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Semi-annual accounts of SNS bank Nederland N.V.

Executive and Supervisory Boards

SUPERVISORY BOARD SNS REAAL GROEP

prof. J.L. Bouma, chairman
H.M. van de Kar, deputy chairman
J.V.M. van Heeswijk
D. Huisman
prof. S.C.J.J. Kortmann
H. Muller
J.W.M. Simons

GROUP EXECUTIVE BOARD SNS REAAL GROEP

J.F.T. Vugts, chairman
prof. J.J.A. Leenaars, deputy chairman
M.W.J. Hinssen
G. van Olphen

chief financial officer
R.R. Latenstein van Voorst

BOARD OF DIRECTORS SNS BANK NEDERLAND

M.W.J. Hinssen, chairman
B.A.G. Janssen, deputy chairman
R.R. Latenstein van Voorst
M. Menkveld
T.G. Wu

BOARD OF DIRECTORS SNS REAAL VERZEKERINGEN

G. van Olphen, chairman
J.M. Kroon, deputy chairman
J. Boven
N.J. Jongerius

BOARD OF DIRECTORS SNS REAAL INVEST

C.J. Ambachtsheer, chairman
J.B.M. van Roon

Key figures

millions of EUR and NLG	Mid-2000		Year-end 1999		Change
	€	f	€	f	
BALANCE SHEET					
Total assets	37,196	81,969	32,037	70,598	16.1%
Mortgage loans	21,050	46,389	17,402	38,349	21.0%
Loans and advances	3,919	8,637	3,662	8,070	7.0%
Technical reserves, insurance operations	7,053	15,542	6,738	14,848	4.7%
Shareholders' equity	1,559	3,436	1,452	3,199	7.4%
millions of EUR and NLG	First half-year 2000		First half-year 1999		Change
	€	f	€	f	
RESULT					
Banking operations	78	173	66	146	18.2%
Insurance operations	57	125	50	109	14.0%
SNS Reaal Invest	18	39	10	21	80.0%
Group business units operating profit before taxation	153	337	126	276	21.4%
Financing costs and other	(30)	(66)	(13)	(28)	130.8%
Operating profit before taxation	123	271	113	248	8.8%
Net profit	87	192	78	172	11.5%
KEY RATIOS					
Return on equity	11.6%		12.6%		
Net interest income	202	446	165	363	22.4%
Gross premium, insurance operations	631	1,390	665	1,466	(5.1%)
Efficiency ratio bank	68.7%		68.8%		
Cost / premium ratio insurance operations	30.0%		29.9%		
Capital ratio	6.4%		6.1%		
Number of employees ²	5,989		5,599		7.0%

¹⁾ The rate of exchange of the euro is f2.20371

²⁾ In full-time equivalents as of end June

Financial results for the first half-year of 2000

- Net profit increased by over 11% to €87 million (*f* 192 million).
- Operating profit before taxation increased by 9% to €123 million (*f* 271 million).
- Total assets increased by 16%* to €37.2 billion (*f* 82.0 billion).
- Return on equity amounted to 11.6%.
- All Group business units contributed to the increase in operating profit before taxation. SNS Reaal Invest realised its objective with a substantial 80% increase to broaden the operating profit.

*) compared to year end-1999

SNS Reaal Group

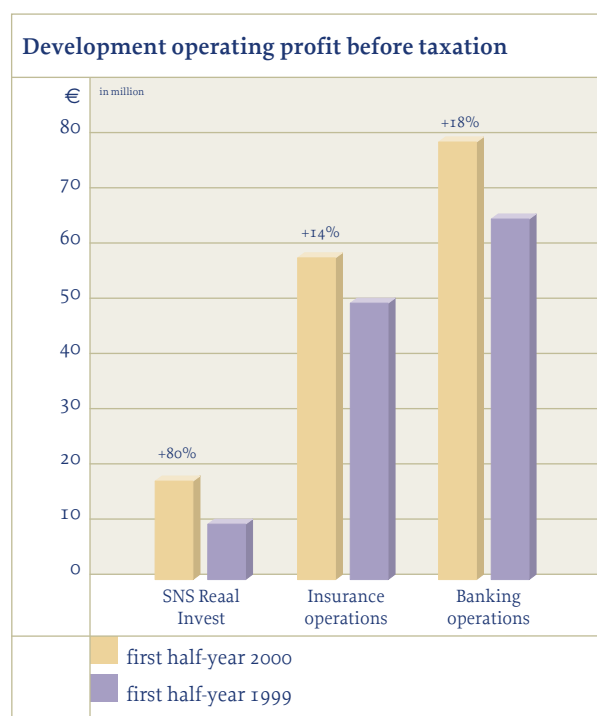
SNS Reaal Group continued to develop its all finance and multichannel strategy in the first half-year of 2000. Just as in 1999, the focus lay on strengthening the sales organisation and rationalising processing systems. The results developed in accordance with expectations.

RESULT

Net profit

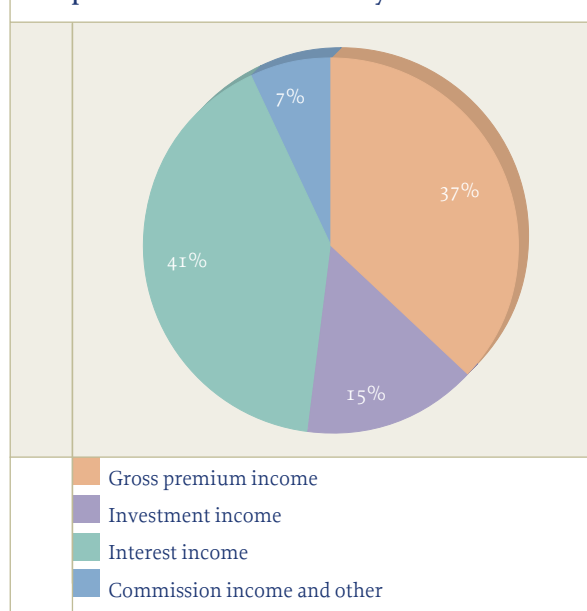
In the first half-year of 2000 SNS Reaal Group's result once again showed a considerable increase. Net profit increased by 11.5% to €87 million (*f* 192 million) in comparison with the same period last year. All Group business units contributed to this increase. The total operating profit of the business units increased by 21.4% to €153 million (*f* 337 million). Banking operations contributed 51.0% €78 million (*f* 173 million) of the operating result. The insurance operations' operating result amounted to €57 million (*f* 125 million), a 37.3% share. SNS Reaal Invest's contribution increased from 7.9% to 11.7%.

The composition and growth of the Group business units' operating result is as follows:



The growth of the banking and insurance operations' operating result was in accordance with expectations as stated in the 1999 annual report. The relatively high increase of 'financing costs & other' entry is mainly attributable to the higher costs made as expected in connection with strategic projects strengthening the sales organisation and rationalising processing systems. A central processing unit for mortgage loans is one such example.

Composition of income first half-year 2000



Income and expenses

Income increased more than expenses in the period under review: an increase of €102 million over the first half-year (*f* 226 million; +6.4%) to €1.7 billion (*f* 3.7 billion). Total expenses increased by €92 million (*f* 203 million) (+6.3%).

The bank's efficiency ratio improved to 68.7% (-0.1%-point). The insurance operations' cost/premium ratio remained practically unchanged at 30.0% (+0.1%-point) with regard to the first half-year of 1999. Of the total income in the first half of 2000, 55.7% (€0.9 billion (*f* 2.1 billion)) was interest-dependent, the other 44.3% resulted mainly from insurance premiums and commissions. This reflected the even distribution of SNS Reaal Group's activities.

BALANCE SHEET

The total assets increased by 16.1% to €37.2 billion (*f* 82.0 billion) compared to year-end 1999. This increase was a result of the strong growth of the mortgage loans portfolio, the other loans portfolio, as well as the technical reserves and investment portfolios.

Shareholders' equity showed a 7.4% increase to €1.6 billion (*f* 3.4 billion) compared to year-end 1999. The capital base amounted to €2.4 billion (*f* 5.2 billion) as of 30 June 2000, equivalent to 6.4% of total assets, a slight drop with regard to year-end 1999 (-0.2%-point).

The return on equity decreased to 11.6% (-1.0%) compared to the first half-year of 1999. The strong development of the investment portfolio and the revaluation of equity investments accounted for this.

In spite of the considerable increase of mortgage loans and other loans the banking operations' BIS ratio only decreased to 11.3% (year-end 1999: 11.7%). The insurance operations' solvency ratio amounted to almost three times the legal requirement for life and non-life insurance at the end of the period under review. SNS Reaal Group more than meets the external supervisory authorities' requirements.

OUTLOOK FOR 2000

SNS Reaal Group's consolidated figures for the first half of 2000 showed an important increase in result and equity. Based on the present market conditions, expectations for 2000 show a continuing ascending line of the result and the realisation of the net profit expectation of €182 million (*f* 400 million).

The banking operations

In the first six months of 2000 banking operations continued its good performance of 1999. SNS bank is the first Dutch bank to offer a complete package of daily banking services (real time) via internet (investment, banking and savings). 50% of all securities orders are now placed via the SNS Effectenlijn (Securities ordering line: telephone and internet). The mortgage portfolio showed a strong continuous growth. SNS bank broadened its range of investment services with the successful introduction of the SNS Vastgoedfonds (Real estate fund) and the SNS AEX GarantieClick fonds (Guarantee index linked investment fund).

RESULT

Net profit

Banking operations' net profit increased by 20.5% to €53 million (*f* 118 million). This increase was realised on the private, business and the professional markets. The operating profit amounted to €78 million (*f* 173 million), an 18.2% increase.

Income and expenses

In the first half of 2000 the total income from banking operations amounted to €261 million (*f* 577 million), a 16.5% increase compared to the same period last year. This increase was realised in all income categories mentioned below.

Net interest income went up by 12.0% to €186 million (*f* 411 million). This was to a great extent due to the strong development of the mortgage and other loans

portfolios. The mortgage loans portfolio grew by 42.5% to reach €19.1 billion (*f* 42.2 billion). At the end of the first half-year of 1999 the mortgage loans portfolio amounted to €13.4 billion (*f* 29.6 billion).

Commission income saw a strong 46.9% increase to €47 million (*f* 104 million). The commission on securities transactions increased considerably compared to the first half of 1999, partly due to favourable market developments. The substantially higher number of insurance policies resulted in an increase in insurance commissions. The expansion of the distribution mix with all finance consultants contributed positively to this.

Banking operations' other revenue rose by 7.7% to €28 million (*f* 62 million). This growth followed mainly from the positive results of professional market activities. Operating income rose due to increased fees for asset management services.

Total operating expenses increased to €183 million (*f* 404 million), (+15.8%). This increase was mainly caused by higher staff costs partly as a result of a strong increase in production. The other operating expenses increased mainly due to higher information technology expenses and consultancy costs relating to strategic projects.

Banking operations' key figures					
millions of EUR and NLG	First half-year 2000		First half-year 1999		Change
	€	<i>f</i>	€	<i>f</i>	
Net interest income	186	411	166	365	12.0%
Commission income	47	104	32	70	46.9%
Other revenue	28	62	26	58	7.7%
Total income	261	577	224	493	16.5%
Total expenses	183	404	158	347	15.8%
Operating profit before taxation	78	173	66	146	18.2%
Taxes	25	55	22	48	13.6%
Net profit	53	118	44	98	20.5%

The insurance operations

Insurance operations' net result showed a 12.1% growth with regard to the first half of 1999. Insurance operations took concrete steps to strengthen its sales organisation and to rationalise processing systems. Hooge Huys – the key brand for financial services via independent intermediaries – further streamlined its commercial organisation. In the spring Hooge Huys initiated its corporate campaign to increase name awareness. A new logo was also introduced. Reaal Overlijdenszorg, the niche brand for the funeral insurance market, successfully presented its new marketing plan to intermediaries and funeral service companies.

RESULT

Net profit

Insurance operations' net profit increased by 12.1% to €37 million (*f* 81 million). Life insurance operations profit growth to €33 million (*f* 72 million) amounted to 6.5%. Non-life insurance operations profit amounted to €4 million (*f* 9 million) a considerable improvement of the result compared to 1999, mainly due to the strongly improved result of the sickness benefit insurance portfolio and the investment result. Weighing against this were the exceptional expenses resulting from the fireworks disaster in Enschede in May this year. The operating result increased by €7

million (*f* 16 million, 14.0%) to €57 million (*f* 125 million).

Income and expenses

The total income of the insurance operations remained practically unchanged at €0.9 billion (*f* 2.0 billion). The gross premium income dropped slightly by 5.1% to €0.6 billion (*f* 1.4 billion).

The premium income of life insurance operations decreased by 8.9% to €0.5 billion (*f* 1.0 billion), mainly due to lower single premium business. The growth of the gross premium income of the insurance operations was strongly influenced by market developments during this period. The insurance market for regular period insurance deteriorated, although the single premium market increased strongly during the first six months of 2000. A deliberate choice was made to actively participate only in profitable single premium market sectors. This contributed partly to the lower volume of single premium insurance compared to the first half of 1999.

Non-life insurance operations showed a 6.8% increase in premium income, mainly because of premium income growth of sickness benefit and loss of income insurance.

Investment income increased with 6.3% as a result of the investment portfolio's growth. The investment

Insurance operations' key figures

millions of EUR and NLG	First half-year 2000		First half-year 1999		Change
	€	<i>f</i>	€	<i>f</i>	
Gross premium income, Life Insurance	459	1,012	504	1,111	(8.9%)
Gross premium income, Non-life insurance	172	378	161	354	6.8%
Total premium income	631	1,390	665	1,465	(5.1%)
Investment income	270	595	254	561	6.3%
Other revenue	19	42	44	98	(56.8%)
Total income	920	2,027	963	2,124	(4.5%)
Total expenses	863	1,902	913	2,015	(5.5%)
Operating profit before taxation	57	125	50	109	14.0%
Taxes	20	44	17	37	17.6%
Net profit	37	81	33	72	12.1%
Net profit, Life insurance	33	72	31	68	6.5%
Net profit, Non-life insurance	4	9	3	7	33.3%

portfolio increased to over €9.0 billion in the first half year (*f* 20.0 billion).

Other revenue of €19 million (*f* 42 million) ensued primarily from stock price differences in investment policies on behalf of policyholders. These were almost entirely added to the technical reserves and did not influence the result.

The total expenses decreased by 5.5% to €0.9 billion (*f* 1.9 billion), partly due to lower technical expenses. Operating expenses increased by €6 million (*f* 13 million, 4.2%) to €149 million (*f* 329 million). This increase was largely attributable to staff costs in turn caused by increases in numbers of temporary staff. Of the other operating expenses, information technology expenses and policy acquisition costs were higher than in the first half of 1999. The IT costs were linked to the strengthening of the sales organisation and the rationalising of the processing systems.

SNS Reaal Invest

SNS Reaal Invest showed a strong increase of the result. Further expansion took place through participation in the NeSBIC CTE FUND II and expanded interests in the leasing, real property and financial services & distribution sector.

RESULT

Net profit

SNS Reaal Invest's net profit amounted to €17 million (*f* 37 million), a 70.0% increase compared with the €10 million (*f* 21 million) over the same period last year. The operating profit increased notably by 80.0% to €18 million (*f* 39 million). All activities within SNS Reaal Invest contributed to this improved performance.

Income and expenses

Total income increased by 56.0% to €39 million (*f* 86 million). Both the net interest income from lease and loans as well as other revenue developed satisfactorily during the first half-year of 2000. Total expenses increased by 40.0%, chiefly due to the rapid growth of activities in the field of leasing and consumer credit.

SNS Reaal Invest activities

Through its activities SNS Reaal Invest broadens the activities and the financial foundation of the SNS Reaal Group. SNS Reaal Invest concentrates its participation on a number of sectors: leasing, consumer credit, real property, financial services & distribution and venture capital.

Leasing activities focus on passenger cars (SNS automotive), equipment (Leaseco) and trucks (TransNed). The results with regard to the first of half of 1999 showed strong improvement.

Activities in the field of consumer credit (PrimeLine) continued to grow during the first six months of 2000. The result of these activities also showed a sizeable improvement.

Real property activities developed well partly due to favourable conditions in the real estate market.

The activities within financial services & distribution are participations requiring an independent position with regard to the banking and insurance operations. The commercial independence is safeguarded by placing these activities with SNS Reaal Invest. The strong increase of these activities is also due to new investments.

SNS Reaal Invest works together with renowned venture capital funds and development corporations in its venture capital activities. In spite of the fact that this portfolio is relatively new, the contribution to the current result was substantial.

SNS Reaal Invest' key figures

millions of EUR and NLG	First half-year 2000		First half-year 1999		Change
	€	<i>f</i>	€	<i>f</i>	
Net interest income	17	38	11	23	54.5%
Commission income	1	2	1	2	0.0%
Other revenue	21	46	13	29	61.5%
Total income	39	86	25	54	56.0%
Total expenses	21	47	15	33	40.0%
Operating profit before taxation	18	39	10	21	80.0%
Taxes	1	2	0	0	
Net profit	17	37	10	21	70.0%

Consolidated balance sheet						
After profit appropriation, millions of EUR and NLG	30/06/2000		30/06/1999		31/12/1999	
	€	f	€	f	€	f
ASSETS						
Tangible fixed assets	120	265	108	237	116	256
Participating interests	298	656	274	603	306	675
Investments	8,034	17,705	7,399	16,305	7,916	17,443
Mortgage loans	21,050	46,389	15,051	33,168	17,402	38,349
Loans and advances	3,919	8,637	3,810	8,395	3,662	8,070
Banks	2,181	4,807	1,268	2,795	1,101	2,425
Cash	258	568	210	463	389	857
Other assets	751	1,654	638	1,407	565	1,246
Prepayments and accrued income	585	1,288	463	1,021	580	1,277
TOTAL ASSETS	37,196	81,969	29,221	64,394	32,037	70,598
LIABILITIES						
Shareholders' equity	1,559	3,436	1,294	2,852	1,452	3,199
Subordinated debt	749	1,649	424	934	591	1,302
Fund for general banking risks	70	155	70	155	70	155
Capital base	2,378	5,240	1,788	3,941	2,113	4,656
General provisions	309	682	275	606	304	671
Technical reserves, insurance operations	7,053	15,542	6,392	14,087	6,738	14,848
Savings accounts	7,132	15,716	6,876	15,152	7,060	15,557
Other funds entrusted, banking operations	6,004	13,231	6,556	14,448	5,863	12,919
Debt securities	10,015	22,070	3,497	7,707	5,188	11,434
Banks	2,349	5,177	2,089	4,603	2,971	6,546
Other liabilities	1,177	2,593	1,093	2,408	1,006	2,217
Accruals and deferred income	779	1,718	655	1,442	794	1,750
TOTAL LIABILITIES	37,196	81,969	29,221	64,394	32,037	70,598

Consolidated profit and loss account						
millions of EUR and NLG	First half-year 2000		First half-year 1999		1999	
	€	f	€	f	€	f
INCOME						
Gross premium income	631	1,390	665	1,466	1,249	2,752
Investment income, insurance operations	259	571	246	543	493	1,086
Interest income, banking operations	680	1,499	556	1,225	1,156	2,548
Commission income	48	106	33	72	65	144
Operating income	1,618	3,566	1,500	3,306	2,963	6,530
Other revenue	68	150	84	184	234	516
TOTAL INCOME	1,686	3,716	1,584	3,490	3,197	7,046
EXPENSES						
Technical expenses	647	1,427	684	1,507	1,354	2,984
Profit-sharing and rebates	38	83	50	111	92	202
Interest expense, banking operations	478	1,053	391	862	783	1,726
Other interest expenses	17	37	5	12	33	72
Staff costs	186	410	153	337	320	705
Other operating expenses	183	404	164	361	343	757
Value adjustments to loans and advances	6	13	6	13	13	28
Other expenses	8	18	18	39	28	63
TOTAL EXPENSES	1,563	3,445	1,471	3,242	2,966	6,537
Operating profit before taxation	123	271	113	248	231	509
Taxes	36	79	35	76	70	154
NET PROFIT	87	192	78	172	161	355

COLOPHON

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