SNS Bank

Annual Report 2007

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SNS Bank

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Registered at the Trade Register of the Chamber of Commerce in Utrecht under no. 16062338

Contents

SNS Bank in brief

Profile

SNS Bank, part of SNS REAAL, is an innovative service provider in the banking sector with a prime focus on the Dutch retail market and on small and medium-sized enterprises. Its activities cover two main product groups: mortgages and property finance & savings and investments.

With a balance sheet total of € 70,584 million, SNS Bank is one of the major financial companies in the Netherlands. SNS Bank has always felt close to Dutch society. The organisation and the way in which its 3,174 employees operate are characterised by social involvement and keeping a close watch on the latest developments.

As a bank, SNS Bank holds a distinct position in its market by quickly and effectively translating client needs into accessible and transparent products. In-depth knowledge of products and efficiently designed processes lead to effective standardisations and combination options within product and client groups. SNS Bank is a strong and flexible organisation that, through its core brand SNS Bank and specialised sales labels enjoys strong positions in the Dutch market.

Operations and market positions

SNS Bank sells its housing and commercial mortgages, savings, investment and insurance products directly through its own branch offices, independent intermediaries, the internet and telemarketing, as well as indirectly through SNS Regio Bank's franchise outlets. The investment products range from do-it-yourself to advisory products and asset management. Through SNS Property Finance, SNS Bank is one of the major financers of property investments and projects in the Netherlands. SNS Property Finance is also active internationally.

Corporate values

- Client focus
- Professional
- Honest
- Socially responsible

Key figures SNS Bank

In € millions	2007	2006	2005	2004	2003
Total assets	**70,584**	**64,382**	**53,098**	**47,242**	**38,327**
Loans and advances to clients	60,236	56,248	45,225	41,645	32,589
Of which mortgage loans	46,172	44,930	42,558	38,937	29,871
Loans and advances to credit institutions	1,092	3,607	4,118	2,478	2,031
Amounts due to clients	27,025	20,697	19,827	17,900	16,946
Of which savings	19,179	13,678	12,333	10,973	10,127
Amounts due to credit institutions	5,066	7,299	3,103	2,295	2,361
Debt certificates	32,182	30,841	25,465	23,198	15,160
Equity attributable to shareholders	2,209	2,097	1,440	1,313	1,221
Capital base	3,887	3,545	2,590	2,480	2,370
Net interest income	783	567	595	571	587
Other income	155	201	169	125	111
Of which net commission and management fees	129	120	114	109	92
Net profit attributable to shareholders	**272**	**214**	**204**	**151**	**129**
Net profit Retail Banking	**186**	**208**	**204**	**151**	**129**
Net profit Property Finance [1]	**86**	**6**	--	--	--

In percentage	31-12-2007	31-12-2006	31-12-2005	31-12-2004	31-12-2003
Ratios					
Return on shareholders' equity	12.6%	14.1%	14.9%	12.0%	8.1%
Efficiency ratio	60.3%	62.6%	59.8%	63.1%	64.6%
BIS ratio	11.5%	11.2%	11.9%	11.7%	11.9%
Tier 1 ratio	8.4%	8.2%	8.7%	8.7%	8.3%
Number of branches SNS Bank	146	167	167	176	198
Number of agencies SNS Regio Bank	727	438	422	377	330
Number of cash dispensers	513	308	325	324	344
Number of employees (fte's, average)	3,223	3,197	3,158	3,328	3,417

[1]) Comparative figure net profit Property Finance 2006 relates only to December 2006.

Mission, activities, strategy and objectives

Mission

SNS Bank strives to be the preferred financial specialist for retail and SME clients*) in the Netherlands. We want to enable our clients to secure their financial future by offering accessible and transparent banking products. SNS Bank focuses mainly on the Dutch market. Its activities cover two main product groups: mortgages and property finance & savings and investments.

SNS Bank distinguishes itself in the markets it operates in by building strong market positions based on a tight focus on core product and client groups, great innovative capacity, largely standardised products and operational processes and complementary brands and distribution methods.

Activities

The table on page 8 summarises SNS Bank's businesses, brands, product groups and distribution channels.

Strategy

SNS Bank has a clear, straightforward strategy. Clear choices were made in our marketing strategy regarding product groups, client groups and market regions. SNS Bank also decided to optimise client access by using complementary brands and distribution channels. In this regard, SNS Bank uses shared centres for product development and administrative processing for its core product groups.

In implementing this strategy, SNS Bank makes its own choices regarding the best possible products, service concepts, product/market combinations, labelling and distribution channels. It does so in order to achieve its operational and financial objectives, while using the purchasing and cross-selling options within SNS REAAL.

SNS Bank's strategic priorities and operational objectives for the coming years are based in part on a SWOT analysis of the strengths and weaknesses of the organisation and the opportunities and threats in the market.

*) *The Dutch authorities consider 250 employees the upper limit of a medium-sized company. With some products, SNS Bank also focuses on larger companies. This is the case, in particular, with property finance.*

Strengths

- Focus on the Netherlands, client groups and core products
  SNS Bank has developed a great deal of expertise in developing, selling and distributing financial retail products in the Netherlands. Resources and management focus are concentrated on core product and clients groups, which partly explains the organisation's great innovative capacity. SNS Bank is one of the big players in the Dutch market for retail mortgages and property finance.
- Innovation
  Thanks to its efficient organisation, its specialisation in the retail and SME markets and a stimulating business culture, SNS Bank is frequently able to create outstandingly innovative products and services.
- Distribution
  The diversification in distribution channels leads to a high return on sales effort, making it possible for us to capitalise on specific opportunities in each distribution channel and to promote cross selling. Cooperation with intermediaries is also strong. This is important particularly in the mortgage market.
- Moderate risk profile
  Focusing on a limited number of banking products for retail and SME clients in the Netherlands, and properly balancing risk and return by means of continuous and proactive risk management, mitigates the risk profile.
- Operational organisation and ICT infrastructure
  In the Dutch banking sector, SNS Bank has a strong efficiency ratio. In addition, SNS Bank is a flexible and efficient organisation with a short time-to-market for its products. It is capable of rapidly making a good return on the companies it acquires, inter alia, through cost synergies, as has been demonstrated in recent years.

Weaknesses

- Dependence on mortgages
  The strong market position in mortgages means that a disappointing performance by this product group would have a relatively major adverse effect on the overall results.
- Scale
  In comparison to the largest players in the market, in a number of operations, SNS Bank's scale benefits are more limited.

Business	Brand	Product groups	Clients	Distribution channels
SNS Bank	SNS Bank	Mortgages, savings, investments, payments, insurance brokerage, commercial credit	Retail, SME	Branches, internet, intermediaries, telephone
	SNS Property Finance	Property finance (investments, projects, participations, structured financing, real estate leasing)	Companies, professional investors, project developers, housing corporations	Offices
	ASN Bank	Savings, investments	Retail	Internet
	SNS Regio Bank	Mortgages, savings, investments	Retail, SME	Franchise offices
	BLG Hypotheken	Mortgages	Retail, SME	Intermediaries, distribution partners
	SNS Securities	Securities research, institutional brokerage, corporate finance, asset management	Institutional (international), high-wealth retail	Account management
	SNS Fundcoach	Investment funds	Retail	Internet
	SNS Assurantiën	Insurance, pensions	SME	Offices, sales staff

- Brand recognition
  Compared to the brands of the major players, SNS Bank's brands are not as well known.

Opportunities

- Ageing
  The increasing number of elderly people in the Netherlands will lead to a greater demand in the long term for pensions and (supplementary) savings and investment plans for old age provisions. To take advantage of this, SNS Bank introduced a new bank savings scheme on favourable tax terms applicable since 1 January 2008.
- Under-representation in the Randstad urban area
  In the Randstad urban area, where the number of bank branches and franchises has recently been increased considerably, we have good opportunities for improving our market share.
- Under-representation in the SME-market
  There are opportunities for applying our knowledge and distribution channels more adequately in the SME-market for both banking and insurance products.
- Corporate sustainability, savings and investment
  The need for sustainable commercial operations and savings and investment products is increasing. With its specialist knowledge in this area, SNS Bank could capitalise on this development.
- Distribution of third-party products
  Selected sales of third-party banking products will contribute to improving our total product range and to profitable growth.
- International growth
  There are also good international growth opportunities for SNS Property Finance's property finance operations.

Threats

- Competition in mortgage market
  Our margins are permanently under pressure as a result of strong price competition in the market for mortgages.
- Vulnerability in the event of unfavourable interest developments
  Banks are dependent on the yield curve on the mortgage market. By definition, this makes them vulnerable to unfavourable interest rate developments.
- Increasingly legislative environment
  In the financial sector, changes in legislation and regulations demand frequent changes to products and data management. This leads to an increase in staffing and IT costs. Moreover, the risk of legal claims in the financial industry is increasing.

Strategic challenges

SNS Bank has identified a number of strategic challenges based on the complex of strengths, weaknesses, opportunities and threats. The most important strategic challenges are:

- SNS Bank uses the growth opportunities in the Randstad urban area by developing SNS Regio Bank, a franchise formula with 727 branches, of which 116 in the Randstad urban area. The development of SNS Regio Bank also contributes to improving SNS Bank's brand recognition.
- SNS Bank capitalises on the diversification and effectiveness of its distribution channels by

reinforcing the range of banking products with third-party products, enhancing the distribution share in a cost-efficient way.

- SNS Bank reduces its dependence on mortgages by focusing on growth markets, including sustainable asset growth and property finance.
- SNS Bank offsets its limited cost benefits from economies of scale with a short time-to-market and with innovative products and services based on its efficient organisation, its retail and SME specialisations and its stimulating corporate culture.

Strategic priorities

Also based on the SWOT analysis, SNS Bank has determined a main strategic course with the following three priorities: structural value development, focussing on retail and SME clients in the Netherlands and structural growth.

1 Structural value creation

SNS Bank aims to create value for all its stakeholders: in particular shareholders, clients, employees and society in general. We create growth and return for our shareholders while adequately controlling risks; we create accessible and transparent products for our clients that allow them to manage their financial future. Our staff is best served in this capacity by offering them the scope to develop their talents, while we serve society best through the sustainable development of our company based on a balanced concern for social, ethical and environmental issues.

Central features of SNS Bank's value management are:

- Diversification of income
  SNS Bank aims for diversification of income through the development or acquisition of companies with products that are supplementary to the existing activities.
- The distribution function
  SNS Bank produces its own products for which it has its own distribution channels as well as using partners' distribution channels, in which the intermediary plays a major role. Moreover, SNS Bank distributes third-party products through its distribution channels. SNS Bank views its distribution role as an important opportunity for creating value and seeks to strengthen it. This is why we are looking to strengthen the distribution function.
- Long-term relationships
  SNS Bank invests great effort into developing and maintaining long-term relationships with its clients and intermediaries. We wish to offer our clients accessible and transparent products with a good price/quality ratio. SNS Bank seeks to guarantee the integrity of staff and company in product development and contacts with clients.
- Cost control, synergy and economies of scale
  Cost control is essential. Our efficiency ratios are among the best in the Dutch financial market but will have to improve further. Standardisation of products, systems and processes generate significant benefits in synergy and scale without harming the great diversity of distribution methods. SNS Bank has gained considerable experience in integrating newly-acquired activities rapidly and efficiently.
- Attracting, developing and retaining talent
  SNS Bank invests in its staff and thus in the company's structural development. We offer an extensive programme of talent and leadership development. We support professional courses and 'training on the job', and promote mobility between business units in order to improve creativity, innovation and synergy. We offer opportunities for working at home and for flexible working hours, and for achieving a good balance between the careers and personal lives of our staff.
- Corporate Sustainability
  SNS Bank offers a broad range of sustainable products and services and aims to operate responsibly and supports social projects and activities. SNS Bank looks to combine responsible and commercial entrepreneurship.

2 Focus on retail and SME clients in the Netherlands

SNS Bank focuses on a number of client and product groups in the Netherlands. This leads to the efficient use of resources, distinctive brands and market positioning, and a moderate risk profile.

- Client groups
  SNS Bank targets retail and SME clients. Our markets are characterised by narrow margins, a broad product range, the growing use of the Internet and clients who look for a provider capable of quickly and effectively meeting their changing needs with appealing products. Customer focus is about product development, data processing, marketing and client contact. SNS Bank has embedded client focus throughout the organisation, where it plays an important role in our training and educational programmes.
- Product groups
  SNS Bank offers two product groups: mortgages and property finance & savings and investments. We want to be market leader in these product areas. By choosing a limited number of product groups, we are able to standardise many products and modules, and use resources and staff efficiently and

effectively. Some of our SME banking products are based on those for retail clients. We also develop specific (standardised) products for the corporate market. Our specialty products in property finance are developed by SNS Property Finance.

- The Netherlands
  SNS Bank focuses its financial resources and management attention on the Dutch market. In addition, we also develop property finance activities abroad to a limited extent.

3 Structural growth

SNS Bank seeks profitable growth in its activities. This is necessary to ensure continuity and to maintain and improve our market positions. In a competitive market like the Netherlands, scaling up can often make an important contribution to achieving higher returns. Broadening income flows and looking for new sources of income, for example, through alliances, is a central point of focus. In addition, looking for new possibilities to structurally lower costs also remains necessary.

For mortgages, in which we have already attained leading market position, we expect a lower growth in the coming years than in the previous years. SNS Bank's growth strategy for the coming years is based on the following drivers:

- Savings and investments
  Given the ageing population and the increasing personal responsibility of citizens to provide for their own pensions, we see good growth opportunities for savings and investments in this area.
- SME-market
  SNS Bank sees good growth opportunities in the market of small and medium-sized enterprises for commercial mortgages.
- Property finance
  SNS Property Finance wants to become a recognised international real estate financier.
- Distribution
  Substantial growth could be achieved through better use of and further improvement of the existing distribution channels, including in particular the Internet, the further development of the SNS Regio Bank franchise formula, offering more third-party products, and further expansion of the number of distribution channels, e.g. through activities in adjacent segments and the distribution channels of our partners.
- Acquisitions
  Interesting potential acquisitions include companies that can contribute towards strengthening our existing market positions and expanding into adjacent segments.

Strategy per business unit

Within SNS Bank, the retail business SNS Bank and SNS Property Finance, the property finance business, each pursue their own strategy. The strategies of the business units are explained in the chapter Developments SNS Bank.

Financial targets

The targets for return, efficiency and solvency have remained unchanged compared to last year.
The targets for the BIS ratio and Tier 1 ratio remain unchanged until we have obtained clarity with regard to the Basel II requirements. The efficiency target remains unchanged as well.

Table 1:

Return, efficiency and solvency objectives

Return	Return on shareholders' equity of 15% per annum on average after tax.
Efficiency	Efficiency ratio SNS Bank of 55% as per year-end 2009.
Solvency	BIS ratio higher than 11%. Tier 1 ratio higher than 8%.

Operational targets

SNS Bank has defined a number of operational targets for implementing its mission over the coming years.
One of these targets have been revised in connection with acquisitions.

- Market share in new mortgages: 8-10% (unchanged).
- Market share in overall savings: 7-9% (formerly 6-8%).

The chapter Strategy Update provides quantitative and qualitative information on the results SNS Bank achieved in 2007 in pursuing these strategic, operational and financial objectives.

Supervisory and Management Boards

Supervisory Board
Joop Bouma
Hans van de Kar
Jos van Heeswijk
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Robert Jan van de Kraats
Jaap Lagerweij
Henk Muller

Management Board
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Henk Kroeze
Rob Langezaal *(as of 1-11-2007)*
Marius Menkveld
Mark Straub

Report of the Management Board

Strategy update

SNS Bank is pleased to account for the way in which it has worked towards achieving its strategic ambitions and objectives. In the summary below, we describe our performance and strategic initiatives in 2007 in relation to our strategic priorities and operational and financial targets.

Strategic priorities

1 Structural value creation

Central features of SNS Bank's value management are:

- Diversification of income
  Dependence on income related to mortgages decreased, while the share of total income generated in the SME market increased. The increased income diversity was mainly due to the large increase in the corporate loan portfolio due to the acquisition of SNS Property Finance at the end of 2006 and the growth of SNS Fundcoach.
- The distribution function
  The acquisition of Regio Bank significantly strengthened SNS Bank's distribution capacity. The total number of branch and franchise offices of SNS Bank rose from 605 to 873. Product information, sales and marketing through the Internet improved further during the year.
- Long-term relationships
  SNS Bank's key initiatives to retain clients included: an attractive transition for the clients of the acquired Regio Bank, special informative meetings for SNS Fundcoach clients and the development of a mortgage retention programme.
- Cost control, synergy and economies of scale
  The acquisition of Regio Bank and the merger with the CVB franchise operations to form SNS Regio Bank resulted in a strong improvement of the scale and cost structure in franchise banking.
  By moving a large property finance portfolio from SNS Bank's retail operations to SNS Property Finance, these loans can now be managed in a better infrastructure and at lower cost. Further reduction of SNS Bank's finance activities for the SME sector in favour of an enhanced focus on SME mortgages also contributed to an enhanced cost structure.
- Attracting, developing and retaining talent
  In order to further increase the company's appeal as an employer for young talented professionals, more management trainees were recruited and the career development programme for young talented professionals was enhanced including the implementation of various initiatives to encourage the promotion of talented employees to higher positions.
- Corporate Sustainability
  The popularity of our sustainable savings and investment products, including the products of ASN Bank, increased sharply as described in the section on Developments SNS Bank.

2 Focus on retail and SME clients in the Netherlands

- Client groups
  The consolidation and growth of SNS Property Finance helped to sharply increase the share in SNS Bank's income generated from SME clients.
- Product groups
  SNS Bank's retail operations further reduced its financing of working capital for the SME sector and focused more sharply on corporate mortgages and total solutions packages for the SME market. The larger corporate mortgages of the retail business were transferred to the portfolio of SNS Property Finance.
- The Netherlands
  SNS Bank will continue to focus primarily on the Dutch market. At year-end 2007, 95% of SNS Bank's total loan portfolio consisted of loans in the Netherlands. Only SNS Property Finance has a limited focus on foreign operations.

3 Structural growth

Our main drivers of structural growth are savings and investment, property finance, distribution and growth through acquisitions and strategic partnerships.

- Savings and investments
  The assets managed by the SNS and ASN investment funds increased from € 3.8 billion to € 4.2 billion (+9.7%); within this, new funds amounted to € 356 million. Investment products, for which SNS Bank provides advisory and management services, showed healthy growth. The assets under management at SNS Fundcoach, our digital investment fund supermarket, rose from € 589 million to € 802 million (+36.2%). Our share of the savings market increased from 6.3% to 8.3%, including new funds amounting to € 5.5 billion net.
- Property finance
  SNS Property Finance's loan portfolio (new production) grew from € 3.8 billion to € 5.6 billion

(+47.4%).This excludes the transition of the property finance portfolio of retail banking operations to the amount of € 1.1 billion. The total value of the property finance portfolio increased from € 8.8 billion at year-end 2006 to € 11.6 billion at year-end 2007.

- Distribution

  Distribution capacity was boosted by the new franchise formula SNS Regio Bank, incorporating CVB Bank's franchise operations and the acquired operations of Regio Bank. This took the total number of distribution outlets of SNS Bank from 605 to 873, and sharply increased our presence in the Randstad urban area was sharply improved. For the next few years, SNS Bank's distribution strategy will focus on aligning the distribution methods and standards of the company's own channel and those of the franchise channel.

  In 2007, nearly 300 SNS Bank cash dispensers were placed in virtually all HEMA outlets. This agreement with HEMA will contribute to improving our client service level and SNS Bank's brand awareness; it will also reduce the cash provision role of our branch offices, while creating new opportunities for interactive marketing communications.
- Acquisitions and strategic partnerships.
  - Regio Bank

    The acquisition of Regio Bank, which was announced in 2006, was completed on 1 July 2007. The franchise organisation was incorporated into the new SNS Regio Bank formula, together with CVB Bank's existing franchise operations, giving SNS Bank a leading franchise position in banking products in the Netherlands with over 700 franchisees. The purchase price of Regio Bank was approximately € 55 million. For more details, see page 73 of this annual report.

    This acquisition meets SNS Bank's strategic criteria by significantly raising the distribution capacity of SNS Bank, strengthening our core mortgages and savings products and providing cost synergies and a more prominent presence in the Randstad urban area by the addition of 55 franchise offices.
  - FBS Bankiers

    The acquisition of FBS Bankiers, completed on 1 October 2007, strengthens the operations of SNS Securities, in particular in the areas of securities advisory and asset management services FBS Bankiers has 30 employees and its annual sales amount to almost € 10 million. SNS Securities provides investment services in the areas of research and corporate finance, and provides advisory and management services to institutional and private investors. The purchase price of FBS Bankiers was approximately € 16 million. For more details on the purchase price, see page 74 of this annual report.

    This acquisition meets our strategic objectives by delivering increased scale in our advisory and asset management services and by adding a client portfolio and expertise.

Table 2: **Financial targets**

Return	2007	2006	Target
Return on ordinary shareholders' equity, after tax	12.6%	14.1%	15% per annum on average
Efficiency	**2007**	**2006**	**Target**
Efficiency ratio SNS Bank	60.3%	62.6%	55% at year-end 2009
Solvency	**2007**	**2006**	**Medium-term target**
BIS ratio SNS Bank	11.5%	11.2%	> 11%
Tier 1 ratio	8.4%	8.2%	> 8%

Table 3: **Operational targets**

	2007	2006	Target 2007	Target 2008
Market share new mortgages	7.4%	8.0%	8 - 10%	8 - 10%
Market share savings balances	8.3%	6.3%	6 - 8%	7 - 9%

Outlook 2008

If the crisis on the financial markets continues in 2008, as it has so far, this may prove to be a challenging year. SNS Bank will continue to focus on diversifying its existing sources of income and on investing in new sources, on improving the operational efficiency based on integration processes, and on innovating in marketing and distribution. At the same time, SNS Bank will maintain its moderate risk profile.

Financial markets

Equity

The stock markets will continue to be volatile for the time being, especially due to concerns about the impact of the credit crisis. Meanwhile, stock markets have generally become cheaper, measured by various valuation methods, such as dividend discount models - in which interest rates play a big role -, price/earnings ratios or dividend yields. However, these low valuations come at the end of a period marked by exceptionally strong growth in corporate earnings. Consequently, if corporate earnings were to fall significantly, this might put new pressure on equity valuations. However, no such relapse can as yet be derived from the leading indicators for the US and the eurozone. We expect that concerns about a recession in the US and a widening of the financial crisis will continue for some time. This may result in disappointing equity revenues for investors.

Interest rates

In order to limit the risks of an excessive slowdown of economic growth, the Federal Reserve - the American Central Bank - is expected to continue its policy of rate cuts. In the eurozone, the European Central Bank (ECB) will give priority to countering inflationary trends. This considerably reduces the likelihood of interest rate cuts, particularly as the average inflation rate in the eurozone is now above the norm. At the same time, the eurozone will not be able to avoid a certain slowdown of growth, which in turn reduces the likelihood of a rate hike.

The central banks will do all they can to ensure that the money market continues to function properly, but the situation cannot return to normal until mutual trust between banks is restored. This requires transparency, i.e. clarity about the financial health of potential debtors, which can only be achieved after the major banks have reported their audited figures for 2007.

Bond yields are currently low, relative to nominal economic growth. The very low real interest rates in the US, i.e. the interest rate less inflation expectations, reflect the advent of a recession. This may change during the course of the year if the economy develops less unfavourably than many analysts now fear. In the wake of a possible rise in US interest rates, long-term interest rates in the eurozone will also rise slightly. Credit spreads – the risk mark-ups on the money and capital markets – are likely to remain at the current high levels for some time in 2008. This means banks will need to obtain their funding at relatively high costs.

Product markets

Mortgages

We anticipate continued strong competition and ongoing pressure on prices. The overall Dutch mortgage market is expected to contract, in particular due to limited new construction activity and limited circulation in the residential market; both these trends will result in ongoing scarcity. The mortgage refinancing market will remain at its present low level. The yield curve is not likely to change by much, but may rise slightly at the end of the year. We expect interbank interest rates to show a mixed picture, which may contribute significantly to relatively large changes in mortgage interest rate levels over the course of the year.

Savings and investments

Economic developments will continue to support a favourable savings environment. Mounting uncertainty due to the credit crisis and the economic developments in the US may result in a higher savings growth at the expense of growth in investments. We expect the investment climate to improve later in 2008. For the full year 2008, SNS Bank again expects the savings and investment inflow to increase. Inflow in investment products and structured savings and investment products in the investment market will again likely exceed that of individual equity investments. We expect products for sustainable asset growth to again outstrip the growth of other products.

Property finance

Demand for high-quality properties in the Netherlands remains high, despite high levels of investment over the past few years. In the office market, the divide between high-quality and less attractive properties is widening, and the latter category is clearly becoming less profitable. Prospects for the residential market and the markets for distribution centres and shopping centres remain positive. Demand for mixed-use centres is especially strong.

Partly due to scarcity of attractive investment projects in the Netherlands, demand for foreign property investment opportunities from Dutch investors remains high.

Initiatives

The key initiatives planned for each product group are set out below.

Mortgages

- Within the Budgethypotheek concept, more options and product choices aimed at various target groups.
- Increased third-party product sales through our own distribution channels.
- Improvement and increased flexibility of advisory services, for example by using more mobile SNS Bank advisers.
- Product range optimisation and sales coaching for franchisees of SNS Regio Bank.
- Promotion of joint purchasing by franchisees of SNS Regio Bank through a centralised purchasing organisation.
- More collaboration with purchase organisations based on exclusive mortgage arrangements and more sales through the intermediaries and mortgage chains.
- Fine-tuning of the SME approach, focusing, among other things, on self-employed individuals.
- Intensifying marketing communication for commercial mortgages, with a special focus on distribution through SNS Regio Bank.

Savings and investments

- Improvement and expansion of Internet functionality, enabling clients to better manage their financial affairs, obtain a better overview and make easier use of corresponding online and offline advisory functions.
- Improvement and increased flexibility of advisory services, for example by using more mobile SNS Bank advisers.
- Product range optimisation and sales coaching for franchisees of SNS Regio Bank.
- Third-party investment fund sales through our own distribution channels.
- Intensifying SNS Bank's savings campaigns and ASN Bank's new sustainable asset growth products.
- Introduction of products in the area of tax-friendly savings for mortgage repayments or pension schemes.

Property finance

- Stronger focus on alternative sectors and property concepts, such as mixed-use centres, residential centres for the elderly, healthcare centres and hotels (investment financing).
- Stronger focus on regions outside the Randstad urban area (investment finance and project finance).
- Stronger focus on investments in carefully selected projects (project finance).
- Selective growth in a number of major European markets (project finance).

Objectives

Our long-term operational and financial objectives are set out in the chapter Strategy, mission, activities and objectives on page 7. In view of the continuing unrest and volatility on the financial markets, we do not give any concrete forecast of the profit and revenue development of SNS Bank in 2008.

Financial outlines

In 2007 SNS Bank's net profit rose by 27.1% to € 272 million. Net interest income rose to € 783 million (+ 38.1%). This strong performance was driven by robust organic growth of several key activities, as well as by the results of the recent acquisitions of SNS Property Finance and SNS Regio Bank.

Result

The results of Regio Bank have been consolidated in SNS Bank results from 1 July 2007. SNS Bank's net profit of € 272 million rose by € 58 million (+ 27.1%). SNS Property Finance contributed € 80 million to this increase and Regio Bank € 4 million.

The effect of the international liquidity and credit crisis on SNS Bank's liquidity position was relatively limited. The liquidity position of SNS Bank remained solid, supported by the diversified funding policy, the growth of savings on the back of the savings deposit campaigns and the ample liquidity buffers accumulated prior to the credit crisis. Nevertheless if the current situation endures for a longer period, it will also have an impact on banking operations.

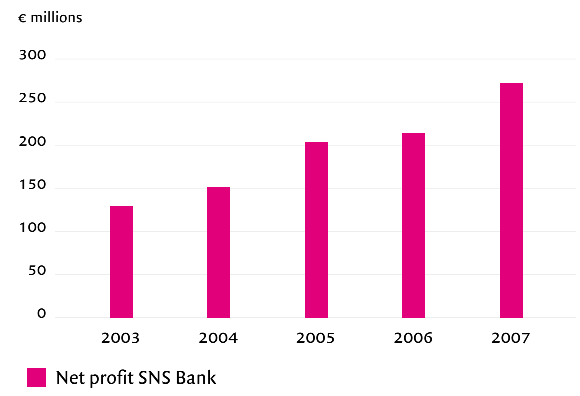
Despite the lower statutory corporate tax rate, the effective tax rate increased to 19.0% compared to 14.7% in 2006 as a result of the lower impact of structured tax investments. Furthermore in 2006 the effective tax rate was influenced by a recalculation of the net deferred tax liabilities resulting in a release of € 9 million.

SNS Bank

In € millions	2007	2006	Change
Result			
Net interest income	783	567	38.1%
Net commission and management fees	129	120	7.5%
Result on investments	14	67	(79.1%)
Results on derivatives and other financial instruments	13	15	(13.3%)
Other operating income	(1)	(1)	0.0%
Total income	**938**	**768**	22.1%
Value adjustments to financial instruments and other assets	35	36	(2.8%)
Staff costs	332	283	17.3%
Depreciation and amortisation of tangible and intangible fixed assets	31	25	24.0%
Other operating expenses	203	173	17.3%
Total expenses	**601**	**517**	16.2%
Operating profit before taxation	**337**	**251**	34.3%
Taxation	64	37	73.0%
Third party interests	1	--	--
Net profit for the period	**272**	**214**	27.1%
Net profit Retail Banking	**186**	**208**	(10.6%)
Net profit Property Finance [1]	**86**	**6**	--
Risk-weighted assets	30,744	28,454	
Ratios			
Return on shareholders' equity	12.6%	14.1%	
Efficiency ratio	60.3%	62.6%	
BIS ratio	11.5%	11.2%	
Tier 1 ratio	8.4%	8.2%	
Core capital ratio	6.5%	6.5%	

[1]) Comparative figure net profit Property Finance 2006 relates only to December 2006.

1 Net profit SNS Bank

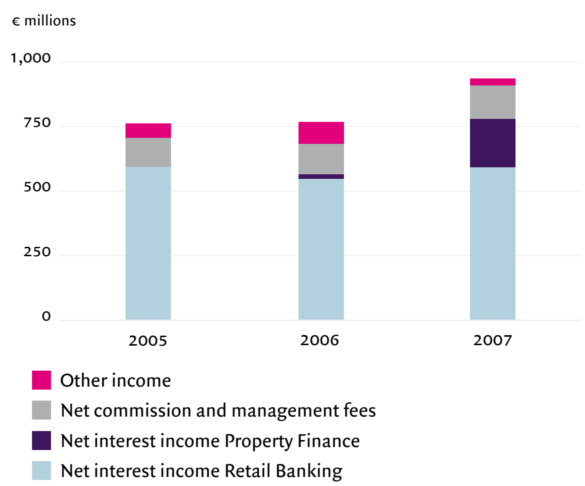


Return on shareholders' equity (ROE) for 2007 was 12.6% down from 14.1% in 2006.

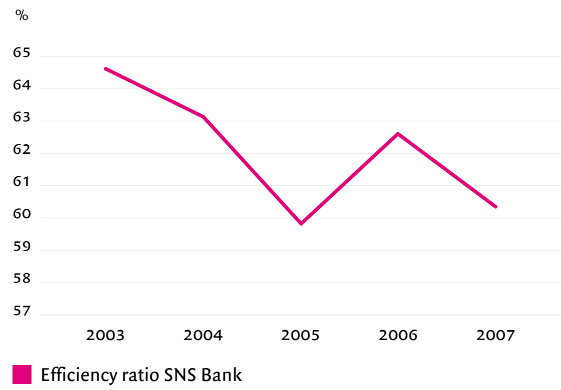
Income

Total income increased from € 768 million in 2006 to € 938 million (+ 22.1%) in 2007. The higher net interest income and higher net commission and management fees of SNS Retail Banking and the contribution made by SNS Property Finance more than compensated for the lower results on investments and derivatives and other financial instruments. SNS Bank's interest income (excluding SNS Property Finance, Regio Bank and FBS) increased by € 24 million (+ 4.4%) compared to the level realised in 2006, despite a € 24 million decrease in penalty interest income due to a further contraction of the mortgage refinancing market on the back of rises in interest rates. Margin pressure in mortgages was more than compensated by improved margins in other products, most notably savings.
The consolidation of SNS Property Finance, an improved net interest income and a sharply lower result on investments and derivatives and other financial instruments enhanced the quality of income.

2 Composition of income SNS Bank



3 Efficiency ratio SNS Bank



The diversification of net interest income improved due to strong growth of net interest income on savings products and SME mortgages and the acquisition of SNS Property Finance. In retail banking, commission and management fees as a percentage of total income grew from 15.9% to 17.0%.

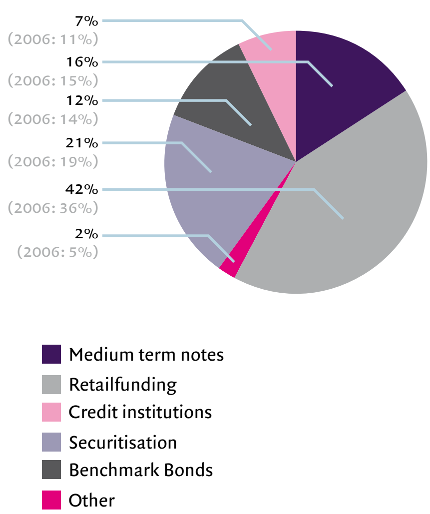
Expenses

Total expenses rose by € 84 million due to SNS Property Finance (€ 70 million) and Regio Bank (€ 12 million). Value adjustments to financial instruments and other assets remained low at € 35 million (2006: € 36 million). As a result of the increased income, strict cost control and the consolidation of SNS Property Finance for a full year, the efficiency ratio improved from 62.6% in 2006 to 60.3% in 2007.

Funding

SNS Bank's funding strategy has consistently been based on three pillars: diversification of funding sources, commitment to the investor base and a proactive view

4 Diversification of funding sources year-end 2007

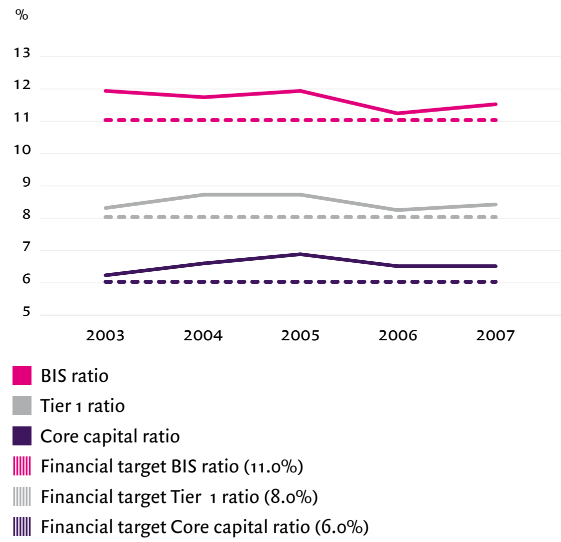


of the environment. The retail lending base grew due to a combination of the acquisition of Regio Bank and organic growth. As a result, retail funding as a percentage of total funding increased from 36% at the end of 2006 to 42% at the end of 2007. At the end of 2007, 56% of retail loans was funded with retail money (2006: 44%). SNS Bank has maintained a prudent and proactive funding and liquidity strategy and was able to profit for a longer period from the historically low credit spreads by attracting a relatively large amount of long-term funding. Looking ahead, the funding position has been secured until the end of 2008 without need for recourse to the capital markets as of today.

Solvency

SNS Bank's capital base increased by € 344 million to € 3.9 billion. The € 272 million net profit was partly distributed to SNS REAAL as dividends (€ 130 million). Subordinated debt increased by € 230 million. The fair value reserve was € 32 million lower as a result of higher interest rates. Tier 1 capital amounted to € 2.6 billion. SNS Bank's capital adequacy position remained strong. The Tier 1 ratio at the end of 2007 was 8.4% (year-end 2006: 8.2%), the BIS ratio was 11.5% (year-end 2006: 11.2%) and the Core capital ratio was 6.5% (year-end 2006: recalculated 6.5%).
Basel II was adopted on 1 January 2008. If the Basel II ratios were calculated as at 31 December 2007 the ratios were even more robust. Based on preliminary calculations, the Tier 1 ratio was 12.8%, the BIS ratio was 17.2% and the Core capital ratio was 11.2%.

5 Solvency levels SNS Bank



Overall, the strong capital base is now being deployed more effectively and is better aligned with SNS Bank's risk profile.

SNS Retail Banking

In € millions	2007	2006	Change
Result			
Net interest income	596	551	8.2%
Net commission and management fees	128	120	6.7%
Result on investments	13	67	(80.6%)
Results on derivatives and other financial instruments	12	15	(20.0%)
Other operating income	2	--	--
Total income	**751**	**753**	(0.3%)
Value adjustments to financial instruments and other assets	20	35	(42.9%)
Other expenses	505	476	6.1%
Total expenses	**525**	**511**	2.7%
Operating profit before taxation	**226**	**242**	(6.6%)
Taxation	39	34	14.7%
Third party interests	1	--	--
Net profit for the period	**186**	**208**	(10.6%)
Risk-weighted assets	18,832	19,571	
Efficiency ratio	67.2%	63.2%	

Result

SNS Retail Banking's net profit decreased from € 208 million to € 186 million (–10.6%). Excluding the net result on the 2006 bond sales of € 35 million and the impact of the conversion of the property finance activities to SNS Property Finance (€ 4 million), net profit rose by 9.8% due to improved net interest income and higher net commission and management fees.

Regio Bank has been included in SNS Retail Banking's result from 1 July 2007. In the second half of 2007, Regio Bank made a positive contribution to net profit of € 4 million. The integration of this company into SNS Bank and related system conversions were completed at year-end 2007.

Income

Net interest income

The increase of net interest income of SNS Retail Banking by € 45 million (+8.2%) was due to an increase of commercial interest income while penalty interest fell by € 24 million. The growth of commercial interest income was due to higher sales volumes in almost all product segments and improved margins on savings products and the SME portfolio. This growth was partially offset by lower margins in the mortgage business as a result of the ongoing fierce competition. Regio Bank contributed € 26 million to net interest income.

Penalty interest income fell by € 24 million from € 53 million in 2006 to € 29 million in 2007 (–45.3%). This fall was caused by a decrease in the volume of early redemptions on the back of interest rate hikes, which further contracted the mortgage refinancing market, continuing a trend that had started in 2006. Penalty interest income also declined as the spread between client interest rates and market interest rates narrowed. Penalty interest income in the second half of 2007 amounted to € 15 million which was almost equal to the first half of 2007.

Interest rates rose across the entire yield curve during 2007. Short-term interest rates continued to increase and the yield curve became partly inverted in the second half of 2007. The long end of the yield curve steepened but continued to be relatively flat. During 2007, SNS Bank's exposure to future interest rate hikes was reduced. These movements in the yield curve and the ALM policy resulted in a limited but positive ALM income in line with 2006.

In the highly competitive mortgage market, compared to the first half of 2007, SNS Retail Banking regained market share in mortgages from 6.7% to 7.4%. SNS Budget Mortgage, voted 'Best European Mortgage Product of 2007', generated over half of the new mortgage production. In the existing mortgage portfolio, retention improved in 2007. The acquisition of Regio

Bank added a mortgage portfolio of € 1.6 billion, in total SNS Bank's retail mortgage portfolio expanded by 5.7% to € 44.8 billion (2006: € 42.4 billion).

In 2007, the savings market share grew from 6.3% to 8.3% partly as a result of successful products at ASN Bank and SNS Bank's savings deposit campaigns. Regio Bank contributed € 2.1 billion to the savings portfolio and SNS Bank's total savings portfolio increased by € 5.5 billion to € 19.2 billion (+ 40.1%). ASN Bank showed considerable growth in both volume and the number of clients. In 2007, the number of clients increased by 14.4% (45,651 new clients).

Net commission and management fees

Excluding the management fees of SNS Asset Management, which was transferred to SNS REAAL at 1 July 2006, growth of net commission and management fees in 2007 was € 16 million (+ 14.3%). This increase occurred across all commission-related activities, the insurance commissions grew by 6.1% to € 35 million. Growth in securities commissions was mostly driven by the activities of SNS Fundcoach and SNS Securities. SNS Fundcoach's assets under management increased by € 213 million from € 589 million at year-end 2006 to € 802 million at the end of 2007 (+ 36.2%). The numbers of new accounts and active clients both grew in 2007, and SNS Fundcoach's fee income increased accordingly. Additionally, management fee income of SNS and ASN funds rose compared to 2006.
Net commission fees contributed by SNS Securities grew from € 13 million to € 16 million, supported by the FBS Bankiers contribution and the former activities of Van der Hoop.

Other income

The result on investments fell sharply, from € 67 million in 2006 to € 13 million in 2007, largely due to the absence in 2007 of the significant net profits realised from bond sales in 2006 (€ 35 million net). Based on the positive revaluations and SNS Bank's interest rate projections, substantial results were made in 2006 through bond sales. In view of the size of the fair value reserve at the end of 2007 and the interest rate environment, the result on investments, as indicated before, is expected to remain low in 2008.

Income from derivatives and other financial instruments fell by € 3 million from € 15 million in 2006 to € 12 million at the end of 2007. The international liquidity and credit crisis had a minor negative impact on the market value of SNS Bank's bond trading portfolio (– € 9 million). As we intend to hold this portfolio to maturity date (approximately two years), future positive results will offset this current negative mark to market performance.

Expenses

Value adjustments to financial instruments and other assets

Value adjustments to financial instruments and other assets fell by € 15 million from € 35 million in 2006 to € 20 million in 2007 (– 42.9%). The lower addition for retail mortgages reflects the low risk of this portfolio, fewer forced property sales and associated lower shortfalls on foreclosures per item. In addition, in 2006 the provisioning policy was tightened, resulting in higher additions. There was a markedly lower inflow of infected loans from the SME sector, in particular due to the improved economic environment and to the release of a number of remaining provisions in respect of the settlement of various loans. The value adjustments as a percentage of risk-weighted assets fell from 0.18% in 2006 to 0.11% in 2007.

Other expenses

Other expenses increased by € 29 million, from € 476 million in 2006 to € 505 million in 2007 (+ 6.1%). This increase was mainly due to the acquisitions and integration of Regio Bank and FBS (€ 22 million). Excluding these factors, strict cost control limited the increase in other expenses to € 7 million (+ 1.5%). The total number of FTEs at retail banking decreased by 103, despite the integration of Regio Bank (54 FTEs). This decrease was caused by STP projects and the reorganisation of the SME business. However, total staff costs increased as more temporary staff was hired for projects related to legislation (implementation of Basel II), efficiency and integration.

SNS Property Finance

In € millions	2007	2006 [1]	2006 Pro forma	Change
Result				
Net interest income	187	16	182	2.7%
Net commission and management fees	1	--	--	--
Result on investments	1	--	--	--
Results on derivatives and other financial instruments	1	--	--	--
Other income	(3)	(1)	5	(160.0%)
Total income	**187**	**15**	**187**	0.0%
Value adjustments to financial instruments and other assets	15	1	11	36.4%
Other expenses	61	5	55	10.9%
Total expenses	**76**	**6**	**66**	15.2%
Operating profit before taxation	**111**	**9**	**121**	(8.3%)
Taxation	25	3	39	(35.9%)
Third party interests	--	--	--	--
Net profit for the period [1]	**86**	**6**	**82**	4.9%
Effect purchase price allocation	23	1	12	91.7%
Net profit for the period (before PPA)	**109**	**7**	**94**	16.0%
Risk-weighted assets	11,912	8,883	8,883	
Efficiency ratio	32.6%	33.3%	29.4%	

[1]) Comparative figure net profit SNS Property Finance 2006 relates only to December 2006.

Result

Total net profit of SNS Property Finance amounted to € 86 million compared to a pro forma net profit in 2006 of € 82 million (+4.9%). The loan portfolio grew from € 8.8 billion at the end of 2006 to € 11.6 billion at the end of 2007 (+31.8%). This increase was due to the organic growth of the loan portfolio of € 1.7 billion (+ 19.3%) and by integration of the existing property finance activities of SNS Bank (€ 1.1 billion). The integration of these activities with those of SNS Property Finance was completed at year-end 2007 and made a contribution to the net profit of € 4 million. These positive developments were partly offset by lower other income and higher other expenses.

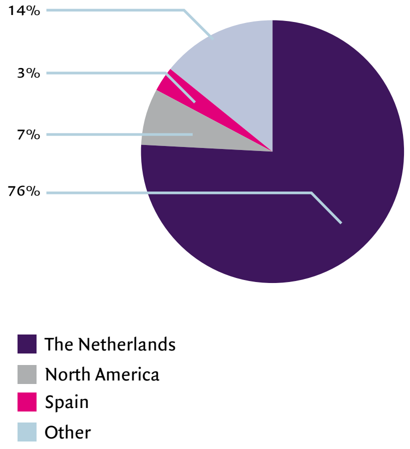
Excluding the effect of the Purchase Price Allocation (PPA) adjustments and higher funding costs, SNS Property Finance recorded a net profit of € 109 million, an increase of 16.0% compared to pro forma net profit for 2006 excluding PPA adjustments of € 94 million. PPA adjustments in 2007 were € 23 million, compared to € 12 million in the pro forma net profit for 2006. The difference was due to the PPA adjustment to fair value of equity participations which led to a higher negative PPA impact on the other income and value adjustments to financial instruments and other assets. The organic growth of net profit was fully offset by the higher PPA adjustments in 2007 compared to the adjustments in the pro forma figures 2006. It is expected that the impact of the PPA will decrease substantially in the coming years.

The total portfolio of SNS Property Finance as at 31 December 2007 consisted of € 7.0 billion of investment finance and € 4.6 billion of project finance. The portfolio is well diversified by geography and across asset classes. The major part of the portfolio is domestic (76%) and investments in North America are limited to 7% of the total portfolio. The total portfolio share of the residential sector amounted to 37% at the end of 2007.

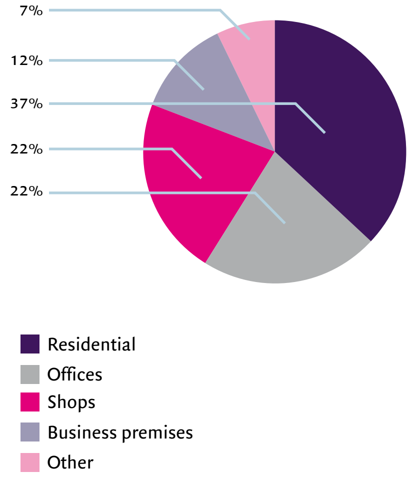
Income

Net interest income in 2007 increased by € 5 million (+2.7%) to € 187 million. This increase was due to the growth of the portfolio, partly offset by lower (non-) recurring commissions. Recurring interest revenue accounted for 94% of total net interest income, with the remainder sourced from transaction-related income. The organic growth in the portfolio mainly related to expanding international project finance activities. On a total portfolio basis margins remained stable. Within

6 Geographic composition portfolio SNS Property Finance



7 Portfolio by asset classes SNS Property Finance



this, lower margins on investment finance were offset by a small increase in margins on project finance together with an increase in the share of project finance in the total portfolio.

Expenses

Value adjustments to financial instruments and other assets

Total value adjustments in 2007 were negative at € 15 million, with a net provision release of € 1 million in the first half year followed by a net charge of € 16 million in the second half. The adjustment in the second half was due to impairments on a limited number of loans in the USA and Spain, partly compensated by releases of other provisions as a result of settlement and final repayment on impaired loans. SNS Property Finance has taken full control of the projects involved and has acted swiftly to restructure the management and focus of these projects. The value adjustments as a percentage of risk weighted assets of SNS Property Finance were at a satisfactory level of 0.13%.

Other expenses

Compared to the pro forma figures for 2006, other expenses increased by € 6 million mainly due to the increase of staff related to the expansion of activities and to costs related to the process integration. As a result the efficiency ratio increased to 32.6% compared to 29.4% in pro forma 2006.

Developments SNS Bank

SNS Bank comprises a division for retail operations ('the retail business') and a division for property finance (SNS Property Finance). Both these divisions pursue focused strategies for product development and distribution. The activities of SNS Property Finance are well aligned with retail banking's SME operations, which focuses on commercial mortgages.

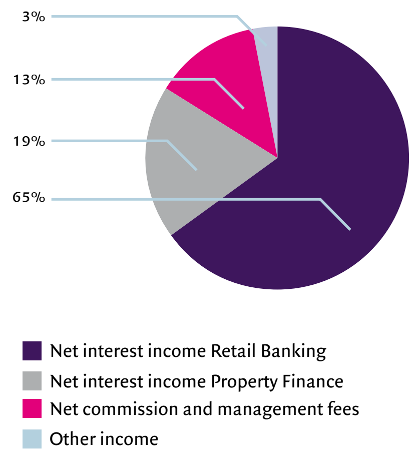
This section addresses market developments, market performance and the latest developments by product group with separate discussions of developments in retail operations and property finance. The composition and source of income other than income generated by the sale of products and the operational results are discussed in the section Financial outlines.

Retail banking SNS Bank

The retail banking clients comprise private individuals and small and medium-sized enterprises in the Netherlands. Its products groups are mortgages, savings and investments. Distribution takes place mainly through the Internet, the bank's own branch offices and franchises, and independent intermediaries. SNS Bank uses different brands for its products that each have a distinct market position. Each brand is linked to the most suitable distribution channel or to an optimum mix of distribution channels. SNS Bank also uses REAAL Verzekeringen's distribution channels. Joint and central product development and data administration for a large number of products result in a cost efficient and flexible organisation.

SNS Bank's strategy is mostly aimed at further developing distribution capacity by improved DIY options for clients through the Internet and high-quality added advice through the Internet, the banks own

8 Composition of income SNS Bank 2007 pro forma*



*) Pro forma 2007: including Regio Bank FY 2007.

9 Composition of income SNS Bank 2006

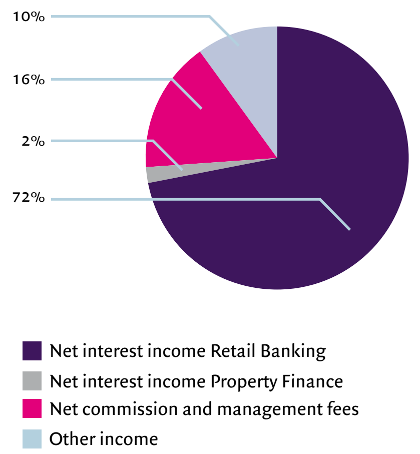
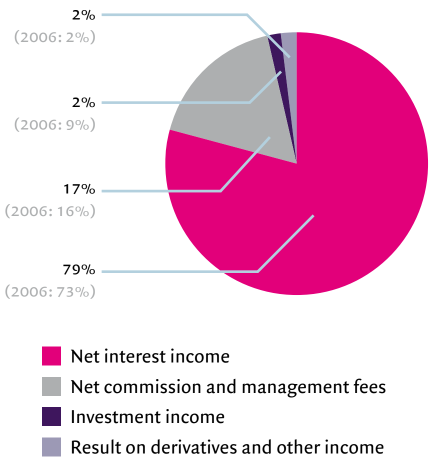


Table 4: Key figures SNS Bank

in € milions	2007	2006	Change
Income Retail Banking	751	753	(0.3%)
Income Property Finance	187	15*	--
Total income	938	768	+22.1%
Total expenses	601	517	+16.2%
Net profit	272	214	+27.1%
Total assets	70,584	64,382	+9.6%
Return on shareholders' equity	12.6%	14.1%	

*) Consolidated as per 1 December 2006.

10 Composition of income SNS Retail Bank



branch offices and franchises. Other strategic spear points include growth in the Randstad, in savings and in commercial mortgages, as well as growth in sustainable asset growth through ASN Bank.

Developments 2007

Introduction

In 2007, SNS Bank made important progress in improving and strengthening its distribution capacity and in its positioning itself as an innovative do-it-yourself bank with an additional advisory service.

Since the completion of the acquisition of Regio Bank on 1 July 2007, SNS Regio Bank has been marketed as a new franchise formula, merging the operations of Regio Bank and the existing CVB franchise operations. The integration of the organisation, products and systems was completed by the end of 2007; all employees are now based at the head office of SNS Bank in Utrecht and all products have been merged into the SNS system with no disruption to client service during the transition. A physical 'bricks and mortar' presence for advice and payment services is one of the pillars of our distribution strategy; with its network of 727 branches, of which 116 are located in the Randstad urban area, SNS Regio Bank takes personal financial advice closer to its clients. Regio Bank added a savings portfolio of € 2.1 billion, immediately benefiting from SNS Bank's strong range of savings products. The introduction of Spaarkeuzedeposito in July demonstrated SNS Regio Bank's distribution capacity from the outset. The SNS Budget Mortgage was a success with our new franchisees and their clients. SNS Regio Bank made an excellent start. National and regional marketing campaigns, in which franchisees could also promote their local added value, enhanced the recognition of the new formula in the second half of 2007.

The installation of almost 300 cash dispensers at HEMA retail branches, increasing the total number of ATMs to 513, means that our clients can now withdraw money closer to home. The new ATMs will contribute to our brand recognition, offer additional opportunities for marketing communications and will assist with phasing out the cash dispensing function of branch offices.

Major strides were also made in further developing SNS Bank as a do-it-yourself bank. SNS Bank aims to offer its clients ease, accessibility and high-level functionality in internet banking, and distinguishes itself with innovative services like live@dvies and web chat for mortgage advice, or our new savings website which has further professionalised SNS Bank's sales and marketing. A survey by website monitor WatchMouse showed that over the past year, the availability of the SNS Bank website was much better than that of the largest Dutch banks.

In order to improve service levels for our customers and to offer our products in a more cost-efficient manner, the chain of mortgage product process, from application through to acceptance was streamlined further. The Straight Through Processing (STP) automation project for mortgages was concluded in 2007 and the STP project for savings will be completed in early 2008.

Table 5: Distribution of mortgages and savings products (new products/inflow)

		Mortgages 2007*	Savings 2007**
Indirect	BLG Hypotheken label	25%	--
	SNS Regio Bank label	6%	30%
	Other franchisees, intermediaries, purchasing combinations, distribution partners	42%	--
Direct	Branch offices, internet and call centres SNS Bank	27%	44%
	ASN Bank sales label	--	26%

*) New production
**) New inflow

Mortgages

The amount of the total mortgage portfolio rose from € 44.9 billion to € 46.2 billion (+ 2.9%). The addition of the mortgage portfolio of Regio Bank, acquired on 1 July 2007, increased the total portfolio by € 1.6 billion. The transfer of property finance loans from Retail Banking to SNS Property Finance's portfolio reduced the portfolio volume by € 1.1 billion. Every sales brand (SNS Bank, BLG Hypotheken and SNS Regio Bank) contributed positively to growth; organic growth of the mortgage portfolio amounted to 1.8%.

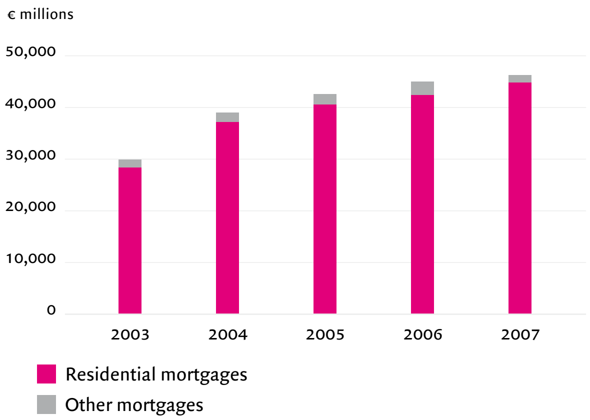
In 2007 the volume of new registered mortgages in the Netherlands amounted to € 115 billion (2006: € 126 billion). A reduced mortgage refinancing market and a flat interest rate curve meant a difficult environment and considerably pressure on mortgage pricing over the full year, although this pressure decreased somewhat in the second half of the year.

During the year, SNS Bank sought a healthy balance between returns and market share, which at 7.4% was a little below our target range of 8 to 10%. The innovative concept of the SNS Budget Mortgage, which was introduced in 2006, continued to be successful despite being copied by a number of competitors. The quality of this product was acknowledged internationally when it was chosen as the European mortgage product of the year by 150 international financial experts. Additionally a survey by the Consumentenbond and MoneyView named the SNS Budget Mortgage as the best mortgage product in the Netherlands.

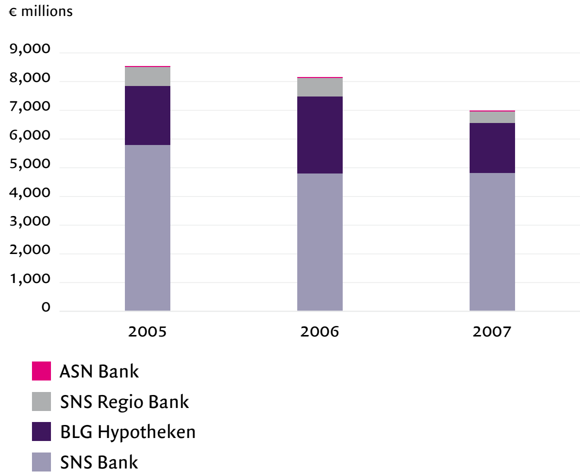
SME clients

SNS Bank reinforced its position as a specialist in commercial mortgages for SME clients. SNS Bank wants to be clearly recognisable in this market with tailor-made products and a large interest-only part of the mortgage, enabling entrepreneurs to fund part of their working capital based on mortgage security.

11 Mortgage portfolio SNS Bank



12 Volume of new mortgages SNS Bank



SNS Property Finance's know-how and contacts are of great use to SNS Bank for further developing its position as a specialist in SME commercial mortgages. After a year marked by the reorganisation of the SME approach, at the end of 2007 new marketing campaigns for the SME commercial mortgages were initiated.

Transferring the larger commercial mortgages to SNS Property Finance has simplified SNS Bank's management and IT infrastructure; SNS Bank can now use similar systems for residential and smaller commercial mortgages and SNS Property Finance, whose systems are suitable for large loans, benefits from greater scale.

Innovation, renewal and expansion

BLG's specialised mortgage products, which are sold through intermediaries, have achieved good penetration in a number of niche markets and are a good addition to SNS Budgethypotheek. In December 2007, BLG introduced Recreatiehypotheek, a new product for permanent, brick-built holiday homes which offers loans at up to 110% of the foreclosure value.

In 2007, a centralised scheduling tool for mortgage advice meetings was made available to customers via the internet; this has resulted in improved scheduling control and greater convince for customers. In addition to live, online advice from live@dvies, clients can also discuss their mortgage needs on the internet with other prospective clients via web-chat. Live@dvies, introduced in 2006, was awarded the Adobe e.day Award. This annual award recognises companies that use the Internet to take their operations to a higher level.

The award has been instituted by the Emerce magazine, which is a magazine describing trends in the field of e-business, marketing and media.

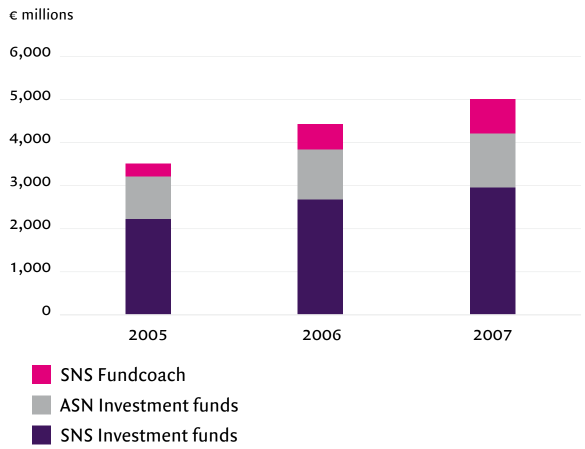
Investment

The assets under management of SNS funds rose from € 2.7 billion to € 3.0 billion (+10.6%) and assets under management of ASN funds grew from € 1.2 billion to € 1.3 billion (+7.6%). The total new inflow in the SNS and ASN investment funds was lower than in 2006.

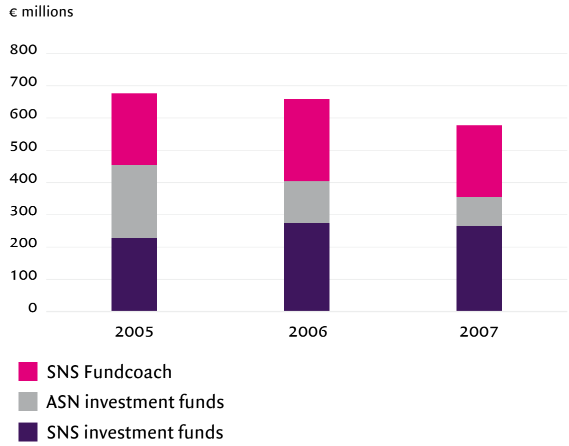
According to a survey held by the Dutch Consumers' Association, the SNS Bank funds outperform the market. The Consumers' Association survey focused not only on the returns over the past five years, but also on stability within that period. According to another survey, organised by belegger.nl, the ASN Water & Milieufonds was the best sustainable investment product, Corné van Zeijl, portfolio manager of the SNS Nederlandfonds, was the best fund manager and SNS Fundcoach was the best investment fund provider.

In 2007, SNS Fundcoach once again recorded strong growth. Gross inflow amounted to € 221 million and the number of clients increased from 18,200 to 27,400 (+50%), making SNS Fundcoach the market leader

13 Composition of Assets under Management SNS Bank



14 New inflow investment funds SNS Bank



among international internet-based investment funds. SNS Securities also contributed to the higher income, driven by positive developments in institutional brokerage and private clients and the increased number of assisted share transactions. SNS Securities mainly focuses on small-cap and mid-cap funds, and specialises in securities research, institutional brokerage, corporate finance, and private asset management and advice. SNS Securities joined the European Securities Network (ESN), which generates joint research on over a thousand listed companies. The takeover of FBS Bankiers with effect from 1 October made a limited contribution to the increase in income. FBS Bankiers will be integrated fully in 2008.

Innovation, renewal and expansion

The launch of the SNS Emerging Countries fund was very successful. This fund invests in reputable funds specialising in emerging countries. Total assets under management of the SNS Emerging Countries Fund rose to € 25.8 million at year-end 2007.

Table 6: Investment opportunities

Do-it-yourself		With advice		Managed	
SNS Effectenlijn	Fund Account (SNS Fundcoach)	SNS Vermogens-Prisma	SNS Effecten Adviesdesk	SNS Vermogens-beheer	SNS Managed Account
SNS Effectenlijn (Securities Line), for the active 'do-it-yourself'-investors, for years rated on of the best internet brokers among commercial banks.	SNS Fundcoach is an 'investment funds supermarket' that helps investors to put together a sound investment portfolio themselves.	SNS VermogensPrisma is an advisory concept that staff use when advising clients about their wealth creation.	The SNS Effecten Adviesdesk (securities advisory desk) advises investors in putting together their individual portfolios.	SNS Vermogensbeheer (Asset Management) promotes 'personal' management of individual portfolios (minimum € 250,000).	SNS Managed Account is available for assets of at least € 20,000. The client can monitor his portfolio on internet, including the transaction that the assets manager has performed.

SNS Fundcoach was the first investment fund provider to eliminate purchase and sales charges for the majority (some 370) of its funds. Marketing communication, including radio commercials, Internet banners and digital newsletters, was expanded with special events where clients could meet the managers of some of our highly successful investment funds. A panel of financial experts of De Telegraaf newspaper chose SKAGEN Global, for which SNS Fundcoach is the only provider in the Netherlands, as Product of the Year.

When investing for savings accounts and investment funds, ASN Bank only chooses companies, organisations and governments that meet its sustainable investment criteria. The bank uses unequivocal admission and exclusion criteria which can be found at www.asnbank.nl. In April, ASN Bank tightened the human rights component of its investment criteria, making it the first bank to implement the United Nations' draft international guidelines for enterprises. To further strengthen relationships with its clients, ASN Bank introduced ASN Client Days, which were held in the Municipal Museum in The Hague and in Emmen Zoo.

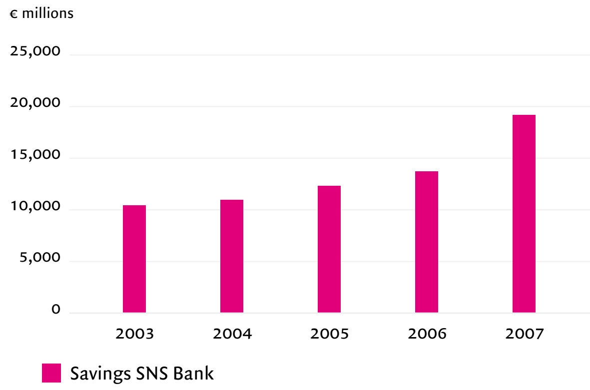
Savings

In 2007 the total Dutch savings market grew from € 220.3 billion to € 234.7 billion (+6.5%). The joint savings balances of SNS Bank, ASN Bank and SNS Regio Bank, including accrued interest, rose from € 13.7 billion to € 19.2 billion (+40.1%). ASN Bank contributed almost € 1 billion (+36%) to this growth, while SNS Regio Bank contributed amply € 3 billion, which includes € 2.1 billion conversion. The joint market share increased sharply, from 6.3% to 8.3%. Organic growth of savings balances, excluding the acquired Regio Bank savings portfolio, amounted to 24.8%. The total number of savings accounts (withdrawable on demand) at SNS Bank, ASN Bank and SNS Regio Bank rose from 1.9 million to 2.2 million.

In addition, the introduction of SNS Keuzedeposito in July proved very successful. Thanks to good marketing communication and timing, outwitting the competition, this product attracted deposits of € 1.8 billion by year-end 2007 for at least one year. Given the difficult circumstances in the money and capital markets due to the credit crunch, this provided welcome support for the liquidity and funding position of SNS Bank. Besides SNS Keuzedeposito and SNS Spaarmix, ASN Bank's products and in particular ASN Ideaalsparen contributed strongly to the growth in savings balances.

ASN Bank managed to continue its strong growth of recent years. The popularity of sustainable asset growth is still gaining momentum, and as the market leader, ASN Bank is well-positioned to benefit from this trend. ASN Bank stands out in this market due to its sustainability analyses of companies and the explanations it provides in this respect on its website, as well as by its product development and marketing communications. ASN Bank frequently collaborates with social organisations such as Cordaid, Oxfam Novib and the Wadden Sea Society. ASN Bank's client base increased from 318,000 to more than 363,000 (+14.4%) in 2007.

15 Savings SNS Bank

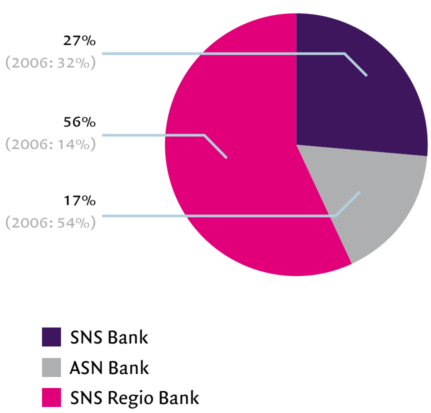


Innovation, renewal and expansion

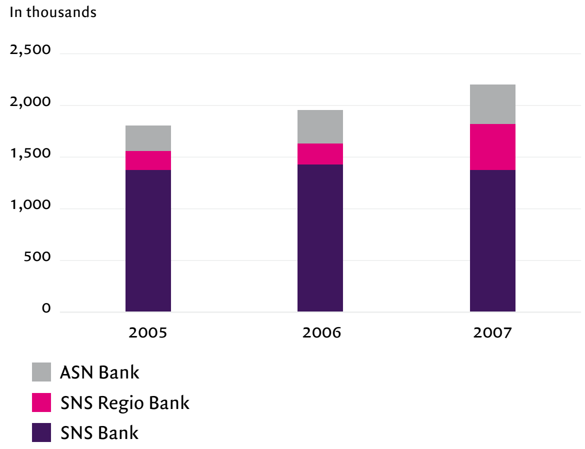
A new savings website helped to improve the sales and communication options for savings products and improvements to search engine marketing and the introduction of an online-response model made it possible to contact many more potential clients. This helped to push SNS Bank up from 96th to 7th best findable advertisers on the web. Furthermore, costs per contact decreased drastically.

ASN Bank also introduced ASN Wereldsp@ren, a new Internet savings account based on collaboration with the National Association of World Shops. Another

16 Composition of increase in savings



17 Number of savings accounts (withdrawable on demand) SNS Bank



new product was the micro credit ASN Vrouwenspaar-deposito, which generates interest that accrues to reliable partner organisations of Cordaid that provide loans on fair terms to entrepreneurial women's groups in developing countries for sustainable initiatives.

SNS Property Finance

Strategy

The clients of SNS Property Finance are companies, professional investors, project developers and housing corporations. The products comprise project financing and investment financing. Project financing focuses on medium-sized clients and reliable newcomers with strong concepts, growth ambitions and a need for tailor-made loans. Project financing partly takes place abroad. SNS Property Finance aims to generate a large part of its international growth by following Dutch clients who invest abroad. SNS Property Finance operates in all phases of the property cycle, from short-term loans for land purchase, construction and trading transactions to long-term loans for investment properties. As one of the major property financiers in the Netherlands, SNS Property Finance distinguishes itself by its profound knowledge of the market and of property-specific risk factors, and by having a strong network in all of its markets.

Developments 2007

Introduction

SNS Property Finance is a property financier with specialist knowledge in the area of commercial property. Its core activities comprise project finance, including risk-bearing equity participations, and investment finance. In the Netherlands, SNS Property Finance ranks among the top three property financiers. Part of the portfolio, 24% at year-end 2007, comprises projects and participations abroad, concentrated in the United States, Germany, France, Spain and Belgium; the majority of these transactions relate to foreign activities by our Dutch clients.

Project finance comprises short-term loans for the constructing of offices, shopping centres, shops, industrial premises, residential housing and mixed projects, as well as bridging loans and land purchase. Clients are mainly project developers, property entrepreneurs and construction companies that are also developers. In participation projects, SNS Property Finance participates in the equity as a risk-bearing party for a range of both relatively small projects and knowledge-intensive, large-scale and long-term projects.

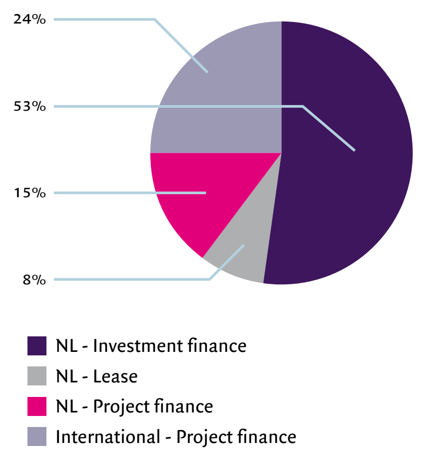
Investment loans are long-term loans for residential housing, shops, shopping centres, offices and industrial premises in the Netherlands. Clients are mainly private investors, limited partnerships for property ventures, and property investment funds.

For both project finance and investment finance, SNS Property Finance uses structured loan solutions, such as syndicated loans. SNS Property Finance acts as an expert centre for property finance for SNS Bank.

Portfolio growth

In 2007, the international market for project finance and investment finance showed modest growth. SNS Property Finance's loan portfolio (new production) grew from € 3.8 billion to € 5.6 billion (+47.4%). The total value of the property finance portfolio increased from € 8.8 billion at year-end 2006 to € 11.6 billion at year-end 2007, to which the transfer of the retail banking property finance portfolio contributed € 1.1 billion. Organic growth in the total property finance portfolio amounted to 19.3% and was mainly driven by expansion in international project finance.

18 Volume of property finance portfolio SNS Property Finance



Project financing

The project finance portfolio increased to € 4.7 billion (+ 46.9%). In project finance, SNS Property Finance concentrated more on participations in the past year. Major projects in which SNS Property Finance participates include New Babylon in The Hague, the monumental post office in Rotterdam and Hafencity in Hamburg, Germany. The trend of redevelopment of prime locations continued, including mixed-use redevelopment of inner city areas for offices, shops and housing. Projects of this type often require creative, structured solutions, for example in connection with the temporary housing of displaced tenants, and the continuation of commercial activities during the execution of the project. As a specialist, SNS Property Finance is able to deliver clear added value to these kinds of projects.

The foreign property finance portfolio, which consists almost entirely of property loans, increased to approximately € 2.8 billion (+ 40.0%). At year-end 2007, this portfolio accounted for 24% of the overall property finance portfolio. At year-end 2007, 7% of the loans originated in the US, 4% in Germany, 3% in Spain, 2% in France, 2% in Belgium and 6% in other countries. In view of the developments on the American housing market, SNS Property Finance tightened monitoring of its American activities. Particularly close attention was paid to the finance activities related to condominium projects. As a result, some projects will be converted into rental apartments.

Investment finance

The investment finance portfolio increased to 7.0 billion (+25.0%). Demand from investors for real estate remained high in 2007. Partly due to this demand, transaction volume was high, which provided a solid basis for SNS Property Finance's financing potential. Investors who obtained loans from SNS Property Finance were frequently able to generate returns of between 6% and 12%. The relatively high share of residential property in the portfolio, some 70%, was in line with SNS Property Finance's moderate risk profile. The remaining part of the portfolio comprised offices and retail property.

Risk management

SNS Bank conducts its business operations based on a healthy balance between risk, return and capital. In doing so, SNS Bank seeks to maintain a moderate risk profile. Our primary focus on private and SME clients, the Dutch market and the two core product groups: mortgages and property finance & savings and investments, serves to limit our risk profile. In addition, SNS Bank has a balanced risk management framework, which aims for a risk profile based on preset risk standards. SNS Bank's risk management policy forms an integral part of SNS REAAL's risk management policiy, as described in this chapter.

SNS Bank's risk profile is consistent with the bank's and SNS REAAL's objective to maintain a solid A-rating with the rating agencies. This target rating demands a minimal capital level in order to be able to absorb unexpected losses in unusually adverse conditions; this is referred to as the 'economic capital'. The economic capital is the SNS REAAL's key risk metric, and forms the basis for calculating the Risk Adjusted Return on Capital; in the future it will also be used for assessing the results of SNS Bank's business units. In SNS Bank's as well as SNS REAAL's opinion risk management and capital management are closely interconnected.

Risk management framework

The risk management framework has the following components: Risk principles (core principles and allocation of responsibilities), Risk committees (advisory and decision-making bodies for the line management departments) and Risk management departments (staff departments for management and advice).

SNS REAAL has defined a number of risk principles for all group entities in order to ensure a consistent approach to risk management. These risk principles are:

- one shared, group-wide risk type classification;
- a pre-set risk tolerance for each recognised risk type;
- scenario analyses for stress situations and measures for emergency situations with regard to the key risks;
- testing and validation of risk management models;
- allocating all recognised risks to risk owners;
- monitoring and assessment of risks independently of commercial operations.

The responsibilities within the risk management departments have been clearly defined, whereby the ultimate responsibility for risk management lies with the Executive Board and SNS REAAL's Chief Financial Officer who is also the Chief Risk Officer. The CFO of SNS Bank also has risk management in his portfolio as an area of attention. Risk owners have been appointed within the Executive Board and the Management Boards of SNS Bank and SNS Property Finance. These risk owners are responsible for the formulation and execution of the risk policy for the appointed areas of attention. For explanations of the risk committees and the risk management department, see section 1.3 and 1.4 of the Financial Statements on page 76.

Developments by risk type

SNS Bank distinguishes credit risks, market risks, liquidity risks, strategic risks, operating risks and integrity risks. The key developments for each risk type in 2007 are set out below.

Limits and scores 2007

Table 7 describes the key risk standards by risk type. The table also sets out the risk tolerance scores measured at year-end 2007.

Table 7: Key risk standards

	Standard	Year-end 2007	Internal target
Bank book interest rate risk	Duration shareholders' equity	nil	0 < d < 8
Earnings-at-Risk	Effect % of budgeted net interest income	9.0%	< 10.0%
Solvency	BIS ratio	11.5%	> 11.0%
	Tier 1 ratio	8.4%	> 8.0%
	Core capital ratio	6.5%	> 6.0%

Risk standards SNS Bank

Credit risk

Credit risk is the risk of a debtor defaulting in whole or in part, or of its financial position deteriorating such that it has a negative impact on SNS Bank's results and/or net asset value. SNS Bank's credit portfolio is almost entirely backed by mortgages secured on both private and corporate property, mainly in the Netherlands. There is a good diversification across properties and customer types.

The composition of SNS Bank's loans and advances to clients is set out in diagram 19. This shows that they are mostly comprised of retail mortgages.

Diagram 20 shows the distribution of SNS Bank's loan portfolio. Retail mortgages make up the majority of the portfolio.

Key developments

The credit risk profiles of SNS Bank's retail and SME mortgage portfolios and of SNS Property Finance's property finance portfolio did not change significantly in 2007.

In November 2007, the Dutch Central Bank granted approval to SNS Bank to start using an advanced method to calculate the regulatory capital for its retail mortgage portfolio from 1 January 2008. This method is in accordance with the guidelines for banks under Basel II, which was implemented on 1 January 2007 in the Financial Supervision Act. Under these guidelines, SNS Bank is allowed to use internally developed credit risk models. The results of internal calculations show that this new capital calculation method is fully appropriate for SNS Bank's moderate risk profile and will lead to lower required capital levels. This new method establishes a clear link between risks and the use of capital, further strengthening SNS Bank's risk management.

In 2007, existing credit risk management organisation of SNS Property Finance was brought fully in line with the existing organisation of SNS REAAL and SNS Bank.

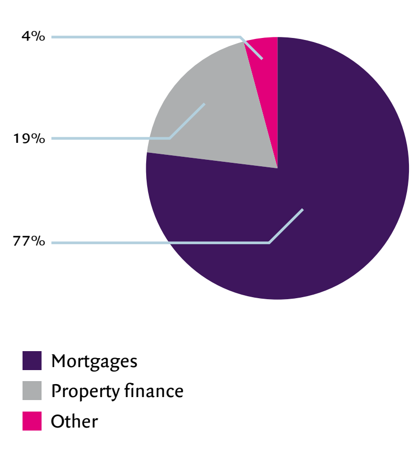
The acquisition of Regio Bank was finalised on 1 July 2007. Because the acquired loan portfolio of Regio Bank comprises exclusively mortgage-backed residential loans, the credit risk profile remained virtually unchanged.

Retail banking SNS Bank

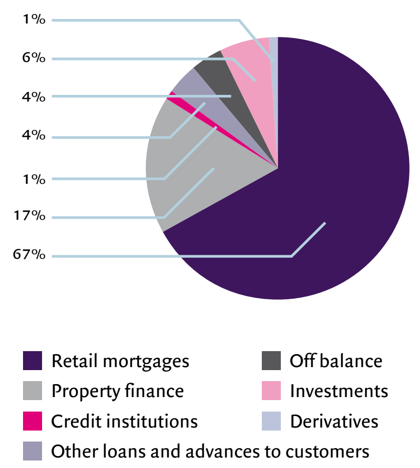
SNS Bank manages credit risk by setting credit limits at client level and closely monitoring these limits. This is done centrally for retail and SME loans (< € 1 million). Acceptance is supported by credit scoring models. In addition, retail mortgages and SME loans are also managed at portfolio level with the Portfolio Management Process, which consists of three components: rating, monitoring and intervention. This process means that unwanted concentrations in the portfolio can be avoided.

The Loan to Foreclosure Value (LtFV) is a key risk indicator for managing the mortgage portfolio. The LtFV shows the level of collateralisation by calculating the outstanding loan as a percentage of the foreclosure value of the collateral. Diagram 21 sets out the distribution of the mortgage portfolio across the various LtFV categories, including securitised mortgages and mortgages subject to a NHG guarantee. This diagram shows that the majority of the non-securitised mortgages have a low LtFV or were provided subject to NHG guarantee.

19 Composition loans and advances to clients 2007



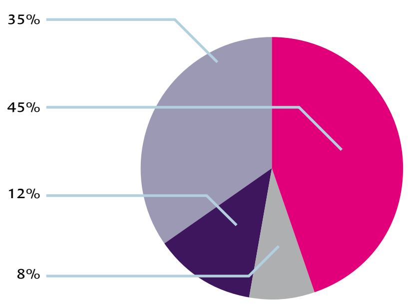
20 Credit portfolio SNS Bank



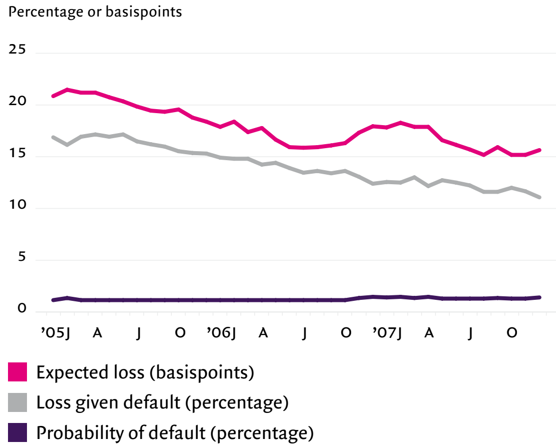
In addition, the mortgage portfolio is also managed by means of the risk standards PD (Probability of Default), LGD (Loss Given Default) and EL (Expected Loss). PD is the probability that a client will default on his payments within one year. LGD is the expected loss, expressed as a percentage, after realisation of the collateral, that the bank would suffer if a client were to default. The EL is the product of the PD, the LGD and the amount outstanding. Thus, EL indicates the amount of the expected loss for each client. These standards are used to monitor the development of the credit risk in the mortgage portfolio. The SNS Price Risk Committee assesses the portfolio each month based on these standards and makes adjustments where necessary. The development of PD, LGD and EL is presented in the graph 22. This shows PD to be stable, which indicates that the credit-worthiness of the borrowers is unchanged. LGD shows a downward trend, which reflects an improved collateral position. EL, being the product of PD, and LGD is also declining, showing that expected losses in the portfolio are decreasing.

When providing property financing, the credit committee of SNS Property Finance uses acceptance standards and policy rules to evaluate and approve loan applications. These standards and rules include credit ratings obtained from internal rating models as well as the risk standards PD, LGD and EL. Furthermore, the portfolio is also managed based on the composition of the types of financing, such as short-term, long-term, lease, participation and land financing, with portfolio limits for each financing type. Graph 23 shows the development of the average PD, LGD and EL for SNS Property Finance for the past year. The graph shows a slight decrease of PD, while LGD has remained almost constant. As a result, EL has also decreased. This means that the creditworthiness of the debtors has improved slightly, and as a result the expected loan losses are decreasing.

21 Residential mortgages: residential property in the Netherlands - type of security and credit risk



22 Residential mortgages NL



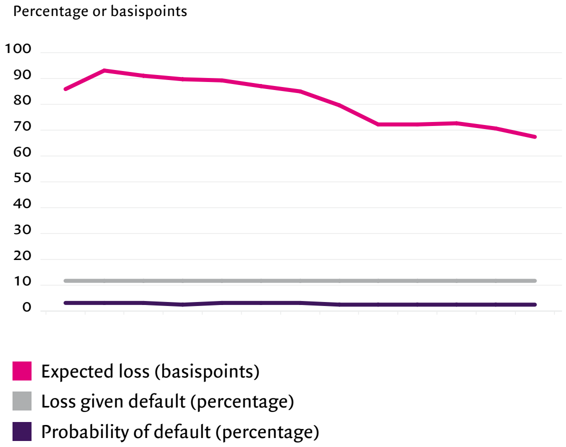
SNS Property Finance has only limited exposure to the American property market, which is marked by sales stagnation and falling house prices. Of the total loan portfolio of € 11.6 billion as at year-end 2007, only 8% related to the US and Canada. Only two condominium projects in this region give cause for worry. The financing activities related to these condominium projects were thoroughly assessed. The result of this assessment is that these projects will be transformed to rental projects. The loan portfolio in the US and Canada is being monitored closely; SNS Property Finance's new local office in Washington DC, due open in early 2008, will help with this monitoring. SNS Property Finance aims to build further its local networks and expertise to selectively exploit opportunities in the North American property market.

Loan provisions

SNS Bank's Special Credit department becomes involved when a retail client defaults, or when there is good reason to expect that he will do so, to take stock of the debtor's situation. When a customer is in arrears in the repayment of his mortgage, Special Credit takes action after a period of ten days. Based on the behavioural scoring models, Special Credit gears the collection measures to the expected probability of loss for each particular client. If the clients continues to default, Special Credit will make a proposal for a provision.

For loans of less than € 1 million, Special Credit will make a proposal based on an automated calculation of the provision, subject to the period of default and the coverage shortfall. The coverage shortfall comprises the difference between the amount owed and the foreclosure value of the collateral. The provision will be enhanced

23 SNS Property Finance



proportionally to the period of arrears. For loans exceeding € 1 million, Special Credit will make a proposal based on an individual, loan-by-loan assessment.

At SNS Property Finance, the default notice decision is made on the basis of established default indicators. In case of default, the Risk Management department draws up a settlement and restructuring plan and makes a proposal for the size of the provision to the Risk Committee, who makes the final determination of the provision. In determining the size of the provision, defaults and the experience that credit losses might result from non-defaults is taken into consideration. Table 8 shows the distribution of SNS Bank's provisions.

The addition to the provisions showed a marked decrease in 2007, indicating an improvement of the quality of the loan portfolio in this regard. The loan provision as a percentage of the risk weighted assets of SNS Bank decreased from the 2006 value of 0.74% to 0.67%.

SNS Financial Markets

SNS Financial Markets (SFM) conducts money and capital market transactions with banking counterparties on behalf of the treasury and funding activities, including derivatives transactions aimed at hedging interest rate and currency risks. Because credit risks are connected to these derivative transactions, SFM only enters into transactions with counterparties who have at least an A- rating. SFM operates within counterparty limits established by SNS Bank's Risk Policy Committee, thus avoiding unwanted concentrations. In addition, SFM uses collateral systems (Credit Support Annexes) to further mitigate the credit risk.

Table 9 shows the distribution of the exposures on financial institutions by rating category. The entire portfolio has at least an A- rating and over 90% has an AA- rating or higher.

Table 9: **Distribution of exposures SNS Bank**

Rating	Total
AAA	34.5%
AA+	24.6%
AA	18.1%
AA-	12.7%
A+	4.6%
A	4.9%
A-	0.6%
Total	100.0%

Market risk

Market risk is the risk that changes in market prices will have a negative impact on the results and net asset value of SNS Bank. SNS Bank is exposed to market risks in the areas of interest rates, shares and currencies. SNS Bank uses derivatives to hedge market risks: it uses instruments such as currency swaps, (foreign currency) interest rate swaps and (interest rate) options.

Table 8: **Development of provisions SNS Bank**

	2007						Total	
	Mortgages		Property finance		Other			
	Specific	IBNR	Specific	IBNR	Specific	IBNR	2007	2006
Balance as at 1 January	54	5	46	5	83	17	210	167
Acquisition*	1	0	0	0	4	0	5	48
Withdrawal	(22)	0	(2)	0	(18)	0	(42)	(43)
Addition	40	0	27	0	11	0	78	95
Releases	(17)	(3)	(17)	(2)	0	(10)	(49)	(59)
Other changes	0	0	5	0	0	0	5	2
	56	2	59	3	80	7	207	210

*) *Acquisition refers to the purchase in 2007 of Regio Bank.*

The bank's total market risk profile is determined by the market risk of the bank book and the market risk in the securities trading portfolio.

Key developments

In 2007, the interest rate curve flattened yet again; i.e. the difference between long-term and short-term interest rates decreased. Consequently, SNS Bank reduced its interest rate position in 2007, as it had done in 2006. The adjustment of the interest rate position led to an improvement of the ALM results compared to 2006.

Market risk bank book

The interest rate risk is the main market risk SNS Bank is exposed to. Interest rate risks arise due to the fact that SNS Bank's assets and liabilities have different interest rate sensitivities. When managing SNS Bank's interest rate position, assessments are made on a monthly basis to establish whether the risks fall within pre-set limits. In these assessments, SNS Bank measures, monitors and manages the interest rate risk based on duration, Value-at-Risk and Earnings-at-Risk.

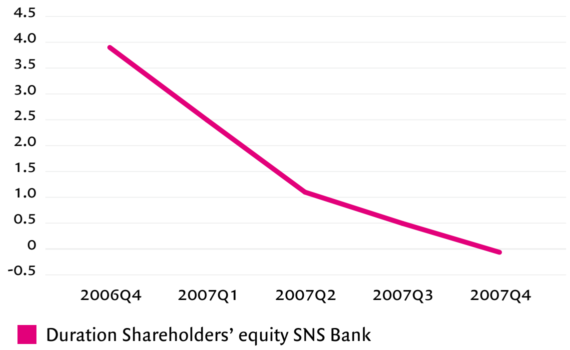
The duration (interest rate sensitivity) of equity is the primary indicator for interest rate risk. The SNS REAAL ALCO sets a new bandwidth for this indicator each year, taking account of expected developments of the yield curve and the optimization of interest rate risk. SNS Bank's bandwidth for 2007 was set as a range from 0 to 8. The duration of equity amounted to nil at year-end 2007 (year-end 2006: 3.9). Due to the flat yield curve and the volatile market conditions, the company aimed for a neutral risk position, as set out in graph 24.

Value-at-Risk (VaR) is a 99% confidence level measure of the maximum loss due to changes, in interest rates, among other factors. At year-end 2006, the VaR was € 408 million. In line with the objective to achieve a neutral risk position, VaR decreased sharply during 2007, as shown in figure 25. The average VaR in 2007 was € 109 million, and VaR was € 26 million at year-end 2007. This equalled less than 1% of the fair value of shareholders' equity.

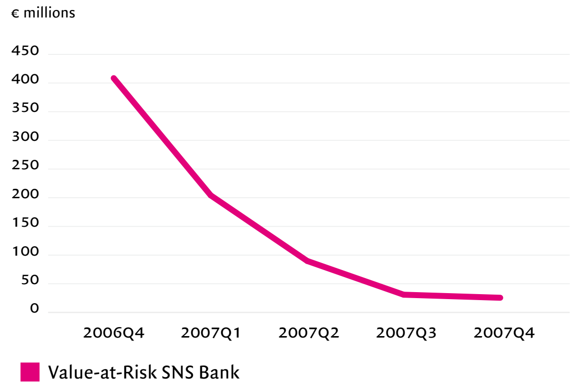
Earnings-at-Risk (EaR) measures the effect of changes in the market interest rates on profit based on a period of one year. EaR had a € 74 million limit in 2007 (10% of the 2007 interest income). On average, EaR was approximately € 45 million, with a maximum of € 67 million in December 2007. EaR remained within the limit for the year as a whole.

In addition to the duration of equity, Value-at-Risk and Earnings-at-Risk, the bank uses a gap profile as a risk management tool. The gap profile is used to determine which maturities in the gap profile need to be adjusted to the desired level using interest rate swaps. Hence, duration of equity and the gap profile are the main tools for managing the interest rate position of SNS Bank. The sensitivity of the market value of SNS Bank's shareholders' equity and result are also measured using various scenarios. Table 10 sets out the sensitivity to a 1% interest rate fall and a 1% interest rate rise. Here, too, the reduced interest rate sensitivity of the fair value of shareholders' equity is evident.

24 Duration shareholders' equity SNS Bank



25 Value-at-Risk SNS Bank



26 Earnings-at-Risk SNS Bank

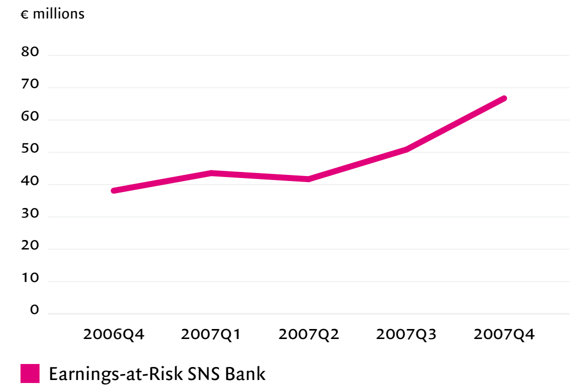


Table 10: **Interest rate sensitivity SNS Bank**

In € millions	Fair value shareholders' equity		Result		Shareholders' equity	
	2007	2006	2007	2006	2007	2006
Interest rate + 1%	13	(95)	42	(14)	(118)	(77)
Interest rate – 1%	(8)	98	(42)	14	118	77

Market risk SNS Bank's trading portfolio

As in 2006, little use was made in 2007 of the preset limits for the trading portfolio. The total limit in terms of Value-at-Risk (99% confidence level on a daily basis) for the trading portfolio was only € 4.1 million, reflecting the low risk profile of this activity. The bond portfolio related to the bank's trading activities increased by € 750 million in 2007. The stress test limit for the trading portfolio in 2007 was € 12.3 million; the stress test evaluates, the impact of worst case scenarios on the current portfolios.

Currency risks arising from SNS Bank's funding in foreign currencies are always hedged.

Liquidity risk

Liquidity risk is the risk that not sufficient funding and liquidity is available to meet the short term financial obligations. SNS Bank manages its exposure to this risk to the extent that it has sufficient reserves at its disposal and as a result has always remained able to meet its financial obligations.

SNS Bank has a broad investor base, an extensive range of financing instruments and ample access to the international money and capital markets. SNS Bank does not hold investments in sub-prime mortgages, conduits of ABCP products (Asset Backed Commercial Papers), in line with SNS Bank's risk profile.

Key developments

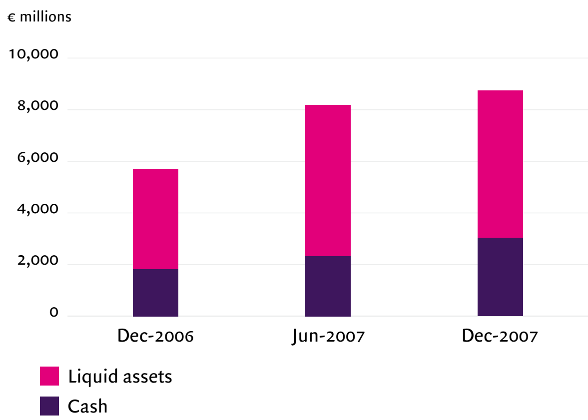
In the first half of 2007, the maturity of the realised funding was long in terms of the liquidity profile. In this context, SNS Bank benefited from historically low credit spreads. However SNS Bank was adversely impacted by the subprime crisis in the financial markets in the second half of 2007; even though SNS Bank does not hold any investments based on subprime mortgages, it was hampered because many of its usual funding sources were not available at normal spread levels and volumes. In the face of this challenge, the prudent liquidity policy and contingency planning functioned excellently; SNS Bank managed to raise efficient funding through other channels, and also made use of its ample liquidity buffers.

In 2007, SNS Bank performed two securitisations under the Hermes programme; Hermes XIII for an amount of € 2.8 billion and an on-balance securitisation, Hermes XIV, for an amount of € 2 billion in order to use this as collateral with the Dutch Central Bank. In June SNS Bank carried out a securitisation, including only mortgages bearing an NHG guarantee, Pearl II, for an amount of € 800 million. Additionally, the mix of retail and wholesale funding improved due to the takeover of Regio Bank. Moreover, in the autumn of 2007, SNS Bank held a successful deposit campaign, raising almost € 2 billion in retail funding with a duration of at least one year. The joint effect of these transactions caused an improvement of SNS Bank's liquidity position and an expansion of the share of retail funding to 42% at year-end 2007 (2006: 36%). SNS Bank's strongly improved liquidity position enables the bank to continue its normal business operations under normal market conditions until the end of 2008 without turning to the capital market.

Figure 27 shows that in spite of difficult market conditions, SNS Bank was able to maintain a strong liquidity position.

In February 2008, SNS Bank carried out a securitisation of mortgage loans backed by NHG guarantees (PEARL III), raising the available liquidity by € 400 million. Furthermore, SNS Bank has prepared a € 15 billion Covered Bond programme to improve its liquidity position. In the first two months of 2008, a second

27 **Development liquidity position SNS Bank**



savings deposit campaign was started, once again raising over € 2 billion in new savings with a duration of at least one year.

See the risk section on page 88 in the Financial Statements for a qualitative and quantitative description of liquidity risks and the Funding and credit ratings section on page 42 for more information on funding.

Strategic risks

Strategic risks concern the risks that objectives are not achieved due to lack of response or inadequate response to changes in the environment. This may relate to for example, inadequate anticipation of reduced demand for core products, increasing competition or changes to regulations.

SNS Bank lays down its strategy in a long-term plan. This strategy is reviewed annually and the strategic risks are highlighted by means of a strategic risk analysis. See the section Mission, activities, strategy and objectives, which contains an extensive SWOT analysis. Execution of the strategy is closely monitored. The execution in 2007 is discussed in the Strategy update section.

Operational risks

Operational risks concern the risks that strategic objectives cannot be achieved due to unpredictability of performance, unpredictability of information or due to unforeseen losses as a result of fraud, inadequate internal procedures, external events, systems or security.

Losses due to operational risks are unavoidable. SNS REAAL, also including SNS Bank, has insured many types of foreseeable losses due to operational risks with third parties to a reasonable amount. As a buffer for uninsured (unforeseen) losses, SNS Bank has the statutory capital requirement for operational risk. SNS Bank bases this capital requirement on the standardised approach according to Basel II, resulting in a capital requirement for each banking core activity. At year-end 2007, SNS Bank held a total capital requirement for operational risk of € 129 million (year-end 2006: € 98 million). SNS Bank periodically tests the actual adequacy of the capital requirement using economic capital calculation models, scenario analyses and stress tests. The company also continues to work on measuring sources of non-financial risks in order to define 'predictive values' in the form of relevant key indicators for each process chain. The largest reported uninsured direct loss was less than € 1 million.

In 2007, the policy for managing operational risk was strengthened, so that various risks, including fraud risks, outsourcing risks, reporting and continuity risks are hedged more directly and more coherently. The management of the operational risk is aimed not only at preventing direct financial losses; operational risk also arises when, for example, due to unforeseen demand, sales far exceeded the ability of the systems and personnel to process them. In order to mitigate against risks of this type, SNS Bank focuses its policy on controlling its business operations by having well-organised procedures in place, which result in reliable and high-quality process chains. A high degree of 'straight-through processing', which SNS Bank has achieved for its main business units, is consistent with that goal. By successfully managing operational risks,

28 Main principles for managing operational risk:

1. Put the responsibility for managing operational risk as close to the processes as possible (i.e. with line management).
2. Use uniform and unambiguous management objectives for the design and organisation of new procedures and in the assessment of the risks of existing process chains.
3. Lay down operational procedures, risk management procedures and their organisation in writing.
4. When major changes are being implemented, allocate (new) tasks and roles directly to those responsible.
5. Perform risk analyses periodically and after major changes.
6. Allocate improvement measures to avoid unacceptable risks directly to those responsible, and monitor progress.
7. Formulate measures to better manage inherent operational risks which the organisation faces during the normal course of business or cannot avoid.
8. Have the line management formally adopt the risks that remain after actions and after management measures as residual risk.
9. In each process chain, implement 'controls' for reliable information and 'indicators' for performance and risks in order to obtain adequate insight into the nature and the amounts of non-financial risks and the effectiveness of the control measures taken.
10. Record all the details of incidents resulting in actual or averted losses and test the details against the outcomes of the risk assessments. Learn from incidents and errors.
11. Be alert to unforeseeable serious disruptions and errors (catastrophes). Regularly test the continuity plans, in order to be as well prepared as possible for catastrophes.
12. Maintain a capital buffer for losses due to unforeseen catastrophes and test their adequacy periodically using economic capital calculation models, scenario analyses and stress tests.

the chains result in maximally predictable performance, reliable information and fewer unforeseen losses, enabling the organisation to achieve the intended (strategic) objectives in a timely and cost-efficient manner.

SNS Bank acknowledges that systems and procedures cannot prevent the risks of extremely serious disruptionsand errors due to exceptional circumstances -(catastrophes). For this reason, the company is constantly on the alert for sudden catastrophes. All business units, coordinated by the Business Continuity Management department, frequently test their continuity plans. Furthermore, SNS Bank has developed a coherent system of tools for managing the sources of operational risk as well as possible in a broad context (see box 28).

Integrity risk

Integrity risk is the risk that rules governing integrity in conduct, internal standards and regulations, the duty of care and legislation and regulations are not adequately observed. Integrity risks can result in direct losses, including as a result of claims and penalties, and in consequential loss, such as reputation damage or losses due to fraud and bad debts. In many cases, these are foreseeable losses which are insured up to a reasonable amount or for which provisions have been formed on the balance sheet, such as the provision for bad debts.

Since human error cannot be eradicated, in 2007, SNS Bank, consistent with that of SNS REAAL, created a graduated scale of the human errors that could result in non-financial risks. Frequently occurring 'clerical errors' with limited impact are dealt with as far as possible by process improvement or automation in accordance with the operational risk management policy, or by means of procedures and process descriptions. Losses and disruptions due to unacceptable behaviour or incorrect weighing of interests by employees and managers are countered by integrity risk management policies. Additionally, in order to prevent (near) losses due to intentional malicious behaviour (or internal or external fraud), the fraud policy has been improved further during 2007.

In order to control the integrity risks, SNS Bank has in place a policy aimed at preventing unacceptable behaviour ensuing from incorrect judgments by an employee or director in his relations with interested parties. In its management of integrity risks, SNS Bank distinguishes four pillars of integrity: of employees, of products and services, of clients, and of alliances.

Controlling integrity risks is largely related to working methods and the SNS Bank company culture. The desired and minimally required working methods that are in keeping with our company culture has been laid down for each of the four pillars in an integrity framework. All the companny's employees work to this framework and can check their own decisions and responsibilities against it. The framework comprises SNS REAAL's and SNS Bank's norms and values, social norms and values and legal norms and values (for example in the areas of monitoring securities-related conduct, operational integrity and client due diligence).
In order to enable employees to operate ethically within the set parameters, SNS Bank aims for transparency in policy, processes and procedures.

Capital management

The capital management of SNS Bank forms an integral part of SNS REAAL's capital management. This is aimed at maintaining a solid single A-rating with the rating agencies, by which this functions as the key risk metric. In addition, capital management contributes to an increasing extent to systematic analysis and improvement of our operations.

In order to maintain the single A-rating SNS REAAL requires a minimum capital, enabling SNS REAAL and SNS Bank to absorb unexpected losses in exceptional bad circumstances. This is called the economic capital. The economic capital serves as a basis for the calculation of the Risk Adjusted Return on Capital and in the near future economic capital will be used for evaluating the results of the business units of SNS Bank.

Objectives and standards framework

SNS Bank's capitalisation policy focuses on the optimisation of the capital structure so that it contributes to the realisation of the bank's strategic goals. At the same time, SNS Bank also seeks to maintain a healthy balance between the amount of capital and the risks that it runs.

The restrictions set by the Dutch Central Bank, European regulations, rating agencies and internal requirements regarding capital adequacy are taken into account in determining the capital structure. See table 11.

Key developments

In 2007, pursuant to the Basel II regulations, so-called parallel reports were initiated in which SNS Bank's solvency under Basel II is calculated in anticipation of the definitive effective date of Basel II on 1 January 2008. This has the following consequences:

- Under the calculation methodology of Basel II, Pillar 1, SNS Bank's BIS ratio at year-end 2007 amounts to 17.2% based on preliminary calculations as opposed to 11.5% under Basel I. This includes the risk types credit risk, market risk of trading portfolios and operational risk, and applies the IRB method for the credit risk for retail mortgages. The increase of the BIS ratio shows that the application of Basel II risk measurement results in a decrease of the risk-weighted assets. As a result, solvency ratios increase at a stable capital level.
- As of 1 January 2008, the solvency ratios of SNS Bank will rise due to Basel II. Due to the fact that the Basel II capital requirements are lower than the capital requirements under Basel I and considering the present outcome of the dialogue with DNB, the bank will be able to free up capital of approximately € 250 million (from 1 January 2008 the capital requirement is set at 90% of the risk-weighted assets under Basel I).

The second pillar of the new Basel II Capital Accord concerns the process by which banks and investment firms assess the adequacy of their internal capital (the so-called Internal Capital Adequacy Assessment Process or ICAAP) and the assessment of that process by the Supervisory Authority (the so-called Supervisory Review and Evaluation Process or SREP). The regulatory capital (ICAAP capital) determined by SNS Bank follows from the ICAAP. The ICAAP capital is the outcome of the internal capital calculation of SNS Bank for all risks that are relevant for SNS Bank based on the internal rating target, taking into account diversification effects. The SREP capital is determined by discussions between the Dutch Central Bank and SNS Bank and reflects the desired capital from a regulatory perspective. The SREP capital is the ICAAP capital rescaled to a confidence level of 99.90%, which can be increased by the supervisory authority with a prudential surcharge.

Framework for capital management

In assessing capital adequacy, SNS Bank, as part of SNS REAAL, takes into account the economic risks of its underlying activities. These are assessed using economic capital and stress tests. The capitalisation is aimed at maintaining the single A credit rating. SNS Bank's capital

Table 11: Solvency standards

Entity	Standard	Internal target	Realisation
SNS Bank	BIS ratio	> 11%	11.5%
	Tier 1 ratio	> 8%	8.4%
	Core capital ratio	> 6%	6.5%

management comprises the following main activities: determining the required economic capital, performing stress tests on the capital adequacy and a qualitative capital adequacy assessment.

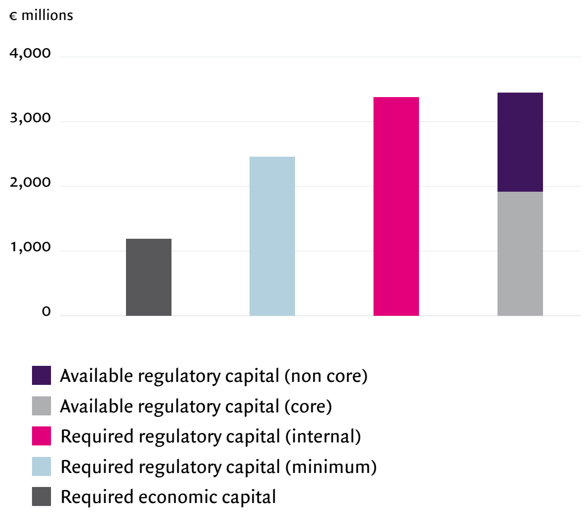
Required economic capital

SNS Bank uses economic capital in as far as possible to gear the management of the company and the business units towards value creation. To this end, the economic capital must first be calculated as precisely as possible, without incorporating a margin of conservatism in the estimate of the components of the economic capital formulas and the economic capital calculations themselves. The (unadjusted) economic capital from this initial calculation provides a basis for value creation and performance management. The capital adequacy assessment adjusts this economic capital by taking into account uncertainties in the economic capital formulae by adding separate surcharges to the unadjusted economic capital.

A confidence interval of 99.96% is used in determining the economic capital, calibrated to the default probability of a company with a double A rating. In the calculation of economic capital, diversification effects, between both risk categories and product groups, are taken into account. These diversification effects occur because all risks do not manifest themselves simultaneously. In the calculation of the stand-alone economic capital of SNS Bank, diversification between the group's different operations is not taken into account; the capital adequacy of the economic capital of SNS Bank is assessed separately.

Graph 29 compares the required economic capital with the required regulatory capital and the existing regulatory capital. SNS Bank is constantly working

29 Available versus required capital 2007



to improve its internal economic capital models. These figures provide an indication of the risk profile and thus also of the economic capital of SNS Bank.

Graph 29 shows that SNS Bank needs to maintain less capital according to the internal models than according to the Basel I capital requirements.

Stress tests

A stress test analysis is performed annually in order to assess how well SNS Bank would endure stress scenarios. The stress test for SNS Bank, which was carried out again in 2007, showed that the losses under various stress scenarios covering all relevant risk categories, could be offset within the existing regulatory capital of € 3.5 billion.

In the stress test, a liquidity scenario, a recession scenario and a system stress scenario were tested. The liquidity risk was based on a scenario of rapid deterioration in access to the money and capital markets, and a lowering of SNS Bank's credit rating by two notches by the rating agencies. The recession and system stress scenarios also take into account an immediate abolition of mortgage interest tax relief. The most severe scenario, namely the system stress scenario combined with the immediate abolition of mortgage interest tax relief, comprised a fall in long-term interest rates to 3%, a 25% fall in share prices, a decrease in economic growth, a sharp increase of credit spreads and a severe fall in house prices. For the market risk, the losses are expressed in loss of market value during a one-year period. For the credit risk, a three-year horizon was chosen because the impact of negative scenarios for this risk type would be delayed. These losses were added up with losses associated with strategic and operational risks, not taking diversification effects into account.

Qualitative assessment capital management

In its capital management process, SNS Bank prepares operational plans each year with a three-year horizon. A capital management plan is then prepared that covers the same period, in which the capital requirements and their fulfilment are set such that SNS Bank can satisfy the internal and external standards. Instruments to lower the risk-weighted assets and to increase the available capital are used for capital management. SNS Bank's capital is a combination of various types of capital, with the emphasis on shareholders' equity. SNS REAAL capitalises its subsidiaries in accordance with the internal and external solvency standards. A possible capital surplus can thus be efficiently managed within SNS REAAL.

Each month, SNS Bank prepares a twelve-month rolling forecast for its capital requirements. The monitoring process makes it possible to take additional measures if necessary, such as securitisation or raising subordinated loans. For more information about access to the money and capital markets, see the section on Funding and credit ratings. The qualitative assessment of the capital management comprises a comparison of the required economic capital and the existing capital including all permitted sources of capital, which consist of equity, subordinated loans and hybrid forms of capital. The calculation of the existing capital, takes account of all restrictions required by regulators and rating agencies with regard to the composition of the sources of capital.

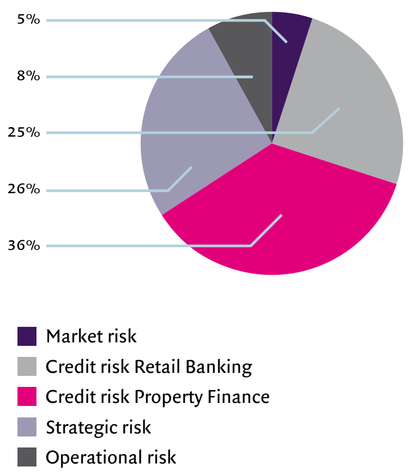
SNS Bank's senior management assesses the results of economic capital calculations, the requirements of regulators and rating agencies, the outcomes of stress tests and capital planning. Based on these assessments, management decides whether additional measures are needed. In terms of the abovementioned standards, SNS Bank is adequately capitalised.

The assessment of the capital adequacy comprises the following:

- The economic capital is calculated and reported to the Management Board and ALCO of SNS Bank and the ALCO of SNS REAAL on a quarterly basis.
- The capital requirements, derived from stress tests, are compared with the existing regulatory capital on an annual basis.
- The results of the stress tests are compared to the required economic capital on an annual basis.

Diagram 30 shows the risk profile of SNS Bank based on a breakdown of the required economic capital (EKAP)

30 Economic capital to the type of risk SNS Bank (year-end 2007)



per risk type. From this diagram it is clear that the market risk share is relatively limited, because SNS Bank managed to reduce its interest rate risk to nearly zero.

Value creation

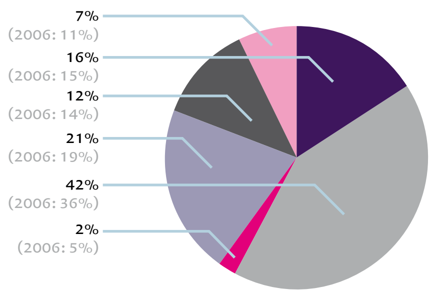
One of SNS Bank's financial objectives is economic value creation. To this end, the bank's activities should produce sufficient returns given the accompanying risks. Therefore, SNS Bank is increasingly assessing its activities on the basis of economic results and economic capital, using the risk adjusted performance indicators Risk Adjusted Return on Economic Capital (RAROC) and Economic Value Added (EVA). The economic capital calculations allow the determination of how much risk a client, portfolio or product group entails. Given the capital structure of SNS Bank and the yield requirements of the providers of capital, SNS Bank can thus determine the required return. These calculations are used in SNS Bank's pricing policies, portfolio management and performance measurement.

Funding and credit ratings

The goal of the capital market funding activities is to finance and capitalise the bank at the lowest economic cost while limiting the level of risk. During the liquidity crisis in the second half of 2007, SNS Bank managed to maintain its liquidity and funding at relatively attractive conditions.

Liquidity is a vital precondition for the successful operation of SNS Bank. Our public funding strategy is aimed at funding the growth of SNS Bank at competitive levels. This strategy rests on two pillars. The first pillar is securing adequate liquidity in a timely fashion, avoiding the risk that at a late stage (considerable) funding must be obtained at unfavourable terms. The second pillar is diversification, in terms of funding instruments, type of investor and geographic area. By diversifying its funding instruments, SNS Bank can opt for the most suitable instrument in various market conditions, depending on its capital requirements.

31 Composition funding instruments



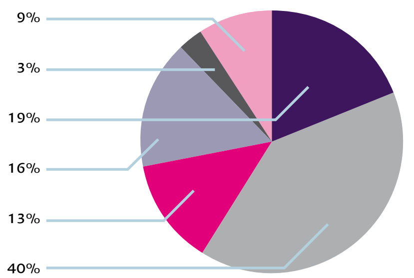
- Medium term notes
- Retailfunding
- Credit institutions
- Securitisation
- Benchmark Bonds
- Other

Key developments

SNS Bank has maintained its liquidity well. SNS Bank's cash position at year-end 2007 amounted to € 3.0 billion. In addition, SNS Bank had € 5.7 billion in negotiable securities or securities that qualify as eligible assets at the Dutch Central Bank (DNB). In total, the liquidity position thus amounted to € 8.7 billion. During the liquidity crisis, SNS Bank proved to be able to adapt quickly to new market conditions. In a brief space of time, SNS Bank marketed the highly successful retail Keuzedeposito, a savings deposit with a minimum one-year maturity, which generated a net increase of € 1.8 billion. This helped us to finance over 56% of the retail loans with savings as at the end of 2007. In 2007, we were able to raise 42% of total funding through the retail channel.

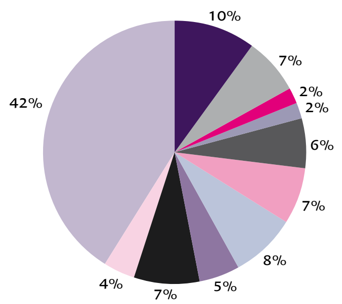
SNS Bank managed to secure public funding in the capital market in good time due to a good selection of funding instruments. The funding position has been secured until the end of 2008 without any need for

32 MTN funding to the type of investor



- Asset Manager
- Bank
- Insurance
- Investment Fund
- Institutional
- Other

33 Regional distribution MTN Funding



- Other
- Benelux
- Scandinavia
- Asia
- Switserland/Austria
- Hong Kong
- Italy/Spain
- France
- Canada/US
- UK
- Germany

Table 12: **Funding transactions in 2007**

Funding	Size	Issue date
Non-subordinated senior loan	5-year floating rate note € 1,250 million	February 2007
Securitisation through Hermes	Hermes XIII € 2,800 million.	March 2007
Securitisation through Pearl (NHG-mortgages)	Pearl II € 800 million	June 2007

additional capital market transactions. A Covered Bond programme was developed in 2007 that is expected to offer good opportunities for raising funding in 2008.

Liquidity

In the second half of 2007, liquidity became a hot topic for all banks in the wake of the problems in the American subprime mortgage market. We define liquidity as the degree to which the company can meet its short-term payment obligations. A number of mortgage banks in the United States had provided residential mortgages to customers whose repayment capacity was doubtful. The banks repackaged these loans, divided them into various tranches and sold them to investors around the world. The repackaged mortgages found their way into 'conduits' and Structured Investment Vehicles (SIVs), in the form of so-called Asset-Backed Securities. SIVs are special investment firms, often formed by banks, which mainly invest in ABS and which are financed by short-term loans. When the number of bankruptcies increased due to higher interest rates and house prices began to fall as a result, the SIVs could no longer attract funding, as the lenders considered the creditworthiness of their ABS products too low. This created a lack-of-confidence crisis between banks, and strongly reduced their willingness to lend each other money. This liquidity crisis, commonly referred to in the media as the 'credit crunch', resulted in strongly increasing credit spreads, a deteriorating issue climate, huge losses for a large number of commercial and investment banks, and downgrades by rating agencies.

During the liquidity crisis, SNS Bank's involvement in money market programmes has been very limited. Liquidity in this market virtually disappeared, but due to our funding strategy in the first six months of 2007, which had focused on diversifying our short-term funding, its impact on us was very limited indeed. In view of the uncertainty in the international money and capital markets, many parties wished to place their surplus cash resources closer to home, with familiar institutions. By actively marketing to these parties and by exploiting its network, SNS Bank succeeded in generating a large part of its funding in the fast-growing deposit market. Additionally, funding through SNS Bank's Keuzedeposito in the retail market was very successful. From its introduction in July until year-end 2007, this product raised a total of approximately € 1.8 billion from the retail market.

Liquidity risk management

Due to good diversification of the maturities across markets and currencies, SNS Bank has a low liquidity risk profile. Rating agencies acknowledge this quality of SNS Bank in their reports. Although no one could have predicted the market conditions that emerged in the second half of 2007, SNS Bank's liquidity policy has been proven to be robust and appropriate in the face of this crisis.

The Risk Management Department creates stress scenarios in collaboration with SNS Financial Markets. In the Treasury and ALM meetings, the scenarios and outcomes are frequently tested and assessed.

Funding instruments

Notes and 'Schuldscheine'

In 2007, SNS Bank raised its EMTN programme from € 20 billion to € 25 billion in order to be able to provide for the funding needs of SNS Property Finance. The EMTN programme serves as a framework for issuing both private loans and public loans. At year-end 2007, approximately € 19.8 billion was outstanding under the EMTN programme.

SNS Bank placed private loans totalling € 2.4 billion in 2007. In addition, a € 1.25 billion public loan in the form of a floating rate note with a duration of five years was issued under the EMTN programme. SNS Bank did not issue any subordinated loans in 2007. However, SNS REAAL provided a € 100 million Tier 1 perpetual loan to SNS Bank with a call after ten years. Additionally, SNS REAAL provided two Lower Tier 2 loans of € 50 million each to SNS Bank. These loans have a maturity of 10 years.

The Australian $A 3 billion MTN programme was not used in 2007. Over the past three years, SNS Bank has effected three issues, one of which was a subordinated issue. Given the deteriorating capital market conditions, we did not enter this market this year. However, we will continue to monitor market conditions in Australia and Asia in the next few years, as we expect increasing interest and participation by investors from this region and anticipate a return to these markets. At year-end 2007, a total of $A 1.23 billion was outstanding under this programme.

As in 2006, SNS Bank was active in the Schuldscheine market in 2007. Schuldscheine are subordinated loans under German law that mainly find their way to German investors. In 2007, a total of € 206 million was issued in this market. At year-end 2007, approximately € 2.1 billion was outstanding in the Schuldscheine market.

Securitisation of mortgages

Securitising mortgages is a substantial part of SNS Bank's funding mix. In 2007, two transactions were effected under the Hermes programme with mortgage loans as collateral. The first transaction, Hermes XIII, had a volume of € 2.8 billion, the largest in Hermes' history. The second transaction, Hermes XIV, in the amount of € 2.0 billion was not placed with third parties and qualifies almost completely as eligible assets at DNB. Moreover, SNS Bank has carried out a second, so-called NHG securitisation, including only mortgages bearing an NHG guarantee. The maturity of this transaction, named Pearl II, is seven years and has a volume of € 800 million. Pearl II has a relatively low credit spread compared to alternative funding opportunities. At year-end 2007, a total of approximately € 15.9 billion in cash securitisations was outstanding. In the current environment, securitised mortgages offer insufficient possibilities as the risk level is deemed to be too high. As a result, SNS Bank has developed a 'covered bond' programme.

Covered Bonds

The covered bond programme is one of SNS Bank's new instruments to expand its funding options. This programme, which was finalised in November 2007, opens up a new source of investors. It was given an AAA-rating by Moody's, S&P and Fitch. The term 'covered bond' refers to a special type of bond that offers double security to the bondholders. The first security for the investors concerns the solvency of SNS Bank as a financial institution, while the second security consists of a delineated portfolio of retail mortgages provided by SNS Bank. A covered bond programme with its accompanying documentation is very similar to a securitisation.

Benchmark bonds

Issues of liquid benchmark bonds contribute to the broadening of the investor base. These benchmark bonds can be actively traded on the European exchanges. SNS Bank's policy enables investors to adjust the maturity of their portfolio to the credit curve of SNS Bank. Liquid bonds are also an attractive way for institutional investors to invest in an SNS Bank bond.

Table 13: Benchmark bonds outstanding at year-end 2007

Funding	Issue date
$ 1 billion floating rate note	June 2008
$ 1.25 billion floating rate note	October 2009
€ 1 billion fixed rate 6.125 %	April 2010
$ 800 million floating rate note	October 2011
$ 1.25 billion floating rate note	February 2012
€ 500 million fixed rate 5.625%	June 2012
€ 900 million fixed rate 4.625%	February 2014

In early 2007, SNS Bank issued a € 1.25 billion benchmark floating rate note with a maturity in five years. After this public transaction, the market deteriorated due to the liquidity crisis, and no new transactions were effected.

Commercial Paper

SNS Bank has two commercial paper programmes – a European and a French programme – each with a maximum size of € 4 billion. Commercial papers programmes have maturities of one to twelve months; their short-term nature means they offer flexibility for realising the funding required at any particular time. In 2007, limited use was made of these instruments.

Credit spreads

Due to the liquidity crisis, credit spreads – the mark-up for debtor risks on loans in the money and capital markets – widened considerably in 2007 for most asset categories. The lack of clarity about the volume of low-quality repackaged mortgages and about the question as to which banks have them (in large quantities) caused so much doubt in the international capital markets that investors hardly dared enter into

Table 14: Credit ratings

Long term	S&P	Moody's	Fitch
SNS Bank	A (stable)	A1 (stable)	A+ (stable)
Short term	**S&P**	**Moody's**	**Fitch**
SNS Bank	A-1	P-1	F1

new transactions. That resulted in a write-down of most asset categories. Conduits and SIVs were even forced to sell their high-quality assets in order to create liquidity. Credit spreads widened considerably as a result, so that some markets became inaccessible or only accessible to a limited extent. Many banks suffered. Widening credit spreads are most noticeable in the various tranches of securitisation vehicles, such as Mortgage-Backed Securities. In recent years, SIVs purchased these in large quantities, using the proceeds of the issue of short-term debt paper to acquire and fund securities with longer terms. When this became impossible, the supply of Mortgage-Backed Securities increased enormously, with spreads widening as far as 35 basis points in the Netherlands and even wider in other countries. This made an issue in this market segment impossible in the second half of 2007. We expect this situation to persist well into 2008.

Access to the capital market

The covered bond market remained relatively accessible. Transactions in covered bond format are currently the most obvious alternative for SNS Bank. SNS Bank anticipated this by setting up a covered bond programme as early as in 2006. The programme was signed in December 2007, and will be used when appropriate.

The capital market consists of a floating market and a fixed-interest market. Floating rate notes experienced the greatest difficulties as these bonds were usually placed with bank treasuries in their short-term investment portfolio. SNS Bank concluded one transaction in this market, well before the credit crisis emerged.

The fixed-interest bond market fared better, since it is more widely used by long-term oriented investors, such as pension funds, insurance companies and asset managers. In this market, too, the credit spread widened considerably. At the end of 2007, markets were very sensitive. The climate could change quickly in response to rumours, making markets inaccessible for long periods of time. SNS Bank did not operate in this market in 2007.

Credit ratings

The credit ratings, as assigned by rating agencies, are indicators of the likelihood of timely and full repayment of the interest and principal amount of fixed-income securities. The credit ratings and outlook remained unchanged for SNS Bank in 2007.

Utrecht, 13 March 2008

Rien Hinssen
Cor van den Bos
Bob Janssen
Henk Kroeze
Rob Langezaal
Marius Menkveld
Mark Straub

Report of the Supervisory Board

Report of the Supervisory Board

In 2007, one of the main issues on the agenda of the Supervisory Board was the integration of Regio Bank. In addition the usual issues were discussed. Once again, good results were achieved. The Supervisory Board wishes to thank the management and the employees for their efforts in this special year, in which SNS Bank successfully integrated SNS Property Finance and Regio Bank.

Financial statements and dividend

The Supervisory Board discussed the financial statements 2007 in the meeting of 13 March 2008. Prior to that meeting, the press release of SNS REAAL, including SNS Bank's figures, and its publication in February were dealt with. KPMG, the external auditor, issued an unqualified opinion on the financial statements. As part of the profit appropriation, it is proposed to the shareholders' meeting to transfer the remaining profit (after dividend payment) to shareholders' equity.

Composition of the Supervisory Board

The composition of the Supervisory Board ('the Board') changed in 2007. Jean den Hoed retired at SNS REAAL's general meeting of shareholders (AGM) of 9 May 2007 in accordance with the retirement rota. The Central Works Council exercised its amplified right of recommendation for the ensuing vacancy. Herna Verhagen, the candidate recommended by the Central Works Council, will be nominated for appointment at the AGM of 16 April 2008. In 2008 the periods of office for the chairman, Joop Bouma, and for Jos van Heeswijk will end. At the AGM of 2008, Henjo Hielkema will be nominated as a new member of the Supervisory Board. The Supervisory Board intends to appoint Hielkema as chairman of the Supervisory Board.

Composition of the Management Board

The Composition of the Management Board changed in 2007. As announced in 2006, a vacancy had occurred due to the change of positions of Marius Menkveld and Gert van Wakeren. At the end of 2006 Marius Menkveld was appointed CEO of SNS Property Finance and remained on the Management Board. The Supervisory Board approved the appointment of Rob Langezaal as per 1 November 2007. He is responsible for Marketing and Sales.

Meetings of the Supervisory Board

The Supervisory Board met twelve times in 2007.

Apart from the interim and full-year figures, other topics of discussion included the developments in the financial markets, in particular focusing on liquidity and funding, management development, talent development and succession scenarios and the upcoming vacancies on the Board. The Supervisory Board approved its own revised regulations and the Board approved new regulations for private investment transactions.

The Supervisory Board also discussed the integrated quarterly risk reports and the bank's distribution strategy. The risk reports deal with the risks for the company's business operations and the concomitant complex of scenarios and control measures required to cover those risks. The second quarterly report was discussed with the external auditor. The Management Board of SNS Bank attended the meeting in which SNS Bank's distribution strategy was discussed. Furthermore, the Board evaluated the acquisition of Bouwfonds Property Finance, discussed the operational plan for 2008-2010 and the related capitalisation and funding plan, as well as the impact of Basel II on the governance structure.

In a separate meeting, the Board reviewed its own functioning. The contributions of the individual members, the quality of the agenda and of the information made available were central issues in this evaluation. Because of the vacancy arising with the departure of Jean den Hoed, the composition and the competencies of the Board were also discussed. The Board determined that this was a vacancy in which the Central Works Council would exercise an amplified right of recommendation.

Committee meetings

Audit Committee meetings

The Audit Committee currently consists of Jos van Heeswijk, Hans van de Kar and Robert Jan van de Kraats. The Audit Committee met on six occasions. The specific duty of this committee is to assess the structure and performance of the risk management organisation. The meetings of this committee are always attended by SNS REAAL's chairman of the Executive Board, SNS REAAL's CFO, also representing SNS Bank, the head of the Internal Audit department and the external auditor. SNS REAAL's Executive Board, the internal and external auditors provide the Audit Committee with the information it requires to carry out its duties. The issues dealt with at the January meeting were: the provisional result for 2006, a report on existing and potential claims and high-risk litigation, the quarterly risk report of the Internal Audit department and SNS REAAL's press release on the annual figures for 2006, the Management Letter 2006 of the external auditor and operational risk management, in particular with regard to information security and business continuity. In March and August, the issues discussed included the operational risk management of SNS Fundcoach, the further development of the quality of management information, SNS Bank's financial reporting and SNS Property Finance's risk management. The issues dealt with at the August meeting were: the operational plan 2008 - 2010, the impact of Basel II, the financial annual report, tax issues and the committee's amended own regulations, which were approved and adopted in this meeting.

During several meetings among which meetings in May and November, the committee furthermore discussed the May and November trading updates of SNS REAAL, including developments of SNS Bank. In the November meeting plans for further reinforcing the integrity policy were discussed. The discussion at the December meeting focused on: the operational plan for budget year 2008. Furthermore, the committee exchanged thoughts with the Internal Audit department and the external auditor, each separately, on the course of affairs at the company in terms of risk management.

Credit Committee meetings

The Credit Committee consists of Joop Bouma, Hans van de Kar, Bas Kortmann and Henk Muller and met twice in 2007, each time in the presence of, inter alia, the chairman of the Management Board of SNS Bank and the CFO of SNS Bank. In the May and December meetings, loan proposals exceeding € 25 million were presented and assessed. In May, the corporate loan policy was highlighted. Both meetings devoted attention to progress in the implementation of Basel II. The committee also reviewed the loan proposals for SNS Property Finance and SNS Bank's credit risk.

Meetings of the Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment Committee, consisting of Hans van de Kar, Joop Bouma, Bas Kortmann and Henk Muller met five times in 2007: in January, February, June, August and November.

The committee requested information and discussed the appointment of Rob Langezaal as member of the Management Board of SNS Bank.

Contacts with the Central Works Council

Two members of the Supervisory Board twice attended a CWC meeting, including the December meeting in which the operational plan for 2008 was discussed.

Utrecht, 13 March 2008

On behalf of the Supervisory Board,
Joop Bouma, chairman

Financial Statements 2007

Contents

Consolidated balance sheet

In € millions	31-12-2007	31-12-2006
Assets		
Cash and cash equivalents 1	3,141	687
Loans and advances to credit institutions 2	1,092	3,607
Loans and advances to clients 3	60,236	56,248
Derivatives 4	1,041	804
Investments 5	4,056	2,038
Investment property 6	6	6
Investments in associated companies 7	53	34
Tangible fixed assets 8	139	163
Goodwill and other intangible fixed assets 9	285	214
Deferred tax assets 10	128	39
Corporate income tax 11	100	106
Other assets 12	307	436
Total assets	**70,584**	**64,382**
Liabilities and equity		
Savings 13	19,179	13,678
Other amounts due to clients 14	7,846	7,019
Amounts due to clients	27,025	20,697
Amounts due to credit institutions 15	5,066	7,299
Debt certificates 16	32,182	30,841
Derivatives 4	938	682
Deferred tax liabilities 10	151	97
Corporate income tax 11	--	7
Other liabilities 17	1,316	1,190
Other provisions 18	17	24
Participation certificates and subordinated debts 19	1,678	1,448
Share capital	381	381
Other reserves	1,686	1,592
Retained earnings	142	124
Equity attributable to shareholders 20	2,209	2,097
Third party interests	2	--
Group equity	2,211	2,097
Total liabilities and equity	**70,584**	**64,382**

The numbers mentioned with the balance sheet items refer to the notes starting on page 70.

Consolidated income statement

In € millions	2007	2006
Income		
Interest income	3,359	2,314
Interest expense	2,576	1,747
Net interest income 21	783	567
Commission and management fees received	163	153
Commission and management fees due	34	33
Net commission and management fees 22	129	120
Share in the result of associated companies 23	(3)	(1)
Result on investments 24	14	67
Result on derivatives and other financial instruments 25	13	15
Other operating income 26	2	--
Total income	**938**	**768**
Expenses		
Value adjustments to financial instruments and other assets 27	35	36
Staff costs 28	332	283
Depreciation and amortisation of tangible and intangible fixed assets 8/9	31	25
Other operating expenses 29	203	173
Total expenses	**601**	**517**
Operating profit before taxation	**337**	**251**
Taxation 30	64	37
Third party interests	1	--
Net profit for the year	**272**	**214**
Attribution:		
Net profit attributable for shareholders	272	214
Net profit attributable to minority interests	--	--
Net profit for the year	**272**	**214**
Earnings per share (*in €*) 31	324	255
Diluted earnings per share (*in €*) 31	324	255
Weighted average number of shares outstanding	840,008	840,008

The numbers mentioned with the consolidated income statement items refer to the notes starting on page 70.

Consolidated statement of changes in equity

In € millions	Issued share capital	Share premium reserve	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Equity attributable to shareholders	Third party interests	Group Equity
Balance as at 1 January 2006	381	88	1	--	52	787	131	1,440	--	1,440
Transfer of 2005 net profit	--	--	--	--	--	131	(131)	--	--	--
Unrealised revaluations	--	--	4	--	(35)	--	--	(31)	--	(31)
Realised revaluations through equity	--	--	1	--	--	(1)	--	--	--	--
Realised revaluations through income statement	--	--	--	--	(35)	--	--	(35)	--	(35)
Revaluation deferred taxation due to change in the statutory tax rate	--	--	--	--	(1)	--	--	(1)	--	(1)
Amounts charged directly to equity	--	--	5	--	(71)	130	(131)	(67)	--	(67)
Net profit 2006	--	--	--	--	--	--	214	214	--	214
Net profit	--	--	--	--	--	--	214	214	--	214
Share premium payment	--	600	--	--	--	--	--	600	--	600
Dividend paid	--	--	--	--	--	--	(90)	(90)	--	(90)
Transactions with shareholders	--	600	--	--	--	--	(90)	510	--	510
Total changes in equity 2006	--	600	5	--	(71)	130	(7)	657	--	657
Balance as at 31 December 2006	381	688	6	--	(19)	917	124	2,097	--	2,097
Transfer of 2006 net profit	--	--	--	--	--	124	(124)	--	--	--
Unrealised revaluations	--	--	1	4	(33)	--	--	(28)	--	(28)
Realised revaluations through equity	--	--	(7)	--	--	5	--	(2)	--	(2)
Realised revaluations through income statement	--	--	--	(1)	1	--	--	--	--	--
Amounts charged directly to equity	--	--	(6)	3	(32)	129	(124)	(30)	--	(30)
Net profit 2007	--	--	--	--	--	--	272	272	2	274
Net profit	--	--	--	--	--	--	272	272	2	274
(Interim) dividend paid	--	--	--	--	--	--	(130)	(130)	--	(130)
Transactions with shareholders	--	--	--	--	--	--	(130)	(130)	--	(130)
Total changes in equity 2007	--	--	(6)	3	(32)	129	18	112	2	114
Balance as at 31 December 2007	**381**	**688**	**--**	**3**	**(51)**	**1,046**	**142**	**2,209**	**2**	**2,211**

The share premium reserve includes the paid-up capital that has been paid in addition to the nominal value of the shares issued.

The revaluation reserve concerns land and buildings in own use.

The cash flow hedge 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. In cash flow hedge accounting, the changes in the fair value of derivatives are accounted for in the cash flow hedge reserve. This cash flow hedge reserve is released during the period that the cash flow from the hedged risk is realised.

The fair value reserve comprises the accumulated net change in the fair value of investments available for sale.

The other reserves consist of retained profits after profit appropriation.

Consolidated cash flow statement

In € millions	2007	2006
Cash flow from operating activities		
Operating profit before taxation	337	251
Adjustments for:		
Depreciation and amortisation of tangible and intangible fixed assets	32	27
Changes in provisions and deferred taxes	(67)	22
Value adjustments to financial instruments and other assets	36	36
Value adjustments of investment property	(1)	--
Retained profit share in associated companies	(8)	1
Tax paid	(9)	(1)
Change in operating assets and liabilities		
Change in loans and advances to clients	(1,519)	(3,044)
Change in loans and advances to credit institutions	1,443	(3,096)
Change in savings	2,531	1,345
Change in trading portfolio	(636)	(244)
Revaluations of investments and derivatives	10	(191)
Change in debt certificates	(202)	(305)
Change in other operating activities	224	(86)
Net cash flow from operating activities	2,171	(5,285)
Cash flow from investing activities		
Proceeds from the sale of intangible fixed assets	--	1
Proceeds from the sale of tangible fixed assets	29	8
Proceeds from the sale of subsidiaries	--	--
Proceeds from the sale of investment property	1	--
Proceeds from the sale and redemption of investments and derivatives	652	1,023
Purchase of intangible fixed assets	(7)	(7)
Purchase of tangible fixed assets	(29)	(39)
Purchase of subsidiaries	32	(831)
Purchase of investment property	--	(1)
Purchase of investments and derivatives	(2,048)	(1,337)
Net cash flow from investing activities	(1,370)	(1,183)
Cash flow from financing activities		
Proceeds from issue of shares	--	600
Proceeds from issue of subordinated loans	255	387
Proceeds from issue of debt certificates	11,406	14,295
Redemption of subordinated loans	(19)	(79)
Redemption of debt certificates	(9,859)	(8,555)
Dividends paid	(130)	(90)
Net cash flow from financing activities	1,653	6,558
Cash and cash equivalents as at 1 January	687	597
Change in cash and cash equivalents	2,454	90
Cash and cash equivalents as at 31 December	3,141	687
Additional disclosure with regard to cash flows from operating activities		
Interest received	3,314	2,290
Interest paid	2,417	1,588

Accounting principles for the consolidated financial statements

Adoption financial statements

The consolidated financial statements of SNS Bank N.V. (SNS Bank) for the year ended on 31 December 2007 were authorised for publication by the Management Board following their approval by the Supervisory Board on 13 March 2008.

1 General information

SNS Bank N.V., incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SNS Bank N.V. is a wholly owned subsidiary of SNS REAAL N.V. and is a group entity of SNS REAAL. SNS Bank's registered office is located at Croeselaan 1, 3521 BJ Utrecht. The consolidated financial statements of the SNS Bank N.V. (referred to as the 'Group' or 'SNS Bank') comprise the accounts of all the companies controlled by SNS Bank and the interest of SNS Bank in associated subsidiaries and entities.

A number of corporate staff departments are shared. The costs of the corporate staff departments are recharged on the basis of the services provided, and, if more appropriate, proportionally allocated to the Group's subsidiaries. The costs of the Group Executive Board and other specific company costs are not allocated to group subsidiaries.

The main accounting principles used in the preparation of the consolidated financial statements and the company financial statements are set out in this section.

2 Basis of preparation

2.1 Statement of IFRS compliance

SNS Bank prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union (EU).

Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, SNS Bank prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements.

2.1.1 *Changes in published Standards and Interpretations effective in 2007*

IFRS 7 (Financial instruments: disclosures) requires additional information regarding risk management at SNS Bank. This guideline is applied effective from the 2007 reporting year. The application of the guideline only impacts the notes, but not the recognition, presentation or accounting principles.

The adjustment of IAS 1 (Presentation of the Financial Statements) that has come into effect as of the financial year 2007 has been applied as of the financial year 2007. This only impacts the notes, but not the recognition, presentation or accounting principles.

As of the financial year 2007, SNS Bank applied IFRS 8 (Operating segments) in advance. IFRS 8 requires that information by segment is recognised in the same way as in the internal management reporting. The application of this standard only impacts the notes, but not the recognition, presentation or accounting principles.

Three IFRIC interpretations have come into effect as of the financial year 2007. This concerns IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 10 (Interim Financial Reporting and Impairment). The application of these IFRIC interpretations has not resulted in any adjustments to the accounting principles of SNS Bank.

IFRIC 7 (Application of the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies) likewise applies to the financial year 2007; however, it is not relevant for SNS Bank.

2.1.2 *Interpretations of existing standards or changes in standards, not yet effective in 2007*

IFRIC 11 (Group and Treasury Share Transactions) has been published and is effective as of the financial years starting on or after 1 March 2007. This standard has no material effect on the consolidated financial statements of SNS Bank.

Several interpretations or changes in published standards have been published, but have not yet been accepted in the EU. SNS Bank has not yet determined any consequences of such changes. This concerns IFRIC 12 (Service Concession Arrangements), IFRIC 13 (Customer Loyalty Programmes), IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction), IAS 23 (Borrowing Costs) and IAS 1 (Presentation of Financial Statements).

2.2 Accounting principles used in the preparation of the financial statements

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements, except in the key figures for 2004 and prior years. The key figures 2004 have been recalculated according to IFRS; however, without the application of IAS 32 (financial instruments: disclosure and presentation) and IAS 39 (Financial instruments: recognition and valuation) in accordance with IFRS 1. The 2003 and prior key figures have not been restated for IFRS.

The group entities have applied the accounting principles consistently to all periods.

Several accounting methods have been used in the preparation of these annual accounts. Fair value is used for land and buildings in own use, investment property, investments classified at fair value through profit or loss, for investments classified as available for sale and for derivatives. All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The book value of assets and liabilities that are measured at amortised cost that are part of a fair value hedge is restated to reflect the change in fair value that is attributable to the hedged risk. Non-financial assets and liabilities are generally measured at historical cost. Except for the cash flow information, the financial statements have been prepared on an accrual basis.

2.3 Changes in principles, estimates and presentation

2.3.1 *Changes in definitions*

As of 1 January 2007, SNS Bank has adjusted its definitions of core capital and core capital ratio. The new definitions are as follows:

- Core capital: The Tier 1 capital, less the innovative Tier 1 instruments defined by the Dutch Central Bank.
- Core capital ratio: this ratio expresses core capital as a percentage of total risk-weighted assets.

Under the old definition, Tier 1 capital was also adjusted for the deduction of intangible fixed assets to be taken into account for the calculation of Tier 1 capital and deferred purchase price of the securitisation entities. The presented core capital ratio 2007 changed from 7.4% to 6.5%. The presented core capital ratio at year-end 2006 changed from 7.4% to 6.5%.

2.4 Principles of consolidation

2.4.1 *Subsidiaries*

Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which SNS Bank has the power to determine the financial and operating policies, whether directly or indirectly, are consolidated. This is the case if more than half of the voting rights may be exercised, or if SNS Bank has control in any other manner.

Subsidiaries are fully consolidated from the date on which control is transferred to SNS Bank. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated, with uniform accounting principles being applied. The interests of third parties are separately included in the consolidated balance sheet and income statement.

2.4.2 *Joint ventures*

Joint ventures are entities over which the Group has joint control, and this control is laid down in an agreement and strategic decisions on the financial and operational policy, are taken unanimously. These entities are accounted for in the financial statements in accordance with the same method as used for the investments in associated companies (see 3.7), from the date that SNS Bank first obtained joint control to the moment that control ceases.

2.4.3 *Associated companies*

Investments in associated companies are those entities in which SNS Bank has significant influence on the operational and financial policy, but no control. This is generally the case when the Group has between 20% and 50% of the voting rights.

The consolidated financial statements include the Group's share in the total results of associated companies, from the date that the Group acquires significant influence to the date that significant influence ceases. The result is accounted using the equity method, after adjusting the result to comply with the Group's accounting principles.

A number of investments in associated companies and joint ventures hold commercial property projects, as well as housing projects under construction or under development. Property under development for third parties is valued at the sum of direct costs incurred up to the balance sheet date, including the interest incurred during the construction phase and less any impairments. Profits are recognised on completion date (completed contract method).

Property under development for third parties, whereby a specific contract has been concluded with a third party, is valued according to the percentage of completion method.

Expected losses are recorded directly in the income statement.

Commercial and residential property held for sale is measured at cost price or lower fair value. The fair value is the estimated sales price under normal conditions, less any relevant variable sales costs. If the fair value is lower than the book value, an impairment is recognised in the income statement.

2.4.4 *Securitisations*

SNS Bank has securitised mortgage receivables in special purpose entities (SPEs). With these transactions, the economic ownership of the mortgage receivables is transferred to separate entities. SNS Bank does not have direct or indirect interests in these entities.

SNS Bank fully consolidates these SPEs in its financial statements if, on the basis of the economic reality of the relationship between SNS Bank and the SPE, SNS Bank controls the SPE, or if SNS Bank retains the majority of the risks and rewards.

2.4.5 *Elimination of group transactions*

Intra-group transactions, intra-group balances and unrealised gains arising from intra-group transactions were eliminated in the preparation of the consolidated financial statements.

Unrealised gains on transactions between SNS Bank and its associated companies and joint ventures are eliminated to the extent of SNS Bank's interest in these investments.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.5 The use of estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires SNS Bank to make judgements and assumptions that affect the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. It mainly concerns the methods for determining the provisions for bad debts, determining the fair value of assets and liabilities and determining impairments. This involves assessing the situations on the basis of available financial data and information. Although these estimates with respect to current events and actions are made to the best of the management's knowledge, actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only impacts the period in question, or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

For further details about these accounting principles, please refer to the corresponding notes to the consolidated financial statements and to the information below.

2.6 Accounting based on trade date and settlement date

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised on the trade date, in other words, the date on which SNS Bank commits itself to buy or sell the asset or liability. All other purchases or sales are recorded as forward transactions (derivatives) until they are settled.

2.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. If these conditions are not fulfilled, amounts will not be offset.

2.8 Conversion of foreign currencies

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional currency of the Group.

Upon initial recognition, transactions in foreign currencies are converted into euros at the exchange rate at the transaction date. Balance sheet items denominated in foreign currencies are translated into euros at the exchange rate applicable on the reporting date. Exchange rate differences from these transactions and from converting monetary balance sheet items into foreign currency are recorded in the income statement under 'Result on investments' or 'Result on derivatives and other financial instruments', depending on the balance sheet item to which they relate.

The exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to the income statement, are accounted for as part of these changes in the value of the asset in question. Exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to shareholders' equity, are incorporated in shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

2.9 Information by segment

A segment is a clearly distinguishable component of SNS Bank that provides services with a risk or return profile (business segment) that differs from other segments, or that delivers the services to a particular economic market (market segment) that is subject to a risk and return profile that differs from other segments.

The activities of SNS Bank are organised in two primary business segments. The Management Board defines the performance targets and authorises and monitors the budgets that have been prepared by these business units. The management of the business units defines the policy of the business units, in accordance with the strategy and the performance targets as formulated by the Management Board. The business segments are:

- Retail Banking
- Property finance

More information on the different segments can be found in the paragraph 'Information by segment'.

3 Specific balance sheet principles

3.1 Cash and cash equivalents

Cash and cash equivalents include the demand deposits with the Dutch Central Bank and at other banks. Demand deposits that SNS Bank has with other banks are included under loans and advances to credit institutions.

3.2 Loans and advances to credit institutions

The receivables from credit institutions concern receivables from banks not in the form of interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, if necessary less any impairment losses.

3.3 Loans and advances to clients

3.3.1 *Mortgages and mortgage-backed property finance*

These are defined as loans and advances to clients with mortgage collateral. These loans and advances are measured at amortised cost using the effective interest method. Loans and advances adjusted after renegotiations or otherwise adjusted due to financial restructuring of the borrower are measured 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 made if there are objective indications that SNS Bank will not be able to collect all the amounts in accordance with the original contract. For loans and advances that are individually significant, the provision made 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 future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances.

Smaller homogenous loans and advances (corresponding credit risk) are tested collectively for impairment. 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 SME loans. The loss factors developed using these models are based on historic loss data of SNS Bank, and are adjusted on the basis of current information that, in the opinion of the management, can affect the recoverability 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 (IBNR: incurred but not reported). These are estimated on the basis of historic loss patterns of loans and advances that carry similar risk characteristics as the loans and advances held in the portfolio and are a reflection of the current economic climate in which the borrowers operate.

If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the income statement.

When a loan is uncollectible, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the income statement.

3.3.1.1 Credit guarantees

SNS Bank has concluded a credit guarantee for the credit risk of part of the mortgage portfolio. As a result, impairment losses of the mortgage portfolio in question can be recovered from the guarantor. Impairment of mortgages is included under 'Value adjustments to financial instruments and other assets'. The amount receivable under the guarantee is also recognised on this line in the results.

3.3.2 *Non-mortgage backed property finance and other loans and advances*

This comprises loans and advances to business and retail clients without mortgage collateral. Loans and advances are measured at amortised cost on the basis of the effective interest method. Loans and advances adjusted after renegotiations or otherwise adjusted due to financial restructuring of the borrower are measured 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 Bank will not be able to collect all the amounts due in accordance with the original contract.

The criteria for impairment are applied to the entire loan portfolio, except to smaller, homogenous loans, such as consumer credit, which are assessed collectively for impairment. Smaller business loans managed in a portfolio are also assessed collectively for impairment.

For loans and advances that are individually significant, the provision made 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 future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the effective interest rate of the loans and advances.

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 SME loans. The loss factors developed using these models are based on historic loss data of SNS Bank, and are adjusted according to clear current information that, in the opinion of the management, can affect the recoverability 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 (IBNR: incurred but not reported). 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 the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the income statement.

When a loan is uncollectible, it is written off against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision in the income statement.

3.3.2.1 Lease

SNS Bank as lessee

The lease agreements that SNS Bank enters into are operational leases. The total amounts paid under the lease agreements are accounted for according to the straight-line method over the term of the agreement.

SNS Bank as lessor

SNS Bank has entered into a number of financial lease agreements. These are agreements for which the Group has transferred almost all of the risks and benefits of the property to the lessee. The balance sheet value of the lease receivable is equal to the present value of the lease instalments, calculated on the basis of the implicit interest rate and, if applicable, any guaranteed residual value.

3.4 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 measured at fair value upon entering into the contract.

The fair value of publicly traded derivatives is based on listed bid prices for assets held or liabilities to be issued, and listed offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a discounted cash flow model or an option valuation model. SNS Bank recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Adjustments in the fair value of derivatives held for trading are accounted for under 'Result on derivatives and other financial instruments'.

3.4.1 *Embedded derivatives*

An embedded derivative is treated as a separate derivative if there is no close relation between the economic characteristics and risks of the derivative and the host contract, if the host contract is not measured at fair value through profit or loss and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value, while changes in value are recognised in the income statement.

3.4.2 *Hedge accounting*

SNS Bank uses derivatives as part of asset and liability management and risk management. These instruments are used for hedging interest rate and foreign currency risks, including the risks of future transactions.

SNS Bank can designate certain 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 in accordance with IAS 39 is applied for derivatives that are thus designated and that satisfy the conditions set by SNS Bank. SNS Bank sets the following conditions for the application of hedge accounting:
- Formal documentation of the hedging instrument, the hedged position, the risk management objective, 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 offsetting the risk in the hedged position for the entire hedging period;
- The hedge continues to be effective during the term.

A hedge is considered to be effective if SNS Bank, at the inception of and during the term, can expect that adjustments in the fair value or cash flows of the hedged position will be almost fully offset by adjustments in the fair value or cash flows of the hedging instrument, insofar as they are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

SNS Bank ceases hedge accounting as soon as it has been 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.

3.4.2.1 Fair value hedge accounting

Derivatives designated as a hedge of the fair value of recognised assets or of a definite obligation are stated as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedge are recognised immediately in the income statement and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

If the hedge no longer meets the conditions for hedge accounting, an adjustment in the book value of a hedged financial instrument is amortised and taken to the income statement during the expected residual term of the hedged 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.

3.4.2.2 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 highly likely expected transaction. Adjustments in the fair value of the effective portion of derivatives that are designated as a cash flow hedge and that meet the conditions for cash flow hedge accounting 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 accumulated gains and losses that were previously taken to the cash flow hedging reserve 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 an effective hedge of the cash flow risk is included in shareholders' equity, while the ineffective portion is recognised in the income statement.

If the hedging instrument itself expires or is sold, terminated or exercised, the accumulated gain or loss that was included in the cash flow hedging reserve, remains in the cash flow hedging reserve 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 reported in shareholders' equity is immediately transferred to the income statement.

3.5 Investments

3.5.1 *Classification*

SNS Bank classifies its investments in one of the following categories: (1) held to maturity, (2) loans and receivables, (3) available for sale and (4) at fair value through profit or loss. The category depends on the purpose for which the investments were acquired. Upon acquisition of its investments, the management decides to which category the investment will be allocated.

Upon recognition, investments are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', where transaction costs are taken directly to the income statement. The fair value of investments is based on listed bid prices or derived from cash flow models.

3.5.2 *Loans and receivables*

The item loans and receivables comprises unlisted investments with a fixed term as well as the saving components of savings mortgages that the insurance company has concluded. These loans and receivables are measured at amortised cost using the effective interest method, less a provision for impairment if necessary.

3.5.3 *Available for sale*

Investments that do not meet the criteria defined by management for 'held to maturity' or 'fair value through profit or loss' are classified as available for sale.

After first-time inclusion, investments available for sale are restated at fair value in the balance sheet. Unrealised gains and losses resulting from the fair value adjustments of investments available for sale are recognised in shareholders' equity, taking account of deferred taxes. Investments in the form of shares of which the fair value cannot be estimated reliably are measured at cost less impairment.

When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as 'Result on investments'.

SNS Bank uses the average cost method to determine the results.

3.5.4 *Fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held for trading purposes or if it was designated as such upon initial recognition. Financial instruments are only designated as valued at fair value through profit or loss in the event that the Group manages and assesses the investments on the basis of the fair value.

Upon initial recognition, the attributable transaction costs are recognised as a loss in the income statement at the time they are incurred. The financial instruments are measured at fair value. Realised and unrealised gains and losses are recognised in the income statement under 'Result on investments'.

Interest income earned on securities is recognised as interest income under 'Interest income' at SNS Bank. Dividend received is recorded under 'Result on investments'.

3.5.5 *Impairment*

At each balance sheet date, SNS Bank assesses whether there are objective indications of impairment of investments classified as held to maturity, loans and receivables and available for sale. Impairment losses are recognised directly in the income statement under 'Value adjustments to financial instruments and other assets'. With investments available for sale, any revaluation of shareholders' equity is first deducted.

An equity investment is considered to be impaired if the book value 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 well-established 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 of the shares.

Investments in debt securities are considered to be impaired if there are objective indications of financial problems with the counterparty, dwindling markets or other indications.

If, during a subsequent period, the amount of the impairment of an investment classified as held to maturity or an investment classified as available for sale decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised, the previously recorded impairment loss is reversed in the income statement. This does not apply to investments in shares, where an increase in value following impairment is treated as a revaluation.

3.6 Investment property

Investment property, comprising retail and office properties and land, is held to generate long-term rental income. If property is held 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 measured at fair value, including transaction costs, upon initial recognition. Property investments are treated as long-term investments and measured at fair value, being the value of the property in a let state. The fair value is based on the appraisals performed at least every three years by independent external appraisers with sufficient expertise and experience in property locations and categories. These appraisal are based on recent market transactions. In the time between the three-yearly external appraisal, SNS Bank uses alternative valuation methods based on the total net annual rental income of that property and, where applicable, the associated costs.

Changes in the fair value of investment property are recognised in the income statement under 'Result on investments'.

3.7 Investments in associated companies

Investments in associated companies are entities in which SNS Bank generally owns between 20% and 50% of the voting power, or of which the Group does not have control, but can exercise significant influence.

Upon first inclusion in the accounts, participations are initially accounted for at the cost price and subsequently according to the equity method. The item also includes goodwill paid upon acquisition less accumulated impairment losses, where applicable.

Under the equity method, the share of SNS Bank in the result of the associated companies is recognised in the income statement of SNS Bank under 'Share in the result of associated companies'. The share of SNS Bank in changes in the reserves of associated companies, after the acquisition, is recognised directly in SNS Bank's shareholders' equity. The value of the associated companies is adjusted for these results and changes in reserves.

If the book value of the associated company falls to zero, no further losses are accounted for, unless the Group has entered into commitments or made payments on its behalf.

Where necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by SNS Bank.

Associated companies held for sale are classified as 'Held for sale'. These associated companies are measured at the lower of the book value and the sales price less sales costs. The result on the sale of an investment in an associated company is presented in the income statement as a total amount, consisting of the sales price less transaction costs and the book value of the associated company.

3.8 Tangible fixed assets

3.8.1 *Land and buildings in own use*

Property in own use primarily comprises offices (land and buildings) and is measured at fair value based on appraisals by independent external surveyors, less depreciation of buildings and any accumulated impairment losses. The appraisals are performed every three years based on a rotation schedule, as a result one third of the portfolio is appraised annually.

20% of the portfolio was appraised by an external surveyor as per 31 December 2007. The other part was appraised in the two years before.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years, taking into account the possible residual value. Land is not depreciated. Regular impairment tests are carried out on property.

Repairs and maintenance expenses are recognised under 'Other operating expenses' when the expense is incurred. Expenses after the property has been incorporated in the accounts are capitalised if it is probable that the future advantages will accrue to SNS Bank and the costs can be determined in a reliable manner.

Upon the sale of a property, the part of the revaluation reserve related to the sold property is transferred to 'Other reserves'.

3.8.2 *IT equipment and other tangible fixed assets*

All other tangible fixed assets included in this item are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses.

The cost price 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, taking into account any residual value. The estimated useful life is three to ten years.

Regular impairment tests are performed on the other tangible fixed assets. If the book value of the tangible asset exceeds the recoverable amount, it is immediately written down to the recoverable amount.

Repairs and maintenance expenses are recognised under '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 fixed assets in relation to their original use are capitalised and then amortised.

Results on the sale of tangible fixed assets are defined as the balance of the disposal proceeds less transaction costs and the book value. These results are recognised as part of 'Other operating income'.

3.9 Goodwill and other intangible fixed assets

3.9.1 *Goodwill*

Acquisitions by SNS Bank are accounted for according to the purchase method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and SNS Bank's interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible fixed asset. Any negative goodwill is recognised immediately in the income statement.

If the provisionally determined fair value of acquired assets or liabilities is adjusted within a year of the acquisition date, the adjustment is recognised as an adjustment charged to goodwill. Any subsequent adjustments that occur after a period of one year are recognised in the income statement. Adjustments to the purchase price that are contingent on future events, insofar as not already included in the purchase price, are included in the purchase price of the acquisition at the time when the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if 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 calculated recoverable amount. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount of a cash-generating unit is determined by the calculation of the present value of the expected future cash flows of the cash-generating unit. The key assumptions used in this calculation are based on various financial and economic variables, including operational plans, interest rates, applicable tax rates and the inflation forecasts. These variables are defined after an assessment by management. If the recoverable amount is lower than the book value, the difference will be recognised as an impairment in the line item 'Value adjustments on financial instruments and other assets' in the income statement.

3.9.2 *Software*

Costs that are directly related to the development of identifiable software products that SNS Bank controls, and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible fixed assets. The direct costs comprise external costs and staff costs directly attributable to software development. All the other costs associated with the development or maintenance of computer software are included as an expense 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. An impairment test is carried out at every reporting date for possible value adjustments.

3.9.3 *Other intangible fixed assets*

The other intangible fixed assets include intangible assets with a specific useful life, such as trademarks and client portfolios stemming from acquisitions. These assets are depreciated in accordance with the straight-line method over their useful life, in general between five and ten years.

These intangible fixed assets are assessed for impairment at each balance sheet date.

3.10 Deferred tax assets

Deferred tax assets and liabilities are recorded for temporary differences between the tax base of assets and liabilities and the book value. This is based on the tax rates applicable as at the balance sheet date and that are expected to apply in the period in which the deferred tax assets are realised or the deferred tax liabilities are settled. Deferred taxes are measured at nominal value.

Deferred tax assets are only recognised if sufficient tax profits are expected to be realised in the near future to compensate these temporary differences. A provision for deferred taxes is made for temporary differences between the book value and the value for tax purposes of investments in group companies and participating interests, unless 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.

Deferred tax assets are assessed at balance sheet date and if it is no longer likely that the related tax asset can be realised, the asset is reduced to the recoverable amount.

The most significant temporary differences arise from the revaluation of tangible fixed assets, certain financial assets and liabilities, including derivatives contracts and the application of hedge accounting, provisions for pensions and other post-retirement employee plans, 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 the aforementioned assets and liabilities of which value adjustments are recognised directly in shareholders' equity, are also charged or credited to shareholders' equity and upon realisation included in the income statement together with the deferred value adjustments.

3.11 Corporate income tax

Corporate income tax is tax levied on taxable profits. Current tax receivables are measured at nominal value according to the tax rate applicable at the reporting date. Dividend withholding tax recovered through the corporate income tax return is also included in this item.

3.12 Other assets

Other assets consist of receivables from direct insurance policies, other taxes, other receivables and accrued assets. Accrued assets also include the accumulated interest on financial instruments measured at amortised cost, as well as other accruals, which item includes amounts receivable by SNS Bank from clients and the clearing house in respect of option positions.

3.13 Savings

This item consists of balances on savings accounts, savings deposits and term deposits of retail clients. Upon initial recognition, savings are stated at fair value, including transaction costs. Thereafter, they are measured at amortised cost. Any difference between the income and the redemption value based on the effective interest method is recognised under Interest expenses, in the income statement during the term of the savings.

3.14 Other amounts due to clients

Amounts owed to clients represent unsubordinated debts to non-banks, other than in the form of debt certificates. Upon initial recognition, these debts are measured at fair value, including transaction costs. Thereafter, they are stated at amortised cost. Any difference between the income and the redemption value based on the effective interest method is recognised under Interest expenses, in the income statement during the term of these amounts owed to clients.

3.15 Amounts due to credit institutions

Amounts due to credit institutions concern debts to banks. Upon initial recognition, these debts are measured at fair value, including transaction costs. Thereafter, they are stated at amortised cost. Any difference between the income and the redemption value based on the effective interest method is recognised under Interest expenses, in the income statement during the term of these amounts owed to clients.

3.16 Debt certificates

Outstanding debt certificates are initially measured at fair value, in other words, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, they are measured at amortised cost, using the effective interest method. The conditions for applying hedge accounting for derivatives to hedge outstanding debt certificates are described in 3.4.

A specific category of outstanding debt certificates are initially included at fair value whereby subsequent value adjustments are accounted for in the income statement so that an inconsistency in the valuation is eliminated that would otherwise arise from the valuation of assets and liabilities.

When SNS Bank purchases its own debt securities in the context of market maintenance, these debt certificates are removed from the balance sheet.

3.17 Derivatives

See 3.4 of these notes.

3.18 Deferred tax liabilities

Deferred tax liabilities concern tax payable in future periods in connection with taxable temporary differences. See 3.10 for detailed information.

3.19 Corporate income tax

Corporate income tax relates to tax on the taxable profit for the period under review, and taxes due from previous periods, if any. Dividend withholding tax recovered through the corporation tax return is also included in this item.

3.20 Other liabilities

Other liabilities primarily consist of interest accrued on financial instruments that are stated at amortised cost. This item also includes creditors, other taxes and accrued liabilities, which item also includes amounts due by SNS Bank to clients and the clearing house in respect of option positions.

3.21 Other provisions

SNS Bank makes provisions if there is a legally enforceable or present 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 measured at the present value of the expected future cash flows. Additions and any subsequent releases are recorded in the income statement.

3.21.1 *Reorganisation provision*

The reorganisation provision consists of anticipated severance payments and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which SNS Bank has a legally enforceable or actual obligation to make the payment. No provision is formed for costs or future operating losses stemming from the continuing operations of SNS Bank.

SNS Bank recognises severance payments if the Group has demonstrably committed itself, either through a constructive or legally enforceable obligation, 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.

3.21.2 *Legal costs*

A provision for legal proceedings is made at the balance sheet date for the estimated liability with respect to ongoing legal proceedings. Claims against SNS Bank in 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 Bank. The provision comprises an estimate of the legal costs and payments due during the course of the legal proceedings, to the extent that it is more likely that an obligation exists at the balance sheet date than that such an obligation does not exist.

3.22 Participation certificates and subordinated debt

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. Participation certificates are initially measured at fair value, in other words, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, they are measured at amortised cost, using the effective interest method. Benefit payments on participation certificates are recorded under 'Interest expenses'.

These participation certificates are classified as debt capital in the financial statements. For SNS Bank's solvency reports to the Dutch Central Bank, this item is part of the Tier 1 capital.

The subordinated (bond) loans are included under the subordinated loans. The Dutch Central Bank takes these loans into consideration for the solvency test at SNS Bank. These are initially measured at fair value, in other words, the issue income (the fair value of the received payment) net of the transaction costs incurred. Thereafter, they are measured at amortised cost, using the effective interest method.

3.23 Shareholders' equity

3.23.1 *Issued share capital*

The share capital comprises 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.

3.23.2 *Share premium reserve*

The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued shares.

3.23.3 *Ordinary share dividend*

Dividend for a financial year, which is payable after the balance sheet date, is disclosed in 'Profit appropriation provisions in the Articles of Association'.

3.23.4 *Revaluation reserve*

Revaluations of property in own use (see 3.8.1) are included in the revaluation reserve.

3.23.5 *Cash flow hedging reserve*

The cash flow hedging reserve consists of the effective part of cumulative changes to the fair value of the derivatives used in the context of cash flow hedges, net of taxes, providing the hedged transaction has not yet taken place (see 3.4).

3.23.6 *Fair value reserve*

Gains and losses as a result of changes in the fair value of assets available for sale are taken to the fair value reserve, less deferred taxes. If the particular asset is sold or redeemed, in other words, the asset is no longer recognised, the corresponding cumulative result will be transferred from the fair value reserve to the income statement (see 3.5.3). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are stated in this reserve (see 2.8).

3.23.7 *Other reserves*

Other reserves mainly comprise SNS Bank's retained profits.

4 Specific income statement accounting principles

4.1 Income

Income represents the fair value of the services, after elimination of intra-group transactions within SNS Bank. Income is recognised as follows:

4.1.1 *Interest income*

The interest income comprises interest on monetary financial assets of SNS Bank attributable to the period. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price.

The effective interest method is based on the estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and the direct costs and income, such as the transaction costs charged, brokerage fees and discounts or premiums. If the risk of early redemption cannot be reliably determined, SNS Bank calculates 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 Bank will conclude a particular loan agreement. If the commitment expires without SNS Bank 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 as a gain 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.

4.1.2 *Interest expense*

Interest expenses comprise the interest expenses arising from financial liabilities. Financial liabilities not classified as fair value through profit or loss are recognised using the effective interest method. Financial liabilities that are classified as fair value through profit or loss are accounted for based on the nominal interest rates.

4.1.3 *Net commission and management fees*

Commission income and management fees include income from securities transactions for clients, asset management, commission from the insurance operations and other related services offered by SNS Bank. These are recognised in the reporting period in which the services are performed. Commission related to transactions in financial instruments for own account are incorporated in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the revaluation result.

4.1.4 *Commission and management fees due*

Commission and management fees payable by SNS Bank are included under commission and management fees due. These costs are recognised in the reporting period in which the services are provided to SNS Bank.

4.1.5 *Share in the result of associated companies*

The share in the result of associated companies concerns the share of SNS Bank in the results of the participations. If the book value of the associated company falls to zero, no further losses are accounted for, unless the Group has entered into commitments or made payments on its behalf.

Where necessary, the accounting principles applied by the associated company have been adjusted to ensure consistency with the accounting principles applied by SNS Bank.

4.1.6 *Result on investments*

The result on investments consists of:

- Dividend
- Rental income
- Revaluations

4.1.6.1 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.

4.1.6.2 Rental income

Rental income consists of 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.

4.1.6.3 Revaluations

This item relates to the realised and unrealised increases and decreases in the value of investments in the category fair value through profit or loss and realised increases and decreases in the value of the investments in the other categories. Realised increases in value concern the difference between the sales price and the amortised cost price. Unrealised increases in value concern the difference between the fair value and the book value over the period.

4.1.7 *Results on derivatives and other financial instruments*

Derivatives are measured at fair value. Gains and losses from readjustments to fair value are taken directly to the income statement under '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 ineffective portion of any gains or losses is recognised under the 'Result on derivatives and other financial instruments'.
The profit or loss from the revaluation of the outstanding debt certificates, which are initially included at fair value with the processing of value adjustments in the income statement, is also accounted for under this item.

4.1.8 *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 Bank. Expenses are recognised in the income statement on the basis of a direct relationship between the costs incurred and the corresponding income. If future economic benefits are expected to be derived across different reporting periods, expenses are recognised in the income statement using a systematic method of allocation. Expenses are immediately included in the income statement if they are not expected to generate any future economic benefits.

4.2.1 *Value adjustments to financial instruments and other assets*
Value adjustments include downward revaluations of assets for which the book value exceeds the recoverable value. Goodwill and other intangible fixed assets, tangible fixed assets, investments in associates, investments, receivables and other assets may be subject to impairment. As soon as impairment is identified, it is included in the income statement. The specific principles for impairment are explained in more detail in section 3 under the applicable items.

4.2.2 *Staff costs*
These costs concern all costs that pertain to the personnel. This includes, inter alia, salaries, social security costs, pension costs and rebates granted to employees.

4.2.3 *Depreciation and amortisation of tangible and intangible fixed 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.

4.2.4 *Other operating expenses*
This includes office, accommodation and other operating costs.

5 Contingent liabilities and commitments

Contingent liabilities are liabilities not recognised in the balance sheet because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of SNS Bank. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees given by SNS Bank is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

6 Cash flow statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, 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, operating profit before taxation is adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in consolidated subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at acquisition date in these interests are deducted from the purchase price.

In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

Information by segment

SNS Bank is a banking company that focuses mainly on the Dutch retail and SME markets. The product range consists of two core products: mortgages and property finance & savings and investments. The services to the retail and SME markets are mostly rendered through several distribution canals.

The activities of SNS Bank are organised in two primary business segments:

1 SNS Bank

1.1 Retail Banking

This business segment offers banking products in the field of mortgages and savings and investments for both the retail and SME markets. In addition to SNS Bank, this unit also comprises ASN Bank, BLG Hypotheken, CVB Bank and SNS Securities. Until 1 July 2006, the activities of SNS Asset Management were part of SNS Bank. As at 1 July 2006, SNS Asset Management became an independent unit and as such is part of SNS REAAL group activities. Effective from 1 July 2007, the activities of CVB Bank and Regio Bank were merged under the name SNS Regio Bank.

1.2 Property Finance

This business unit carries out banking activities in the field of real estate investment and project financing. In 2006, this unit only contained the acquired activities of SNS Property Finance. The property financing that was still part of SNS Bank's Retail Banking unit in 2006 is transferred to Property Finance in 2007. The 2006 income statement for this unit shows only one month's result of SNS Property Finance.

Allocation of group costs

A number of corporate staff departments are shared. The costs of the corporate staff are charged based on the service provided or proportionally allocated to the group's subsidiaries. The costs of SNS REAAL's Executive Board and specific SNS REAAL holding company costs are not allocated to SNS Bank.

Balance sheet by segment

In € millions	Retail Banking		Property Finance		Eliminations		Total	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006
Assets								
Cash and cash equivalents	3,134	672	7	15	--	--	3,141	687
Loans and advances to credit institutions	11,883	3,592	14	346	(10,805)	(331)	1,092	3,607
Loans and advances to clients	48,661	56,006	11,575	8,809	--	(8,567)	60,236	56,248
Derivatives	1,041	804	--	--	--	--	1,041	804
Investments	4,056	2,038	--	--	--	--	4,056	2,038
Investment property	--	1	6	5	--	--	6	6
Investments in associated companies	--	--	53	34	--	--	53	34
Tangible fixed assets	138	162	1	1	--	--	139	163
Goodwill and other intangible fixed assets	281	209	4	5	--	--	285	214
Deferred tax assets	128	32	--	7	--	--	128	39
Corporate income tax	100	106	--	--	--	--	100	106
Other assets	254	384	53	75	--	(23)	307	436
Total assets	**69,676**	**64,006**	**11,713**	**9,297**	**(10,805)**	**(8,921)**	**70,584**	**64,382**
Liabilities and equity								
Savings	19,179	13,678	--	--	--	--	19,179	13,678
Other amounts due to clients	8,001	7,350	--	--	(155)	(331)	7,846	7,019
Amounts due to credit institutions	4,825	7,286	10,805	8,580	(10,564)	(8,567)	5,066	7,299
Debt certificates	32,182	30,841	--	--	--	--	32,182	30,841
Derivatives	938	682	--	--	--	--	938	682
Deferred tax liabilities	141	89	10	8	--	--	151	97
Corporate income tax	--	(1)	--	8	--	--	--	7
Other liabilities	1,264	1,159	138	54	(86)	(23)	1,316	1,190
Other provisions	15	22	2	2	--	--	17	24
Participation certificates and subordinated debt	1,678	1,448	--	--	--	--	1,678	1,448
Equity attributable to shareholders	1,451	1,452	758	645	--	--	2,209	2,097
Third party interests	2	--	--	--	--	--	2	--
Group equity	**1,453**	**1,452**	**758**	**645**	**--**	**--**	**2,211**	**2,097**
Total liabilities and equity	**69,676**	**64,006**	**11,713**	**9,297**	**(10,805)**	**(8,921)**	**70,584**	**64,382**

Income statement by segment

In € millions	Retail Banking		Property Finance		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Income								
Interest income	3,174	2,300	578	39	(393)	(25)	3,359	2,314
Interest expense	2,578	1,749	391	23	(393)	(25)	2,576	1,747
Net interest income	596	551	187	16	--	--	783	567
Commission and management fees receivable	162	153	1	--	--	--	163	153
Commission and management fees due	34	33	--	--	--	--	34	33
Net commission and management fees	128	120	1	--	--	--	129	120
Share in the result of associated companies	(1)	--	(2)	(1)	--	--	(3)	(1)
Result on investments	13	67	1	--	--	--	14	67
Result on derivatives and other financial instruments	12	15	1	--	--	--	13	15
Other operating income	3	--	(1)	--	--	--	2	--
Total income	**751**	**753**	**187**	**15**	**--**	**--**	**938**	**768**
Expenses								
Value adjustments to financial instruments and other assets	20	35	15	1	--	--	35	36
Staff costs	296	280	36	3	--	--	332	283
Depreciation and amortisation of tangible and intangible fixed assets	29	25	2	--	--	--	31	25
Other operating expenses	180	171	23	2	--	--	203	173
Total expenses	**525**	**511**	**76**	**6**	**--**	**--**	**601**	**517**
Operating profit before taxation	**226**	**242**	**111**	**9**	**--**	**--**	**337**	**251**
Taxation	39	34	25	3	--	--	64	37
Third party interests	1	--	--	--	--	--	1	--
Net profit attributable to shareholders	**186**	**208**	**86**	**6**	**--**	**--**	**272**	**214**

Acquisitions

Acquisition Regio Bank

SNS Bank acquired Regio Bank on 1 July 2007. Regio Bank was merged with CVB Bank, a subsidiary of SNS Bank, and will continue under its new name SNS Regio Bank.
Regio Bank contributed € 4 million to the result after taxes of SNS Bank for the period from 1 July 2007 through 31 December 2007 after IFRS purchase price allocation and depreciation of one-time integration cost.

The breakdown of the acquired assets, liabilities and goodwill is as follows:

In € millions	
Costs directly related to the acquisition	2
Interest paid between the effective date of the acquisition and the closing date	2
Acquisition price	55
Total cost price of the acquisition	59
Fair value of the assets and liabilities acquired (see notes)	(4)
Goodwill	**63**

The impact of the acquisition on SNS Bank's cash flows:

In € millions	
Acquisition price	59
Less: cash and cash equivalents of the acquired companies	7
Cash outflows due to the acquisition	**52**

New identifiable intangible fixed assets included in the acquisition

The fair value of the acquired net assets of Regio Bank has been determined definitively. As a result of the acquisition, SNS Bank recognises the following intangible fixed assets: brand name, core deposit and client relations. The value of these intangible fixed assets is the fair value as at the effective date of the acquisition and have an economic life of 4 years, 8 years and 14 years respectively.

Goodwill

Goodwill represents the expected income and expense synergies of the acquisition, as well as the value of Regio Bank's staff that cannot be accounted for separately. The goodwill will be attributed to the cash flow generating entity Retail Banking.

The value of the assets and liabilities of the acquisition is as follows:

In € millions	Book value 1 July 2007	Fair value 1 July 2007
Assets		
Cash and cash equivalents	7	7
Loans and advances to credit institutions	1,092	1,090
Loans and advances to clients	1,841	1,791
Intangible fixed assets	--	37
Deferred tax assets	17	28
Other assets	89	89
Total assets	**3,046**	**3,042**
Liabilities		
Savings	2,970	2,970
Deferred tax liabilities	2	13
Corporate income tax	2	2
Other liabilities	62	61
Shareholders' equity	10	(4)
Total liabilities	**3,046**	**3,042**

The fair value of the assets, liabilities and contingent liabilities acquired is based on the present value of the estimated future cash flows. No provisions have been recognised for the purchase of the participation.

Regio Bank's net profit for the full year 2007 amounts to € 25 million, and total income amounted to € 55 million. The full year figures for 2007 concern pro forma figures based on Regio Bank's accounting principles. These accounting principles do not materially deviate from SNS Bank's accounting principles.

Acquisition FBS Bankiers

SNS Bank and VVAA Groep B.V. finalised negotiations on the takeover of FBS Bankiers N.V. (FBS) on 1 October 2007. On the same date, all the shares in FBS were transferred. The shares were acquired by SNS Bank. Both FBS and SNS Securities N.V. are subsidiaries of SNS Bank. Both subsidiaries merged legally on 1 January 2008, with SNS Securities N.V. as the disappearing company and FBS as the obtaining company. The name FBS was concurrently altered to SNS Securities N.V. With this takeover, SNS Securities reinforces its position in the Dutch market.

FBS Bankiers contributed € 0.3 million to the result after taxes of SNS Bank for the period from 1 October 2007 through 31 December 2007.

The breakdown of the acquired assets, liabilities and goodwill is as follows:

In € millions	
Costs directly related to the acquisition	--
Interest paid between the effective date of the acquisition and the closing date	--
Provisional acquisition price	16
Total cost price of the acquisition	16
Fair value of the assets and liabilities acquired (see notes)	16
Goodwill	**--**

The impact of the acquisition on SNS Bank's cash flows:

In € millions	
Acquisition price	16
Less: cash and cash equivalents of the acquired companies	102
Cash outflows due to the acquisition	**(86)**

Provisional acquisition price

The fair value of the acquired net assets of FBS Bankiers has been determined provisionally as the acquisition price has not yet been determined definitively.

The definitive acquisition price has been made dependent on the amount of commissions of intermediaries yet to be settled. The commissions to be settled will be determined in 2008; the definitive acquisition price will then be determined. Goodwill will be adjusted by the difference with the provisional acquisition price. The goodwill will be attributed to the cash flow generating entity Retail Banking.

The provisional assets and liabilities of the acquisition can be specified as follows:

In € millions	Book value 1 October 2007	Fair value 1 October 2007
Assets		
Cash and cash equivalents	102	102
Investments	31	31
Loans and advances to clients	71	71
Deferred tax assets	1	1
Corporate income tax	3	3
Other assets	15	15
Total assets	**223**	**223**

In € millions	Book value 1 October 2007	Fair value 1 October 2007
Liabilities		
Other amounts due to clients	149	149
Amounts due to credit institutions	41	41
Other liabilities	11	11
Participation certificates and subordinated debt	6	6
Shareholders' equity	16	16
Total liabilities	**223**	**223**

The fair value of the assets, liabilities and contingent liabilities acquired is based on the present value of the estimated future cash flows. No provisions have been recognised for the purchase of the participation.

FBS Bankiers' net profit for the full year 2007 amounted to € 1.4 million, and total income amounted to € 7.1 million. These figures for the full year 2007 concern pro-forma figures based on the accounting principles of FBS Bankiers. These accounting principles do not materially deviate from SNS Bank's accounting principles.

Purchase price adjustments SNS Property Finance

As announced in the annual accounts of 2006, the calculations of the IFRS purchase price adjustments for the pensions and associated companies of SNS Property Finance are finalised in 2007. As a result of these calculations, goodwill was decreased by € 27 million, the value of the associated companies was increased by € 40 million and the deferred tax liabilities were increased by € 14 million. Besides, the costs directly related to the acquisition decreased by € 1 million. There were no IFRS purchase price adjustments for the pensions, since the existing multi-employer contracts were renegotiated and prolongued.

Risk management SNS Bank

1 Risk profile SNS Bank

1.1 Key points risk profile SNS Bank

SNS Bank conducts its business operations based on a healthy balance between risk, return and capital. In doing so, SNS Bank seeks to maintain a moderate risk profile. Our primary focus on private and SME clients, the Dutch market and the two core product groups: mortgages and property finance, savings and investments, serves to limit our risk profile. In addition, SNS Bank has a balanced risk management framework, which aims for a risk profile based on preset risk standards. The risk management policy of SNS Bank forms an integral part of the risk management policy of SNS REAAL, as described in this chapter.

The risk profile is consistent with the objective of SNS Bank to maintain a solid A-rating with the rating agencies. This target rating demands a minimal capital level in order to be able to absorb unexpected losses in unusually adverse conditions. This is why SNS Bank believes risk management and capital management to be closely interconnected.

The main developments in 2007 were as follows:

- SNS Bank has no exposure to the American subprime market.
- The funding of SNS Bank has been secured for 2008, and there will be no need to go to the capital markets. SNS Bank has managed to maintain a sound liquidity position by raising alternative funding sources, in particular through increased retail funding. SNS Bank's cash position at year-end 2007 amounted to € 3.0 billion. In addition, SNS Bank had € 5.7 billion in negotiable securities or securities that qualify as eligible assets at DNB, resulting in a total liquidity position of € 8.7 billion at year-end 2007.
- In connection with the flat yield curve in 2007, the duration of SNS Bank's shareholders' equity was reduced to nil at the end of 2007.
- The acquisition of Regio Bank, completed on 1 July 2007, had no impact on the total low credit risk profile, as the mortgage portfolios of Regio Bank (€ 1.6 billion) and SNS Bank featured similar credit risk characteristics.

1.2 Risk management organisation

SNS REAAL has defined a number of risk principles for its risk management process in order to ensure a consistent approach to risk management. These principles ensure an integral risk management geared to maintaining a moderate risk profile.
The risk principles are:

- One uniform group-wide classification of risk types.
- A predetermined risk tolerance level for each defined risk type.
- Scenario analyses for stress situations and measures for emergency situations with regard to the most important risks.
- Testing and validating models that are used for risk management.
- Risk owners have been appointed for all defined risks.
- Monitoring and assessment of the risks independent from commercial activities.

The responsibilities within the risk management structure have been clearly defined, whereby the ultimate responsibility for risk management lies with the Executive Board of SNS REAAL and SNS REAAL's Chief Financial Officer is also the Chief Risk Officer. Risk owners have been appointed within the Executive Board and Management Boards of SNS Bank and SNS Property Finance. These risk owners are responsible for the formulation and execution of the risk policy for the appointed areas of attention.

SNS REAAL distinguishes three risk management responsibility levels:

- The line organisation, which is responsible for the risk and the management of the risk, and generally delegates risk management to risk committees.
- The risk management departments, which advise the line management and monitor positions.
- The internal auditor (the Group Audit Department), which reviews the process and performance of the risk organisation.

1.3 Risk committees

The following committees operate within the risk management structure:

- Audit Committee.
  This committee is comprised of members of the Supervisory Board and also supervises the quality and the activities of the risk management.
- Risk Policy Committee SNS REAAL (CRG).
  This committee determines the strategic risk policy, structures the group-wide risk management organisation, translates the risk appetite of SNS REAAL into standards and limits, and determines the mandates of the other risk committees.
- Risk policy committees.
  The Risk Policy Committee SNS Bank (CRB) and the SNS Property Finance Risk Policy Committee (CR PF) manage the risks on an operational level.

- Integrity and Compliance committee.
  This committee supervises the creation and safeguarding of the integrity levels desired by the Executive Board.
- Asset & Liability committee SNS REAAL (ALCO Groep).
  This committee manages the balance sheet of the bank and the insurer and supervises the operational ALCOs at SNS Bank and REAAL Verzekeringen. SNS Property Finance and Regio Bank are represented in the ALM committee of SNS Bank. Operational ALCOs at SNS Bank, SNS Property Finance and REAAL Verzekeringen prepare decisions, take decisions within their mandates and ensure that the decisions of the ALCO Group are implemented.
- Credit committees.
  Separate credit committees at SNS Bank and SNS Property Finance take credit decisions and advise on credit limits, counterparty limits and the approval of large credit facilities.
- Price risk committees.
  The SNS Bank Price Risk Committee provide advice on client rates and manage the volume, risk and return of product portfolios.

1.4 Risk management departments

The risk management departments advise on risk management and report on the risk profile in order to promote efficiency and uniformity. They act as group service centres for the banking and insurance operations. With regard to the risks, they are responsible for modelling, measuring, monitoring, reporting and advising. They are not responsible for formulating definitions and determining the policy. SNS REAAL has the following risk management departments:

Balance Sheet & Risk Management (BRM)

Balance Sheet & Risk Management supports the Executive Board and the Management Board in:
- Determining the desired risk profile.
- Determining the value of portfolios for managing structural value creation.
- Determining the prices of products and services on the basis of risk-weighted return.
- The choice of products and services that correspond with the desired risk profile.
- Asset and liability management for the banking operations.
- Funding and capitalisation.
- Portfolio management and credit risk modelling.
- Portfolio management with regard to underwriting risks.

Furthermore, an independent department has been established within BRM for model validation. The model validation department is separate from the model development departments within BRM and reports directly to the BRM director. At present, the main focus lies on the Basel II models that have been and will be developed internally.

Compliance & Operational Risk Management (C&O)

C&O advises the Executive Board and the management boards of the business units on the management of non-financial risks. These are the risks that are related to the conduct of persons and the structure of the business processes. The main duties of the department are providing recommendations for an ethical and controlled business operation, and coordinating and promoting operational risk management and integrity risk management within SNS REAAL. The standards and guidelines of SNS REAAL are detailed further by specialist staff departments, which support the line management in the execution of that policy. The key business units also have their compliance officer. These 'local compliance officers' functionally report to the C&O director and report to C&O, so that their independence is guaranteed.

Legal Affairs (LA)

Legal Affairs prepares policy and supports operations for risk management. The main responsibilities of this department are:
- Identifying and advising on present and future legislation and regulations.
- Advising on aspects of integrity and the duty of care.
- Preparing and implementing policy with respect to the exercise of integrity and the duty of care.

Credit Risk Management (CRM)

Within SNS Bank and SNS Property Finance, two separate and independent departments have been established for credit risk management. The departments focus on policy preparation and operational support of credit risk management and report to the CFO of SNS Bank and SNS Property Finance. The main responsibilities of these departments are:
- Advising on the credit risk policy.
- Independent analysis of and advice on credit proposals. A separate mid-office has been established for retail and SME credit facilities that issues (binding) recommendations for credit facilities that do not satisfy the standard acceptance criteria.
- Administration and management of credit facilities and collateral.
- Administration and settlement of loans in arrears or in default.
- Preparing reports on the operational management in the area of credit risk.

Internal Control
The Internal Control departments of SNS Bank assess the effectiveness of the control measures in the procedures on behalf of line management. Their findings are 'weighed' against a pre-set standard, generating adequate management information in relation to the organisational and process goals.

Internal Audit (IA)
IA reports to the chairman of the Executive Board and also has a reporting line to the Audit Committee of the Supervisory Board. In this way, the department is able to perform its activities independently of the business units and the departments of SNS REAAL.

IA carries out its audits for the Executive Board and based on a predetermined risk analysis. The audits focus on internal risk management and control systems, the related processing procedures and the (reliability of the) management information. In addition, various types of audits are performed at the request of the management boards, including certification activities for external parties.

2 Risk management Bank

2.1 Credit risk
Credit risk is the risk that a debtor defaults entirely or partly, or that its position deteriorates, resulting in negative consequences for SNS Bank in terms of its result or net asset value.

Credit risk profile SNS Bank
SNS Bank recognises various categories of credit risk. The main ones are investments, loans and advances to clients and loans and advances to credit institutions. Approximately 95% of the loans and advances to clients are backed by mortgage security.

Over three quarters of all loans and advances to clients concern private residential property financing. Private residential property financing is characterised by very low credit losses and inflation-proof collateral. The change in the tax regime in 2004, aimed at surplus property values, and the code of conduct of the Netherlands Bankers' Association affect loan agreements concluded since that time. This has meanwhile led to a noticeably lower risk profile of the entire portfolio. In addition, risk acceptance has been professionalized further.

Private residential property financings are provided throughout the Netherlands. The south and east of the Netherlands comprise a large portion of the portfolio. Although the focus now lies on growth in the west (the Randstad urban area). Our geographic spread contributes to the diversification of risks, as the regional differences in the housing market and economy will also create differences in the number of defaults and the level of credit loss, or anticipated credit loss.

Commercial mortgage loans increased in 2007. These property loans are concentrated at SNS Property Finance. The growth of the portfolio entails a relatively higher amount of loans related to the first phase of financing. These loans have a somewhat higher risk profile, which decreases as the projects progress. Not only did we realise growth, we were also able to realise a margin that is in line with the slightly higher risk profile.

Diversification benefits are realised as SNS Bank's risks are spread across corporate and retail debtors. The credit quality of the portfolio develops more regularly than that of the various components of the portfolio. Corporate loans and loans to private individuals respond differently to economic developments. This reduces the chances of unexpected developments, constituting a diversification benefit. The diversification benefit will remain, even if corporate loans are concentrated in the 'Construction and Property' sector. The fact that a small part of the loans is secured by collateral abroad also contributes to some extent.

The majority of the loans portfolio comprises loans secured by mortgages. And where there is no mortgage as collateral, this mainly concerns amounts due by credit institutions and investments (for example, bonds). The investments in connections with the company's own liquidity management (investments available for sale) and held for trading have good ratings. The risk profile of the total loans portfolio can be characterised as limited, partly due to the mortgage securities and the good ratings.

Overview of credit risk SNS Bank

SNS Bank's overall credit exposure (before collateral and other credit enhancements) breaks down as follows:

In € millions		2007		2006
Cash and cash equivalents		3,141		687
Loans and advances to credit institutions		1,092		3,607
Mortgages and other loans and advances to clients	48,806		47,598	
Property finance	11,637		8,860	
Total loans and advances to clients		60,443		56,458
Derivatives		1,041		804
Investments		4,056		2,038
Other assets, no lending operations		1,018		998
Total		**70,791**		**64,592**
Off-balance sheet commitments				
Liabilities from pledges and guarantees given		485		419
Liabilities from irrevocable facilities		2,187		2,696
Total		**73,463**		**67,707**

Credit management SNS Bank investments

The investments are held particularly for the company's own liquidity management. No investments have been made in (American) subprime mortgages, whether directly or indirectly.

The investments have been classified according to industry as follows:

In € millions			Fair value through profit or loss					
	Available for sale		Held for trading		Designated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Shares and similar investments:								
Financial institutions	--	--	1	1	--	--	1	1
Trade, industry and other services	20	15	13	41	--	--	33	56
Other	4	4	6	5	--	--	10	9
	24	19	20	47	--	--	44	66
Interest-bearing investments:								
Loans and receivables:								
Financial institutions	--	--	1	1	--	--	1	1
Trade, industry and other services	--	--	--	2	--	--	--	2
Bonds and fixed-income investments:								
Public sector - domestic	660	352	--	--	51	--	711	352
Public sector - foreign	1,648	1,064	27	27	451	--	2,126	1,091
Financial institutions	66	61	844	218	10	--	920	279
Trade, industry and other services	111	137	55	54	--	--	166	191
Other	--	5	88	51	--	--	88	56
	2,485	1,619	1,015	353	512	--	4,012	1,972
Total	**2,509**	**1,638**	**1,035**	**400**	**512**	--	**4,056**	**2,038**

The interest-bearing investments can be classified according to rating as follows:

In € millions	Available for sale		Held for trading		Designated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
AAA	2,409	1,221	85	11	512	-	3,006	1,232
AA	--	30	155	66	--	--	155	96
A	12	334	656	137	--	--	668	471
BBB	2	--	9	5	--	--	11	5
Below BBB	5	4	105	--	--	--	110	4
Unrated	57	30	5	134	--	--	62	164
Total	**2,485**	**1,619**	**1,015**	**353**	**512**	**--**	**4,012**	**1,972**

Credit management SNS Bank loans and advances to clients

A distinction has been made in credit management between private clients on the one hand and property finance and other corporate clients on the other. In addition, there is a distinction between credit management for individual clients and credit management on a portfolio level.

Loans to private clients consisting of mortgage loans or consumer credit (included under Other) are approved by the relevant authorised officers on the basis of an extensive system of acceptance standards and policy rules. The standards for acceptation and policy rules are determined in the Price Risk Committee Bank, while mortgage loan acceptation is processed centrally. This contributes to uniformity and efficiency. Acceptation score models are used as support.

Credit management for established private clients takes place at client level by actively monitoring and following up on payments in arrears. This process is supported by automated systems that categorise and prioritise clients with payments in arrears.

At the portfolio level, mortgage risks are managed by the 'Portfolio Management Procedure'. The process consists of three components: rating, monitoring and intervention. Intervention can take place through pricing policy, the acceptance and management policy, specific (marketing) activities, product development and securitisations.

The 'Loan to Foreclosure Value' (LtFV) is an important risk indicator for managing the portfolio. The LtFV shows the level of collateralisation by taking the outstanding loan as a percentage of the foreclosure value of the collateral. A low percentage is considered favourable.

For SNS Bank's mortgage portfolio, the weighted average LtFV at year-end 2007 was 90% (2006: 90%), based on an indexed LtFV of 79% (2006: 80%). The foreclosure value known at the time of application is indexed with the Land Registry Office's WoningWaardeIndex. That index is updated every month. The WoningWaardeIndex is broken down into province and type of residence, e.g. apartment or detached. SNS Bank follows this breakdown. Generally, no new valuation reports are requested for existing residential mortgages.

In addition to the 'Loan to Foreclosure Value', another major risk indicator is the risk that a borrower fails to fully or partially performs its obligations (Probability of Default). Here, an estimate is made of the probability that obligations will not be met in the upcoming year. The estimate for private residential mortgages is that almost everybody can meet their obligations.

Risk categories: Residential Mortgages portfolio in % of outstanding residential mortgages

PD (Probability of Default) %	2007
1	87.4%
2-4	4.8%
5-7	0.0%
8-10	5.0%
11-13	0.0%
14-17	0.0%
18-99	2.0%
100	0.8%
	100.0%

Acceptance standards and policy rules also apply to property finance and other corporate clients (included under Other). Moreover, acceptance score models are being developed for loans up to € 1 million. Property finance in excess of € 1 million is mainly provided by SNS Property Finance, although SNS Bank does occasionally provide property finance up to € 5 million. Where loans over € 1 million are concerned, the loan proposal is always analysed by SNS Property Finance's risk management department, which attaches its advice. Any deviation from the advice must be supported in writing. Participation finance is always submitted to the Risk Committee SNS Property Finance. SNS Bank does not engage in participation finance itself.

Property finance clients and other corporate clients mainly have receivables in the 'Construction and Real Estate' industry. This generally concerns mortgage-backed finance of commercial property, business premises and residential/retail premises. The value of other securities is negligible.

For the property finance clients and other corporate clients, credit monitoring takes place at client level, using an information system geared to overdrafts and compliance with the provisions in the loan agreement. By quickly contacting the borrower, adequate steps can then be taken. The borrower almost always performs the agreement, and only very rarely will the loan agreement be changed.

SNS Property Finance has guidelines in place on how to identify default indicators and on relevant decision-making. If notice of default needs to be given, this is done by the body that gave approval.

At portfolio level, the risks of property loans and other corporate clients are monitored on the basis of detailed reporting of the developments in the portfolios. In addition to the contamination rate, the distribution across various segments, countries and the type of property investment are monitored, and adjusted where necessary. Adjustments are made by revising the pricing, easing or in fact tightening loan conditions, and by making choices when acquiring new clients.

The loans and advances to clients can be specified as follows according to type of security and credit risk:

In € millions	Mortgages		Property finance		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Residential property in the Netherlands:								
- Mortgages < 75% of foreclosure value	20,099	21,383	1,055	692	--	--	21,154	22,075
- Mortgages > 75% of foreclosure value	3,599	3,497	1,239	1,733	--	--	4,838	5,230
- Mortgages with National Mortgage Guarantee	5,579	6,331	--	--	--	--	5,579	6,331
Securitised mortgages	15,486	11,272	--	--	--	--	15,486	11,272
Residential property outside of the Netherlands	175	177	1,271	596	--	--	1,446	773
Non-residential property in the Netherlands:								
- Mortgage-backed loans	1,292	2,329	6,336	4,209	--	--	7,628	6,538
- Other securities and unsecured loans	--	--	224	191	2,576	2,609	2,800	2,800
Non-residential property outside of the Netherlands:								
- Mortgage backed outside the Netherlands	--	--	1,287	1,339	--	--	1,287	1,339
- Other securities and unsecured loans	--	--	225	100	--	--	225	100
Provisions for bad debts:								
- Specific provision	(56)	(54)	(59)	(46)	(80)	(83)	(195)	(183)
- IBNR	(2)	(5)	(3)	(5)	(7)	(17)	(12)	(27)
Total	**46,172**	**44,930**	**11,575**	**8,809**	**2,489**	**2,509**	**60,236**	**56,248**

The distribution of loans and advances to clients can be specified according to type of segment or counterparty as follows:

In € millions	2007	2007 %	2006	2006 %
Construction and property	10,776	17.9%	7,576	13.5%
Public sector	784	1.3%	562	1.0%
Agriculture, horticulture, forestry and fishery	57	0.1%	68	0.1%
Industry	144	0.2%	238	0.4%
Service sector companies	1,638	2.7%	3,240	5.8%
Financial institutions	1,342	2.2%	1,287	2.3%
Other commercial	789	1.3%	1,852	3.3%
Private clients	44,913	74.6%	41,635	73.9%
Provisions for bad debts:				
- Specific provision	(195)	(0.3%)	(183)	(0.3%)
- IBNR	(12)	0.0%	(27)	0.0%
Total	**60,236**	**100.0%**	**56,248**	**100.0%**

Special credits department SNS Bank

An essential part of the risk policy is the timely deployment of the Special Credits department. Special Credits distinguishes between loans to private customers and SME, and loans provided by SNS Property Finance.

The Special Credits department, which is part of Credit Risk Management, focuses on private customers and SME. It applies a uniform working method that is aimed at identifying items with risk exposure.

The management of private and SME client payment arrears has been almost completely computerised. It compares the costs involved in arrears monitoring to the combination of the probability of default and the expected credit loss amount. Based on past experience, an estimate is made of the measures required, such as contacting the client by telephone or writing a letter. This estimation is supported by a computer model.

Obviously, the file is handled by the Special Credits department if the client no longer meets his obligations. But also if it is unlikely that the debtor will be able to continue to meet his obligations. This uniform procedure is aimed at rapid foreclosure.

Every quarter, the Special Credits department proposes a provisions level to SNS Bank's Credit Committee.

At SNS Property Finance, the default notice decision is made on the basis of established default indicators. In the event of default, Risk Management develops a settlement and restructuring plan. In addition, a proposal is immediately made on the amount of the provision. The amount of the provisions is subject to the exclusive approval of a Risk Committee.

The following table provides information regarding provisioned loans:

In € millions	Book value non-provisioned loans	Book value provisioned loans (gross receivable)	Specific provision	IBNR provision	Total book value	Fair value collateral for provisioned receivables and receivables in arrears
2007						
Mortgages and other loans and advances to clients	47,567	1,239	(136)	(9)	48,661	1,618
Property finance	11,354	283	(59)	(3)	11,575	449
Total	**58,921**	**1,522**	**(195)**	**(12)**	**60,236**	**2,067**
2006						
Mortgages and other loans and advances to clients	45,868	1,730	(137)	(22)	47,439	2,097
Property finance	8,685	175	(46)	(5)	8,809	414
Total	**54,553**	**1,905**	**(183)**	**(27)**	**56,248**	**2,511**

In 2007, 167 foreclosure sales were made in respect of private homes, which generated approximately 70% cover for the outstanding debt.

In determining the amount of the provisions, account is taken of defaults and the experience that credit loss may also be caused by non-defaults (IBNR).

In the event of a default in property finance, a proposal is made for each debtor with regard to the amount of the provision. The provision is made by the Credit Committee of SNS Bank or by the Risk Committee of SNS Property Finance. For private customers, the provision for credit in default is determined on the basis of a computer model, instead of for each individual debtor. The model takes various factors into account, e.g. the number of months in arrears.

The credit provision in relation to the risk weighted assets of SNS Bank decreased from the 2006 value of 0,74% to 0,67%.

SNS Bank's mortgage portfolio's credit risk quality shows a stable picture over 2007. In 2007 the credit quality of SNS Property Finance deteriorated to some extent. The growth of the portfolio entails a relatively higher amount of loans related to the first phase of financing. These loans have a somewhat higher risk profile, which decreases as the projects progress.

During 2007 the default percentage[1] remained stable at 0.54%. In 2006, this rate was higher on average. The main reasons for this positive development were stricter acceptance criteria and active arrears management.

Financial assets in arrears SNS Bank:

In € millions	No arrears	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Provision	Total
2007							
Loans and advances to credit institutions	1,092	--	--	--	--	--	1,092
Mortgages and other loans and advances to clients	47,567	770	124	96	249	(145)	48,661
Property finance	11,354	--	283	--	--	(62)	11,575
Derivatives	1,041	--	--	--	--	--	1,041
Investments	4,056	--	--	--	--	--	4,056
Other assets	4,159	--	--	--	--	--	4,159
Total	**69,269**	**770**	**407**	**96**	**249**	**(207)**	**70,584**
2006							
Loans and advances to credit institutions	3,607	--	--	--	--	--	3,607
Mortgages and other loans and advances to clients	45,868	1,264	128	99	239	(159)	47,439
Property finance	8,685	--	175	--	--	(51)	8,809
Derivatives	804	--	--	--	--	--	804
Investments	2,038	--	--	--	--	--	2,038
Other assets	1,685	--	--	--	--	--	1,685
Total	**62,687**	**1,264**	**303**	**99**	**239**	**(210)**	**64,382**

Credit management SNS Bank loans and advances to credit institutions and derivatives

SNS Financial Markets enters into money and capital market transactions with various financial institutions as part of its treasury and funding activities.

This concerns, among others, derivative transactions for the hedging of interest rate and currency risks. Derivative transactions that are subject to a Credit Support Annex (CSA) of the International Swaps and Derivatives Association agreement, have terms to maturity varying from 1 year to 20 years. The emphasis is on longer maturities. These CSAs are primarily aimed at minimising counterparty risk. Changes in the present value of all existing transactions are settled periodically on a cash basis with the counterparty in question. In addition, a system with counterparty limits applies. This system reduces the concentration risk.

[1]) The default percentage in the mortgage portfolio is the total number of clients with payment arrears of more than 3 months divided by the total number of clients.

Credit risk SNS Bank

The following table gives an indication of the credit risk of SNS Bank, based on the weighting percentages used in regular reporting to the Dutch Central Bank. In 2007, these weighing percentages were based on Basel I for the last time. Generally, these percentages are 0% for loans and advances to or guaranteed by OECD governments, 20% for loans and advances to or guaranteed by OECD banks, 50% for loans entirely and fully covered by mortgages (at an LtVF equal to or below 75%) and 100% for the other receivables.

In € millions	2007		2006	
	Book value	Risk-weighted amount	Book value	Risk-weighted amount
Cash and cash equivalents	3,141	47	687	--
Loans and advances to credit institutions	1,092	5	3,607	410
Loans and advances to clients	60,236	27,365	56,248	25,371
Financial assets held for trading*	1,171	--	510	--
Financial assets through profit or loss, designated	512	2	--	--
Financial assets available for sale	2,508	78	1,638	104
Other financial assets*	906	--	694	--
Participations	53	53	34	34
Intangible fixed assets	285	75	214	9
Property and equipment	145	145	169	169
Tax receivables	228	228	146	146
Other assets	8	8	107	89
Accrued assets	299	120	328	154
Subtotal of balance sheet items	70,584	28,126	64,382	26,486
Derivative contracts*	--	461	--	378
Off-balance sheet products**	--	1,546	--	1,293
Solvency requirements for market risks***	--	611	--	289
Total assets	**70,584**	**30,744**	**64,382**	**28,446**

*) The assets include derivatives contracts for hedging purposes in the amount of € 906 million (2006: € 694 million) and € 135 million (2006: € 110 million) for other derivatives. This includes risk-weighted assets in the amount of € 461million (2006: € 378 million).

**) Concerns (ir)revocable facilities and credit substituting guarantees of € 6,117million (2006: € 5,881 million). Of these, the risk-weighted assets amount to € 1,546 million (2006: € 1,293 million).

***) Concerns, inter alia, other financial assets held for trading.

2.2 Market risk

Market risk is the risk that changes in market prices will have a negative impact on the results and net asset value of SNS Bank. Market prices include interest rates, stock prices and exchange rates.

Interest rate risk is a significant component of SNS Bank's moderate risk profile. Regio Bank was fully integrated in SNS Bank's interest rate position as of 1 July 2007. Interest rate risks arise due to the fact that SNS Bank's assets and liabilities have a different interest rate sensitivity. The assets on the bank's balance sheet generally have a longer duration than the liabilities. Given this balance sheet structure, SNS Bank will normally benefit from lower interest rates. The bank's market risks, including those of SNS Property Finance, are managed by SNS Bank's ALM Committee. When managing SNS Bank's interest rate position, assessments are made to establish whether the risks fall within pre-set limits. Managing within those limits takes place on the basis of risk/return considerations in conjunction with the short-term and medium-term expectations for interest rate movements.
When managing interest rate risk, rather than considering separate items, SNS Bank looks at the total of interest-bearing assets and liabilities, including interest rate swaps. Interest rate swaps are used to lower the sensitivity of the present value of the cash flows of mostly (new) mortgages arising from changes in interest rates. See paragraph 4.1 Hedging SNS Bank and 4.2 Hedge accounting SNS Bank for more information.

Market risk of SNS Bank's bank book

The interest rate risk in the bank's portfolio is measured, monitored and managed using duration, Value-at-Risk (VaR), Earnings-at-Risk (EaR) and gapping analyses.

The duration of equity is the primary indicator for interest rate risk. The bandwidth of this indicator was between 0 and 8 for 2007. The SNS Bank ALM Committee sets a new bandwidth each year. The duration of equity was zero at year-end 2007 (year-end 2006:

3.9). During the year 2007, the duration of equity reached a peak of 4.3 in January. Subsequently, in view of the flat yield curve and the turmoil in the financial markets during 2007, the interest rate position was reduced structurally.

During 2007, VaR was € 109 million on average, with a maximum of € 354 million at the end of January 2007, and with a minimum of € 26 million at year-end 2007. At year-end 2006, the VaR was € 408 million.

In 2007, EaR had a € 74 million limit. On average, EaR was approximately € 45 million, with a maximum of € 67 million in December 2007. EaR remained within the limit for the year as a whole.

Both VaR and EaR are determined based on scenario analyses. Changes in the fair value of equity and changes in gross interest income are determined for many underlying rate scenarios. The fair value of equity in ALM management is obtained by discounting the net cash flows from the total balance sheet with the cost-of-fund curve of SNS Bank. This curve is also used as a basic yield curve to simulate changes in interest rates. At the 99% confidence level, VaR and EaR are equal to the 1% worst outcome of changes in the fair value of shareholders' equity and in the net interest rate income. A fixed interest rate position is used as the basis for EaR: how much does it cost to refinance the interest rate gaps in one year given the current interest rate position and taking into account various interest rate scenarios. For VaR, too, the balance sheet position at the reporting date is used for simulating the value adjustments. VaR and EaR are both calculated using a one-year horizon calculated as from the reporting date. Both indicators are before tax.

Quotation risk is the risk for SNS Bank that the mortgage interest rate increases in the period between offering the mortgage rate to the customer and the funding of the mortgage. This risk is managed separately. In managing this risk, each month a trade-off is made between the size of the risk and the option premium that SNS Bank is willing to pay to hedge the quotation risk. As from September 2007, the choice has been made to structurally hedge 70% of the offer pipeline using interest derivatives (swaps and swaptions). The quotation risk has a VaR limit of € 15 million. The average quotation VaR amounted to € 3.5 million in 2007. The quotation VaR remained within the limit during 2007.

All of SNS Bank's currency positions are measured monthly and hedged on a structural basis. The table below gives an indication of the foreign currency position of SNS Bank.

In € millions	Balance debit		Balance credit		Balance		Hedge derivatives	
	2007	2006	2007	2006	2007	2006	2007	2006
US dollar	848	1,129	1,928	1,596	(1,080)	(467)	1,051	499
Japanese yen	1	160	266	209	(265)	(49)	258	41
Pound Sterling	90	33	451	749	(361)	(716)	379	712
Swiss franc	12	1	108	24	(96)	(23)	97	24
Canadian dollar	55	32	143	37	(88)	(5)	92	5
Australian dollar	15	62	781	979	(766)	(917)	766	918
Hongkong dollar	7	--	383	3,262	(376)	(3,262)	391	3,262
Danish krone	256	235	3	5	253	230	(253)	(229)
Other	6	117	500	466	(494)	(349)	504	339
Total	**1,290**	**1,769**	**4,563**	**7,327**	**(3,273)**	**(5,558)**	**3,285**	**5,571**

The maturities of the hedged positions and the derivatives in the context of foreign currency are almost equal.

Sensitivity test SNS Bank

The market risks of SNS Bank can be illustrated by the results of a sensitivity analysis. This analysis shows the impact of an immediate shift of the interest rate curve of +1 and -1%, and an immediate shock in stock prices of -10% and +10% on shareholders' equity, the result and the fair value of shareholder's equity. The sensitivity of the result to interest rate fluctuations is calculated in the following statistic method: for the first 12 monthly gaps in the year-end 2007 balance sheet, the refinancing expenses and income is calculated in the event that interest rates immediately rise or fall by 1% (parallel shift). The results are after tax.

In € millions	Fair value shareholders' equity		Result		Shareholders' equity	
	2007	2006	2007	2006	2007	2006
Interest rate + 1%	13	(95)	42	(14)	(118)	(77)
Interest rate – 1%	(8)	98	(42)	14	118	77
Stocks + 10%	2	2	--	--	2	2
Stocks – 10%	(2)	(2)	--	--	(2)	(2)

Interest maturity calendar of SNS Bank

In addition to the duration of equity, Value-at-Risk and Earnings-at-Risk, the bank uses a gap profile as a risk management tool. A gap profile outlines the net position of redeeming nominal amounts per interest rate maturity from both assets and liabilities. The table below illustrates the interest maturity gap profile of SNS Bank on the basis of expected remaining interest maturity. This includes the estimates for early redemption behaviour in the mortgage and loan portfolios of SNS Bank and SNS Property Finance. An estimate is also made of the outflow of savings and loans at SNS Bank. The gap profile is used to determine which maturities in the gap profile need to be adjusted to the desired level using interest rate swaps. Hence, duration of equity and the gap profile are the main tools to manage the interest rate position of SNS Bank.

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Provision	Total
2007							
Assets							
Cash and cash equivalents	3,141	--	--	--	--	--	3,141
Loans and advances to credit institutions	633	410	49	--	--	--	1,092
Loans and advances to clients	14,118	5,105	8,170	20,747	12,303	(207)	60,236
Derivatives	336	400	246	16	43	--	1,041
Investments (interest-bearing)	197	58	429	779	2,549	--	4,012
Other assets	1,062	--	--	--	--	--	1,062
	19,487	**5,973**	**8,894**	**21,542**	**14,895**	**(207)**	**70,584**
Off-balance sheet products	9,450	11,265	6,931	453	1,213	--	29,312
Total assets	**28,937**	**17,238**	**15,825**	**21,995**	**16,108**	**(207)**	**99,896**
Liabilities							
Savings	1,011	2,021	5,412	6,809	3,926	--	19,179
Other amounts due to clients	3,965	753	538	1,154	1,436	--	7,846
Amounts due to credit institutions	3,533	1,183	350	--	--	--	5,066
Debt certificates	3,642	19,427	2,148	4,448	2,517	--	32,182
Other liabilities	1,484	--	--	--	--	--	1,484
Derivatives	54	132	262	260	229	--	937
Participation certificates and subordinated debt	100	472	1,106	--	--	--	1,678
	13,789	**23,988**	**9,816**	**12,671**	**8,108**	**--**	**68,372**
Off-balance sheet products	19	160	8,843	11,851	8,439	--	29,312
Total liabilities	**13,808**	**24,148**	**18,659**	**24,522**	**16,547**	**--**	**97,685**
Interest rate sensitivity gap (assets-liabilities)	**15,129**	**(6,910)**	**(2,834)**	**(2,528)**	**(439)**	**(207)**	**2,211**

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Provision	Total
2006							
Assets							
Cash and cash equivalents	687	--	--	--	--	--	687
Loans and advances to credit institutions	3,306	265	36	--	--	--	3,607
Loans and advances to clients	17,050	2,986	8,405	16,761	11,256	(210)	56,248
Derivatives	112	210	248	152	82	--	804
Investments (interest-bearing)	60	1	620	322	969	--	1,972
Other assets	1,064	--	--	--	--	--	1,064
	22,279	**3,462**	**9,309**	**17,235**	**12,307**	**(210)**	**64,382**
Off-balance sheet products	1,288	9,724	9,947	3,291	1,714	--	25,964
Total assets	**23,567**	**13,186**	**19,256**	**20,526**	**14,021**	**(210)**	**90,346**
Liabilities							
Savings	1,206	2,362	5,070	3,634	1,406	--	13,678
Other amounts due to clients	3,456	579	572	996	1,416	--	7,019
Amounts due to credit institutions	5,722	1,356	221	--	--	--	7,299
Debt certificates	5,440	13,791	3,541	4,386	3,683	--	30,841
Other liabilities	1,318	--	--	--	--	--	1,318
Derivatives	87	233	91	137	134	--	682
Participation certificates and subordinated debt	--	427	119	902	--	--	1,448
	17,229	**18,748**	**9,614**	**10,055**	**6,639**	**--**	**62,285**
Off-balance sheet products	1,598	4,358	5,029	7,591	7,388	--	25,964
Total liabilities	**18,827**	**23,106**	**14,643**	**17,646**	**14,027**	**--**	**88,249**
Interest rate sensitivity gap (assets-liabilities)	**4,740**	**(9,920)**	**4,613**	**2,880**	**(6)**	**(210)**	**2,097**

Effective interest rates SNS Bank

The table below shows the average effective interest rate percentages of SNS Bank throughout the year (for 2007 including 6 months of Regio Bank) with respect to monetary financial instruments not held for trading.

In percentages	2007	2006
Assets		
Loans and advances to credit institutions	3.0%	2.5%
Mortgages	4.8%	4.5%
Property finance	5.7%	5.9%
Other loans and advances to clients	9.7%	8.5%
Investments available for sale (interest-bearing)	4.2%	4.1%
Liabilities		
Savings	3.1%	3.0%
Other amounts due to clients	4.3%	3.9%
Amounts due to credit institutions	2.5%	1.3%
Debt certificates	4.1%	3.6%
Participation certificates and subordinated debt	5.9%	5.0%

Market risk - SNS Bank's trading portfolio

SNS Bank's market risk of the trading portfolio is calculated each day in terms of Value-at-Risk (99%) and stress tests. The following tables show the limits for the different trading portfolios. The total limit in terms of Value-at-Risk for the trading portfolio was € 4 million. The bond portfolio related to the trading positions of SNS Bank increased by € 750 million in 2007. The system of limits functioned well in 2007. The Value-at-Risk methodology consists of (Monte Carlo) scenario analyses. The underlying scenarios for the Monte Carlo method are calibrated using historical data. Furthermore, stress tests are carried out on a daily basis by all trading desks. These, too, have defined limits.

In € thousands	Limit			
	Value-at-Risk (99% on a daily basis)		Stress test	
	2007	2006	2007	2006
Client desk	100	100	300	300
Money market desk foreign currency	700	700	2,100	2,100
Money market desk euro	500	500	1,500	1,500
Capital market desk	400	400	1,200	1,200
Interest rate desk	250	--	750	--
Off-balance desk	800	800	2,400	2,400
Equity desk	750	500	2,250	1,500
Bond desk	600	400	1,800	1,200
Total	**4,100**	**3,400**	**12,300**	**10,200**

2.3 Liquidity risk

Liquidity risk is the risk that SNS Bank does not have sufficient funding and liquidity to meet its financial obligations in the short term. Liquidity consists of funding cash and cash equivalents. SNS Bank manages its exposure to this risk to the extent that the group has sufficient reserves at its disposal and always remains able to meet its financial obligations. The liquidity risk management has been organised in such a way that SNS Bank is capable of absorbing the impact of banking-specific stress factors, for example, tension in the money and capital markets.

SNS Bank has a broad investor base, an extensive range of financing instruments, and ample access to the international money and capital markets. The low risk profile of SNS Bank may be emphasised, because SNS Bank has no subprime mortgages, conduits / asset-backed commercial paper (ABCP) or Special Investment Vehicles (SIVs).

In the first half of 2007, the maturity of the realised funding was long in terms of the liquidity profile. In this context, SNS Bank benefited from historically low credit spreads. Even though SNS Bank has no subprime investments it, too, felt some negative impact in the second half of 2007 from the credit crisis in the financial markets. A large part of the funding sources was not available at normal spread levels and volumes. SNS Bank nevertheless was able to find efficient funding, using alternative sources as well, which included a successful Keuzedeposito campaign (which raised more than €2 billion in retail funding), and the private market. In September 2007, SNS Bank launched 'Hermes XIV', a securitisation of Dutch residential mortgages for a total of € 2 billion. This was the first on-balance transaction of SNS Bank in which all notes were retained by SNS Bank. Most of these notes are eligible for use as collateral at the Dutch Central Bank. The acquisition of Regiobank resulted in an increase in retail funding of € 2.1 billion. These elements together increased the weighing of the retail funding in the funding mix for a total of 42% by year-end 2007 (2006: 36%).
Additionally, SNS Bank made use of its ample liquidity buffers. The prudent liquidity policy and contingency planning functioned excellently.

The liquidity risk policy of SNS Bank has four elements:

1 Liquidity management on a going concern basis
2 Diversification in the funding portfolio
3 Liquidity of assets
4 Planning for unforeseen events

SNS Bank's liquidity risk management is based 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 regulatory guidelines in this field. An important indicator of liquidity risk is the surplus in the liquidity test of the Dutch Central Bank (weekly and monthly). A going concern situation is assumed with expiration of existing funding and a certain degree of stress on savings and credits.

SNS Bank strives to diversify the funding portfolio with respect to maturity, instrument, currency and type of investor. SNS Bank also has a large portfolio of very liquid assets, such as government bonds.

The development in the liquidity position of SNS Bank in 2007 is illustrated in the graph below. This graph shows that given the difficult market conditions, SNS Bank succeeded in maintaining a strong liquidity position in 2007.

In addition to the above, SNS Bank also has a liquidity contingency plan that contains planning for unforeseen events. SNS Bank also periodically carries out stress tests across the bank in which liquidity risk plays an important role. The liquidity stress test takes into account the drying-up of funding on the money and capital markets as well as a downgrade of SNS Bank with 2 notches by the rating agencies. For a more detailed description of stress tests, reference is made to capital management in Chapter 6, Risk Management.

34 Development liquidity position SNS Bank

Management of the liquidity risk

The liquidity risks are managed on the basis of the net (assets less liabilities) nominal amounts due per contractual maturity in a liquidity gap profile. The table below represents the gap profile of SNS Bank at year-end 2006 and 2007 on the basis of the remaining contractual maturity. With regard to the table below, it should be noted that deposits and savings due on demand are presented in the 'less than one month' bucket. In practice, the products are presented with a longer liquidity profile. For mortgages, the contractual maturity is maintained without taking into account prepayments.

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Provision	Total
2007							
Assets							
Loans and advances to credit institutions	500	--	14	8	570	--	1,092
Loans and advances to clients	1,683	995	1,429	3,075	53,261	(207)	60,236
Derivatives	27	47	106	475	386	--	1,041
Investments (interest-bearing)	185	178	513	1,383	1,753	--	4,012
Other assets	4,203	--	--	--	--	--	4,203
	6,598	**1,220**	**2,062**	**4,941**	**55,970**	**(207)**	**70,584**
Liabilities							
Savings	17,367	75	779	758	200	--	19,179
Other amounts due to clients	5,731	233	208	533	1,141	--	7,846
Amounts due to credit institutions	1,293	1,375	207	775	1,416	--	5.066
Debt certificates	566	892	2,648	11,624	16,452	--	32,182
Derivatives	58	23	303	325	229	--	938
Other liabilities	1,484	--	--	--	--	--	1,484
Participation certificates and subordinated debt	--	--	5	501	1,172	--	1,678
Shareholders' equity	--	--	--	--	2,211	--	2,211
	26,499	**2,598**	**4,150**	**14,516**	**22,821**	**--**	**70,584**
Net liquidity gap	**(19,901)**	**(1,378)**	**(2,088)**	**(9,575)**	**33,149**	**(207)**	**--**

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Provision	Total
2006							
Assets							
Loans and advances to credit institutions	3,474	90	24	17	2	--	3.607
Loans and advances to clients	1,489	861	638	2,053	51,417	(210)	56,248
Derivatives	12	18	102	376	296	--	804
Investments (interest-bearing)	99	100	44	621	1,108	--	1,972
Other assets	1,751	--	--	--	--	--	1,751
	6,825	**1,069**	**808**	**3,067**	**52,823**	**(210)**	**64,382**
Liabilities							
Savings	12,266	29	145	412	826	--	13,678
Other amounts due to clients	5,230	179	82	326	1,202	--	7,019
Amounts due to credit institutions	730	1,169	1,831	2,084	1,485	--	7,299
Debt certificates	--	2,106	2,588	13,681	12,466	--	30,841
Derivatives	87	9	103	348	135	--	682
Other liabilities	1,318	--	--	--	--	--	1,318
Participation certificates and subordinated debt	--	2	--	258	1,188	--	1,448
Shareholders' equity	--	--	--	--	2,097	--	2,097
	19,631	3,494	4,749	17,109	19,399	--	64,382
Net liquidity gap	**(12,806)**	**(2,425)**	**(3,941)**	**(14,042)**	**33,424**	**(210)**	**--**

3 Hedging and hedge accounting

SNS Bank uses derivatives to manage market risks on an economic basis. SNS Bank uses various hedge strategies to cover its interest rate, market value and exchange rate risks. To achieve this, it uses instruments such as currency swaps, (foreign currency) interest rate swaps and (interest rate) options. Under IFRS, derivatives must be valued at fair value in the balance sheet and any changes in the fair value must be accounted for in the income statement. In the event that changes in fair value of hedged risks are not accounted for through the income statement, a mismatch occurs in the accounting of results, making these results more volatile. In these cases, hedge accounting is applied as much as possible to mitigate accounting mismatching and volatility. SNS Bank makes a distinction in hedge accounting between so-called micro hedges, whereby risks on separate contracts are hedged, and so-called macro hedges, whereby the risk of a portfolio of contracts is hedged.

In fair value hedge accounting, the developments in fair value of the hedged risk are processed through the income statement. This compensates for the fair value movements of the accompanying derivatives. In cash flow hedge accounting, the movements in fair value of the derivates are accounted for in a separate (revaluation) reserve. This cash flow hedge reserve is released over the period in which the cash flows from the hedged risk are realised.

The notional amounts of the derivatives for hedging purposes reflect the degree to which SNS Bank is active in the relevant markets. Derivatives held for trading purposes are not included in this overview.

In € millions	Notional amounts				Fair value	
	Total	< 1 year	> 1 year ≤ 5 years	> 5 years	Positive	Negative
2007						
Interest rate contracts:						
- Swaps and FRAs	59,208	13,280	17,078	28,850	740	(330)
- Options	2,390	1,660	534	196	84	(69)
Currency contracts:						
- Swaps	4,103	1,389	2,298	416	82	(416)
- Forwards	--	--	--	--	--	--
Total	**65,701**	**16,329**	**19,910**	**29,462**	**906**	**(815)**
2006						
Interest rate contracts:						
- Swaps and FRAs	41,160	4,448	14,658	22,054	535	(261)
- Options	2,826	127	1,895	804	95	(58)
Currency contracts:						
- Swaps	3,835	641	2,763	431	64	(270)
- Forwards	--	--	--	--	--	--
Total	**47,821**	**5,216**	**19,316**	**23,289**	**694**	**(589)**

The notional amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying value of the primary financial instruments. These notional amounts provide no indication of the size of the cash flows nor of the market and credit risk attached to the transactions.

3.1 Hedging SNS Bank

SNS Bank uses interest rate swaps to manage the interest rate risk of the bank book. The policy is that the duration of the interest-bearing asset is between 0 and 8. In addition, SNS Bank uses interest rate derivatives to hedge specific embedded options in mortgages. This relates to mortgages of which the interest rate is capped or where movements in interest rates are transferred to clients gradually. SNS Bank also uses interest rate derivatives to hedge the quotation risk related to the financing of mortgages. SNS Bank also uses (foreign currency) swaps to convert non-euro funding into euro funding and to convert fixed-rate funding into floating-rate funding. SNS Bank also uses options to hedge the risks relating to hybrid savings products. Finally, SNS Bank applies interest rate swaps to hedging investment portfolio risks.
The fair value of the swaps hedging the interest rate risk of the bank book amounted to € 419 million at year-end 2007 (2006: € 185 million).
Certain mortgages have specific options, which is the case with the “Plafond” (ceiling), “Stabiel” (stable) and “Rentedemper” (interest rate moderator) mortgages. The nominal value of these mortgages at year-end 2007 was € 2.6 billion, € 1.1 billion and € 1.1 billion respectively. That compares to € 3.2 billion, € 1.3 billion and € 1.2 billion at year-end 2006. The SNS Bank policy is to hedge 70% to 80% of these embedded options with caps (“Plafond” mortgages) and with caps and floors (“Stabiel” and “Rentedemper” mortgages). The fair value of these derivatives amounted to € 90 million on 31 December 2007, versus € 108 million a year earlier.
For the quotation risk, our policy is to hedge between 70% and 80% of the expected risk with swaptions and forward starting swaps. The fair value of these derivatives amounted to € 3 million on 31 December 2007, versus nil a year earlier.
The (foreign currency) swaps relating to funding had a fair value of € 421 million negative at year-end 2007 (2006: € 116 million negative).
The options relating to hybrid savings products had a fair value of € 47 million (2006: € 38 million). Only a very limited number of derivatives have been allocated to the investment portfolios; they have a very limited fair value (2006 and 2007: nil)

3.2 Hedge accounting SNS Bank

For the hedging activities described above, SNS Bank applies the following hedge accounting methods:

Fair value hedge accounting for bank book interest rate risk (macro hedge)

The portfolio hedged consists of fixed-rate mortgages of SNS Bank. These are mortgages that have a fixed-rate interest period of a minimum of 1 year and a maximum of 20 years. The hedging instruments are interest rate swaps entered into within the framework of the management of interest rate risk in the ALM process. The risk hedged is the risk of change in the value of the portfolio as a result of movements in the market interest rates.

Fair value hedge accounting for embedded derivatives (macro hedge)

The embedded caplets adopted in the 'Plafond' mortgages are the hedged item. The hedge instruments are all caplets adopted in the caps bought. The risk that is hedged is the volatility of the (fair value of the expected) interest income in the case of changes in one-month swap rates.

The 'Rentedemper' mortgage contains embedded options (caps and floors). The caps and floors are built up from separate caplets and floorlets which constitute the hedged item. The hedge instruments are caplets and floorlets incorporated in the caps and floors bought. The risk hedged is the volatility of the (fair value of the expected) interest income as a result of fluctuations in the 6-month swap rate.

As a consequence of the hedge strategy chosen by SNS Bank, the reporting rules do not allow hedge accounting to be applied to the 'Stabiel' mortgages.

Fair value hedge accounting funding and investments (micro hedge)

SNS Bank uses micro hedges to swap funding with a fixed rate to a floating interest rate. If the funding is in foreign currency, foreign exchange swaps are applied. In addition to converting the foreign currency into euro and the fixed rate into a floating rate, use is also made of derivatives to convert structured funding to floating-rate funding. In structured funding, the funding charge is tied to, for example, an equity or inflation index. Interest rate structures such as floating-rate coupons with a multiplier or a leverage factor also fall under the funding programme.
To a limited degree SNS Bank also hedges fixed-income instruments through swapping the coupon to a floating rate.
Through these instruments, the interest rate and foreign exchange risks are hedged.

Cash flow hedge accounting for quotation risk

SNS Bank hedges the mortgage quotation risk with swaptions and forward starting swaps. The risk that is hedged here is the variability of the interest rate up to the time of financing. The intrinsic market value movements of the derivatives until the moment that the related mortgage contracts are settled are taken to shareholders' equity. Our policy is subsequently to settle the derivatives in cash, after which the value accrued during the duration of the funding is amortised to the result. The accrued value in shareholders' equity was € 4 million on 31 December 2007.

4 Fair value of financial assets and liabilities

The following table shows the fair value of the financial assets and liabilities of SNS Bank. In a number of cases, estimates are used. The balance sheet items not included in this table do not satisfy the definition of a financial asset or liability. The total of the fair value presented below does not reflect the underlying value of SNS Bank and should therefore not be interpreted as such.

In € millions	2007		2006	
	Fair value	Bookvalue	Fair value	Bookvalue
Financial assets				
Cash and cash equivalents	3,141	3,141	687	687
Loans and advances to credit institutions	1,091	1,092	3,608	3,607
Loans and advances to clients	60,492	60,236	56,717	56,248
Derivatives	1,041	1,041	804	804
Investments:				
- Fair value through profit or loss: held for trading	1,035	1,035	400	400
- Fair value through profit or loss: designated	512	512	-	-
- Available for sale	2,509	2,509	1,638	1,638
Other assets	307	307	436	436
Total financial assets	**70,128**	**69,873**	**64,290**	**63,820**

In € millions	2007		2006	
	Fair value	Bookvalue	Fair value	Bookvalue
Financial liabilities				
Savings	18,254	19,179	13,343	13,678
Other amounts due to clients	7,447	7,846	6,581	7,019
Amounts due to credit institutions	5,079	5,066	7,337	7,299
Debt certificates	32,315	32,182	31,128	30,841
Derivatives	938	938	682	682
Other liabilities	1,316	1,316	1,190	1,190
Participation certificates and subordinated debts	1,835	1,678	1,580	1,448
Total financial liabilities	**67,184**	**68,205**	**61,841**	**62,157**

The fair values represent the value of the financial instruments on the balance sheet date on a real economic basis, i.e. 'at arm's length'. The fair value of financial assets and liabilities is based on market prices, insofar as these are available. If the market prices are not available, various techniques have been developed in order to arrive at an approximation. These techniques are subjective and use various assumptions based on the discount rate and the timing and size of expected future cash flows. Changes in these assumptions can significantly influence the estimated fair value. One possible consequence is that the fair values shown may not represent a good approximation of the direct sale value. In addition, calculation of the estimated fair value based on market circumstances at a certain moment is possibly an inadequate way of approximating future fair value.
For financial assets and liabilities valued at amortised cost, the fair value is shown excluding accumulated interest.
The accumulated interest from these investments is shown in the line item Other assets.
The following methods and assumptions are used to determine the fair value of financial instruments.

Financial assets

Investments

The fair value of equities and convertible bonds is based on stock market prices. The fair value of interest-bearing securities, excluding mortgage loans, is also based on stock market prices or - in the event that stock exchange prices do not provide a realistic fair value - on the cash value of expected future cash flows. These cash values are based on the prevailing market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the relevant investment.

Derivatives

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a discounted cash flow model or an option valuation model.

Loans and advances to clients

The fair value of mortgage loans has been estimated by determining the present value of the expected future cash flows. The yield curve used to determine the present value of the expected cash flows is the cost-of-fund curve of SNS Bank. This is an estimate of the rates at which SNS Bank can place senior funding in the market. In determining the expected cash flows, the effect of any future early redemptions is taken into account. Changes in the credit rating of loans and advances are not taken into consideration in determining the fair value, as the effect of the credit risk is accounted for separately by deducting the provision for bad debts from both book value and fair value.

The fair value of other loans and advances to clients is estimated on the basis of the present value of future cash flows, again making use of the cost-of-fund curve of SNS Bank.

Other assets

The book value of the other assets is considered to be a reasonable approximation of fair value.

Cash and cash equivalents

The book value of the liquid assets is considered to be a reasonable approximation of fair value.

Financial liabilities

Participation certificates and subordinated debt
The fair value of the participation certificates and subordinated debts is estimated on the basis of the cash value of the cash flows, making use of the prevailing interest rate for similar instruments.

Debt certificates
The fair value of debt certificates is estimated on the basis of the cash value of the cash flows, making use of the prevailing interest rate for similar instruments.

Amounts due to clients and credit institutions
The book value of the demand deposits and deposits without specific maturities are considered a reasonable approximation of fair value. The fair value of deposits with specified maturities are estimated on the basis of the expected cash value of future cash flows, using the interest rate currently applicable to deposits with a similar remaining life.
The fair value of amounts due to banks is estimated on the basis of the cash value of the future cash flows, using the interest rate currently applicable to amounts due to banks with similar conditions.

Other liabilities
The book value of the other commitments is considered to be a reasonable approximation of fair value.

Interest rate
The interest rate used in determining fair value is based on market yield curves on the balance sheet date.

5 Capital management

The capital management of SNS Bank froms an integral part of SNS REAAL's capital management. This is aimed at maintaining a solid single A rating with the rating agencies, by which this functions as the key risk metric. In addition, capital management contributes to an increasing extent to systematic analysis and improvement of our operations.

In order to maintain a single A rating SNS REAAL requires a minimum capital, enabling SNS REAAL to absorb unexpected losses in exceptional bad circumstances. This is called the economic capital. The economic capital serves as a basis for the calculation of the Risk Adjusted Return on Capital and in the near future economic capital will be used for evaluating the results of the business units of SNS REAAL.

Objectives and standards framework
SNS Bank's capitalisation policy focuses on the optimisation of the capital structure so that it contributes to the realisation of the group's strategic goals. At the same time, SNS Bank also seeks to maintain a healthy balance between the amount of capital and the risks that it runs.

The restrictions set by the Dutch Central Bank, European regulations, rating agencies and internal requirements regarding capital adequacy are taken into account in determining the capital structure. See table below.

Solvency standards

	Standard	Internal target	Realisation
SNS Bank	BIS ratio	> 11%	11.5%
	Tier 1 ratio	> 8%	8.4%
	Core Capital ratio	> 6%	6.5%

Key developments
In 2007, pursuant to the Basel II regulations, so-called parallel reports were initiated in which SNS Bank's solvency under Basel II is calculated in anticipation of the definitive effective date of Basel II on 1 January 2008. This has the following consequences:

- Under the calculation methodology of Basel II, Pillar 1, SNS Bank's BIS ratio at year-end 2007 amounts to 17.2% based on preliminary calculations as opposed to 11.5% under Basel I. This includes the risk types credit risk, market risk of trading portfolios and operational risk, and applies the IRB method for the credit risk for retail mortgages. The increase of the BIS ratio shows that the application of Basel II risk measurement results in a decrease of the risk-weighted assets. As a result, solvency ratios increase at a stable capital level.

- As of 1 January 2008, the solvency ratios of SNS Bank will rise due to Basel II. Due to the fact that the Basel II capital requirements are lower than the capital requirements under Basel I and considering the present outcome of the dialogue with DNB, the bank will be able to free up capital of approximately € 250 million (from 1 January 2008 the capital requirement is set at 90% of the risk-weighted assets under Basel I).

The second pillar of the new Basel II Capital Accord concerns the process by which banks and investment firms assess the adequacy of their internal capital (the so-called Internal Capital Adequacy Assessment Process or ICAAP) and the assessment of that process by the Supervisory Authority (the so-called Supervisory Review and Evaluation Process or SREP). The regulatory capital (ICAAP capital) determined by SNS Bank follows from the ICAAP. The ICAAP capital is the outcome of the internal capital calculation of SNS Bank for all risks that are relevant for SNS Bank based on the internal rating target, taking into account diversification effects. The SREP capital is determined by discussions between the Dutch Central Bank and SNS Bank and reflects the desired capital from a regulatory perspective. The SREP capital is the ICAAP capital rescaled to a confidence level of 99.90%, which can be increased by the supervisory authority with a prudential surcharge.

Framework for capital management

In assessing capital adequacy, SNS Bank, as part of SNS REAAL, takes into account the economic risks of its underlying activities. These are assessed using economic capital and stress tests. The capitalisation is aimed at maintaining the single A credit rating. SNS REAAL's capital management comprises the following main activities: determining the required economic capital, performing stress tests on the capital adequacy and a qualitative capital adequacy assessment.

Required economic capital

SNS REAAL and SNS Bank use economic capital in as far as possible to gear the management of the company and the business units towards value creation. To this end, the economic capital must first be calculated as precisely as possible, without incorporating a margin of conservatism in the estimate of the components of the economic capital formulas and the economic capital calculations themselves. The (unadjusted) economic capital from this initial calculation provides a basis for value creation and performance management. The capital adequacy assessment adjusts this economic capital by taking into account uncertainties in the economic capital formulae by adding separate surcharges to the unadjusted economic capital.

A confidence interval of 99.96% is used in determining the economic capital, calibrated to the default probability of a company with a double A rating. In the calculation of economic capital, diversification effects, between both risk categories and product groups, are taken into account. These diversification effects occur because all risks do not manifest themselves simultaneously. In the calculation of the stand-alone economic capital of SNS Bank, diversification between the group's different operations is not taken into account; the capital adequacy of the economic capital of SNS Bank is assessed separately.

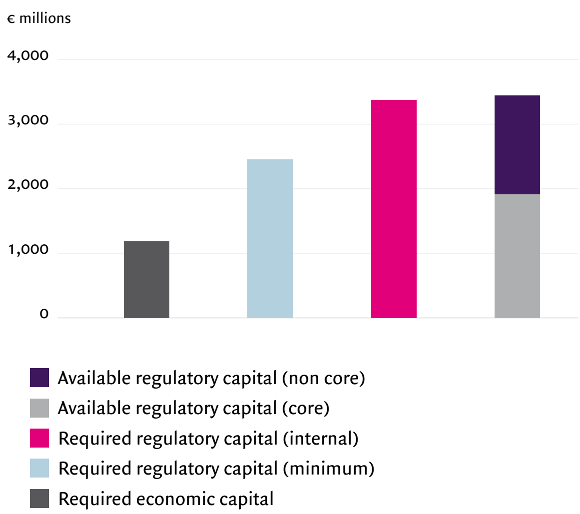
Graph 35 compares the required economic capital with the required regulatory capital and the existing regulatory capital. SNS Bank is constantly working to improve its internal economic capital models. These figures provide an indication of the risk profile and thus also of the economic capital of SNS Bank.

Graph 35 shows that SNS Bank needs to maintain less capital according to the internal models than according to the Basel I capital requirements.

Stress tests

A stress test analysis is performed annually in order to assess how well SNS Bank would endure stress scenarios. The stress test for SNS Bank, which was carried out again in 2007, showed that the losses under various stress scenarios covering all relevant risk categories, could be offset within the existing regulatory capital of € 3.5 billion.

35 Available versus required capital 2007



In the stress test, a liquidity scenario, a recession scenario and a system stress scenario were tested. The liquidity risk was based on a scenario of rapid deterioration in access to the money and capital markets, and a lowering of SNS Bank's credit rating by two notches by the rating agencies. The recession and system stress scenarios also take into account an immediate abolition of mortgage interest tax relief. The most severe scenario, namely the system stress scenario combined with the immediate abolition of mortgage interest tax relief, comprised a fall in long-term interest rates to 3%, a 25% fall in share prices, a decrease in economic growth, a sharp increase of credit spreads and a severe fall in house prices. For the market risk, the losses are expressed in loss of market value during a one-year period. For the credit risk, a three-year horizon was chosen because the impact of negative scenarios for this risk type would be delayed. These losses were added up with losses associated with strategic and operational risks, not taking diversification effects into account.

Qualitative assessment capital management
In its capital management process, SNS Bank prepares operational plans each year with a three-year horizon. A capital management plan is then prepared that covers the same period, in which the capital requirements and their fulfilment are set such that SNS Bank can satisfy the internal and external standards. Instruments to lower the risk-weighted assets and to increase the available capital are used for capital management. SNS Bank's capital is a combination of various types of capital, with the emphasis on shareholders' equity. SNS REAAL capitalises its subsidiaries in accordance with the internal and external solvency standards. A possible capital surplus can thus be efficiently managed within the group.

Each month, SNS Bank prepares a twelve-month rolling forecast for its capital requirements. The monitoring process makes it possible to take additional measures if necessary, such as securitisation or raising subordinated loans. For more information about access to the money and capital markets, see the section on Funding and credit ratings. The qualitative assessment of the capital management comprises a comparison of the required economic capital and the existing capital including all permitted sources of capital, which consist of equity, subordinated loans and hybrid forms of capital. The calculation of the existing capital, takes account of all restrictions required by regulators and rating agencies with regard to the composition of the sources of capital.

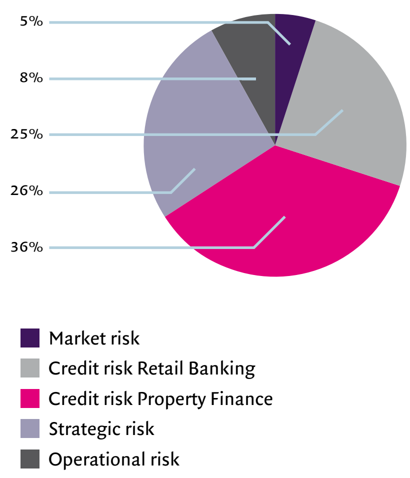
SNS Bank's senior management assesses the results of economic capital calculations, the requirements of regulators and rating agencies, the outcomes of stress tests and capital planning. Based on these assessments, management decides whether additional measures are needed. In terms of the abovementioned standards, SNS Bank is adequately capitalised.

The assessment of the capital adequacy comprises the following:
- The economic capital is calculated and reported to the Management Board of SNS Bank and the ALCO of SNS REAAL on a quarterly basis.
- The capital requirements, derived from stress tests, are compared with the existing regulatory capital on an annual basis.
- The results of the stress tests are compared to the required economic capital on an annual basis.

Diagram 36 shows the risk profile of SNS Bank based on a breakdown of the required economic capital (EKAP) per risk type. From this diagram it is clear that the market risk share is relatively limited, because SNS Bank managed to reduce its interest rate risk to nearly zero.

Value creation
One of SNS Bank's financial objectives is economic value creation. To this end, the bank's activities should produce sufficient returns given the accompanying risks. Therefore, SNS Bank is increasingly assessing its activities on the basis of economic results and economic capital, using the risk adjusted performance indicators Risk Adjusted Return on Economic Capital (RAROC) and Economic Value Added (EVA). The economic capital calculations allow the determination of how much risk a client, portfolio or product group entails. Given the capital structure of SNS Bank and the yield requirements of the providers of capital, SNS Bank can thus determine the required return. These calculations are used in SNS Bank's pricing policies, portfolio management and performance measurement.

36 Economic capital to the type of risk SNS Bank (year-end 2007)



Notes to the consolidated balance sheet

Assets

1 Cash and cash equivalents

Cash and cash equivalents include demand deposits at De Nederlandsche Bank (DNB) and loans and advances from SNS Bank to credit institutions with a remaining maturity of less than three months.

Cash and cash equivalents break down as follows:

In € millions	2007	2006
Deposits at DNB	2,710	458
Short term bank balances	347	158
Cash	84	71
Total	**3,141**	**687**

2 Loans and advances to credit institutions

These relate to loans and advances to banks, insofar as not in the form of interest-bearing securities, with a remaining maturity longer than three months.

3 Loans and advances to clients

The breakdown in loans and advances to clients can be specified as follows:

In € millions	Gross amount		Provisions		Net amount	
	2007	2006	2007	2006	2007	2006
Mortgages	46,230	44,989	(58)	(59)	46,172	44,930
Property Finance:						
- Project finance	4,628	3,245	(54)	(41)	4,574	3,204
- Investment finance	6,148	4,893	(6)	(6)	6,142	4,887
- Financial lease	874	738	(2)	(4)	872	734
Other	2,563	2,593	(87)	(100)	2,476	2,493
Total	**60,443**	**56,458**	**(207)**	**(210)**	**60,236**	**56,248**

The Property Finance segment includes all the activities of SNS Property Finance purchased in 2006. Property finance loans and advances of the Retail Bank were transferred to the Property Finance segment in 2007.

Of the loans secured by mortgages, € 15,526 million (2006: € 12,243 million) has been provided as collateral to third parties, mainly because of securitisations. These were transacted at regular market conditions. The Property finance loans concerns € 11,188 million (2006: € 8,554 million) of properties secured by mortgages.

SNS Bank recognizes financial lease assets in the balance sheet as advances, the amount of which is equal to the net investment in the lease. The financial lease activities can be specified as follows in gross and net advances to clients.

In € millions	2007	2006
Gross investments in financial leases		
Overview maturities		
-Shorter than one year	71	49
-From one to five years	241	211
-Longer than five years	684	611
Total	**996**	**871**
Unearned income from financial lease agreements	(124)	(137)
Net investments in financial leases	**872**	**734**
Overview maturities		
-Shorter than one year	39	20
-From one to five years	182	149
-Longer than five years	651	565
Net investments in financial leases	**872**	**734**

The financial lease income concerns Property Finance in the Netherlands.

The movements in loans and advances to clients can be specified as follows:

In € millions	Mortgages		Property finance		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Balance as at 1 January	44,989	42,601	8,876	--	2,593	2,727	56,458	45,328
Acquisitions	1,749	--	--	8,474	113	--	1,862	8,474
Changes in the composition of group companies	(1,081)	--	1,357	--	(276)	--	--	--
Reclassification	--	150	46	--	8	(155)	54	(5)
Advances	7,472	9,069	4,974	783	288	250	12,734	10,102
Redemptions	(6,592)	(6,438)	(3,399)	(299)	(79)	(157)	(10,070)	(6,894)
Change in fair value as a result of hedge accounting	(351)	(394)	--	--	--	--	(351)	(394)
Exchange rate differences	--	--	(137)	(43)	--	--	(137)	(43)
Movement in current accounts	--	--	--	--	--	(328)	--	(328)
Other changes	44	1	(67)	(39)	(84)	256	(107)	218
Balance as at 31 December	**46,230**	**44,989**	**11,650**	**8,876**	**2,563**	**2,593**	**60,443**	**56,458**

SNS Bank has securitised a part of the mortgage loans. With these securitisation transactions the beneficial ownership of mortgage loans is transferred to separate companies. These loans are transferred at nominal value plus a deferred selling price. A positive result within the separate companies creates a positive value for the deferred selling price. In this way, SNS Bank retains an economic interest in the companies, and has consolidated these companies in its consolidated financial statements in full.
The remaining principal of the securitised portfolio amounts to € 15,486 million (2006: € 11,245 million). Further information on securitisation transactions is provided under debt certificates.
SNS Bank has also structured synthetic securitisation in the form of credit guarantees, whereby the credit risk protection has been bought for a mortgage portfolio of € 502 million (2006: € 595 million).

The movements in the provision for bad debts for loans and advances to clients can be specified as follows:

	2007							
	Mortgages		Property finance		Other		Total	
	Specific	IBNR	Specific	IBNR	Specific	IBNR	2007	2006
Balance as at 1 January	54	5	46	5	83	17	210	167
Reclassification	--	--	--	--	--	--	--	--
Acquisitions	1	--	--	--	4	--	5	48
Usage	(22)	--	(2)	--	(18)	--	(42)	(43)
Additions	40	--	27	--	11	--	78	95
Releases	(17)	(3)	(17)	(2)	--	(10)	(49)	(59)
Other changes	--	--	5	--	--	--	5	2
Balance as at 31 December	**56**	**2**	**59**	**3**	**80**	**7**	**207**	**210**
Provisions as % of risk weighted assets							**0.7%**	**0.7%**

4 Derivatives

Derivatives are financial instruments whose value depends on one or more underlying primary financial instruments. Derivatives contain rights and obligations whereby one or more of the financial risks to which the underlying primary financial instruments are subject, are exchanged between parties. The transactions do not lead to the transfer of the underlying primary financial instrument at the conclusion of the agreement, and neither does transfer have to take place when the agreement expires. Most derivatives are held to hedge against unwanted market risks. This is explained in paragraph 4 of the chapter Risk management. The derivatives are unlisted.

In € millions	Positive fair value		Negative fair value		Balance	
	2007	2006	2007	2006	2007	2006
Summary of derivatives						
Derivatives held for cash flow hedge accounting	3	--	--	--	3	--
Derivatives held for fair value hedge accounting	829	651	756	516	73	135
Derivatives held in the context of asset and liability management that does not qualify for hedge accounting	74	43	59	73	15	(30)
Derivatives held for trading	135	110	123	93	12	17
Total	**1,041**	**804**	**938**	**682**	**103**	**122**

	2007	2006
Movement in derivatives		
Balance as at 1 January	122	(24)
Purchases	(18)	(15)
Disposals	31	137
Revaluations	232	229
Exchange rate movements	(200)	(187)
Other	(64)	(18)
Balance as at 31 December	**103**	**122**

5 Investments

In € millions	2007	2006
Fair value through profit and loss (held for trading)	1,035	400
Fair value through profit and loss (designated)	512	--
Available for sale	2,509	1,638
Total	**4,056**	**2,038**

	Fair value through profit and loss				Available for sale		Total	
	Held for trading		Designated					
	2007	2006	2007	2006	2007	2006	2007	2006
Movements of investments								
Balance as at 1 January	400	151	--	--	1,638	1,490	2,038	1,641
Reclassifications	--	--	--	--	(5)	3	(5)	3
Acquisitions	--	--	--	--	31	--	31	--
Purchases and advances	--	--	583	--	1,434	1,540	2,017	1,540
Disposals and redemptions	--	--	(75)	--	(559)	(1,329)	(634)	(1,329)
Revaluations	--	--	2	--	(44)	(61)	(42)	(61)
Change in investments held for trading	635	249	--	--	--	--	635	249
Other	--	--	2	--	14	(5)	16	(5)
Balance as at 31 December	**1,035**	**400**	**512**	**--**	**2,509**	**1,638**	**4,056**	**2,038**

	2007	2006
Fair value through profit and loss: held for trading		
Shares and similar investments:		
- Listed	18	46
- Unlisted	2	1
Bonds and fixed-income investments:		
- Listed	1,015	350
- Unlisted	--	3
Total	**1,035**	**400**
Fair value through profit and loss: designated		
Bonds and fixed-income investments:		
- Listed	512	--
Total	**512**	**--**
Available for sale		
Shares and similar investments:		
- Listed	17	19
- Unlisted	7	--
Bonds and fixed-income investments:		
- Listed	2,485	1,619
Total	**2,509**	**1,638**

The revaluation of the investments available for sale can be detailed as follows:

	Shares and similar investments		Bonds and fixed-income securities		Total	
	2007	2006	2007	2006	2007	2006
(Amortised) cost price	22	16	2,555	1,603	2,577	1,619
Unrealised gains in value	2	3	(70)	16	(68)	19
Total	**24**	**19**	**2,485**	**1,619**	**2,509**	**1,638**

6 Investment property

In € millions	2007	2006
Land and buildings not in own use	6	6

	2007	2006
Balance as at 1 January	6	--
Acquisition	--	6
Revaluations	1	--
Investments	--	--
Divestments	(1)	--
Depreciation	--	--
Impairment	--	--
Balance as at 31 December	**6**	**6**

The 2006 movements in investment property € 6 million fully relate to SNS Property Finance.

7 Investments in associated companies

In € millions	2007	2006
Equity participations	45	34
Investments in joint ventures	8	--
Total book value	**53**	**34**
Total market value	53	34

Movements in investments in associated companies can be specified as follows:

	2007	2006
Balance as at 1 January	34	2
Acquisitions	--	37
Purchases and expansions	2	1
Reclassification to investments available for sale	--	(3)
Share in the result of associated companies	8	(1)
Disposals and divestments	--	--
Revaluations	(2)	--
Other movements	11	(2)
Balance as at 31 December	**53**	**34**

Overview of the most significant investments in associated companies:

	Country	Interest	Share in equity attributable to shareholders		Share in the results		Assets		Liabilities		Income	
			2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Significant investments in associated companies:												
ProCom Desarrollos Urbanos SA	ES	20%	6	2	3	--	574	415	557	405	46	(2)
Project 2 Holding N.V.	BE	17%	5	5	-	--	9	51	21	24	10	(2)
Tarpon Point Associates LLC	US	10%	4	2	2	--	111	167	101	141	56	--
Überseequartier Betelingungs GmbH	DE	43%	10	13	--	--	65	30	15	--	6	--
Other	Various	20-50%	20	12	4	--	836	302	(265)	228	(9)	--
Total			**45**	**34**	**9**	**--**	**1.595**	**965**	**429**	**798**	**109**	**(4)**

Loans and advances have been granted to the associated companies for a total amount of € 772 million (2006: € 741 million). The loans have been included under loans and advances to clients. Participations with an interest of less than 20% qualify as an associated company since SNS Bank can exercise significant influence, but does not have control.

Overview of the most significant joint ventures

	Country	Interest	Share in equity attributable to shareholders	Share in the results	Current assets	Fixed assets	Current liabilities	Long-term liabilities	Income	Expenses
Joint ventures:										
2007										
Zom Riveroaks LP	US	50%	1	--	--	20	1	16	--	--
Astro Tower NV	BE	50%	3	--	--	62	1	61	7	8
Fortress / SNS PF Holding BV (formerly IMCA/BFP Holding BV)	NL	50%	(1)	--	--	1	--	--	(1)	--
VOF Multi SNS PF (formerly VOF AM BPF)	NL	50%	(1)	--	--	16	--	--	(1)	--
Other	Various	50%	6	--	18	292	28	211	1	1
Total			**8**	**--**	**18**	**391**	**30**	**288**	**6**	**9**
2006										
Zom Riveroaks LP	US	50%	1	--	4	--	--	--	--	--
Astro Tower NV	BE	50%	1	--	--	3	1	--	--	--
Fortress / SNS PF Holding BV (formerly IMCA/BFP Holding BV)	NL	50%	(1)	--	--	--	--	--	--	1
VOF Multi SNS PF (formerly VOF AM BPF)	NL	50%	(1)	--	--	17	19	--	--	1
Other	Various	50%	--	--	48	56	85	9	8	8
Total			**--**	**--**	**52**	**76**	**105**	**9**	**8**	**10**

Loans and advances have been granted to the joint ventures for a total amount of € 518 million (2006: € 324 million). These loans were reported under the loans and advances to clients. At year-end 2007 the total liabilities for investments of the joint ventures amounted € 55 million (2006: € 35 million).

8 Tangible fixed assets

In € millions	2007	2006
Land and buildings in own use	73	88
IT equipment	25	23
Other assets	41	52
Total	**139**	**163**

	Land and buildings		IT equipment		Other assets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated acquisition cost	96	100	52	81	79	123	227	304
Accumulated revaluations	(2)	18	--	--	-	--	(2)	18
Accumulated depreciation and impairment	(21)	(30)	(27)	(58)	(38)	(71)	(86)	(159)
Balance as at 31 December	**73**	**88**	**25**	**23**	**41**	**52**	**139**	**163**
Balance as at 1 January	88	92	23	24	52	37	163	153
Acquisition	--	--	--	--	--	1	--	1
Revaluations	--	5	--	--	--	--	--	5
Investments	6	--	15	13	8	26	29	39
Divestments	(19)	(7)	(2)	(1)	(8)	(2)	(29)	(10)
Depreciation	(2)	(2)	(11)	(10)	(11)	(10)	(24)	(22)
Value adjustments	--	--	--	(3)	--	--	--	(3)
Balance as at 31 December	**73**	**88**	**25**	**23**	**41**	**52**	**139**	**163**

Any impairment of tangible fixed assets is recognised in the income statement under value adjustments to financial instruments and other assets.

Valuation of land and buildings in own use

The land and buildings in own use are valued by an external surveyor once every three years based on a rotation schedule. The table below shows the balance sheet value of the assessed land and buildings in totals. The final column shows the balance sheet value of the assessed land and buildings in relation to the total balance sheet value of the land and buildings in own use.

	Assessed	Book value	In percentage terms
2007	27	73	37%
2006	32	88	36%
2005	20	92	22%
2004	97	97	100%

9 Goodwill and other intangible fixed assets

In € millions	2007	2006
Goodwill	233	197
Software	12	10
Other intangible fixed assets	40	7
Total	**285**	**214**

	Goodwill		Software		Other intangible fixed assets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated acquisition cost	233	197	24	27	43	7	300	231
Accumulated amortisation and impairment	--	--	(12)	(17)	(3)	--	(15)	(17)
Balance as at 31 December	**233**	**197**	**12**	**10**	**40**	**7**	**285**	**214**
Balance as at 1 January	197	--	10	12	7	--	214	12
Acquisitions	63	197	--	--	37	5	100	202
Investments	--	--	7	4	--	2	7	6
Divestments	--	--	--	(1)	--	--	--	(1)
Other movements	(27)	--	(5)	(5)	(4)	--	(36)	(5)
Balance as at 31 December	**233**	**197**	**12**	**10**	**40**	**7**	**285**	**214**

The amortisation of software has been included in the income statement under the line depreciation and amortisation of tangible and intangible fixed assets.
Clients relations and brand names are recognised in other intangible fixed assets. The amortisation of these intangible fixed assets is accounted for in the income statement under depreciation and amortisation of tangible and intangible fixed assets.
Any impairment of goodwill and other intangible fixed assets is accounted for in the income statement under value adjustments to financial instruments and other assets.

Purchase price adjustments SNS Property Finance

The calculations of the IFRS PPA adjustments for the pensions and associated companies of SNS Property Finance were finalised in 2007. As a result of these renewed calculations the value of the associated companies was increased by € 40 million and the deferred tax liabilities were increased by € 14 million. Besides, the costs directly related to the acquisition decreased by € 1 million. These adjustments were all adjusted for in the item goodwill and classified as other movements (€ 27 million).

Recoverable amount of goodwill

Goodwill is not depreciated. Instead, an impairment test is performed annually or more frequently if there are indications of impairment. The book value of the cash flow generating unit (including goodwill) is compared to the calculated recoverable amount. The recoverable amount of a cash flow generating entity is determined by value-in-use calculations.

Goodwill is allocated to the cash flow generating entities that are identical to the business segments (insofar as significant):

	Retail Banking	Property Finance	Total
Goodwill	63	170	233

Retail Banking

In the context of the acquisition of Regio Bank in 2007, the management has made an approximate value-in-use calculation of the cash flow generating entities Retail Banking. This calculation is based on underlying operational plans, adequacy tests and realised cash flow developments as from the acquisition date. The management has not identified any indications of impairment.

Property Finance

The main principles of the value-in-use calculations of the cash flow generating entity Property Finance are:

	Property Finance
Income development, average for the period through 2010	7%
Long-term growth used for extrapolation of cash flow estimates	2%
Discount factor	10%

The management has based its income develoment forecasts on expected future market developments and past experience.
The expected long-term growth is consistent with sector forecasts. The discount factor is before tax, and reflects the specific risks of the business segment Property Finance. These calculations gave no indication for any value adjustments.

10 Deferred tax assets and liabilities

In € millions	2007	2006
Summary of tax assets and libilities :		
- Deferred tax liabilities	(151)	(97)
- Deferred tax assets	128	39
Total	**(23)**	**(58)**

	Balance as at 1 January	Change in group companies	Change through income statement	Change through shareholders' equity	Balance as at 31 December
Origin of deferred tax assets and tax liabilities:					
Goodwill and other intangible fixed assets	(1)	4	--	--	3
Tangible fixed assets and investment property	(3)	--	(2)	2	(3)
Investments	5	--	--	9	14
Derivatives	(79)	--	(37)	--	(116)
Loans and advances to clients	9	13	83	--	105
Debt certificates	(5)	--	(8)	--	(13)
Provision for employee benefits	3	--	--	--	3
Tax-deductible losses	2	--	(1)	--	1
Other	11	--	(28)	--	(17)
Total	**(58)**	**17**	**7**	**11**	**(23)**

The deferred tax asset arising from tax-deductible losses can be specified as follows:

In € millions	2007	2006
- Total tax-deductible losses	2	6
- deferred tax assets calculated on tax-deductible losses	1	2
Average tax rate	25.5%	25.5%

11 Corporate income tax

This relates to advances and amounts due concerning corporate income tax. The corporate income tax item also includes dividends withholding tax, which is settled through the corporate income tax return.

12 Other assets

In € millions	2007	2006
Other taxes	--	2
Other advances	20	100
- Accrued interest	280	246
- Other accrued assets	7	88
Total	**307**	**436**

Liabilities and equity

13 Savings

In € millions	2007	2006
Total	**19,179**	**13,678**

The savings item comprises balances of saving accounts, savings deposits and term deposits of retail clients. The interest payable on savings is included in the item other liabilities.

14 Other amounts due to clients

In € millions	2007	2006
Non-current debt	2,444	2,359
Available on demand	5,036	4,260
Mortgage deposits	366	400
Total	**7,846**	**7,019**

15 Amounts due to credit institutions

In € millions	2007	2006
Due on demand	428	220
Deposits and certificates	4,638	7,079
Total	**5,066**	**7,299**

16 Debt certificates

In € millions	2007	2006
Medium Term Notes	18,475	19,246
Debt certificates issued under Hermes and Pearl Securitisation programs	13,707	11,595
Total	**32,182**	**30,841**

Debt certificates issued under Hermes and Pearl Securitisation programs
Debt certificates refer to bonds and other debt certificates with a fixed or variable interest rate insofar as not subordinated.

SNS Bank has securitised a part of the mortgage loans. With these securitisation transactions 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. This way, SNS Bank retains an economic interest in the companies, and has consolidated these companies in its consolidated financial statements in full.

The securitisation transactions with effect from 2001 have what is called a 'call + step-up' structure. This means that after a specific call 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 early. An overview of the securitisation programme is provided below:

In € millions	Initial principal	Date of securiti-sation	Bonds 2007	Bonds 2006	First call-option date	Contractual date of expiry
As at 31 December 2007, the following issues were outstanding						
Hermes I	437	Nov-1999	55	91	n/a	Jul-2009
Hermes II	665	Nov-2000	156	192	n/a	Apr-2012
Hermes III	915	Jun-2001	199	256	18-Jul-2009	Jun-2033
Hermes IV	813	Nov-2001	197	246	18-Jul-2009	Oct-2033
Hermes V	1,118	Nov-2002	328	436	18-Jan-2011	Oct-2034
Hermes VI	1,252	May-2003	416	548	18-Nov-2009	May-2035
Hermes VII	1,259	Sep-2003	727	916	18-Feb-2010	Feb-2039
Hermes VIII	1,269	May-2004	892	1,119	18-Nov-2013	May-2038
Hermes IX	1,529	May-2005	1,455	1,528	18-Feb-2014	Feb-2039
Hermes X	1,528	Sep-2005	1,528	1,528	18-Mar-2015	Sep-2039
Hermes XI	1,528	Feb-2006	1,528	1,528	18-Sep-2015	Sep-2040
Hermes XII	2,241	Oct-2006	1,991	2,217	18-Mar-2016	Dec-2038
Hermes XIII	2,800	Feb-2007	2,604	--	18-Aug-2012	Aug-2039
Hermes XIV	2,000	Sep-2007	1,973	--	18-Feb-2013	Nov-2039
Pearl I	1,014	Sep-2006	1,014	1,014	18-Sep-2026	Sep-2047
Pearl II	808	May-2007	808	--	18-Jun-2014	Jun-2046
Total	**21,176**		**15,871**	**11,619**		
Own position in issued bonds Hermes and Pearl			2,164	24		
			13,707	**11,595**		

SNS Bank has purchased subordinated bonds issued by various Pearl companies with a principal of € 22 million (2006: € 14 million), and also taken positions in bonds issued by various Hermes companies with a principal of € 2,142 million (2006: 10 million). Hermes XIV was not placed with third parties and qualifies as eligible assets at DNB. In transactions involving the securitisation of savings-linked mortgages, REAAL Verzekeringen has a (sub)participation equal to the accrued savings. At the end of 2007, this participation amounted to € 145 million (2006: € 121 million).

17 Other liabilities

In € millions	2007	2006
Other taxes	3	2
Other liabilities	300	305
Accrued liabilities:		
- Accrued interest	927	796
- Other accrued liabilities	86	87
Total	**1,316**	**1,190**

18 Other provisions

In € millions	2007	2006
Reorganisation provision	7	13
Other provisions	10	11
Total	**17**	**24**

In € millions	Reorganisation provision		Other provisions		Total	
	2007	2006	2007	2006	2007	2006
Balance as at 1 January	13	14	11	9	24	23
Acquisitions	--	--	--	2	--	2
Additions	1	5	1	3	2	8
Usage	(3)	(3)	(1)	--	(4)	(3)
Released to results	(3)	(3)	(2)	(3)	(5)	(6)
Total as at 31 December	**8**	**13**	**9**	**11**	**17**	**24**

The change in the reorganisation provision mainly relates to streamlining processes in connection with SNS Bank's SME-strategy. This organisational change commenced in 2006 and is advanced.

The other provisions were made partly with a view to the risk that (legal) claims may not be settled. The other provisions are mainly of a long-term nature.

19 Participation certificates and subordinated debts

In € millions	2007	2006
Participation certificates	298	298
Subordinated debts	1,380	1,150
Total	**1,678**	**1,448**

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 the DNB. Dividend in the form of a coupon rate is fixed for a period of 10 years and is equal to the CBS return on 9-10 year Government bonds with a surcharge (CBS: Central Bureau of Statistics).

In € millions	2007	2006
Subordinated debts		
Bonds	1,057	1,024
Private loans	323	126
Total	**1,380**	**1,150**

			Book value	Nominal value	Book value	Nominal value
			2007		2006	
Bond loans						
SNS Bank	6.25%	1997/2009	135	136	135	136
SNS Bank	5.13%	1999/2011	121	125	117	122
SNS Bank	4.24%	1999/2019	5	5	5	5
SNS Bank	7.63%	Perpetual	80	81	80	81
SNS Bank	5.75%	Perpetual	193	200	197	200
SNS Bank	Variable	2003/2013	110	110	107	107
SNS Bank	Variable	2005/2015	100	100	100	100
SNS Bank	5.50%	2006/2016	41	41	44	45
SNS Bank	6.75%	2006/2016	114	119	119	120
SNS Bank	Variable	2006/2016	119	120	120	120
SNS Bank	Variable	2007/2017	50	50	--	--
Total			**1,068**	**1,087**	**1,024**	**1,036**

			Book value	Nominal value	Book value	Nominal value
			2007		2006	
Own position in bonds						
SNS Bank	Variable	2003/2013	(8)	(8)	--	--
SNS Bank	6.25%	1997/2009	(3)	(3)	--	--
Total			**1,057**	**1,076**	**1,024**	**1,036**

Bond loans

The two perpetually subordinated bond loans mentioned above have a term that is open-ended in principle. However, both loans have an option for early redemption after 10 years, when the new interest rate will be set. At that time, the bonds can also be redeemed.

Private loans

The private loans form part of the regulatory capital used in determining the solvency position of the bank by the DNB. The average contractual yield was 5.3% (2006: 4.6%).

20 Equity attributable to shareholders

In € millions	2007	2006
Equity attributable to shareholders	2,209	2,097

For further information on shareholders' equity, see the consolidated statement of changes in shareholders' equity.

Off-balance sheet commitments

In € millions	2007	2006
Contingent liabilities		
Liabilities from pledges and guarantees given	485	419
Commitments arising from irrevocable facilities	2,187	2,696

To meet customer requirements, SNS Bank offers loan-related products such as pledges and guarantees. The underlying value of these products is not included as assets or liabilities in the balance sheet. The amounts stated above indicate the maximum potential credit risk SNS Bank faces through these products, assuming that all counterparties are no longer able to meet their commitments and all existing securities will have no value.

The guarantees relate to guarantees that do and do not replace the credit amount. Most guarantees are expected to expire without any claim being made and therefore are not expected to give rise to any future cash flows. The irrevocable facilities consist mainly of credit facilities that are pledged to clients, but against which no claim has been made. These facilities are pledged for a set period and at a variable interest rate. Collateral has been obtained for the majority of the irrevocable credit facilities that have not been called.

On 1 January 2007, the Financial Supervision Act (Wft) came into force. A part of this relates to the Deposit Guarantee System, the successor to the Collective Guarantee scheme. At the same time the investors' compensation system has replaced the earlier Investors Compensation scheme. Under the deposit guarantee system, account holders are guaranteed the first € 20,000 of their deposits on a current or savings account. 90% of the next € 20,000 is guaranteed. The Investors' Compensation System provides for a maximum payout of € 20,000 per account holder. If a credit institution is unable to pay and insufficient funds remain to repay the guaranteed amounts (in full) to the account holders of the respective institution, the DNB will pay out to the stated maximum. This total amount is then repaid to the DNB by the banks, including those that are part of SNS Bank, according to an apportionment scheme.

Rental commitments

The future rental commitments linked to operational lease contracts were as follows on 31 December:

In € millions	2007	2006
Breakdown by remaining maturity:		
≤ 1 year	8	9
> 1 year ≤ 5 years	18	22
> 5 years	2	4
Total future minimum lease payments based on irrevocable operational leases	**28**	**35**

Legal proceedings

SNS Bank is involved in legal proceedings. Although it is impossible to predict the result of pending or threatening legal proceedings, on the basis of information currently available and after consulting legal advisors, the Management Board believes that the outcome of these proceedings is unlikely to have material adverse effects on the financial position or operating results of SNS Bank.

Without prejudice to the aforementioned, we point out the following:
SNS Bank has granted 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 actions 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. SNS Bank has recognised a provision in connection with this risk.

Related parties

Identity of related parties

Parties are considered to be related if one party can exert control or significant influence over the other party in deciding financial or operational matters. As part of its ordinary operations, SNS Bank maintains various sorts of ordinary business relations with related companies and parties, particularly in the areas of banking and asset management. Other parties related with SNS Bank are associated companies, non-consolidated associated companies, joint ventures, managers in key positions and close family members of these related parties. Transactions with related parties are conducted at arm's length.

Related party transactions

Staff is emloyed by SNS REAAL. Therefore employee benefits are paid by SNS REAAL. The staff costs are charged to SNS Bank on the basis of services provided. Liabilities relating to employee benefits are recorded in the consolidated financial statements of SNS REAAL.

Remuneration of the Management Board and Supervisory Directors

General policy

The policy of SNS REAAL with regard to the remuneration of the members of the Management Board of SNS Bank is in line with the policy governing other executives within SNS REAAL. The policy is aimed at attracting and retaining high-quality people and to motivate them, in accordance with the strategic and related financial goals. For more information we refer to the remuneration report 2007 in SNS REAAL's Annual report 2007, chapter Corporate Governance. As discussed in this report a new long-term bonus scheme for SNS REAAL Executive Board members was introduced in 2007. This new bonus scheme aims to align the interests of the shareholders and the board members, as well as promoting SNS REAAL share ownership.

The remuneration of the members of the Management Board of SNS Bank (regular payments, deferred payments and profit-sharing & bonuses) amounted to € 4.2 million in 2007 (2006: € 3.1 million).

In € thousands	2007	2006
Remuneration of members of the Management Board		
Fixed salary	2,045	1,888
Bonus:		
- short-term	848	789
- long-term	860	--
Pensions and other remuneration components	419	409
Total	**4,172**	**3,086**

The members of the Supervisory Board of SNS REAAL also make up the Supervisory Board of SNS Bank. The remuneration of the

Supervisory Board is paid by SNS REAAL.

Members of the Management Board of SNS Bank and the Supervisory Board of SNS REAAL had received loans and advances of € 1.7 million in 2007 (2006: € 2.4 million).

In € thousands	Outstanding as at 31 December		Average interest rate	
	2007	2006	2007	2006
Loans to members of the Management Board and Supervisory Board				
Mortgage loans	1,742	2,414	4.4%	4.5%

Notes to the consolidated income statement

Income

21 Net interest income

In € millions	2007	2006
Interest income	3,359	2,314
Interest expense	2,576	1,747
Net interest income	**783**	**567**

Interest income

The interest income includes the proceeds stemming from lending money and related transactions as well as related commissions and other interest-related income. This also includes results from derivatives insofar as these are entered into with the aim of limiting interest rate risk on hedged financial instruments.

	2007	2006
Interest income		
Mortgages	2,303	1,897
Property Finance	579	41
Other loans and advances to clients	331	183
Loans and advances to credit institutions	144	118
Investments	--	75
Other	2	--
Total	**3,359**	**2,314**

The recognised interest income on partly provisioned loans amounts to € 4 million (2006: nil).

Interest expense

Interest expense includes costs stemming from borrowing related transactions, as well as other interest-related charges.

	2007	2006
Interest expense		
Savings	521	398
Amounts due to clients	353	293
Amounts due to credit institutions	100	57
Debt certificates	1,509	977
Participation certificates and subordinated debts	93	22
Total	**2,576**	**1,747**

22 Net commission and management fees

This item includes revenues and expenses for services provided insofar as not interest-related.

	2007	2006
Received:		
Money transfer and payment charges	29	24
Securities activities	34	26
Insurance agency activities	35	33
Management fees	56	58
Other activities	9	12
	163	**153**
Commission and management fees due	34	33
Total	**129**	**120**

23 Share in the result of associated companies

This includes the share in the net profit of associated companies.

24 Result on investments

In € millions	2007	2006
Fair value through profit and loss	14	17
Available for sale	--	50
Total	**14**	**67**

	Fair value through profit and loss				Available for sale		Total	
	Held for trading		Designated					
	2007	2006	2007	2006	2007	2006	2007	2006
Composition of result on investments								
Realised revaluations	11	15	3	--	(1)	50	13	65
Unrealised revaluations	--	2	--	--	1	--	1	2
Total	**11**	**17**	**3**	**--**	**--**	**50**	**14**	**67**

25 Result on derivatives and other financial instruments

In € millions	2007	2006
Fair value movement in derivatives held for fair-value hedge accounting:		
Fair value movement in hedging instruments	260	223
Fair value movement in the hedged position attributable to the hedged risk	(240)	(219)
Fair value movement in the position of derivatives not classified for hedge accounting maintained for ALM	(11)	5
Fair value movement in derivatives held for trading	4	6
Total	**13**	**15**

26 Other operating income

This includes income from securities and investments in associated companies, as well as gains that can not be accounted for under other items.

In € millions	2007	2006
Other operating income	2	--
Total	**2**	**--**

Expenses

27 Value adjustments to financial instruments and other assets

This item includes value adjustments to investments, loans and advances to clients and value adjustments to fixed assets.

In € millions	Impairments		Reversals		Total	
	2007	2006	2007	2006	2007	2006
Loans and advances to clients	78	95	49	59	29	36
Investments	1	--	--	--	1	--
Associated companies	5	--	--	--	5	--
Total	**84**	**95**	**49**	**59**	**35**	**36**

In 2006 an exceptional value adjustment on tangible fixed assets of € 3 million is balanced by a received claim settlement of € 3 million.

28 Staff costs

In € millions	2007	2006
Salaries	179	160
Pension costs	35	35
Social security	20	18
Other staff costs	98	70
Total	**332**	**283**

The pension payments relate to the pension premiums paid to SNS REAAL under the group defined contribution pension scheme.

The other staff costs consist largely of the costs of temporary staff, company cars, travel costs, staff rebates and training and education costs.

Employees

The average number of employees calculated on the basis of full-time equivalents is 3,223 (2006: 3,197).

29 Other operating expenses

In € millions	2007	2006
Housing	57	27
IT systems	21	19
Marketing and Public Relations costs	33	31
External advisors	19	11
Other costs	73	85
Total	**203**	**173**

30 Taxation

In € millions	2007	2006
Corporate income tax due:		
- In financial year	75	(1)
- Prior year adjustments	(4)	(5)
Deferred tax:		
- Due to temporary differences	(7)	52
- Revaluation of deferred taxes due to change in the statutory corporate income tax rate	--	(9)
Total	**64**	**37**

In € millions	2007	2006
Reconciliation between statutory and effective tax rate:		
- Result before tax	337	251
- Statutory corporate income tax rate	25.5%	29.6%
Statutory corporate income tax amount	86	74
Effect of participation exemption	(18)	(23)
Revaluation of deferred taxes do to change in the statutory corporate income tax rate	--	(9)
Prior year adjustments *(including release of tax provision)*	(4)	(5)
Total	**64**	**37**
Effective tax rate	19.0%	14.7%

The statutory corporate income tax rate has been lowered from 29.6% to 25.5% for 2007. As a result, deferred corporate income tax has been recalculated year-end 2006. The effect of this is recognised under Revaluation deferred taxation due to change in the statutory tax rate.

31 Earnings per share

	2007	2006
Net profit (in € millions)	272	214
Weighted average number of issued shares outstanding *(in thousands)*	840	840
Potential dilution *(in thousands)*	--	--
Average number of ordinary shares adjusted for dilution *(in thousands)*	**840**	**840**
Net result per share *(in €)*	324	255
Diluted net result per share *(in €)*	324	255

Utrecht, 13 March 2008

Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
S.C.J.J. Kortman
R.J. van de Kraats
J.E. Lagerweij
H. Muller

Management Board

M.W.J. Hinssen
C.H. van den Bos
B.A.G. Janssen
H.K. Kroeze
R.G.J. Langezaal
M. Menkveld
M.E. Straub

Company balance sheet

In € millions	31-12-2007	31-12-2006
Assets		
Cash and cash equivalents	3,074	658
Loans and advances to credit institutions 1	17,669	3,569
Loans and advances to clients 2	24,019	39,241
Derivatives	1,069	804
Investments 3	1,325	471
Investment property	--	1
Subsidiaries 4	1,571	1,514
Investments in associated companies	--	--
Tangible fixed assets 5	120	146
Goodwill and other intangible fixed assets 6	246	213
Deferred tax assets	55	112
Corporate income tax	95	108
Other assets	313	425
Total assets	**49,556**	**47,262**
Liabilities and equity		
Savings	11,056	9,535
Other amounts due to clients	6,493	6,052
Amounts due to clients 7	17,549	15,587
Amounts due to credit institutions 8	9,581	6,861
Debt certificates	16,318	19,224
Derivatives	937	652
Deferred tax liabilities	86	166
Corporate income tax	--	--
Other liabilities	1,183	1,204
Other provisions 9	15	23
Participation certificates and subordinated debts	1,678	1,448
Share capital	381	381
Share premium reserves	688	688
Cash flow hedge reserves	3	--
Revaluation reserve	--	6
Fair value reserves	(51)	(19)
Statutory reserves	5	5
Other reserves	1,041	912
Retained earnings	142	124
Equity attributable to shareholders 10	2,209	2,097
Total liabilities and equity	**49,556**	**47,262**

The numbers next to the balance sheet items refer to notes starting on page 118.

Company income statement

In € millions	2007	2006
Result on subsidiaries after taxation	219	104
Other results after taxation	53	110
Net profit	**272**	**214**

Notes to the company balance sheet

General

Principles for the preparation of the company financial statements

SNS Bank prepares the company financial statements in accordance with the statutory provisions of Book 2, Section 402 of the Dutch Civil Code. Based on this, in the income statement the result on associated companies after taxation is the only item shown separately. Use has been made of the option offered in Book 2, Section 362 (8) of the Dutch Civil Code to use the same principles for valuation and the determination of the result that are used in the consolidated financial statements for the company financial statements. Reference is made to the notes to the consolidated financial statements on page 56 to 69 for the accounting principles used.

For additional information on items not explained further in the notes to the company balance sheet, reference is made to the notes to the consolidated balance sheet.

The overview as meant in Sections 379 and 414, Book 2 of the Dutch Civil Code has been filed with the Trade Registry of the Chamber of Commerce of Utrecht.

The statutory reserves have been formed for the capitalised costs of research and development of software.

Assets

1 Loans and advances to credit institutions

In € millions	2007	2006
Breakdown by remaining maturity:		
Payable on demand	887	3,474
Not payable on demand:		
> 1 month ≤ 3 months	4,165	90
> 3 months ≤ 1 year	2,382	--
> 1 year ≤ 5 years	2,787	5
> 5 years	7,448	--
Total	**17,669**	**3,569**

2 Loans and advances to clients

In € millions	2007	2006
Breakdown by remaining maturity:		
Payable on demand	589	1,055
Not payable on demand:		
> 1 month ≤ 3 months	158	1,069
> 3 months ≤ 1 year	178	666
> 1 year ≤ 5 years	684	3,866
> 5 year	22,410	32,585
Total	**24,019**	**39,241**

Loans and advances to clients include receivables from subsidiaries of € 7.3 billion (2006: €17.0 billion).

3 Investments

In € millions	2007	2006
Fair value through profit and loss	787	223
Available for sale	538	248
Total	**1,325**	**471**

	Fair value through profit and loss		Available for sale		Total	
	2007	2006	2007	2006	2007	2006
Movement in investments						
Balance as at 1 January	223	63	248	594	471	657
Reclassifications	--	--	--	3	--	3
Divestments of business	--	--	--	286	--	286
Acquisitions and advances	--	--	467	385	467	385
Disposals and redemptions	--	--	(174)	(988)	(174)	(988)
Revaluations	--	--	(9)	(21)	(9)	(21)
Change in investments held for trading	564	160	--	--	564	160
Other	--	--	6	(11)	6	(11)
Total	**787**	**223**	**538**	**248**	**1.325**	**471**

4 Subsidiaries

In € millions	2007	2006
Balance as at 1 January	1,514	785
Acquisitions	26	640
Purchase and expansions	(108)	92
Revaluations	--	(56)
Result	219	104
Dividend received	(80)	(51)
Total	**1,571**	**1,514**

5 Tangible fixed assets

In € millions	2007	2006
Land and buildings in own use	57	74
IT equipment	24	23
Other tangible fixed assets	39	49
Total	**120**	**146**

	Land and buildings		IT equipment		Other assets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated acquisition cost	74	89	50	77	73	108	197	274
Accumulated revaluations	2	9	--	--	--	--	2	9
Accumulated depreciation and impairment	(19)	(24)	(26)	(54)	(34)	(59)	(79)	(137)
Balance as at 31 December	**57**	**74**	**24**	**23**	**39**	**49**	**120**	**146**
Balance as at 1 January	74	78	23	23	49	35	146	136
Revaluations	2	5	--	--	--	--	2	5
Investments	1	--	13	13	7	24	21	37
Divestments	(19)	(7)	(2)	(1)	(8)	(1)	(29)	(9)
Depreciation	(1)	(2)	(10)	(9)	(9)	(9)	(20)	(20)
Impairments	--	--	--	(3)	--	--	--	(3)
Balance as at 31 December	**57**	**74**	**24**	**23**	**39**	**49**	**120**	**146**

Any value adjustment of tangible fixed assets is recognised in the income statement under value adjustments to financial instruments and other assets.

The impairment of € 3 million in 2006 relates to IT equipment for which a claim settlement of € 3 million was received; this settlement includes compensation for additional costs. The impairment and claim settlement are balanced in the income statement in the item value adjustments to financial instruments and other assets.

6 Goodwill and other intangible fixed assets

In € millions	2007	2006
Goodwill	233	196
Software	12	10
Other intangible fixed assets	1	7
Total	**246**	**213**

	Goodwill		Software		Other intangible fixed assets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated acquisition costs	233	196	24	27	1	7	258	230
Accumulated amortisation and impairments	--	--	(12)	(17)	--	--	(12)	(17)
Balance as at 31 December	**233**	**196**	**12**	**10**	**1**	**7**	**246**	**213**
Balance as at 1 January	196	–	10	11	7	--	213	11
Acquisitions	63	196	--	--	--	5	63	201
Investments	--	--	7	5	--	2	7	7
Divestments	--	--	--	(1)	--	--	--	(1)
Amortisation	(26)	--	(5)	(5)	(6)	--	(37)	(5)
Balance as at 31 December	**233**	**196**	**12**	**10**	**1**	**7**	**246**	**213**

Liabilities and equity

7 Amounts due to clients

In € millions	2007	2006
Savings	11,056	9,535
Other amounts due to clients	6,493	6,052
Total	**17,549**	**15,587**
Breakdown by remaining maturity:		
Due on demand	15,574	12,811
Not due on demand:		
> 1 month ≤ 3 months	238	210
> 3 months ≤ 1 year	163	188
> 1 year ≤ 5 years	479	600
> 5 years	1,095	1,778
Total	**17,549**	**15,587**

8 Amounts due to credit institutions

In € millions	2007	2006
Breakdown by remaining maturity:		
Due on demand	1,269	717
Not due on demand:		
> 1 month ≤ 3 months	5,378	1,168
> 3 months ≤ 1 year	1,038	2,142
> 1 year ≤ 5 years	530	1,460
> 5 years	1,366	1,374
Total	**9,581**	**6,861**

9 Other provisions

In € millions	2007	2006
Reorganisation provision	7	13
Other provisions	8	10
Total	**15**	**23**

10 Equity attributable to shareholders

In € millions	Issued share capital	Share premium reserve	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders
Balance as at 1 January 2006	**381**	**88**	**1**	**--**	**52**	**--**	**787**	**131**	**1,440**
Transfer of net profit 2005	--	--	--	--	--	--	131	(131)	--
Unrealised revaluations	--	--	4	--	(35)	--	--	--	(31)
Realised revaluations through equity	--	--	1	--	--	--	(1)	--	--
Realised revaluations through income statement	--	--	--	--	(35)	--	--	--	(35)
Revaluation deferred taxation due to change in the statutory income tax rate	--	--	--	--	(1)	--	--	--	(1)
Other changes	--	--	--	--	--	5	(5)	--	--
Amounts charged directly to equity	--	--	5	--	(71)	5	125	(131)	(67)
Net profit 2006	--	--	--	--	--	--	--	214	214
Net profit	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**214**	**214**
Share premium payment	--	600	--	--	--	--	--	--	600
Dividend paid	--	--	--	--	--	--	--	(90)	(90)
Transactions with shareholders	--	600	--	--	--	--	--	(90)	510
Total change in equity 2006	--	600	5	--	(71)	5	125	(7)	657
Balance as at 31 December 2006	**381**	**688**	**6**	**--**	**(19)**	**5**	**912**	**124**	**2,097**
Transfer of net profit 2006	--	--	--	--	--	--	124	(124)	--
Unrealised revaluations	--	--	1	4	(33)	--	--	--	(28)
Realised revaluations through equity	--	--	(7)	--	--	--	5	--	(2)
Realised revaluations through income statement	--	--	--	(1)	1	--	--	--	--
Revaluation deferred taxation due to change in the statutory income tax rate	--	--	--	--	--	--	--	--	--
Other changes	--	--	--	--	--	--	--	--	--
Amounts charged directly to equity	--	--	(6)	3	(32)	--	129	(124)	(30)
Net profit 2007	--	--	--	--	--	--	--	272	272
Net profit	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**272**	**272**
Share premium payment	--	--	--	--	--	--	--	--	--
(Interim) dividend paid	--	--	--	--	--	--	--	(130)	(130)
Transactions with shareholders	--	--	--	--	--	--	--	(130)	(130)
Total change in equity 2007	--	--	(6)	3	(32)	--	129	18	112
Balance as at 31 December 2007	**381**	**688**	**--**	**3**	**(51)**	**5**	**1,041**	**142**	**2,209**

The share premium reserve is recognised for tax purposes.

The statutory reserves have been formed for the capitalised costs of research and development of software.

The revaluation reserve concerns tangible fixed assets held by associated companies.

Issued and paid-up share capital

A total of 840,008 ordinary shares have been issued and fully paid up.The nominal value of one share is € 453.79.

Movements in issued and paid-up share capita:

	Number of shares		Amount (In € millions)	
	2007	2006	2007	2006
Issued share capital as at 1 January	840,008	840,008	381	381
Issuance of shares	--	--	--	--
Issued share capital as at 31 December	**840,008**	**840,008**	**381**	**381**

Utrecht, 13 March 2008

Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
S.C.J.J. Kortman
R.J. van de Kraats
J.E. Lagerweij
H. Muller

Management Board

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H.K. Kroeze
R.G.J. Langezaal
M. Menkveld
M.E. Straub

Overview of principal subsidiaries

The percentage holding is 100, unless stated otherwise.

Algemene Spaarbank voor Nederland ASN N.V.	The Hague
SNS Regio Bank N.V.	Utrecht
BLG Hypotheekbank N.V.	Geleen
SNS Securities N.V.	Amsterdam
FBS Bankiers N.V.	Amsterdam
SNS Assurantiën B.V.	Maastricht
SNS Assuradeuren B.V.	Maastricht
SNS Property Finance B.V.	Leusden

The overview as meant in Sections 379 and 414, Book 2 of the Dutch Civil Code had been filed with the Trade Register of the Chamber of Commerce in Utrecht.

Guarantees

SNS REAAL N.V. and SNS Bank N.V. have provided guarantees as meant in section 403, Book 2 of the Dutch Civil Code for all subsidiaries of SNS Bank mentioned above and several other subsidiaries of SNS Bank. SNS Bank has guaranteed the commitments entered into by her subsidiaries Algemene Spaarbank voor Nederland ASN N.V., SNS Regio Bank N.V. and BLG Hypotheekbank N.V..

SNS Bank is a direct and 100% subsidiary of SNS REAAL N.V., together with other group companies, they constitute a single tax entity for corporate income tax and VAT Purposes. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts steming from the relevant tax entities.

Other information

Profit appropriation provisions in the Articles of Association

Article 33

1 The profits shall be at the free disposal of the General Meeting of Shareholders.
2 The company may only make distributions to shareholders and the other persons entitled to the distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves which are to be maintained pursuant to the law.
3 Distribution of profits shall take place following the adoption of the financial statements from which it appears that such distribution is allowed.

Article 34

1 Dividends shall be due and payable fourteen days after having been declared, unless upon the proposal of the general management the General Meeting of Shareholders determines another date thereof.
2 Dividends that have not been collected within five years after they became due and payable shall revert to the company.
3 If the General Meeting of Shareholders so determines on the proposal of the general management, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in section 2:105, paragraph 4, Civil Code.
4 A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by the law.

Net profit 2007: € 272 million.

The net profit is accounted for as retained profit as part of the equity attributable to shareholders.

To the Annual General Meeting of Shareholders of SNS Bank N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of SNS Bank N.V. in Utrecht as included on pages 50 to 123 of this report. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 SNS Bank N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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 SNS Bank N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 13 March 2008
KPMG ACCOUNTANTS N.V.

J.G.J.F. Oudejans RA

Definitions and ratios

Advanced Measurement Approach (AMA)	Method in Basel II for calculating the operational risk. In this method, the bank may develop its own models, based on direct or indirect observations, to quantify the capital requirement for the operational risk.
ALM (asset and liability management)	The management of assets and liabilities with the aim of limiting the level and volatility of market risks, while generating the highest possible return within these limits.
ALM position	The interest rate position ensuing from differences in interest maturity between assets and liabilities.
Banking efficiency ratio	Ratio expressing the relationship between total operating costs and total income excluding value changes.
BIS ratio	The solvency ratio applying to banks in which designated capital components are expressed as a percentage of the risk-weighted assets. The minimum 8% requirement has been set by the Bank for International Settlements (BIS).
Cash flow hedge	A hedging of the risk of fluctuations in future cash flows of an asset, a liability or an expected transaction, resulting from variations in prices or stock prices.
Concentration risk	The risk that the capital, result or continuity are threatened by a one-sided composition of portfolios.
Contamination rate (of mortgages)	The number or mortgages transferred to the Special Credit department divided by the total number of outstanding mortgages.
Core capital	The Tier 1 capital, less the innovative Tier 1 instruments defined by the Dutch Central Bank.
Core capital ratio	This ratio expresses core capital as a percentage of total risk-weighted assets.
Corporate finance	Customised corporate finance services based on the issue of and trade in securities and brokerage in the capital finance market.
Credit risk	The risk of a counterparty not complying with its financial or other contractual obligation, negatively impacting the shareholders' equity and the result.
Credit spread	The interest premium above the risk-free interest that companies must pay on their bonds.
Credit Support Annex (CSA)	A standard agreement between parties trading in over-the-counter derivatives in which the obligation has been laid down that both parties shall maintain the underlying value of the derivatives in liquid instruments as surety to cover the credit risk.
Customer Due Diligence (CDD)	Policy aimed at gaining insight into the relevant aspects of customers in order to secure the integrity of the financial system.
Derivatives	A financial instrument of which the value is derived from one or more underlying values.
Duration	Duration is the weighted average duration of cash flows, whereby the weight of each cash flow is determined by the relative importance of that cash flow.
Duty of due care	The company's duty of due care comprises that in the course of its service provision, the company must observe due care and take the client's interests at heart to the best of its ability.
Earnings-at-Risk (EaR)	Earnings-at-Risk is an indicator that simulates the effect of changes to interest rates and share prices on future results.
Economic capital	The economic capital requirement established in accordance with in-house models as the capital necessary to cover the risks of all activities within a period of one year.

Effective interest method	A method to calculate the amortised cost price, interest, costs and income based on the effective interest rate of a financial asset or liability.
Equity and investment property risk	The risk that the value of an equity or a property investment or a portfolio of equities or property investments will decrease in the future.
Exchange rate risk	The risk that the company's shareholders' equity, result or continuity is threatened due to movements in the level or the volatility of exchange rates.
Fair value	The amount for which an asset might be traded or for which an obligation could be settled between well-informed and willing independent parties.
Fair value hedge	Hedging the risk of fluctuations in the fair value of an asset or liability.
Financial lease	A lease agreement which transfers virtually all the risks and benefits of the ownership of an asset to the user (lessee).
Financial instrument	An agreement which results in a financial asset for a company and a financial obligation or shareholders' equity instrument for another company.
Fraud risk	Risk of intentional deceit, misappropriation of ownership or non-compliance with the law.
Greenshoe option	A block of shares that is not immediately offered to interested investors, but is reserved for if and when demand for shares outstrips supply. The banks arranging the flotation maintain these shares in order to be able to manage the share price when demand is high.
Innovative Tier 1 instruments	Assets other than paid-up share capital and reserves, that may be taken into account for determining the Tier 1 capital (core capital).
Institutional brokerage	Brokerage for securities transactions for institutional clients.
Interest rate mismatch	The difference in interest maturity between funds lent and funds borrowed.
Interest rate risk	The risk that the company's shareholders' equity, result or continuity is threatened due to movements in the level or the volatility of the interest rates.
Internal Rating Based Approach (IRBA)	Method in Basel II for calculating the credit risk. With this method, the bank may develop its own models, based on direct and indirect observations, for estimating parameters for the calculation of the risk-weighted assets.
Investment loan	Activities by SNS Property Finance aimed at long-term financing of residential housing, shops, shopping centres, offices and industrial premises.
Investment risk	The risk that the value of an investment or investment portfolio will decrease in the future.
Irrevocable credit facility	A credit facility granted to a client that cannot be cancelled unconditionally.
Liquidity risk	The risk that the company has insufficient liquid resources in the short term to comply with its financial obligations.
Loan to Foreclosure Value (LtFV)	A risk indicator expressing the relationship between the mortgage and the foreclosure value of the collateral.
Loss given default	Parameter used in the calculation of economic capital or the required capital under Basel II which reflects the risk of (maximum) loss due to partial or full non-performance of obligations by borrowers, taking into account any collateral.
Macro hedge	A hedge of a specific risk for a portfolio of assets or liabilities.

Market risk	The risk that the company's shareholders' equity, result or continuity is threatened by movements in the level and volatility of market prices.
Micro hedge	A hedge of a specific risk for a specific asset or liability.
Modified duration	Measure of interest rate sensitivity, i.e. the relationship between the movement of an interest rate change and the resulting movement in the present value of the cash flows.
Notional amount	The notional amount shows the unit of account that, related to derivatives, indicates the ratio to the underlying values of the primary financial instruments.
Operational risk	The risk that the company's shareholders' equity, result or continuity is threatened by inadequate of failed internal processes, or external events.
Private loan	Private loans are funds provided or withdrawn on a debt certificate with a predetermined repayment scheme, not using the capital market.
Probability of default	A parameter used in the calculation of the economic capital or required capital under Basel II, that reflects the risk that borrowers, or parties where investments have been made in debt instruments, fail to fully or partially perform their obligations.
Project finance	Activities by SNS Property Finance comprising short-term loans for the construction of offices, shopping centres, shops, industrial premises, residential housing and mixed projects. These also include trade and bridging loans and loans for land purchase.
Property lease	Activity of SNS Property Finance consisting of sale-and-leaseback transactions of commercial property.
Qualifying capital	The sources of funding which, based on the regulations of the regulator, are taken into account in the calculation of the Tier 1, Tier 2 and Tier 3 capital.
Rating	Quality mark which credit rating agencies award to institutions or bonds. Ratings are expressed in a combination of letters and numbers; a triple A (AAA) rating is the highest. The higher the rating, the lower the credit risk for the investor.
Regulatory capital	Capital that must be maintained pursuant to the solvency supervision of SNS Bank by the Dutch Central Bank.
Return on shareholders' equity (ROE)	ROE is the relationship between net profit and shareholders' equity. ROE indicates the return on invested shareholders' equity.
Risk-weighted assets	Assets weighted for credit risk, based on the weighting ratio used in the regular reports to the Dutch Central Bank.
Securitisation	Securitisation is a transaction or scheme in which the beneficial title to existing assets, e.g. mortgages, is transferred to a separate entity, which then issues tradable property titles which entitle the holder to the cash flows generated by those assets.
Share premium reserve	The capital paid up in addition to the nominal value of the issued shares.
Solvency	Solvency is the degree to which a company is able to meet its financial obligations, expressed in a ratio (BIS ratio).
Standardised Approach	Method under Basel II for the calculation of the operational risk and the bank's credit risk. This method takes a standardised approach whereby the size of the risk weighting of an item is prescribed by the regulator.
Stress test	A stress test analyses the financial resilience of a financial institution in case of realistic but major changes in parameters that are crucial for the company, including macro-economic changes, crises in the financial markets, legal and regulatory changes and changes in liquidity in money and capital markets.

Structured loan	Financial solution tailor-made to the specific borrowing requirement of clients. The solutions are not limited to standard loan agreements. Complex financial transactions are also utilised.
Supplementary capital	See Tier 2 capital
Tier 1 capital	Also referred to as core capital. This capital consists of the fully paid-up share capital, all reserves excluding revaluation reserves, retained earnings, any third party interest and the innovative tier 1 instruments as defined by the Dutch Central Bank. Intangible fixed assets, excluding software purchased and developed under the company's own resources and for own use, and purchased loan servicing rights are deducted from the tier 1 capital.
Tier 1 ratio	Solvency ratio expressing the tier 1 capital as a percentage of total risk-weighted assets.
Tier 2 capital	Also referred to as supplementary capital. This capital comprises the revaluation reserves; under certain conditions the paid-up portion of the long-term subordinated loans; and cumulative preference shares, to the extent that they are part of the paid-up capital.
Tier 3 capital	Also referred to as other capital. This capital consists of the value of the paid-up portion of the short-term subordinated loans. Certain conditions must be met regarding original duration, early redemption and size.
Value-at-Risk	Statistical yardstick which makes a prediction based on many scenarios about possible losses in a portfolio. A VaR of 100 with a confidence level of 99% means that there is a 1% probability of losses exceeding 100.
Yield curve	The line connecting all interest rate levels with varying durations.

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