

Utrecht, 23 August 2005

SNS REAAL GROUP CONTINUES STRONG GROWTH

Half-year profit rises by 22% to € 163 million

Financial developments

- ⊙ SNS REAAL Group has achieved a net profit of € 163 million in the First half-year of 2005 (+21.6%).
- ⊙ Net profit of SNS Bank increased significantly by 36.3% from € 80 million to € 109 million.
- ⊙ REAAL Verzekeringen showed a sharp growth in profit from € 51 million to € 64 million (+ 25.5%).
- ⊙ With 15.2% (year-end 2004: 15.6%), return on shareholders' equity of SNS REAAL Group is well above the minimum target of 12.5%.
- ⊙ Total income of SNS Bank rose by 8.1% as a result of higher interest income and increased commission and management fees. Total income of REAAL Verzekeringen rose by 1.4%, with regular life premiums rising by 4.7%. Moreover, total expenses fell by 1.6%.
- ⊙ The efficiency ratio of SNS Bank improved to 57.9% (2004: 63.3%).
- ⊙ The cost/premium ratio of REAAL Verzekeringen improved to 15.6% (year-end 2004: 17.3%).
- ⊙ SNS REAAL Group maintains its strong solvency position, with a BIS ratio of 11.3% (year-end 2004: 11.7%) and solvency ratios of 261.0% (year-end 2004: 231.0%) for Life operations and 333.0% (year-end 2004: 265.0%) for Non-life operations.

Key figures SNS REAAL Group on the basis of IFRS

In € millions	First half-year 2005	First half-year 2004	Change
Results			
Total income	1,724	1,703	1.2%
Total expenses	1,505	1,529	(1.6%)
Net profit	163	134	21.6%
	30 June 2005	31 December 2004	Change
Balance sheet			
Total assets	65,770	61,119	7.6%
Shareholders' equity	2,292	1,880	21.9%
Mortgage loans	43,236	40,967	5.5%
Savings	12,181	11,261	8.2%
Technical provisions, insurance operations	11,665	11,334	2.9%
Ratios			
Return on shareholders' equity	15.2%	15.6%	
Efficiency ratio of SNS Bank	57.9%	63.3%	
Cost / premium ratio REAAL Verzekeringen	15.6%	17.3%	
New annual premium earned Life operations (in € millions)	91	86	
Combined ratio Non-life operations	95.2%	92.3%	
BIS ratio	11.3%	11.7%	
Tier-1 ratio	8.2%	8.6%	
Solvency of the Life operations	261.0%	231.0%	
Solvency of the Non-life operations	333.0%	265.0%	

The figures in this press release have not been audited.

Focusing on core products is bearing fruit

'In the highly competitive markets for financial services, we once again succeeded in further strengthening our position', says Sjoerd van Keulen, chairman of the Executive Board of SNS REAAL Group. 'With the profit of €163 million for the First half-year of 2005, we have continued along the growth curve of recent years. It's been a good half-year for us, not only financially, but also commercially. These developments prove that focusing on our core products is bearing fruit.'

Our mortgage portfolio has grown by €2.3 billion to €43.2 billion with a market share of 8.8%. The new production of regular-premium individual life insurance increased strongly to €66 million, pushing up our market share from 12.6% to 14.2%. Total regular-premium life insurance rose to €446 million. Savings deposits grew by €0.9 billion (8.2%) to €12.2 billion, with the market share increasing to 5.9%.

SNS Bank is growing fast in the Randstad, both commercially and with respect to the number of clients and offices. ASN Bank, the bank for sustainable banking, has attracted more than 30,000 new clients in the past half-year, with deposits increasing by 19% to €2.0 billion. At CVB Bank, the intermediary bank, the number of intermediaries with whom it does business has risen to more than 400. REAAL Verzekeringen achieved a major part of its growth with the top 200 intermediaries. The planned acquisition of Nieuwe Hollandse Lloyd will also provide a major strengthening of our position in the non-life market: it will increase the non-life portfolio by 40%. The partnership with De Goudse, which was established last month, means that we can soon start selling absence insurance under our own name.

Sjoerd van Keulen commented: 'One of our priorities is to support our clients in asset creation by offering savings and investments products. Particularly in the field of investments, we are coming up with innovative and successful new service concepts.'

With the SNS Managed Account, personal asset management is accessible to a large group of clients with assets starting at €20,000. SNS Fundcoach offers do-it-yourself (DIY) investors access to high-ranking investment funds to enable them to build up a sound investment portfolio.

'Financially, SNS REAAL Group is strong', says Sjoerd van Keulen. 'We have achieved excellent operating profits, the efficiency ratios of SNS Bank and REAAL Verzekeringen improved considerably and our solvency is in good shape.'

For the First time, SNS REAAL Group publishes the results on the basis of IFRS principles. In this transitional year, some figures are not easy to compare with those of the year before. The transparency envisaged by IFRS, therefore, has not yet been fully achieved.

The positive developments identified above are reflected in the results. Income has risen and expenses have decreased. Total income of SNS REAAL Group rose by 1.2% to €1.7 billion. Interest income of SNS Bank rose by 5.0% to €314 million, and commission and management fees increased by 9.6% to €57 million. At REAAL Verzekeringen, regular life insurance premiums increased by 4.7% to €446 million; the new annual premium earned with life operations rose by 5.8% from €86 million to €91 million. Non-life premiums stabilised at €165 million. Combined with the strictly monitored operating expenses, the lower cost of claims resulted in an unchanged good combined ratio at 95.2%.

Total expenses of SNS REAAL Group dropped by 1.6% to €1.5 billion. This is mainly the result of strict cost control and reduced additions to the credit provisions. The favourable cost development at SNS Bank led to a further improvement in the efficiency ratio to 57.9% (year-end 2004: 63.3%). REAAL Verzekeringen also achieved an improvement in the cost/premium ratio again from 17.3% (year-end 2004) to 15.6%.

At 15.2%, return on shareholders' equity of SNS REAAL Group is well above the minimum target of 12.5%. In addition, SNS REAAL Group maintains its strong solvency position. At SNS Bank, the BIS ratio is 11.3% and the Tier-1 ratio 8.2%. The solvency ratio for Life and Non-life operations at REAAL Verzekeringen increased to 261% and 333% respectively.

Consolidated results presented on the basis of IFRS			
In € millions	First half-year 2005	First half-year 2004	Change
Income			
Net interest income	314	299	5.0%
Net commission and management fees	57	52	9.6%
Other income	16	7	128.6%
Total income of SNS Bank	387	358	8.1%
Regular life premiums	446	426	4.7%
Single-premium policies	272	342	(20.5%)
Non-life premiums	165	165	0.0%
Investment income	476	411	15.8%
Other income	15	15	0.0%
Interest charges	(23)	(27)	14.8%
Total income of REAAL Verzekeringen	1,351	1,332	1.4%
Other income and eliminations	(14)	13	
Total income	1,724	1,703	1.2%
Expenses			
Technical expenses, insurance operations	1,072	1,060	1.1%
Staff costs	222	219	1.4%
Other operating expenses	124	133	(6.8%)
Total operating expenses	346	352	(1.7%)
Acquisition costs from insurance contracts	64	77	(16.9%)
Value adjustments to loans and advances	23	40	(42.5%)
Total expenses	1,505	1,529	(1.6%)
Profit before tax	219	174	25.9%
Taxes	56	40	40.0%
Net profit	163	134	21.6%

Financial developments SNS REAAL Group

In the First half-year of 2005, a net profit of €163 million was achieved, compared to €134 million for the same period last year, representing an increase of 21.6%. The 21.6% growth in profits resulted from both an increase in income and a decrease in expenses.

Total income increased by 1.2% to €1,724 million in the First half of 2005. Total income of SNS Bank grew by 8.1% to €387 million. Thus interest income rose by €15 million (+5.0%) to €314 million, and commission and management fees increased by no less than 9.6% to €57 million.

Total income at REAAL Verzekeringen increased by 1.4% to €1,351 million. New annual premium earned with life operations increased by €5 million (+5.8%) to €91 million. Regular premium life insurance rose by 4.7% to €446 million, while single-premium decreased by 20.5% amid strong price competition. The non-life premiums remained at the same level.

Investment income at REAAL Verzekeringen increased by 15.8% to €476 million. With the adoption of IFRS standards IAS 32 and 39 starting in 2004 instead of 2005, investment income for own account would have risen by 8.4% to €285 million. The decrease in the investment income for own account and the doubling of the investment income on behalf of policyholders led to an increase of 15.8% in total investment income.

The increase in income was accompanied by a 1.6% decrease in the expenses to €1,505 million (First half of 2004: €1,529 million). This drop in expenses was mainly caused by the lower addition to credit provisions, leading to falling value adjustments to loans and advances, due to the capitalisation of internal acquisition costs as at 1 January 2005 (net impact €11 million), and a reduction in other operating expenses. The stabilisation of the expenses is the result of strict monitoring of the operating expenses, which led to a limited increase in staff costs of only 1.4% and an improvement of the efficiency ratios.

The technical insurance expenses, including profit sharing and rebates, rose slightly by 1.1% to €1,072 million. The technical insurance expenses for own account dropped by 9.9% to €647 million under the influence of, amongst other things, the lower single-premium income at the life operations and the lower claims at the non-life operations. Technical insurance expenses for account and risk of policyholders increased by 24.2% to €375 million because of the positive stock market developments.

SNS REAAL Group's net assets have grown by 7.6% to €65.8 billion from €61.1 billion at year-end 2004.

Compared to year-end 2004, group equity of SNS REAAL Group rose by €412 million from €1,880 million to €2,292 million. This increase in equity was caused by the net profit for the First half-year of 2005 (€163 million), the non-recurring equity adjustments following the First-time adoption of IAS 32 and 39 (€116 million) and direct movements in equity (€133 million, in particular unrealised value adjustments on investments).¹

With 15.2% (year-end 2004: 15.6%), return on shareholders' equity remains high and considerably exceeds the minimum requirement of 12.5%.

The strong solvency position of SNS Bank remains unchanged. The BIS ratio is 11.3% (year-end 2004: 11.7%), and the Tier-1 ratio 8.2% (year-end 2004: 8.6%).

The solvency of REAAL Verzekeringen increased substantially, both in the life and the non-life operations. At Life, it increased from 231% to 261%, and at Non-life from 265% to 333%.

¹) For further information, please refer to the table on page 11.

Results on the basis of IFRS			
In € millions	First half-year 2005	First half-year 2004	Change
Income			
Net interest income	314	299	5.0%
Net commission and management fees	57	52	9.6%
Other income	15	8	87.5%
Share in the result of associated subsidiaries	1	(1)	
Total income	387	358	8.1%
Expenses			
Staff costs	127	122	4.1%
Other operating expenses	97	96	1.0%
Total operating expenses	224	218	2.8%
Value adjustments to loans and advances	20	32	(37.5%)
Total expenses	244	250	(2.4%)
Profit before tax	143	108	32.4%
Taxes	34	28	21.4%
Net profit	109	80	36.3%
	30 June 2005	31 December 2004	
Return on shareholders' equity	16.4%	12.3%	
Efficiency ratio	57.9%	63.3%	
BIS ratio	11.3%	11.7%	
Tier-1 ratio	8.2%	8.6%	

Financial developments SNS Bank

For the First half-year of 2005, SNS Bank posted a net profit of € 109 million, representing an increase of 36.3%. The operating profit before taxation rose from € 108 million to € 143 million (+32.4%). In addition to an increase in total income, SNS Bank also achieved a decrease in total expenses.

Compared to year-end 2004, the mortgage portfolio increased by € 2.3 billion to € 41.3 billion. In the First half of 2005, a total of € 1.5 billion was securitised, bringing the total of securitised mortgages to € 6.6 billion. Under IFRS, the securitised portfolio is stated in the balance sheet. The market share – measured in the number of new mortgages – came to 8.8% (2004: 9.1%).

The savings increased by 8.2% to € 12.2 billion. The successful product SNS SpaarMix is responsible for the biggest share in this increase. The market share increased to 5.9% (year-end 2004: 5.7%).

Total income rose by 8.1% from € 358 million to € 387 million. Interest income grew by € 15 million to € 314 million (+5.0%). In addition to the sales efforts in the mortgage field, the relatively high income from penalty interest had a positive effect on the interest income.

Commission income increased by 9.6% to € 57 million. SNS Bank sold more insurance policies, and securities commission also increased mainly because SNS Securities supervised two placements.

Total expenses decreased by 2.4% from € 250 million to € 244 million. Strict cost control resulted in only a limited increase in staff and other operating costs. The easing of the expenses burden was mainly the result of a drop in the value adjustments to loans and advances (-37.5%) because of reduced additions to credit provisions, which fell to € 20 million as a consequence.

The outlined development of the expenses and income led to an improvement of the efficiency ratio to 57.9% (year-end 2004: 63.3%).

The return on shareholders' equity of SNS Bank increased strongly from 12.3% to 16.4% due to robust growth in profits.

REAAL Verzekeringen

Results on the basis of IFRS			
In € millions	First half-year 2005	First half-year 2004	Change
Income			
Regular life premiums	446	426	4.7%
Single-premium policies	272	342	(20.5%)
Non-life premiums	165	165	0.0%
Net premium income	883	933	(5.4%)
Investment income	285	315	(9.5%)
Income from unit-linked products	191	96	99.0%
Net commission and management fees	14	14	0.0%
Participation in the result of associated subsidiaries	1	1	0.0%
Total income	1,374	1,359	1.1%
Expenses			
Technical expenses, insurance operations	1,072	1,060	1.1%
Staff costs	70	75	(6.7%)
Other operating expenses	44	40	10.0%
Total operating expenses	114	115	(0.9%)
Acquisition costs from insurance contracts	69	81	(14.8%)
Interest charges	23	27	(14.8%)
Value adjustments to loans and advances	2	5	(60.0%)
Total expenses	1,280	1,288	(0.6%)
Profit before tax	94	71	32.4%
Taxes	30	20	50.0%
Net profit	64	51	25.5%
Net profit from Life insurance	52	35	48.6%
Net profit from Non-life insurance	12	16	(25.0%)
	30 June 2005	31 December 2004	
Return on shareholders' equity	12.5%	14.2%	
Cost / premium ratio	15.6%	17.3%	
Solvency of the Life operations	261.0%	231.0%	
Solvency of the Non-life operations	333.0%	265.0%	
New annual premium earned Life operations (in € millions)	91	86	
Combined ratio Non-life operations	95.2%	92.3%	

Financial developments REAAL Verzekeringen

In the First half of 2005, REAAL Verzekeringen achieved growth in net profits of 25.5% to €64 million (First half 2004: €51 million). The growth in profits was achieved through an increase in total income on the one hand, and a decrease in total expenses on the other.

The Life operations result increased substantially, with net profits rising by €35 million to €52 million (+49%). The profit of Non-life operations dropped to €12 million because of non-recurrent net income of €6 million being included in the 2004 profit of €16 million. Excluding this item, net profit rose by 20%.

Total income rose by 1.1% from €1,359 million to €1,374 million. The market share for new production of regular-premium individual life insurance policies increased by 12.6% (year-end 2004) to 14.2%. The new annual premium earned with life operations increased by 5.8% from €86 million to €91 million. Regular premium life insurance rose by 4.7% to €446 million, while single-premium insurance decreased by 20.5% amid strong price competition. The non-life premiums remained unchanged at the same level.

Investment income declined by €30 million from €315 million to €285 million. The development of the investment income is affected by the adoption of IFRS standards (IAS 32 and 39), which were not included in the comparative figures for 2004. Restated under the same principles as 2005, the investment income for the First half-year of 2004 would amount to €263 million instead of €315 million. In relation to the restated investment income for the First half-year of 2004, investment income rose by €22 million (+8.4%) to €285 million.

Total expenses at €1,280 million remain virtually unchanged compared to 2004 (€1,288 million). Technical insurance expenses increased slightly by 1.1% to a total of €1,072 million. Those expenses for own account dropped by 9.9% to €647 million, while those for account and risk of policyholders rose by 24.2% to €375 million.

The drop in acquisition costs result from the capitalisation of internal acquisition costs as at 1 January 2005, the effect of which amounts to €11 million net. Staff costs decreased by 6.7% to €70 million.

A good non-life result was achieved for the First half-year. The Non-life gross premium income remained unchanged at €165 million. The low cost of claims means that the loss ratio was maintained at the low level of 51.4% (year-end 2004: 55.0%). Combined with the strictly monitored operating expenses, the lower cost of claims resulted in a good combined ratio that is unchanged at 95.2%.

The outlined developments in the income and expenses field again resulted in an improvement of the cost/premium ratio to 15.6% (year-end 2004: 17.3%).

Because of additions to shareholders' equity from unrealised gains and losses on the portfolio available for sale under IFRS, shareholders' equity increased in 2005. Despite a positive development in net profits, this led to a drop in the return on shareholders' equity to 12.5% (year-end 2004: 14.2%).

Implementation of IFRS

First half-year 2005 results is the first time SNS REAAL Group publishes its figures on the basis of IFRS. 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 Group. As a result, the figures in this transitional year are not so easy to compare.

Appendix 1 to this press release explains the most important changes in the accounting principles. More detailed information on this is available at www.snsreaalgroup.com

Most important differences in accounting principles

With effect from 1 January 2004

The most important changes in the First-time adoption of IFRS on 1 January 2004 concern the valuation of the pension provisions and the fund for general banking risks (FAR). The pension provisions for staff were stated on the basis of RJ 271. Under IFRS, IAS 19 is applied, with the actuarial differences to be amortised as at 1 January 2004 being charged to shareholders' equity in one go. In addition, the transition from final to average pay is also incorporated as at this date. IFRS no longer permits holding the fund for general banking risks (FAR), which has accordingly been added to shareholders' equity as at 1 January 2004 as well. Furthermore, securitised mortgages under IFRS are recognised on the balance sheet with effect from 1 January 2004.

With effect from 1 January 2005

On 1 January 2005, IAS 32 and 39 and IFRS 4 were also applied for the First time under IFRS. Financial instruments are stated at fair value more than before. Consequently, the investment portfolio insofar as available for sale is stated at market value. Unrealised value adjustments concerning this portfolio are taken directly to shareholders' equity, taking account of deferred taxes. Swap results are no longer amortised but taken directly to the profit and loss account.

In addition, derivatives are stated at market value under IFRS and included on the balance sheet. Fair value and cash flow hedge accounting under IFRS are used for transactions that meet the hedge accounting criteria of IAS 39 as at 1 January 2005.

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. The credit provisions have also been adjusted to meet the IFRS accounting principle.

The impact of IFRS on the result of SNS REAAL Group

Under IFRS, excluding IAS 32 and 39

The table below (see page 10) 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 Group. This difference is primarily due to changes in the accounting for pensions.

Net profit for the First half-year of 2005 amounts to € 163 million, representing an increase of 21.6% compared to net profit of € 134 million for the First half-year of 2004.

Under IFRS, including IAS 32 and 39 (pro forma calculation)

Based on a pro forma calculation, the result for the First half-year of 2004 (including the adoption of IAS 32 and 39 with effect from 1 January 2004) would be € 103 million. In that case, the net increase in profits for the First half-year of 2005 would be € 60 million (+ 58.3%). Under IFRS, including IAS 32 and 39, the annual result for 2004 would be € 224 million, compared to € 288 million excluding IAS 32 and 39.

The most important differences resulting from IAS 32 and 39 between the pro forma calculation of the net profit for the First half-year of 2004 and the recognised net profit for 2004 excluding the adoption of IAS 32 and 39 concern: swap

results on the fixed-income securities investment portfolio no longer being amortised; the indirect return method no longer being applied to the share portfolio; and, finally, the application of cash flow hedge accounting. In this context, it should be born in mind that several financial transactions in 2004 are not geared to recognition under IFRS.

The impact of IFRS on the consolidated net profit		
In € millions	First half-year 2004	2004
Net operating result under SRG GAAP	126	257
Net non-recurring income	24	53
Net profit under SRG GAAP	150	310
Interest income	141	292
Interest charges	(146)	(301)
Other operating income and expenses	(33)	(43)
Taxes	13	11
Minority interests	9	18
Total adjustment to 2004 result following adoption of IFRS	(16)	(22)
Net profit under IFRS	134	288
Net non-recurring income	--	29
Net operating result under IFRS	134	259

The impact of IFRS on shareholders' equity of SNS REAAL Group

The Statement of movements in shareholders' equity for the First half-year of 2005 (see page 11) shows that the First-time adoption of IFRS leads to a drop in shareholders' equity of € 60 million to € 1,583 million as at 1 January 2004. This drop is mainly due to non-recurring changes in the pension provision at the First-time adoption of IFRS and revaluation of real estate, which is partly compensated by the addition to shareholders' equity from the fund for general risks as a result of the implementation of IFRS.

The IFRS standards IAS 32 and 39 were subsequently applied to the opening balance as at 1 January 2005. This application led to an increase in shareholders' equity of € 116 million to € 1,996 million as at 1 January 2005. This increase primarily concerns the valuation of the investment portfolio insofar as available for sale and the application of cash flow hedge accounting.

For more details about the equity adjustments to shareholders' equity as at 1 January 2004 and 2005, please refer to the table 'The impact of IFRS on shareholders' equity' (see page 11).

Statement of movements in shareholders' equity for the First half-year of 2005

In € millions	First half-year 2005	First half-year 2004	2004
Shareholders' equity at beginning of period under SRG GAAP	1,962	1,643	1,643
Equity adjustments following adoption of IFRS	(60)	(60)	(60)
Adjustment to 2004 result following adoption of IFRS	(22)		
Shareholders' equity at beginning of period under IFRS (excluding IAS 32 and 39)	1,880	1,583	1,583
Equity adjustments following adoption of IAS 32 and 39	116		
Shareholders' equity at beginning of period under IFRS	1,996	1,583	1,583
Net profit	163	134	288
Revaluation of shares available for sale	27		
Revaluation of fixed-income securities available for sale	47		
Revaluation of real estate	2		
Revaluation as a result of cash flow hedge accounting	61		
Other	(4)	6	9
Total changes	133	6	9
Shareholders' equity at end of period under IFRS	2,292	1,723	1,880

The impact of IFRS on shareholders' equity

In € millions	1 January 2005	1 January 2004
Shareholders' equity under SRG GAAP	1,962	1,643
Equity adjustments following adoption of IFRS:		
Pension provision	(111)	(111)
Fund for general banking risks	70	70
Revaluation of buildings	(14)	(14)
Participation certificates tax effect	(6)	(6)
Provisions	1	1
	(60)	(60)
Adjustment to 2004 result following adoption of IFRS:	(22)	
Equity adjustments following adoption of IAS 32 and 39:		
Investment portfolio	130	
Funding / Market maintenance	(36)	
Mortgages	30	
Credit provisions	(15)	
Derivatives	9	
Other	(2)	
	116	
Shareholders' equity under IFRS	1,996	1,583

Prospects for 2005

It was announced in the 2004 annual report that the financial reporting in 2005 would be prepared in accordance with IFRS, with the stated anticipation that these guidelines would lead to greater fluctuations in the result and shareholders' equity. Both the implementation of IFRS and less favourable external conditions, such as the slow recovery of the Dutch economy, were at the time reasons for not making profit forecasts for 2005.

Based on the current situation, and barring any unforeseen circumstances, the Group Executive Board expects that SNS REAAL Group, in line with the financial targets, will achieve a net profit growth of at least 10% for the whole of 2005 compared to the net operating result for 2004²⁾. We do not expect the profit development in the First half of 2005 to continue unchanged in the second half of this year.

²⁾ Net operating result is the net profit adjusted for non-recurring income and expenses (see page 10).

SNS REAAL Group profile

SNS REAAL Group is an innovative banking and insurance provider with total assets of € 66 billion and more than 5,200 employees (in FTEs). It serves its private and business clients primarily through its main brands of SNS Bank and REAAL Verzekeringen.

SNS Bank serves its clients through its own branch offices, independent intermediaries, the internet and the telephone. REAAL Verzekeringen markets its products and services primarily through independent intermediaries.

In addition to the two main brands, SNS REAAL Group also includes various sales labels that operate in a specific market: ASN Bank, BLG Hypotheken, CVB Bank, Proteq Direct, SNS Securities and SNS Asset Management.

SNS REAAL Group attaches great value to the principle of socially responsible – or ethical – business practice. This is demonstrated, for instance, by the development of sustainable savings, investment and insurance products, conducting specialised social research and sponsoring at national, regional and local levels.

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Proviso concerning forecasts made

This press release includes forecasts about future events. These forecasts are based on the current insights and assumptions of the management of SNS REAAL Group with respect to known and unknown risks and uncertainties.

The forecast expectations do not concern absolute facts and are subject to risks and uncertainties. The actual results can deviate considerably from these as a result of the risks and uncertainties that are related to the expectations of SNS REAAL Group with respect to, among other things, estimates of market risks or possible acquisitions, or with respect to expansion and growth in premium income and investment income or cash flow expectations or, more generally, the economic climate and legal and tax developments.

SNS REAAL Group would like to emphasise that the expectations only apply to specific data, and accepts no liability for the revision or adjustment of any information following changes in policy, developments, expectations or suchlike.

APPENDIX 1: Changes in accounting principles and impact of IFRS

1 General principles

SNS REAAL Group adheres to the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). SNS REAAL Group has opted to use the EU-endorsed IFRS standards as the basis for financial reporting because, together with a number of other European banks, SNS REAAL Group believes that this gives a better reflection of the asset and liability management of European banks, especially in the areas where fixed interest plays a major role. During 2005 new IFRS requirements and/or interpretations will be introduced. This could mean that the principles below may differ from those actually applied in the 2005 annual accounts.

2 Changes in accounting principles

In 2005 SNS REAAL Group started applying IFRS. The comparable figures for 2004 have been restated under IFRS. All figures compare the First half of 2005 with the First half of 2004, unless stated otherwise. However, SNS REAAL Group has made use of the option offered under IFRS 1 to not adjust the comparable figures for IFRS 4, IAS 32 and IAS 39. Financial instruments and insurance contracts are reported in the comparable figures for 2004 according to the old accounting principles (SRG GAAP). SNS REAAL Group has implemented IFRS retrospectively using the following transitional definitions:

- ⊙ Goodwill is only activated for acquisitions after January 1, 2004. Goodwill on acquisitions before that date is charged to equity and not adjusted for.
- ⊙ Hedge accounting is applied to hedging transacted as of January 1, 2005 that meets the hedge accounting criteria in IAS 39.
- ⊙ Actuarial losses on pensions and other pension provisions that are not included in the results are charged to equity as of January 1, 2004.

The principles according to IFRS, including the choices made in this respect by SNS REAAL Group, are described in the accounting principles of SNS REAAL Group, available at www.snsreaalgroup.com

3 Statement of differences between IFRS and SNS REAAL Group GAAP

The statement of differences between the valuation principles as applied to the 2004 annual accounts (SRG GAAP) and IFRS (as applied from 2005) is shown in the following paragraphs below:

- ⊙ Differences between SNS REAAL Group GAAP and IFRS excluding IFRS 4, IAS 32 and IAS 39, which have been applied to the comparable figures for 2004 from January 1, 2004;
- ⊙ Differences as a result of implementing IFRS 4, IAS 32 and IAS 39 as of January 1, 2005.

Differences between SNS REAAL Group GAAP and IFRS excluding IFRS 4, IAS 32 and IAS 39

Securitisation: We have consolidated the securitised mortgage portfolio as of 2004, the introduction of IFRS.

Goodwill: Under SRG GAAP, goodwill was charged to equity. Goodwill charged to equity before January 1, 2004 will not be adjusted. Under IFRS, goodwill is activated and subjected to a periodic impairment test.

Real estate – Investments in real estate: Under IFRS, investments in real estate are valued at fair value, whereby changes in value are reported directly in the profit and loss account. Under SRG GAAP, investments in real estate were also valued at fair value, only changes in value were charged to equity under the revaluation reserve. Also under SRG GAAP, when the real estate was sold the final balance of the revaluation reserve was reported in the profit and loss account.

Real estate – Real estate for own use: Under both IFRS and SRG GAAP, real estate for own use is valued at fair value, whereby changes in fair value, making allowance for latent taxes, are reported in equity (the revaluation reserve). 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. Under SRG GAAP depreciation was not applied to buildings used by REAAL Verzekeringen. Real estate for own use was included under Investments in real estate. When sold, under SRG GAAP the relevant share of the revaluation reserve was booked in the results. Under IFRS, the results of sales of real estate for own use are not shown in the results.

Staff pension provisions: The accounting principles for pensions change under IFRS. Under IFRS, IAS 19 is followed, whereas under SRG GAAP, RJ 271 was applied. In addition, the pension scheme was changed as of January 1, 2004, from a defined benefit scheme to a defined contribution scheme. With the adoption of IFRS, all actuarial losses not yet included in the results as of January 1, 2004, are charged to equity.

General bank risk reserve: Under SRG GAAP there was a provision for general bank risk. Under IFRS, this provision has been added to the other provisions.

Classification of shareholders' equity instruments: Under SRG GAAP, the participation certificates of SNS Bank NV were classified as shareholders' equity. At a consolidated level, this was presented as a third-party interest. Under IFRS, these instruments are treated as liabilities. As a result of this change, the comparable figures have been adjusted as of the start of 2004. This item is still a component of regulatory capital used to calculate the solvency ratio.

Taxes: Treatment of latent taxes has been adjusted as a result of the above differences between SRG GAAP and IFRS.

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

Participations: Under SRG GAAP, participations were valued at purchase price or lower market value. Under IFRS, participations in which SNS REAAL Group has no significant influence are valued at actual value, whereby changes in value are accounted for in the revaluation reserve in equity.

Investments: under IFRS, investments fall into 3 categories, namely:

- ⊙ *At fair value through income.* This subcategory refers to items such as investments for unit-linked products and trading positions held. The valuation under IFRS is the same as with SRG GAAP, namely the market price on the last reporting day. However, the definitions of impairment are based on a stricter methodology. In addition, under SRG GAAP, REAAL Verzekering accounted for unrealised and realised gains and losses on shares in the revaluation reserve, making allowance for latent taxes. Of this, an amount was included in the profit and loss account to top up the dividend (indirect yield method). Under IFRS, results achieved on shares are reported directly in the profit and loss account.
- ⊙ *Available for sale.* This subcategory includes stock exchange-listed debt paper that is not part of a trading portfolio and that is also not being held to maturity. These debt instruments are accounted for at fair value. Under IFRS, changes in fair value, taking into account latent taxes, are reported in the revaluation reserve line in equity, while realized gains or losses are reported in the profit and loss account. Under SRG GAAP, these instruments were listed at redemption value. The difference between redemption value and the acquisition price is stated under accrued assets or accrued liabilities. Over the remaining maturity of the paper it is 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 in the relevant portfolio.
- ⊙ *Held to maturity.* Under IFRS, these loans are valued at amortised cost. The balance of costs and provisions, paid-up and received, is activated 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 SRG Gaap. The difference was reported in the profit and loss account on a linear basis according to the remaining life.

Loans, funding and hybrid savings products: These items are valued under IFRS at amortised cost. Costs and provisions are activated and amortised. Under SRG GAAP, loans were reported at redemption value. The balance of costs and provisions, paid-up and received, are largely reported directly in the profit and loss account. This applies, for example, to mortgage arrangement fees. Under IFRS, the effective yield method is applied to the amortisation of premiums and discounts, while under SRG GAAP these were reported to the profit and loss account on a linear basis. Profits or losses realised are reported under IFRS in the profit and loss. Under SRG GAAP, they were amortised over the remaining maturity.

Derivatives and embedded derivatives: Derivatives and embedded derivatives are accounted under IFRS according to fair value. Derivatives are presented under IFRS on balance sheet. Both realised and unrealised gains are reported in the profit and loss account with the exception of cash flow hedge accounting.

Hedge accounting: Changes in the fair value of derivatives used for cash flow hedging are, with allowance made for latent taxes, recognised as equity under IFRS. They are included in the profit and loss when the result of the hedged item is reported in the profit and loss account. In the case of fair value hedges, the hedged assets or liabilities are valued at fair value regarding the hedged risk. Changes in value are reported in the profit and loss. These changes in value (partially) compensate those changes in value included in the profit and loss account that relate to the derivative acting as hedge instrument.

Provision for credit risks: Under IFRS, specific allowances for bad debts are made according to a stricter methodology, as in the case of the provision made for Incurred But Not Reported loss reserves (IBNR) in the portfolio. In the case of commercial loans, the present value is determined on a case by case basis based on estimated future cash flows.

APPENDIX 2: Financial summaries

Consolidated profit and loss account SNS REAAL Group			
In € millions	First half-year 2005	First half-year 2004	Change
Income			
Net interest income SNS Bank	314	299	5.0%
Net interest income Holding	(10)	3	
Net interest income	304	302	0.7%
Regular life premiums	446	426	4.7%
Single-premium policies	272	342	(20.5%)
Non-life premiums	165	165	0.0%
Net premium income	883	933	(5.4%)
Net commission and management fees	63	59	6.8%
Investment income	489	420	16.4%
Share in the result of associated subsidiaries	5	13	(61.5%)
Interest charges, insurance operations	(20)	(24)	16.7%
Total income	1,724	1,703	1.2%
Expenses			
Technical expenses, insurance operations	1,072	1,060	1.1%
Staff costs	222	219	1.4%
Other operating expenses	124	133	(6.8%)
Total operating expenses	346	352	(1.7%)
Acquisition costs from insurance contracts	64	77	(16.9%)
Value adjustments to loans and advances	23	40	(42.5%)
Total expenses	1,505	1,529	(1.6%)
Profit before tax	219	174	25.9%
Taxes	56	40	40.0%
Net profit	163	134	21.6%

Profit and loss account for SNS Bank

In € millions	First half-year 2005	First half-year 2004	Change
Income			
Interest income	999	1,053	(5.1%)
Interest charges	685	754	(9.2%)
Net interest income	314	299	5.0%
Commission and management fees received	76	69	10.1%
Commission and management fees paid	(19)	(17)	11.8%
Net commission and management fees	57	52	9.6%
Other income	15	8	87.5%
Share in the result of associated subsidiaries	1	(1)	
Total income	387	358	8.1%
Expenses			
Staff costs	127	122	4.1%
Other operating expenses	97	96	1.0%
Total operating expenses	224	218	2.8%
Value adjustments to loans and advances	20	32	(37.5%)
Total expenses	244	250	(2.4%)
Profit before tax	143	108	32.4%
Taxes	34	28	21.4%
Net profit	109	80	36.3%

Profit and loss account for REAAL Verzekeringen

In € millions	First half-year 2005	First half-year 2004	Change
Income			
Regular life premiums	446	426	4.7%
Single-premium policies	272	342	(20.5%)
Non-life premiums	165	166	(0.6%)
Net premium income	883	934	(5.5%)
Investment income	285	314	(9.2%)
Income from unit-linked products	191	96	99.0%
Net commission and management fees	14	14	0.0%
Share in the result of associated subsidiaries	1	1	0.0%
Total income	1,374	1,359	1.1%
Expenses			
Technical expenses, insurance contracts	647	718	(9.9%)
Technical expenses, unit-linked products	375	302	24.2%
Profit-sharing and rebates	50	40	25.0%
Technical expenses, insurance operations	1,072	1,060	1.1%
Staff costs	70	75	(6.7%)
Other operating expenses	44	40	10.0%
Total operating expenses	114	115	(0.9%)
Acquisition costs from insurance contracts	69	81	(14.8%)
Interest charges	23	27	(14.8%)
Value adjustments to loans and advances	2	5	(60.0%)
Total expenses	1,280	1,288	(0.6%)
Profit before tax	94	71	32.4%
Taxes	30	20	50.0%
Net profit	64	51	25.5%

Consolidated balance sheet SNS REAAL Group

In € millions	30 June 2005	31 December 2004	Change
Assets			
Goodwill and other intangible fixed assets	132	136	(2.9%)
Tangible fixed assets	300	300	0.0%
Real estate investments	124	125	(0.8%)
Investments in associated subsidiaries	58	51	13.7%
Investments for unit-linked products	2,888	2,793	3.4%
Investments for own risk	7,464	6,834	9.2%
Derivatives	1,316	127	936.2%
Deferred tax receivables	151	167	(9.6%)
Reinsurance contracts	278	285	(2.5%)
Loans and advances to clients	47,675	45,433	4.9%
Loans and advances to credit institutions	3,069	2,565	19.6%
Other tax receivables	34	58	(41.4%)
Other assets	719	854	(15.8%)
Cash and cash equivalents	1,562	1,391	12.3%
Total assets	65,770	61,119	7.6%
Liabilities			
Shareholders' equity:			
Share capital	340	340	0.0%
Other reserves	1,789	1,252	42.9%
Net profit	163	288	(43.4%)
Third-party interests	--	--	--
Group equity	2,292	1,880	21.9%
Commitments:			
Participation certificates and subordinated debts	1,580	1,451	8.9%
Debt certificates	24,744	23,486	5.4%
Technical provisions, insurance operations	11,665	11,334	2.9%
Provisions	52	58	(10.3%)
Staff pension provisions	40	187	(78.6%)
Derivatives	1,297	42	2,988.1%
Deferred tax liabilities	165	84	96.4%
Amounts owed to clients	7,639	7,339	4.1%
Debts to credit institutions	2,926	2,496	17.2%
Funds entrusted	12,181	11,261	8.2%
Other tax liabilities	74	36	105.6%
Other commitments	1,115	1,465	(23.9%)
Total commitments	63,478	59,239	7.2%
Total liabilities	65,770	61,119	7.6%