the investment. The fair value of mortgage loans is estimated by determining the cash value of the expected future cash flows, using the interest rate currently applicable to similar loans.

Loans and advances

The fair value of loans and advances is estimated on the basis of the cash value of the expected future cash flows, using the interest rate currently applicable to loans and advances under similar conditions and credit risks.

Banks

The fair value of loans and advances to banks is estimated on the basis of the cash value of the expected future cash flows, using the current market interest rate applicable to loans and advances with similar characteristics.

Liquid assets

The book value of the liquid assets is considered a fair estimate of the fair value.

Other assets

The fair value of equities included in the trading portfolio is based on stock market prices. The book value of the 'other receivables' is considered a fair estimate of the fair value.

Accrued assets

The book value of the accruals is considered a reasonable estimate of the fair value, with the accrued interest and the share premiums/discounts being discounted in the fair value of the interest-bearing items.

Financial liabilities

Subordinated loans

The estimated fair value of the subordinated loans is based on the cash value of cash flows, using the interest rate applicable to similar instruments.

Funds entrusted and debt certificates of the banking operations

The book values of demand deposits and deposits without agreed terms are considered a reasonable estimate of the fair value. The estimated fair value of deposits with agreed terms is based on the expected cash value of the future cash flows, using the interest rate currently applicable to deposits with the same residual term.

Banks

The fair value of debts to banks is estimated on the basis of the cash value of the future cash flows, using the interest rate currently applicable to debts to banks under similar conditions.

Notes to the consolidated balance sheet

In € millions

Other liabilities

The fair value of negotiable other liabilities is estimated on the basis of stock market prices. The book value of non-negotiable other liabilities with a variable interest rate is considered a fair estimate of the fair value. The fair value of non-negotiable other fixed-interest liabilities is estimated by determining the cash value of the cash flows, using the interest rate currently applicable to similar instruments.

Accrued liabilities

The book value of the accruals is considered a fair estimate of the fair value, with the accrued interest and the share premiums/discounts being discounted in the fair value of the interest-bearing items.

Derivatives

Derivatives are financial instruments embodied in contracts whose value depends on one or more underlying primary financial instruments. Derivatives contain rights and obligations as a result of which one or more of the financial risks attendant on the underlying primary financial instruments are transferred between parties. They do not lead to the transfer of the underlying primary financial instrument when the agreement is entered into, nor need any transfer take place on the expiry of the agreement.

Examples of derivatives are forwards, options, swaps and futures. The underlying primary financial instruments can be interest rate products, foreign exchange products, equity products or a combination of these. The transferred financial risks are interest rate risks, currency risks, market risks or a combination of these risks.

In principle, SNS REAAL Group enters into derivative transactions to hedge interest rate risks and currency risks. Interest rate swaps and forward rate agreements are used for hedging interest rate risks. Currency risks are primarily covered by means of forward exchange transactions and currency swaps. A proportion of the derivatives transactions are effected for arbitrage and trading purposes. The interest rate and currency derivatives are generally over-the-counter contracts and the other derivatives contracts are usually listed on the stock exchange.

The contracted amounts (or notional amounts) shown in the summary (including the breakdown by residual term to maturity) reflect the extent to which SNS REAAL Group is active in the various markets.

Notes to the consolidated balance sheet

In € millions	Notional amounts					Positive fair value	Negative fair value
	Total	≤ 1 year	> 1 year				
			≤ 5 years	> 5 years			
Interest rate contracts:							
- Swaps and FRAs	43,400	9,057	19,243	15,100	601	941	
- Options	5,013	--	4,191	822	57	1	
- Purchased options	2,362	2,362	--	--	--	7	
- Futures	58	58	--	--	--	--	
Currency contracts:							
- Swaps	3,455	365	3,013	77	113	385	
- Forwards	6,865	6,865	--	--	22	43	
Forward commodity contracts:							
- Swaps	10	--	--	10	--	1	
Total	61,163	18,707	26,447	16,009	793	1,378	

Of the total in notional amounts, 14.1% (2003: 21.7%) relates to contracted derivatives from trading activities. The remaining 85.9% (2003: 78.3%) relates to activities in the context of balance sheet management.

The notional amounts show the units of account that, in relation to derivatives, reflect the relationship to the underlying values of the primary financial instruments. These notional amounts give no indication of the size of the cash flows or the price and credit risks attendant on the transactions.

The positive fair value on balance sheet date indicates the maximum losses of SNS REAAL Group on its derivatives transactions should all its counterparties default on their obligations. We understand positive fair value to mean the market-to-market value of the derivatives contracts, for which a receivable from the counterparty arises that, if not met, leads to profit erosion. This fair value will fluctuate daily as a result of the change in value of the underlying assets.

Credit risk is a better basis for comparison with other banking activities. To provide insight into the scale of the derivatives activities and the related credit risks, in addition to the positive replacement value, the weighted and unweighted credit equivalents are shown.

This unweighted credit equivalent is an indication of the maximum loss that SNS REAAL Group could incur on its derivatives transactions. The weighted credit equivalent is determined by multiplying the unweighted credit equivalent by the weighting percentages in accordance with the standards of international supervisory authorities.

The unweighted credit equivalent amounts to a total of € 1,426 million (2003: € 1,186 million) and the weighted credit equivalent to a total of € 320 million (2003: € 275 million).

Notes to the consolidated balance sheet

In € millions	2004	2003
<i>Statutory solvency requirements</i>		
<p>For SNS Bank, the capital requirements, in accordance with the BIS requirements, amounts to 8% of the risk-weighted assets, off-balance sheet items and market risk of the trading portfolios (the so-called 'BIS standard'). At year-end 2004, this came to € 1,694 million (2003: € 1,609 million).</p>		
Core capital (Tier 1)	1,729	1,596
Supplementary capital (Tier 2)	710	769
Available Tier 3 capital	--	--
Deductible items (participating interests)	(90)	(64)
<i>Qualifying capital (excluding Tier 3)</i>	2,349	2,301
Risk-weighted assets	20,047	19,313
- Tier 1 ratio	8.6%	8.3%
- BIS ratio	11.7%	11.9%
<p>European directives require insurance companies based in one of the member states of the European Union to maintain a minimum solvency margin. The solvency with respect to the insurance operations as at 31 December 2004 stood at 182% (2003: 177%) of the legally required solvency, as illustrated in the table below.</p>		
Available solvency	945	856
Legally required solvency	520	484
Solvency margin	425	372

Notes to the consolidated profit and loss account

	Banking		Insurance			Other		Group	Elimination		Total	
<i>Income</i>	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Gross premium income	--	--	1,689	1,779	--	--	--	--	--	--	1,689	1,779
Investment income	66	76	749	649	--	--	--	1	--	(3)	815	723
Interest income, banking operations	1,763	1,729	--	--	27	59	44	70	(46)	(64)	1,788	1,794
Commission	109	92	--	--	--	--	--	--	--	--	109	92
Other income	14	17	10	3	50	74	334	260	(334)	(270)	74	84
Total income	1,952	1,914	2,448	2,431	77	133	378	331	(380)	(337)	4,475	4,472
<i>Expenses</i>	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Technical expenses, insurance operations	--	--	1,876	1,934	--	--	--	--	--	--	1,876	1,934
Interest charges, banking operations	1,240	1,219	--	--	24	38	50	78	(31)	(53)	1,283	1,282
Other interest charges	--	--	54	41	--	--	2	3	(15)	(15)	41	29
Staff costs	238	279	139	146	4	11	45	24	--	--	426	460
Other operating expenses	188	170	179	177	13	8	(14)	(8)	--	--	366	347
Value adjustments to loans and advances	59	56	9	--	3	5	--	--	--	--	71	61
Other costs	--	--	3	2	--	--	--	--	--	--	3	2
Total expenses	1,725	1,724	2,260	2,300	44	62	83	97	(46)	(68)	4,066	4,115
Operating profit before taxation	227	190	188	131	33	71	295	234	(334)	(269)	409	357
Taxes	54	61	47	45	(5)	--	(15)	(9)	--	--	81	97
Group profit	173	129	141	86	38	71	310	243	(334)	(269)	328	260
Third-party interests	--	--	--	--	--	--	--	--	18	17	18	17
Net profit	173	129	141	86	38	71	310	243	(352)	(286)	310	243

Notes to the consolidated profit and loss account

In € millions	2004		2003							
Income										
<i>23. Gross premium income</i>										
Gross premium income concerns the insurance premiums before deduction of reinsurance premiums.										
Life insurance:										
- Regular premiums	778		770							
- Single premiums	594		716							
	1,372		1,486							
Non-life insurance	317		293							
Total	1,689		1,779							
<i>24. Investment income</i>										
This includes interest income, rental income, dividends and part of the realised value movements of shares. In addition, this includes income from investments made on behalf of policyholders.										
	Banking		Other		Group		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Land and buildings	--	--	16	16	--	--	--	--	16	16
Shares and convertible bonds:										
- Interest, dividend, etc. ¹	--	--	80	(3)	--	--	--	--	80	(3)
Bonds and fixed-income securities	66	76	248	155	(1)	(1)	--	--	313	230
Private loans	--	--	139	130	1	2	--	(3)	140	129
Other investments	--	--	140	155	--	--	--	--	140	155
	66	76	623	453	--	1	--	(3)	689	527
Income from investments made on behalf of policyholders:										
- Interest, dividend, etc.	--	--	62	71	--	--	--	--	62	71
- Value movements	--	--	64	125	--	--	--	--	64	125
	--	--	126	196	--	--	--	--	126	196
Total	66	76	749	649	--	1	--	(3)	815	723

¹⁾ Insurance 2004: Including unrealised revaluations for an amount of € 62 million.

Notes to the consolidated profit and loss account

In € millions

2004

2003

25. Interest income, banking operations

Interest income includes income arising from lending activities and related transactions as well as related commissions and other income of an interest-related nature. This also includes results from financial instruments insofar as these serve to reduce interest rate risks.

	Banking		Other		Group		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Mortgage loans	1,487	1,464	--	--	--	--	--	--	1,487	1,464
Other loans	247	279	27	49	42	64	(46)	(64)	270	328
Other	29	(14)	--	10	2	6	--	--	31	2
Total	1,763	1,729	27	59	44	70	(46)	(64)	1,788	1,794

26. Commission

Commission includes fees for services rendered insofar as these are not of an interest-related nature.

	Bank		Total	
	2004	2003	2004	2003
Payment services	15	13	15	13
Securities business	7	11	7	11
Insurance business	34	27	34	27
Management fees	41	28	41	28
Other activities	12	13	12	13
Total	109	92	109	92

The commission from insurance business of SNS Bank concerns income from REAAL Verzekeringen.

Notes to the consolidated profit and loss account

In € millions					2004				2003			
---------------	--	--	--	--	------	--	--	--	------	--	--	--

27. Other income

This includes income from securities and participating interests, results from securities trading, price changes on securities in the trading portfolio, results from currency dealing, foreign exchange rate differences and results from derivatives not used for hedging purposes. In addition, this includes all income that cannot be accounted for under other headings.

	Banking		Insurance		Other		Group		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Income from securities and participating interests ^{1,2}	(2)	(2)	--	--	48	68	334	260	(334)	(270)	46	56
Result on securities business	21	16	--	--	--	--	--	--	--	--	21	16
Result on currency business	--	8	--	--	--	--	--	--	--	--	--	8
Result on other financial transactions	(7)	(2)	--	--	--	--	--	--	--	--	(7)	(2)
Result on sale of business activities	--	1	--	--	--	--	--	--	--	--	--	1
Other income	2	(4)	10	3	2	6	--	--	--	--	14	5
Total	14	17	10	3	50	74	334	260	(334)	(270)	74	84

¹⁾ 'Other 2003': Including realised revaluation of € 38 million, arising from the sale of Stienstra Holding B.V.

²⁾ 'Other 2004': In 2004, in winding down SNS REAAL Invest, a large number of participating interests were sold, which contributed € 32 million.

Notes to the consolidated profit and loss account

In € millions	2004	2003
Expenses		
<i>28. Technical expenses, insurance operations</i>		
Insurance expenses include reinsurance premiums, additions to insurance provisions, payouts, surrender of policies, claims and claims handling costs. Profit-sharing and rebates are also included.		
Life insurance expenses:		
- Payments for own account	1,643	880
- Change in technical provisions for own account	(25)	757
- Profit-sharing and rebates	63	100
- Reinsurance premiums	18	20
	1,699	1,757
Non-life insurance expenses:		
- Claims for own account	173	161
- Change in provision for payable claims	(21)	3
- Change in provision for unearned premiums	2	(9)
- Profit-sharing and rebates	2	--
- Reinsurance premiums	21	22
	177	177
Total	1,876	1,934

29. Interest charges, banking operations

Interest charges include costs arising from the borrowing of funds and related transactions, as well as other costs of an interest-related nature.

	Banking		Other		Group		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Funds entrusted	516	532	17	36	8	8	(24)	(45)	517	531
Debt certificates	609	566	--	--	34	59	--	(2)	643	623
Other interest-bearing commitments	115	121	7	2	8	11	(7)	(6)	123	128
Total	1,240	1,219	24	38	50	78	(31)	(53)	1,283	1,282

30. Other interest charges

This includes interest expenses related to non-banking activities, which are attributable to the financial year.

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Notes to the consolidated profit and loss account

In € millions		2004						2003			
31. Staff costs	Banking		Insurance		Other		Group		Total		
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	
Salaries	156	168	82	84	2	8	27	16	267	276	
Pension costs	21	43	5	18	1	1	4	5	31	67	
Social costs	18	17	10	10	--	1	2	1	30	29	
Other staff costs	43	51	42	34	1	1	12	2	98	88	
Total	238	279	139	146	4	11	45	24	426	460	
The composition of the pension costs for own staff breaks down as follows:											
- Interest charge						60				59	
- Increase in cash value of entitlements						50				48	
- Release due to average wage scheme						(33)				--	
- Members' contributions						(2)				--	
- Expected income from investments						(51)				(47)	
- Amortisation of actuarial difference						7				7	
Total						31				67	
<i>Employees</i>											
The average number of staff calculated on the basis of full-time equivalents:											
- SNS Bank						3,328				3,416	
- REAAL Verzekeringen						1,749				1,658	
- Group / SNS REAAL Invest						306				471	
Total						5,383				5,545	
SNS Reaal Group has not issued any options to management or staff.											
Remuneration of the Executive Board and the Supervisory Board											
<i>General policy</i>											
The policy pursued by SNS REAAL Group with respect to the remuneration of the members of the Executive Board is in line with that of other managers within the group. The policy is aimed at attracting and retaining high-quality people and to motivate them, with their remuneration in accordance with the strategic and related financial objectives. The remuneration of the Executive Board is decided by the Supervisory Board.											
The table below provides an overview of the salaries and bonuses of the individual members of the Executive Board.											

Notes to the consolidated profit and loss account

In € millions		2004		2003		
Remuneration of the Executive Board in 2004						
In € thousands		Regular payments	Payment in instalments	Severance payment	Profit-sharing & bonuses	Total
S. van Keulen	563	189	--	193	945	
M.W.J. Hinssen	428	96	--	145	669	
C.H. van den Bos	428	127	--	145	700	
R.R. Latenstein van Voorst	396	62	--	124	582	
Total	1,815	474	--	607	2,896	
Remuneration of the Executive Board in 2003						
In € thousands		Regular payments	Payment in instalments	Severance payment	Profit-sharing & bonuses	Total
S. van Keulen	547	144	--	--	691	
M.W.J. Hinssen	413	78	--	101	592	
C.H. van den Bos	418	88	--	89	595	
R.R. Latenstein van Voorst	353	49	--	--	402	
Total	1,731	359	--	190	2,280	
Remuneration of the Supervisory Board in 2004						
In € thousands			As member of the Board	As member of a committee	Total	
J.L. Bouma			37	6	43	
H.M. van de Kar			30	6	36	
J.V.M. van Heeswijk			25	10	35	
J. den Hoed			25	5	30	
D. Huisman			25	10	35	
S.C.J.J. Kortmann			25	6	31	
H. Muller			25	9	34	
J.W.M. Simons ¹			18	8	26	
Total			210	60	270	

¹) Mr. Simons passed away on 5 August 2004

Notes to the consolidated profit and loss account

In € millions	2004	2003
---------------	------	------

Remuneration of the Supervisory Board in 2003

In € thousands	As member of the Board	As member of a committee	Total
J.L. Bouma	35	6	41
H.M. van de Kar	28	6	34
J.V.M. van Heeswijk	23	3	26
J. den Hoed ¹	11	--	11
D. Huisman	23	3	26
S.C.J.J. Kortmann	23	6	29
H. Muller	23	--	23
J.W.M. Simons	23	3	26
Total	189	27	216

Mortgage loans to directors and supervisory directors

In € thousands	Average interest rate	2004	2003
S. van Keulen	5.5%	197	200
M.W.J. Hinssen	4.3%	567	576
S.C.J.J. Kortmann	4.4%	113	117
Total		877	893

In € millions	2004								2003	
	Banking		Insurance		Other		Group		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
32. Other operating expenses										
Acquisition costs:										
- Life insurance	--	--	65	78	--	--	--	--	65	78
- Non-life insurance	--	--	68	60	--	--	--	--	68	60
Accommodation costs	43	44	11	10	1	2	5	4	60	60
IT costs	35	35	8	8	--	1	7	3	50	47
Marketing and public relations costs	24	24	16	7	--	1	2	1	42	33
External consultancy costs	7	8	3	5	9	2	9	4	28	19
Other expenses	65	52	8	(6)	3	2	(23)	2	53	50
Cost allocation	14	7	--	15	--	--	(14)	(22)	--	--
Total	188	170	179	177	13	8	(14)	(8)	366	347

Acquisition costs include depreciation on capitalised acquisition costs up to an amount of € 35 million (2003: € 32 million). IT costs and accommodation costs include depreciation and amortisation on tangible and intangible fixed assets totalling € 41 million (2003: € 44 million).

¹⁾ Mr. Den Hoed joined the Supervisory Board on 1 July 2003.

Notes to the consolidated profit and loss account

In € millions	2004	2003
33. Value adjustments to loans and advances and financial fixed assets	71	61
These include value adjustments for bad debts and financial fixed assets.		
34. Other expenses	3	2
Other expenses include all charges that cannot be presented under other headings.		
35. Taxes		
Payable taxes	72	75
Deferred taxes	9	22
Total	81	97
Reconciliation between the nominal and the effective tax rate:		
- Operating profits before taxation	409	357
- Nominal tax rate	34.5%	34.5%
Nominal tax amount	141	123
Effect of participation exemption	(49)	(26)
Revaluation of deferred taxes because of reduction in tax rate	9	--
Release of tax provision	(19)	--
Other tax facilities	(1)	--
Effective tax amount	81	97
Effective tax rate	19.8%	27.2%
It has been announced in the tax plans for 2005 that the corporation tax rate will be reduced from 34.5% to 31.5%. This has resulted in the deferred corporation tax being recalculated in accordance with the guidelines for annual reporting. The effect of this is accounted for under 'Revaluation of deferred taxes because of reduction in tax rate'. The increase in the effect of participation exemption is caused by the net accounting for the specific investments, so that the result of these investments is shown under the taxes item.		
36. Third-party interests	18	17
This includes the interest payments on the SNS Bank's participation certificates.		

Consolidated balance sheet of SNS Bank

Before profit appropriation and in € millions	31 December 2004	31 December 2003
Assets		
Cash	442	275
Short-dated government paper	430	610
Banks	2,866	2,210
Loans and advances to the public sector	313	169
Loans and advances to the private sector	35,855	32,618
Loans and advances	36,168	32,787
Interest-bearing securities	1,176	1,579
Shares	33	41
Participating interests	5	6
Intangible fixed assets	8	10
Property and equipment	186	199
Other assets	40	95
Accrued assets	686	703
Total assets	42,040	38,515
Liabilities		
Banks	2,295	2,344
Savings	11,263	10,404
Other funds entrusted	7,187	6,838
Funds entrusted	18,450	17,242
Debt certificates	17,544	15,268
Other debts	339	346
Accrued liabilities	879	845
Provisions	45	82
	39,552	36,127
Fund for general banking risks	70	70
Subordinated debts	866	869
Shareholders' equity	1,552	1,449
Capital base	2,488	2,388
Total liabilities	42,040	38,515

Consolidated profit and loss account of SNS Bank

In € millions	2004	2003
Income		
Interest income	1,829	1,805
Interest charges	1,240	1,219
Net interest income	589	586
Income from securities and participating interests	(2)	(2)
Commission income	136	104
Commission expenses	27	12
Commission	109	92
Result from financial transactions	14	22
Other income	2	(3)
Total income	712	695
Expenses		
Staff costs	238	279
Other administrative expenses	159	140
Staff and other administrative expenses	397	419
Depreciation	29	30
Value adjustments to loans and advances	62	53
Value adjustments to financial fixed assets	(3)	3
Total expenses	485	505
Operating profit before taxation	227	190
Taxes	54	61
Net profit	173	129

Consolidated balance sheet of REAAL Verzekeringen

Before profit appropriation and in € millions	31 December 2004	31 December 2003
Assets		
Investments	9,001	9,043
Investments on behalf of policyholders	2,793	2,972
Receivables:		
- Amounts due from direct insurance	57	183
- Amounts due from reinsurance	12	11
- Receivables from group companies	--	2
- Other amounts due	145	165
	214	361
Other assets:		
- Intangible fixed assets	2	5
- Tangible fixed assets	39	42
- Liquid assets	311	146
	352	193
Accrued assets:		
- Accrued interest	169	187
- Other accrued assets	142	48
	311	235
Total assets	12,671	12,804

Consolidated balance sheet of REAAL Verzekeringen

Before profit appropriation and in € millions	31 December 2004	31 December 2003
<i>Liabilities</i>		
Shareholders' equity	810	718
Third-party interests	3	3
Group equity	813	721
Subordinated debts	132	135
Capital base	945	856
Technical provisions:		
- Gross ¹	8,399	7,918
- Reinsurance component	275	284
Technical provisions for insurance policies in which policyholders bear the investment risk ¹	8,124	7,634
	2,704	3,002
Other provisions	102	221
Deposits of reinsurers	164	158
Debts:		
- Debts in relation to direct insurance	179	185
- Debts to credit institutions	124	--
- Debts to group companies	23	22
- Other debts	282	353
	608	560
Accrued liabilities	24	373
Total liabilities	12,671	12,804

¹) The acquisition costs are balanced in the technical provisions.

Consolidated profit and loss account of REAAL Verzekeringen

In € millions	2004	2003
<i>Technical account, life insurance</i>		
Premiums, net of reinsurance:		
- Gross premium income	1,372	1,486
- Outward reinsurance premiums	18	20
	1,354	1,466
Investment income:		
- Investments for own account	594	432
- Investments on behalf of policyholders	126	196
	720	628
Benefits, net of reinsurance		
- Gross ¹	1,656	894
- Reinsurers' share	13	14
	(1,643)	(880)
Changes in provision for life insurance:		
- Gross ¹	(27)	757
- Reinsurers' share	(2)	--
	25	(757)
Profit-sharing and rebates	(63)	(100)
Operating expenses	(199)	(210)
Investment costs	(53)	(40)
Result of technical account, life insurance	141	107

¹) In 2004, € 856 million was due to the transfer of the value of the group pension operations to the pension fund of SNS REAAL Group.

Consolidated profit and loss account of REAAL Verzekeringen

In € millions	2004	2003
<i>Technical account, non-life insurance</i>		
Earned premiums, net of reinsurance:		
- Gross premium income	317	293
- Outward reinsurance premiums	21	22
	296	271
Change in technical provision for unearned premiums and accrued risks		
- Gross	2	(10)
- Reinsurers' share	--	(1)
	(2)	9
	294	280
Investment income	29	21
Claims, net of reinsurance:		
- Gross	187	174
- Reinsurers' share	14	13
	(173)	(161)
Change in provision for payable claims:		
- Gross	(22)	--
- Reinsurers' share	(1)	(3)
	21	(3)
	(152)	(164)
Profit sharing and rebates	(2)	--
Operating expenses	(119)	(113)
Investment costs	(1)	(1)
Result of technical account, non-life insurance	49	23

Consolidated profit and loss account of REAAL Verzekeringen

In € millions	2004		2003	
<i>Non-technical account</i>				
Technical account result, life insurance	141		107	
Technical account result, non-life insurance	49		23	
Total technical result	190		130	
Other income	10		3	
Other costs	(3)		(2)	
Value adjustments to loans and advances	(9)		--	
Operating profit before taxation	188		131	
Taxes	47		45	
Net profit	141		86	
	Life insurance policies in which insurer bears the investment risk		Life insurance policies in which policyholders bear the investment risk	
<i>Analysis of life insurance premiums</i>	2004	2003	2004	2003
<i>Regular premium policies</i>				
Individual policies:				
- Without profit-sharing	198	259	391	305
- With profit-sharing	124	111	--	--
	322	370	391	305
Collective with profit-sharing	43	37	22	58
Total	365	407	413	363
<i>Single premium policies</i>				
Individual policies:				
- Without profit-sharing	445	436	75	93
- With profit-sharing	24	22	--	--
	469	458	75	93
Collective with profit-sharing	32	31	18	134
Total	501	489	93	227
Total premium income, life insurance	866	896	506	590

Consolidated profit and loss account of REAAL Verzekeringen

In € millions										
Analysis of non-life Insurance technical result	Total		Fire		Accident and health		Motor vehicles		Other sectors	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Earned gross premiums	315	303	90	85	16	29	162	147	47
Gross claims	165	174	35	36	5	16	101	93	24	29
Reinsurance balance	150	129	55	49	11	13	61	54	23	13
	(8)	(13)	(4)	(6)	(3)	(3)	--	(1)	(1)	(3)
	142	116	51	43	8	10	61	53	22	10
Operating expenses and profit-sharing	(121)	(113)	(39)	(38)	(5)	(5)	(61)	(57)	(16)	(13)
Operating result	21	3	12	5	3	5	--	(4)	6	(3)
Investment income	28	20	3	3	4	5	13	10	8	2
Technical result	49	23	15	8	7	10	13	6	14	(1)

Company balance sheet of SNS REAAL Groep N.V.

Before profit appropriation and in € millions		31 December 2004	31 December 2003
Assets			
Fixed assets:			
- Participating interests in group companies	1	2,092	1,894
- Receivables from group companies	2	368	1,005
- Other receivables	3	7	20
		2,467	2,919
Current assets:			
- Receivables	4	252	272
Total assets		2,719	3,191
Liabilities			
Shareholders' equity:	5		
- Issued share capital		340	340
- Share premium		15	15
- Revaluation reserve		36	32
- Participating interests reserve		--	1
- Intangible fixed assets reserve		10	15
- Other reserves		1,250	997
- Retained profit		310	243
		1,961	1,643
Subordinated debts	6	227	233
Capital base		2,188	1,876
Provisions		(7)	3
Long-term debts	7	328	966
Short-term debts	8	210	346
Total liabilities		2,719	3,191
Company profit and loss account of SNS Reaal Groep N.V.			
In € millions		2004	2003
Result on group companies after taxation		334	260
Other results after taxes		(24)	(17)
Net profit		310	243

The numbers mentioned with the balance sheet items refer to the notes starting on page F-53.

Notes to the company balance sheet of SNS REAAL Groep N.V.

In € millions	2004	2003
<i>General</i>		
For further details on the accounting principles, please see the general notes on page F-7 and following.		
Receivables from and debts to group companies for banking services are stated as short-term receivables or short-term debts.		
<i>Assets</i>		
<i>1. Participating interests in group companies</i>		
SNS Bank	1,254	1,151
REAAL Verzekeringen	810	718
Other	28	25
Total	2,092	1,894
Balance as at 1 January	1,894	1,756
Capital contribution	--	100
Disposals	--	(2)
Revaluations	1	2
Released revaluations	--	(42)
Result	334	260
Dividend received	(143)	(188)
Other movements	6	8
Balance as at 31 December	2,092	1,894
<i>2. Receivables from group companies</i>		
Breakdown by residual term to maturity:		
Payable on demand	--	--
> 1 month ≤ 3 months	288	227
> 3 months ≤ 1 year	--	698
> 1 year ≤ 5 years	--	--
> 5 years	80	80
Total	368	1,005
<i>3. Other receivables</i>	7	20
<i>4. Short-term receivables</i>		
Receivables from group companies	251	214
Other amounts due	(4)	16
Accrued assets	5	42
Total	252	272

Notes to the company balance sheet of SNS REAAL Groep N.V.

In € millions					2004	2003		
<i>Liabilities</i>								
<i>5. Shareholders' equity</i>								
	Issued share capital	Share premium	Revaluation reserve	Participating interest reserve	Statutory reserve	Other reserves	Retained profit	Total equity
Balance on 1 January 2003	340	15	49	42	7	871	84	1,408
Transfer of 2002 net profit	--	--	--	34	--	50	(84)	--
Revaluations	--	--	4	(2)	--	--	--	(2)
Released revaluations	--	--	(21)	(73)	--	52	--	(42)
Net profit 2003	--	--	--	--	--	--	243	243
Other movements	--	--	--	--	8	24	--	32
Balance on 31 December 2003	340	15	32	1	15	997	243	1,643
Transfer of 2003 net profit	--	--	--	--	--	243	(243)	--
Revaluations	--	--	1	--	--	--	--	1
Released revaluations	--	--	(2)	(1)	--	3	--	--
Net profit 2004	--	--	--	--	--	--	310	310
Other movements	--	--	5	--	(5)	7	--	7
Balance on 31 December 2004	340	15	36	--	10	1,250	310	1,961

The share premium reserve is recognised for tax purposes.

The revaluation reserve mainly consists of property revaluations.

The statutory reserve was formed for the costs of research and development software capitalised on the balance sheet.

208,801,030 shares have been issued and fully paid up. The nominal value of a share is € 1.63.

Stichting Beheer SNS REAAL holds 208,801,029 shares issued via Stichting Administratiekantoor SNS REAAL. There is a single priority share that is owned directly by Stichting Beheer SNS REAAL.

6. Subordinated debts

This concerns debts that are subordinated to the other obligations.

Bond loan 7.25% 1996/06	114	114
Private loans	30	30
Other debts	83	89
Total	227	233

Group companies have subordinated bonds to the value of € 5 million (2003: € 4 million).

The private loans have an average interest rate of 7.1%. The term is longer than five years.

The other liabilities include the present value (based on an actuarial interest rate of 6.0%) of long-term, non-interest bearing debt of € 113 million nominal (2003: € 125 million). The remaining term is 9 years.

Notes to the company balance sheet of SNS REAAL Groep N.V.

In € millions	2004	2003
7. Long-term debt		
Bond loans	269	901
Private loans	59	65
Total	328	966
Bond loans		
6.75% 1995/04	--	227
EMTN - loans	269	674
Total	269	901

Group companies hold no bonds (2003: € 31 million).

The private loans are subject to an average interest rate of 4.5% (2003: 5.0%). The majority of these loans (€ 51 million) have a term of less than five years. The remainder (€ 8 million) have terms longer than five years.

8. Short-term debts

Debts to group companies	87	1
Taxes	8	14
Other debts	96	264
Accrued liabilities	19	67
Total	210	346

Guarantees

Guarantees in the sense of section 403, Book 2 of the Netherlands Civil Code have been issued for most of the wholly-owned subsidiaries of SNS Bank and SNS REAAL Invest. Barring a few exceptions, no such guarantees have been issued for the subsidiaries belonging to REAAL Verzekeringen. SNS REAAL Groep N.V. has issued guarantees to meet the commitments of REAAL Schadeverzekeringen N.V. for specific insurance contracts entered into after 1 September 2000.

Utrecht, 9 March 2005

The Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
J. den Hoed
D. Huisman
S.C.J.J. Kortmann
H. Muller

The Group Executive Board

S. van Keulen
C.H. van den Bos
M.W.J. Hinssen
R.R. Latenstein van Voorst

Main Group Companies

The most important group companies are listed below, broken down under banking operations, insurance operations and SNS Reaal Invest. Ownership is 100%, unless stated otherwise.

Banking operations

SNS Bank N.V.	Utrecht
Algemene Spaarbank voor Nederland ASN N.V.	The Hague
CVB Bank N.V.	's-Hertogenbosch
BLG Hypotheekbank N.V.	Geleen
SNS Securities N.V.	Amsterdam
SNS Assurantiën B.V.	Maastricht
SNS Assuradeuren B.V.	Maastricht

Insurance operations

REAAL Verzekeringen N.V.	Utrecht
REAAL Levensverzekeringen N.V.	Alkmaar
REAAL Schadeverzekeringen N.V.	Zoetermeer
REAAL Reassurantie S.A.	Luxemburg
Proteq Levensverzekeringen N.V.	Alkmaar
Proteq Schadeverzekeringen N.V.	Alkmaar
SNS Verzekeringen B.V.	Zoetermeer

SNS REAAL Invest

SNS Reaal Invest N.V.	's-Hertogenbosch
Foresta Investerings Maatschappij N.V.	's-Hertogenbosch

List of other main equity participations

The most important equity participations are listed below. These are participating interests of SNS REAAL Invest.

Masterfleet N.V. ¹	(40%)	's-Hertogenbosch
PrimeLine Services B.V.	(40%)	's-Hertogenbosch
NeSBIC CTE Fund B.V.	(13.6%)	Utrecht
NeSBIC CTE Fund II B.V.	(10%)	Utrecht
Parnassus Participatiefonds B.V.	(42.9%)	Amsterdam
Life Sciences Partners II B.V.	(13.2%)	Amsterdam
Skala Home Electronics B.V.	(50%)	's-Hertogenbosch

Other

The overview as defined in Sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the trade register of the Chamber of Commerce in Utrecht.

¹) Formerly SNS Automotive N.V.

Auditor's report

Introduction

We have audited the annual accounts 2004 of SNS REAAL Groep N.V., Utrecht. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the company at 31 December 2004 and of the result for the year then ended, in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Amstelveen, 9 March 2005

KPMG Accountants N.V.

Consolidated financial statements for the year 2005 and comparative data for the year 2004

Consolidated balance sheet

Before profit appropriation and in € millions		31 December 2005	31 December 2004
<i>Assets</i>			
Goodwill and other intangible assets	1	559	369
Tangible fixed assets	2	302	300
Associated companies	3	126	51
Investment property	4	129	125
Investments	5	9,211	8,233
Investments for insurance products on behalf of policyholders	6	3,426	2,798
Derivatives	7	1,174	103
Deferred tax receivables	8	132	167
Reinsurance contracts	18	365	269
Mortgage loans to customers	9	43,544	39,924
Other loans and advances to customers	10	2,599	2,627
Loans and advances to credit institutions	11	4,949	3,421
Other tax receivables	12	192	38
Other assets	13	304	473
Cash and cash equivalents	14	1,076	1,074
Total assets		68,088	59,972
<i>Liabilities and equity</i>			
Share capital		340	340
Other reserves		1,865	1,252
Retained profit		323	288
Shareholders' equity	15	2,528	1,880
Participation certificates and subordinated debts	16	1,616	1,443
Debt certificates	17	25,654	23,464
Technical provisions, insurance operations	18	12,658	11,330
Provision for employee benefits	19	76	187
Other provisions	20	44	50
Derivatives	7	976	42
Deferred tax liabilities	8	324	82
Savings	21	12,333	10,973
Other amounts due to customers	22	7,078	6,346
Amounts due to credit institutions	23	3,419	2,442
Other tax liabilities	24	23	19
Other liabilities	25	1,359	1,714
Total liabilities and equity		68,088	59,972

The numbers mentioned with the balance sheet items refer to the notes starting on page F-116.

Consolidated financial statements for the year 2005 and comparative data for the year 2004

Consolidated income statement

In € millions		2005	2004
Income			
Interest income, banking operations	26	622	593
Regular premium Life		838	761
Single premium life		584	593
Non-life premiums		323	296
Net premium income	27	1,745	1,650
Net commission and management fees	28	129	115
Investment income	29	549	640
Investment income on behalf of policyholders	30	394	126
Result on derivatives and other financial instruments	31	31	(7)
Other operating income	32	1	13
Total income		3,471	3,130
Expenses			
Technical expenses on insurance contracts	33	1,313	1,406
Technical expenses on insurance contracts on behalf of policyholders	34	782	431
Acquisition costs for insurance operations	35	167	122
Value adjustments on financial instruments and other assets	36	60	71
Staff costs	37	443	451
Depreciation on tangible fixed assets and amortisation of intangible assets	2	38	42
Other operating expenses	38	201	218
Other interest charges	39	60	75
Total expenses		3,064	2,816
Share in the result of associated subsidiaries	40	9	44
Operating profit before taxation		416	358
Taxes	41	93	70
Net profit		323	288
Earnings per share	42	1.55	1.38

The numbers mentioned with the income statement items refer to the notes starting on page F-139.

Consolidated financial statements for the year 2005 and comparative data for the year 2004

Consolidated statement of changes in shareholders' equity

In € millions	Issued share capital	Share premium	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Profit sharing reserve	Other reserves	Retained earnings	Total equity
Balance on 1 January 2004	340	15	36	--	--	--	1,198	--	1,589
Other unrealised revaluations	--	--	1	--	--	--	--	--	1
Revaluation transfer in connection with realisation of revaluations	--	--	(3)	--	--	--	3	--	--
Net profit 2004	--	--	--	--	--	--	--	288	288
Other changes	--	--	5	--	--	--	(3)	--	2
Balance on 31 December 2004	340	15	39	--	--	--	1,198	288	1,880
Change in accounting principles to IAS 32 and 39 and IFRS 4	--	--	--	52	113	49	(55)	--	159
Transfer of 2004 net profit	--	--	--	--	--	--	288	(288)	--
Unrealised revaluations from cash flow hedges	--	--	--	71	--	--	--	--	71
Deferred interest income from cash flow hedges	--	--	--	12	--	--	--	--	12
Other unrealised revaluations	--	--	3	--	123	--	--	--	126
Revaluation transfer in connection with realisation of revaluations	--	--	(1)	--	--	--	1	--	--
Realisation of revaluations via the income statement	--	--	--	--	(43)	--	--	--	(43)
Change in Profit sharing reserve	--	--	--	--	9	(11)	2	--	--
Net profit 2005	--	--	--	--	--	--	--	323	323
Other changes	--	--	(3)	--	1	--	2	--	--
Balance on 31 December 2005	340	15	38	135	203	38	1,436	323	2,528

For further information, please refer to the separate statement of changes in shareholders' equity in the notes to the Company balance sheet of SNS REAAL (page F-151).

The revaluation reserve concerns tangible fixed assets.

The cash flow hedging reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedging instruments for hedged transactions that have not yet taken place.

The fair value reserve comprises the accumulated net change in the fair value of investments available for sale.

The profit-sharing reserve is maintained for insurance contracts with profit-sharing rights and is not at the free disposal of the shareholders. Holders of these insurance contracts receive a payment that is partly dependent upon the realised result of the insurer. The management of the insurance company determines the amount and the time at which the profit-sharing payment is made to the holders of the insurance contracts. The profit-sharing reserve only relates to realised and unrealised revaluations of fixed-income securities.

Consolidated financial statements for the year 2005 and comparative data for the year 2004

Consolidated cash flow statement

In € millions	2005	2004
<i>Cash flow from operating activities</i>		
Profit for the financial year	323	288
Adjustments for:		
Depreciation and amortisation	38	43
Amortisation of Value of Business Acquired	3	(1)
Amortisation of acquisition costs	48	35
Changes in provisions and deferred taxes	271	(81)
Value adjustments	60	71
Share in retained profit from associated subsidiaries	(9)	(44)
Operating cash flow before changes in working capital and provisions	734	311
Change in mortgage loans to customers	(3,620)	(3,029)
Change in other loans and advances to customers	760	198
Changes in loans and advances to credit institutions	(551)	(1,217)
Change in savings	1,360	569
Increase in technical provisions and employee benefits	1,121	68
Change in other operating activities	(1,101)	287
Net cash flow from operating activities	(1,297)	(2,813)
<i>Cash flow from investment activities</i>		
Income on the sale of intangible assets	--	2
Income on the sale of tangible fixed assets	23	20
Income on the sale of subsidiaries	8	148
Income on the sale of investment property	2	6
Income from the sale and redemption of investments and derivatives	5,504	7,115
Purchase of intangible fixed assets	(203)	(112)
Purchase of tangible fixed assets	(44)	(36)
Purchase of associates and subsidiaries	(29)	(3)
Purchase of investment property	--	(1)
Purchase of other investments	(5,939)	(6,313)
Net cash flow from investment activities	(678)	826
<i>Cash flow from financing activities</i>		
Income from subordinated loans	304	--
Income from debt certificates	9,614	12,041
Redemption of subordinated loans	(121)	(11)
Redemption of debt certificates	(7,820)	(9,769)
Net cash flow from financing activities	1,977	2,261
Cash and cash equivalents as at 1 January	1,074	800
Net increase in cash and cash equivalents	2	274
Cash and cash equivalents as at 31 December	1,076	1,074

Accounting principles

1 General information

1.1 GROUP STRUCTURE

SNS REAAL comprises SNS Bank N.V., REAAL Verzekeringen N.V. and SNS REAAL Invest. N.V. and their subsidiaries. The Group's consolidated financial statements include the financial statements of all the companies in which SNS REAAL has a controlling influence and the interest of the SNS REAAL in associated subsidiaries and entities.

A number of corporate staff departments are shared. The costs of the corporate staff are charged on the basis of the service provided or proportionally allocated to the group's subsidiaries. The costs of the Group Executive Board and certain holding company costs are not allocated to group subsidiaries.

The main accounting principles used in the preparation of the consolidated and the company financial summaries are described in this section. Pursuant to the option offered under Part 9, Book 2 of the Netherlands Civil Code, SNS REAAL prepares its Company financial statements using the same accounting principles as those used for the consolidated financial statements.

1.2 STATEMENT OF IFRS COMPLIANCE

SNS REAAL adapted the International Financial Reporting Standards (IFRS) as adopted for use in the EU on 1 January 2005. The comparative figures for the preceding financial year have been adjusted. IFRS 1 First-time adoption of International Financial Reporting Standards were applied to the preparation of these financial statements.

In accordance with the exemption offered under European legislation, SNS REAAL applies International Accounting Standard 32 Financial instruments: disclosure and presentation (IAS 32), 39 Financial Instruments: recognition and measurement (IAS 39) and IFRS 4 Insurance contracts (IFRS 4) with effect from 1 January 2005.

A statement concerning the effect of the conversion to IFRS on the reported financial position, financial results and cash flows of the Group is included in the Other information section.

1.3 ACCOUNTING PRINCIPLES USED IN THE PREPARATION OF THE FINANCIAL SUMMARIES

The accounting principles set out below have been consistently applied to all the periods presented in these consolidated financial statements, as well as to the preparation of the IFRS opening balance on 1 January 2004 in the context of the implementation of IFRS. However, in accordance with the exemption offered under European legislation, SNS REAAL applied IAS 32, IAS 39 and IFRS 4 with effect from 1 January 2005 without restating the comparative figures.

The entities that belong to the Group have consistently applied the accounting principles.

The consolidated financial summaries have been prepared on the basis of historic cost, with real estate, investments in securities held for sale, financial assets and financial liabilities held for trading, and all the derivatives contracts being restated at fair value. With the exception of the cash flow information, the financial summaries are prepared on the accrual basis of accounting.

The consolidated financial summaries are stated in millions of euros. The euro is the presentation currency of SNS REAAL.

1.4 THE USE OF ESTIMATES AND ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL SUMMARIES

The preparation of the consolidated financial summaries requires that SNS REAAL use estimates and assumptions that could affect the reported assets and liabilities and the contingent assets and liabilities as at the date of the consolidated financial statements, and the reported income and expenses for the period under review. It concerns particularly the rules for determining the provisions and capitalised acquisition costs for insurance operations, determining the provision for bad

debts, determining the fair value of assets and liabilities and determining impairment. This involves assessing the situations on the basis of financial data and information that are subject to change over the time. Although these estimates with respect to current events and actions are made to best of the management's knowledge, the actual results can ultimately differ from the estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised if the revision only has consequences for the period in question, or in the period of revision and future periods if the revision has consequences for both the reporting and future periods.

For details about these accounting principles, please refer to the corresponding notes to the consolidated financial statements and to the information below.

1.5 PRINCIPLES OF CONSOLIDATION

1.5.1 *Subsidiaries*

Subsidiaries, in other words, the companies and other entities (including the so-called 'special purpose entities') of which SNS REAAL can directly or indirectly control the financial and operational policy, are included in the consolidation. This is usually the case if more than half the voting rights can be exercised or if SNS REAAL can otherwise exercise controlling influence.

Subsidiaries are fully consolidated from the moment that SNS REAAL gains control until the moment that this ends. The financial statements of these group companies are fully consolidated, with uniform accounting principles being applied. Third-party interests are stated separately in the consolidated balance sheet and profit and loss account.

1.5.2 *Associated companies*

Associated companies are entities in which SNS REAAL has 20–50% of the voting rights, or in which SNS REAAL otherwise has significant influence but no control. Investments in associated subsidiaries are measured at 'net asset value', and recognised at cost (including goodwill) when first included.

With this method, the participating interest is recognised as an asset, and SNS REAAL share in the net profit of the associated company is stated in the profit and loss account from the moment of acquisition. The share of SNS REAAL in the movements in shareholders' equity of the participating interest after acquisition is stated in shareholders' equity. The cost of the participating interest is restated for the accumulated changes after acquisition.

Where necessary, the accounting principles applied by the associated subsidiaries have been adjusted to ensure consistency with the principles applied by SNS REAAL.

1.5.3 *Securitisations*

SNS REAAL Groep N.V. has securitised mortgage receivables in special purpose entities (SPEs). With these transactions, the economic ownership of these mortgage receivables are transferred to separate entities.

SNS REAAL includes these SPEs in full in its consolidated financial statements if, on the basis of the economic reality of the relationship between SNS REAAL and the SPE, SNS REAAL controls the SPE, and if SNS REAAL retains the majority of the risks and rewards.

1.5.4 *Elimination of transactions on consolidation*

Intra-group transactions, intra-group relationships and realised and unrealised gains on transactions between group companies are eliminated.

Unrealised gains on transactions between SNS REAAL and its subsidiaries are eliminated for the share of SNS REAAL in the subsidiaries.

Unrealised losses are eliminated in the same way as unrealised gains, but only insofar as there is no indication of impairment.

1.6 ADMINISTRATIVE PROCESSING ON THE BASIS OF THE TRANSACTION DATE AND THE SETTLEMENT DATE.

All the purchases and sales of financial assets and liabilities settled according to standard market conventions are processed on the transaction date, in other words, the date on which SNS REAAL commits itself to buy or sell the asset or liability. All the other purchases or sales are carried as forward transactions (derivatives) until they are settled.

1.7 NETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are netted and stated as a net amount on the balance sheet if there is a legally enforceable right to settle the amounts net, and there is an intention to settle the items in this manner, or to settle the asset and liability simultaneously.

1.8 INSURANCE CONTRACTS

Insurance contracts are those contracts that transfer significant insurance risks. These contracts can also transfer financial risks. As a general rule, SNS REAAL considers an insurance risk to be significant if there is a possibility that, following an insured event, it has to make a payout of at least 10% in excess of the payout due if the insured event had not occurred.

SNS REAAL distinguishes between the following contract categories:

1.8.1 Life insurance

These contracts provide long-term insurance of events that lead to a payment in cash or investments units in connection with the survival or death of policyholders. The life insurance contracts of REAAL can be categorised in the product groups endowment mortgages, annuities, risk insurance policies, savings insurance policies, funeral insurance and insurance policies in investment units.

1.8.2 Non-life insurance

Non-life insurance contracts comprise those insurance contracts that do not offer cover connected to the life or death of policyholders. These contracts mainly concern a shorter period during which events are insured. The non-life insurance contracts of REAAL can be categorised in the product groups illness / accidents, motor vehicles, fire, transport and other.

With liability insurance policies, clients of SNS REAAL insure themselves against the risk that they may cause damage to third parties as a result of lawful actions. With building insurance, the clients of SNS REAAL insure themselves primarily against damage to their real estate or for the value of lost real estate. Non-life insurance also includes insurance contracts with which clients of SNS REAAL insure themselves against the consequences of occupational disability that could affect the possibility of the client or policyholders to sustain their current income level. Guaranteed payouts made after the occurrence of the specified insured event are either fixed or linked to the scale of the economic loss suffered by the policyholder. No payouts take place when the insurance policy expires or is surrendered.

1.8.3 Unit-linked insurance

The distinctive feature of unit-linked insurance is the link of the life insurance policy to investment units. The policyholder determines how REAAL should invest the paid premiums after deduction of costs and risk premium. To this end, REAAL has created mainly separate investment funds. The policyholders bear the economic risk on the investments. REAAL determines the investment policy. Policyholders have the option, in addition to the type of investment, also adapt the policy to his/her personal and/or financial situation.

The benefits from these insurance contracts are linked to the investments. Given this link, the insurance commitments for these contracts are adjusted for all the adjustments in the value of these investments.

1.8.4 Insurance contracts with discretionary profit-sharing rights

The insurance portfolio also contains insurance contracts with discretionary profit sharing. Discretionary profit sharing schemes are connected to the contractual right of individual policyholders to an additional benefit over and above the insured or guaranteed capital. The amount and timing of these additional benefits are at the discretion of SNS REAAL. Because of the discretionary element of these profit-sharing commitments, an amount is included in an earmarked portion of shareholders' equity.

1.9 TRANSLATION OF FOREIGN CURRENCIES

Upon initial recognition, transactions in foreign currencies are translated into euros at the exchange rate on the transaction date. Balance sheet items in foreign currencies are translated into euros at the spot rate applicable on the balance sheet date. Exchange rate gains and losses from these transactions and from translating monetary balance sheet items in foreign currency are taken to the income statement under Result on investments or Result on derivatives and other financial instruments, except in the case of cash-flow hedge accounting, in which case exchange rate gains and losses are taken to shareholders' equity.

The exchange rate gains and losses of non-monetary items stated at fair value, with changes in the value being taken to the result, are accounted for as part of these changes in the value of the asset in question. Exchange rate differences in the revaluation reserve of non-monetary balance sheet items, with changes in the value being taken to shareholders' equity, are incorporated in shareholders' equity. Non-monetary items stated at historical cost are translated at the exchange rate applicable on the transaction date.

1.10 INFORMATION BY SEGMENT

A segment is a clearly distinguishable division of SNS REAAL that provides services with a different risk or return profile (business segment) from other segments, or that delivers the services to a particular economic market (market segment) with a different risk and return profile from other segments.

The most significant business segments of SNS REAAL are the banking operations, life insurance operations, non-life insurance operations and group activities. Together these form the primary segmentation basis. Banking operations are further segmented into retail operations and commercial banking operations.

2 Cash flow statement

The cash flow statement is drawn up in accordance with the indirect method, making a distinction between cash flows from operating, investing and financing activities.

Cash flows in foreign currency are translated at the average exchange rates during the financial year.

With regard to cash flow from operations, the net profit is adjusted for gains and losses that did not result in income and payments in the same financial year and for changes in provisions and accrued and deferred items.

With investments in consolidated participating interests, the liquid assets available in these participating interests are deducted from the purchase price.

In the context of the cash flow statement, cash and cash equivalents comprise cash balances and balances that can be converted into ready cash within three months, including: demand deposits kept at banks, funds and balances at central banks, government papers, other short-term, highly marketable investments with an original maturity of a maximum of three months, current account advances and loans and advances to other banks.

3 Balance sheet

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

3.1.1 Goodwill

Acquisitions by SNS REAAL are recognised according to the 'purchase' method, with the cost of the acquisitions being attributed to the fair value of the acquired assets, commitments and off-balance sheet commitments. Goodwill, being the difference between the cost of the acquisition and the share of SNS REAAL in the fair value of the acquired assets, commitments and off-balance sheet commitments on the acquisition date, is capitalised as an intangible asset.

Goodwill is not amortised. Instead, an impairment test is performed once a year or more often whenever there are indications of impairment. For this impairment test, goodwill is attributed to cash-generating units. The book value of the

cash-generating unit (including goodwill) is compared to the recoverable amount. The recoverable amount is the higher of the net realisable value and the going-concern value.

Any negative goodwill is taken directly to the result.

3.1.2 Software

Acquired software licences are capitalised on the basis of the acquisition cost and the costs to render the software in question operational. These costs are amortised on the basis of the expected useful life, with a maximum of three years applying. Costs that are directly related to the manufacture of identifiable and unique software products to which SNS REAAL has right of disposal, and which are likely to generate economic benefits that exceed the costs for more than one year, are capitalised as intangible assets. The direct costs comprise the staff costs directly attributable to software development

All the other costs associated with the development or maintenance of computer software are included as a charge in the period during which they are incurred.

The capitalised development costs for computer software are amortised on a straight-line basis over the useful life, with a maximum of three years applying.

3.1.3 Capitalised acquisition costs in connection with insurance operations

These acquisition costs are the direct or indirect costs in connection with concluding life insurance policies. The capitalised acquisition costs item comprises capitalised commission and other direct and indirect acquisition costs that depend on and relate to the acquisition of new contracts and the extension of existing contracts. The costs are capitalised to the extent that they can be recovered from future loading in the premiums or from the expected gross result, depending on the nature of the policy.

The capitalised acquisition costs are amortised on a straight-line basis over a maximum period of 12 years (in line with the period in which the premiums are realised or the expected period in which premium income is earned). This amortisation is decided by the management on the basis of the best possible estimates with respect to future expectations. These estimates include income from bonds and equities in the long term, assumptions with respect to mortality, invalidity and termination of policies, recurring costs and expected future inflation.

Movements in the equity market can have a significant effect on the fund value of variable products and their management fees. Consequently, the expected future results increase or decrease in line with these movements. Likewise, changes in the interest income from fixed annuities (added interest less the interest earned) affect the assumptions in respect of future contributions.

An impairment test is carried out annually on these capitalised acquisition costs to confirm that future contributions from the insurance products are sufficient to cover the periodic amortisation expenses. In the case of a negative recovery capacity, additional amortisation is recognised in the income statement in the relevant year.

3.1.4 Value of Business Acquired

SNS REAAL recognises acquisitions on the basis of the purchase method. As a result, the acquired insurance portfolios are included in the balance sheet as intangible assets on the basis of 'value of business acquired' (VOBA). The VOBA is calculated on the net present value of the estimated future cash flows from the current insurance contracts at the acquisition date. Best estimates of actuarial assumptions for interest, mortality and costs are used for determining this net cash value.

SNS REAAL amortises the VOBA on a straight-line basis over the estimated maturity of the acquired contracts. The estimated maturity is re-assessed on a regular basis. An impairment test is carried out as at each balance sheet date to confirm that the future contributions from the acquired insurance contracts are sufficient to cover the periodic amortisation expenses. In the case of a negative recovery capacity, additional amortisation is recognised in the income statement in the relevant year.

3.2 TANGIBLE FIXED ASSETS

3.2.1 Land and buildings in company's own use

Property in own use primarily concerns offices (buildings and land) and is stated at fair value based on assessments by independent external surveyors, less depreciation of buildings and accumulated impairment. Positive revaluations on the basis of these assessments are added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as these result in the reversal of earlier write-downs on the same asset, are credited to the income

statement. Negative revaluations, insofar as these result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. All other write-downs are charged directly to the income statement.

Buildings are depreciated in a straight line over the economic life, with a maximum of 50 years, with account being taken of the possible residual value. Land is not depreciated. Regular impairment tests are carried out on real estate.

Repair and maintenance expenses are recognised in the other operating expenses when the expense is incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits in relation to the original use are capitalised and then amortised.

At the sale of a property the revaluation reserve related to the sold real estate is transferred to the other reserves.

3.2.2 IT equipment and other assets

All other tangible fixed assets are carried at historical cost net of accumulated depreciation and, if applicable, accumulated impairment.

The historical cost comprises the expenses directly attributable to the acquisition of the asset.

The cost of the other tangible fixed assets is depreciated on a straight-line basis over the useful life, with account being taken of a possible residual value. The estimated useful life is three to five years.

Regular impairment tests are carried out on the other tangible fixed assets. If the book value of an investment permanently exceeds the net realisable value, it is immediately written down to the realisable value.

Repair and maintenance expenses are recognised in the other operating expenses when the expense is incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other investments in relation to the original use are capitalised and then amortised.

Results on the sale of equipment are defined as the balance of the realisable value less transaction costs and the book value. These results are recognised as part of the result from operating activities.

3.3 ASSOCIATED COMPANIES

Associated companies are entities in which SNS REAAL generally exercises between 20% and 50% of the voting rights, or in which the Group can exercise significant influence, but does not have overall control.

Participating interests are recognised in accordance with the net equity method. The item also includes goodwill paid at acquisition less accumulated impairment where applicable. Under the net equity method, the share of SNS REAAL in the result of the participating interest is recognised in the income statement of SNS REAAL as share in the result of associated companies. The share of SNS REAAL in changes in the reserves of the participating interest is stated in the reserves of SNS REAAL. The value of the participating interest is adjusted for these results and changes in reserves. If the valuation of the participating interest has become zero, no further losses are accounted for anymore, unless the Group has entered into commitments on behalf of the participating interest or has made payments for the participating interest.

Where necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by SNS REAAL.

Associated companies held for sale are classified as held for sale. These investments are stated at the lower of the book value and the sale price less selling costs. The result on the sale of an investment in an associated company is presented as a total amount in the income statement consisting of the sale price less the transaction costs and the book value of the participating interest.

3.4 INVESTMENT PROPERTY

Investment property, comprising shop and office buildings and land, are held to generate long-term rental income. If property is kept partly as investment property and partly for own use, the property is included under tangible fixed assets, unless the part in own use is less than 20% of the total number of square metres.

Investment property is treated as long-term investments and stated at fair value, which is the same as the open market value that is determined every three years by independent external surveyors with sufficient expertise and experience in the locations and categories of real estate. In the time between the three-yearly external valuation, SNS REAAL uses alternative valuation methods based on the total net annual rental of that property and, where applicable, the associated costs.

Changes in the fair value are stated in the income statement under result from investments.

Investment property is carried at cost including transaction costs upon initial recognition.

The summary below shows the bandwidth of return factors used for every category of property.

Building	Location	Return factor
Shops	A-location	6.50 – 7.50
Shops	B-location	7.00 – 8.00
Offices	A-location	7.00 – 9.00
Offices	B-location	7.20 – 9.00

3.5 INVESTMENTS

3.5.1 Classification

SNS REAAL divides its investments into the following categories: (1) held to maturity, (2) loans and receivables, (3) available for sale and (4) at fair value through profit and loss.

The category depends on the purpose for which the investments were acquired.

Upon acquisition of its investments, the management decides which category the investment will be allocated to, and reviews the appropriateness of this allocation every year as at reporting date.

Upon first-time inclusion, investments are stated at cost including transaction costs.

3.5.2 Held to maturity

Fixed-term investments, which management intends, and is able, to hold to maturity, are classified as held to maturity.

Investments held to maturity are stated at amortised cost based on the effective interest method, less a provision for impairment if necessary. The effective interest method is based on the expected flow of cash receipts, with account being taken of the risk of early redemption of the underlying financial instruments and the direct costs, such as the transaction costs charged, agency commission and discount or premiums.

3.5.3 Loans and receivables

This item includes unlisted investments with a fixed term. These investments are stated at amortised cost based on the effective interest method, less a provision for impairment if necessary.

3.5.4 Available for sale

Investments that do not satisfy the criteria defined by management for held to maturity investments or at fair value in the income statement, are classified as available for sale.

Upon first-time inclusion, investments available for sale are recognised at fair value in the balance sheet. Unrealised gains and losses resulting from the fair value adjustments of investments available for sale are taken to shareholders' equity, taking account of deferred taxes.

Investments in the form of shares of which the fair value cannot be estimated reliably are stated at cost less impairment if necessary. When the investments are sold or if they are impaired, the related accumulated fair value adjustments are recognised in the income statement as result from investments.

3.5.5 At fair value through profit and loss

Investments at fair value through profit and loss were acquired with a view to benefiting from short-term fluctuations in the price or trading margin. Upon first recognition, these investments are stated at cost, in other words, the fair value of the reimbursement paid, and are subsequently stated at fair value. All the related realised and unrealised gains and losses are taken to the result from investments. Interest income earned on securities is recognised as interest income under net interest

income at SNS Bank and under result from investments at REAAL Verzekeringen. Dividend received is stated under result from investments.

3.5.6 Impairment

The management performs an assessment at balance sheet date to ascertain whether there are objective indications of impairment of investments held to maturity and available for sale. Impairment losses are taken directly to the income statement under Impairment of financial instruments and other assets. Remeasurement in shareholders' equity, where applicable, is written down.

An investment is considered to be impaired if the cost exceeds the recoverable amount in the long term, in other words, a significant or prolonged decline in the fair value below its cost. The recoverable amount of the investments in the form of unlisted shares is determined using recognised valuation methods. The standard method used is based on the relationship in the market between the profit and the value of comparable companies. The recoverable amount of listed investments is determined on the basis of the market price. They are deemed to be impaired if there are objective indications that the decrease in the market price is such that it cannot reasonably be assumed that the value will recover to the level of the book value in the foreseeable future.

If, during a subsequent period, the impairment of an investment held to maturity or of investments available for sale decreases, and the decrease can objectively be attributed to an event following the write-down, the impairment is reversed in the income statement. This does not apply to investments in equity instruments where an increase in value following impairment is treated as a revaluation.

3.6 INVESTMENTS FOR INSURANCE PRODUCTS ON BEHALF OF POLICYHOLDERS

These investments are held on behalf of life insurance policyholders and are stated at fair value. Amounts due by policyholders in this context are recognised in the income statement as insurance premiums. If the income from investments is not sufficient to cover the obligations due to minimum returns, a supplementary provision is formed at the expense of the income statement. Adjustments in the value of investments and book results on the sale of investments are taken to the income statement as result on investments on behalf of policyholders.

Obligations arising from investments on behalf of policyholders are recognised on the basis of the same principles as those used for the valuation of the corresponding investments. Adjustments in the value of obligations related to the investments on behalf of policyholders are recognised in the income statement under technical expenses with respect to insurance contracts on behalf of policyholders.

3.7 DERIVATIVES

Derivative financial instruments, such as currency contracts, interest rate futures, forward contracts, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments are stated at cost (including transaction costs) in the balance sheet upon first-time inclusion and are subsequently stated at fair value.

The fair value of publicly traded derivatives is based on listed bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired or liabilities held.

The fair value of non-traded derivatives depends on the type of instrument and is based on a DCF model or an option valuation model. SNS REAAL recognises derivatives with a positive value as assets and derivatives with a negative value as liabilities.

Adjustments in the fair value of derivatives held for trading are taken to the valuation result on derivatives.

3.7.1 Embedded derivatives

Certain derivatives are embedded in other financial instruments, such as conversion options in convertible bond loans. These are treated as separate derivatives if there is no close relation between the risks and characteristics of the derivative and the host contract, and if the host contract is not stated at fair value, with unrealised gains and losses being taken to the result.

3.7.2 Hedge accounting

SNS REAAL uses derivatives as part of the management of the balance sheet and management of risk. These instruments are used for hedging interest rate and foreign currency risks, including risks by virtue of future transactions. If a transaction meets the relevant conditions for hedge accounting, SNS REAAL applies fair value hedge accounting or cash flow hedge accounting.

SNS REAAL can designate particular derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); or (2) a hedge of a future cash flow that can be attributed to a recognised asset or liability, an expected transaction or a definite obligation (cash flow hedge).

Hedge accounting is used for derivatives thus identified, provided certain conditions are met. The conditions applied by SNS REAAL for a derivative instrument to qualify for treatment as a hedging instrument comprise:

- ⊙ formal documentation of the hedging instrument, the hedged position, the aim, strategy and relationship of the hedge is completed before hedge accounting is applied;
- ⊙ the documentation shows that the hedge is expected to be effective in compensating the risk in the hedged position for the entire reporting period;
- ⊙ and the hedge continues to be effective during the term.

A hedge is considered to be effective if SNS REAAL, from the start of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position are almost fully compensated by adjustments in the fair value or cash flows of the hedging instrument, and actual results point in this direction, and the actual effectiveness remains within a bandwidth of 80% to 125%.

SNS REAAL ends the hedge accounting as soon as it is established that a derivative is no longer an effective hedge, or when the derivative expires, is sold, terminated or exercised; when the hedged position expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

3.7.2.1 Fair value hedge accounting

Derivatives designated as a hedge of the fair value of recognised assets or liabilities or of a definite obligation are stated as fair value hedge.

Changes in the fair value of the derivatives that are designated as a hedge are taken directly to the income statement and reported in the line that relates to the hedged item. The corresponding adjustments in the fair value of the hedged asset or the hedged liability that can be attributed to that specific hedged risk are also taken directly to the income statement under the same line in the income statement.

If the hedge no longer fulfills the conditions for hedge accounting, an adjustment in the book value of a hedged financial instrument is amortised and charged or credited to the income statement during the residual term of the instrument.

If the hedged instrument is no longer recognised, in other words, if it is sold or redeemed, the non-amortised fair value adjustment is taken directly to the income statement.

3.7.2.2 Cash flow hedge accounting

Derivatives can be designated as a hedge of the risk of future variability of the cash flows of a recognised asset or liability or expected transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as cash flow hedge and that fulfill the conditions for cash flow hedge accounting and that appear to be effective in relation to the hedged risk are stated in the cash flow hedging reserve as a separate component of shareholders' equity. The underlying transaction, which is designated as part of a cash flow hedge, does not change as far as the administrative processing is concerned.

If the expected transaction leads to the actual inclusion of an asset or a liability, the gains and losses that were previously taken to shareholders' equity are transferred to the income statement and classified as income or expense in the period during which the hedged transaction influences the result.

When determining the portion of the fair value adjustment that is included in the cash flow hedging reserve, the portion of the gain or loss on the hedging instrument that is considered as an effective hedge of the cash flow risk is taken to shareholders' equity, while the ineffective portion is taken to the income statement.

If the hedging instrument itself expires or is sold, terminated or exercised, the accumulated gain or loss that was included in shareholders' equity remains in shareholders' equity until the expected transaction actually takes place. If the hedging instrument no longer satisfies the conditions for hedge accounting, the accumulated gain or loss that was included in

shareholders' equity remains in shareholders' equity until the expected transaction takes place. If the transaction in question is no longer expected to take place, the accumulated result taken to shareholders' equity is immediately transferred to the income statement.

3.8 DEFERRED TAX RECEIVABLES

Deferred tax receivables and liabilities are recorded for temporary differences between the book value of assets and liabilities for tax and for accounting purposes. This is based on the tax rates applicable as at balance sheet date and that are expected to apply in the period in which the deferred tax receivables are realised or the deferred tax liabilities are settled. The deferred taxes are stated at nominal value.

Deferred tax receivables are only included if it is expected that tax profits will be realised in the near future as compensation for these temporary differences. A provision for deferred taxes is formed for temporary differences between the book value and the value for tax purposes of investments in group companies and participating interests, except if the Group can determine the time at which these temporary differences are realised or settled and if it is likely that these differences will not be realised or settled in the near future.

The most significant temporary differences arise from the revaluation of tangible fixed assets, certain financial assets and liabilities, including derivatives contracts, provisions for pensions and other post-retirement employee schemes, technical provisions, deductible losses carried forward; and, as far as acquisitions are concerned, from the difference between (a) the fair value balance of the acquired assets and obligations entered into and (b) the book value.

Tax due on profits is recognised in the period during which the profits were generated, based on the applicable local tax laws. Deferred taxes with respect to the revaluation of investments available for sales and cash flow hedges, of which value adjustments are taken directly to shareholders' equity, are also charged or credited to shareholders' equity and consequently taken to the income statement together with the deferred value adjustments.

3.9 REINSURANCE CONTRACTS

Contracts concluded by SNS REAAL with reinsurance companies by virtue of which SNS REAAL receives compensation for losses on one or more contracts issued by SNS REAAL, which satisfy the criteria for insurance contracts, are designated as held reinsurance contracts.

Insurance contracts concluded by SNS REAAL where the contract holder is a different insurance company are designated as received reinsurance contracts and recognised as insurance contracts.

Reinsurance premiums, commission, payments and claims and technical provisions for reinsurance contracts are accounted for in the same way as the direct insurance policies that are reinsured. The share of the reinsurance companies in the technical provisions for reinsurance contracts and the benefits to which SNS REAAL is entitled to by virtue of its insurance contracts are recognised as assets from reinsurance. These assets comprise current receivables from reinsurance companies (presented under other assets), and non-current receivables (presented under reinsurance contracts). These receivables depend on the expected claims and benefits arising from the relevant reinsured insurance contracts. The amounts due to reinsurance companies are valued in accordance with the terms and conditions of each reinsurance contract. Reinsurance obligations primarily concern premiums payable for reinsurance contracts. These premiums are recognised as expense in the period during which these premiums are due.

The receivables in respect of reinsurance contracts are tested for possible impairment on the balance sheet date.

3.10 MORTGAGE LOANS TO CLIENTS

3.10.1 Mortgage receivables

This is defined as loans and advances to clients with mortgage collateral. These loans and advances are stated at amortised cost on the basis of the effective interest method. Loans and advances adjusted after negotiations or otherwise adjusted due to financial restructuring of the borrower are valued on the basis of the original effective interest rate before the terms and conditions were revised.

As far as the loans and advances are concerned, a provision for impairment is formed if there are objective indications that SNS REAAL will not be able to collect all the amounts due by virtue of the original contracted loan terms and conditions. For loans and advances that are individually significant, the provision formed equals the difference between the book value of the total position and the recoverable amount. The recoverable amount equals the present value of the expected cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances.

Small homogenous loans and advances are tested collectively for impairment. The provision with respect to this collective approach is calculated using a range of model-based instruments, including 'risk-rating' models for homogenous pools of consumer and business loans. The loss factors developed using similar models are based on historic loss data of SNS REAAL, and are adjusted according to clear current information that, in the opinion of the management, can affect the collectability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred in the loan portfolio. These are estimated on the basis of historic loss patterns in every division and the creditworthiness of the borrower, and are a reflection of the current economic climate in which the borrowers operate.

If a loan cannot be collected, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for loan losses in the profit and loss account.

If the amount of the impairment subsequently decreases due to an event following the write-down, the release from the provision is credited to the income statement.

3.10.2 Credit guarantees

SNS REAAL has concluded a credit guarantee for the credit risk in a portion of the mortgage portfolio to recover impairment losses on the relevant mortgage portfolio from the guarantor. Impairment of mortgages is included under impairment of financial instruments and other assets. The amount receivable by virtue of the guarantee is also recognised on this line in the result.

3.11 OTHER LOANS AND ADVANCES TO CUSTOMERS

This comprises loans and advances to business and private clients without mortgage collateral. Loans and advances adjusted after negotiations or otherwise adjusted due to financial restructuring of the borrower are valued on the basis of the original effective interest rate before the terms and conditions were revised.

As far as the loans are concerned, a provision for impairment is formed if there are objective indications that SNS REAAL will not be able to collect all the amounts due by virtue of the original contracted loan terms and conditions.

The criteria for impairment are applied to the entire loans portfolio, except to smaller, homogenous loans, such as consumer credit and credit card loans, which are tested collectively for impairment. Smaller business loans managed in a portfolio are also tested collectively for impairment.

For loans and advances that are individually significant, the provision formed equals the difference between the book value of the total position and the recoverable amount.

The provision with respect to the collective approach is calculated using a range of model-based instruments, including 'risk-rating' models for homogenous pools of consumer and business loans. The loss factors developed using similar models are based on historic loss data of SNS REAAL, and are adjusted according to clear current information that, in the opinion of the management, can affect the collectability of the portfolio on the assessment date.

The provision for impairment also covers losses where there are objective indications of losses likely to be incurred on the loan portfolio. These are estimated on the basis of historic loss patterns in every division and the creditworthiness of the borrowers, and are a reflection of the current economic climate in which the borrowers operate.

If a loan cannot be collected, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for loan losses in the profit and loss account.

If the amount of the impairment subsequently decreases due to an event following the write-down, the release from the provision is credited to the income statement.

3.12 LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The loans and advances to credit institutions concern loans to banks, insofar as not in the form of interest-bearing securities. These loans and advances are carried at amortised cost on the basis of the effective interest method.

3.13 OTHER TAX RECEIVABLES

The other tax receivables concern tax due on the taxable profits. This item also includes receivables concerning wage tax, dividend tax and value added tax.

Current tax receivables are stated at nominal value.

3.14 OTHER ASSETS

Other assets consist of receivables from direct insurance policies, other receivables and accrued assets. Accrued assets include the accumulated interest on financial instruments stated at amortised cost, as well as the accrued assets.

3.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the demand deposits at the Dutch central bank and deposits at other banks. Loans and advances of SNS Bank to banks are included under Loans and advances to credit institutions.

3.16 SHAREHOLDERS' EQUITY

3.16.1 Issued share capital

The share capital comprises the issued and paid-up share capital. Costs directly attributable to the issue of equity instruments are deducted net of tax from the share issue income in shareholders' equity.

3.16.2 Ordinary share dividend

Dividend for a financial year, which is payable after the balance sheet date, is disclosed in the notes on the events after the balance sheet date.

3.16.3 Revaluation reserve

These reserves concern the revaluation of real estate for own use (see 3.2.1).

3.16.4 Cash-flow hedge reserve

Adjustments in the fair value of the effective portion of derivatives that are designated as cash-flow hedge and that comply with the conditions for cash flow hedge accounting and that appear to be highly effective in relation to the hedged risk are stated in the cash-flow hedge reserve (see 3.7).

3.16.5 Fair value reserve

This reserve relates to the revaluations of the instruments available for sale (see 3.5.4). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are stated in this reserve (see 1.10).

3.16.6 Other reserves

Other reserves comprise the retained earnings of SNS REAAL.

3.17 PARTICIPATION CERTIFICATES AND SUBORDINATED DEBTS

SNS Bank issues participation certificates to third parties. The certificates have an open-ended term, with SNS Bank maintaining the right to early redemption in full after 10 years, provided permission is given by the regulator. The amount of the dividend, in the form of a coupon rate, is fixed over a period of 10 years and equal to the CBS (Statistics Netherlands) return on 9-10 year Government bonds plus a mark-up. Benefit payments on participation certificates are stated under interest expenses for banking operations. These certificates are classified as debt in the financial statements. For the

solvency reports to the Dutch central bank, this item forms part of the Tier 1 capital. Participation certificates are valued at amortised cost.

Subordinated loans include the subordinated bond loans that are considered in the solvency test by DNB, and are stated at amortised cost based on the effective interest rate.

At REAAL Verzekeringen, the final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual policies that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to a final bonus is cancelled when the policy is surrendered. Entitlements to final bonuses not yet paid out are subordinated to all other debts. It is also stipulated that entitlement to a final bonus is cancelled if and insofar as the results erode the capital base to the extent that the statutory solvency requirements can or may no longer be complied with. The final bonus account is calculated on an actuarial basis using the same principles as applied to calculate the profit additions, which form part of the technical provisions for insurance operations, additionally taking account of the estimated probability of early termination of insurance policies.

Part of the final bonus account is converted annually, according to a fixed method, into an unconditional right of the policyholder and added to the Technical provisions for insurance operations. These obligations arising from the final bonus scheme are classified as debt in the financial statements. For the solvency reports by REAAL Verzekeringen to the Dutch central bank, this item forms part of the available equity.

3.18 DEBT CERTIFICATES

Upon first-time recognition, outstanding debt certificates are stated at cost, in other words, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, they are stated at amortised cost. The hedge accounting rules are applied to outstanding debt certificates and other borrowed funds that are hedged by derivatives as referred to in 3.7.

When SNS REAAL purchases its own debt securities in the context of market maintenance, these debt certificates are removed from the balance sheet.

3.19 TECHNICAL PROVISIONS, INSURANCE OPERATIONS

3.19.1 Insurance contracts – commitments

3.19.1.1 Life insurance

A commitment is recognised for contractual payouts expected in the future as soon as the premiums become due. The life insurance commitments consist of the cash value of the expected future benefits to policyholders or other beneficiaries, including future premiums.

The provision is calculated according to the actuarial methods with assumptions, such as estimates of premiums, mortality, investment results, termination of policies, surrender and costs being taken into account. These assumptions were originally based on the best possible estimates of actual future outcomes when the contract is concluded with, in some cases, account being taken of a margin for negative developments. The assumptions used are regularly tested against the actual developments and, depending on the type of product, adjusted if necessary. The average discount rate is 3% or 4% and is fixed. The average actuarial interest rate is 4.2% (2004: 4.0%).

Mortality rates are determined on the basis of the same principles used to calculate the premiums. Where necessary, adjustments are made in accordance with the latest mortality tables. The assumptions take account of a margin for unfavourable deviations. The commitments are calculated every year as at balance sheet date, with the assumptions made at the outset of the contract being used.

The premiums are loaded to cover the costs. When the premiums are received or become due, the surcharge is released and becomes available for covering the actual costs, including recurrent costs, non-capitalised acquisition costs and amortisation of the capitalised acquisition costs.

REAAL also sells products that contain minimum guarantees. The technical provision for life insurance includes provisions for guaranteed benefits. This technical provision also includes guarantees with respect to policies of which policyholders bear the investment risk.

The provisions are stated net of the capitalised interest rate rebates. Depending on the type of insurance contract, the capitalised interest rate rebate is amortised either on an actuarial basis or over a period of eight years.

Profit sharing already awarded but not yet paid out and the single premium profit policies for the next year are included under the provision for profit sharing, bonuses and discounts, calculated using actuarial principles.

The commitments arising from funeral insurance policies consist of the cash value of the expected future benefits to policyholders or other beneficiaries, including profit sharing already awarded and future administrative expenses that are directly related to the contract, less the expected value of the future premium income.

The premium provision for the right to premium exemption during occupational disability and the occupational disability payments is twice the annual premium received, with the exception of the premiums withheld in investment insurance policies, for a which premium provision equal to one time the annual premium is kept.

3.19.1.2 Non-life insurance

The provision for unearned premiums is computed in proportion to the unexpired risk periods. The provision is equal to the unearned gross premiums net of prepaid reinsurance premiums. Gross premiums are stated net of the commission paid.

The provision for unexpired risks is calculated on the basis of claims and claim-handling expenses that may arise after balance sheet date and which are covered by contracts concluded before that date, insofar as the amount estimated in this connection exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts.

REAAL Verzekeringen keeps co-insurance contracts, which mainly concern the transport sector. In the calculation of the technical provision, account is taken with risks entered that have not yet occurred, and events that have occurred but have not yet been reported. The expected balances for the risks entered into and loss incurred are determined on an underwriting year basis.

Claims and specialist costs are charged to the result when they are incurred.

Provisions for unpaid claims and specialist costs concern the accumulated estimates of the final claims and comprise a provision for events that have already occurred but have not yet been reported. The provisions represent the estimate of the future payouts for reported and unreported damage claims and the associated costs with respect to insured events that have occurred. Expected subrogation is deducted from the provision.

The provision for payable claims is earmarked for claims for the financial and preceding years that have yet not been settled as at balance sheet date. The provision is determined systematically for each item or on the basis of statistical data, taking account of claims not yet reported. In determining the provision, account was also taken of claim-handling costs still to be incurred. Transport and aviation insurance contracts use a different method. The calculation is performed on an underwriting year basis, with the provision for premiums and claims being taken to a fund separately.

The calculation of provisions involves uncertainties that require substantiated estimates and assessments. The non-life provisions, with the exception of claims related to occupational disability, are not discounted by SNS REAAL, in accordance with standard practice in the sector. Adjustments in estimates are stated in the result in the period during which the estimates are adjusted

In the event of individual cases reported to SNS REAAL, commitments in respect of unpaid claims are estimated on the basis of the claim assessment. In the case of events that have already occurred, but have not yet been reported, the commitments are estimated on the basis of statistical analyses. Statistical analyses are also used to estimate the expected final costs of more complex claims that can be influenced by both internal and external factors (such as claim handling procedures, inflation, changes in legislation and regulations, court rulings, history and trends). Payments are recognised as a charge when they are made.

3.19.1.3 Unit-linked contracts

These contracts primarily concern life insurance policies, with the investment risk being borne by the policyholders.

The technical provisions for insurance policies, in which policyholders bear the investment risk, are stated at the balance sheet value of the related investments. These technical provisions are thus stated at fair value in the income statement. Transaction costs and commission are not included in the first valuation but recognised as charge at the moment they are incurred.

Guarantees have been furnished for insurance policies in investment units with the premiums being invested in a fixed-income fund. The guarantee entails a 3% or 4% annual return on the invested savings premium, and only applies at the maturity date of the insurance policy.

Payments are recognised as a charge when they are made.

3.19.1.4 Reinsurance

Reinsurance contracts and other damage retrieving options are recognised separately under assets and are assessed and accounted for in the same way as the corresponding technical provisions.

3.19.1.5 Discretionary profit-sharing commitments

The insurance portfolio contains contracts with discretionary profit sharing. This profit sharing is awarded each year, mainly on the basis of the surplus interest realised in accounting terms on fixed-income securities in the existing portfolio, less related costs and a limited share in the insurance result upon death. When awarding the profit, account is also taken of expected returns in the future and other factors that could have an influence on the investment returns. The realisation of surplus interest in accounting terms is not the same as the investment results under the accounting principles used in these financial statements.

As far as the differences between the calculation of the profit and the accounting principles used in these financial statements are concerned, realised and unrealised gains and losses from fixed-income securities, which serve to hedge these contracts proportionally and are recognised in shareholders' equity in accordance with accounting principles used in these financial statements, are considered to be available for future profit sharing to policyholders. Insofar as applicable, this is disclosed in shareholders' equity.

3.19.2 Adequacy test for insurance commitments

Although the insurance commitments present a true and fair view on the basis of the information available as at balance sheet date, the eventual commitments can vary as a result of events after balance sheet date, which can result in a significant change in the current valuation. Changes in the valuations of prior years are recognised in the year in which these changes are implemented, and are disclosed separately if material.

The methods and assumptions used are regularly assessed during the reporting period.

Every year at balance sheet date, an adequacy test is performed for life insurance commitments to ensure that the contractual obligations, net of the related capitalised acquisition costs, and VOBA, are adequately stated. The tests are performed using the estimates of future contractual cash flows and claim handling and management costs, and income from investments that serve to hedge these obligations. Any shortfall is taken directly to the profit and loss account by first writing down the capitalised acquisition costs or the VOBA and then, insofar as necessary, forming a provision for insurance commitments (the provision for current risks) on the basis of the adequacy test.

As explained in the notes, life insurance contracts are valued on the basis of assumptions made at the outset of the contract. When the adequacy test for insurance commitments indicates that new best assumptions need to be made, these assumptions (without a margin for unfavourable deviations) are subsequently used for determining these commitments. The adequacy test for the discount rate is based on the interest rate laid down by DNB.

Write-downs on capitalised acquisition costs or the VOBA as a result of this test cannot be subsequently reversed.

The following principles were used in the adequacy test:

⊙ Discount rate	3%
⊙ Profit allocation	With surplus interest exceeding 4.5%, surplus interest tranches increase
⊙ Inflation	2%
⊙ Efficiency improvement	2%
⊙ Expected mortality	Historical tables on the basis of internal research
⊙ Lapse and early surrender	Historical tables on the basis of internal research
⊙ Salary trend, group policies	2.5%
⊙ Increase in participants, group policies	5%
⊙ Tax percentage	0%
⊙ Cost of capital required	0

3.19.3 Derivatives embedded in host contracts

SNS REAAL does not separately recognise derivatives embedded in insurance contracts, or options to surrender insurance contracts at a fixed amount, or fixed amount and an interest rate, and thus closely linked to the basic insurance contract, but recognises them in accordance with the main contract. The embedded derivatives are measured as soon as they have become final; the time value of the derivative is not included in full in the measurement of the contract.

3.20 PROVISION FOR EMPLOYEE BENEFITS

3.20.1 Pension commitments

SNS REAAL has different pension schemes, the major part of which being defined contribution schemes. A defined contribution scheme is a pension scheme in which SNS REAAL pays fixed contributions to a separate entity (a fund). SNS REAAL has no legally enforceable or constructive obligation in these schemes to pay extra contributions if the fund has insufficient assets to make all the benefit payments in connection with staff performance during the reporting and prior periods.

For the defined contribution schemes, SNS REAAL pays contributions to Stichting Pensioenfonds SNS REAAL. After payment of the contributions, SNS REAAL has no further payment obligations. The regular contributions are considered to be net period costs for the year in which they are due, and are recognised as such in the staff costs.

Employee contributions are deducted from the net period costs.

SNS REAAL additionally has a number of defined benefit pension schemes. The Group's net commitments arising from defined benefit pension schemes are calculated separately for each scheme by making an assessment of the pension entitlements that staff have accrued in exchange for their service during the period under review and prior periods. These pension entitlements are discounted in order to determine the present value, and the fair value of the fund investments is deducted from this. The discount rate represents the return as at balance sheet date of bonds with an AAA credit rating whose maturity approach the term of the commitments.

All the actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, are charged to the shareholders' equity. With respect to the actuarial gains and losses incurred after 1 January 2004 during the calculation of the Group's commitments arising from defined benefit pension schemes, insofar as non-recognised accumulated actuarial gains and losses exceed 10% of the cash value of the gross commitment arising from the defined benefit pension scheme, or the fair value of the fund investments if higher, that portion is taken to the income statement for the expected remainder of the service of the employees participating in the scheme. Other than that, the actuarial gains or losses are not included.

When the calculation results in a positive outcome for the Group, the asset is stated at a maximum equal to the balance of any non-recognised actuarial losses and past service pension charges and the cash value of any future repayments by the fund or lower future premiums.

3.20.2 Liabilities by virtue of other benefits after retirement

A number of subsidiaries of SNS REAAL provide limited reimbursements for medical expenses and long-service awards, as well as a discount on certain financial services of SNS REAAL and its subsidiaries to its retired employees. To qualify for these benefits, the employment contract of the staff should normally have continued until the retirement age, and it should have lasted for a minimum period. A liability is formed for the estimated costs of these benefits during the term of employment using a method that corresponds with that used for defined benefit schemes. This liability is determined annually on the basis of actuarial principles.

3.21 Other provisions

SNS REAAL forms provisions if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the size of the obligation can be made. Provisions are stated at the present value of the expected future cash flows. Additions and any subsequent releases are taken to the profit and loss account.

3.21.1 Reorganisation provision

The reorganisation provision comprises estimated termination benefits and other direct costs related to restructuring programmes. These costs are recognised in the period in which SNS REAAL is presented with a legally enforceable or constructive obligation to pay. No provision is formed for costs in advance related to the continuing operations of SNS REAAL.

SNS REAAL recognises termination benefits if the Group has demonstrably committed itself to:

- ⊙ termination of the employment contract of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- ⊙ payment of termination benefits as a result of an offer to encourage voluntary redundancy.

Benefits that are due after more than twelve months after the balance sheet date are discounted.

No provisions are formed for future operating losses.

3.21.2 Legal costs

A provision for legal proceedings is formed for the estimated liability with respect to pending legal proceedings as at balance sheet date. The claims against SNS REAAL in the legal proceedings are disputed. Although the outcome of these disputes cannot be predicted with certainty, it is assumed on the basis of legal advice obtained and information received that they will not have a substantial unfavourable effect on the financial position of SNS REAAL. The provision comprises an estimate of the legal costs and payments due during the course of the legal proceedings.

3.22 DERIVATIVES

See part 3.7 of these notes.

3.23 DEFERRED TAX LIABILITIES

Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. See 3.8 for detailed information.

3.24 SAVINGS

This item consists of balances on savings accounts, savings deposits and term deposits of private clients. Upon first-time inclusion, other funds entrusted are stated at cost, including transaction costs. Thereafter, these are stated at amortised cost. A difference between the income and the redemption value based on the effective interest method is recognised under Net interest income, banking operations in the income statement as during the term of the funds entrusted.

3.25 OTHER AMOUNTS DUE TO CUSTOMERS

Amounts owed to clients concern unsubordinated debts to non-banks, other than in the form of debt certificates. Upon first-time inclusion, these debts are stated at cost, including transaction costs. Thereafter, they are stated at amortised cost. A difference between the income and the redemption value based on the effective interest method is recognised under Net interest income, banking operations in the income statement during the term of these amounts owed to clients.

3.26 AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts owed to credit institutions concern debts to banks, insofar as not in the form of interest-bearing securities. Upon first-time inclusion, these debts are stated at cost, including transaction costs. Thereafter, they are stated at amortised cost. A difference between the income and the redemption value based on the effective interest method is recognised under interest charges in the income statement during the term of these debts to credit institutions.

3.27 OTHER TAX LIABILITIES

Taxes due concern tax on the taxable profit for the period under review, based on the applicable tax rates or the tax rates that had materially been agreed as at balance sheet date. This item also includes payroll tax and value added tax payable.

3.28 OTHER LIABILITIES

Other liabilities primarily consist of interest accrued on financial instruments that are stated at amortised cost. This item also includes payables and accrued liabilities.

4 Income statement

4.1 INCOME

Income represents the fair value of the services, less value added tax, after elimination of intra-group transactions within SNS REAAL. Income is recognised as follows:

4.1.1 Interest income, banking operations

The interest income from banking activities is the difference between interest income from banking activities and interest expenses from banking activities. The interest income from banking activities comprises interest on monetary financial assets attributable to the period. Interest on financial assets not classified as being stated at fair value in the income statement is recognised using the effective interest method based on the actual acquisition price.

The effective interest return method is based on the expected flow of cash receipts, with account being taken of the risk of early redemption of the underlying financial instruments and the direct costs, such as the transaction costs charged, agency commission and discount or premiums. If the risk of early redemption cannot be reliably determined, SNS REAAL assumes the cash flows over the full term of the financial instruments.

Commitment fees, together with related direct costs, are deferred and recognised as an adjustment of the effective interest on a loan if it is likely that SNS REAAL will conclude a particular loan agreement. If the commitment expires without SNS REAAL extending the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata during the commitment term.

Interest income on monetary financial assets that have been subject to impairment and written down to the estimated recoverable amount or fair value is subsequently recognised on the basis of the interest rate used to determine the recoverable amount by discounting the future cash flows.

Interest expenses from banking activities comprise the interest expenses arising from financial liabilities of the banking operations. Financial liabilities not classified as stated at fair value in the profit and loss account are recognised on the basis of the effective interest method.

4.1.2 Net premium income

Net premium income is divided into Regular Life, Single-premium Life and Non-life premiums.

Gross premium income, excluding tax and other charges, from life insurance contracts is recognised as revenue when payment by the policyholder falls due. The premiums for single-premium contracts and limited-premium life insurance policies are recognised as income when payment falls due, with possible surplus profit being deferred and included in the result in a constant ratio to the current policy or, in the case of annuities, proportional to the amount of the benefits.

The premiums for non-life policies, usually insurance contracts with a maximum term of twelve months, are recognised as revenue during the term of the contract proportional to the amount of insurance coverage provided. The provision for unearned premiums represents a proportion of the unexpired risk periods. This provision for unearned premiums is determined separately for each insurance contract on the basis of a daily pro-rata method adjusted, where applicable, for differences in risk and the frequency of claims during the term of the insurance contract. Changes in the provision for unearned premiums are taken to the income statement such that the revenue is recognised during the risk period.

Reinsurance premium outflows are deducted from the premium income and recognised as an expense in accordance with the type of reinsurance cover received. A proportion of the reinsurance premium outflow is stated as a prepayment.

4.1.3 Net commission and management fees

Commission includes income from securities transactions for clients, asset management, commission from the insurance operations and other related services offered by SNS REAAL. These are recognised in the reporting period in which the services are delivered. Commission related to transactions with financial instruments for own account are incorporated in

the amortised cost of this instrument, unless the instrument is stated at fair value in the income statement, in which case the commission is taken to the valuation result.

4.1.4 Investment income

The result on investments comprises:

- ⊙ Interest
- ⊙ Dividend
- ⊙ Rent
- ⊙ Increases and decreases in value

4.1.4.1 Interest

The Interest item comprises the Group's net interest income and interest income on investment on the basis of the effective interest method. The Group's net interest income is the difference between the interest income realised by the Group and the Group's interest expenses.

4.1.4.2 Dividend

Dividend income is recognised in the income statement as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which the dividend is paid out.

4.1.4.3 Rent

Rent comprises the rental income from investment property. This rental income is recognised as income on a straight-line basis for the duration of the lease agreement.

4.1.4.5 Increases and decreases in value

Increases and decreases in the value of investments in the category Fair value in the income statement and realised increases and decreases in the value of the investments in the other categories are accounted for under this item. Realised value increases concern the difference between the sale price and book value; unrealised value increases concern the difference between the fair value and the book value.

4.1.5 Investment income on behalf of policyholders

These investments are held on behalf of life insurance policyholders and are stated at fair value. Increases and decreases in the value of investments and book results on the sale of investments are taken to the income statement as result on investments on behalf of policyholders.

4.1.6 Result on derivatives and other financial instruments

Derivatives are stated at fair value. Gains and losses from remeasurement to fair value are taken directly to the income statement as Result on derivatives and other financial instruments. However, if derivatives are eligible for hedge accounting, the recognition of a resulting gain or a resulting loss depends on the nature of the hedged item. The non-effective portion of any gains or losses is taken to Result on derivatives and other financial instruments.

4.1.7 Other operating income

Other operating income comprises all the income that cannot be accounted for under other headings.

4.2 EXPENSES

Expenses include the losses and charges arising from the ordinary business activities of SNS REAAL.

Expense is recognised in the profit and loss account on the basis of a direct relationship between the costs incurred and the corresponding income. If future economic benefits are expected to be spread across different reporting periods, expenses are recognised in the income statement using a systematic method of allocation. Cost items are immediately taken to the income statement if they do not generate any future economic benefits.

4.2.1 Technical expenses on insurance contracts

This item comprises the net movements in the technical provision. See notes under Technical insurance provisions in section 3. In addition, benefit payments to policyholders, reinsurance premiums, claims and claim handling costs are recognised under this item.

4.2.2 *Technical expenses on insurance contracts on behalf of policyholders*

This item includes movements in the unit-linked provisions. See subsection on unit-linked contracts in the notes to Technical insurance provision in section 3. In addition, payments to policyholders are recognised under this item.

4.2.3 *Acquisition costs for insurance activities*

These costs comprise the direct and indirect costs involved in acquiring an insurance contract, including acquisition commission, the costs of a medical check-up and administrative costs for including the items in the portfolio. The direct acquisition costs and part of the indirect acquisition costs are capitalised and amortised actuarially as and when the allowances due are actually earned.

4.2.4 *Value adjustments on financial instruments and other assets*

Value adjustments concern the permanent loss of value on assets to below their book value. Goodwill and other intangible assets, tangible fixed assets, investments in associated subsidiaries, investments, receivables and other assets may be subject to impairment. As soon as impairment is identified, it is recognised in the income statement. The specific principles for impairment are explained in more detail in section 3 under the applicable items.

4.2.5 *Staff costs*

These costs concern all the costs related to staffing, including salaries, social security charges, pension charges and discounts extended to members of staff.

4.2.6 *Depreciation of tangible fixed assets and amortisation of intangible assets*

This item comprises all depreciation and amortisation of tangible and intangible fixed assets. The specific principles for depreciation and amortisation are explained in more detail in section 3 under the applicable items.

4.2.7 *Other operating expenses*

This includes office, accommodation and other operating costs.

4.2.8 *Other interest expenses*

Other interest expenses comprise the interest expenses of the insurance operations arising from financial obligations. The interest expenses are incorporated in the income statement in accordance with the effect interest method.

5 **Off-balance sheet commitments**

Contingent liabilities are liabilities not stated on the balance sheet because the existence is contingent on one or more uncertain events that may or may not occur in the future without SNS REAAL having decisive influence on it. It is not possible to make a reliable estimate of the liability.

The maximum potential credit risk arising from these contingent liabilities of SNS REAAL is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties would default their contractual obligations and that all the existing sureties would be worthless.

Information by segment

SNS REAAL is a retail banking and insurance provider offering banking, investment and insurance products to the private and small and medium-sized business market in the Netherlands. It serves its private and business clients primarily through its main brands of SNS Bank and REAAL Verzekeringen and through various distribution channels.

The activities of SNS REAAL are organised in four primary business segments:

1 SNS Bank

This business segment offers banking products in the field of mortgages and wealth creation and protection for both the private and the business market. In addition to SNS Bank, this segment also comprises ASN Bank, BLG Hypotheken, CVB Bank, SNS Securities and SNS Asset Management. At secondary level, the SNS Bank business segment is organisationally split between Retail and Commercial;

2 REAAL Verzekeringen Life

This business segment offers life and pension insurance policies to the private and business market. The REAAL Verzekeringen Leven segment includes the REAAL Leven, Proteq Leven and Nieuwe Hollandse Lloyd Leven divisions;

3 REAAL Verzekeringen Non-life

This business segment offers non-life insurance policies with respect to property, mobility, injury, invalidity and occupational disability. The REAAL Verzekeringen Schade segment includes the REAAL Schade, Proteq Schade and Nieuwe Hollandse Lloyd Schade divisions;

4 Group activities

The group activities include the business units that are managed directly from within the Group and whose income and expenses are not attributed to the other business segments. The Group activities segment also includes SNS REAAL Invest.

Allocation of group costs

A number of corporate staff departments are shared. The costs of the corporate staff are charged on the basis of the service provided or proportionally allocated to the group's subsidiaries. The costs of the Group Executive Board and certain holding company costs are not allocated to group subsidiaries

Technical account REAAL Insurance

All investment results in the technical account of REAAL Verzekeringen are allocated to own account, insofar as not on behalf of policyholders. Investment charges concerning the interest charges on granted intercompany loans.

Balance sheet

In € millions	SNS Bank		REAAAL Verzekeringen				Group Consolidation activities adjustments				Total	
	2005	2004	Life		Non-life		2005	2004	2005	2004	2005	2004
			2005	2004	2005	2004						
Assets												
Goodwill and other intangible assets	12	12	547	357	--	--	--	--	--	--	559	369
Tangible fixed assets	153	164	73	67	3	--	--	--	73	69	302	300
Associated companies	2	5	77	--	--	--	50	49	(3)	(3)	126	51
Subsidiaries	--	--	--	--	--	--	2,662	2,148	(2,662)	(2,148)	--	--
Investment property	1	2	201	192	--	--	--	--	(73)	(69)	129	125
Investments	1,641	1,703	7,113	6,428	743	451	117	--	(403)	(349)	9,211	8,233
Investments for insurance products on behalf of policyholders	--	--	3,426	2,798	--	--	--	--	--	--	3,426	2,798
Derivatives	915	70	237	41	--	--	22	(8)	--	--	1,174	103
Deferred tax receivables	85	32	26	70	4	--	17	65	--	--	132	167
Reinsurance contracts	--	--	196	197	169	72	--	--	--	--	365	269
Mortgage loans to customers	42,558	38,937	986	987	--	--	--	--	--	--	43,544	39,924
Other loans and advances to customers	2,667	2,708	--	--	--	--	628	635	(696)	(716)	2,599	2,627
Loans and advances to credit institutions	4,118	2,478	995	1,091	--	--	--	9	(164)	157	4,949	3,421
Other tax receivables	52	8	39	29	--	--	101	1	--	--	192	38
Other assets	297	294	8	75	29	98	13	58	(43)	(52)	304	473
Cash and cash equivalents	597	829	564	295	20	16	301	251	(406)	(317)	1,076	1,074
Total assets	53,098	47,242	14,488	12,627	968	637	3,911	3,208	(4,377)	(3,742)	68,088	59,972
Liabilities and equity												
Shareholders' equity	1,440	1,313	1,010	690	180	116	2,560	1,909	(2,662)	(2,148)	2,528	1,880
Third-party interests	--	--	3	3	--	--	--	--	(3)	(3)	--	--
Group equity	1,440	1,313	1,013	693	180	116	2,560	1,909	(2,665)	(2,151)	2,528	1,880
Participation certificates and subordinated debts	1,150	1,167	123	128	4	4	419	227	(80)	(83)	1,616	1,443
Debt certificates	25,465	23,198	--	--	--	--	189	266	--	--	25,654	23,464
Technical provisions, insurance operations	--	--	11,953	10,840	741	490	--	--	(36)	--	12,658	11,330
Provision for employee benefits	--	--	4	3	8	--	28	184	36	--	76	187
Other provisions	23	29	6	16	--	--	15	5	--	--	44	50
Derivatives	939	28	33	14	--	--	4	--	--	--	76	42
Deferred tax liabilities	119	3	192	79	7	--	6	--	--	--	324	82
Savings	12,333	10,973	--	--	--	--	--	--	--	--	12,333	10,973
Other amounts due to customers	7,494	6,927	353	327	16	3	527	480	(1,312)	(1,391)	7,078	6,346
Amounts due to credit institutions	3,103	2,295	41	129	8	--	108	77	(217)	(59)	3,419	2,442
Other tax liabilities	--	--	8	22	4	--	12	(3)	(1)	--	23	19
Other liabilities	1,032	1,309	386	376	--	24	43	63	(102)	(58)	1,359	1,714
Total liabilities and equity	53,098	47,242	14,488	12,627	968	637	3,911	3,208	(4,377)	(3,742)	68,088	59,972

Income statement

In € millions	SNS Bank		REAAAL Verzekeringen				Group Consolidation activities adjustments				Total	
	2005	2004	Life		Non-life		2005	2004	2005	2004	2005	2004
			2005	2004	2005	2004						
Income												
Interest income, banking operations	595	571	--	--	--	--	--	--	27	22	622	593
Net premium income	--	--	1,422	1,354	323	296	--	--	--	--	1,745	1,650
Net commission and management fees	114	109	35	26	8	5	--	--	(28)	(25)	129	115
Result on investments	26	21	516	589	29	29	34	71	(56)	(70)	549	640
Result on investments for Insurance products on behalf of policyholders	--	--	394	126	--	--	--	--	--	--	394	126
Result on derivatives and other financial instruments	33	(7)	(2)	--	--	--	--	--	--	--	31	(7)
Other operating income	(4)	2	2	8	3	2	--	2	--	(1)	1	13
Total income	764	696	2,367	2,103	363	332	34	73	(57)	(74)	3,471	3,130
Expenses												
Technical expenses on insurance contracts	--	--	1,148	1,250	165	156	--	--	--	--	1,313	1,406
Expenses concerning insurance contracts on behalf of policyholders	--	--	782	431	--	--	--	--	--	--	782	431
Acquisition costs for insurance operations	--	--	103	66	85	74	--	--	(21)	(18)	167	122
Value adjustments on financial instruments and other assets	50	59	7	9	--	--	3	3	--	--	60	71
Staff costs	258	251	83	114	44	37	58	49	--	--	443	451
Depreciation of tangible fixed assets and amortisation of intangible assets	27	28	11	14	--	--	--	--	--	--	38	42
Other operating expenses	172	160	42	44	27	16	(40)	(2)	--	--	201	218
Other interest charges	--	--	40	55	1	--	49	76	(30)	(56)	60	75
Total expenses	507	498	2,216	1,983	322	283	70	126	(51)	(74)	3,064	2,816
Share in the result of associates and subsidiaries	1	(3)	2	--	--	--	346	326	(340)	(279)	9	44
Operating profit before taxation	258	195	153	120	41	49	310	273	(346)	(279)	416	358
Taxes	54	44	40	26	14	15	(13)	(15)	(2)	--	93	70
Net profit	204	151	113	94	27	34	323	288	(344)	(279)	323	288

Additional information per segment

In € millions	SNS Bank		REAAL Verzekeringen				Group Consolidation activities adjustments				Total		
	2005	2004	Life		Non-life		2005	2004	2005	2004	2005	2004	
			2005	2004	2005	2004							
Income													
Cash flow from operating activities	(2,252)	(2,925)	938	22	261	29	(47)	393	(197)	(335)	(1,297)	(2,816)	
Cash flow from investment Activities	207	458	(666)	194	(248)	17	4	297	25	(137)	(678)	829	
Cash flow from financing activities	1,813	2,842	(3)	(50)	(8)	(47)	93	(639)	82	155	1,977	2,261	

Secondary segmentation of SNS Bank

In € millions	Retail		Commercial			Total
	2005	2004	2005	2004	2005	2004
Assets	49,151	43,035	3,947	4,207	53,098	47,242
Income	676	616	88	80	764	696
Interest income	561	534	34	37	595	571

Income statement for REAAL Verzekeringen

In € millions	Life		Non-life	
	2005	2004	2005	2004
Technical account				
Premiums, net of reinsurance:				
- Gross premium income	1,443	1,372	346	317
- Outward reinsurance premiums	21	18	23	21
	1,422	1,354	323	296
Change in technical provision for unearned premiums and current risks:				
- Gross			(10)	2
- Reinsurers' share			(4)	--
			6	(2)
Investment income:				
- Investments for own account	516	589	29	29
- Investments on behalf of policyholders	394	126	--	--
	910	715	29	29
Payments / claims:				
- Gross	1,152	1,658	207	187
- Reinsurers' share	18	15	26	14
	(1,134)	(1,643)	(181)	(173)
Changes in provision:				
- Gross	719	(27)	19	22
- Reinsurers' share	2	2	9	(1)
	(717)	25	10	21
Profit-sharing and rebates	(79)	(63)	--	(2)
Operating expenses	(210)	(213)	(147)	(120)
Investment costs	(40)	(55)	(1)	--
Result technical account	152	120	39	49

In € millions	Non-life	
	2005	2004
<i>Non-technical account</i>		
Technical result, Life	152	120
Technical result, Non-life	39	49
Total technical result	191	169
Other income	5	11
Other expenses	(2)	(2)
Value adjustments to loans and advances	--	(9)
Operating profit before taxation	194	169
Taxes	54	41
Net profit	140	128
<i>Analysis of life insurance premiums</i>		
In € millions	2005	2004
<i>Regular premium policies</i>		
Individual	796	713
Collective	63	66
	859	779
<i>Single premium policies</i>		
Individual	542	544
Collective	42	49
	584	593
Total premium income, life insurance	1,443	1,372

Analysis of non-life insurance technical result

In € millions	Total		Fire		Accident and health		Motor vehicles		Other sectors	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Earned gross premiums	356	315	101	90	22	16	166	162	67	47
Gross claims	187	165	47	35	2	5	98	101	40	24
	169	150	54	55	20	11	68	61	27	23
Reinsurance balance	(11)	(8)	(4)	(4)	(8)	(3)	1	--	--	(1)
	158	142	50	51	12	8	69	61	27	22
Operating expenses and profit-sharing	(148)	(122)	(45)	(39)	(5)	(5)	(68)	(62)	(30)	(16)
Operating result	10	20	5	12	7	3	1	(1)	(3)	6
Investment income	29	29	3	3	6	4	12	14	8	8
Technical result	39	49	8	15	13	7	13	13	5	14

Risk management SNS REAAL

1 Risk profile

SNS REAAL strives towards maintaining its moderate risk profile with a healthy balance between risk and return. The risk profile depends on the following factors:

- ⊙ The focus on retail and retail-plus clients
- ⊙ The focus on three core product groups
- ⊙ The diversification within the portfolios
- ⊙ The focus on the Netherlands
- ⊙ The prudential reinsurance policy
- ⊙ The bancassurance model
- ⊙ The diversification within the distribution channels
- ⊙ The limited risk with respect to the pension commitments

SNS REAAL believes that focusing on the consumer and small business market carries a lower risk than providing bancassurance services to large companies. Furthermore, SNS Bank's assets consist primarily of private mortgages, which have traditionally been known for their low credit losses in the Netherlands. The focus on a limited number of core product groups – mortgages, wealth creation and insurance – combined with the focus on a limited number of client groups and product standardisation has made business less risky than if we were to offer a more extensive range of products. Plus, our chief operations are relatively diversified thanks to the large number of limited exposures.

On top of this, the Netherlands has a well-developed economy with reasonably predictable and stable growth. SNS REAAL's management's long-standing focus on the Netherlands is therefore a positive factor. REAAL Verzekeringen's reinsurance policy restricts the losses from calamities to levels which fit in with SNS REAAL's moderate risk profile. Furthermore, interest rate fluctuations often have an opposite effect on the value development of the banking and insurance operations. The bancassurance model therefore provides a natural hedge against interest rate risks to a certain extent.

A lot is changing with respect to the distribution of financial services. New competitors are entering the retail market, both horizontal and vertical integration are taking place in the distribution field and business models are being modified. SNS REAAL is, however, hardly affected by this because it has a wide range of distribution channels and strategies. Furthermore, one of the strong points of the company is that it can capitalise rapidly on changes in the world around it.

Finally, SNS REAAL believes that the company's risk profile has benefited from making the SNS REAAL Pensioenfonds independent in 2005.

2 Risk management Bank

2.1 CREDIT RISK

Credit risk is the risk of a debtor defaulting in whole or in part, or of its position deteriorating such that it has a negative impact on the company's results or net assets.

Credit risk profile of SNS Bank

SNS Bank recognises various types of credit risk. Of these, private mortgages (with an 85% share in terms of exposure) are by far the most important. In view of the good cover and low risks of default on these loans, the risk profile of the total credit portfolio of SNS Bank can be seen as very low.

Breakdown of SNS Bank's loan portfolio (gross amounts)

In € millions	31 December 2005	31 December 2004
Mortgage loans, SNS Bank	42,601	38,983
Commercial loans portfolio	2,176	2,188
Consumer credit	615	618
Bank counterparties (including derivatives)	5,033	2,548
Other assets (no lending operations)	2,673	2,906
Total	53,098	47,243

Credit management, SNS Bank retail credit portfolio

Consumer loans consisting of mortgage loans or consumer credit are accepted by the relevant authorised officers on the basis of an extensive system of acceptance standards and policy rules. The acceptance score models, partly developed within the Basel II framework, play a supporting role.

Credit management for established clients takes place at client level by actively monitoring and following up on delays in payment. A Portfolio Management Process is used for the effective management of credit risks at portfolio level and to prevent concentration risks. There are three parts to this process: definition of a target portfolio (for mortgages), monthly portfolio monitoring (including reporting) and portfolio adjustment.

The instruments for adjusting the portfolio consist of pricing policy, acceptance and management policy, special offers (marketing) and product development.

Decisions on these adjustments are taken in the Price Risk Committee. The Committee manages the portfolio on the basis of a number of risk indicators, such as the 'infection rate' (the number of debtors or the lending volume in Special Management as a percentage of the total portfolio) and the 'Loan to Foreclosure Value' (illustrates the 'advance financing' by taking the total exposure as a percentage of the forced-sale value of the collateral).

The mortgage loans can be specified according to nature and security as follows:

In € millions	2005	2004
Residential property in the Netherlands		
- Mortgages ≤ 75% of value under foreclosure	21,990	21,422
- Mortgages > 75% of value under foreclosure	4,395	4,242
- Mortgages with Nationale Hypotheekgarantie	6,518	5,835
Securitised mortgages	7,585	5,517
Residential property outside the Netherlands	204	217
Other property in the Netherlands	1,909	1,750
Total	42,601	38,983

Credit management, SNS Bank commercial credit portfolio

Credit control at client level is implemented using the Credit Risk Management Information System, which uses a number of risk indicators each day to detect potential problems at an early stage. Risks are tracked at portfolio level on a quarterly basis using extensive reports on movements in the business credit portfolio. Besides the infection rate, the spread across the various industries is monitored in this report and adjusted where necessary.

The business portfolio is well spread across the various lines of business. 'Property lease and trade', which is good for one third of the portfolio, largely concerns the mortgage-backed financing of commercial real estate.

The business loans can be specified according to nature of the sector as follows:

In € millions	2005	2004
Public sector	468	313
Agriculture and horticulture, forestry and fishery	20	15
Industry	80	204
Service sector companies	1,124	1,367
Financial institutions	471	224
Other (mainly business-private)	628	683
Total	2,791	2,806

Credit management, SNS Bank banking counterparties

SNS Financial Markets conducts money and capital market transactions with various bank counterparties as part of its treasury and funding activities. This largely concerns short-term loans and derivative transactions to hedge against interest rate and exchange rate risks.

Credit risk of SNS Bank

The table below gives an indication of the credit risk of SNS Bank, based on the weighting percentages used in regular reporting to the DNB (Dutch central bank). Generally, these percentages are 0% for claims against or guaranteed by OECD governments, 20% for claims against or guaranteed by OECD banks, 50% for loans entirely and fully covered by mortgages and 100% for the other counterparties.

In € millions	Notional amount	Risk-weighted amount
Liquid assets	462	--
Banks	4,253	459
Loans and advances	45,225	18,521
Financial assets held for trade ¹	295	--
Investments available for sale	1,489	86
Other financial assets ¹	771	--
Associated companies	2	2
Intangible assets	12	9
Tangible fixed assets	154	154
Tax receivables	138	138
Other assets	29	29
Accrued assets	268	173
Subtotal of balance sheet items	53,098	19,571
Derivatives contract ¹	--	379
Off-balance products ²	--	37
Solvency requirements for market risks	--	188
Total	53,098	20,175

¹) The assets include derivatives contracts of € 771 million for hedging and € 144 million in other derivatives. Of these, the risk-weighted assets amount to € 379 million.

²) Concerns irrevocable facilities and credit replacement guarantees of € 2,452 million. Of these, the risk-weighted assets amount to € 37 million.

SNS Bank special management

The timely engagement of the Special Management department is a vital part of the risk policy for retail and commercial clients. Should it emerge that a borrower is not able to fulfil their obligations to the bank, or if a borrower's financial position has deteriorated to the extent that they will be unable to fulfil their obligations in the near future, the borrower is passed to the Special Management department. Depending on the seriousness of the problem, this department, which is part of the Credit Risk Management, will implement measures to minimise the risk for the bank. Each quarter, the department also determines the level for the necessary provision and makes a recommendation to SNS Bank's Credit Committee to this extent.

2.2 Market risk

Market risk is the risk of market prices changing such that they have negative consequences for SNS Bank's results and net assets. Market prices include interest rates, the price of equities and exchange rates.

Fluctuations in the financial markets – interest rates, the price of equities and bonds, real estate prices, exchange rates – have an impact on SNS Bank's results and net assets.

Interest rate risk features prominently in SNS Bank's moderate risk profile. Interest rate risk is caused by differences in the interest rate sensitivity of the assets and liabilities on SNS Bank's balance sheet. For instance, assets on the bank balance generally have a longer duration than liabilities. Given this balance sheet structure, SNS Bank usually benefits from a decrease in interest rates. The duration of the shareholders' equity during 2005 fluctuated between 4 and 8. Because of the limited size of the portfolio, the market risk for SNS Bank's trading portfolio is low.

Market risk – SNS Bank's bank book

The interest rate risk in the bank's portfolio is measured, monitored and managed using duration, Value at Risk, Earnings at Risk and gapping analyses. These are used to make a comparative assessment between the risk and expected return on the interest rate position.

The duration of shareholders' equity is the primary indicator for interest rate risk. The bandwidth of this measure is between 3 and 8. This bandwidth is set each year. Risk/return factors and the short term and medium term forecast on interest rate trends are used for steering purposes within the bandwidth.

Value at Risk during 2005 did not exceed 12.5% of the fair market value of shareholders' equity. Earnings at Risk during 2005 did not exceed 8.7% of the budgeted gross interest income on a yearly basis. No additional measures were necessary during 2005 to adjust the position on the basis of Value at Risk and Earnings at Risk.

Proposal risk is the risk of the bank having to offer a lower interest rate if the interest rate drops between the moment of offering and furnishing. This risk is managed separately. Each month, the costs and the risk are used to decide whether or not to apply a hedge. In 2005, it was repeatedly decided not to hedge the proposal risk.

All of SNS Bank's foreign exchange positions are measured monthly and hedged on a structural basis.

VaR and EaR are both determined using a scenario analysis. Changes in the fair market value of shareholders' equity and changes in net interest income are determined for 10,000 scenarios for the underlying risk factors. With 99% reliability, VaR and EaR are equal to the 1% worst outcome of changes in the fair market value of shareholders' equity and changes in the net interest income, respectively.

Market risk – SNS Bank's trading portfolio

Because of its small trading portfolio, SNS Bank runs only a limited market risk with it; this risk is calculated each day and managed via a system of limits.

Interest typical maturity calendar of SNS Bank

Aside from equity duration, Value at Risk and Earnings at Risk, use can also be made of the net (assets less liabilities) nominal amounts due per interest rate period in a gap profile. The table below illustrates the interest typical maturity calendar of SNS Bank on the basis of the contractual maturity.

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
31 December 2005						
<i>Assets</i>						
Cash and cash equivalents	597	--	--	--	--	597
Loans and advances to credit institutions	3,199	828	92	--	--	4,118
Loans and advances to customers	12,626	1,942	8,168	12,908	9,747	45,392
Derivatives	182	278	138	203	114	915
Interest-bearing securities	48	1	185	697	661	1,592
Non-interest-bearing assets	484	--	--	--	--	484
	17,136	3,049	8,583	13,808	10,522	53,098
<i>Liabilities and equity</i>						
Amounts due to credit institutions	2,253	650	200	--	--	3,103
Amounts due to customers	4,747	2,558	5,100	4,720	2,702	19,827
Derivatives	136	332	146	164	161	939
Debt certificates	2,035	7,461	3,285	7,591	5,093	25,465
Participation certificates and subordinated debts	--	290	5	8	847	1,150
Shareholders' equity	1,440	--	--	--	--	1,440
Non-interest-bearing liabilities	1,174	--	--	--	--	1,174
	11,785	11,291	8,736	12,483	8,803	53,098
Interest sensitivity gap (assets - liabilities)	5,351	(8,242)	(153)	1,325	1,719	--

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
31 December 2004						
<i>Assets</i>						
Cash and cash equivalents	829	--	--	--	--	829
Loans and advances to credit institutions	1,655	611	212	--	--	2,478
Loans and advances to customers	11,525	1,806	7,825	13,513	7,120	41,789
Derivatives	14	19	10	15	12	70
Interest-bearing securities	31	4	27	1,139	404	1,605
Non-interest-bearing assets	472	--	--	--	--	471
	14,526	2,440	8,074	14,667	7,536	47,242
<i>Liabilities and equity</i>						
Amounts due to credit institutions	1,425	541	330	--	--	2,295
Amounts due to customers	4,349	2,164	4,529	4,706	2,152	17,900
Derivatives	4	9	5	6	4	28
Debt certificates	2,626	5,953	2,935	6,052	5,632	23,198
Participation certificates and subordinated debts	50	240	5	8	864	1,167
Shareholders' equity	1,313	--	--	--	--	1,313
Non-interest-bearing liabilities	1,341	--	--	--	--	1,341
	11,108	8,907	7,804	10,772	8,652	47,242
Interest sensitivity gap (assets - liabilities)	3,418	(6,467)	270	3,895	(1,116)	--

Effective interest SNS Bank

The table below gives an indication of the average effective interest rate percentages of SNS Bank with respect to monetary financial instruments not stated at fair value through the profit and loss account.

In percentage terms	31 December 2005	31 December 2004
<i>Assets</i>		
Investments held for sale	4.0%	5.3%
Mortgage loans	4.2%	5.2%
Consumer loans	9.2%	9.1%
Commercial loans	7.5%	6.7%
Loans and advances to credit institutions	1.5%	1.6%
<i>Liabilities and equity</i>		
Savings	3.1%	3.3%
Other amounts due to customers	3.5%	3.4%
Amounts due to credit institutions	1.5%	1.4%
Debt certificates	3.1%	3.9%
Participation certificates and subordinated debts	5.0%	5.2%

The table below gives an indication of the foreign currency position of SNS Bank.

In € millions	Balance sheet debit	Balance sheet credit	Net	Derivatives
US dollar	247	1,589	(1,342)	1,338
Japanese yen	74	140	(66)	66
Pound sterling	553	493	60	(60)
Swiss franc	32	--	32	(32)
Canadian dollar	5	65	(60)	65
Australian dollar	--	784	(784)	784
Other	450	742	(292)	292
Total	1,361	3,813	(2,452)	2,453

The terms of the hedged position and the derivatives in the context of foreign currency are the same.

2.3 Liquidity risk

Liquidity risk is the risk that funding and cash and cash equivalents are completely or partly unavailable such that the company cannot meet its financial obligations in the short term.

SNS Bank pays ample attention to the management of liquidity risk so that the group has sufficient reserves at its disposal and always remains able to meet its financial obligations.

The liquidity management is such that the effects of banking-specific stress factors – such as tension in the money and capital markets – can be absorbed.

SNS Bank is the largest borrower within SNS REAAL. The bank has a broad investor base, an extensive range of financing instruments and unhindered access to the international money and capital markets. Maturity of the financing was extended in 2005, as a result of which the maturity of the assets and liabilities are better geared to each other. In this context, the organisation benefited from the historically low credit spreads.

The liquidity risk policy of SNS Bank has four elements:

- 1 Liquidity management assuming a going concern basis
- 2 Diversification in the funding portfolio
- 3 Liquidity of assets
- 4 Planning for unforeseen events

In the first place, SNS Bank's liquidity risk management is founded on the composition of its funding portfolio as a going concern. The daily cash management activities of the central treasury are in line with the operational requirements of SNS Bank and take place in accordance with the supervisory guidelines in this field.

In the second place, SNS Bank strives towards diversification of the funding portfolio with respect to maturity, instrument, currency and type of investor.

In the third place, SNS Bank has a broad portfolio of quickly convertible assets, such as government bonds. Furthermore, SNS Bank is able to securitise or sell a major part of the mortgage portfolio within a year.

In the fourth place, SNS Bank performs a stress test across the bank each six months in which the contingency planning, or rather the planning for unforeseen events, plays an important role. The tests cover various risks with the emphasis on liquidity risk. The plan based on the results contains scenarios with alternatives for refinancing should sudden changes take place in the business activities or on the international financial markets.

Management of the liquidity risk

The liquidity risks are also managed on the basis of the net (assets less liabilities) nominal amounts due per interest rate period in a gap profile. The table below represents the gap profile of SNS Bank at the end of December 2004 and 2005.

In € millions	< 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
31 December 2005						
<i>Assets</i>						
Loans and advances to credit institutions	3,663	338	88	22	7	4,118
Mortgage loans to customers	--	1,109	29	344	41,119	42,601
Other loans and advances to customers	1,347	46	171	522	705	2,791
Derivatives	11	32	126	370	376	915
Interest-bearing securities	127	7	22	684	752	1,592
Non-interest-bearing assets	1,081	--	--	--	--	1,081
	6,229	1,532	436	1,942	42,959	53,098
<i>Liabilities and equity</i>						
Amounts due to credit institutions	462	252	205	662	1,522	3,103
Savings	10,894	80	140	432	787	12,333
Other amounts due to customers	6,280	94	93	367	660	7,494
Derivatives	79	24	73	444	319	939
Debt certificates	--	8,964	1,697	10,524	4,280	25,465
Participation certificates and subordinated debts	--	--	--	137	1,013	1,150
Shareholders' equity	1,440	--	--	--	--	1,440
Non-interest-bearing liabilities	1,174	--	--	--	--	1,174
	20,329	9,414	2,208	12,566	8,581	53,098
Net liquidity gap	(14,100)	(7,882)	(1,772)	(10,624)	34,378	--
31 December 2004						
<i>Assets</i>						
Loans and advances to credit institutions	1,938	273	229	30	8	2,478
Mortgage loans to customers	--	774	28	340	37,841	38,983
Other loans and advances to customers	1,446	68	189	516	587	2,806
Derivatives	70	--	--	--	--	70
Interest-bearing securities	--	74	4	546	981	1,605
Non-interest-bearing assets	1,300	--	--	--	--	1,300
	4,754	1,189	450	1,432	39,417	47,242
<i>Liabilities and equity</i>						
Amounts due to credit institutions	137	384	271	809	694	2,295
Savings	9,180	155	243	550	845	10,973
Other amounts due to customers	3,752	291	174	329	2,381	6,927
Derivatives	28	--	--	--	--	28
Debt certificates	--	7,525	1,249	9,559	4,865	23,198
Participation certificates and subordinated debts	--	--	--	144	1,023	1,167
Shareholders' equity	1,313	--	--	--	--	1,313
Non-interest-bearing liabilities	1,341	--	--	--	--	1,341
	15,751	8,355	1,937	11,391	9,808	47,242
Net liquidity gap	(10,997)	(7,166)	(1,487)	(9,959)	29,609	--

3 Risk management for insurance operations

3.1 INSURANCE RISK

The insurance risk is the risk of the volume and timing of cash outflows in connection with material risks such as mortality, invalidity, non-life claims or insurance behaviour falling short of expectations.

REAAL Verzekeringen's portfolio has a low risk profile. The portfolio is well spread for life insurance and non-life insurance alike with the focus on the retail and business markets in the Netherlands.

Risk policy

REAAL Verzekeringen limits its interest risk with a system of strict procedures and criteria for product development, acceptance and provisioning. If accepted, unsuitable risks or risks which exceed preset limits are reinsured.

A panel consisting of management representatives and the Management Accounting and Actuarial departments regularly monitor the portfolio's development. This includes analysing the development of premiums and loss ratios per sector.

Principles for determining the insurance risk

The provision for life risks is based on principles used to calculate the premiums, taking account of market-specific assumptions in the Netherlands and the cost level of the insurance operations. If the premium calculation principles are not sufficient, a surcharge is added to the relevant provisions.

3.1.1 Life insurance risk

Composition of life insurance portfolio

REAAL Verzekeringen's life insurance portfolio contains individual and collective insurance policies, both of which are sold as policies with cash benefits (traditional policies) and with payment in units (investment or unit-linked insurance policies). REAAL Verzekeringen's focus within its individual life insurance portfolio is on unit-linked policies, mortgage-related endowment policies and the pension and annuity insurance policies with a regular endowment.

Co-insurance

REAAL Levensverzekeringen has concluded a number of contracts in co-insurance with one or more insurance companies. In general, the risk estimates are based on information provided by the administrating company. An extra risk is run because the co-insurers are each jointly and severally liable for the total commitments. If a co-insurer withdraws, the commitments are transferred to the remaining co-insurers.

Investment risk and interest rate guarantees

With traditional policies, the insurer bears the investment risk of how much the contract will pay out. In the case of benefits, REAAL Verzekeringen pays the policyholder a predetermined amount in euros. This contrasts with unit-linked contracts, where the insurer does not run a risk on the amount paid out. After all, this insured amount is unit-linked and depends on the value of the funds in which the units have been invested. The policyholder pays a regular or single premium for both kinds of policies.

Interest rate guarantees have been issued for a number of investment-linked insurance policies. A guaranteed return on the maturity date applies to the individual investment-linked insurance policies with guarantee. In the intervening period, the technical provision is at least equal to the investment increased by the guarantee rate, after deduction of the withdrawals for costs and risk premiums.

In the case of collective separated accounts, the contracting party bears the investment risk in principle. On the closing date of the contract, however, there should at least be a provision for accrued rights on the basis of the contract principles. To compensate for investment losses (up to a certain amount), an equalisation provision was formed from premium surcharges for a number of contracts.

In € millions	Premium ¹	Insured capital	Insured Interest	Provision for insurance commitments	Risk capital
<i>REAAL Levensverzekeringen portfolio</i>					
Individual policies in money	418	32,413	287	7,376	26,796
Endowment mortgage	213	11,151	7	2,225	8,961
Annuity	6	--	250	1,506	239
Risk	64	13,794	14	187	13,606
Traditional savings	92	5,018	16	2,637	2,269
Funeral insurance	43	2,448	--	821	1,722
Individual policies in investment units	464	18,684	8	2,935	20,011
Group policies in money	47	486	362	1,203	2,877
Group contracts in investment units	22	19	228	526	1,128
Reinsurance risk	(4)	--	--	--	(1,344)
Proportional reinsurance	(14)	(635)	(3)	(196)	(681)
Total	933	50,967	882	11,844	48,787

Insurance technical risks for the life insurance portfolio

A life insurance policy entitles the policyholder to death benefits and/or an endowment.

The most significant risk of life insurance policies is the mortality risk. The mortality risk indicates the death benefit risk of the policyholder passing away (short-life risk). In the case of an endowment, the mortality risk for REAAL Verzekeringen is that the policyholder might pass away later than expected (long life risk).

Other insurance technical risks for the life insurance portfolio are risks associated with the insurance behaviour of policyholders, such as lapse and early surrender (termination of the policy before the maturity date), conversion into a paid-up policy (the policyholder terminates the periodic premium payment before the maturity date) and invalidation or revalidation (the policyholder becomes incapacitated for work).

With life insurance policies, concentrations of risks occur in the case of collective contracts. The participants under a collective contract often work at the same location or undertake joint activities. Such concentrations of risks are partly hedged in 2006 with reinsurance. The loss from one event that exceeds € 15 million and which relates to more than three people is reinsured up to € 15 million. For more information see section 3.1.3 'Insurance risk reinsurance'.

Controlling the risks for the life insurance portfolio

The trends in the mortality and maturity insurance technical risks are regularly reviewed. The results of these reviews are used for setting rates and acceptance conditions and measuring the value of the life insurance policies. When reporting, the adequacy of the technical provision is determined in accordance with the demands of IFRS and requirements of De Nederlandsche Bank.

For an explanation of the control of the investment and interest rate risk: see section 3.2 'Market risk'.

¹) Balance of premiums plus 10% of the single premiums (extrapolated on an annual basis).

Liability Adequacy Test

It should be pointed out that the technical provision for insurance commitments is based on the premium calculation principles for interest and mortality. The size of this provision therefore does not follow the actual developments in these principles. By regularly performing a Liability Adequacy Test (LAT), REAAL Verzekeringen monitors the adequacy of the technical provision for insurance commitments. The results of the LAT can be seen as a minimum provision. At the moment, the technical provision for insurance commitments is well above the minimum provision calculated for the LAT. The LAT is based on current estimates of contractual cash flows. The level of the LAT is particularly sensitive to changes in the discount rate. The LAT is therefore performed on a fixed actuarial interest rate of 3% as well as on the 3% and 4% prescribed by De Nederlandsche Bank. With an actuarial interest rate of 3%, the technical provision for insurance commitments is also well above the LAT provision. Since the long-life risk has a much lower share in the portfolio than the short-life risk, the sensitivity for mortality is not quantified further.

3.1.2 Non-life insurance risk

Composition of non-life insurance portfolio

The emphasis of REAAL Verzekeringen's non-life insurance portfolio is on four main segments: Accident and Health, Fire, Motor Vehicles and Other. The acquisition of the portfolio from Nieuwe Hollandse Lloyd in September 2005 has increased the number of policies in the Transport segment, even though its share in the total portfolio remains small.

Co-insurance

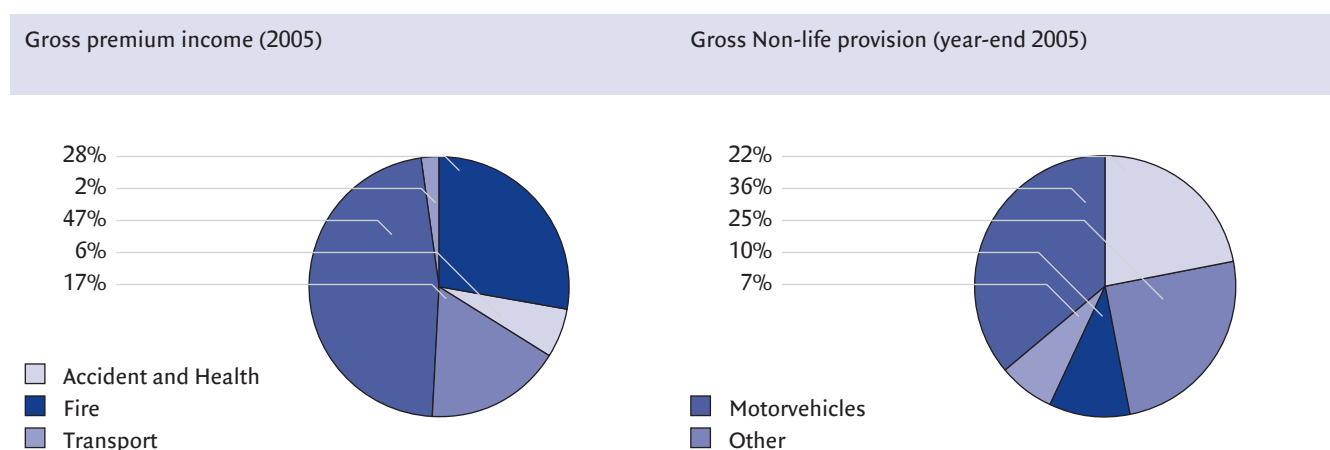
With the acquisition of Nieuwe Hollandse Lloyd, REAAL has entered the co-insurance market. Nieuwe Hollandse Lloyd underwrites risks on the Rotterdam insurance exchange within the Fire, Transport (including Marine) and Miscellaneous Risks sectors. REAAL has decided to actively continue the co-insurance portfolio.

Catastrophe

REAAL reinsures its catastrophe claims resulting from storms and terrorism (see section 3.1.3 'Insurance risk reinsurance'). Catastrophes arising from acts of violence, nuclear incidents or flooding are excluded under the policy conditions.

Premium and non-life provision

The total gross premium income of REAAL Schadeverzekeringen (including Proteq) in 2005 amounts to € 347 million (2004: € 317 million). The premium for 2005 referred to includes the Nieuwe Hollandse Lloyd premium during the period from 20 September to 31 December 2005 amounting to € 21 million. In 2005, € 24 million in reinsurance premium was paid. This is 6.8% of the gross premium income (2005, excluding NHL: 6.5%, 2004: 6.6%). The gross Non-life provision at year-end 2005 amounts to € 513 million (year-end 2004: € 327 million). The amounts referred to here are always before reinsurance and exclude the incoming 'IPAP' reinsurance contract. For more information about the IPAP contract and about own retention and shares of reinsurance per sector: see section 3.1.3 'Insurance risk reinsurance'.



The diagrams above illustrate the distribution of the gross premium and the gross non-life provisions across the various sectors. The premium volume and the non-life provision for the smallest sector, Transport, originate almost entirely from the NHL portfolio acquired in September 2005. The diagrams clearly illustrate the long-term non-life obligations from disability insurance policies: compared to the small share represented by the Accident and Health sector in the total premium, there is a relatively large non-life provision. The reverse applies for the Fire sector. Due to the rapid settlement of fire claims, this sector, which is worth a quarter of the premium income, only represents a small part of the total non-life provision.

Technical insurance risks non-life insurance portfolio

The technical insurance risk for REAAL Verzekeringen's non-life insurance portfolio is primarily concentrated on covering the risk of liability claims (including bodily injury), catastrophe claims and occupational disability claims.

- ⊙ Motor vehicle injury liability

Motor vehicle liability is the third-party insurance to cover bodily injury following a road traffic accident. REAAL Verzekeringen sells this product through all its distribution channels.

- ⊙ Liability

REAAL Verzekeringen offers liability insurance to both private individuals and the business sector; the latter can include professional liability. REAAL Verzekeringen sells this product through all its distribution channels.

- ⊙ Occupational disability

The occupational disability cover in the portfolio of REAAL Verzekeringen includes cover for both self-employed people (first-year and second-year risks) and employees. The latter group mainly concerns additional cover to the Disablement Insurance Act (WAO) and its successor, the Work and Income According to Labour Capacity Act (WIA).

- ⊙ Fire and other damage to property

The REAAL Verzekeringen fire insurance offers policyholders financial cover against damage to their property and material consequences of business interruptions as a result of the loss incurred.

Fraud risks non-life insurance portfolio

From a risk perspective, fraudulent claims are defined as claims submitted by policyholders for non-events or claims in which the extent of damage is exaggerated. Fraud supervision has been localised at the various departments, such as Acceptance, Claims and Claims Handling. Fraud prevention and detection efforts were intensified in 2006 such as by setting up a separate Fraud department.

Controlling the risks for the non-life insurance portfolio

The focus on the retail and business markets has led to a portfolio characterised by diversification across various segments and sub-segments, on the one hand, and the similarity in the type of insured risks, on the other. The portfolio has a relatively low variability in the technical results. The risk of the REAAL Verzekeringen non-life portfolio is geographically concentrated in the Netherlands.

Realised claims with a run-off of more than one year

For the run-off of the realised claims, REAAL Verzekeringen has specialised departments for bodily injury claims. The experts in these departments handle claims on an 'item-by-item' basis, make estimates on the size of the claim and monitor progress on claims-handling. Claims that are characterised by a run-off of more than one year are occupational disability claims, bodily injury claims and liability claims.

REAAL Schadeverzekeringen has occupational disability benefits in payment from the individual and the collective portfolio. The table below provides a summary of the key figures for the regular occupational disability benefits provision at year-end 2005. Due to the earn-out scheme agreed with Ergo, the provisions from the former NHL portfolio are not included below.

Features of the Provision for Regular Disability Benefits (Voorziening Periodieke uitkeringen AOV)

In € thousands	Individual	Semi-collective	Total
<i>REAAL Schadeverzekeringen (exclusive NHL)</i>			
Provision for Regular Benefits	7,563	4,477	12,040
Number of benefit disbursements	125	149	274
Average insured annual interest	11.0	2.5	6.4
Average age (years)	51	50	50
Average expected residual duration of payment (years)	7.8	13.0	10.7
Maximum run-off term of old age pension benefits (AO) interest amounts (years)	35	36	36

The other claims with a run-off longer than one year concern bodily injury and liability claims. These risks are much more diverse than the occupational disability risks; this also applies to the expected duration of the payment for the claims. Since 2004, the policy of REAAL Schadeverzekeringen with respect to the settlement of these claims has been tightened and now aims for the settlement of claims within five years. In 2005, a start was made with the 'accelerated' settlement of claims from old claim years

up until 1997. This has resulted in the settlement of a large number of files that have already been open for some time. The table below provides a summary of the insured claims with a date of origin in the claim years from 1998 to 2005 at year-end 2005.

Features of provision for other claims with run-off of more than one year

In € thousands	Claim years 1998 – 2005			
	Motor injury	Liability Insurance for the commercial sector	Liability insurance for individuals	Total
<i>Regional portfolio (insurance agents - ATP), REAAL Schadeverzekeringen (exclusive NHL)</i>				
Claim payments	72,457	26,271	4,427	103,155
Claims provision (file + IBNR)	48,369	5,568	4,233	58,170
Total claim costs (gross, including IBNR provision)	120,826	31,839	8,660	161,325
Average claim costs (gross, including IBNR provision)	12.1	0.5	2.5	2.2
Number of claims	10,021	58,523	3,433	71,977

Development claims history 2005

In € thousands	Provision per 1-1-2005	Payments in 2005	Provision per 31-12-2005	On balance-release/run-off
<i>REAAL Schadeverzekeringen N.V.(after reinsurance, excluding participations in pools and funds, excluding incoming reinsurance)</i>				
2005				
Claim years:				
- 2001 and prior	73,209	12,868	53,496	6,845
- 2002	22,400	366	20,875	1,159
- 2003	25,577	4,473	19,513	1,591
- 2004	49,381	11,498	27,184	10,699
Total to the end of 2004	170,567	29,205	121,068	20,294
Total 2005	--	101,125	47,591	--
Total Net		130,330	168,659	
2004				
Claim years:				
- 2000 and prior	70,824	14,221	54,695	1,908
- 2001	23,673	3,184	18,172	2,317
- 2002	29,036	3,002	22,400	3,633
- 2003	62,429	17,460	25,165	19,804
Total to the end of 2003	185,962	37,868	120,431	27,662
Total 2004	--	104,750	48,715	--
Total Net		142,618	169,147	

Adequacy of the non-life provisions

The REAAL Verzekeringen actuarial department regularly performs a quantitative test on the adequacy of the non-life provisions that have been formed. This test makes use of stochastic modelling, which also includes inflation and discounting. At year-end 2005, part of the portfolio of REAAL Schadeverzekeringen (the provincial portfolio) and the non-life portfolio of Proteq were tested in this way.

Moreover, this stochastic testing is supplemented with the assessment of the positive run-off results and the effects of the provisions policy on the size of the provision. Whether the claim provisions are at an adequate level becomes apparent from the combination of the testing elements.

The Provision for Regular Payments for the occupational disability claims is based on the premium calculation principles for interest, revalidation and mortality. The size of this provision therefore does not follow the actual developments in these principles. By regularly performing an adequacy test on the current accounting policies, REAAL Verzekeringen safeguards the adequacy of the Provision for Regular Benefits. The results of the Liability Adequacy Test can be seen as a minimum provision. At year-end 2005, the Provision for Regular Payments is above the minimum provision calculated on the basis of the Liability Adequacy Test.

*3.1.3 Insurance risk Reinsurance**Reinsurance policy*

The reinsurance for REAAL Life and REAAL Non-life is realigned with SNS REAAL's risk appetite each year. Reinsurance cover takes shape on the basis of the outcomes of the risk analyses on the various portfolios. This includes looking at the effect of reinsurance on solvency, desired return and profitability.

Aside from its regular portfolio protection, REAAL Non-life also has a catastrophe contract for covered natural forces (storm, hail) and accumulation within the fire insurance portfolio (e.g. on account of the fireworks explosion in Enschede). The risk of terrorism is reinsured via NHT, the Dutch reinsurance company for terrorism claims.

Reinsurance REAAL Leven

REAAL Verzekeringen's life insurance portfolio has seen strong growth in premium income, insured capital and profitability. Research was done into the risk profile of the insurance portfolio in 2005, on the basis of which it has been decided to increase own retention. This should be put into effect with the installation of a completely new reinsurance programme in 2006.

Controlling claim run-off

REAAL Verzekeringen has a special department for handling claims, including claims in respect of bodily injury. This department handles claims on an item-by-item basis, makes estimates on the size of the claim and monitors progress on claims-handling.

In € thousands	2003	2004	2005	2006	
<i>Own retention REAAL Levensverzekeringen</i>					
Cover:					
- Mortality (risk capital)	per risk	400	400	400	1,000
- Occupational disability (annual interest)	per risk	20	20	20	35
- Catastrophe	per occurrence*	15,000	--	--	15,000

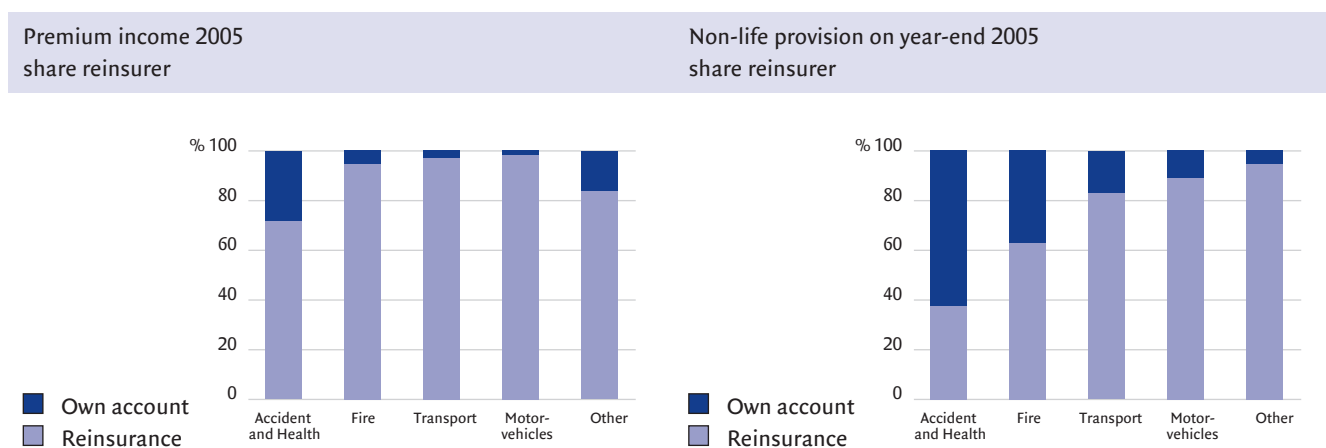
Reinsurance REAAL Schade

The non-life insurance operations in recent years have increased REAAL's own retention under the reinsurance contracts to a level that does justice to the size of the various portfolios. The increased size, the greater financial strength and the favourable development of the result justify this extension of the risk tolerance.

*) Cover for catastrophe risk in 2003, first six months only.

In € thousands		2003	2004	2005	2006
Own retention REAAL Schadeverzekeringen					
Cover:					
- Fire	per risk	500	700	700	700
- Motor vehicle liability	per risk	1,200	1,200	1,200	1,200
- Personal/business liability	per risk	500	500	500	500
- Accidents	per risk	150	300	300	300
- Occupational disability (annual interest)	per risk	8	8	8	35
- Catastrophe	per occurrence	15,000	15,000	20,000	25,000

The graphs below illustrate the share of the reinsurance premium in the total premium income in the 2005 financial year and the reinsurers' share in the paid gross non-life provision at year-end 2005. The figures for the Accident and Health sector exclude the IPAP contract. The IPAP contract is explained in more detail below.



REAAL Schadeverzekeringen has an active policy on where to reinsure its contracts. A distinction is drawn between the panel of reinsures for the property programme (fire and catastrophe) and the casualty programme (car, liability and accidents). The claim settlement in the casualty programme is characterised by a long processing time. Due to this long-term character, the continuity of the panel is the point of departure during the placing of this programme.

Incoming reinsurance: IPAP contract

The IPAP contract is an incoming reinsurance contract for disability insurance related benefits. In this respect, Proteq acts as reinsurer of Loyalis. The contract has not been extended since 2004 and is now in a run-off phase. The premium in 2005 is therefore nil. The gross non-life provision at year-end 2005 amounts to € 145.6 million, after retrocession the provision amounts to € 56.2 million.

3.2 Market risk

When changes occur in the financial markets, REAAL Verzekeringen is exposed to market risk if changes in the value of investments (equities, real estate, fixed-income) do not keep pace with the value of its liabilities.

3.2.1 Interest rate risk

Interest rate risk occupies an important position in the market risk profile of REAAL Verzekeringen, especially for Life insurance. Interest rate risk occurs when the fixed-income assets and liabilities are not fully matched. Interest rate risks are expressed in changes in the result and/or financial position if the market interest rate fluctuates.

There can be two major causes for the fixed-income assets and liabilities not being matched:

- ⊙ Differences in maturity between the investments and the commitments. The investments of REAAL Verzekeringen have an average maturity of 12 years. However, the average maturity of the commitments is 18 years. This difference in maturity introduces a reinvestment risk: upon maturity of the investments, reinvestments should be made until the maturity of the commitments. The future return on this reinvestment is not yet known, whereas the return promised to policyholders is fixed until maturity.

- ⊙ Conditional commitments to the policyholders. Under some of its policies, REAAL Verzekeringen makes an additional payment to policyholders on top of the guaranteed return, which depends on the income of a particular investment portfolio. As at balance sheet date, these commitments are not offset by investments offering the same combination of guaranteed commitment and conditional commitment.

In € billions	2005
<i>Insurance for own risk REAAL Insurance</i>	
With conditional commitments	3.4
Without conditional commitments	3.0

This excludes savings amounts totalling € 2.2 billion.

The main quantification of interest rate risks is done by means of duration analyses, scenario analyses and economic capital calculations.

A significant variable in the management of the interest rate risk is the duration of the shareholders' equity. This duration measures the percentage change in the market value of shareholders' equity with a parallel shift of the interest rate curve by one base point. REAAL Verzekeringen does not include the investments and commitments that are almost matched in its analysis. This includes endowments policies accrued under endowment mortgages and the portion of the balance sheet kept on behalf of policyholders. REAAL Verzekeringen regularly adapts the duration of shareholders' equity to its interest rate forecast and risk budget by means of swaps within the fixed-income investment portfolio and with the aid of interest rate swaps.

Using a scenario analysis, the effect of changes in the market interest rate on the result, equity and solvency is regularly reviewed. The table below illustrates the effect of interest rate changes of 1% as at balance sheet date (indicative).

In € millions	Shareholders' Equity	EU solvency	Fair value Shareholders' equity
<i>REAAL Verzekeringen's interest rate sensitivity as at balance sheet date</i>			
Interest rate +1%	-200	none	+19
Interest rate -1%	+200	none	-185

For the definition of fair value, please see section 4.

The effect of the interest changes stated above on the result is negligible.

The summary below illustrates the effective accounting interest rate percentages of the financial assets and liabilities of REAAL Verzekeringen as at balance sheet date:

In percentages	2005	2004
<i>Financial assets (not measured at fair value through profit and loss)</i>		
Investments for own account and risk:		
- Held to maturity	4.4%	4.3%
- Available for sale (excluding shares)	5.5%	3.4%
- Loans and receivables	6.5%	6.6%
Loans and advances to clients and credit institutions	0.0%	0.0%
Cash and cash equivalents	0.1%	0.5%

In percentages	2005	2004
<i>Financial obligations at amortised cost</i>		
Subordinated debts	5.6%	7.9%
Technical insurance provisions for own account and risk	4.2%	4.0%
Amounts owed to clients and credit institutions	0.0%	0.0%
Debt certificates	0.0%	0.0%

Insurance policies on behalf of policyholders

The insurer basically does not bear any interest rate, price, currency or credit risk for insurance policies where policyholders bear the investment risk. The volume of this category of policies amounts to € 3.4 billion. However, in a number of cases the insurer has issued minimum guarantees, as a result of which these contracts also present interest rate, price and currency risks for the account and risk of the insurer. Approximately € 702 million of the € 3.4 billion provision referred to here relates to policies for which REAAL Verzekeringen has issued some form of guarantee. When REAAL Verzekeringen has to honour these guarantees, it takes the corresponding expenses to the income statement.

In € billions	2005
<i>Insurance policies on behalf of policyholders</i>	
Without guarantee	2.8
With guarantee	0.7

3.2.2 Equity and property risk

The value of REAAL Verzekeringen's equity investments at year-end 2005 was € 1.118 million. These equity investments are spread across the European, Americas and Far East regions.

REAAL Verzekeringen regularly assesses the effect that changes on the equity and property market has on the result, equity and solvency. The table below shows the results of this analysis as at balance sheet date (indicative).

In € millions	IFRS Shareholders' Equity	EU solvency
<i>Result of the scenario analysis of equity and property changes</i>		
Equities +10%	+76.5	+15%
Equities -10%	-76.5	-15%
Property +10%	+13.8	+3%
Property -10%	-13.8	-3%

3.2.3 Currency risk

The currency risk for REAAL Verzekeringen arises through a combination of investments and obligations in foreign currency that do not net on zero.

As far as the fixed interest investments are concerned, REAAL Verzekeringen pursues the policy that no currency risk is allowed. The currency risk on fixed-income securities denominated in foreign currency are therefore hedged at micro level (= at the level of individual bonds) with the aid of currency swaps.

Currency risks also present themselves in the equity investments of REAAL Verzekeringen. 75% of this currency risk is structurally hedged with the aid of exchange forward contracts.

The table below gives an indication of the foreign currency position of REAAL Verzekeringen as at balance sheet date.

In € millions	Balance sheet debit	Balance sheet credit	Net	Derivatives
<i>Currency positions of REAAL Verzekeringen</i>				
US dollar	471	36	435	(368)
Japanese yen	57	--	57	(41)
Pound sterling	179	7	172	(125)
Swiss franc	19	--	19	--
Australian dollar	--	13	(13)	--
Other	35	12	23	--
Total	761	68	693	(534)

Using scenario analyses, the effect that changes on the currency markets have on the result, equity and solvency are regularly reviewed. The table below shows the results of these analyses as at balance sheet date (indicative).

In € millions	Shareholders' Equity	EU solvency
Currency +10%	+9.5	+2%
Currency -10%	-9.5	-2%

3.3 CREDIT RISK

REAAL Verzekeringen recognises various types of credit risk. The most important of these is the credit risk in the investment portfolio and in the loan portfolio to intermediaries. The mortgage loans of REAAL Verzekeringen are properly covered and have a relatively high age. As a result, the chance of default is low; therefore, the risk profile of the mortgage portfolio of REAAL Verzekeringen can be seen as very low.

Tasks, authorisations and responsibilities are determined for officers and committees (with stepped decision-making powers) per credit risk class. These are set down in the policy documents for each credit risk class.

In € millions	31 December 2005	31 December 2004
<i>Breakdown of REAAL Verzekeringen's credit portfolio</i>		
Fixed-income investment portfolio with credit risk	2,884	2,808
Loans to intermediaries	50	63
Mortgage loans (excluding savings amounts)	986	987
Receivables from reinsurance companies	371	299
	4,291	4,157

Credit risk management in the fixed-income investment portfolio of REAAL Verzekeringen

The credit risk in the fixed-income investment portfolios of REAAL Verzekeringen is the risk that the issuing institution of a bond or a debtor in a private loan can no longer meet their obligations. The strategic scope of the different categories of creditworthiness in the fixed-income portfolio is determined within an ALM context and documented in mandates with the asset managers. There are regular checks and reports on whether the asset managers comply with the mandates.

The fixed-income investment portfolios of REAAL Verzekeringen only work with European and US debtors, with no single debtor representing an interest of more than 10% in the fixed-income investment portfolio. Exceptions allowed to this rule concern investments in loans to states considered by the market to have top-ranking creditworthiness.

The summary below illustrates the spread of the fixed income investments across the different categories of creditworthiness as at balance sheet date (excluding mortgages).

In € millions	2005	2004
<i>Credit spread of fixed-income investments of REAAL Verzekeringen</i>		
AAA/AA fixed income	1,514	1,472
A/BBB fixed income	1,242	1,183
High Yield fixed income	128	153

Credit risk management in the portfolio of loans to intermediaries

REAAL Verzekeringen manages credit extension to intermediaries through a credit committee and by using strict testing criteria upon acceptance.

Credit risk management in the mortgage portfolio

REAAL Verzekeringen faces a limited credit risk on its mortgage portfolio. The redemption of a large portion of the mortgages is in fact guaranteed by the Dutch national mortgage guarantee (Nationale Hypotheek Garantie). In addition, the rise in the prices of houses in recent years has significantly increased their execution value. In the case of default, the insurer will usually be able to collect its entire debt by foreclosing.

Credit risk management with respect to receivables from reinsurance companies

REAAL Verzekeringen uses a panel consisting of a fixed group of leading reinsurance companies with a minimum rating of A+ for reinsuring vehicle third-party and the liability policies. For the reinsurance of fire and catastrophes, reinsurance companies with a minimum rating of A- are used.

3.4 LIQUIDITY RISK

Reaal Verzekeringen must have adequate cash resources to pay out claims arising from the insurance portfolio. The liquidity risk at REAAL Verzekeringen is very limited, because the nett cash flows from investments and insurance liabilities for the coming ten years are positive.

4 Hedging en hedge accounting

Financial institutions make use of derivatives to hedge undesirable market risks on an economic basis. Under IFRS, derivatives must be carried at market value on the balance sheet and the changes in market value must be included in the income statement irrespective of the valuation method for the position or the instrument that is hedged. This entails potential volatility in the IFRS result. Hedge accounting is used to eliminate this volatility as much as possible. Derivatives are linked to specific instruments (micro-hedge) or sub-portfolios (macro-hedge). These instruments or sub-portfolios are therefore carried at market value so that the valuation method is the same as that for derivatives. SNS REAAL uses various strategies for hedging its interest rate and currency risks, including currency swaps, interest rate swaps and interest-rate options. In this context, SNS REAAL draws a distinction between so-called micro hedges on the one hand, with risks being hedged on separate contracts, and the so-called macro hedges on the other hand, with the risk of a portfolio of contracts being hedged. All the hedges were effective during the whole of 2005 and no relationships were severed out of necessity. A gain of € 2,6 million was recognised for 2005 due to an ineffective position in the hedge accounting.

4.1 HEDGING SNS BANK

SNS Bank uses interest rate swaps to partially hedge the non-optional risk of the bank book. The policy pursued in this respect is that the duration of the interest-bearing shareholders' equity lies between three and eight years. In addition, SNS Bank uses interest rate derivatives to hedge specific embedded options in mortgages such that the interest cannot rise above a ceiling or such that interest rate changes are cushioned when charged on to the client. Finally, SNS Bank uses interest rate swaps to convert fixed interest funding and, to a limited extent, fixed interest investments into variable funding or investments, and uses currency swaps to convert funding in a non-euro currency into euros.

The market value of the swaps for hedging the non-optional risk in the banking book was equal to - € 392 million on 31 December 2005 and equal to - € 449 million on 31 December 2004.

The Plafond [ceiling], Stabiel [stable] and Rentedemper [interest damper] mortgage products are the specific options in mortgages. At the end of 2005, the nominal value of these mortgages was € 3.8 billion, € 1.8 billion and € 956 million respectively. At year-end 2004, it was € 4.0 billion, € 2.6 billion and € 527 million respectively. The policy pursued by SNS Bank is to hedge 70 to 80% of the embedded options of the 'Plafond' mortgages with caps and those of the 'Stabiel' and 'Rentedemper' mortgages with caps and floors. The market value of these derivatives was equal to € 43 million as at 31 December 2005 and equal to € 47 million as at 31 December 2004.

4.2 HEDGE ACCOUNTING SNS BANK

SNS Bank has defined the following hedge relationships for the above-mentioned hedge activities.

Fair value hedge accounting for the ALM hedge in the Bankbook (Macro hedge)

The hedged portfolio comprises the fixed-interest mortgages of SNS Bank. These are mortgages that carry a fixed-interest period varying from a minimum of 1 to a maximum of 20 years. The hedging instruments are interest rate swaps concluded in the context of interest rate management in the ALM process. Only the fixed legs of these swaps are included because they provide the actual hedge. The risk being hedged is the risk of changes occurring in the market value of the portfolio's expected cash flows as a result of changes in the swap curve.

Fair-value hedge accounting for embedded derivatives (Macro)

The embedded caplets of all the 'Plafond' mortgages sold by SNS Bank form the hedged items in this relationship. The hedged instruments are all the caplets ensuing from the caps concluded to hedge the embedded caplets in the 'Plafond' mortgages. The risk being hedged is the volatility of the market value of the expected interest income in the case of changes in the 1-month swap interest rate.

The 'Rentedemper' mortgage has a number of embedded options consisting of caps and floors. The caps and floors are composed of separate caplets and floorlets. The caplets and floorlets form the hedged items. The hedged instruments are all the caplets and floorlets ensuing from the caps and floors concluded to hedge the embedded caplets in the 'Rentedemper' mortgages. The risk being hedged is the volatility of the market value of the expected interest income as a result of the fluctuations in the 6-month swap interest rate.

Fair value hedge accounting funding and investments (Micro)

SNS Bank uses micro hedges to swap fixed interest funding with interest rate swaps for variable interest. If the funding is in a foreign currency, currency swaps are used. SNS Bank also hedges fixed interest investments to a limited extent by swapping them with interest rate swaps to variable interest. The interest and currency risk is hedged by means of these instruments.

4.3 HEDGING REAAL VERZEKERINGEN

REAAL Verzekeringen uses currency swaps to hedge the currency risk on individual fixed interest non-euro investments.

REAAL Verzekeringen makes use of interest rate swaps to manage the duration of the shareholders' equity. At year-end 2005, the market value of these swaps was € 166.2 million (2004: € 81.9 million). In addition, REAAL Verzekeringen hedges the currency risk within its share portfolio at macro level using exchange forward contracts.

4.4 HEDGE ACCOUNTING REAAL VERZEKERINGEN

REAAL Verzekeringen has also defined hedge relationships for the above-mentioned hedge activities:

Cash flow hedge accounting

REAAL Verzekeringen has increased the effective maturity of its investment portfolio at macro level by using interest rate swaps. Thus they ensure that the interest income remains fixed for a longer period. The risk hedged in this way is the variability in the interest at the time of reinvestment. The cash flow hedge consists of a combination of a short-term contracted swap and a long-term issued swap. At the time of reinvestment (i.e. the period to maturity of the short-term swap), the long-term swap is sold and reinvestment takes place in fixed interest securities which, with respect to maturity and coupon due dates, correspond to a great extent with the remaining period to maturity of the long-term swap.

At year-end 2005, the periods during which the cash flows are likely to take place and when they are expected to be taken into account were as follows:

In € thousands	Notional amounts			
	Total	≤ 1 year	> 1 year < 5 year	> 5 year
Interest rate swaps	1,570,000	200,000	905,000	465,000

At year-end 2005, there were no future transactions to which hedge accounting had been applied previously but that were unlikely to take place.

Fair value hedge accounting

REAAL Verzekeringen hedges the currency risks in its share portfolio at macro level using exchange forward contracts. These exchange forward contracts are in a fair value hedge relationship with the equities whose currency risk they hedge.

Summary of derivatives for hedging purposes

The contracted amounts and notional amounts of the derivatives for hedge purposes are shown in the summary below (including the breakdown by residual term to maturity), reflecting the extent to which SNS REAAL is active in the various markets. The derivatives for trading purposes are not included in the summary.

In € thousands	Notional amounts				Fair value	
	Total	≤ 1 year	> 1 year ≤ 5 years	> 5 years	Positive	Negative
Interest rate contracts:						
- Swaps and FRAs	25,256,860	2,342,917	12,008,654	10,905,289	806,477	(670,062)
- Purchased options	2,599,234	--	1,972,234	627,000	30,290	(9,561)
- Futures	--	--	--	--	-	--
Currency contracts:						
- Swaps	3,391,905	345,527	2,757,593	288,785	84,770	(119,113)
- Forwards	421,685	421,685	--	--	(6,653)	--
Forward commodity contracts:						
- Swaps	--	--	--	--	--	--
Total	31,669,684	3,110,129	16,738,481	11,821,074	914,884	(798,736)

The notional amounts show the units of account that, in relation to derivatives, reflect the relationship to the underlying values of the primary financial instruments. These notional amounts give no indication of the volume of the cash flows or the price and credit risks attendant on the transactions.

5 Fair value of financial assets and liabilities

The table below sets out the estimated fair value of the financial assets and liabilities of SNS REAAL. In a number of instances, estimates were used. The balance sheet items have not been included in this table because they do not satisfy the definition of a financial asset or liability. The total of the fair value shown below does not represent the underlying value of SNS REAAL and should, therefore, not be interpreted as such.

In € millions	SNS Bank	REAAL Verzekeringen	Group activities	Con- solidation adjustments	Total
Assets					
Tangible fixed assets	--	44	--	--	44
Investment property	--	232	--	--	232
Subsidiaries	--	--	3,592	(3,592)	--
Investments	4,060	10,435	--	--	14,495
Investments for insurance products on behalf of policyholders	--	3,462	--	--	3,462
Associated companies	--	77	150	--	227
Derivatives	29,624	--	22	--	29,646
Mortgage loans to customers	42,462	--	--	--	42,462
Other loans and advances to customers	2,343	--	64	--	2,407
Other assets	550	126	413	(402)	687
Cash and cash equivalents	2,982	631	269	--	3,882
Total	82,021	15,007	4,510	(3,994)	97,544
Liabilities and equity					
Shareholders' equity	2,704	888	3,483	(3,592)	3,483
Third-party interests	--	3	--	--	3
Participation certificates and subordinated debts	232	92	440	--	764
Debt certificates	7,638	--	189	--	7,827
Technical provisions, insurance operations	--	12,526	--	--	12,526
Amounts due to customers and credit institutions	40,932	597	353	--	41,882
Derivatives and payables	29,731	33	--	--	29,764
Other liabilities	784	868	45	(402)	1,295
Total	82,021	15,007	4,510	(3,994)	97,544

The fair values represent the amounts for which financial instruments can be traded at balance sheet date on a realistic commercial basis between properly informed parties prepared to enter into a transaction ('at arm's length'). The fair value of financial assets and liabilities is based on market prices, insofar as these are available. If not, various techniques have been developed for estimating the fair value of these instruments. These techniques are subjective by nature and rely on different assumptions with respect to the discount rate and the moment and volume of the expected future cash flows. Changes in these assumptions can have a significant influence on the estimated fair value. This can lead to the stated fair value not being an accurate estimate of the net fair value. Furthermore, the estimated fair value is based on the market conditions at a given moment and, therefore, possibly not an accurate estimate of the future fair value.

The following methods and assumptions have been applied in order to determine the fair value of the financial instruments.

FINANCIAL ASSETS

Associated companies

The fair value of participating interests is based on the stock market prices of the shares in these participating interests or, if unlisted, the estimated market value based on the stock market prices of similar securities. The fair value of receivables from participating interests is determined in the same way as described below for fixed-income securities.

Investments

The fair value of shares and convertible bonds is based on stock market prices. The fair value of interest-bearing securities, insofar as these are not mortgage loans, is also based on stock market prices or – if stock market prices do not produce reliable fair values – on the cash value of the expected future cash flows. This cash value is based on the current market interest rate as applicable given the liquidity, the creditworthiness and the maturity of the relevant investment.

Derivatives

The fair value of derivatives is based on stock market prices or, if unlisted, on estimated market values based on the stock market prices of similar securities.

Mortgage loans to customers

The fair value of mortgage loans is estimated by determining the cash value of the expected future cash flows, using the interest rate currently applicable to similar loans taking into account the effect of future early redemption.

Other loans and advances to customers

The fair value of loans and advances is estimated on the basis of the present value of the expected future cash flows, using the interest rate currently applicable to loans and advances under similar conditions.

Other assets

The book value of the Other receivables is considered to be a reasonable estimate of the fair value.

Cash and cash equivalents

The book value of the liquid assets is considered a fair estimate of the fair value.

FINANCIAL LIABILITIES

Participation certificates

The estimated fair value of the participation certificates is based on the present value of cash flows, using the interest rate applicable to similar instruments.

Debt certificates

The estimated fair value of the Debt certificates is based on the present value of cash flows, using the interest rate applicable to similar instruments.

Technical provisions, insurance operations

The fair value of technical insurance provisions is based on the cash value of the expected future cash flows. This calculation also takes account of the effect of profit sharing, surplus interest and other conditional benefits to policyholders, the costs associated with the settlement of the provision, as well as the effect of the potential uncertainty in the insurance parameters.

Amounts due to customers and credit institutions

The book values of the demand deposits and deposits without agreed terms is considered a fair estimate of the fair value. The estimated fair value of deposits with agreed terms is based on the expected present value of the future cash flows, using the interest rate currently applicable to deposits with the same residual term.

The fair value of amounts due to banks is estimated on the basis of the present value of the future cash flows, using the interest rate currently applicable to amounts due to banks under similar conditions.

Other liabilities

The book value of the other liabilities is considered a fair estimate of the fair value.

Interest

The interest rate applied when determining the fair value is based on the market interest rate curve as at balance sheet date.

6 Statutory solvency requirements

SNS Bank

For SNS Bank, the capital requirements, in accordance with the BIS requirements, amounts to 8% of the risk-weighted assets, off-balance sheet items and market risk of the trading portfolio (the so-called 'BIS standard'). At year-end 2005, this came to € 1,618 million (2004: € 1,694 million).

In € millions	2005	2004
Core capital (Tier 1)	1,753	1,747
Supplementary capital (Tier 2)	652	690
Available Tier 3 capital	--	--
Deductible items (participating interests)	(4)	(90)
Qualifying capital (excluding Tier 3)	2,401	2,347
Risk-weighted assets	20,175	20,037
Tier 1 ratio	8.7%	8.7%
BIS ratio	11.9%	11.7%

REAAL Verzekeringen

European directives require insurance companies based in one of the member states of the European Union to maintain a minimum solvency margin. The solvency with respect to the Life insurance operations as at 31 December 2005 was 233% (2004: 192%) and with respect to Non-life 275% (2004: 261%).

Acquisitions

SNS REAAL completes acquisition of Nieuwe Hollandse Lloyd

On September 20th 2005 SNS REAAL and ERGO Insurance Group have completed the negotiations concerning the acquisition of Nieuwe Hollandse Lloyd Verzekeringsgroep N.V. (NHL). On the same date, the transfer of all shares of Nieuwe Hollandse Lloyd was completed. This acquisition is an important strategic step for SNS REAAL. The expansion and strengthening of its non-life insurance operations are a strategic priority for SNS REAAL. The acquisition of NHL, which is particularly strong in the non-life market, will increase the non-life portfolio of SNS REAAL Group by some 40%. The co-insurance activities of NHL will be continued and further expanded by SNS REAAL. SNS REAAL thus provides a significant impulse for its activities on the commercial non-life market. The acquisition will produce substantial synergy benefits and contributes directly to the result of SNS REAAL.

The fact that both SNS REAAL and NHL focus on private and business clients and are committed to intermediaries means that services to both clients and intermediaries will improve after the acquisition.

Nieuwe Hollandse Lloyd has contributed € 3.4 million to the Group net income for the period September 20th up to December 31st 2005. If the shares were acquired on January 1st 2005 the contribution to the net income of SNS REAAL for the 2005 financial year would have been € 9.4 million. When calculating this result, account was taken of the former shareholders' right to the profit and the accounting principles applied by NHL until 31 December 2005 were applied.

The fair value of the most important acquired assets and liabilities and goodwill can be specified as follows:

In € millions	2005
Investments	560,7
Reinsurance contracts	104,0
Loans and advances to clients	53,2
Other assets	57,9
Technical provisions, insurance operations	(669,4)

Goodwill on the acquisition amounts to € 0.3 million. The fair value of the acquired assets and liabilities are based on the discounted cash flow model. No provisions have been formed for the acquisition.

Acquisition of the bond portfolio of Van der Hoop Bankiers

SNS Securities acquired the bond portfolio of Van den Hoop Bankiers on December 28th 2005. This acquisition involved a total of € 79.6 million. In the context of this acquisition 19 employees of Van den Hoop Bankiers have joined SNS Securities.

Notes to the consolidated balance sheet

Assets

1 Goodwill and other intangible assets

In € millions	Bank		Insurance		Total	
	2005	2004	2005	2004	2005	2004
Software	12	12	8	3	20	15
Capitalised acquisition costs in connection with insurance operations	--	--	421	233	421	233
Value of Business Acquired (VOBA)	--	--	118	121	118	121
Total	12	12	547	357	559	369

	Software		Acquisition costs		VOBA		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Accumulated acquisition cost	41	25	568	332	123	123	732	480
Accumulated amortisation and impairments	(21)	(10)	(147)	(99)	(5)	(2)	(173)	(111)
Balance as at 31 December	20	15	421	233	118	121	559	369
Balance as at 1 January	15	15	233	169	121	117	369	301
Effect of conversion to IFRS 4	--	--	47	--	--	--	47	--
Investments	14	10	189	99	--	3	203	112
Divestments	--	(2)	--	--	--	--	--	(2)
Amortisation	(9)	(8)	(48)	(35)	(3)	1	(60)	(42)
Balance as at 31 December	20	15	421	233	118	121	559	369

Amortisation of intangible assets is recognised in the income statement under Depreciation of tangible fixed assets and amortisation of intangible assets. Impairment of intangible assets is recognised in the income statement under Impairment of financial instruments and other assets.

Notes to the consolidated balance sheet

2 Tangible fixed assets

In € millions	Bank		Insurance		Group activities		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Land and buildings in own use	91	97	32	28	73	69	196	194
IT equipment	24	25	11	9	--	--	35	34
Other assets	38	42	33	30	--	--	71	72
Total	153	164	76	67	73	69	302	300

	Land and buildings		IT equipment		Other assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Accumulated acquisition cost	172	171	113	92	161	143	446	406
Accumulated revaluations	54	51	--	--	--	--	54	51
Accumulated depreciation and impairment	(30)	(28)	(78)	(58)	(90)	(71)	(198)	(157)
Balance as at 31 December	196	194	35	34	71	72	302	300
Balance as at 1 January	194	201	34	38	72	81	300	320
Revaluations	4	(1)	--	--	--	--	4	(1)
Acquisitions	6	--	--	--	--	--	6	--
Investments	1	5	23	20	20	11	44	36
Divestments	(7)	(9)	(9)	(9)	(7)	(2)	(23)	(20)
Depreciation	(2)	(2)	(13)	(15)	(14)	(18)	(29)	(35)
Balance as at 31 December	196	194	35	34	71	72	302	300

The book value of land and buildings in own use on basis of historical cost is € 142 million (2004: € 143 million)

Appraisal of land and buildings in own use

The value of land and buildings in own use are assessed by an external surveyor once every three years. The entire portfolio was assessed by an external surveyor in 2004.

The table below shows the balance sheet value of the assessed land and building per business unit and in totals. The final column shows the balance sheet value of the assessed land and buildings in relation to the land and buildings in own use.

	Bank	Insurance	Group activities	Total	In percentage terms
2005	20	--	42	62	32%
2004	97	28	69	194	100%

Notes to the consolidated balance sheet

3 Associated companies

In € millions	Bank		Insurance		Group activities		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Total book value	2	5	77	--	50	49	(3)	(3)	126	51
Total market value	2	5	77	--	50	49	(3)	(3)	126	51

Movements in the participating interest are broken down as follows:

	2005	2004
Balance as at 1 January	51	142
Acquisitions and expansions	29	3
Disposals and reductions	(8)	(148)
Reclassifications	39	--
Income from participating interests	9	4
Result on sale of participation interests	--	40
Direct changes in equity	6	--
Revaluations	2	(1)
Other changes	(2)	11
Balance as at 31 December	126	51

Summary of the most important participating interests of SNS REAAL:

	Country	Interest	Share in Shareholders' equity		Share in the result		Assets		Liabilities		Income	
			2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
<i>Participating interests with significant influence</i>												
Ducatus N.V.	NL	32%	75	--	2	--	233	346	--	51	24	35
LaSer-Lafayette Services Nederland B.V.	NL	40%	20	18	2	--	753	691	704	645	62	61
Parnassus Participatiefonds B.V.	NL	38%	8	8	(1)	(1)	19	19	--	--	--	--
Masterfleet N.V.	NL	40%	5	5	--	--	117	116	104	104	53	57
Others	NL	20-0%	8	6	5	4	69	72	57	65	95	143
			116	37	8	3	1,191	1,244	865	865	234	296

Notes to the consolidated balance sheet

	Country	Interest	Share in Shareholders' equity		Share in the result		Assets		Liabilities		Income	
			2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
<i>Other participating interests</i>												
Life Science Partners II B.V.	NL	13%	5	5	(2)	--	75	75	1	1	--	--
NeSBIC CTE Fund B.V.	NL	14%	1	2	--	--	1	1	3	3	2	1
NeSBIC CTE Fund II B.V.	NL	10%	1	1	4	--	7	9	--	--	23	--
Interpay Nederland B.V.	NL	3%	1	1	--	--	1,087	894	1,019	847	353	314
Others	various	3-14%	2	5	(1)	1	14	17	25	27	30	29
			10	14	1	1	1,184	996	1,048	878	408	344

Due to an increase in the interest in Ducatus N.V., this participating interest is included under associates in 2005. In 2004, this participating interest was accounted for as an investment and is therefore included as such in the comparative figures.

A total of € 235 million (2004: € 257 million) of loan was distributed to the participating interests. The loans are stated under the heading Other loans and advances to clients.

4 Investment property

In € millions	Bank		Insurance		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Land and buildings used by third parties	1	2	201	192	(73)	(69)	129	125

To ensure reconciliation with the segment information, the property that the insurance operations rents out to other business units are recognised as investment property by the insurer. At group level, the property in question is recognised under tangible fixed assets and has therefore been eliminated from the Investment property.

Movements in the investment property are broken down as follows:

	2005	2004
Balance as at 1 January	125	130
Investments	--	1
Divestments	(2)	(6)
Revaluations	6	--
Balance as at 31 December	129	125

Notes to the consolidated balance sheet

5 Investments

In € millions	Fair value through Profit and Loss	Available for sale	Held to maturity	Loans and receivables	Total	
						2005
						2004
Banking	151	1,490	--	--	1,641	1,703
Insurance	175	3,980	2,052	1,649	7,856	6,879
Group activities	--	117	--	--	117	--
Eliminations	--	--	--	(403)	(403)	(349)
Total	326	5,587	2,052	1,246	9,211	8,233
<i>Movement of investments</i>						
Balance as at 1 January	132	4,770	1,932	1,421	8,255	9,020
Reclassifications	--	--	--	--	--	(615)
Effect of conversion to IAS 32 and 39	--	107	--	15	122	--
Transfer to associated companies	--	(39)	--	--	(39)	--
Purchases and advances	--	5,042	111	64	5,217	5,836
Acquisition	--	314	--	2	316	--
Disposals and redemptions	--	(4,682)	--	(287)	(4,969)	(5,991)
Revaluations	--	73	--	--	73	76
Impairments	--	--	--	(5)	(5)	--
Amortisation	--	--	9	54	63	--
Changes in investments held for trading	194	--	--	--	194	(107)
Other	--	2	--	1	3	36
Balance as at 31 December	326	5,587	2,052	1,265	9,230	8,255
<i>Movement provision for investments</i>						
Balance as at 1 January	--	--	--	22	22	30
Acquisition	--	--	--	2	2	--
Withdrawal	--	--	--	(5)	(5)	(8)
Balance as at 31 December	--	--	--	19	19	22
Total investments	326	5,587	2,052	1,246	9,211	8,233

	Available for sale	Held to maturity	Loans and receivables	Total	
					2005
					2004
<i>Breakdown by business sector</i>					
Public sector	2,680	1,763	29	4,472	4,124
Financial institutions	1,312	273	1,099	2,684	2,584
Trade, industry and other services	650	--	5	655	549
Investment funds	718	--	127	845	394
Other	227	16	5	248	472
Total	5,587	2,052	1,265	8,904	8,123

Notes to the consolidated balance sheet

	Bank	Insurance	Group activities	Total
	2005			
<i>Fair value through profit and loss</i>				
Shares and similar investments:				
- Listed	33	--	--	33
Bonds and fixed-income securities:				
- Listed	118	46	--	164
- Unlisted	--	129	--	129
Total	151	175	--	326
 <i>Investments available for sale</i>				
Shares and similar investments:				
- Listed	13	994	117	1,124
- Unlisted	3	124	--	127
Bonds and fixed-income securities:				
- Listed	1,474	2,851	--	4,325
- Unlisted	--	11	--	11
Total	1,490	3,980	117	5,587

The revaluation of the investments available for sale can be broken down as follows:

	Shares and similar investments	Bonds and fixed-income securities
	2005	
Cost / amortised cost	1,084	4,251
Unrealised gains	167	85
Total	1,251	4,336

	Insurance	Eliminations	Total
	2005		
<i>Investments held to maturity</i>			
Bonds and fixed-income securities:			
- Listed	2,052	--	2,052
Total	2,052	--	2,052

Notes to the consolidated balance sheet

	Insurance	Eliminations	Total
	2005		
<i>Loans and receivables</i>			
Private loans:			
- Unlisted	1,668	(403)	1,265
	1,668	(403)	1,265
Provision for bad debts	19	--	19
Total	1,649	(403)	1,246

6 Investments for insurance products on behalf of policyholders

Investments on behalf of policyholders include separate deposits for account and risk of policyholders, investments for unit-linked insurances and separate investments for large group pension contracts.

In € millions	Insurance		Total	
	2005	2004	2005	2004
Shares and similar investments:				
- Listed	1,393	1,080	1,393	1,080
- Unlisted	1,337	1,036	1,337	1,036
Bonds and fixed-income securities:				
- Listed	362	355	362	355
- Unlisted	334	327	334	327
Total	3,426	2,798	3,426	2,798

	2005	2004
Balance as at 1 January	2,798	2,972
Purchases / advances	602	477
Acquisition	256	--
Disposals / redemptions	(588)	(1,124)
Reclassifications	--	363
Revaluations	353	101
Other	5	9
Balance as at 31 December	3,426	2,798

Notes to the consolidated balance sheet

7 Derivatives

Derivatives are financial instruments embedded in contracts whose value depends on one or more underlying primary financial instruments. Derivatives contain rights and obligations as a result of which one or more of the financial risks attendant on the underlying primary financial instruments are transferred between parties. The transactions do not lead to the transfer of the underlying primary financial instrument when the agreement is entered into, nor need any transfer take place at the expiration date of the agreement.

In € millions	Positive fair value	Negative fair value
	2005	
<i>Summary of derivatives</i>		
Derivatives held for cash flow hedging:		
- Unlisted	208	33
Derivatives held for fair value hedging:		
- Unlisted	707	766
Derivatives held in the context of asset/liability management but that do not qualify for hedge accounting:		
- Unlisted	142	82
Other derivatives:		
- Unlisted	117	95
Total	1,174	976

	Total
	2005
<i>Movements in derivatives</i>	
Balance as at 1 January	61
Effect of conversion to IAS 32 and 39	(173)
Reclassifications conversion to IAS 32 and 39	(370)
Purchases	120
Disposals	53
Revaluations	245
Exchange differences	265
Other	(3)
Balance as at 31 December	198

Notes to the consolidated balance sheet

8 Deferred tax receivables and liabilities

In € millions	Bank		Insurance		Group activities		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
<i>The source of the deferred tax receivables can be specified as follows</i>								
Real estate	--	--	--	--	1	--	1	--
Investments	--	--	8	--	--	--	8	--
Bonds	--	--	--	31	--	--	--	31
Derivatives	16	--	--	--	--	--	16	--
Subordinated loans	4	--	--	--	1	--	5	--
Debt certificates	33	--	--	--	5	--	38	--
Technical provisions, insurance operations	--	--	10	32	--	--	10	32
Interest rate rebates	--	--	5	1	--	--	5	1
Provision for employee benefits	3	--	3	--	8	59	14	59
Reorganisation provision	4	6	2	--	--	1	6	7
Other provisions	3	7	--	6	--	3	3	16
Other loans and advances to clients	18	--	--	--	--	--	18	--
Tax-deductible losses	2	--	--	--	2	2	4	2
Other	2	19	2	--	--	--	4	19
Net tax receivable	85	32	30	70	17	65	132	167
<i>The source of the deferred tax liabilities can be specified as follows</i>								
Goodwill and other intangible assets	--	--	19	--	--	--	19	--
Value of Business Acquired	--	--	17	--	--	--	17	--
Real estate	2	2	42	42	--	--	44	44
Investments	16	--	63	32	--	--	79	32
Derivatives	--	--	51	--	6	--	57	--
Mortgages	101	--	--	--	--	--	101	--
Equalisation reserve	--	--	2	--	--	--	2	--
Other	--	1	5	5	--	--	5	6
Net tax liabilities	119	3	199	79	6	--	324	82

The tax-deductible losses for which a deferred tax item has been recognised can be specified as follows:

	2005	2004
Total tax-deductible losses	14	6
Tax deductible losses carried as deferred tax receivable	4	2
Average tax rate	29.6%	31.5%

Notes to the consolidated balance sheet

9 Mortgage loans to customers

In € millions	Bank		Insurance		Total	
	2005	2004	2005	2004	2005	2004
With (government) guarantee	6,518	5,835	145	161	6,663	5,996
Other	36,083	33,148	843	829	36,926	33,977
	42,601	38,983	988	990	43,589	39,973
Provision for bad debts	43	46	2	3	45	49
Total	42,558	38,937	986	987	43,544	39,924

The mortgage loans can be specified according to nature and security as follows:

	2005	2004
Residential property in the Netherlands	41,476	38,006
Residential property outside the Netherlands	204	217
Other property in the Netherlands	1,909	1,750
Total	43,589	39,973

Movements in the principals of the mortgage loans were as follows:

	2005	2004
Balance as at 1 January	39,973	36,039
Effect of conversion to IAS 32 and 39	461	--
Advances	9,122	8,059
Redemptions	(5,931)	(4,140)
Acquisitions	47	--
Change in fair value due to hedge accounting	(91)	--
Other	8	15
Balance as at 31 December	43,589	39,973

In addition, SNS REAAL has agreed a synthetic securitisation in the form of credit guarantees, buying credit risk cover for a mortgage portfolio of € 731 million.

Notes to the consolidated balance sheet

Movements in the provision for bad debts were as follows:

In € millions	Bank		Insurance		Total	
	2005	2004	2005	2004	2005	2004
Balance as at 1 January	46	43	3	2	49	45
Effect of conversion to IAS 32 and 39	5	--	--	--	5	--
Withdrawal	(26)	(17)	--	--	(26)	(17)
Additions	19	27	--	1	19	28
Release	(1)	(7)	(1)	--	(2)	(7)
Balance as at 31 December	43	46	2	3	45	49

10 Other loans and advances to customers

In € millions	Bank		Group activities		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Private loans	615	618	--	38	--	--	615	656
Commercial loans	2,176	2,188	632	635	(696)	(716)	2,112	2,107
Lease contracts	--	--	--	2	--	--	--	2
	2,791	2,806	632	675	(696)	(716)	2,727	2,765
Provision for bad debts	124	98	4	40	--	--	128	138
Total	2,667	2,708	628	635	(696)	(716)	2,599	2,627

Loans and advances to clients are specified according to type of counterparty as follows:

In € millions	Bank		Group activities		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Public sector	468	313	--	--	--	--	468	313
Private business market	445	266	632	675	(696)	(716)	381	225
Private market	1,878	2,227	--	--	--	--	1,878	2,227
Total	2,791	2,806	632	675	(696)	(716)	2,727	2,765

The Other loans and advances to clients include an amount of € 11 million (2004 € 11 million) in receivables with a subordinated nature.

For the maturity of loans and advances to clients, please refer to the notes to liquidity risks in the section Risk management on page F-89 and following.

Notes to the consolidated balance sheet

Loans and advances to clients are specified according to business sector as follows:

	2005	2004
Public sector	468	313
Agriculture and horticulture, forestry and fishery	20	15
Industry	80	204
Service sector companies	1,124	1,367
Financial institutions	471	224
Other (mainly private)	564	642
Total	2,727	2,765

The movements in the principals of the other loans and advances to clients were as follows:

	2005	2004
Balance as at 1 January	2,765	2,805
Effect of conversion to IAS 32 and 39	(1)	--
Advances	365	586
Redemptions	(282)	(432)
Other	--	--
Change in current accounts	(120)	(194)
Balance as at 31 December	2,727	2,765

The current portion of the other loans and advances to clients concerns bank overdrafts, revolving credits and bridging loans.

Provision for bad debts

Movements in the provision for bad debts were as follows:

	Bank		Group activities		Total	
	2004	2005	2004	2005	2004	2005
Balance as at 1 January	98	87	40	40	138	127
Effect of conversion to IAS 32 and 39	13	--	--	--	13	--
Withdrawal	(23)	(31)	(1)	--	(24)	(31)
Addition	61	68	2	--	63	68
Release	(25)	(26)	(37)	--	(62)	(26)
Balance as at 31 December	124	98	4	40	128	138

11 Loans and advances to credit institutions

This item concerns loans and advances to banks, insofar as not in the form of interest-bearing securities with a term of more than three months.

Notes to the consolidated balance sheet

12 Other tax receivables

Concerns receivables concerning wage tax, social security charges, value added tax and corporation tax.

13 Other assets

In € millions	2005	2004
Amounts due from direct insurance:		
- Policyholders	(60)	39
- Intermediaries	27	19
- Reinsurers	3	16
Other receivables	38	52
Accrued assets:		
- Accrued interest	252	229
- Other accrued assets	44	118
Total	304	473

14 Cash and cash equivalents

Cash and cash equivalents include demand deposits at De Nederlandsche Bank, deposits of REAAL Verzekeringen at other banks and loans and advances by SNS Bank to credit institutions with a term of less than three months.

Cash and cash equivalents can be specified as follows:

In € millions	2005	2004
Deposits at the central bank	383	355
Short-term bank balances	615	632
Cash	78	87
Total	1,076	1,074

Liabilities and equity

15 Shareholders' equity

In € millions	2005	2004
Group equity	2,528	1,880

For more detailed information on shareholders' equity please refer to 'Consolidated statement of changes in shareholders' equity'.

Notes to the consolidated balance sheet

16 Participation certificates and subordinated debts

In € millions	2005	2004
Participation certificates	298	298
Subordinated debts	1,318	1,145
Balance as at 31 December	1,616	1,443

Participation certificates

This item includes participation certificates issued by SNS Bank to third parties. The certificates have an open-ended term, with SNS Bank maintaining the right to early redemption in full after 10 years, provided permission is given by DNB. Dividend in the form of a coupon rate is fixed over a period of 10 years and equal to the CBS return on 9-10 year Government bonds with a surcharge (CBS: Central Bureau of Statistics/Statistics Netherlands).

	2005	2004
<i>Subordinated debts</i>		
Bond loans	1,138	951
Private loans	133	142
	1,271	1,093
Final bonus account	47	52
Total	1,318	1,145

			Balance sheet value	Nominal value	Nominal value
			2005		2004
<i>Bond loans</i>					
SNS REAAL	7.250%	1996-2006	114	114	114
SNS Bank	6.250%	1997-2009	137	136	136
SNS Bank	5.125%	1999-2011	115	116	116
SNS Bank	4.000%	1999-2019	5	5	5
SNS Bank	Variable	2000-2010	--	--	50
SNS Bank	Variable	2000-2010	--	--	50
SNS Bank	Variable	2001-2011	80	81	81
SNS Bank	7.625%	Perpetual	80	80	80
SNS Bank	5.750%	Perpetual	199	200	200
SNS Bank	Variable	2003-2013	110	110	110
SNS REAAL	Variable	2005-2012	198	200	--
SNS Bank	Variable	2005-2015	100	100	--
Total			1,138	1,142	942

Notes to the consolidated balance sheet

The two perpetually subordinated bond loans mentioned above have a term that is basically open-ended. However, both loans will be reassessed after 10 years, when the new interest rate will be set. At that time, redemption can be opted for.

Private loans

The private loans were concluded by SNS Bank N.V. and form part of the qualifying capital in assessing the solvency of SNS Bank N.V. by DNB.

The average interest rate amounts to 6.3% (2004: 6.3%).

Final bonus account

The final bonus account commitments were entered into by REAAL Verzekeringen N.V. and form part of the qualifying capital in assessing the solvency of REAAL Verzekeringen N.V. by DNB.

The final bonus account is largely of a long-term nature.

17 Debt certificates

Debt certificates concern bonds and other debt certificates with a fixed or variable interest rate insofar as not subordinated.

The debt certificates have an average interest rate of 3.1%. (2004 3.9%).

SNS REAAL has securitised a portion of the mortgage loans. With these securitisation transactions, as part of the Hermes programme, the beneficial ownership of mortgage loans is transferred to separate companies. These loans are transferred at nominal value plus a deferred sale price. A positive result within the separate companies creates a positive value for the deferred selling price. SNS REAAL retains an economic interest in the Hermes companies in this context, and has fully consolidated these companies in its consolidated financial statements.

The Hermes transactions with effect from Hermes III have what is called a 'call + step-up' structure. This means that after a specific date, the company will have the right to redeem the bonds prematurely. Additionally, at this specific date, the coupon on the bonds will be subject to a rise in interest rate (step-up). Under normal market conditions, this will create an economic incentive to redeem the bonds prematurely. A summary of the securitisation under the Hermes programme is as follows:

	Initial principal	Date of securitisation	Principal Dec. 31st 2004	Principal Dec. 31st 2005	First call-option date	Contractual date of expiry
As at 31 December 2005, the following portfolios were outstanding:						
Hermes I	437	Nov 1999	130	184	n.a.	Jul 2009
Hermes II	665	Nov 2000	237	336	n.a.	Apr 2012
Hermes III	900	Jun 2001	329	442	18 Jul 2009	Jun 2009
Hermes IV	800	Nov 2001	305	402	18 Jul 2009	Oct 2033
Hermes V	1,100	Nov 2002	561	742	18 Jan 2011	Oct 2034
Hermes VI	1,250	May 2003	701	922	18 Nov 2009	May 2035
Hermes VII	1,250	Sep 2003	1,172	1,255	18 Feb 2010	Nov 2037
Hermes VIII	1,250	May 2004	1,209	1,234	18 Nov 2013	May 2038
Hermes IX	1,500	May 2005	1,460	--	18 Feb 2014	May 2039
Hermes X	1,500	Sep 2005	1,481	--	18 Mar 2015	Sep 2039
Total	10,652		7,585	5,517		

Except for a subordinated loan extended to Hermes I, with an outstanding principal sum of € 4.1 million at year-end 2005 (2004: € 4.8 million), no debts securities are held at SNS REAAL that are issued by a Hermes company.

Notes to the consolidated balance sheet

18 Technical provisions, insurance operations and reinsurance contracts

In € millions	Gross		Reinsurance	
	2005	2004	2005	2004
Provision for life insurance obligations (a)	8,579	8,136	196	197
Unamortised interest rate rebates (b)	(132)	(150)	--	--
Provision for profit-sharing, bonuses and rebates (c)	9	9	--	--
Life, for own account and risk	8,456	7,995	196	197
Provision for life insurance obligations (d)	3,461	2,845	--	--
Life, on behalf of policyholders	3,461	2,845	--	--
Provision for premium shortfalls and current risks (e)	3	1	1	--
Provision for unearned premiums (f)	85	66	2	--
Provision for payable claims (g)	570	364	151	67
Provision for events incurred not yet reported (h)	83	59	15	5
Non-life	741	490	169	72
Total	12,658	11,330	365	269

The technical provisions for insurance operations are largely of a long-term nature.

	Profit sharing		Non-profit sharing		Total	
	2004	2005	2004	2005	2004	2005
<i>a Provision for life insurance obligations</i>						
<i>Gross</i>						
Balance as at 1 January	2,086	2,004	6,050	5,675	8,136	7,679
Acquisitions	38	--	93	194	131	194
Payments	(159)	(252)	(596)	(671)	(755)	(923)
Premiums received	191	241	737	625	929	866
Interest added	85	80	272	275	357	355
Technical result	(19)	(18)	(64)	(18)	(83)	(36)
Changes in other assumptions or principles	--	--	--	30	--	30
Other changes	(11)	31	(124)	(60)	(136)	(29)
Balance as at 31 December	2,211	2,086	6,368	6,050	8,579	8,136

Notes to the consolidated balance sheet

	Profit sharing		Non-profit sharing		Total	
	2004	2005	2004	2005	2004	2005
<i>Reinsurance component</i>						
Balance as at 1 January	--	--	197	220	197	220
Payments	--	--	(18)	(15)	(18)	(15)
Premiums received	--	--	21	16	21	16
Interest added	--	--	11	9	11	9
Technical result	--	--	(11)	(3)	(11)	(3)
Other changes	--	--	(4)	(30)	(4)	(30)
Balance as at 31 December	--	--	196	197	196	197

	Life own risk	
	2005	2004
<i>b Unamortised interest rate rebates</i>		
<i>Gross</i>		
Balance as at 1 January	150	145
Rebates given in financial year	13	41
Amortised in the result	(31)	(36)
Balance as at 31 December	132	150

	Life own risk	
	2005	2004
<i>c Provision for profit-sharing, bonuses and rebates</i>		
<i>Gross</i>		
Balance as at 1 January	9	10
Profit sharing, bonuses and rebates given in the financial year	--	(1)
Balance as at 31 December	9	9

Notes to the consolidated balance sheet

	Gross	
	2005	2004
<i>d Technical provisions for insurance policies on behalf of policyholders</i>		
Balance as at 1 January	2,845	3,143
Acquisitions	255	--
Premiums received	514	506
Payments	(397)	(735)
Interest added	22	34
Exchange rate differences	338	106
Technical result	(31)	(29)
Other changes	(85)	(180)
Balance as at 31 December	3,461	2,845

The technical insurance provisions with policyholders bearing the investment risk are linked to the investment for insurance products on behalf of policyholders.

	Gross		Reinsurance	
	2005	2004	2005	2004
<i>e Provision for premium shortfalls and current risks</i>				
Balance as at 1 January	1	1	--	--
Acquisitions	2	--	1	--
Balance as at 31 December	3	1	1	--

	Gross		Reinsurance	
	2005	2004	2005	2004
<i>f Provision for unearned premiums</i>				
Balance as at 1 January	66	60	--	--
Acquisitions	31	--	7	--
Additions during the year	57	65	--	--
Releases added to the result	(69)	(59)	(5)	--
Balance as at 31 December	85	66	2	--

Notes to the consolidated balance sheet

	Gross		Reinsurance	
	2005	2004	2005	2004
<i>g Provision for payable claims</i>				
Balance as at 1 January	364	377	67	32
Acquisitions	210	--	81	--
Claims reported, current period	207	193	14	9
Claims reported, prior periods	(16)	(24)	(12)	20
Claims paid, current period	(155)	(131)	(13)	(7)
Claims paid, prior periods	(52)	(51)	(13)	(1)
Release added to the result	(6)	(3)	8	12
Interest added	12	9	10	8
Other changes	6	(6)	9	(6)
Balance as at 31 December	570	364	151	67

	Gross		Reinsurance	
	2005	2004	2005	2004
<i>h Provision for events incurred not yet reported</i>				
Balance as at 1 January	59	68	5	4
Acquisitions	33	--	11	--
Additions during the year	15	14	3	2
Release added to the result	(24)	(23)	(4)	(1)
Balance as at 31 December	83	59	15	5

19 Provision for employee benefits

In € millions	2005	2004
Cash value of financed commitments	86	1,446
Fair value of fund investments	27	1,168
Cash value of net commitments	59	278
Unrecorded actuarial gains and losses	(2)	(111)
Pension provision for former Zurich employees	--	11
Commitment by virtue of staff discounts	16	9
Other	3	--
Total	76	187

Notes to the consolidated balance sheet

As at 1 January 2005, the defined-benefits scheme (average pay) for staff, except for the former staff of Zurich and NHL, was converted to a defined-contribution scheme. The Group pays a fixed agreed contribution under this scheme. Because there is further no legally enforceable obligation to make additional contributions, the pension entitlements and the corresponding investment are no longer recognised in the balance sheet. The same applies to the actuarial losses (€ 111 million) not recognised at year-end 2004; these are no longer charged to the Group's result or equity.

	2005	2004
<i>Movement of the Provision for employee benefits</i>		
Commitments by virtue of defined-benefit entitlements as at 1 January	187	303
Acquisitions	12	--
Premiums paid	(64)	(173)
Reclassification from technical provision	34	--
Transfer to Pension Fund	(144)	--
Cost recorded in profit and loss account	59	57
Release added to the result	(8)	--
Total	76	187

Following the transition to a defined-contribution scheme, a transfer of € 144 million was made to Stichting PensioenfondS SNS REAAL.

The remaining portion of € 6 million of the average-pay provision was released.

	2005	2004
<i>Charge included in the income statement</i>		
Current service costs	50	48
Interest on the liability	1	60
Expected return on fund investments	--	(51)
Total	51	57

20 Other provisions

In € millions	Bank		Insurance		Group activities		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Reorganisation provision	14	16	5	14	1	5	20	35
Other provisions	9	13	1	2	14	0	24	15
Total	23	29	6	16	15	5	44	50

Notes to the consolidated balance sheet

Other provisions as at year-end 2005 include € 19 million (2004: € 13 million) for legal actions and tax claims.

	Reorganisation provision		Other provisions		Total	
	2005	2004	2005	2004	2005	2004
Balance as at 1 January	35	54	15	5	50	59
Additions	11	14	18	12	29	26
Withdrawals	(19)	(21)	(8)	(4)	(27)	(25)
Releases	(7)	(12)	(1)	--	(8)	(12)
Other changes	--	--	--	2	--	2
Balance as at 31 December	20	35	24	15	44	50

21 Savings

The Savings item comprises balances of savings accounts, savings deposits and term deposits of private clients. This item does not include interest payable on savings.

22 Other amounts due to customers

In € millions	Bank		Insurance		Group activities		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Non-current debt	2,295	1,996	369	330	67	101	(666)	(568)	2,065	1,859
Demand deposits	4,815	4,580	--	--	460	379	(646)	(823)	4,629	4,136
Mortgage deposits	384	351	--	--	--	--	--	--	384	351
Total	7,494	6,927	369	330	527	480	(1,312)	(1,391)	7,078	6,346

23 Amounts due to credit institutions

In € millions	Bank		Insurance		Group activities		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Due on demand	254	77	--	--	108	77	(26)	(59)	336	95
Deposits and certificates	2,849	2,218	--	--	--	--	--	--	2,849	2,218
Other	--	--	425	129	--	--	(191)	--	234	129
Total	3,103	2,295	425	129	108	77	(217)	(59)	3,419	2,442

Notes to the consolidated balance sheet

24 Other tax liabilities

Concerns liabilities in connection with wage tax, social security charges, value added tax and corporation tax.

25 Other liabilities

In € millions	2005	2004
Debts in relation to direct insurance	144	166
Debts to reinsurers	(7)	18
Other liabilities	412	792
Accrued liabilities:		
- Accrued interest	721	678
- Other accrued liabilities	89	60
Total	1,359	1,714

Off-balance sheet commitments

In € millions	2005	2004
<i>Contingent liabilities</i>		
Commitments regarding sureties and guarantees issued	108	106
Commitments arising from irrevocable facilities	1,334	1,301

In order to meet its clients requirements, SNS REAAL offers loan-related financial products, such as securities and guarantees. The underlying value of these products is not accounted for as assets or liabilities in the balance sheet. For these products, the underlying value indicates the maximum potential credit risk incurred by SNS REAAL, assuming that all its counterparties would default on their contractual obligations and all existing sureties would be worthless.

Guarantees concern both credit replacement and non-credit replacement guarantees. It is expected that the majority of guarantees will expire without any claim being made against them and will therefore not cause any future cash flows.

The irrevocable facilities consist mainly of credit facilities granted to clients, but which have not yet been used. These facilities are granted for a specified period and at a floating interest rate. The majority of the irrevocable credit facilities that have not yet been used have sureties pledged for them.

Earn-out scheme of NHL

Pursuant to the acquisition of NHL, it has been agreed contractually that a significant portion of both the positive and negative run-off results of the portfolio as at 31 December 2004 will be for the account of the former owner for a period of five years.

Rental commitments

The future rental commitments arising from operating lease contracts as at 31 December are as follows:

	2005	2004
2006	5	5
2007	3	3

Notes to the consolidated balance sheet

Legal proceedings

SNS REAAL is involved in legal proceedings. Although it is impossible to predict the result of pending or threatened legal proceedings, on the basis of information currently available and after consulting legal advisors, the Group Executive Board believes that the results of these proceedings are unlikely to adversely materially affect the financial position or results of SNS REAAL's activities.

Without prejudice to the aforementioned, we should point out the following:

SNS Bank has extended loans to a number of clients of an intermediary in the field of financial services. This intermediary advised its clients to invest part of the loan in, among other things, investment funds and securities lease products (neither from SNS REAAL). When the income turned out to be less than expected because of the deteriorating stock exchange climate, clients started legal action against the intermediary in question and the financial service provider that had offered the securities lease products. Some clients are claiming compensation from SNS Bank. The majority of these claims have been settled. However, it is not certain whether it will be possible to settle the remaining claims, and it is possible that more claims could follow. In connection with this risk, SNS Bank formed a provision in 2005.

SNS Bank used to offer securities lease products in the past. Other than with most of the securities lease products of other providers, these concerned guarantee products. The guarantee does not cover the amount payable by the investor for interest and expenses. For this reason some clients filed claims. They argue that the product information was misleading on this point. In addition, a number of investors appeal to the fact that their spouses had not signed the agreements and/or that the Consumer Credit Act has been breached. Most of the claims have been settled. A number of clients have started legal proceedings. Only in one instance has it been ruled that SNS Bank did not make it sufficiently clear that not all the amounts invested by the investor (being interest of up to a maximum of € 6,000 per contract and costs) were covered by the guarantees. The verdict was that SNS Bank did not have to pay all the damage incurred because the fact that the applicant had not made any enquiries can be imputed to him/her. SNS Bank was ordered to pay a portion of the amount claimed. In connection with the risk that SNS Bank has to compensate investors, SNS Bank formed a provision in 2005.

Notes to the consolidated income statement

Income

26 Interest income, banking operations

In € millions	2005	2004
Interest income, banking operations	1,996	2,111
Interest charges, banking operations	1,374	1,518
Total	622	593

Interest income, banking operations

Interest income from banking operations includes income arising from lending activities and related transactions, as well as related commission and other income of an interest-related nature. This also includes results on financial instruments insofar as these serve to reduce interest rate risks.

	2005	2004
Mortgage receivables	1,723	1,774
Other loans and advances to clients	171	207
Loans and advances to credit institutions	49	36
Investments	52	72
Other	1	22
Total	1,996	2,111

Interest charges, banking operations

Interest charges from banking operations includes costs arising from the borrowing funds and related transactions, as well as other costs of an interest-related nature.

	2005	2004
Debt certificates	675	849
Participation certificates and subordinated debts	58	60
Savings	363	343
Amounts due to customers	250	246
Amounts due to credit institutions	28	20
Total	1,374	1,518

Notes to the consolidated income statement

27 Net premium income

Net premium income concerns insurance premiums net of reinsurance premiums.

In € millions	Total	
	2005	2004
Regular life premiums	859	780
Reinsurance premium life	21	19
	838	761
Single premium life	584	593
Reinsurance premium life	--	--
	584	593
Net premium income life	1,422	1,354
Non-life insurance	346	317
Reinsurance premium non-life	23	21
Net premium income non-life	323	296
Total	1,745	1,650

28 Net commission and management fees

This item includes fees for services rendered, insofar as these are not of an interest-bearing nature.

In € millions	Bank		Insurance		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Money transfer activities	22	22	--	--	--	--	22	22
Securities	18	12	--	--	(7)	(8)	11	4
Insurance	40	35	22	12	(21)	(17)	41	30
Management fees	46	40	11	11	--	--	57	51
Other activities	12	12	10	8	--	--	22	20
	138	121	43	31	(28)	(25)	153	127
Commission and management fees due	24	12	--	--	--	--	24	12
Total	114	109	43	31	(28)	(25)	129	115

Notes to the consolidated income statement

29 Investment income

In € millions	Bank		Insurance		Group activities		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Investments fair value through profit and loss	18	21	1	--	--	--	--	--	19	21
Investments available for sale	8	--	188	328	--	(1)	2	--	198	327
Investments held to maturity	--	--	88	--	--	--	--	--	88	--
Loans and receivables	--	--	245	279	34	72	(54)	(70)	225	281
Investment property	--	--	23	11	--	--	(4)	--	19	11
Total	26	21	545	618	34	71	(56)	(70)	549	640

In 2004, investment income from fixed-interest securities was not split into available for sale or held to maturity, but was entirely classified as available for sale.

	Investments fair value through profit and loss	Investments available for sale	Investments held to maturity	Loans and receivables	Investment property	Total	
	2005						2004
<i>Composition of result on investments</i>							
Interest	6	103	88	219	--	416	473
Dividend	--	7	--	--	--	7	14
Rent	--	--	--	--	13	13	14
	6	110	88	219	13	436	501
Realised gains	18	88	--	6	--	112	81
Unrealised gains	(5)	--	--	--	6	1	58
	13	88	--	6	6	113	139
Total	19	198	88	225	19	549	640

Rent from investment property includes both the rental income and the directly attributable operating expenses. The operating expenses amounted to € 5 million (2004: € 5 million)

Notes to the consolidated income statement

30 Investment income on behalf of policyholders

In € millions	Insurance		Total	
	2005	2004	2005	2004
Interest	86	33	86	33
Dividend	26	29	26	29
	112	62	112	62
Revaluations	282	64	282	64
Total	394	126	394	126

31 Result on derivatives and other financial instruments

In € millions	Bank		Insurance		Total	
	2005	2004	2005	2004	2005	2004
Foreign exchange gains and losses	1	1	--	--	1	1
Result on derivatives	26	--	(2)	--	24	--
Other financial instruments	6	(8)	--	--	6	(8)
Total	33	(7)	(2)	--	31	(7)

32 Other operating income

This includes income from securities and participating interests and all income that cannot be accounted for under other headings.

In € millions	Bank		Insurance		Group activities		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Income from securities and participating interests	--	--	--	5	--	--	--	--	--	5
Other income	(4)	2	5	5	--	2	--	(1)	1	8
Total	(4)	2	5	10	--	2	--	(1)	1	13

Expenses

33 Technical expenses on insurance contracts

Technical expenses on insurance contracts include: reinsurance premiums, additions to insurance provisions, payouts, surrender of policies, claims and claim handling costs. Profit-sharing and rebates are also included.

Notes to the consolidated income statement

In € millions	2005	2004
Life insurance expenses:		
- Payments for own account	737	908
- Change in technical provisions for own account	356	288
- Profit-sharing and rebates	55	54
	1,148	1,250
Non-life insurance expenses:		
- Claims for own account	181	173
- Change in provision for payable claims	(10)	(21)
- Change in provision for unearned premiums	(6)	2
- Profit-sharing and rebates	--	2
	165	156
Total	1,313	1,406

34 Technical expenses on insurance contracts on behalf of policyholders

Expenses concerning insurance contracts on behalf of policyholders include: reinsurance premiums, additions to insurance provisions, payouts, surrender of policies, claims and claim handling costs. Profit-sharing and rebates are also included.

In € millions	2005	2004
Life insurance expenses:		
- Payments for account of policyholders	397	735
- Change in technical provisions for account of policyholders	361	(313)
- Profit-sharing and rebates	24	9
Total	782	431

35 Acquisition costs for insurance operations

In € millions	Insurance		Eliminations		Total	
	2005	2004	2005	2004	2005	2004
Life insurance	103	66	(4)	(4)	99	62
Non-life insurance	85	74	(17)	(14)	68	60
Total	188	140	(21)	(18)	167	122

Acquisition costs include amortisation on capitalised acquisition costs for an amount of € 48 million (2004: € 35 million).

Notes to the consolidated income statement

36 Value adjustments on financial instruments and other assets

This item includes value adjustment for bad debts and value adjustments to fixed assets.

In € millions	Value adjustments		Reversals		Total	
	2005	2004	2005	2004	2005	2004
Investments	2	--	2	--	--	--
Loans and advances to customers	60	71	--	--	60	71
Total	62	71	2	--	60	71

37 Staff costs

In € millions	Bank		Insurance		Group activities		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Salaries	153	155	77	83	36	29	266	267
Pension costs	34	35	18	18	(1)	4	51	57
Social costs	18	18	9	9	3	2	30	29
Other staff costs	53	43	23	41	20	14	96	98
Total	258	251	127	151	58	49	443	451

In € millions	2004	2005
The pension costs for own staff break down as follows:		
- Pension premiums	59	--
- Interest charge	--	60
- Increase in cash value of entitlements	3	50
- Members' contributions	(3)	(2)
- Expected income from investments	--	(51)
- Release	(8)	--
Total	51	57

Notes to the consolidated income statement

	2005	2004
Employees		
The average number of staff calculated on the basis of full-time equivalents:		
- SNS Bank	3,158	3,328
- REAAL Verzekeringen	1,732	1,749
- Group / SNS REAAL Invest	446	306
Total	5,336	5,383

SNS Reaal has not issued any options to management or staff.

Remuneration of Executive Board and Supervisory Board

General policy

The policy pursued by SNS REAAL with respect to the remuneration of the members of the Executive Board is in line with that of other managers within the group. The policy is aimed at attracting and retaining high-quality people and to motivate them, in accordance with the strategic and derived financial objectives. The remuneration of the Executive Board is decided by the Supervisory Board.

The table below provides an overview of the salaries and bonuses of the individual members of the Executive Board.

In € thousands	Regular payments	Deferred payment	Severance payment	Profit-sharing & bonuses	Total
Remuneration of the Group Executive Board in 2005					
S. van Keulen	575	132	--	223	930
C.H. van den Bos	438	100	--	168	706
M.W.J. Hinssen	438	100	--	168	706
R.R. Latenstein van Voorst	438	100	--	156	694
Total	1,889	432	--	715	3,036
Remuneration of the Group Executive Board in 2004					
S. van Keulen	563	189	--	193	945
C.H. van den Bos	428	127	--	145	700
M.W.J. Hinssen	428	96	--	145	669
R.R. Latenstein van Voorst	396	62	--	124	582
Total	1,815	474	--	607	2,896

Notes to the consolidated income statement

In € thousands	As member of the Board	As member of a committee	Total
<i>Remuneration of the Supervisory Board in 2005</i>			
J.L. Bouma	38	18	56
H.M. van de Kar	30	15	45
J.V.M. van Heeswijk	25	8	33
J. den Hoed	25	8	33
D. Huisman	25	8	33
S.C.J.J. Kortmann	25	8	33
H. Muller	25	11	36
Total	193	76	269
<i>Remuneration of the Supervisory Board in 2004</i>			
J.L. Bouma	37	6	43
H.M. van de Kar	30	6	36
J.V.M. van Heeswijk	25	10	35
J. den Hoed	25	5	30
D. Huisman	25	10	35
S.C.J.J. Kortmann	25	6	31
H. Muller	25	9	34
Total	192	52	244

In € thousands	Average interest rate	2005	2004
<i>Mortgage loans to executive and supervisory directors</i>			
S. van Keulen	5.5%	194	197
M.W.J. Hinssen	4.6%	558	567
H.M van de Kar	6.6%	120	120
J.V.M. van Heeswijk	4.0%	90	90
S.C.J.J. Kortmann	4.4%	117	113
H. Muller	6.7%	68	68
Total		1,147	1,155

38 Other operating expenses

In € millions	Bank		Insurance		Group activities		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Accommodation costs	29	30	7	5	6	5	42	40
IT costs	21	20	--	--	9	7	30	27
Marketing and public relations costs	29	25	12	18	2	2	43	45
External consultancy costs	7	7	4	4	14	18	25	29
Other expenses	86	78	46	33	(71)	(34)	61	77
Total	172	160	69	60	(40)	(2)	201	218

Notes to the consolidated income statement

39 Other interest charges

This includes interest expenses related to non-banking activities, which are attributable to the financial year.

In € millions	Insurance		Group activities		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Bond loans	--	--	17	37	--	--	17	37
Private loans	18	19	11	24	(17)	(41)	12	2
Interest on deposits of reinsurers	15	11	--	--	--	--	15	11
Other interest charges and investment costs	8	25	21	15	(13)	(15)	16	25
Total	41	55	49	76	(30)	(56)	60	75

40 Share in the result of associated companies

This includes the share in the net profit of the associated companies.

41 Taxes

In € millions	2005	2004
Tax due on profit:		
- Financial year	103	80
- Adjustments for prior years	(7)	--
Deferred taxes:		
- Origin and settlement of temporary differences	(5)	(19)
- Change in the tax rate	2	9
Total	93	70
Reconciliation between statutory and effective tax rate:		
- Operating profit before taxation	416	357
- Nominal tax rate	31.5%	34.5%
Nominal tax amount	131	124
Effect of participation exemption	(30)	(49)
Revaluation of deferred taxes in connection with change in the tax rate	2	15
Prior year adjustments (including release of tax provision)	(7)	(19)
Other tax facilities	(3)	(1)
Total	93	70
Effective tax rate	22.4%	19.6%

Notes to the consolidated income statement

It has been announced in the tax plans for 2006 that the corporation tax rate will be reduced from 31.5% to 29.6%. This has resulted in the deferred corporate income tax. The effect of this is accounted for under 'Revaluation of deferred taxes in connection with a change in tax rate'.

42 Net earnings per ordinary share

In € millions	2005	2004
Net earnings	323	288
Weighted average number of issued shares (in millions)	209	209
Dilution (in millions)	--	--
Average number of ordinary shares adjusted for dilution (in millions)	209	209
Earnings per share (in euros)	1.55	1.38

Implementing IFRS

The 2005 financial statements of SNS Reaal have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. The comparative figures for 2004 have been restated in accordance with IFRS, with the permitted exception of IAS 32 and 39 and IFRS 4. This means that the comparative information with respect to financial instruments and insurance contracts is prepared primarily on the basis of the old accounting principles of SNS REAAL. As a result, the figures in this transitional year are not so easy to compare.

The summaries below separately show the effects of the adoption of IFRS on 1 January 2004 and the application of IAS 32 and 39 and IFRS 4 on 1 January 2005.

In € millions	1 January 2005	1 January 2004
<i>Reconciliation of shareholders' equity</i>		
Shareholders' equity under SNS REAAL GAAP	1,962	1,643
<i>Equity adjustments following implementation of IFRS</i>		
Pension provision	(111)	(111)
Fund for General Banking Risks	70	70
Revaluation of buildings	(14)	(14)
Participation certificates tax effect	(6)	--
Provisions	1	1
	(60)	(54)
Impact of IFRS Adjustment to the 2004 results	(22)	
<i>Equity adjustments following implementation of IAS 32 and 39 and IFRS 4</i>		
Investment portfolio	137	
Internal acquisition costs	32	
Funding	(40)	
Mortgages	24	
Provision for bad debts	(15)	
Derivatives	22	
Other	(1)	
	159	
Shareholders' equity under IFRS	2,039	1,589

Changes in accounting policies

SNS REAAL has implemented IFRS with retrospective effect using the following transitional provisions:

- ⊙ Goodwill is only capitalised for acquisitions after 1 January 2004. Goodwill on acquisitions before that date was charged to equity and not adjusted.
- ⊙ Hedge accounting is applied to hedges that satisfy the hedge-accounting criteria of IAS 39 as at 1 January 2005.
- ⊙ Actuarial losses on pensions and other employee benefits that were not taken to the result are charged to equity as at 1 January 2004.

Explanation of differences between IFRS and SNS REAAL GAAP

An explanation is given below of the differences between the accounting policies as applied to the 2004 financial statements (SR GAAP) and IFRS (as applied with effect from 2005):

- ⊙ Differences between SNS REAAL GAAP and IFRS, excluding IFRS 4, IAS 32 and IAS 39, which were applied with effect from 1 January 2004 to the comparative figures for 2004;
- ⊙ Differences arising from the implementation of IFRS 4, IAS 32 and IAS 39 as at 1 January 2005.

Implementing IFRS

Differences between SNS REAAL GAAP and IFRS excluding IFRS 4, IAS 32 and IAS 39.

Securitisation

The securitised mortgage portfolio is consolidated with effect from 2004 (implementation of IFRS).

Goodwill

Under SR GAAP, goodwill was charged to shareholders' equity. Goodwill charged to shareholders' equity before 1 January 2004 is not adjusted. Under IFRS, goodwill is capitalised and subject to a regular impairment test.

Real estate - Investment property

Under IFRS, investment property is measured at fair value with value adjustment taken to the result. Under SR GAAP, investment property was also carried at fair value, but value adjustments were taken to the revaluation reserve in shareholders' equity. Under SR GAAP, the cumulative revaluation upon disposal was taken to the result.

Real estate - In own use

Under both IFRS and SR GAAP, property in own use is measured at fair value, with value adjustments, taking into account deferred taxes, are taken to shareholders' equity (revaluation reserve). Under IFRS, a depreciation charge on property in own use, based on the economic life and taking into account a residual value, is accounted for in the income statement. Under SR GAAP, property in own use at REAAL Verzekeringen is not depreciated. Under SR GAAP, property in own use was included in Investment property. Under SR GAAP, the portion of the revaluation reserve related to the disposal is taken to the result upon disposal. Under IFRS, the revaluation reserve is released in the other reserves.

Staff pension provisions

The measurement bases for pensions are different under IFRS. Under IFRS, IAS 19 is applied, whereas under SR GAAP, RJ 271 was applied. In addition, on 1 January 2005 the pension scheme was converted from a defined-benefit scheme to a defined-contribution scheme. Upon transition to IFRS, actuarial losses on pensions and other employee benefits that had not been taken to the result as at 1 January 2004 were charged to shareholders' equity.

Fund for general banking risks

Under SR GAAP, a fund for general banking risks was kept. Under IFRS, this fund has been added to other reserves.

Classification of equity instruments

Under SR GAAP, participation certificates of SNS Bank were classified as shareholders' equity. At consolidated level, this concerns a third-party interest. Under IFRS, these instruments are recognised as a liability. Payments to holders of participation certificates are stated as interest under IFRS. Under SR GAAP, they were part of the profit distribution. Because of this change, the comparative figures for 2004 have been restated. With respect to solvency reporting, this item remains part of the available qualifying capital.

Taxes

Deferred taxes have been adjusted in accordance with the above differences between SR GAAP and IFRS.

Difference arising from the implementation of IFRS 4, IAS 32 and IAS 39 as at 1 January 2005.

On 1 January 2005, IAS 32 and 39 and IFRS 4 were also applied for the first time under IFRS. The cumulative effect of this is stated in shareholders' equity, taking account of deferred taxes.

Participating interests

Under SR GAAP, participating interests were measured at acquisition price or lower market value. Under IFRS, participating interest over which SNS REAAL does not have significant influence are measured at fair value, with value adjustment taken to the revaluation reserve in shareholders' equity.

Investments

Under IFRS, investments are divided into the following four categories:

- ⊙ Investments at fair value through profit and loss. This category includes trading positions held. Measurement under IFRS is the same as under SR GAAP, which is the stock market price on the final reporting day; however, the provisions for impairment are based on stricter methods. In addition, under SR GAAP at REAAL Verzekeringen, unrealised and realised value adjustments on equities, taking into account deferred taxes, were taken to the revaluation reserve. From this, an amount was stated in the income statement as supplement to the dividend (indirect return method). Under IFRS, the realised gains and losses on equities are taken directly to the income statement

Implementing IFRS

- ⊙ Available for sale. This category includes the listed debt instruments that are not part of the trading portfolio and that are also not held to maturity. These debt instruments are stated at fair value. Under IFRS, value adjustments, taking into account deferred taxes, are taken to the revaluation reserve in shareholders' equity, while realised gains and losses are taken to the income statement. Under SR GAAP, these instruments are stated at redemption value. The difference between the redemption value and the purchase price (share premium or discount) is included under deferred assets or deferred liabilities, as appropriate, and is taken to the income statement as interest income in proportion to the residual term to maturity of the related asset. Gains or losses are taken to the income statement as interest income on the basis of the weighted average term of the portfolio concerned.
- ⊙ Held to maturity. Under IFRS, these loans are stated at amortised cost. The balance of expenses and commission (paid and received) is capitalised and amortised according to effective return method. The management has designated a portion of the bond portfolio of REAAL Verzekeringen as 'held to maturity'. Under SR GAAP, these bonds were stated at redemption value. Share premium and discount were recognised in a straight line in the result over the duration.
- ⊙ Loans and receivables. Under IFRS, loans and receivables are measured at amortised cost. Transaction costs and commission form part of the initial measurement and are amortised based on the effective return method. Under SNS REAAL GAAP, these items were carried at redemption value.

Mortgages

Under IFRS, mortgages are recognised at amortised cost, and penalty interest is stated in the profit and loss account in the year of receipt and is no longer amortised.

Loans, funding and hybrid savings products

Under IFRS, these items are stated at amortised cost. Costs and commission are capitalised and amortised. Under SR GAAP, loans are stated at redemption value. The balance of expenses and commission (paid and received) is largely taken directly to the result (for example, handling fees).

Under IFRS, amortisation of premium and discount is based on the effective interest method while, under SR GAAP, they are recognised in a straight line in the result. Under IFRS, realised gains and losses are taken to the result. Under SR GAAP, these were amortised over the residual term.

Derivatives and embedded derivatives

Under IFRS, derivatives are measured at fair value, including derivatives embedded in contracts, and presented on balance. Both the realised and the unrealised gains and losses are taken to the income statement, except in the case of hedge accounting for cash-flow hedging.

Hedge accounting

Under IFRS, changes in the value of derivatives that are part of a cash-flow hedge are recognised in equity, taking into account deferred taxes. Upon realisation, these value changes are taken to the income statement in the same period as the result on the hedged instrument is accounted for. For fair value hedges, the hedged asset or liability is measured at fair value insofar as it concerns the hedged risk. Value changes are taken to the result. These value changes partly compensate the value changes in the income statement of the derivative that serves as hedging instrument.

Provision for credit risks

Under IFRS, specific provisions for bad debts are based on stricter methods, including the formation of a provision for unidentified bad debts in portfolio (IBNR). For business loans, the cash value is determined item by item on the basis of the estimated future cash flows.

Capitalisation of initial costs

Under SNS REAAL GAAP, capitalised acquisition costs include commission paid for long-term life insurance contracts. Under IFRS, it has been decided, more in line with the matching principle, to also capitalise a portion of the internal acquisition costs. The costs are amortised in line with the period in which the premiums are realised with a maximum of 12 years. The effect over 2004 is recorded in equity per 1 January 2005. The cumulative effect of prior years was not accounted for, as this was considered to be impracticable. By virtue of an exemption upon first-time adoption of IFRS, the comparative figures have not been adjusted.

Implementing IFRS

The impact of IFRS on the result of SNS REAAL

The table below shows that net profit for 2004 under IFRS was € 288 million, compared to net profit of € 310 million on the basis of the accounting principles of SNS REAAL. This difference is primarily due to changes in the accounting for pensions.

In € millions	2004
<i>Reconciliation of consolidated net profit</i>	
Net profit SNS REAAL GAAP	310
<i>Adjustment of net profit due to adoption of IFRS</i>	
Net interest income	(18)
Staff costs	(26)
Result on investments	(6)
Taxes	11
Minority interests	18
Other	(1)
Total adjustment to result following implementation of IFRS	(22)
Net profit IFRS	288

Company balance sheet

In € millions		2005	2004
Assets			
Participating interests in subsidiaries	1	2,662	2,148
Receivables from subsidiaries	2	388	368
Investments	3	117	--
Derivatives	4	22	--
Deferred tax receivables		17	64
Loans and advances to credit institutions		--	9
Other assets		95	41
Cash and cash equivalents	5	269	225
Total assets		3,570	2,855
Liabilities and equity			
Shareholders' equity:	6		
- Issued share capital		340	340
- Share premium		15	15
- Revaluation reserve		38	39
- Cash flow hedge reserve		135	--
- Fair value reserve		203	--
- Profit sharing reserve		38	--
- Statutory reserve		97	10
- Other reserves		1,339	1,188
- Retained profit		323	288
		2,528	1,880
Subordinated debts	7	419	227
Capital base		2,947	2,107
Debt certificates	8	189	266
Provision for employee benefits		28	184
Other provisions		4	5
Derivatives	4	4	8
Deffered tax liabilities		6	--
Other amounts due to customers	9	245	151
Amounts due to credit institutions	10	108	77
Other tax liabilities		--	18
Other liabilities		39	39
Total liabilities and equity		3,570	2,855
Company income statement			
Result of subsidiaries after taxation		345	317
Other results after taxes		(22)	(29)
Net profit		323	288
Earnings per share (in euros)	11	1.55	1.38

Notes to the company balance sheet

General

For further details on the accounting policies, reference is made to the general notes to the consolidated financial statements on page F-62 and following. Insofar as items are not explained in the balance sheet, please refer to the notes to the consolidated balance sheet.

In accordance with section 402, Book 2 of the Netherlands Civil Code, only the result from participating interest after deduction of tax is shown as a separate item in the income statement.

Assets

1 Participating interests in subsidiaries

In € millions	2005	2004
SNS Bank	1,440	1,313
REAAL Verzekeringen	1,190	806
Other	32	29
Total	2,662	2,148
Balance as at 1 January	2,148	1,949
Effect of conversion to IAS 32 and 39 and IFRS 4	152	--
Revaluations	191	--
Released revaluations	(46)	--
Result	345	317
Dividend received	(131)	(143)
Other changes	3	25
Balance as at 31 December	2,662	2,148

2 Receivables from subsidiaries

In € millions	2005	2004
Breakdown by residual term to maturity:		
- Payable on demand	--	--
- > 1 month ≤ 3 months	300	288
- > 3 months ≤ 1 year	--	--
- > 1 year ≤ 5 years	10	--
- > 5 years	78	80
Total	388	368

Notes to the company balance sheet

3 Investments

In € millions	2005	2004
Investments available for sale	117	--
<i>Movement of investments available for sale</i>		
Balance as at 1 January	--	--
Acquisitions and advances	117	--
Balance as at 31 December	117	--

4 Derivatives

In € millions	2005	
	Debit	Credit
<i>Movement derivatives</i>		
Balance as at 1 January	--	(8)
Effect of conversion to IAS 32 and 39 and IFRS 4	13	--
Acquisitions	--	3
Value adjustments	8	--
Exchange differences	1	1
Balance as at 31 December	22	(4)

5 Cash and cash equivalents

Cash and cash equivalent include demand deposits at SNS Bank with a term of less than three months.

Notes to the company balance sheet

Liabilities and equity

6 Shareholders' equity

In € millions	Issued share capital	Share premium	Revaluation reserve	Cash flow hedge	Fair value reserve	Profit sharing reserve	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance on 1 January 2004	340	15	36	--	--	--	15	940	243	1,589
Transfer of 2003 net profit	--	--	--	--	--	--	--	243	(243)	--
Other unrealised revaluations	--	--	1	--	--	--	--	--	--	1
Revaluation transfer in connection with realisation of revaluations	--	--	(3)	--	--	--	--	3	--	--
Net profit 2004	--	--	--	--	--	--	--	--	288	288
Other changes	--	--	5	--	--	--	(5)	2	--	2
Balance on 31 December 2004	340	15	39	--	--	--	10	1,188	288	1,880
Change in accounting principles to IAS 32 and 39 and IFRS 4	--	--	--	52	113	49	47	(102)	--	159
Transfer of 2004 net profit	--	--	--	--	--	--	--	288	(288)	--
Unrealised revaluations from cash flow hedges	--	--	--	71	--	--	--	--	--	71
Deferred interest income from cash flow hedges	--	--	--	12	--	--	--	--	--	12
Other unrealised revaluations	--	--	3	--	123	--	--	--	--	126
Revaluation transfer in connection with realisation of revaluations	--	--	(1)	--	--	--	--	1	--	--
Realisation of revaluations via the income statement	--	--	--	--	(43)	--	--	--	--	(43)
Change in profit sharing reserve	--	--	--	--	9	(11)	--	2	--	--
Net profit 2005	--	--	--	--	--	--	--	--	323	323
Other changes	--	--	(3)	--	1	--	40	(38)	--	--
Balance on 31 December 2005	340	15	38	135	203	38	97	1,339	323	2,528

The share premium reserve is recognised for tax purposes.

The statutory reserve was formed for the costs of research and development software capitalised on the balance sheet and the capitalised internal acquisition costs.

In total, 208,801,030 shares have been issued and fully paid up. The nominal value of a share is € 1.63.

7 Subordinated debts

This concerns debts that are subordinated to the other obligations.

Notes to the company balance sheet

In € millions	2005	2004
Bond loan variable interest 2005/2012	198	--
Bond loan 7.25% 1996/2006	114	114
Private loans	107	113
Total	419	227

Subsidiaries hold subordinated bonds to the value of € 4 million (2004: € 5 million).

The balance of the subordinated loans with a term longer than five years is € 305 million (2004: € 113 million).

The average interest rate of the private loans amounts to 6.3 %.

8 Debt certificates

In € millions	2005	2004
EMTN loans	189	266
Total	189	266

The medium-term notes have a residual term less than five years. The average interest rate amounts to 3.0%.

9 Other amounts due to customers

In € millions	2005	2004
Private loans	25	59
Demand deposits	220	92
Total	245	151

The average interest rate of the private loans amounts to 4.5% (2004: 4.5%).

In € millions	2005	2004
Private loans according to residual term as at year-end 2005:		
- Payable on demand	--	--
- > 1 month ≤ 3 months	2	2
- > 3 months ≤ 1 year	5	32
- > 1 year ≤ 5 years	17	17
- > 5 years	1	8
Total	25	59

Notes to the company balance sheet

10 Amounts due to credit institutions

Amounts due to credit institutions concern debts to banks, insofar as not in the form of debt certificates, and are due on demand within one year.

Notes to the company income statement

11 Net earnings per ordinary share

In € millions	2005	2004
Net earnings	323	288
Weighted average number of issued shares (in millions)	209	209
Dilution (in millions)	--	--
Average number of ordinary shares adjusted for dilution (in millions)	209	209
Earnings per share (in euros)	1.55	1.38

Guarantees

Guarantees in the sense of section 403, Book 2 of the Netherlands Civil Code have been issued for most of the subsidiaries of SNS Bank and SNS REAAL Invest. Barring a few exceptions, no such guarantees have been issued for the subsidiaries belonging to REAAL Verzekeringen. SNS REAAL Groep N.V. has issued guarantees to meet the commitments of REAAL Schadeverzekeringen N.V. for specific insurance contracts entered into after 1 September 2000.

Together with a significant part of its group companies, SNS REAAL Groep N.V. forms a tax entity for corporation and value added tax purposes. All the companies in the tax entity are jointly and severally liable for the corporation and value added tax debts of the entity as a whole.

Utrecht, 9 March 2006

Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
J. den Hoed
D. Huisman
S.C.J.J. Kortmann
H. Muller

Board of Directors

S. van Keulen
C.H. van den Bos
M.W.J. Hinssen
R.R. Latenstein van Voorst

Most important subsidiaries

The most important group companies are listed below, broken down under banking operations, insurance operations and SNS Reaal Invest. Ownership is 100%, unless stated otherwise.

Banking operations

SNS Bank N.V.	Utrecht
Algemene Spaarbank voor Nederland ASN N.V.	's-Gravenhage
CVB Bank N.V.	's-Hertogenbosch
BLG Hypotheekbank N.V.	Geleen
SNS Securities N.V.	Amsterdam
SNS Assurantiën B.V.	Maastricht
SNS Assuradeuren B.V.	Maastricht

Insurance operations

REAAL Verzekeringen N.V.	Utrecht
REAAL Levensverzekeringen N.V.	Alkmaar
REAAL Schadeverzekeringen N.V.	Zoetermeer
REAAL Reassurantie S.A.	Luxemburg
Proteq Levensverzekeringen N.V.	Alkmaar
Proteq Schadeverzekeringen N.V.	Alkmaar
Nieuwe Hollandse Lloyd Levensverzekeringmaatschappij N.V.	Woerden
Nieuwe Hollandse Lloyd Schadeverzekeringmaatschappij N.V.	Woerden
SNS Verzekeringen B.V.	Zoetermeer

SNS REAAL Invest

SNS Reaal Invest N.V.	's-Hertogenbosch
Foresta Investerings Maatschappij N.V.	's-Hertogenbosch

List of the most important other equity participations
The most important equity participations are listed below.

Participating interests of SNS REAAL Invest

Masterfleet N.V.	(40%)	's-Hertogenbosch
LaSer-Lafayette Services Nederland B.V.	(40%)	's-Hertogenbosch
NeSBIC CTE Fund B.V.	(13.6%)	Utrecht
NeSBIC CTE Fund II B.V.	(10%)	Utrecht
Parnassus Participatiefonds B.V.	(38%)	Amsterdam
Life Sciences Partners II B.V.	(13.2%)	Amsterdam
Skala Home Electronics B.V.	(50%)	's-Hertogenbosch

Participating interest of REAAL Verzekeringen

Ducatus N.V.	(32%)	's-Hertogenbosch
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Other

The overview in the sense of Sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the trade register of the Chamber of Commerce in Utrecht.

Auditor's report

Introduction

We have audited the 2005 financial statements of SNS REAAL Groep N.V. in Utrecht as included on pages F-59 to F-159 of this report. The financial statements consist of the consolidated and company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company at 31 December 2005 and of the result and the cashflows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and also comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code, as far as applicable. Furthermore we have established to the extent of our competence that the annual report is consistent with the financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company at 31 December 2005 and of the result for the year then ended, in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the financial statements.

Amstelveen, 9 March 2006

KPMG ACCOUNTANTS N.V.

S.J. Kroon RA

Reclassifications

Reclassification profit and loss accounts 2003 and 2004

As a result of the transition from Dutch GAAP to IFRS, certain items of the 2003 and 2004 Dutch GAAP financial information have been reclassified to enhance comparability with the 2004 and 2005 IFRS financial information. The presentation of the Dutch GAAP financial information as shown in this Prospectus for the years 2003 and 2004 therefore differs from the audited annual accounts for those years as included in the Company's annual reports. These reclassifications have not been audited. The following table shows the reclassifications of the profit and loss account for 2003:

Table LXX: Reclassifications profit and loss account of SNS REAAL, 2003

Note	2003 Dutch GAAP Annual Report	Reclassifications	2003 Dutch GAAP Prospectus	
(in € millions)				
Interest income, banking operations	1,794			
1 Interest charges, banking operations	--			
2 Net interest income, banking operations	512	75	587	Net interest income, banking operations
			749	Regular premium income life
			717	Single premium income life
			271	Premium income non-life
3 Gross premium income	1,779	-42	1,737	Net premium income
4 Commission income	92	14	106	Net commission and management fees
			527	Investments for own risk
			196	Investments on behalf of policyholders
5 Investment income	723	--	723	Total investment income
6 Valuation result on derivatives	--	6	6	Valuation result on derivatives
7 Other operating income	84	-78	6	Other operating income
Total income	4,472		3,165	Total income
8 Technical expenses	1,934	-44	1,890	Technical expenses
9 Acquisition costs from insurance contracts	--	135	135	Acquisition costs from insurance contracts
1 Interest charges, banking operations	1,282	--		
10 Other interest charges	29	58	87	Other interest charges
Staff costs	460		460	Staff costs
11 Other operating expenses	347	-165	182	Other operating expenses
12 Value adjustments	61	7	68	Value adjustments
13 Depreciation	--	44	44	Depreciation
14 Other expenses	2	-2		
Total expenses	4,115		2,866	Total expenses
15 Results of associated companies	--	58	58	Results of associated companies
Profit before tax	357		357	Profit before tax
Taxes	97		97	Taxes
Net profit	260		260	Net profit
Third party interests	17		17	Third party interests
Profit available for shareholders	243		243	Profit available for shareholders

The following table shows the reclassifications of the profit and loss account for 2004:

Table LXXI: Reclassifications profit and loss account of SNS REAAL, 2004

Note	2004 Dutch GAAP Annual Report	Reclassifications	2004 Dutch GAAP Prospectus	
(in € millions)				
Interest income, banking operations	1,788			
1 Interest charges, banking operations	--			
2 Net interest income, banking operations	505	84	589	Net interest income, banking operations
				761 Regular premium income life
				593 Single premium income life
				296 Premium income non-life
3 Gross premium income	1,689	-39	1,650	Net premium income
4 Commission income	109	6	115	Net commission and management fees
				668 Investments for own risk
				126 Investments on behalf of policyholder
5 Investment income	815	-21	794	Total investment income
6 Valuation result on derivatives	--	-7	-7	Valuation result on derivatives
7 Other operating income	74	-60	14	Other operating income
Total income	4,475		3,155	Total income
8 Technical expenses	1,876	-39	1,837	Technical expenses
9 Acquisition costs from insurance contracts	--	122	122	Acquisition costs from insurance contracts
1 Interest charges, banking operations	1,283	--		
1 Other interest charges	41	34	75	Other interest charges
Staff costs	426	-1	425	Staff costs
11 Other operating expenses	366	-148	218	Other operating expenses
12 Value adjustments	71	--	71	Value adjustments
13 Depreciation	--	42	42	Depreciation
14 Other expenses	3	-3		
Total expenses	4,066		2,790	Total expenses
15 Results of associated companies	--	44	44	Results of associated companies
Profit before tax	409		409	Profit before tax
Taxes	81		81	Taxes
Net profit	328		328	Net profit
Third party interests	18		18	Third party interests
Profit available for shareholders	310		310	Profit available for shareholders

1 Interest charges

Under Dutch GAAP, interest income was presented as gross income, whereas under IFRS classification, interest income is stated as net interest income. Therefore, under Dutch GAAP, interest income from banking activities has to be netted against respective interest charges from banking activities. This used to be a separate line item under total expenses.

2 Net interest income

Under IFRS classification, this item only includes net interest income from banking activities. Under Dutch GAAP, this item also included interest income and interest expenses from non-banking activities. Under IFRS classification, interest income from non-banking activities is classified under investment income. Further, interest expenses from non-banking activities are classified under other interest charges. The table below shows the results of these changes. Interest income on fixed-income investments for own risk are classified under investment income.

Note (in € millions)	Reclassifications	
	2003	2004
2 Net interest income, banking operations		
Under Dutch GAAP	512	505
Adjustments- Interest income other activities	-66	-24
- Interest charges other activities	58	34
- Operating expenses	5	6
- Interest fixed income investments for own risk	78	68
Total adjustments	75	84
Under IFRS Classification	587	589
		Net interest income, banking operations

3 Gross premium income

Under IFRS classification, premium income is recorded net of premiums to reinsurers. Under Dutch GAAP, premiums to reinsurers were recorded under technical expenses. As a result the net premium income under IFRS classification is calculated by decreasing the gross premium income under Dutch GAAP by € 43 million in 2003 and € 40 million in 2004 (see also note 8).

4 Commission income

Under IFRS classification, net commission income from REAAL Verzekeringen is booked under commission and management fees. Under Dutch GAAP, this was booked under other operational expenses. This commission income mainly relates to selling mortgages. In addition, commission income is generated from reinsurance. As a result the commission income under IFRS classification is increased by € 14 million in 2003 and € 6 million in 2004 as compared to Dutch GAAP (see note 11).

5 Investment income

Under IFRS classification, the item investment income is reclassified under investments for own risk, investments on behalf of policyholders and valuation result on derivatives. The corresponding adjustments are shown in the table below.

Note	Reclassifications			
(in € millions)	2003		2004	
5 Investment income				
Under Dutch GAAP	723		815	
Adjustment				
- Interest income other activities	66		24	Transferred from interest income (note 2)
- Valuation result on derivatives	-6		7	Transferred to valuation result on derivatives (note 6)
- Reclassification	-2		-8	Transferred to other operating income (note 7)
- Results of associated companies	-58		-44	Transferred to res. of associated companies (note 15)
Total adjustments	0		-21	
Under IFRS Classification	723		794	Investments for own risk and on behalf of policyholders

6 Valuation result derivatives

Under IFRS classification, valuation result on derivatives is added as a new line item. Under Dutch GAAP, this valuation result was classified under the item investment. The valuation result on derivatives under IFRS classification is € 6 million in 2003 and -/- € 7 million in 2004 (also see note 5).

7 Other operating income

Under IFRS classification, income from associated companies is reclassified under net interest income. Under Dutch GAAP, it was included under other operating income. The table below shows these adjustments.

Note	Reclassifications			
(in € millions)	2003		2004	
7 Other operating income				
Under Dutch GAAP	84		74	
Adjustments				
- Income from associated companies	-78		-68	Transferred to interest income (note 2)
- Reclassification			8	Transferred from investment income (note 5)
Total adjustments	-78		-60	
Under IFRS Classification	6		14	

8 Technical expenses

Under IFRS classification, premiums to reinsurers are accounted for as negative premium income (also see note 3).

Note	Reclassifications			
(in € millions)	2003		2004	
8 Technical expenses Under Dutch GAAP	1,934		1,876	
Adjustments				
- Reinsurance premiums	-44		-39	Transferred to net premium income (note 3)
Total adjustments	-44		-39	
Under IFRS Classification	1,890		1,837	

9 Acquisition costs from insurance contracts

Under IFRS classification, acquisition costs from insurance contracts are classified under a new, separate line item. Under Dutch GAAP, these were classified as other operating expenses. The resulting acquisition costs from insurance contracts under IFRS classification is € 135 million in 2003 and € 122 million in 2004 (also see note 11).

10 Other interest charges

Under IFRS classification, interest charges from non-banking activities are classified as other interest charges. Under Dutch GAAP, these were classified as interest charges. As a result, other interest charges under IFRS classification increased by € 58 million in 2003 and € 34 million in 2004 as compared to Dutch GAAP (also see note 2).

11 Other operating expenses

Note	Reclassifications			
(in € millions)	2003		2004	
11 Other operating expenses Under Dutch GAAP	347		366	
Adjustments				
- Net interest income	5		6	Transferred to net interest income (note 2)
- Commission income relating to reinsurance	14		6	Transferred to commission income (note 4)
- Acquisition costs from insurance contracts	-135		-122	Transferred to acquisition costs (note 9)
- Value adjustments to loans and advances	-7		--	Transferred to value adjustments (note 12)
- Depreciation	-44		-42	Transferred to depreciation (note 13)
- Reclassification	2		3	Transferred from other expenses (note 14)
- Staff costs	--		1	Transferred from staff costs
Total adjustments	-165		-148	
Under IFRS Classification	182		218	

12 Value adjustments

Under Dutch GAAP classification, value adjustments to loans and advances (€ 7 million) relating to insurance were classified under other operating expenses (also see note 11).

13 Depreciation

Under IFRS classification, depreciation is presented as a separate line item. This includes depreciation expenses that, under Dutch GAAP, were partly classified under other expenses. The resulting depreciation under IFRS is € 44 million in 2003 and € 42 million in 2004 (also see note 11).

14 Other expenses

Under IFRS classification, the item 'other expenses', as it existed under Dutch GAAP, is classified under 'other operating expenses'. The corresponding amounts are -/- € 2 million in 2003 and -/- € 3 million in 2004 (also see note 11).

15 Result of associated companies

Under IFRS classification, the item 'results of associated companies', classified under investment income under Dutch GAAP, is added as a separate line item 'result of associated companies'. The corresponding amounts are € 58 million in 2003 and € 44 million in 2004 (also see note 5).

Reclassification balance sheets 2003 and 2004

As a result of the transition from Dutch GAAP to IFRS, certain items of the 2003 and 2004 Dutch GAAP financial information have been reclassified to enhance comparability with the 2004 and 2005 IFRS financial information. The presentation of the Dutch GAAP financial information as shown in this Prospectus for the years 2003 and 2004 therefore differs from the audited annual accounts for those years as included in the Company's annual reports. These reclassifications have not been audited. The following two tables show the reclassifications for the balance sheet for 2003 and 2004:

Table LXXII: Reclassifications balance sheet of SNS REAAL, 2003

Note (in € millions)	2003 Dutch GAAP Annual Report	Reclassifications	2003 Dutch GAAP Prospectus	
Assets				Assets
1 Goodwill and other intangible fixed assets	15	194	209	Goodwill and other intangible fixed assets
2 Tangible fixed assets	119	222	341	Tangible fixed assets
3 Participating interests	478	-336	142	Equity participation in participating interests
			135	Real estate investments
			8,740	Investments for own risk
			2,971	Investments on behalf of policyholders
4 Investments	11,987	-141	11,846	Total investments
5 Reinsurance contracts	--	284	284	Reinsurance contracts
6 Mortgage loans	31,997	-995	31,002	Mortgage loans
7 Other loans	3,358	306	3,664	Other loans
8 Banks	2,410	661	3,071	Banks
9 Liquid assets	420	380	800	Liquid assets
10 Deferred tax receivables	--	153	153	Deferred tax receivables
11 Other tax receivables	--	33	33	Other tax receivables
Other assets	1,059			
Accrued assets	1,215			
12 Total other assets	2,274	-1,128	1,146	Other assets
Total assets	53,058	-367	52,691	Total assets

Note (in € millions)	2003 Dutch GAAP Annual Report	Reclassifications	2003 Dutch GAAP Prospectus	
Liabilities and equity				Liabilities and equity
Share capital	340		340	Share capital
Other reserves	1,060		1,060	Other reserves
Net profit for the year	243		243	Net profit for the year
Shareholders' equity	1,643		1,643	Shareholders' equity
Third party interests	298		298	Third party interests
Group equity	1,941		1,941	Group equity
Participation certificates and subordinated debts	1,156		1,156	Participation certificates and subordinated debts
Fund for general banking risks	70		70	Fund for general banking risks
			133	Staff pension provisions
			61	Other provisions
13 General provisions	308	-114	194	Total general provisions
Technical provisions, insurance operations	11,174		11,174	Technical provisions, insurance operations
14 Savings	10,404		10,404	Savings
15 Other funds entrusted, banking operations	7,156	255	7,411	Other funds entrusted, banking operations
16 Debt certificates	16,169	-108	16,061	Debt certificates
17 Banks	2,344		2,344	Banks
18 Deferred tax liabilities	--	108	108	Deferred tax liabilities
19 Other tax liabilities	--	3	3	Other tax liabilities
Other liabilities	1,055			
Accrued liabilities	1,281			
20 Total other liabilities	2,336	-511	1,825	Other liabilities
21 Total liabilities and equity	53,058	-367	52,691	Total liabilities and equity

Table LXXIII: Reclassifications balance sheet of SNS REAAL, 2004

Note (in € millions)	2004 Dutch GAAP Annual Report	Reclassifications	2004 Dutch GAAP Prospectus	
Assets				Assets
1 Goodwill and other intangible fixed assets	10	238	248	Goodwill and other intangible fixed assets
2 Tangible fixed assets	106	215	321	Tangible fixed assets
3 Participating interests	306	-255	51	Equity participation in participating interests
			130	Real estate investments
			8,436	Investments for own risk
			2,793	Investments on behalf of policyholders
4 Investments	11,390	-31	11,359	Total investments
5 Reinsurance contracts	--	269	269	Reinsurance contracts
6 Mortgage loans	35,450	-1,031	34,419	Mortgage loans
7 Other loans	2,648	220	2,868	Other loans
8 Banks	3,124	455	3,579	Banks
9 Liquid assets	753	638	1,391	Liquid assets
10 Deferred tax receivables	--	105	105	Deferred tax receivables
11 Other tax receivables	--	33	33	Other tax receivables
Other assets	667			
Accrued assets	1,225			
12 Total other assets	1,892	-968	924	Other assets
Total assets	55,679	-112	55,567	Total assets

Note (in € millions)	2004 Dutch GAAP Annual Report	Reclassifications	2004 Dutch GAAP Prospectus	
Liabilities and equity				Liabilities and equity
Share capital	340		340	Share capital
Other reserves	1,311		1,311	Other reserves
Net profit for the year	310		310	Net profit for the year
Shareholders' equity	1,961		1,961	Shareholders' equity
Third party interests	298		298	Third party interests
Group equity	2,259		2,259	Group equity
Participation certificates and subordinated debts	1,145		1,145	Participation certificates and subordinated debts
Fund for general banking risks	70		70	Fund for general banking risks
			-9	Staff pension provisions
			52	Other provisions
13 General provisions	140	-97	43	Total general provisions
Technical provisions, insurance operations	11,330		11,330	Technical provisions, insurance operations
14 Savings	11,263	-4	11,259	Savings
15 Other funds entrusted, banking operations	7,338	244	7,582	Other funds entrusted, banking operations
16 Debt certificates	17,813	-103	17,710	Debt certificates
17 Banks	2,372	124	2,496	Banks
18 Deferred tax liabilities	--	88	88	Deferred tax liabilities
19 Other tax liabilities	--	13	13	Other tax liabilities
Other liabilities	1,034			
Accrued liabilities	915			
20 Total other liabilities	1,949	-377	1,572	Other liabilities
21 Total liabilities and equity	55,679	-112	55,567	Total liabilities and equity

1 Goodwill and other intangible fixed assets

Under Dutch GAAP, capitalised acquisition costs were classified under other assets. Using IFRS classification, these are classified under the line item goodwill and other intangible fixed assets. Under IFRS classification the item goodwill and other intangible assets is increased by € 194 million in 2003 and € 238 million in 2004 as compared to Dutch GAAP (see note 12).

2 Tangible fixed assets

Under IFRS classification, real estate for own use is classified under the item tangible fixed assets, whereas it was classified as investments under Dutch GAAP. Hence, under IFRS classification the item tangible fixed assets is increased by € 222 million in 2003 and € 215 million in 2004 as compared to Dutch GAAP (see note 4).

3 Participating interests

Under Dutch GAAP classification, total receivables from unconsolidated participations were classified under participating interests. Under IFRS, these are classified under other loans. Hence, under IFRS classification the item participating interests is decreased by € 336 million in 2003 and € 255 million in 2004 compared to Dutch GAAP (see note 7).

4 Investments

Under IFRS classification, the premium and discounts on interest-bearing securities, and fair value of interest-bearing securities are classified under investments. Under Dutch GAAP, these were accounted under the item other assets and other liabilities.

Further, real estate investments, investments for own risk, and investments on behalf of policyholders are new line items that have been added under IFRS classification, under Dutch GAAP, classified under investments (also see note 2 and note 8).

Under IFRS classification, deposits to credit institutions are classified under banks. Under Dutch GAAP, these were accounted for as investments.

Note	Reclassifications		
(in € millions)	2003	2004	
4 Investments			
Under Dutch GAAP	11,987	11,390	
Adjustments			
- Real estate for own use	-222	-215	Transferred to tangible fixed assets (note 2)
- Deposits to credit institutions	-76	-79	Transferred to banks (note 8)
- Other assets	307	169	Transferred from other assets (note 12)
- Other liabilities	-150	95	Transferred from other liabilities (note 20)
Total adjustments	-141	-31	
Under IFRS Classification	11,846	11,359	

5 Reinsurance contracts

Reinsurance contracts is a new line item that has been added to the balance sheet under IFRS. Under Dutch GAAP classification, reinsurance contracts were classified under the line item other assets. The reclassified amounts are € 284 million in 2003 and € 269 million in 2004 (also see note 12).

6 Mortgage loans

Under Dutch GAAP, discount on loans and deferred provision costs were classified under the line item other assets. Under IFRS classification, these are classified under mortgage loans.

Further, savings accounts relating to endowment mortgages of REAAL Verzekeringen are accounted for in the line item banks under IFRS classification. Under Dutch GAAP these were accounted for as mortgage loans.

Note	Reclassifications			
(in € millions)	2003		2004	
6 Mortgage loans Under Dutch GAAP	31,997		35,450	
Adjustments				
- Savings endowment mortgages of REAAL	-965		-1,014	Transferred to banks (note 8)
- Discount on loans	-51		-39	Transferred from other liabilities (note 20)
- Deferred provisions	21		22	Transferred from other assets (note 12)
Total adjustments	-995		-1,031	
Under IFRS Classification	31,002		34,419	

7 Other loans

Under IFRS classification, the line item other loans includes total receivables from unconsolidated participations, premium on loans, and accrued interest. Under Dutch GAAP, those were classified under the item other assets.

Further, discount on loans and deferred provisions are included in other assets under IFRS classification.

Note	Reclassifications			
(in € millions)	2003		2004	
7 Other loans Under Dutch GAAP	3,358		2,648	
Adjustments				
- Total receivables from unconsolidated participations	336		255	Transferred from participating interests (note 3)
- Accrued interest	-34		-41	Transferred from other liabilities (note 20)
- Premium on loans	4		6	Transferred from other assets (note 12)
Total adjustments	306		220	
Under IFRS Classification	3,664		2,868	

8 Banks

For further information on savings related to endowment mortgages of REAAL Verzekeringen please refer to note 6. Under IFRS classification, the item current accounts 'banks' is classified under liquid assets. Under Dutch GAAP, the item was booked under banks. Further, under IFRS classification deposits to credit institutions are classified under banks, while under Dutch GAAP these were classified under the item investments.

Note (in € millions)	Reclassifications		
	2003	2004	
8 Banks Under Dutch GAAP	2,410	3,124	
Adjustments			
- Savings endowment mortgages of REAAL	965	1,014	Transferred from mortgage loans (note 6)
- Current account banks	-380	-638	Transferred to liquid assets (note 9)
- Deposits to credit institutions	76	79	Transferred from investments (note 4)
Total adjustments	661	455	
Under IFRS Classification	3,071	3,579	

9 Liquid assets

Please refer to note 8 with respect to current account banks. Due to reclassification of these, under IFRS the item liquid assets is higher by € 380 million in 2003 and € 638 million in 2004 as compared to Dutch GAAP.

10 Deferred tax receivables

Deferred tax receivables is a new line item that has been added to the balance sheet under IFRS. Under Dutch GAAP, deferred tax receivables were classified under the line item other assets. The reclassified amounts are € 153 million in 2003 and € 105 million in 2004 (also see note 12).

11 Other tax receivables

Other tax receivables is a new line item that has been added to the balance sheet under IFRS. Under Dutch GAAP, other tax receivables were classified under other assets. The resulting amounts are € 33 million in 2003 and € 32 million in 2004 (also see note 12).

12 Total other assets

Please refer to note 1, note 4, note 5, note 6, note 7, note 10, note 11, note 15, and note 16.

Note	Reclassifications			
(in € millions)	2003		2004	
12 Total other assets Under Dutch GAAP	2,274		1,892	
Adjustments				
- Accrued acquisition costs	-194		-238	Transferred to intangible assets (note 1)
- Other assets	-307		-169	Transferred to investments (note 4)
- Reinsurance contracts	-284		-269	Transferred to reinsurance contracts (note 5)
- Deferred provisions	-21		-22	Transferred to mortgage loans (note 6)
- Premium on loans	-4		-6	Transferred to other loans (note 7)
- Deferred tax receivables	-153		-105	Transferred to deferred tax receivables (note 10)
- Other tax receivables	-33		-32	Transferred to other tax receivables (note 11)
- Premium on debt certificates	-125		-112	Transferred to debt certificates (note 16)
- Discounts re amounts owed to clients	-7		-15	Transferred to other funds entrusted (note 15)
Total adjustments	-1,128		-968	
Under IFRS Classification	1,146		924	

13 General provisions

Note	Reclassifications			
(in € millions)	2003		2004	
13 General provisions Under Dutch GAAP	308		140	
Adjustments				
- Deferred tax liabilities	-108		-88	Transferred to deferred tax liabilities (note 18)
- Total other liabilities	-6		-9	Transferred to total other liabilities (note 20)
Total adjustments	-114		-97	
Under IFRS Classification	194		43	

14 Savings

Under IFRS classification, bearer saving certificates are booked under savings. Under Dutch GAAP, these used to be classified under the item other funds entrusted within banking operations. In 2004, the balance sheet savings decreased by € 4 million under IFRS classification as compared to Dutch GAAP (also see note 15).

15 Other funds entrusted, banking operations

Under IFRS classification, deferred items related to amounts owed to clients and discounts related to these amounts owed to clients are classified under other funds entrusted, banking operations. Under Dutch GAAP, these were classified under other liabilities.

Note (in € millions)	Reclassifications		
	2003	2004	
15 Other funds entrusted, banking operations Under Dutch GAAP	7,156	7,338	
Adjustments			
- Bearer saving certificates		4	Transferred from savings (note 14)
- Discounts re amounts owed to clients	-7	-15	Transferred from other assets (note 12)
- Other liabilities	262	255	Transferred from other liabilities (note 20)
Total adjustments	255	244	
Under IFRS Classification	7,411	7,582	

16 Debt certificates

Under IFRS, discount on debt certificates is classified under debt certificates. Under Dutch GAAP, it was classified under total other liabilities. Further, premium on debt certificates is also accounted for under debt certificates. It was booked under the item other assets under Dutch GAAP.

Note (in € millions)	Reclassifications		
	2003	2004	
16 Debt certificates Under Dutch GAAP	16,169	17,813	
Adjustments			
- Discount on debt certificates	17	9	Transferred from other liabilities (note 20)
- Premium on debt certificates	-125	-112	Transferred from other assets (note 12)
Total adjustments	-108	-103	
Under IFRS Classification	16,061	17,710	

17 Banks

Per IFRS classification, the item amounts owed to credit institutions by REAAL Verzekeringen (€ 124 million in 2004) is classified under banks. Under Dutch GAAP, this item was classified as other liabilities (also see note 20).

18 Deferred tax liabilities

Deferred tax liabilities is a new line item that has been added to the balance sheet under IFRS. Under Dutch GAAP, deferred tax liabilities were classified under general provisions. The reclassified amounts are € 108 million in 2003 and € 88 million in 2004 (also see note 13).

19 Other tax liabilities

Other tax liabilities is a new line item that has been added to the balance sheet under IFRS. Under Dutch GAAP, other tax liabilities were classified under other liabilities. The reclassified amounts are € 3 million in 2003 and € 13 million in 2004 (also see note 20).

20 Total other liabilities

Note (in € millions)	Reclassifications		
	2003	2004	
20 Total other liabilities Under Dutch GAAP	2,336	1,949	
Adjustments			
- Discount on loans	-51	-39	Transferred to mortgage loans (note 6)
- Accrued interest	-34	-41	Transferred to other loans (note 7)
- Investments	-150	95	Transferred from investments (note 4)
- General provisions	6	9	Transferred from general provisions (note 13)
- Discount on debt certificates	-17	-9	Transferred to debt certificates (note 16)
- Other funds entrusted	-262	-255	Transferred to other funds entrusted (note 15)
- Amounts owed to credit institutions		-124	Transferred from other liabilities (note 17)
- Other tax liabilities	-3	-13	Transferred to other tax liabilities (note 19)
Total adjustments	-511	-377	
Under IFRS Classification	1,825	1,572	

21 Total liabilities and equity

The balance sheet total has decreased due to the fact that premium on debt certificates was classified under other assets as per Dutch GAAP, but it is accounted for as debt certificates (a liability) under IFRS. See note 16.

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