

Press release

Date 14 Maart 2005

Retail strategy of SNS REAAL Group successful:

Strong increase of 27,6% in net profit for 2004 to €310 million

Financial results for 2004

- Net profit of SNS REAAL Group increased to €310 million (+27.6%).
- Return on shareholders' equity of SNS REAAL Group improved to 17.2% (2003: 15.9%).
- The capital base of SNS REAAL Group improved by 9.7% to €3.5 billion.

- Net profit of SNS Bank increased significantly to €155 million (+38.4%).
- Return on shareholders' equity of SNS Bank increased to 11.5% (2003: 9.3%).
- Efficiency ratio of SNS Bank improved from 64.6% to 59.8%.
- SNS Bank sustains strong solvency position. BIS ratio at 11.7% (2003: 11.9%), Tier-1 ratio at 8.6% (2003: 8.3%).

- Net profit of REAAL Verzekeringen increased significantly to €141 million (+64.0%).
- Return on shareholders' equity of REAAL Verzekeringen increased to 18.7% (2003: 13.3%).
- Cost-premium ratio of REAAL Verzekeringen rose from 16.4% to 16.1%.
- REAAL Verzekeringen improved solvency to 182% (2003: 177%).

Message from the chairman

With a net result of €310 million in 2004, SNS REAAL Group achieved its highest profit ever and I am also pleased to say that our return on shareholders' equity rose to 17.2%. The efficiency ratios of SNS Bank and REAAL Verzekeringen are among the best in their sector.

SNS REAAL Group, a bancassurance retail specialist focused purely on the Netherlands, has grown strongly in an economic climate that has continued to be uncertain, with some markets shrinking. We achieved this during 2004, by strengthening our commercial position, expanding our branch network in the Randstad, by introducing innovative products and services to our customers and by setting up new alliances. We have made another important step towards our goal: to become the favourite bancassurance retail specialist in the Netherlands. I am pleased to say that this year's results illustrate that our retail strategy continues to be a success.

Early in 2004, the unity of SNS REAAL Group, SNS Bank and REAAL Verzekeringen was given further focus with the introduction of a common logo: the kaleidoscope. We are presenting ourselves more and more clearly as a single financial enterprise to our target groups, which are private clients and small and medium-sized enterprises. In the coming months, we are going to run intensive campaigns to further strengthen our brand and its recognition.

The unity of our organisation is reflected by the synergy advantages we have achieved. Internal departments and services have been merged and now work together as a 'shared service centre' for the entire Group. Product development is also organised along these lines. We have not only achieved cost savings as a result of these actions, but we have also improved our product offering across our customer base.

SNS REAAL Group has shown in recent years that it can grow in a competitive market. We will continue to pursue growth, both organically and non-organically. Our strong balance sheet means that we can finance organic growth and small acquisitions from our own resources. In the event that we choose to make a larger acquisition, we are confident that we could achieve this through alternative financing.

In our opinion SNS REAAL Group is well positioned to continue the financial and commercial growth of previous years. Our confidence is based on the success of our retail strategy and on the fact that SNS Bank only recently started to penetrate the Randstad, which gives us great growth opportunities.

In the 2005 financial year SNS REAAL Group will begin reporting financial results under IFRS. As this will contribute to a greater volatility in financial performance, we have chosen not to make a profit forecast for 2005.

However, this will not affect the fundamentals of SNS REAAL's business. We are determined to continue growing the business further. We have a solid base from which to pursue our goals, and our confidence in the future of the Group is unwavering.

Sjoerd van Keulen
Chairman, Group Executive Board

Summary results of SNS REAAL Group

In € millions	2004	2003	Change
Net interest income	589	586	0.5%
Commission	109	92	18.5%
Other income	14	17	(17.6%)
Total income SNS Bank	712	695	2.4%
Gross premium income	1,689	1,779	(5.1%)
Investments for own account	623	453	37.5%
Other income	10	3	233.3%
Total income REAAL Verzekeringen (1)	2,322	2,235	3.9%
Total income Group (SNS REAAL Invest included)	45	76	(40.8%)
Total income (1)	3,079	3,006	2.4%
Technical expenses insurance operations (2)	1,753	1,740	0.7%
Other interest charges, insurance operations	54	41	31.7%
Acquisition costs REAAL Verzekeringen	133	138	(3.6%)
Staff costs	426	460	(7.4%)
Other operating expenses	233	209	11.5%
Total expenses	659	669	(1.5%)
Value adjustments to loans and advances	71	61	16.4%
Operating profit before taxation	409	357	14.6%
Taxes	81	97	(16.5%)
Third-party interests (Dividend SNS ParticipatieCertificaten included)	18	17	5.9%
Net profit	310	243	27.6%
Net profit SNS Bank	155	112	38.4%
Net profit REAAL Verzekeringen	141	86	64.0%
Return on shareholders' equity	17.2%	15.9%	
Efficiency ratio banking operations	59.8%	64.6%	
Operational cost / premium ratio insurance operations	16.1%	16.4%	
Tier-1-ratio	8.6%	8.3%	
BIS-ratio	11.7%	11.9%	
Solvency REAAL Verzekeringen	182.0%	177.0%	

(1) Income on behalf of policy holders excluded

(2) Technical result on behalf of policy holders included

Financial Review

The net profit of SNS REAAL Group increased by 27.6% to €310 million in 2004 (2003: €243 million). Banking and insurance operations showed a substantial increase in profit. SNS Bank achieved an increase in profit of 38.4% to €155 million. Net profit at REAAL Verzekeringen increased by 64.0% to €141 million.

SNS REAAL Group

Net profit increased by 27.6% to €310 million, as a result of the increase in various income components and a drop in the technical expenses for insurance operations and operating costs.¹ This continues the picture of recent years, with increasing income accompanied by slightly decreasing operational costs.

The **total income** of SNS Bank increased by 2.4% to €712 million. Net **interest income** at SNS Bank increased by 0.5% to €589 million. This slight increase has been reduced by a change in recognition for interest on bad debts and for interest income from a number of specific investments which will from now on be presented on a net base. Excluding this change, the net interest income increased by €25 million (+4.2%). A result of the winding down of SNS REAAL Invest, SNS REAAL Group's total net interest income dropped by 1.4% to €505 million. Commission income increased by 18.5% to €109 million.

Total income of REAAL Verzekeringen increased by 3.9% to €2,322 million. **Gross premium income** decreased by 5.1% because of the transfer of the SNS REAAL Group pension contract to the SNS REAAL Group pension fund, and fewer sales of single-premium policies. Without the transfer of this pension contract, the gross premium income for life regular premiums would have risen by 1.2% to €778 million.

Operating costs decreased, mainly because of 7.4% lower staff costs due to lower staffing levels and a release of the pension provision as a result of the introduction of an average-pay scheme for pensions. The increase in **other management costs** was partly caused by one-time costs.

Profit contribution from SNS REAAL Invest, almost completely wound down at year-end 2004, was €38 million. The participating interests sold in 2004 contributed €32 million to net profits.

Extraordinary items of SNS REAAL Group which represented that previously-announced divestment of the participating interests of SNS REAAL Invest and the provision release due changes in our pension scheme, amounted to a credit of €53 million. Without the extraordinary items, net profit would amount to €257 million (2003: €205 million). This profit increase of 25.4% is at the same level as the profit increase including the extraordinary items.

Total assets increased by 4.9% from €53.1 billion to €55.7 billion. This increase is entirely due to the mortgage loans, which increased to €35.5 billion (up 10.8%) as a result of a substantial uplift in production. Currently, mortgages totalling €5.5 billion at SNS Bank are securitised. 'Other loans' declined to €2.7 billion (-21.1%) because of the unwinding of SNS REAAL's investment. Other investments decreased to €11.4 billion, caused by the transfer of investments totalling €856 million from REAAL Verzekeringen to the pension fund of SNS REAAL Group and by the reclassification of the discounts on zero bonds.

¹ These costs comprise the staff costs and other operating costs, excluding the acquisition costs at the insurance operations.

Under liabilities, the savings increased by 8.3% to € 11.3 billion. The other funds entrusted also increased to € 7.3 billion (+2.5%). The 'debt certificates' item, which predominantly comprises EMTN loans of SNS Bank, increased by 10.2% to € 17.8 billion as a result of several successful issues – including in Australia and France. In technical provisions, insurance operations increased by 1.4% to € 11.3 billion. Without the transfer to the new pension fund, the increase would have been substantially higher, by € 856 million to € 12.2 billion.

SNS REAAL Group has a solid financial position: Its **capital base** increased by 9.7% to € 3.5 billion. This is entirely due to the increase in shareholders' equity, which improved by 19.4% to € 2.0 billion mainly as a result of the strong profit performance. The remaining components – the subordinated debts, the Fund for general banking risks and third-party interests – changed little or not at all. The SNS ParticipatieCertificaten issued by the banking operations in previous years are included in the 'third-party interests' item; no issues took place in 2004.

Return on shareholders' equity (RSE) increased from 15.9% to 17.2%. The return is well above the long-term target of 12.5%. Our capital ratio – the capital base as a percentage of the total assets – also increased from 6.0% to 6.2%.

Commencing with the 2005 financial year, SNS REAAL Group will be presenting its figures in accordance with **IFRS principles**. The preparations for this are now virtually complete and the 2005 half-year figures will be presented on the basis of IFRS for the first time. It is expected that the effect on the shareholders' equity and the result will be limited. Volatility will increase, but that can be limited within the options that IFRS provides for this. The 2004 annual figures do not include any IFRS figures. The 2005 half-year figures will include the comparative IFRS figures for 2004, with a prior year restatement with the exception of IFRS 32 and 39 and IFRS 4 for insurance contracts.

SNS Bank

Net profits at SNS Bank were € 173 million. After deduction of the portion that is allocated to unit holders, the profit contributed to SNS REAAL Group was € 155 million. This represents an increase of 38.4% compared to the profit contribution of € 112 million in 2003.

Despite the uncertain economy, our banking operations achieved a growth in income, while the development of costs was strictly monitored and controlled. **Total income** improved to € 712 million (+2.4%). Net interest income increased slightly to € 589 million (+0.5%). This slight increase is affected by a change in recognition of interest on bad debts. In addition, interest income from a number of specific investments will be presented on a net base. Excluding this change, the net interest income increased by € 25 million (+4.2%). Due to the increased sales of REAAL insurance products and increased management fees, commission income rose to € 109 million (+18.5%).

The strict cost control policy showed its benefits in the drop in **total expenses** to € 485 million (-4.0%). Staff costs dropped by 14.7% to € 238 million, reflecting a decline in staff numbers by 264 Full Time Employees and the curtailment on hiring temporary staff. 'Staff costs' include the introduction of the average-pay scheme for pensions (positive effect: € 17.9 million). Other management costs increased by 13.6% to € 159 million, partly due to additions to the provisions for reorganisation and legal proceedings

Value adjustments to loans and advances and financial fixed assets increased by 5.4% to € 59 million. The level remained high because continued uncertain economic recovery. In relation to the risk-weighted assets, the value adjustments declined slightly to 0.30%.

The **efficiency ratio** improved substantially. The improved income, combined with a decrease in expenses, led to an improvement from 64.6% (2003) to 59.8% (2004). Excluding the release from the pension provision, this ratio is 62.4%. Both ratios, including and excluding the release, are well below our long-term target of 65%.

The **capital base** increased by 4.2% to €2.5 billion. This was almost entirely due to the increase in shareholders' equity, which increased by 7.1% to €1.6 billion as a result of the 2004 profit addition. RSE improved strongly from 9.3% to 11.5%.

The **solvency ratio** (BIS ratio) slightly decreased from 11.9% to 11.7%. After securitisation of a portion of the mortgage portfolio, the risk-weighted assets increased more substantially than the qualifying capital. The ratio is well above our internal lower limit of 11% and far above the statutory minimum of 8%. The Tier-1 ratio, in other words, the ratio between the risk-weighted assets and the core (Tier-1) capital, improved from 8.3% to 8.6% thanks to the profit addition and securitisation.

REAAL Verzekeringen

Net profit increased substantially by 64.0% to €141 million, primarily due to improved investment income and a strong insurance performance, both at group pension operations and non-life operations. In a shrinking market, partly due to restrictions on fiscal facilities, total income increased to €2,448 million (+0.7%). Total gross premium income decreased to €1,689 million (-5.1%). Life gross premium income decreased to €1,372 million (-7.7%), mainly because of the transfer of the pension contract to the SNS REAAL Group pension fund. Balancing this, non-life gross premium income increased to €317 million (+8.2%). Gross regular life premium income increased by 1.0% to €778 million; single premium income declined by 17.2% to €594 million.

Income from investments increased to €749 million (+15.4%), of which €623 million was for own account (+37.5%) and €126 million was for the account and risk of policyholders. The real estate and share portfolios, in particular, performed well, while the fixed-income portfolio also showed a positive return.

Total expenses dropped by 1.7% to €2,260 million, mainly because technical insurance expenses decreased by 3.0% to €1,876 million. The drop in operating expenses was primarily due to the drop of 4.8% in staff costs to €139 million. The number of staff declined by 87 FTEs. Staff costs benefited from the positive effect of the release of €14.2 million from the introduction of the average-pay pension scheme. The 'other operating expenses' item, including acquisition costs of €133 million, increased by 1.1% to €179 million. Without the acquisition costs, the increase is 17.9%, partly because of the one-time marketing and advertising costs associated with the re-branding to REAAL Verzekeringen.

Split between the **life and non-life insurance operations**, net profit amounts to €105 million (+47.9%) and €36 million (+140.0%) respectively. These profit figures show that our investment in our non-life operations is bearing fruit. The loss ratio in 2004 is very low at 51.8% (2003: 58.6%).

The **operational cost-premium ratio** is 16.1%, an improvement compared to the 16.4% for 2003. The long-term target is a maximum ratio of 16.5%.

The **capital base** increased by 10.4% to €945 million, due to the increase in shareholders' equity by 12.8% to €810 million, mainly as a result of the 2004 profit addition. RSE increased from 13.3% to 18.7%, well above the long-term target of 12.5%.

Total **solvency** improved further from 177% to 182% in 2004. The solvency of the life operations was 202%, while the solvency of the non-life operations was 243%. These rates more than satisfy the internal and external solvency requirements.

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Photos are available upon request.

Enclosures:

Key figures.

Consolidated balance sheet and profit and loss account of SNS REAAL Group, SNS Bank and REAAL Verzekeringen.

Key figures

In € millions	2004	2003	2002	2001	2000
BALANCE SHEET					
Total assets	55,679	53,058	46,342	43,761	40,879
Investments	11,390	11,987	8,461	8,501	8,527
Mortgage loans	35,450	31,997	28,433	24,738	22,909
Other loans	2,648	3,358	4,194	4,238	4,203
Shareholders' equity	1,961	1,643	1,408	1,571	1,575
Capital base	3,474	3,167	2,692	2,813	2,575
Technical provisions, insurance operations	11,330	11,174	8,253	8,178	7,683
Funds entrusted	18,601	17,560	16,073	14,965	13,997
Debt certificates	17,813	16,169	14,210	12,201	11,072
RESULTS					
Income banking operations					
Interest income	589	586	503	436	391
Commission	109	92	96	90	106
Other income	14	17	29	49	52
Total	712	695	628	575	549
Income insurance operations					
Gross premium income	1,689	1,779	1,501	1,490	1,410
Investment income	749	649	24	392	506
Other income	10	3	4	16	22
Total	2,448	2,431	1,529	1,898	1,938
Total income	4,475	4,472	3,539	3,907	3,639
Total expenses	4,066	4,115	3,436	3,675	3,390
Operating profit before taxation					
Banking operations	227	190	165	144	157
Insurance operations	188	131	-73	135	111
Group	(6)	36	11	(47)	(19)
Operating profit before taxation	409	357	103	232	249
Net profit	310	243	84	165	179
KEY RATIOS					
Return on shareholders' equity	17.2%	15.9%	5.6%	10.5%	11.8%
Efficiency ratio banking operations	59.8%	64.6%	64.7%	71.5%	68.4%
Operational cost / premium ratio insurance operations	16.1%	16.4%	17.0%	18.2%	18.7%
Tier-1-ratio	8.6%	8.3%	8.4%	7.4%	6.8%
BIS-ratio	11.7%	11.9%	11.6%	11.6%	11.1%
Solvency REAAL Verzekeringen	182.0%	177.0%	184.0%	246.0%	300.0%
Capital ratio	6.2%	6.0%	5.8%	6.4%	6.3%
Number of employees (FTEs) at year-end	5,230	5,536	5,432	5,860	5,932

Consolidated balance sheet of SNS REAAL Group

Before profit appropriation and in € millions

	31 december 2004	31 december 2003
Assets		
Intangible fixed assets	10	15
Tangible fixed assets	106	119
Participating interests	306	478
Investments	11,390	11,987
Mortgage loans	35,450	31,997
Other loans	2,648	3,358
Banks	3,124	2,410
Liquid assets	753	420
Other assets	667	1,059
Accrued assets	1,225	1,215
Total assets	55,679	53,058
Liabilities		
Shareholders' equity	1,961	1,643
Third-party interests	298	298
Group equity	2,259	1,941
Subordinated debts	1,145	1,156
Fund for general banking risks	70	70
Capital base	3,474	3,167
General provisions	140	308
Technical provisions, insurance operations	11,330	11,174
Savings	11,263	10,404
Other funds entrusted, banking operations	7,338	7,156
Debt certificates	17,813	16,169
Banks	2,372	2,344
Other liabilities	1,034	1,055
Accrued liabilities	915	1,281
Total liabilities	55,679	53,058

Consolidated profit and loss account of SNS REAAL Group			
in € millions	2004	2003	Change
Income			
Gross premium income	1,689	1,779	(5%)
Investment income	815	723	13%
Interest income, banking operations	1,788	1,794	0%
Commission	109	92	18%
Other income	74	84	(12%)
Total income	4,475	4,472	0%
Expenses			
Technical expenses, insurance operations	1,876	1,934	(3%)
Interest charges, banking operations	1,283	1,282	0%
Other interest charges	41	29	41%
Staff costs	426	460	(7%)
Other operating expenses	366	347	5%
Value adjustments to loans and advances	74	58	28%
Value adjustments to financial fixed assets	(3)	3	(200%)
Other expenses	3	2	50%
Total expenses	4,066	4,115	(1%)
Operating profit before taxation	409	357	15%
Taxes	81	97	(16%)
Group profit	328	260	26%
Third-party interests	18	17	6%
Net profit	310	243	28%

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	Change
Income			
Interest income	1,829	1,805	1%
Interest charges	1,240	1,219	2%
Net interest income	589	586	1%
Income from securities and participating interests	(2)	(2)	0%
Commission income	136	104	31%
Commission expenses	27	12	125%
Commission	109	92	18%
Result from financial transactions	14	22	(36%)
Other income	2	(3)	(167%)
Total income	712	695	2%
Expenses			
Staff costs	238	279	(15%)
Other operating expenses	159	140	14%
Staff and other operating expenses	397	419	(5%)
Depreciation	29	30	(3%)
Value adjustments to loans and advances	62	53	17%
Value adjustments to financial fixed assets	(3)	3	(200%)
Total expenses	485	505	(4%)
Operating profit before taxation	227	190	19%
Taxes	54	61	(11%)
Net profit	173	129	34%

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
Liabilities		
Shareholders' equity	810	718
Third-party interests	3	3
Group equity	813	721
Subordinated debts	132	135
Capital base	945	856
Technical provisions:		
Gross	8,399	7,918
Reinsurance component	275	284
	8,124	7,634
Technical provision for insurance policies in which policyholders bear the investment risk	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

Consolidated profit and loss account of REAAL Verzekeringen			
In € millions	2004	2003	Change
Technical account, life insurance			
Premiums, net of reinsurance			
Gross premium income	1,372	1,486	(8%)
Outward reinsurance premiums	18	20	-10%
	1,354	1,466	(8%)
Investment income			
Investments for own account	594	432	38%
Investments on behalf of policyholders	126	196	(36%)
	720	628	15%
Benefits, net of insurance			
Gross	1,656	894	85%
Reinsurers' share	13	14	(7%)
	(1,643)	(880)	87%
Changes in provision for life insurance			
Gross	(27)	757	(104%)
Reinsurers' share	(2)	-	--
	25	(757)	(103%)
Profit-sharing and rebates	(63)	(100)	(37%)
Operating expenses	(199)	(210)	(5%)
Investment costs	(53)	(40)	33%
Result of technical account, life insurance	141	107	32%

In € millions	2004	2003	Change
Technical account, non-life insurance			
Earned premiums, net of reinsurance			
Gross premium income	317	293	8%
Outward reinsurance premiums	21	22	(5%)
	296	271	9%
Change in technical provision for unearned premiums and accrued risks:			
Gross	2	(10)	(120%)
Reinsurers' share	-	(1)	(100%)
	(2)	9	(122%)
	294	280	5%
Investment income	29	21	38%
Claims, net of reinsurance			
Gross	187	174	7%
Reinsurers' share	14	13	8%
	(173)	(161)	7%
Changes in provision for payable claims			
Gross	(22)	-	--
Reinsurers' share	(1)	(3)	(67%)
	21	(3)	(800%)
	(152)	(164)	(7%)
Profit-sharing and rebates	(2)	-	--
Operating expenses	(119)	(113)	5%
Investment costs	(1)	(1)	0%
Result of technical account, non-life insurance	49	23	113%

In € millions	2004	2003	Change
Non-technical account			
Technical account result, life insurance	141	107	32%
Technical account result, non-life insurance	49	23	113%
Total technical result	190	130	46%
Other income	10	3	233%
Other costs	(3)	(2)	50%
Value adjustments to loans and advances	(9)	-	--
Operating income before taxation	188	131	44%
Taxes	47	45	4%
Net profit	141	86	64%