SNS Bank

2006

Annual Report 2006

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SNS Bank

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SNS Bank at a glance

Profile

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

With a balance sheet total of € 64 billion, SNS Bank is one of the major financial bank companies in the Netherlands. SNS Bank has always felt close to Dutch society. The organisation and the way in which its 3,197 staff 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 efficient processes lead to effective standardisations and combination options within product and client groups. SNS Bank is a decisive and flexible organisation that through its core brand SNS Bank and specialised sales labels enjoys strong positions in the Dutch market.

Activities

SNS Bank sells its housing and commercial mortgages, savings and investment products through its own offices, independent intermediaries, the internet and by phone. The investment products range from do-it-yourself to advisory products and asset management. With 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	2006	2005	2004	2003
Total assets	**64,382**	**53,098**	**47,242**	**38,327**
Loans and advances to customers	56,248	45,225	41,645	32,589
Of which mortgage loans	44,930	42,558	38,937	29,871
Loans and advances to credit institutions	3,607	4,118	2,478	2,031
Amounts due to customers	20,697	19,827	17,900	16,946
Of which savings	13,678	12,333	10,973	10,127
Amounts due to credit institutions	7,299	3,103	2,295	2,361
Debt certificates	30,841	25,465	23,198	15,160
Equity attributable to shareholders	2,097	1,440	1,313	1,221
Capital base	3,545	2,590	2,480	2,370
Net interest income	567	595	571	587
Other income	201	169	125	111
Of which net commission and management fees	120	114	109	92
Net profit attributable to shareholders	**214**	**204**	**151**	**129**

In percentage	31-12-2006	31-12-2005	31-12-2004	31-12-2003
Ratios				
Return on shareholders' equity	14.1%[1]	14.9%	12.0%	8.1%
Efficiency ratio	62.6%	59.8%	63.1%	64.6%
Bis ratio	11.2%	11.9%	11.7%	11.9%
Tier 1-ratio	8.2%	8.7%	8.7%	8.3%
Number of branches	167	167	176	198
Number of agencies	438	422	377	330
Number of cash dispensers	308	325	324	344
Number of employees (fte's, average)	3,197	3,158	3,328	3,417

[1]) ROE has been calculated with weighting the paid-in share premium of December.

Mission, activities, strategy and objectives

Mission

SNS Bank aims to be the favourite financial specialist for retail and SME clients in the Netherlands. We want to place our clients' financial future in their own hands 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.

In 2006, the strategic focus on our core products was broadened with products for property financing by the acquisition of Bouwfonds Property Finance. This has enhanced our visibility and credibility in the SME market *. Expanding our position in the SME market is an important objective. We have therefore replaced the previously used term retail(plus) by retail and SME in the description of our target market.

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 simple and lucid 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 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 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 sometimes 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.
- Operational efficiency
  In the Dutch banking sector, SNS Bank has a good efficiency ratio. 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 by cost synergies, as has been demonstrated in recent years.
- 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 (including through brand policy) and promote cross-selling. Cooperation with intermediaries is also strong. This is important particularly in the mortgage markets.
- Moderate risk profile
  Focusing on a limited number of banking products for retail and SME clients, especially in the Netherlands, mitigates the risk profile.

Weaknesses

- Dependence on mortgages
  The strong market position in mortgages mean that a disappointing performance by this product group would have a relatively major adverse effect on the overall results.

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

- Scale
  In comparison with the largest players in the market, in a number of operations SNS Bank's scale benefits are more limited.
- Brand recognition
  In comparison with the largest players in the market, SNS Bank has lower brand recognition.
  SNS Bank focuses mainly on its own distribution channels to make optimum use of changes in the market and client needs. The benefit synergy is therefore limited, but may be improved in the medium term.

Opportunities

- Under-representation in the Randstad
  In the Randstad, the urban conurbation in Western Holland, where we have recently strengthened our presence with bank branches, there are good opportunities for improving our market share.
- Under-representation on the SME market
  It is possible to apply our knowledge and distribution channels better in the SME market for banking products.
- International growth
  There are also good international growth opportunities for SNS Property Finance's property finance operations.
- Sustainable entrepreneurship, 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.
- Tax-deductible savings and investments via bank products
  From 2008, it will be possible to create retirement provisions with a blocked savings or investment account with a bank. This offers obvious benefits to a combined bank/insurer.

Threats

- Competition in mortgage
  Our margins are under pressure as a result of powerful price competition in the market for mortgages.
- Vulnerability in the event of unfavourable interest developments
  The dependence on the interest rate curve in the mortgage market heightens our vulnerability to unfavourable interest rate developments relative to market players with a broader product range.
- 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 priorities

SNS Bank has defined a primary strategic course based in part on this SWOT analysis, which establishes the following three priorities: structural value creation, financial specialisation on retail and SME clients and structural growth.

1 Structural value creation

SNS Bank wishes to create value for all its stakeholders, and in particular for its shareholder, clients, staff and society. We create growth and returns for our shareholder through proper risk management. We achieve this for our clients by offering accessible and transparent products 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 balanced concern for social, ethical and environmental issues.

The pillars of SNS Bank's approach to value management are:

- Income diversification
  SNS Bank aims to achieve a diversification of its income by developing or acquiring companies with products that are well aligned with its existing activities.
- Distribution
  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. Options include further developing the use of the internet and enhancing market prominence, by improving the efficiency and effectiveness of advisory services, improving the alignment of do-it-yourself concepts to advisory functions and by increasing the use of the group's own distribution channels to sell the products of others.
- Adequate return, moderate risk
  The main objective is to improve and maintain market positions thanks to powerful, innovative products and distribution methods. Growing returns, however, must go hand in hand with cost control, the efficient use of capital, a strict pricing policy and risk management.
- 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 client contact. Monitoring client satisfaction and performing research into clients needs are important factors in developing products and services.
- Cost management, synergy and benefits of scale are crucial. Our efficiency ratio is among the best in the Dutch financial market but will have to improve further. Centralised product development and 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 great experience in integrating newly-acquired activities rapidly and efficiently.
- Attracting, developing and retaining talent. SNS Bank invests in its staff and thereby 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'. We stimulate mobility within the group as this improves creativity and benefits innovation and synergy within the company.
- Responsible entrepreneurship
  SNS Bank offers a broad range of responsible products and services, aims to operate responsibly and supports social projects and activities. SNS Bank looks to combine responsible and commercial entrepreneurship. The main features in this regard are accessibility, transparency and integrity.

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. In 2006, we expanded our strategic focus on our core products with products for property finance through the acquisition of Bouwfonds Property Finance. This has enhanced our visibility and credibility in the SME market.

- 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 with focus. Some of

our SME banking products are based on those for retail clients. We also develop specific products for the SME market. Our specialty products in property finance are developed by SNS Property Finance. SNS Bank is one of the biggest players in the Dutch retail mortgage and property finance.

- Netherlands
  SNS Bank focuses its financial resources and management attention on the Dutch market. We also, to some extent, develop real estate financing products in order to serve our Dutch clients who are located abroad.

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. Expanding income streams and seeking new sources of income, for example through alliances, are central themes, as is the need to look for new ways to structurally reduce costs.

SNS Bank's growth strategy over the coming years is based on the following main drivers: savings and investments, the SME market, property finance, distribution and growth by acquisitions and strategic cooperation. For mortgages in which we have already achieved a leading market position, we expect a slowdown in growth over the coming years.

- 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 clients
  SNS Bank sees good growth opportunities in the SME market. Commercial mortgages are a target growth area in SNS Bank's retail product portfolio.
- Property financing
  SNS Property Finance wants to become a recognised international real estate financer.
- Distribution
  Substantial growth could come through the better use of and further improvement of the existing distribution channels, including in particular the internet, development of new franchise formulas and further expansion of the number of distribution channels, e.g. through activities in adjacent segments and use of partners' distribution channels.
- Acquisitions
  Interesting potential acquisitions include companies which can contribute towards strengthening our existing market positions and expanding into adjacent segments. Important criteria include moderate risk in the field of integration and execution and opportunities for synergy, enabling us to create value, in achieving our financial goals.

New financial objectives

Due to the acquisition of Bouwfonds Property Finance, the objectives that were in force until 2006, have been reassessed and new return and efficiency objectives have been set. They are listed below.

The capital ratio targets have remained the same:
- SNS Bank BIS ratio more than 11%.
- SNS Bank Tier 1 ratio more than 8%.

Operational objectives

SNS Bank has defined a number of operational objectives for implementing its mission over the coming years:
- Market share in new mortgages: 8-10%.
- Market share in overall savings: 6-8%.

The chapter Strategy Update provides quantitative and qualitative information on the results SNS Bank achieved in 2006 in pursuing these strategic, operational and financial objectives.

Return and efficiency objectives valid up until 2006	Return and efficiency objectives 2007-2009
Return	*Return*
• Return on equity of over 12.5% per annum after tax.	• Return on shareholders' equity of 15% per annum on average after tax.
Efficiency	*Efficiency*
• Efficiency ratio SNS Bank below 58% at year-end 2008.	• Efficiency ratio SNS Bank of 55% as per year-end 2009.

Supervisory Board and Management Board

Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
J. den Hoed
S.C.J.J. Kortmann
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
M. Menkveld
M.E. Straub

Report of the Management Board

Strategy Update

SNS Bank is pleased to report on the way in which it has worked towards achieving its strategic ambitions and objectives. In the summary below, we report on our performances and strategic initiatives in 2006 in relation to our strategic priorities and operational and financial objectives.

Strategic priorities

1 Structural value creation

Central features of SNS Bank's value management are:

- Diversification of income
  SNS Bank increased the diversification of its activities through the acquisition of Bouwfonds Property Finance and the growth of SNS Fundcoach. Due to autonomous growth (€ 0.4 billion) and the acquisition of Bouwfonds Property Finance (€ 8.8 billion), the SME credit portfolio grew from € 2.6 billion to € 11.8 billion at year-end 2006, approximately 21.0% of SNS Bank's total credit portfolio. This did not result in significant growth of interest income since the acquired activities were only consolidated as per 1 December 2006.

- Distribution function
  The distribution function was strengthened in many areas, with new and updated products, expansion in the number of distribution channels and by improvements in service provision. For the most important examples, please refer to the chapter SNS Bank Developments.

- Sufficient return with moderate risk profile
  The lower ROE ratio of SNS Bank was partly due to the consolidation of SNS Property Finance as of 1 December 2006. The main factors squeezing profitability were the flat yield curve and pressure on margins on mortgage sales.

  SNS Bank's capital base was increased in order to keep the solvency at the desired level after the acquisition of Bouwfonds Property Finance. This acquisition has resulted in a higher risk profile, which was set off by higher commercial margins and income diversification.

- Long-term relationships
  SNS Bank focused mainly on:
  - Developing further the do-it-yourself concept by professionalising distribution on the internet.
  - Marketing communication for new mortgage products, to enhance the market share of the mortgage sector, for the new savings product Maxisparen, for sustainable products, for SNS Fundcoach (including investment evenings) and for the SNS Zakelijk Internet Super Sparen and SNS 100% Bedrijfshypotheek products.
  - A special retention programme for mortgages to limit switching from existing mortgages and for optimising the quality of the mortgage portfolio.

- Cost management, synergy and economies of scale
  The higher efficiency ratio of SNS Bank was mainly due to lower income as a result of lower interest margins and higher staff costs as a result of the hiring of temporary staff for projects in the areas of supervision, regulation and compliance.

  SNS Bank made good progress with a project aimed at automating and standardising data (from the moment a product is ordered to the moment it is delivered) for the sale of mortgages. This Straight Through Processing (STP) of mortgages improves the quality of data processing and will generate significant cost savings. In the first half of 2007, STP will be introduced at SNS Bank and BLG Hypotheken. The reorganisation of SNS Bank's SME operations, which is proceeding according to plan, also contributes positively to cost control.

- Attracting, developing and retaining talent
  Different rankings indicate that SNS REAAL is an attractive employer. On the Corporate Research Foundation ranking, publisher of the book De

Return on shareholders' equity	2006	2005	Target year-end 2008
SNS Bank	14.1%	14.9%	> 12.5%

Ratios	2006	2005	Target year-end 2008
Efficiency ratio SNS Bank	62.6%	59.8%	< 58%

beste 49 bedrijven om voor te werken (The best 49 companies to work for), SNS REAAL achieved second place last year. We implemented various initiatives to encourage the promotion of talent to higher positions. At SNS Bank, we reassessed the desired leadership profiles and we reached new agreements concerning achieving, improving and testing good leadership. At the end of 2006, we started the 'Ik ben SNS' (I am SNS) project. The objective of this project is to further attune the thoughts and actions of our staff to the market experience.

- Corporate social responsibility

  We developed new products, services, codes of conduct ands procedures aimed at enhancing the accessibility and transparency of our products and the integrity of our staff and organisation. The accessibility of our products was enhanced with a talking digipas for the visual and physical impaired.

  SNS Bank and ASN improved the transparency of the costs of investment funds by being the first Dutch bank to introduce a total cost percentage. Guarantees to ensure the integrity of the organisation and staff were embedded further in the organisation.

  The popularity of our sustainable savings and investment products, including the products of ASN Bank, increased sharply. For more information, please refer to the chapter 'Developments SNS Bank' on pages 23 and 24.

2 Focus on retail and SME clients in the Netherlands

- Client groups

  With the acquisition of Bouwfonds Property Finance, we have taken a major step in achieving our ambition of reaching more clients in the SME market.

- Product groups

  With the acquisition of Bouwfonds Property Finance, we widened the strategic product focus with products for property financing. The activities continue under the banner of SNS Property Finance. SNS Property Finance's portfolio amounted to € 8.8 billion at the end of 2006. In 2007, part of the SME credit portfolio of the SNS Bank, worth € 3.0 billion in total at year-end 2006, will be added to the portfolio of SNS Property Finance.

- Netherlands

  SNS Bank's focus will remain trained primarily on the Dutch market. In 2006, SNS Bank increased its presence in the Randstad by opening five new branches. At the end of 2006, 77.0% of SNS Property Finance's portfolio consisted of financing in the Netherlands. The remainder relates to financing of projects and participations in Belgium, France, Spain, Portugal, Denmark and North America. The distribution of property finance across a number of geographical markets has reduced the dependence on the Dutch mortgage market.

3 Structural growth

The most important areas for achieving our structural growth are savings and investments, the SME market, distribution and acquisitions.

- Savings and investments

  The assets under management by SNS Fundcoach, our digital investment fund supermarket, rose from € 298 million to € 589 million (+97.7%). The assets managed by the SNS and ASN investment funds increased from € 3.2 billion to € 3.8 billion (+19%). New funds amounted to € 404 million. The investment products incorporating advisory services, SNS Vermogensprisma and SNS Effecten Adviesdesk, also grew steadily, as did the asset management services offered by SNS Bank, SNS Vermogensbeheer and SNS Managed Account. Our share of the savings market increased from 6.0% to 6.3%. New funds amounted to € 1,345 million net.

- SME clients

  With the acquisition of Bouwfonds Property Finance, SNS Bank became one of the major players in the Dutch market for property finance. This acquisition is in line with our ambition of earning a greater share of our profits from SME clients. SNS Bank's services now have two pillars: SNS Business Advice and SNS Property Finance. SNS Business Advice distributes its products through the existing channels. As a specialist in corporate mortgages, SNS Business Advice can benefit from the expertise, reputation and market and client information of SNS Property Finance. Furthermore, SNS Business Advice offers savings and investment products to SME clients.

  For the coming years SNS Bank expects to realise a higher rate of growth from SME clients than from retail clients.

- Distribution

  SNS Bank opened five new branches in the Randstad and will further increase the number of branches in the Randstad in 2007. The distribution strength increased mortgage sales through closer cooperation with purchasing associations and mortgage chains.

SNS Bank introduced various innovative improvements and additions to its services by the internet with ASN Bank and SNS Fundcoach. At the end of 2006, a long-term contract was signed with the HEMA for the placements of cash points at the 350 HEMA shops. This agreement will contribute to the improvement in our client service, brand awareness for the SNS Bank, reduce cash withdrawals from our offices and offer additional opportunities for interactive marketing communications.

- Acquisitions
  - Bouwfonds Property Finance
    With the acquisition of Bouwfonds Property Finance, SNS REAAL has become one of the largest financiers of real estate in the Netherlands. Bouwfonds Property Finance is a profitable company with a mortgage portfolio worth some € 8.8 billion when the transaction was concluded, most of which being the financing of private housing construction, shops and shopping centres. The market in which the company operates, now under the banner of SNS Property Finance, demands specialist expertise in financing and real estate. The threshold for new entrants is therefore higher than in the retail market, so that commercial margins are higher. At the same time, part of the operations have a higher risk profile.

    The Dutch activities, comprising mainly investment and project financing, represent some 77% of the portfolio. The remaining 23% relates to project financing and holdings in Belgium, France, Spain, Portugal, Denmark and North America. These relate mainly to property financing for Dutch clients.

    The strategic importance of this acquisition is that it represents a major expansion in the current real estate activities, it creates a better brand awareness in the market, it increases our scale on the SME market and reduces dependence on retail activities.

  - Regio Bank
    SNS Bank and ING Bank are discussing a possible acquisition of Regio Bank. On 3 December 2006, a memorandum of understanding was signed to this effect. Regio Bank offers mortgage and savings products through 380 independent intermediaries throughout the Netherlands. At year-end 2006, Regio Bank had a mortgage portfolio of € 2.0 billion and savings deposits of € 3.0 billion. SNS Bank wants to combine the activities of CVB Bank and Regio Bank under the banner of SNS Regio Bank. This will generate a leading franchise position in banking products in the Netherlands, with more than 800 intermediaries, a mortgage portfolio of € 5.3 billion and a portfolio of savings of € 4.7 billion. This acquisition would raise the total mortgage portfolio of SNS Bank by 5% and our market share of the savings market would increase by at least 1 percentage point. All projections are based on figures current at year-end.

    The strategic importance of this acquisition is the fact that it significantly raises the distribution strength of the CVB Bank franchise formula, strengthens our core mortgages and savings products and provides cost synergy and a more prominent presence in the Randstad as a result of the addition of 55 franchise offices in this region.

  - Van Leeuwenhoeck Research
    By acquiring Van Leeuwenhoek Research, SNS Bank has strengthened the activities of SNS Securities, adding the fundamental research and value analysis of biotechnology companies.

    The strategic importance of this acquisition is the fact it broadens the product range in company research and advice to institutional investors.

Financial targets

Return	2005	2006	Target 2006	Target as of 2007
Return on shareholders' equity after tax	14.9%	14.1%	> 12.5%	15% on average per year
Efficiency	**2005**	**2006**	**Target 2006**	**Target as of 2007**
Efficiency ratio SNS Bank	59.8%	62.6%	< 58%, year end 2008	55%, year end 2009
Solvency	**2005**	**2006**	**Medium-term target**	
BIS-ratio	11.9%	11.2%	> 11%	
Tier 1-ratio	8.7%	8.2%	> 8%	

Prospects for 2007

SNS Bank expects to be able to profit in particular from favourable conditions in the markets for savings and investments & property finance. Conditions in the mortgage market remain difficult. Based on the present information, the interest rate climate and the yield curve will not change materially.

Financial markets

Shares

In 2007, SNS Bank expects moderate economic growth with slightly decreasing inflation. This is favourable for the equity market. In the first few months, however, prices may be pressured by disappointing economic results. If the soft landing scenario pans out and is followed by improving economic growth, calm and the prospect of ongoing profit growth will return to the market. Given the currently high profit margins, any further corporate growth will be limited. Yet we expect investors to express confidence by being prepared to pay a higher market multiple. The most important price gains will result from this upward valuation. This is a typical phenomenon for equity bull markets in their last stage.

Interest

We expect that in the first half of 2007 the financial markets will show uncertainty about economic growth figures in the United States. For this reason and due to the excessively high money supply growth, the European Central Bank will aim to raise the interest rate. In view of the robust growth in the eurozone and the excessively high money supply growth, the ECB will aim for an interest rate that is neither stimulating nor restrictive. We expect this level, estimated at around 4%, to be achieved in the first half of the year. This will slightly lift the whole yield curve, although it will initially certainly flatten off somewhat. Later in the year, when economic prospects become certain and more positive, the long end of the interest curve will rise slightly.

We expect the U.S. Federal Reserve will keep short-term interest rates at around the present level for quite some time. In the first half of the year, economic growth in the US may be a little disappointing, which will reduce the long-term interest rate somewhat, but later in the year the long-term interest rate may go up again.

Product markets

Mortgages

We expect ongoing strong competition on the mortgage market, although the price pressure may decrease slightly. The unfavourable relationship between short and long interest rates will persist in the first half of the year. As mentioned above, we expect a moderately higher yield curve in late 2007, which will have a minor positive impact on our mortgage activities. We expect the growth in the mortgage market, and thereby our mortgage activities, to weaken, partly as a result of a weakening of the mortgage refinancing market. We expect increasing demand for long-term mortgages. This expected development will strengthen the basis for sustainable but limited growth of the mortgage portfolio, but in the short term it will reduce penalty interest income earned on switching and the short-term commercial margin.

Savings and investments

The economic developments will support a favourable savings and investment climate. As a result, SNS Bank once again expects an increase in the influx of savings and investment funds. For the savings and investment market, we expect a further increase in funds entrusted for both Individual investments as well as for investment funds and structured savings/investment products. Of the total market the share of investment funds and structured products is expected to increase.

Important factors that determine in the inflow of savings:

- Consumer confidence and purchasing power
  A stable and high level of consumer confidence and purchasing power has a negative effect on the inflow of savings. An increase in purchasing power will initially lead to a higher inflow of savings, which will only diminish once consumers start adjusting their spending patterns.

- Legislation and regulations
  Changes in legislation on employee savings schemes and life-cycle schemes as well as new proposals for pension and house savings can affect regular savings behaviour.

- Interest rate developments
  Sudden changes in interest rates can affect consumers' savings behaviour and the competition's marketing policies.

- Competition from existing and new companies
  Increasing price competition can affect the inflow. This happens when we maintain the desired margins, but also when we respond to an interest rate increase.

- Increased mobility of savings
  More and more, clients tend to transfer their savings to accounts with the most favourable conditions. We expect this trend to continue in 2007.

Property financing

There is a surplus of capital and equity in the Dutch market for property financing for investments in high-quality property. The high transaction volumes in the investment markets are expected to continue. The share of international transactions in this volume is on the rise. Dutch investors are increasingly active beyond our national borders; Germany in particular is very attractive to them.

There is increasing demand in the growth sectors of our economy for new development and redevelopment of real estate. Demand for capital market solutions based on structured financing is growing. Many market parties are showing an interest in financing with a relatively high degree of risk, regarding both investment financing and project financing. Pressure on commercial margins will continue.

Strategic initiatives and objectives

SNS Bank views savings and investments, the SME market, property finance, distribution, acquisitions and strategic cooperation as its main growth avenues. In 2007, we will also devote additional attention to cost control in order to further improve the return on our activities and strengthen our competitive position. In 2007, the following initiatives will contribute to the implementation of our strategy.

Savings and investments

- The core products SNS Fundcoach, Fund Account, Managed Account and Cash Account, will be developed further. SNS Bank will intensify its marketing communication, for example via day courses and investment evenings.
- Investment services will be professionalised further, through, for instance, Live@dvies, whereby clients see and hear advisors live via the internet. Live@dvies was introduced successfully in 2006 for mortgage advice.
- We are again aiming for a considerable increase in the influx of savings funds through our successful product SNS Spaarmix, a range of innovative savings products introduced in 2006, and through the products of ASN Bank.
- SNS Bank will introduce new savings and investment products, including innovative special-offer products.
- Depending on the new legislation coming into force on 1 January 2008, new bank products aimed at saving for a pension or a house will be developed.

SME clients

- Focus on commercial mortgages will be intensified. The provision of other types of credits will be reduced.
- SNS Property Finance will set new steps in the expansion of its presence in the major European regions. In addition to the customary financing, participations will play a major role in this.

Distribution

- SNS Bank will develop further the do-it-yourself concept via the internet for all banking products and seek to raise the commercial margin for mortgages by selling more via the bank's own distribution channel. SNS Bank will also seek new partners for the distribution of its own mortgages.
- The bank will improve the use of its own offices' and franchise offices' advisory function by reducing the administrative burden, in part by improving the do-it-yourself concept.
- Assuming that the proposed acquisition takes place, SNS Bank will integrate the activities of Regio Bank with those of CVB Bank. The latter is SNS Bank's franchise organisation for savings and investments through an advisory office in the region. The new brand name 'SNS Regio Bank' will contribute to strengthening the formula.

Cost management

- Substantial benefits are expected as result of a planned reorganisation of the (retail) approach to the SME market by SNS Bank, together with new STP automation which should benefit mortgage production, stronger focus on distribution, and a reduction in the number of offices in the east of the country.

Acquisitions

- Strengthening our growth through acquisitions of companies remains an important objective. Possible candidates are activities that can help to strengthen our distribution capacity, offer cost benefits or those which are likely to strengthen specific competencies. SNS Bank will also continue looking to expand its growth potential through joint ventures.

Objectives

Our long-term operational and financial objectives as from 2007 can be found in the chapter Mission, activities, strategy and objectives on page 7. We do not give any forecasts of the level of profit or revenues of SNS Bank in 2007.

Financial outlines

Net profit € 214 million, 4.9% above 2005. Net interest income 8.5% higher in the second half year, 4.7% down for 2006 as a whole. Commission income increases to € 120 million (+ 5.3%). Share of mortgage market up from 7.6% in the first half year to 8.0% in the second half (2005: 8.3%). Return on equity of 14.1%, well above the target of 12.5%. Positive contribution to profits by SNS Property Finance.

Result

The results of SNS Property Finance have been consolidated in the SNS Bank results from 1 December 2006. The existing property finance portfolio by SNS Bank will be transferred to SNS Property Finance in 2007. In December 2006, the total income of SNS Property Finance came to € 15 million and the total expenses € 6 million. The net profit of SNS Property Finance came to € 7 million in December, and € 6 million after purchase price accounting and more expensive funding. On the basis of the pro-forma figures of SNS Property Finance as shown at the end of this section, the 2006 result came to € 94 million against € 84 million for 2005 (+11.9%).

In the subsequent notes, figures include the consolidation of SNS Property Finance.

The net result of SNS Asset Management for the first half of 2006 is included in the result of SNS Bank. From 1 July 2006, SNS Asset Management is managed directly by the Executive Board of SNS REAAL.

In 2006, the net profit of SNS Bank grew from € 204 million to € 214 million (+4.9%), including € 6 million from SNS Property Finance. Total income was up from € 765 million to € 768 million (+0.4%). The contribution from SNS Property Finance, higher net commission

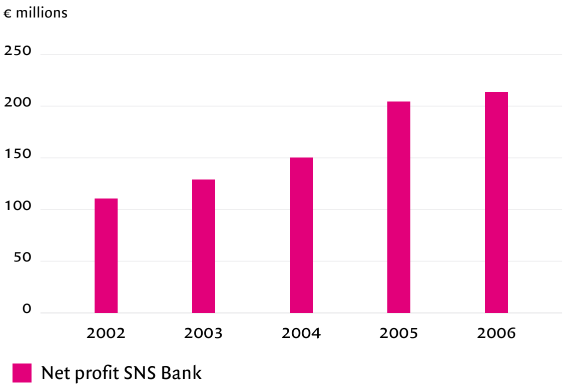
SNS Bank

In € millions	2006	2005	Change
Result			
Net interest income	567	595	(4.7%)
Net commission and management fees	120	114	5.3%
Result on investments	67	26	157.7%
Result on derivatives and other financial instruments	15	33	(54.5%)
Other operating income	(1)	(3)	66.7%
Total income	**768**	**765**	**0.4%**
Value adjustments to financial instruments and other assets	36	50	(28.0%)
Staff costs	283	258	9.7%
Depreciation and amortisation of tangible and intangible fixed assets	25	27	(7.4%)
Other operating expenses	173	172	0.6%
Total expenses	**517**	**507**	**2.0%**
Operating profit before taxation	**251**	**258**	**(2.7%)**
Taxation	37	54	(31.5%)
Net profit for the period	**214**	**204**	**4.9%**
Ratios			
Return on shareholders' equity	14.1%[1]	14.9%	
Efficiency ratio	62.6%	59.8%	
BIS ratio	11.2%	11.9%	
Tier 1 ratio	8.2%	8.7%	
Core Capital ratio	7.4%	6.9%	

[1]) ROE has been calculated with weighting the paid-in share premium of December.

income, and the results of investment sales compensated for the fall in interest income and the results on derivatives and other financial instruments. Total expenses increased from € 507 million to € 517 million (+ 2.0%).

1 Net profit SNS Bank



Staff costs were up by € 25 million, mainly as a result of projects relating to legislation and compliance, projects to improve efficiency and the consolidation of SNS Property Finance. The higher costs were partly offset by lower value adjustments to financial instruments (– € 14 million).

For SNS Bank, the effective tax rate was 14.7% (2005: 20.9%). The nominal tax rate was 29.6% (2005: 31.5%). The use of structured finance deals and recalculation of the net deferred tax liability (€ 9 million) following the cut in the corporation tax rate brought the effective tax rate down.

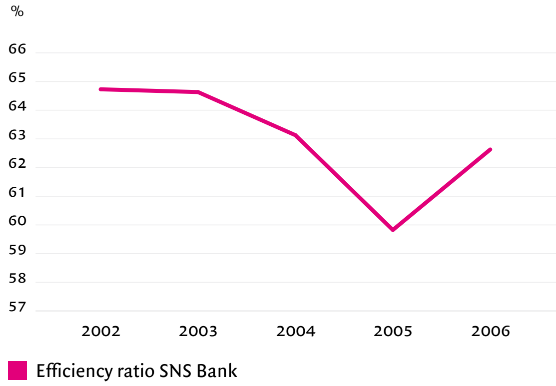
The return on equity (ROE) came to 14.1% in 2006 (2005: 14.9%). Excluding SNS Property Finance and the effect of the capital increase of that acquisition, the ROE would have been 14.2%, also well above the long-term target of 12.5%.

The efficiency ratio increased from 59.8% to 62.6%. The rise was due mainly to lower income as a result of the lower net interest income, and higher staff costs caused by projects relating to legislation and compliance as well as efficiency.

Group equity

The capital base of SNS Bank grew from € 2.6 billion to € 3.5 billion. Owing to the acquisition of Bouwfonds Property Finance, SNS REAAL gave the capital of SNS Bank a € 600 million boost by means of a paid-in share premium. In addition, in the second half of the year the capital base was further reinforced by raising subordinated loans. The Tier 1 capital increased from

2 Efficiency ratio SNS Bank

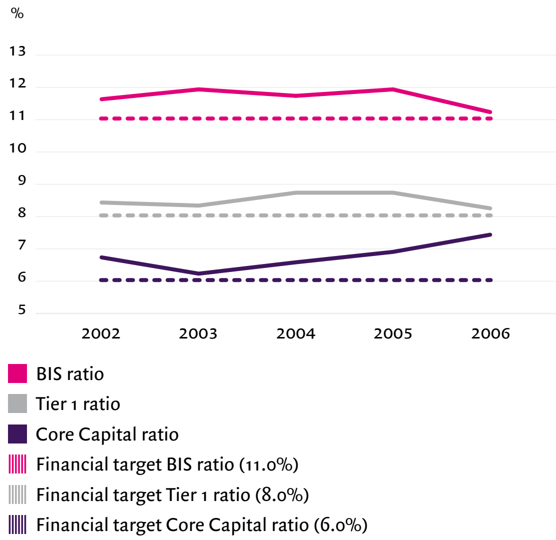


€ 1.8 billion to € 2.3 billion and the increased subordinated capital augmented the total qualifying capital from € 2.4 billion to € 3.2 billion.

Solvency

The solvency of SNS Bank decreased slightly, though it remains strong. The slight fall was due to the increase in the risk-weighted assets of SNS Property Finance. The total risk-weighted assets amounted to € 28,454 million (2005: € 20,175 million). The Tier 1 ratio was 8.2% (2005: 8.7%), the BIS ratio 11.2% (2005: 11.9%) and the Core Capital ratio was 7.4% (2005: 6.9%).

3 Solvency levels SNS Bank



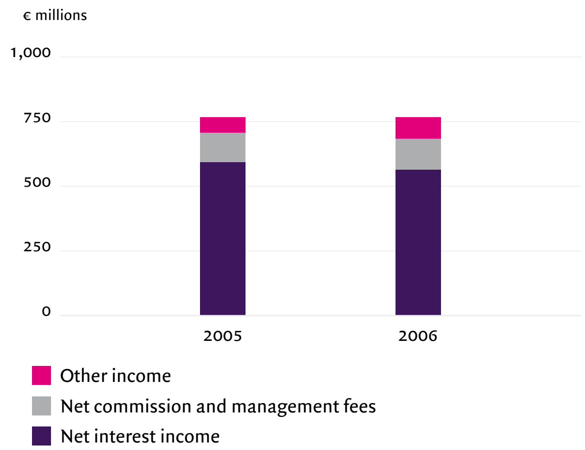
Composition of income at SNS Bank

The share of net interest income in total income was down slightly from 78% to 74%.

Net interest income

In 2006, net interest income declined from € 595 million to € 567 million (– 4.7%). This fall was due mainly to lower income from ALM results due to a rise in the short-term interest rate combined with a further flattening of

4 Composition of income SNS Bank



the yield curve. During 2006, the interest rate position was shortened further, reducing SNS Bank's sensitivity to future increases in the short-term interest rate. The adjustment of the interest rate position brought an improvement in the ALM results in the second half of the year compared to the first half.

Commercial interest income remained stable. Competition on the mortgage market caused a structural decline in the margin on new mortgage business, thus reducing the net interest income. This was offset by expansion of the mortgage volume in the second half year, which boosted our market share from 7.6% in the first half year to 8.0% in the second half, and an improvement in the margins on savings business.

The movement in interest rates caused the mortgage refinancing market to contract during the year. Gross income from penalty interest therefore declined from € 90 million to € 53 million (–41.1%). In the second half of the year, penalty interest income totalled € 17 million, with a downward trend during that period.

In a fiercely competitive mortgage market, SNS Bank aimed to achieve a sound balance between margin and volume, so that its market share dropped slightly from 8.3% to 8.0%. The innovative SNS Budgethypotheek and strengthening of distribution, e.g. by stepping up the links with purchasing consortia, made a contribution here. In the existing mortgage portfolio, retention improved in the second half of the year. Our share of the savings market grew from 6.0% to 6.3%, mainly as a result of the successful products SNS SpaarMix, ASN Optimaal-rekening, ASN Ideaalsparen and CVB SpaarPlus.

The SNS Bank mortgage portfolio including SME mortgages grew from € 42.6 billion to € 44.9 billion (+5.6%). All labels (SNS Bank, BLG Hypotheken and CVB Bank) made a positive contribution to growth.

The Dutch mortgage market expanded from € 500 billion to € 540 billion (+7.4%). The savings entrusted to SNS Bank were up from € 12.3 billion to € 13.7 billion (+10.9%). The Dutch savings market grew from € 211 billion to € 220 billion (+4.3%).

The SME loan portfolio produced organic growth of € 0.4 billion from € 2.6 billion to € 3.0 billion. Including the SNS Property Finance loan portfolio, which totalled € 8.8 billion at the end of 2006, the total SME loan portfolio came to € 11.8 billion at the end of 2006. The property finance market requires specialist expertise and has a higher risk profile, hampering market access for new suppliers and permitting better commercial margins than on the mortgage market.

Net commission and management fees

Commission and management fees were up from € 114 million to € 120 million (+5.3%). Excluding the activities of SNS Asset Management, which were transferred to SNS REAAL from 1 July 2006, growth came to 13%. That transfer caused the commission and management fees to decline by € 7 million in the second half of 2006.

Securities commission was boosted by our customers' increased activities on the stock market. The number of active SNS Fundcoach customers was up from 9,700 to 18,200 (+87.6%), resulting in more securities trading and management fees. The market value of the assets invested at SNS Fundcoach grew from € 298 million to € 589 million (+97.7%). The management fees for the SNS Bank and ASN Bank house funds also increased. SNS Securities made a larger contribution to commission, particularly as a result of the securities consultancy and asset management activities taken over from Van der Hoop in 2006, and the expansion in activities relating to equities. The commission earned by SNS Assurantiën, SNS Bank's independent insurance consultancy, increased sharply, taking into account the modest scale.

Result on investments

The result on investments surged from € 26 million to € 67 million (+157.7%) owing to the gains realised on bond sales. In view of the size of the revaluation reserve at the end of 2006, the yield curve and the interest rate climate, the results on investments will be substantially lower in the future.

Result on derivatives and other financial instruments

The result on derivatives and other financial instruments dropped from € 33 million to € 15 million (–54.5%).

This item was lower due to lower market value changes under IFRS.

Value adjustments to financial instruments and other assets

The cost of value adjustments to financial instruments and other assets declined from € 50 million to € 36 million (–28.0%). In particular, the improvement in credit risk management and the more favourable economic climate resulted in a lower addition to value adjustments for the SME business. The addition relating to the private mortgage business exceeded last year's figure, mainly because of more stringent procedures for non-performing loans and higher shortfalls on foreclosure and speedier execution.

Staff costs

Staff costs were up from € 258 million to € 283 million (+9.7%). The number of employees increased by 151 to 3,272 FTEs. Excluding SNS Property Finance, the number of FTEs came to 3,035 at the end of 2006. This led to higher permanent staff costs. In addition, € 3 million was added to the reorganisation provision. Temporary staff costs increased sharply as a direct result of more temporary workers being hired in the fourth quarter in carry out projects, particularly in connection with legislation (customer identification, implementation of Basel II) and efficiency. The cost reductions (approx. 200 FTEs) resulting from the STP projects and the reorganisation of the SME business in the second half of 2007 are likely to produce the anticipated savings on expenses.

Depreciation and amortisation of tangible and intangible assets

Depreciation decreased from € 27 million to € 25 million (–7.4%), primarily due to the disposal of some properties.

Other operating expenses

Other operating expenses showed a fractional increase from € 172 million to € 173 million (+0.6%). Lower IT and accommodation costs were offset by increased marketing costs, required mainly for projects concerning legislation and efficiency.

Pro-forma figures for SNS Property Finance

For comparison, we have included pro-forma figures for SNS Property Finance for the years 2005 and 2006. In 2007, the property finance activities that are recorded at SNS Bank, will be transferred to SNS Property Finance.

These pro-forma figures are based on the accounting policies of ABN AMRO Bouwfonds N.V., the former parent company of SNS Property Finance, and do not take into account the effects of purchase price accounting and more expensive funding. For pensions and associates (including joint ventures), the data available are not yet sufficient to permit calculations on the basis of the SNS Bank accounting policies.

Before the acquisition, the Bouwfonds organisation used central holding company services for which the costs were not passed on in full to the subsidiaries. However, those costs are attributed in the 2006 figures in the table below. For the purpose of comparison, these costs are attributed in the 2005 figures, using the actual amount allocated for 2006 (€ 4 million before tax).

The figures for December 2006 included in the SNS Bank financial statements are shown in the column Property Finance December 2006. The net profit of € 6 million is inclusive of the effects of purchase price accounting under IFRS and more expensive funding.

Pro-forma figures SNS Property Finance

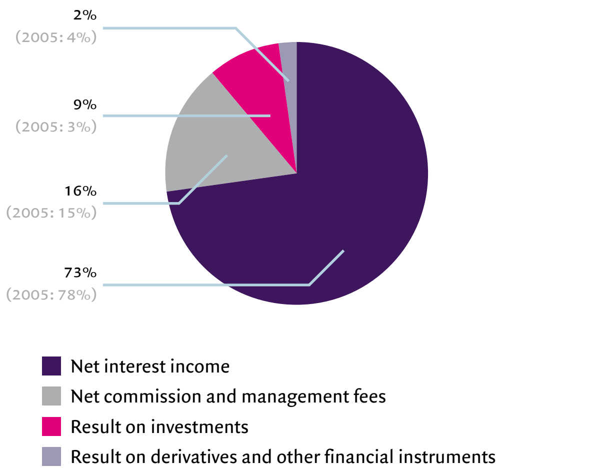
In € millions	Pro-forma 2006	Pro-forma 2005	Change	Pro-forma December 2006	SNS Property Finance December 2006
Total income	199	185	7.6%	17	15
Total expenses	66	60	10.0%	6	6
Operating profit before taxation	**133**	**125**	**6.4%**	**11**	**9**
Taxation	39	41	(4.9%)	4	3
Net profit for the period	**94**	**84**	**11.9%**	**7**	**6**
Group equity	638	548	16.4%	634	645
Efficiency ratio	27.6%	27.1%		29.4%	33.3%

Developments SNS Bank

SNS Bank sells its mortgages, savings and investment products directly to retail and SME customers through its own branches, the internet or by phone and indirectly via intermediaries and franchisees. Additionally, with SNS Property Finance, SNS Bank is a specialist in property finance.

This chapter addresses market developments, market performance and the latest developments per product group. Our retail products and SNS Property Finance's property financing products are discussed separately. The composition and source of income other than that earned through the product sales and operating results of SNS Bank are discussed in the chapter Financial outlines.

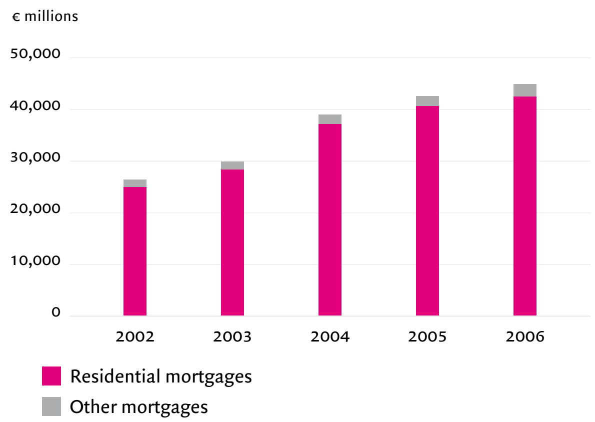
5 Composition of income SNS Bank



Mortgages

The Dutch mortgage market grew from € 500 billion to € 540 billion in 2006, an increase of 8.0%. The growth reflects an increase in house prices, growth in the number of home owners and new construction. The market conditions were tough: competition from existing suppliers increased, new (and foreign) competitors entered the market, the mortgage refinancing market was unfavourable, resulting in lower prepayment penalties, and a flat yield curve. SNS Bank strove throughout the year for a healthy balance between return and market share, thanks in part to an alert mortgage rate policy and new, appealing products. The decline in interest income was partially compensated by volume growth, despite a decline in market share (new mortgages) to 8.0% from 8.3%. The size of the total mortgage portfolio rose from € 42.6 billion to € 44.9 billion (+ 5.6%). All sales labels (SNS Bank, CVB Bank and BLG Hypotheken) contributed positively to the growth.

6 Mortgage portfolio SNS Bank



Approximately one quarter the intermediary market for distributing mortgages is in the hands of mortgage chains. The other intermediaries, who operate independently, are increasingly using the purchasing power of

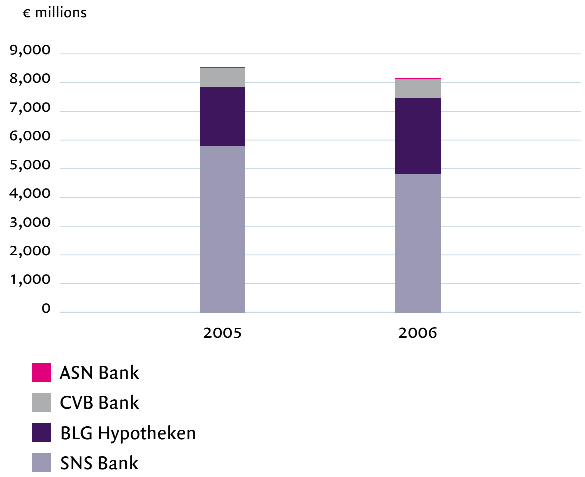
Key figures for SNS Bank

in € millions	2006	2005	Change
Total income	768	765	0.4%
Total expenses	517	507	2.0%
Net profit	214	204	4.9%
Balance sheet total	64,382	53,098	21.3%
Return on shareholders' equity	14.1%*	14.9%	

*) The ROE was calculated including weighting of paid-in share premium in December.

purchasing organisations. The purchasing organisations offer the intermediary part of their bonus and thereby reduce the administrative load. SNS Bank took advantage of this development by increasing distribution through purchasing organisations. SNS Bank also increased efforts to sell a larger proportion of mortgages through its own distribution channel. A key feature here was the introduction of the innovative Budgethypotheek (budget mortgage).

7 Volume of new mortgages SNS Bank



SME clients

The strategy for the SME market was adapted in 2006 to encompass a greater focus on commercial mortgages. We developed a standard package especially for the SME market, with products related to insurance, payments, credits, investments and financing. We increased our distribution capacity by placing corporate advisors in each of the 22 regions. Some 70 jobs disappeared as a result of SME and retail banking processes being streamlined together. This organisational change was incepted in 2006 and will be finalised in 2007.

The results of SNS Assurantiën developed particularly positively. SNS Assurantiën is SNS Bank's independent insurance advice agency, which mostly focuses on companies, employers and their employees. In addition, it provides a comprehensive insurance package for retail clients. Based on risk analyses, SNS Assurantiën offers tailor-made insurance solutions. SNS Assurantiën has provided an authorisation to a number of insurers with whom it collaborates. The number of clients and policies in the market for health insurance increased considerably, and in collective Work and Income Act insurance a number of significant contracts were agreed. In 2007, a start will be made on direct sales of business insurance via the internet.

Currently, a relatively small part of SNS Bank's income comes from the SME market. For the next few years, SNS Bank expects higher growth in the SME market than in the retail market.

Innovation, renewal and expansion

With its SNS Budgethypotheek (budget mortgage) SNS Bank has introduced a transparent, modular mortgage that stood out in the market on account of its highly competitive 'starting from' price. SNS Bank was the first bank in the Netherlands to introduce this type of mortgage. With this mortgage, consumers can exchange extras they do not need for a lower interest rate. The SNS Budget Mortgage was nominated for best mortgage product of the year 2007 by the Institute for International Research.

SNS Bank introduced various other mortgages aimed at specific target groups, such as an SNS mortgage linked to ASN funds and the SNS Extra Inkomen Hypotheek (Extra Income Mortgage) for people over 50, who can use their surplus property values to supplement their incomes. The introduction of the new option SNS Managed Account offers professional asset management, based on investments in (inter)national investment funds. It is aimed at mortgage providers with limited resources.

Distribution of mortgages and savings products (new products/inflow)

		Mortgages 2006*	Savings 2006**
Indirect	BLG Hypotheken label	34%	0%
	CVB Bank label	7%	13%
	Independent intermediaries - SNS Bank	37%	0%
	Purchasing associations		
	Franchise organisations/partnerships		
Direct	Branches/internet/call centres	22%	40%
	ASN Bank label	0%	47%

*) *New production*
**) *New inflow*

SNS Live@dvies (Live@dvice) was introduced in August. This is a new service concept that was received enthusiastically by many customers. With SNS Live@dvies, consumers can access the internet between 9 a.m. and 10 p.m. for a consult in which their mortgage advisor is visible on screen. The consumer does not need a webcam. The advisors can also show notes and calculations on screen. With the Budgethypotheek and SNS Live@dvies, SNS Bank was voted 'mortgage pioneer of the year' by a large majority at the Euroforum Mortgages Congress.

A highlight of our banking products for the SME market is the SNS 100% corporate mortgage that was introduced in April. This mortgage offers greater financial coverage than competing mortgages. These additional resources can be used for investment, for example. SNS Bank supported its standard products for the SME market with a wide range of marketing initiatives, such as seminars, research into cash management in the SME sector and a growth plan competition, introduced in collaboration with various partners.

Regio Bank, which SNS proposes to acquire, is expected to significantly strengthen the CVB franchise formula in 2007. This is focused on mortgages, savings and investment products and insurance. With the new brand name SNS Regio Bank, the franchise formula will be positioned differently. The formula will be broadened and will be easier to recognise for consumers. This will strengthen the banking franchise alongside the existing networks of SNS Bank branches and its intermediaries.

Investments

The investment climate, supported by the ongoing economic recovery, developed positively. For years, the popularity of investment funds and structured savings/investment products has been increasing among retail investors at the expense of investment in individual shares. This development continued in 2006 and was demonstrated by strong growth in deposits in SNS and ASN investment funds. The assets under management in SNS funds rose from € 2.2 billion to € 2.7 billion (+21%) and the assets under management by the ASN funds grew from € 1.0 billion to € 1.2 billion (+19%). The net provision and management fees for investment products increased substantially.

Commission growth was reduced by approximately € 7 million as a result of the transfer of SNS Asset Management from SNS Bank to SNS REAAL as at 1 July 2006. Commission from securities trading rose mainly due to an increase in the number of equity transactions by our clients. SNS Fundcoach played an important role in this.

SNS Fundcoach, our digital fund supermarket, reaped the rewards of the clever build-up of this concept over the past few years. The strong product range, the supplementary module Managed Account, which allows funds to be managed, and the appealing marketing communication featuring investment evenings and mini investment courses contributed to sharp growth. The client assets increased from € 298 million to € 589 million (+97.7%) and the number of clients increased to 18,200 (+87.6%), making SNS Fundcoach market leader among international internet-based investment funds.

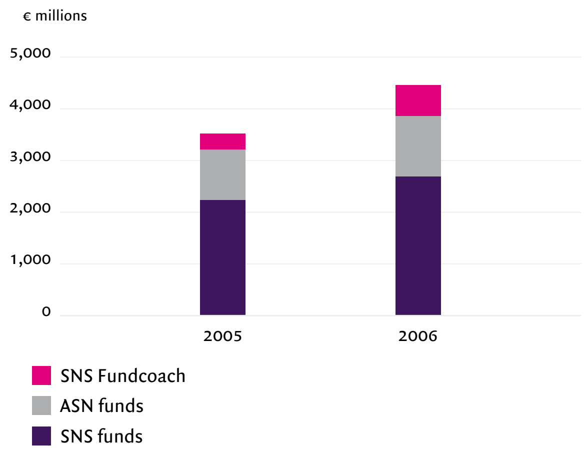
SNS and ASN funds were boosted by the improved performance of a number of funds. The assets under management of ASN Milieu en Waterfonds (Environment and Water Fund) grew spectacularly, tripling to € 112.0 million. The sustainable Orange SeNSe Fund, a fund based on cooperation between SNS Asset Management and Kempen Capital Management, was the best-performing sustainable equity fund in the Netherlands for the fourth consecutive year with an increase of 40.3%.

Investing: something for everyone

Do-it-yourself		With advice		Managed	
SNS Effectenlijn	Fund Account (SNS Fundcoach)	SNS VermogensPrisma	SNS Effecten Adviesdesk	SNS Vermogens-beheer	SNS Managed Account
SNS Effectenlijn (Securities Line), for the active 'do-it-yourself'-investors, for years rated one 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 Securities also contributed to higher income, primarily through an increase in the number of assisted share transactions. SNS Securities is specialised in securities research, institutional brokerage, corporate finance and private asset management, as well as in providing liquidity.

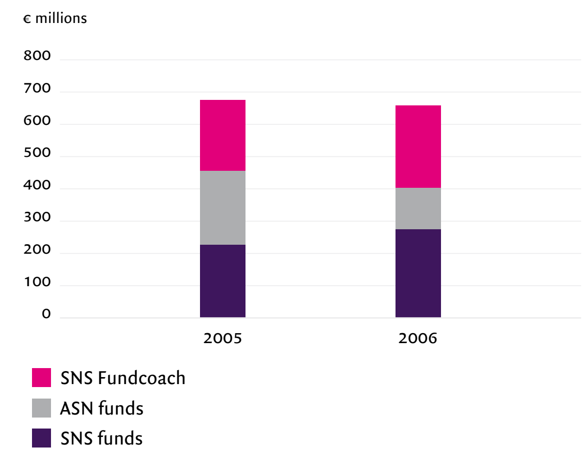
8 Composition of assets under management SNS Bank



Innovation, renewal and expansion

The number of SNS funds remained stable at 15 and the number of ASN funds rose to 7. Many smaller companies are catching up in making their corporate processes sustainable. For this reason, ASN Bank added the ASN Small & Midcap Fonds in April to its ASN funds range. When investing for savings accounts and investment funds, ASN Bank only chooses companies, organisations and administrations that meet the investment criteria for a sustainable society. The bank uses unequivocal admission and exclusion criteria. These can be found at www.asnbank.nl.

9 New inflow investment funds SNS Bank



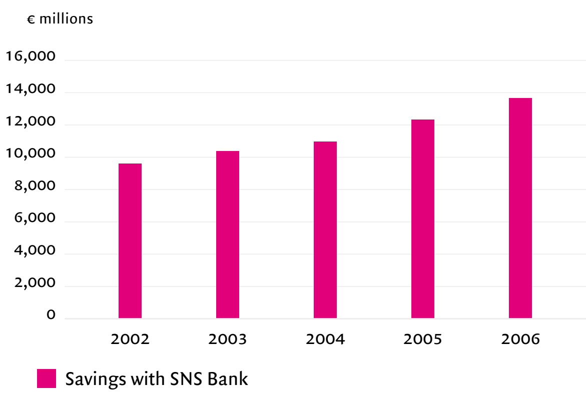
SNS Bank and ASN Bank were the first fund providers in the Netherlands to offer a total cost ratio for their funds. Previously, management fees and other costs were billed separately. From 1 January 2007, the management costs will be calculated based on one total cost percentage. As a result, the level of cost is made completely transparent for investors.

SNS Securities gained access to the biotechnology niche with the takeover of Van Leeuwenhoeck Research. This company is specialised in fundamental research and value analysis of biotechnology companies and in advising investors looking to invest in this type of company.

Savings

The average savings of account holders in the Netherlands is among the highest in Europe. In 2006, the total savings account balances increased in the Netherlands from € 211 billion to € 220 billion (+4.3%). Including accrued interest, the cumulative savings balances of SNS Bank, ASN Bank and CVB Bank rose to € 13.7 billion (+10.9%). ASN Bank contributed € 615 million (+31%) to this growth; CVB Bank contributed € 164 million (+10%). The combined market share rose from 6.0% to 6.3%. The growth was mainly the result of our SNS Spaarmix product, for which almost 79,000 new savings accounts were opened in 2006. In addition, the ASN Bank products and a number of new, innovative savings methods made important contributions. The total number of savings account (withdrawable on demand) at SNS Bank, ASN Bank and CVB Bank rose from 1,805,548 to 1,952,574 (+8.1%).

10 Savings with SNS Bank

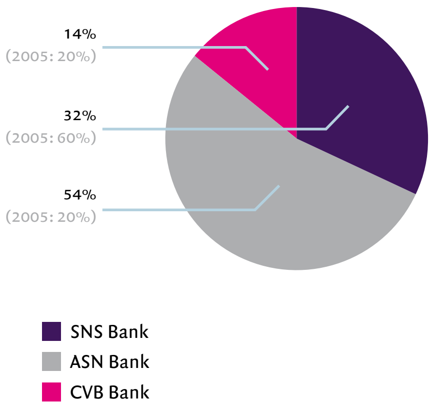


The considerable contribution to growth of ASN Bank and the growth in the total number of clients to 318,000 (+20.5%) confirm the formula's strength. Increasing numbers of consumers are looking to sustainable savings and investment, particularly if they also include high interest rates, good savings and investment fund performances and/or fiscal benefits. ASN Bank is the clear market leader in sustainable savings and investment. The quality of the sustainability analyses of companies, the associated explanations on the site and the product development and marketing communications in which there is frequent cooperation with social organisations are distinguishing characteristics on the market.

Innovation, renewal and expansion

With SNS Maxisparen (Maxi Savings), SNS Bank has introduced a savings account with a fixed, limited monthly deposit and a high interest rate of 4%. ASN Bank, CVB Bank and REAAL Banking Services introduced similar accounts under their own labels. A new, innovative savings method was Mazzelsparen (Lucky Savings), an account with a monthly chance of doubling the balance or winning a lottery prize. Account holders receive interest and compete each month for the 'balance doubler' and various other cash prizes. Mazzelsparen capitalises on some consumers' need to make saving more adventurous. ASN Bank has also introduced the ASN Optimaal account, making it possible for ASN clients to save and invest in ASN investment funds through a single product. At the end of 2006, SNS Bank was the first in the Netherlands to introduce a talking digipas. This special device makes it possible for the 625,000 Dutch visual impaired to bank and to invest by the internet safely. The device is also useful for the elderly and those physical impaired. The talking digipass provides our target group with independent access to our products. It also gives SNS Bank better access to this target group.

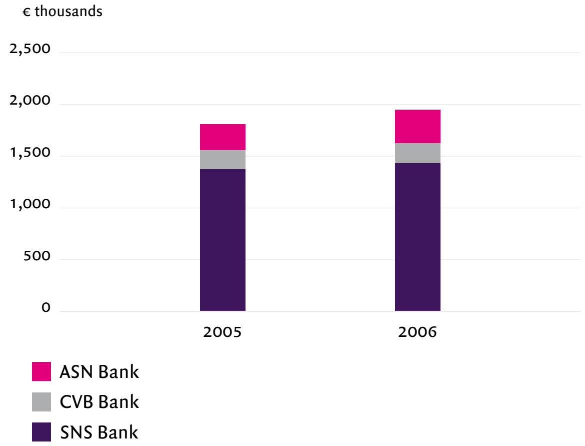
11 Composition net increase in savings SNS Bank 2006



The talking digipass is a new example of uniting responsible and commercial entrepreneurship, an important feature in the way SNS Bank does business. SNS Bank was awarded the Fakkel Prize for 2006 by the Chronisch zieken en Gehandicapten Raad (Chronically Ill and Handicapped Council) for this innovation. Other, smaller innovations included live music at cash points, online savings options and calculation modules and other adaptations that make saving, investing and payments through the internet easier and more user-friendly.

Together with development aid organisation OxfamNovib and a number of other partners, ASN Bank set up Triple Jump. Using western capital, Triple Jump supports organisations in their microfinancing through the contribution of knowledge, funding and donations in kind. Triple Jump is also charged with the disbursements of various other funds, including the ASN Novib Fonds.

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



ASN Bank intensified its cooperation with Greenpeace and Amnesty International. Clients can open an account at ASN Bank via www.sparenvoordenoordzee.nl. With each new account, € 10 is donated to Greenpeace, and the proceeds are used for setting up sea reserves in the North Sea. In cooperation with Amnesty International, ASN Bank adapted investment criteria for human rights, which will come into effect in 2007. ASN Bank organised the Dag van het Ethisch Beleggen (Ethical Investment Day) for the eighth time. This time it was dedicated to 'the positive future'. Discussions included talks about nuclear fusion as an opportunity for solving our energy issue and on the importance of personal and inspiring leadership.

Property finance

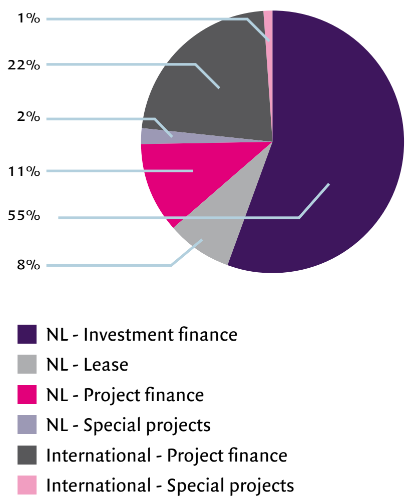
With the acquisition of Bouwfonds Property Finance, SNS Bank acquired a portfolio of property finance activities worth € 8.8 billion (year-end 2006). The activities of Bouwfonds Property Finance have been consolidated since 1 December 2006 and continued under the name SNS Property Finance.

The effects on the results of SNS Bank in 2006 were limited. The acquisition offers access to many new customers in the property finance market and supports our growth in the SME markets. The existing portfolio of larger commercial mortgages that is currently still part of the product group mortgages at SNS Bank will be moved to SNS Property Finance in 2007.

Activities SNS Property Finance

SNS Property Finance has specialist financial knowledge in the area of commercial real estate. The activities consist of project financing, investment financing and real estate equity participations. SNS Property Finance also offers assistance in sale-and-leaseback transactions for removing corporate real estate from the balance sheet as well as structured, tailored solutions for complex financing issues in the Netherlands and abroad. In the Netherlands, SNS Property Finance is one of the largest real estate financiers. Over 23% of its portfolio relates to foreign participations and projects, mainly in Germany, Belgium, France, Spain, Portugal, Denmark and North America. The majority of these transactions relate to foreign activities by our Dutch clients. The expertise and confidence that SNS Property Finance inspires in the market could also contribute to the growth of SNS Bank in the retail market for commercial mortgages.

13 Volume of property finance portfolio SNS Property Finance 2006



Growth in loan production

In 2006, the international market for property finance grew steadily, boosted by ongoing demand from the investment market. The total loan production of SNS Property Finance grew from € 3.5 billion to € 3.8 billion (+8%).The impact of an uncertain sales period in the first half of 2006 affected the loan production. There was stiff competition in the commercial financing markets.

Nevertheless, the lagging production in the first half of 2006 was completely made up for, particularly in the last quarter of 2006.

The increased demand for investment financing played an important role in the increase of production at SNS Property Finance. Partly due to this demand transaction volume was high, which served as a base for SNS Property Finance's financing potential. Investors showed a marked preference for a short-term horizon. The average turnover rate in the investment financing portfolio, which is the time that passes between granting a loan and it being redeemed, thus increased.

International activities

A portfolio of approximately € 2 billion has been built up outside the Netherlands. It concerns mostly project financing. The geographical spread of the international portfolio remained largely unchanged in 2006. SNS Property Finance will continue the successful strategy of international growth that was initiated by Bouwfonds Property Finance.

Risk Management

SNS Bank operates on the basis of a sound balance between risk and return, while aiming at a moderate risk profile. Our risk profile is determined by our focus on retail and SME customers, the Dutch market and the two core product groups: mortgages and property finance & savings and investments. The risk management policy of SNS Bank forms an integral part of the risk management policy of SNS REAAL, as described in this chapter.

SNS Bank regards risk management, capital management, pricing and portfolio management as key pillars that underpin its strategy of structural value development. Also after the acquisition of SNS Property Finance, SNS Bank managed to maintain a healthy balance between return and risk.

Developments in risk profile

The risk/return ratio was positively affected in 2006 by:

- Listing in May. This gave us better access to the capital market and more flexibility in raising capital.
- Greater diversity in income. The acquisition of Bouwfonds Property Finance increased the diversity of the product portfolio and the composition of income.
- The acquisition of Bouwfonds Property Finance. The real estate financed by SNS Property Finance is mostly collateralised, leased to private individuals and small and medium-sized entities. As a result, the risk profile is moderate and the margins obtained are higher than those from mortgages to retail customers.
- An increased focus on SME customers, in particular through corporate mortgages.
- Reduced usage of capital for mortgages, partly by managing the mortgage book on a lean and mean capital base, for example by use of securitisation.
- Flatter yield curve: since the yield curve has become almost flat, SNS Bank has reduced its interest rate position.

The risk/return ratio was negatively affected in 2006 by:

- Mortgage rate competition, which led to volume-driven, rather than price-driven strategy for a number of important product lines.
- New regulations, that entailed high implementation costs for financial institutions. The (final) text of these regulations usually becomes available only a short time before they become effective. Moreover, there is the risk that new regulations will lead to different interpretations by clients, supervisory authorities and SNS Bank, which might have a negative effect on our reputation.

Developments in Risk Management organisation

The main changes in SNS REAAL's risk management organisation resulted from the acquisition of Bouwfonds Property Finance. The existing risk management organisation of Bouwfonds Property Finance was integrated into SNS Bank's and SNS REAAL's organisation.
The management of general risks (interest rate, funding, liquidity management, capital management, reputation and operational risks) have been integrated into the organisations of SNS Bank and SNS REAAL. With regard to client-related risks, such as credit risk, CDD (customer due diligence) and the duty of care, the specific nature of property finance activities has been taken into account in the design of the risk management model. These client-related risks are managed by SNS Property Finance itself, within the frameworks currently in place at SNS Bank and SNS REAAL.

Since advisory and client management play an important part in SNS Property Finance's business model, risk management is closely related to the sales process. That is why client-related risks are evaluated and managed by SNS Property Finance's own risk management department. The main changes in the risk management organisation were:

- The establishment of a group-wide Integrity & Compliance Committee, chaired by the Chairman of the Executive Board of SNS REAAL. The goal of the Integrity & Compliance Committee is to maintain the desired level of integrity, as set by the Executive Board of SNS REAAL.
- The merger of the Operational Risk Management and Compliance departments into a new group staff department Compliance and Operational Risk Management (C&O), enabling more focus on, and better control of, non-financial risks, including integrity risks. It also permits better compliance with the increased regulatory requirements.
- The establishment of a credit committee for SNS Property Finance, which includes representatives of SNS REAAL's Executive Board and the Management Board of SNS Bank. Its first task was to set new credit

approval authorities. These have meanwhile been adopted.
- The creation of an ALCO for SNS Property Finance. Its main duty is to manage the company's interest rate and currency risk profile. Like the other ALM committees, this committee advises management. SNS Bank's Management Board manages, and if appropriate, adjusts, the overall interest rate exposure, including that of SNS Property Finance.
- The expansion of the integrated Basel II programme for SNS Bank with SNS Property Finance.

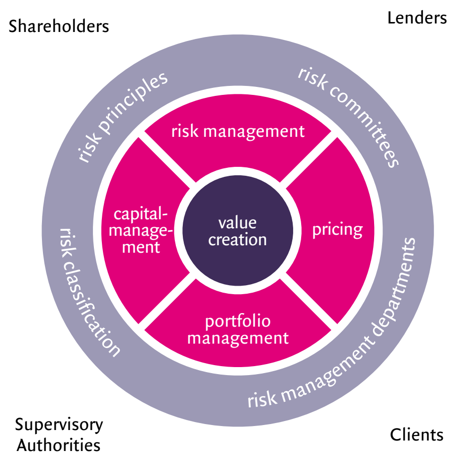
Structural value creation through Risk Management

SNS REAAL aims for structural, long-term value creation on an entrepreneurial basis. SNS REAAL wants to create value, for its shareholders and other stakeholders, subject to the preconditions of a moderate risk profile and sound risk management. In this way the company will be able to fulfil its obligations towards its clients and other creditors. SNS REAAL aims to be transparent in the way it organises risk management and promotes structural value creation.

The four key outside stakeholders in terms of adequate risk management and structural value creation are the shareholders, clients, supervisory authorities and lenders.

SNS REAAL distinguishes the components of the risk management organisation on the one hand, and the activities aimed at structural value creation on the other hand. Figure 14 shows the components of the risk management organisation and the activities that play a role in creating value in the long term.

14 Value creation by risk management



Risk management organisation

The risk management organisation serves to keep SNS REAAL's risk profile at the desired moderate level and to enable the structural value creation framework to function properly. The risk management organisation consists of the following components, which will be discussed in the following paragraphs: Risk principles (key principles and roles and responsibilities), Risk committees (advice and decision-making committees for line departments), Risk management departments (staff departments for management and advice), and Risk classification (various risk categories).

The following components, which are shown in the 'shell' in figure 14, enable the four activities that are aimed at creating value, the essence of this process. The components will be discussed in the following paragraphs: Capital Management, Pricing, Portfolio Management and Risk Categories.

Risk principles

SNS REAAL aims to act as an entrepreneur whilst maintaining a moderate risk profile through a sound balance between risk and return. The implementation of risk management must be focused on maintaining this moderate risk profile.

For the benefit of its risk management organisation, SNS REAAL has defined a number of core principles:
- SNS REAAL aims for at least a solid A-rating with the rating agencies. This goal also determines the group's risk tolerance in each risk category.
- The risk tolerance in each risk category determines the control objectives, acceptance criteria and codes of conduct.
- SNS REAAL uses a group-wide risk classification to ensure uniform application of the various risk categories.
- Stress analyses and measures have been adopted for the main risks in every business unit.
- The models applied in our risk management are regularly tested.
- SNS REAAL aims for uniformity in the duties and responsibilities in risk management, in regard to which risk owners have been appointed for each identified risk.

In the context of adequate risk management, a clear division of roles and responsibilities has been made. The Executive Board of SNS REAAL has ultimate responsibility for risk management. The Chief Financial Officer of SNS REAAL has been appointed as the Chief Risk Officer of SNS REAAL. Members of the Executive Board of SNS REAAL and the Management Board of SNS Bank have been appointed as risk owners who are responsible for defining and implementing the risk policy in the specific risk areas.

A number of risk committees and risk management departments, appointed by the Executive Board of SNS REAAL, function both at SNS REAAL level and at bank level. These risk committees have clearly defined duties, responsibilities and powers. Risk management is often delegated to these risk committees. These committees consist of staff from the line management and the risk management departments.

SNS REAAL distinguishes three risk management responsibility levels:

- The line organisation, which is responsible for the risk and its management;
- The risk management departments, which advise line management and monitor positions;
- The internal auditor (the Group Audit Department), which reviews the proces and performance of the risk organisation.

Figure 15 shows the relationships between the risk committees and risk management departments in SNS REAAL's risk management organisation.

15 Structure Riskmanagement organisation

Risk supervision: **Supervisory Board**
Audit Committee

Risk policy: **Executive Board of SNS REAAL**

Risk management: **Risk committees / Risk management departments**
SNS REAAL Risk Policy Committee
ALCO Group
Integrity and Compliance Committee

Management Board
SNS Bank Risk Policy Committee
Risk Management Committee
REAAL Verzekeringen
Price Risk Committees
Credit Committees
Operational ALCOs

Risk committees

The Supervisory Board has installed an Audit Committee from its members. The duties of this committee include overseeing the quality and work of the organisation and risk management operations. The Audit Committee evaluates the structure and performance of the risk management organisation and obtains relevant information from the Executive Board of SNS REAAL. In addition, it receives information from the internal auditor, the external auditor, and the certifying actuary. Once a year, the Audit Committee meets with the internal auditor and the external auditor without the Executive Board of SNS REAAL being present. The Audit Committee prepares for the decision-making in the Supervisory Board on relevant issues.

The SNS REAAL Risk Policy Committee consists of the Executive Board, the director of Balance Sheet & Risk Management, the director of Legal Affairs and the director of Compliance & Operational Risk. This committee sets the strategic risk policy, sets up the group-wide risk management organisation and translates SNS REAAL's risk tolerance ('risk appetite') into standards and limits for the various risks, subject to which the entities can operate. In addition, it sets the mandates for the other risk committees.

The SNS REAAL Asset & Liability Committee (Group ALCO) manages the balance sheets of the Bank, the Insurer and the Group. The Group ALCO consists of the Executive Board of SNS REAAL, the CFOs of SNS Bank and REAAL Verzekeringen, the director of Balance Sheet & Risk Management, the head of Asset & Liability Management and the director of SNS Asset Management. Operational ALCO's within SNS Bank, SNS Property Finance and REAAL Verzekeringen prepare decisions, take decisions within their mandates and see to the implementation of the decisions of the Group ALCO.

SNS Bank's Risk Policy Committee consisting of the members of the Management Board of SNS Bank, is a risk committee that manage risks at operational level within the mandates set by the SNS REAAL's Risk Policy Committee.

At SNS Bank, credit decisions are taken by the Bank Credit Committee. Made up of its Management Board, this committee advise on credit limits, counterparty limits and the acceptance of large items. The Risk Committee Property Finance consists of the CFO SNS Bank, the CFO SNS REAAL, the CEO SNS Bank and the CEO, Credit Manager and director of Risk Management of SNS Property Finance.

The Bank Price Risk Committee, with representatives from product management, sales, service centres, Management Accounting and Balance Sheet & Risk Management, gives advice on client rates and is also responsible for managing the mortgage portfolio.

The objective of the Integrity and Compliance Committee is to bring about and embed the desired integrity of SNS REAAL as determined by the Executive Board. This committee is chaired by the chairman of the Executive Board. The other members are the CFO, also CRO, of

SNS REAAL, the portfolio-holder product management of REAAL Verzekeringen and several group staff directors (LA, CA and CORM).

Risk management departments

The group staff departments mentioned below advise on risk management and report on the risk profile. They do so group-wide, promoting efficiency and uniformity. The risk management departments operate as shared service centres for the banking and insurance operations. The directors of these group staff departments report hierarchically to the Executive Board of SNS REAAL and functionally to the responsible officers at the Bank and the Insurer. Aside from drawing up definitions and policy, they are responsible for modelling, measuring, monitoring, reporting and advising with respect to risks.

Balance Sheet & Risk Management

Balance Sheet & Risk Management supports the Executive Board of SNS REAAL and the Management Board of SNS Bank in:

- Determining the desired risk profile.
- Measuring the valuations 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 fitting in with the desired risk profile.
- Asset and liability management.
- Funding and capitalisation.
- Portfolio management and credit risk modelling.

Compliance & Operational Risk Management (CORM)

CORM advises the Executive Board of SNS REAAL, the Management Board of SNS Bank and management on managing non-financial risks. Non-financial risks are related to either human behaviour or organisational processes. Important duties of this department include offering advice on and promoting ethical conduct within the organisation and coordinating activities with regard to operational risk management.

Local compliance officers have been appointed in SNS REAAL's main business units; they report functionally to the director of CORM. The independent position of the compliance officers is guaranteed in a charter adopted by the Executive Board of SNS REAAL.

Legal Affairs (LA)

Legal Affairs prepares policy and supports operations for risk management; its main duties 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.

The directors of CORM and Legal Affairs report directly to the chairman of the Executive Board of SNS REAAL.

Credit Risk Management (CRM)

Credit Risk Management, a department of SNS Bank, focuses on policy preparation and operational support for credit risk management. The director of Credit Risk Management reports directly to the CFO of SNS Bank. Special Credits department Business and Special Credits department Retail are also part of the Credit Risk Management department. Credit Risk Management's main responsibilities are to:

- Analyse the SME credit recommendations and advise the responsible officer or Credit Committee.
- Administer and manage the loan facilities and collateral for SME credit.
- Manage and settle retail and SME loans.
- Prepare and establish SME credit policy and the related communication.
- Prepare operational management reports on credit management (CRM Management Information System).

In 2006, the debt management (arrears) of the front office organisation was brought under Special Credits department. Clients are contacted by telephone in order of urgency, based on the risk of default and the loss in case of default.

To SNS Property Finance, credit risk management is crucial, given the relatively large amount of the loans involved. SNS Property Finance has an approval system in place with four levels: tied to (deputy) directors in a business unit, risk committees in the business units of SNS Property Finance, the risk committee of SNS Property Finance, and the statement of no-objections of the Credit Committee of the Supervisory Board.

Finance proposals (other than financing below € 1 million) are subject to a written analysis by Risk Management. Risk Management SNS Property Finance is independently organised and provides an objective opinion on the finance proposal.

Risk decisions, which include but are not limited to entering into joint ventures or other forms of participation, such as equity, mezzanine or participation finance, are always submitted to the Risk Committee SNS Property Finance, which is the highest level.

Internal Control

The Internal Control departments of SNS Bank audit the effectiveness of the control measures in the procedures on behalf of line management. Its findings are 'weighted' against the uniform standard, generating adequate management information in relation to the organisational and process goals.

Internal Audit (IA)

Internal Audit conducts audits for the benefit of the Executive Board of SNS REAAL and Management Board of SNS Bank, with regard to the effectiveness and efficiency of the internal risk management and control system, the effectiveness of the related processing systems and the reliability of management information.

Internal Audit evaluates the structure of the control procedures and reports its findings to the Executive Board of SNS REAAL and Management Board of SNS Bank. The Audit Committee and the Supervisory Board are also informed about the main findings on the quality of the risk management processes by the Executive Board of SNS REAAL.

Internal Audit reports directly to the chairman of the Executive Board of SNS REAAL. In this way, the department is able to perform its activities independently of the business units and the departments of SNS REAAL. In exceptional cases, the director of Internal Audit may contact the chairman of the Audit Committee and the chairman of the Supervisory Board directly.

Internal Audit reports the findings of its audit to the director responsible within the Management Board of SNS Bank; summaries by means of quarterly reports, are provided via the Management Board of SNS Bank to the Executive Board of SNS REAAL and subsequently the Audit Committee.
The functional coordination between the Internal Audit and Internal Control departments of SNS Bank was strengthened in the year under review.

Risk classification

SNS Bank distinguishes the following risk categories for SNS Bank's net asset value, profits and/or business continuity: strategic risk, market risk, credit risk, liquidity risk, operational risk and integrity risk. For a description of the risk categories, reference is made to the paragraph Risk categories and risk management in this chapter.

Activities regarding structural value creation

SNS REAAL distinguishes capital management, pricing and portfolio management as activities that contribute to value creation.

Capital Management

SNS REAAL's capitalisation policy focusses on the optimisation of the capital structure in line with achieving the strategic goals of the company. SNS REAAL's initial public offering increased its strategic flexibility and access to the capital markets.The capital structure is aimed at generating an average earnings growth rate of 10% per share and return on equity in excess of 15%, while satisfying the requirements of De Nederlandsche Bank, European Union (EU) legislation, rating agencies and the internal requirements with respect to capital adequacy.

Solvency standards

Entity	Standard	Internal standard
SNS Bank	BIS-ratio	> 11%
	Tier 1-ratio	> 8%
	Core capital-ratio	> 6%

SNS Bank strives for solvency standards as described in the table 'Solvency standards' above.

In assessing capital adequacy, SNS Bank increasingly takes into account the economic risks of the underlying activities. These are assessed using 'economic capital' and 'stress tests'.

The capitalisation mix – the mix of shareholders' equity, subordinated loans and hybrid forms – is determined by the goal of maintaining a single A rating.

The capital management framework of SNS REAAL can be summarised as shown in figure 16.

The economic capital requirements are estimated as accurately as possible, without an increment for prudence. Stress tests are performed every year to ensure that the economic capital is adequate in stress situations. In the stress test for SNS Bank, carried out in 2005 and 2006, the losses in various stress scenarios were covered by the one year profit.

To assess the quality of capital management, the economic capital requirements are measured against the available capital. If necessary, measures are taken.

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 and to increase the available capital are used for capital management. SNS Bank's capital is a mixture of various kinds of capital, with the emphasis on shareholders' equity. Different bandwidths are applied per entity for the other classes of capital. SNS REAAL is more than capable of capilising its own organic growth in the coming years. Since the initial public offering, SNS REAAL has had an open capital structure and in principle has capitalised its subsidiaries strictly according to internal and external solvency standards. That way, SNS REAAL can manage any surplus capital efficiently.

Each month, SNS Bank makes a twelve-month rolling forecast for its capital requirements. The monitoring makes it possible to take additional measures if necessary, such as securitisation or raising subordinated loans. For example, an additional mortgage loan securitisation was carried out for the acquisition of Bouwfonds Property Finance in order to stay within the capital ratios after the takeover. SNS Bank has excellent access to the financial markets. For more information, reference is made to the chapter on Funding and credit ratings.

Economic capital

SNS REAAL's economic capital requirement reflects the company's risk profile as accurately as possible. For SNS Bank, the economic capital framework is part of the ICAAP (Internal Capital Adequacy Assessment Process). As part of the Supervisory Review Process under Basel II/Pillar II it is up to banks themselves to determine the amount of capital required. SNS REAAL describes the economic capital requirement as the capital necessary to cover the economic risks of all activities within a period of one year. A 99.96% confidence level is applied. SNS REAAL is constantly improving and fine-tuning its internal economic capital models.

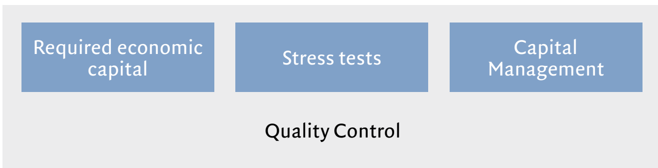
For the internal economic capital framework of SNS REAAL, the required economic capital for SNS Bank on a stand-alone basis is compared with the current regulatory capital, including all eligible elements from the capitalisation mix, which consists of shareholders' equity, subordinated loans and other forms of capital. Conditions set by the supervisory authorities and rating agencies for the composition of the capitalisation mix need to be met. This is in line with conditions set by Basel II for available capital.

For its well-diversified retail portfolio, SNS Bank can suffice with holding much less capital according to economic principles than according to the capital requirements of the supervisory authority. However, the diversification across risk categories may prove lacking in stress scenarios, because of the 99.96% confidence level that is applied in the internal economic capital framework of SNS REAAL. This is taken into account in the qualitative assessment of the capital adequacy of SNS REAAL. Under Basel II, this qualitative assessment will be reflected by a capital requirement under Pillar 2, hence explains the large difference between the economic capital requirement (the most accurate assessment possible) and the regulatory capital in place at, in particular, SNS Bank.

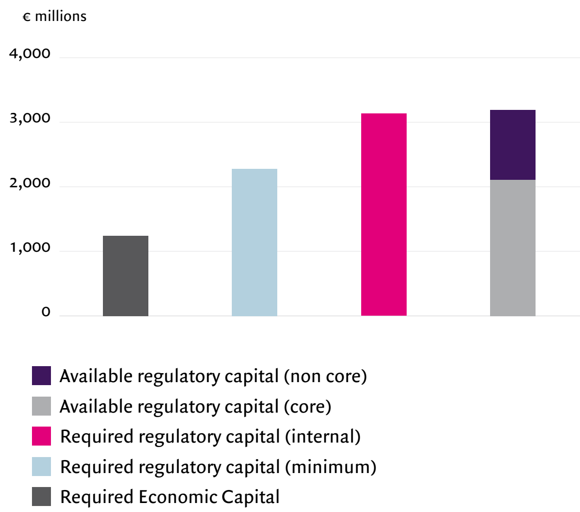
The developments in the risk profile have impacted on the economic capital requirement:

- Increase of economic capital requirement SNS Bank in connection with the acquisition of Bouwfonds Property Finance.
- SNS Bank's ALM position has decreased, in line with the lower interest rate exposure.

16 Capital management framework



17 Available versus required capital 2006

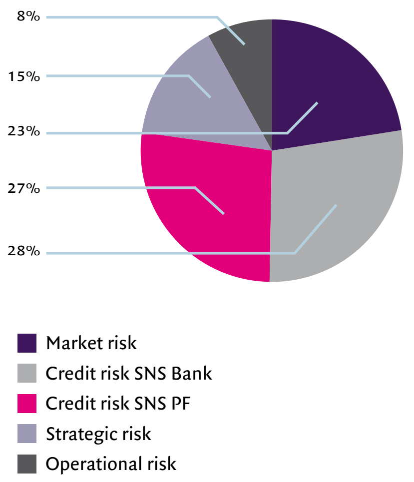


Graph 17 compares the required economic capital with the required and available regulatory capital. SNS Bank improves its internal economic capital models on an ongoing basis, which is why these figures are only indicative as regards the risk profile, and thus as regards the economic capital of SNS Bank. To provide more insight into the SNS Bank's risk profile, graph 18 shows a breakdown of the economic capital requirement (ECAP) per risk category.

SNS Property Finance is integrated in the year-end economic capital figures as follows: The credit risk of

SNS Bank excluding SNS Property Finance and the credit risk of SNS Property Finance are added together. Then diversification is assessed for all risk types, including ALM- and market risk. SNS Property Finance is integrated in the ALM-economic capital.

18 Economic capital by type of risk SNS Bank 2006



By making the trade-off between capital requirements and profit, the appropriate risk return decisions are being made. The economic capital model makes risk attribution to products and risk types transparent and manageable and hence increases the insight in the risk profile of the company.

The conclusion on the basis of the economic capital figures is that SNS Bank is soundly capitalised. The capital base provides a solid foundation for achieving growth both organically and by means of acquisitions.

Pricing

SNS Bank considers disciplined, well-founded and uniform pricing in the market to be a cornerstone of structural value creation in the long term. Our policy in this regard has contributed significantly to our success in recent years. Expected risk and capitalisation costs are important building blocks in this respect. Examples of risks that are taken into account when setting client rates include credit risk for mortgages or mortgage customer behaviour.

Since the anticipated risks as well as capital and organisational costs are accounted for in pricing, SNS Bank can analyse which elements have a positive or negative impact on results. On the basis of the most recent figures, we can subsequently revise client rates, which lowers the risk of offering unprofitable products for a longer period. Actual client rates are set on the basis of advice from the bank's Price Risk Committee. Apart from theoretical rates, market conditions, volume targets, required return and room for special offers are also taken into account.

Portfolio Management

Portfolio management is an important tool for analysing structural value creation in the long term and reducing risks. We continuously evaluate whether the return generated by our product lines and business units merits the related risks and capital utilisation. We also link our results to our economic capital and review the risk/return ratio of each business unit. The acquisition of Bouwfonds Property Finance in 2006 helped to diversify the product portfolio.

The ALM position is also evaluated in the context of portfolio management. SNS Bank has taken the rising trend in long-term interest rates into account when managing their interest rate positions.

Risk categories and risk management

SNS Bank's activities carry various kinds of risk that are inherent to conducting an entrepreneurial business. Risk management at SNS Bank is aimed at identifying, analysing and limiting these risks and while using opportunities within the strategic objectives. In doing so, SNS Bank strives to optimise the risk-return ratio. Risk management concerning market, credit and liquidity risks are described in detail in the risk section in the Annual Accounts 2006 on page 72. In this part of the annual report only a brief qualitative description is given for each risk category.

Strategic risk

Strategic risk is the risk of not achieving goals because there was no or insufficient response to changes in external factors. Possible causes are insufficient efforts to promote core products, a drop in demand for core products, tougher competition or new regulations. SNS Bank records its strategy in a long-term plan. This strategy is revised each year in a process that includes identifying the strategic risks by means of a strategic risk analysis. Implementation of this strategy is closely monitored and frequently reported on.

Market risk

Market risk is the risk of market prices changing to such an extent that they have negative consequences for the company's results and/or net asset value. Market prices include interest rates, equity prices and exchange rates.

Market Risk Profile

Fluctuations in the financial markets – interest rates, equity and bond prices, real estate prices, exchange rates – have an impact on SNS Bank's profit and net asset value. The degree of fluctuation is quantified in the market/ALM risk category. Interest rate risk is a main source of risk in SNS Bank's moderate risk profile. Interest rate risk appears due to the mismatch between asset and liablities on the balance sheet of SNS Bank. In a going-concern situation the assets on the bank's balance sheet have a longer duration than the liabilities. Given its balance sheet structure, SNS Bank usually benefits from a decline in interest rates.

Market Risk – SNS Bank's bank book

As the yield curve in 2006 continued to flatten, in combination with rising short-term interest rates, the interest rate position was further reduced. SNS Bank's exposure to further short-term interest rate hikes was thereby likewise reduced. The ALM position decreased caused by the flattening yield curve and reduced positions. This adjustment did improve the ALM results for the second half of the year compared to the first half. In the last quarter of 2006 the duration of equity was managed between 3 and 4.

Market Risk –SNS Bank's trading book

SNS Bank runs only a limited market risk with its trading book. This risk is calculated on a daily basis and managed via a system of limits. The framework for Value at Risk and stress limits for extreme circumstances also functioned well in 2006. The utilisation rate for both limits was low throughout 2006. The Value at Risk method consists of scenario (Monte Carlo) analyses and stress tests. The underlying scenarios are benchmarked using historical data.

The economic capital requirement for the trading book in 2006 amounted to less than 1% of SNS Bank's total economic capital consumption.

Investment Policy

The market risk represents a large proportion of the total economic capital of SNS Bank. SNS Bank revises its interest rate position every month on the basis of risk profile and interest rate expectations.

Credit Risk

Credit risk is the risk of a debtor defaulting in whole or in part, or of its position deteriorating such that it has a negative impact on the company's results or net asset value.

Credit Risk Profile

SNS Bank recognises various types of credit risk. Mortgages, with a 80% share in terms of exposure, are by far the most important. The risk profile of this credit portfolio is very low. Duties, powers and responsibilities are determined for staff and committees with stepped decision-making powers per credit risk category. These are set out in the policy documents for each credit risk category.

Liquidity Risk

Liquidity risk is the risk that funding, cash and cash equivalents are completely or partly unavailable to such an extent that the group cannot meet its short-term financial obligations. SNS Bank pays ample attention to the management of liquidity risk to ensure the group has sufficient reserves at its disposal and always remains able to meet its financial obligations.

Liquidity risk is important for SNS Bank. The bank has a broad investor base, an extensive range of financing instruments and wide access to the international money and capital markets. In 2006, SNS Bank again combined good access to the financial markets with a stable and low credit spread. The maturity of the financing was as long as possible in 2006, as in 2005. In this context, the organisation benefited from the historically low credit spreads. SNS Bank has the lowest funding costs of all European single A banks. This reflects SNS Bank's successful market relationships and the low risk profile as perceived by the market. In the second half of 2006 and in the run-up to finalising the purchase of SNS Property Finance, SNS Bank temporarily built up an ample liquidity position.

Reference is made to the risk paragraph in the Annual Accounts, page 72 for a quantitative and qualitative description of liquidity risk. For more information reference is also made to the chapter on Funding and credit ratings.

Operational Risk

Operational risk is the risk of incurring losses on account of inadequate or failing internal processes or systems, through insufficient, negligent or criminal behaviour or due to external events. SNS Bank sees operational risk as an integrated part of the line responsibility of each manager, who is supported to this end by specialised group departments. The reduction of operational risk was an explicit goal in the context of risk assessment for corporate governance. These assessments have enhanced the picture of the measures taken to manage risks and at the same time have improved the consistency of these measures.

The definitions and the framework for operational risk management are not only based on the Basel II guidelines for organisations with a standardised approach to the calculation of economic capital, but are also based on the conditions set by the Tabaksblat Code.

To ensure continuity of business processes, the most important systems and data files are recorded in duplicate and the data are copied to two physically separate locations. This reduced the probability of SNS Bank not being able to provide service in the event of a calamity.

Integrity Risk

Integrity risk is the risk that rules governing integrity in conduct, internal standards, the duty of care and legislation and regulations are not adequately observed. SNS Bank views integrity as the quality of the moral judgments it makes in relation to its customers and stakeholders. We say what we do, and we do what we say and put ethical considerations first when taking responsibility for our actions. In our corporate culture, our views on acting with integrity are key.

SNS Bank distinguishes four pillars in its integrity risk management policy: integrity among staff, of products, customers and business partners (such as intermediaries and suppliers). Managing these types of risk is largely tied up with our way of working and corporate culture.

Framework for Business Control

Our entrepreneurial conduct of business is a cornerstone for the long-term success of SNS REAAL. It is expressed in the mission statement as well as the strategic and financial objectives of SNS REAAL, which jointly form the guiding principles in managing the organisation. To a certain extent, they are based on the analysis of strengths and weaknesses as set out on page 7.

The Executive Board of SNS REAAL is responsible for the SNS REAAL's overall business management. The Management Board of SNS Bank is responsible for the day-to-day business management within the policy frameworks established by the Executive Board of SNS REAAL. They endeavour to combine good entrepreneurship, which requires risk-taking, with risk management. In other words, responsible, i.e. controlled entrepreneurship requires good risk management of activities and processes at each level in the organisation. That structure is also described earlier in this chapter.

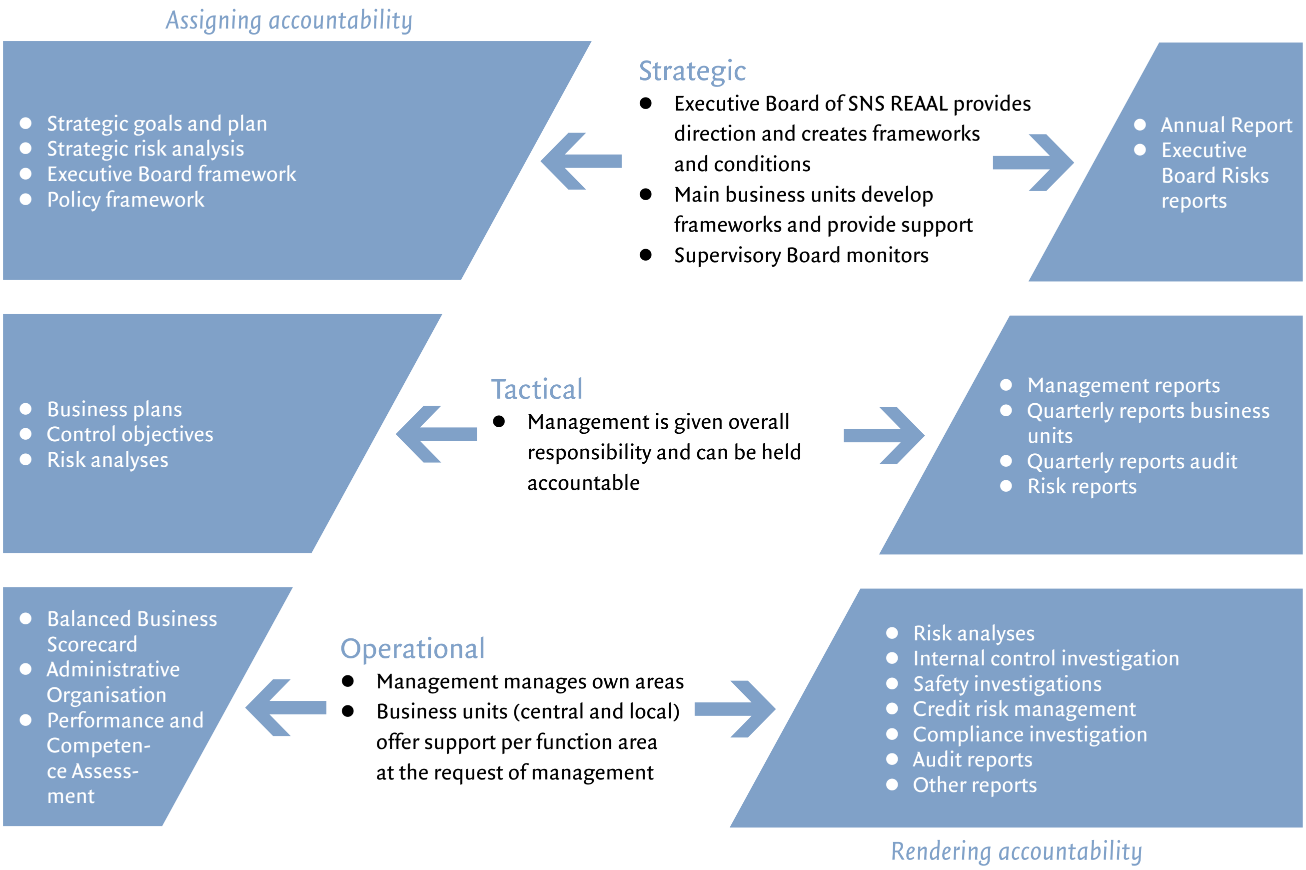
The Management Board of SNS Bank carries primary responsibility for risk management. The second line of risk management is formed by several SNS REAAL staff departments that advise line management on policy and standards, monitor positions and conduct audits on behalf of management. The third and final line of risk management is the independent, internal audit department. This structure is described in the chapter on Risk Management.

The manner in which internal control and policy frameworks function has been outlined in a framework for Business Control developed by SNS REAAL. Comparable to the COSO Enterprise Risk Management system. Its point of departure is that entrepreneurship should be tied to a high level of risk awareness. This is the basis for controlling risk management processes in areas like strategy, operations, integrity (including compliance) and financial reporting. The graph below shows how we do this, the tools we use, and how we ensure at each level that the activities are performed within the prescribed frameworks and are accounted for.

This framework was strengthened in 2006 by further embedding the risk policy in the operational processes. In that regard the formulation of the control objectives is important. These objectives are determined on the basis of the strategy, risk policy, legislation and regulations, and best practices. Key risk indicators are measured, assessed and discussed frequently. This area is one of the major responsibilities of the risk policy committees of the group and the business units.

SNS Bank operates in several financial markets and is thus exposed to movement and change in the factors, such as interest rates and capital markets. This may lead to volatility of the financial results, which may be increased by the IFRS rules. Such volatility may also be caused by operational activities and business unit control. Our risk management system has been structured to address these risks accordingly.

In 2006, the business units conducted a systematic and extensive risk identification and measuring exercise and, where necessary, made improvements to the checks and controls. These analyses were conducted by management after having been set up jointly with senior management. In this, they were supported by specialists from the relevant staff departments. Improvement measures were formulated and scheduled. The periodic audits by the Internal Control and Internal Audit departments provide additional insight into the current extent of risk control. All this resulted in a process of internal risk reporting, from the Management Board of SNS Bank to the Executive Board of SNS REAAL, that ensures transparency in terms of risks and areas for improvement. We derive a reasonable degree of certainty from this structure that risks are recognised and



adequately controlled. The exercise set up in 2006 will be repeated annually, and will focus, among other things, on changes in our operating environment and major changes in processes. Focal areas for 2007 include:

- Customer acceptance, the duty of care in respect of customers and other elements of our integrity policy.
- The risk management structure of SNS Property Finance, which will be further aligned with the risk management policy of SNS Bank.
- The integration of Regio Bank, after completion of the proposed acquisition, and the integration of any other companies that are acquired. SNS Bank has ample experience with integrating acquired operations and monitoring the risks involved.
- Changes in legislation and regulations that require a variety of changes within our organisation. As more and more legal and regulatory provisions become 'principle-based', it becomes increasingly possible to adapt their implementation to the specific market position and identity of SNS Bank. Further integration into the business processes will be a point of attention.

Across the financial reporting process we have established a number of important control measures and reinforced their effect. Where any such measures showed deficiencies in 2006, additional work and control activities have been performed or measures taken to achieve the desired level of certainty. Based on this we have a reasonable degree of certainty that the financial reporting does not contain any inaccuracies with a material impact.

The financial reporting process, including additional activities and the implementation of improvement plans, currently gives no cause to expect that this process will not function properly in 2007. Improvements that will be made in the course of 2007 include activities with regard to:

- sustainable quality and timely availability of source data from the primary processes;
- efficiency of financial closing processes, e.g. by fine-tuning the system of important controls.

SNS Bank examines the organisation of processes in a structured manner and carries out focused improvements in the control of financial accountability. Accordingly, we are conscious of the balance between the relative costs and benefits of risk control measures. When we take risks, we do so driven by our entrepreneurial approach to business in line with our strategy. Consequently, the system of checks and controls we have in place offers a reasonable – but not an absolute – guarantee that there will be no human error, deliberate evasion of control processes by employees or other persons, or overruling of control mechanisms by management.

Organisational changes in preparation of Basel II

Basel II is a regulatory regime under development for the banking industry. SNS Bank is actively preparing for these new regulations. The Bank's Risk Policy Committee is responsible for implementing Basel II. The Basel II Capital Accord, signed in 2004, aims to introduce more risk-sensitive capital requirements. These allow banks – under strict conditions – to use internal risk analysis systems for calculating their minimum capital requirement.

Basel II is based on risk-based supervision. This regime fit in perfectly with the economic capital concept, which is gaining increasing use in the financial world. SNS Bank is preparing for these developments. The capital that banks are required to maintain as a buffer against unexpected losses is still based on the 1988 Basel capital accord. The final text of the new capital accord – known as Basel II – was presented in June 2004. In September 2005, the European Parliament approved the Capital Requirement Directive, which translates the Basel Capital Accord into European regulations. These European regulations formed the basis for the national legislation in the member states. The European regulations were adopted in the Netherlands on 11 December 2006, giving it the force of law. This means that banks may adopt Basel II from 1 January 2007 and will be required to do so from 1 January 2008.

Basel II

Development of internal risk models

With respect to credit risk, SNS Bank has decided to take the Internal Rating Based Approach towards its main credit portfolios: mortgages, SME loans and consumer loans. To this end, SNS Bank is or will be developing internal scoring models to determine PD (probability of default), LGD (loss given default) and the capital requirements for credit risk.

In 2006, SNS Bank started using internal credit risk models for retail mortgages. The final transition to the internal rating approach for retail mortgages in 2007 mentioned above will serve as an important milestone and will enable us to calculate risk-sensitive capital requirements. Internal credit risk models have also been developed within SNS Property Finance and are being used in its risk management processes.

As part of the Basel II programme, internal rating models are also being developed for credit loans in the SME segment. These models will be used in the risk management processes in 2007. Also in 2007, internal scoring models will be developed for consumer loans. An exemption from the development of internal models has been requested from DNB for the remaining product lines.

For reasons of proportionality, SNS Bank has decided to use a standardised approach to market risk.
SNS Bank also uses the standardised approach to operational risk. While implementing this approach, we aim to let our actions align as much as possible with those required to comply with the Tabaksblat Code. When setting up the risk assessment carried out in 2006 in connection with the Tabaksblat Code, the Risk Self Assessments as prescribed by Basel II have been fully taken into account. The results of the Loss Database set up in 2005 (aimed at collecting data about operational incidents that have led to or nearly led to losses) are also used for risk assessments. This gives SNS Bank the opportunity to arrive at a more sophisticated approach, the Advanced Measurements Approach (AMA). However, SNS Bank currently views the standardised approach as a more appropriate and, above all, more prudent basis for calculating the capital requirement of operational risk. Another evaluation will be carried out at the end of 2007 to determine if the implementation of the Advanced Measurements Approach is advisable.

Aside from the minimum capital requirements based on prescribed and modelled risk weighting, SNS Bank is also required to ensure that its other risks and its internal management satisfy the requirements of Basel II. SNS Bank has set up a process for this purpose that it can regularly use to test the adequacy of its capital. With a view to meeting the deadline for reporting according to the new rules, SNS Bank is implementing a new data and reporting system. Calculations recently made as part of Quantitative Impact Study 5 on the basis of Basel II models, and the results from internal computations, show that the new accord does justice to SNS Bank's moderate risk profile.

Measures aimed at compliance

In addition to the developments mentioned above and the development and implementation of internal credit risk models, several measures have been taken to become compliant with Basel II. The effects of using credit risk models on mortgages, and the ways that credit risk models are already being used, are indicated below.

Reporting on risk profile and risk policy

The results of Basel II are set out in internal risk reports and reported to the Executive Board of SNS REAAL, the Supervisory Board and the Management Board of SNS Bank. The results of the internal risk models will be published in the annual report and the annual accounts after De Nederlandsche Bank (DNB) has given its final approval to the internal models. Reporting was already improved in 2006 with regard to IFRS 7 regulations, the notes on implementation of Basel II and the way in which the models will be used to manage credit risk.

Portfolio management and economic capital

Within portfolio management, the Basel II models have been integrated further into the work processes, because of:

- Measuring the performance of internal credit risk models is part of performance management;
- Portfolios are managed partly on the basis of the outcome of internal credit risk models;
- Models are integrated into stress test procedures in order to determine stress scenarios on credit losses;
- Credit risk models are used to calculate economic capital.

Credit acceptance

The development of a new internal model for acceptance scoring was finalised in 2006. This model will become part of the acceptance process in the first half of 2007. From that moment, the experience scores of the credit risk models will be fully integrated into the acceptance process. That way, the acceptance procedures that were put in place for the entire distribution network in 2005 will be further streamlined in the front office and central mid-office.

Arrears Management and Special Credits management

Since 2005, internal credit risk models have been used in arrears management in support of a ranking method for adequate arrears monitoring. In 2006, the procedures in Arrears Management and Special Credit management were optimised further in the framework of the Mortgage Risk Management programme. This has resulted in the following improvements at SNS Bank in 2006:

- Centralisation and concentration of arrears management so that high-risk items can be identified more quickly;
- More uniform and professional procedures for arrears and Arrears Management items;
- Earlier enforcement measures if clients are unable to make payment.

Model validation

In 2006, a special department for model validation was set up within Balance Sheet & Risk Management (BRM). The main focus for now will be the Basel II models that are being and will be developed internally.

Pricing

In 2006, the departments within SNS Bank that calculate product prices were integrated into the portfolio management department. This makes it easier to integrate the Basel II models and set prices that are partly based on risk.

Funding and credit ratings

The goal of the capital market funding activities is to finance and capitalise the bank at the lowest economic cost, limited by the level of risk. The strategy of SNS Bank is based on diversification of funding instruments, investor type and geography.

The funding strategy provides SNS Bank with strong access to capital markets, which enables the organisation to finance its growth at competitive levels. SNS Bank's robust credit profile creates a strong demand for the bank's debt paper.

Diversification of funding instruments

A solid funding policy is essential to finance the bank as economically and diversely as possible. SNS Bank uses several funding instruments (see graph 19). It has at its disposal a € 20 billion Euro Medium Term Note programme (EMTN), under which public and privately placed loans are issued. Privately placed loans can be divided into plain vanilla and structured notes. In 2006, SNS Bank issued € 1.4 billion worth of private placements under the EMTN programme. In 2006, one public loan was placed, a € 1.25 billion Floating Rate Note, which will mature in November 2009. At year-end 2006 the outstanding amount under the EMTN programme was € 16.7 billion. SNS Bank's Australian A$3 billion MTN programme was also used in 2006 through a public subordinated loan of A$400 million (Lower Tier II). At the end of 2006, A$ 1.55 billion was outstanding under this Australian MTN programme. Furthermore, SNS Bank has access to the Schuldscheine market in which private loans are mostly sold to German investors and come with separate loan documentation governed by German law. In 2006, a total of € 315.5 million was issued in this market.

Good access to the short-term money market is very important for prudent cash management. This has been achieved by a € 4 billion Euro Commercial Paper programme and a € 4 billion French Commercial Paper programme. These proved to be very liquid in 2006 and have been very helpful in financing the acquisition of Bouwfonds Property Finance. At year-end 2006, a total of € 2.4 billion of Commercial Paper was outstanding

Securitisation of mortgage loans

Securitisation has become an important funding instrument for SNS Bank. In 2006, two transactions were entered into under the Hermes programme with mortgage loans as collateral. The Hermes programme is among the top-3 of most active securitisation programmes of residential mortgage loans in the Netherlands and has a well-established name in the market. Under Hermes XI and Hermes XII, € 1.5 billion and € 2.2 billion was securitised respectively. Furthermore, SNS Bank carried out for the first time a so called NHG securitisation, which included only those mortgage loans that carry an NHG guarantee. The transaction has a duration of 15 years and very low funding costs. The size of the transaction, which was carried out under the name Pearl, amounted to € 1 billion. At year-end 2006, € 11.2 billion was outstanding by way of mortgage securitisations.

Benchmark bonds

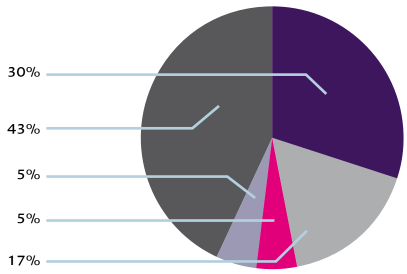
It is SNS Bank's policy to have a number of liquid benchmark bonds outstanding, of € 750 million or more, with different maturities. These benchmark bonds can be actively traded on the European exchanges. SNS Bank's policy enables investors to switch between maturities within the credit curve of SNS Bank. A liquid bond also makes it attractive for institutional investors to invest in an SNS Bank bond. In 2006, the bank placed one benchmark bond of € 1.25 billion. Within the single A financing category, SNS Bank has developed into the benchmark for Europe.

Outstanding benchmark bonds at year-end 2006

€ 1,000 million 6.00%	Oct. 2007
$ 1,000 million FRN	June 2008
€ 1,250 million FRN	Oct. 2009
€ 1,000 million 6.125%	Apr. 2010
€ 800 million FRN	Oct. 2011
€ 500 million 5.625%	June 2011
€ 900 million 4.625%	Feb. 2014

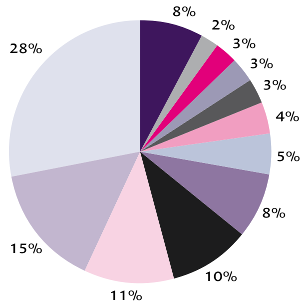
Within the bank's own rating category, the benchmark bonds of SNS Bank have consistently outperformed the iBoxx A financial index and are trading at around the iBoxx index for AA financials. Clearly the market acknowledges the robust credit profile of the bank, resulting in strong demand for SNS Banks' debt securities.

19 Funding instrument distribution 2006



Medium term notes
Commercial Paper
Commercial Deposits
Fiduciary Deposits
Securitisation

20 Regional distribution funding 2006



Other
Netherlands
Norway
Slovak Republic
Switzerland
Hong Kong
Austria
Italy
France
Unknown
UK
Germany

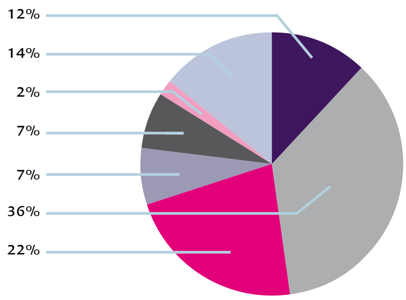
Managing liquidity risk

SNS Bank has a low liquidity risk profile, partly as a result of the good spread of maturities in different markets and currencies. This is acknowledged in the reports of different rating agencies.

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. In March 2007 Moody's long-term rating for SNS Bank improved from A2 to A1. The improvement was the result of the implementation of the joint default analysis, a new way to analyse the impact of the support a bank can receive from her central bank. The positive outlook for SNS Bank maintained by Moody's for two years has been changed to stable. This was due to the announcement of the acquisition of Bouwfonds Property Finance by SNS Bank.

21 Distribution funding to the type of investor 2006



Asset Manager
Bank
Insurance
Investment Fund
Institutional
Other
Unknown

SNS Bank	S&P	Moody's	Fitch
Short term	A-1	P-1	F1
Long term	A	A1	A+
Outlook	Stable	Stable	Stable

Utrecht, 13 March 2007

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

Report of the Supervisory Board

Report of the Supervisory Board

The agenda of the Supervisory Board for the financial year 2006 was dominated by the acquisition of Bouwfonds Property Finance and the proposed acquisition of Regio Bank. In what was a far from easy market, we achieved good results in the year under review. The Supervisory Board would like to thank management and all employees for their commitment in what has been a memorable year for SNS Bank.

Financial statements and dividend

The Supervisory Board discussed the 2006 financial statements drawn up by the Management Board in its meeting of March 2007. The meeting was prepared by the Audit Committee. The external auditors have 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

During the extraordinary general meeting of shareholders of SNS REAAL on 12 October 2006 the number of members of the Supervisory Board was set at eight. On the recommendation of the Supervisory Board, the general meeting appointed two new Supervisory Board members, Messrs R.J. van de Kraats and J.E. Lagerweij.

In accordance with the retirement rota, Mr Den Hoed, Mr Van de Kar and Mr Kortmann will retire on 9 May 2007. The Central Works Council has an enhanced right to make recommendations with respect to one of these vacancies. The Supervisory Board intends to nominate Mr Van de Kar and Mr Kortmann for reappointment for the other vacancies. Mr Den Hoed has stated that he does not wish to be considered for reappointment. The Supervisory Board is particularly grateful to Mr Den Hoed for the contribution he has made to SNS Bank, not only as a supervisory director, but also previously as an adviser to the Supervisory Board.

Composition of the Management Board

Changes occurred in the composition of the Management Board of SNS Bank. Mr G. Van Wakeren has exchanged his position as member of the Management Board of SNS Bank for that of staff director at SNS REAAL. Mr M. Menkveld has been appointed CEO of SNS Property Finance as per December 2006 and will remain on the Management Board of SNS Bank. Due to the changes in position of Messrs Van Wakeren and Menkveld, there is now a vacancy on the Management Board of SNS Bank for Marketing, Sales and Product development. This vacancy has not yet been filled. The Supervisory Board has approved the appointment of Mr M. Straub to the Management Board of SNS Bank in November 2006, where he will be responsible for the intermediary channel. Mr Straub has been appointed as chairman of the Management Board of the merged CVB Bank and, after the expected acquisition of Regio Bank, will become chairman of the new company.

Meetings of the Supervisory Board

The Supervisory Board met ten times in 2006.

Apart from the interim and full-year figures, other topics of discussion included recent developments in the field of legislation and regulation, the quarterly risk reports, the move of SNS Asset Management from SNS Bank to SNS REAAL and the acquisition of Bouwfonds Property Finance and the proposed take-over of Regio Bank. The business units ASN Bank and CVB Bank gave presentations during the regular meetings of the Supervisory Board. Together with the Management Board of SNS Bank, the Supervisory Board paid ample attention to the developments in the bank market and those of SNS Bank. Before discussing the Operational Plan 2007-2009 in the December meeting, the Supervisory Board and the Management Board discussed extensively the strategic future direction of SNS Bank.

During the annual meeting of the Supervisory Board, without the Executive and the Management Boards being present, the Board reviewed its own performance, that of the (Executive) Board and its individual members. Topics discussed included the size and composition of the Supervisory Board, the contribution of individual members in meetings, the frequency of the meetings, the composition of the agenda and the quality of the reports received.

Audit Committee meetings

The Audit Committee currently consists of Messrs Van Heeswijk, Den Hoed and Van de Kraats. Mr Van de

Kraats joined in November 2006 and thus has only been able to attend the December 2006 meeting of the committee. The Audit Committee met six times during the year under review.

The December meeting was mostly devoted to the Operational Plan 2007-2009. The Audit Committee also discussed the annual planning of the Internal Audit department, the litigation statement, the management letter from the external auditors, projects such as the optimisation of financial reporting, the capitalisation and funding plan and the investment plan 2007.
In 2006, the Audit Committee carried out a self-assessment. As a result, it was agreed to hold regular meetings devoted to the transfer of know-how.

The Audit Committee holds once every year a separate meeting with both the internal and external auditors without the other standing members of the audit committee meetings being present. The other standing members are the CEO of SNS REAAL, CFO of SNS REAAL, the external auditors, the internal auditor and the secretary to the Executive Board of SNS REAAL.

Credit committee meetings

The Credit Committee consists of Messrs Bouma, Van de Kar, Muller and Kortmann, and met twice during 2006. Credit applications and reviews are also put to the members of the committee outside meetings. The meetings are used in particular for discussion of the general credit policy. The new approval matrix for SNS Property Finance, for example, was discussed by the Credit Committee and then put to the full Supervisory Board for approval.

Remuneration, Selection and Appointment Committee meetings

The Committee, consisting of Messrs Van de Kar, Bouma, Kortmann and Muller, met four times in 2006. The Committee has finalised a proposal to adjust the remuneration of the members of the Supervisory Board. The appointment of members of the Management Board of SNS Bank is first discussed in the Committee and subsequently presented to the Supervisory Board with the Committee's opinion.

The 2005 Remuneration report was drawn up by the Committee and published on the SNS REAAL website in March 2006 after having been approved by the Supervisory Board.

Proposal remuneration of Supervisory Board members

The Supervisory Board will present a proposal for adjustments to the remuneration of the Supervisory Board members to the general meeting of shareholders of SNS REAAL in May 2007. Because the remuneration of the Supervisory Board is paid by SNS REAAL for further details we refer to above mentioned Remuneration report on the SNS REAAL website.

Contacts with the Central Works Council

The Central Works Council was installed in its new composition in August 2006. Twice a year, a delegation of the Supervisory Board attends the consultation meeting of the Central Works Council and the Executive Board of SNS REAAL. Every year, the chairman and vice-chairman of the Supervisory Board attend the December meeting, where the Operational Plan for the next years is discussed. The other consultation meeting is attended by two other Supervisory Board members in rotation.

Utrecht, 13 March 2007

On behalf of the Supervisory Board,
J.L. Bouma, Chairman

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Consolidated balance sheet

In € millions	31-12-2006	31-12-2005
Assets		
Cash and cash equivalents 1	687	597
Loans and advances to credit institutions 2	3,607	4,118
Loans and advances to customers 3	56,248	45,225
Derivatives 4	804	915
Investments 5	2,038	1,641
Investment property 6	6	--
Investments in associates 7	34	2
Tangible fixed assets 8	163	153
Goodwill and other intangible fixed assets 9	214	12
Deferred tax assets 10	39	85
Corporate tax 11	106	50
Other assets 12	436	300
Total assets	**64,382**	**53,098**
Liabilities and equity		
Savings 13	13,678	12,333
Other amounts due to customers 14	7,019	7,494
Amounts due to customers	20,697	19,827
Amounts due to credit institutions 15	7,299	3,103
Debt certificates 16	30,841	25,465
Derivatives 4	682	939
Deferred tax liabilities 10	97	119
Corporate tax 11	7	--
Other liabilities 17	1,190	1,032
Other provisions 18	24	23
Participation certificates and subordinated debts 19	1,448	1,150
Issued and paid up share capital	381	381
Other reserves	1,592	928
Profit for the year	124	131
Equity attributable to shareholders 20	2,097	1,440
Third party interests	--	--
Group equity	2,097	1,440
Total liabilities and equity	**64,382**	**53,098**

The numbers mentioned with the balance sheet items refer to the notes starting on page 88.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in paragraph 2.4 of the accounting principles for the consolidated balance sheet and the consolidated income statement.

Consolidated income statement

In € millions	2006	2005
Income		
Interest income	2,314	1,996
Interest expense	1,747	1,401
Net interest income 21	567	595
Commission and management fees received	153	138
Commission and management fees due	33	24
Net commission and management fees 22	120	114
Share in the result of associates 23	(1)	1
Result on investments 24	67	26
Result on derivatives and other financial instruments 25	15	33
Other operating income 26	--	(4)
Total income	**768**	**765**
Expenses		
Value adjustments to financial instruments and other assets 27	36	50
Staff costs 28	283	258
Depreciation and amortisation of tangible and intangible fixed assets 8/9	25	27
Other operating expenses 29	173	172
Total expenses	**517**	**507**
Operating profit before taxation	**251**	**258**
Taxation 30	37	54
Net profit for the year	**214**	**204**
Attribution:		
Net profit attributable for shareholders	214	204
Net profit attributable to minority interests	--	--
Net profit for the year	**214**	**204**
Net earnings per share (in €) 31	255	243
Diluted net earnings per share (in €) 31	255	243
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 101.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in paragraph 2.4 of the accounting principles for the consolidated balance sheet and consolidated income statement.

Consolidated statement of changes in equity

In € millions	Issued and paid up share capital	Share premium reserve[1]	Revaluation reserve[2]	Fair value reserve[3]	Other reserves[4]	Profit for the year	Total equity
Balance as at 1 January 2005	381	88	2	--	752	90	1,313
Implementation of IAS 32/39	--	--	--	38	(57)	--	(19)
Transfer of 2004 net profit	--	--	--	--	90	(90)	--
Unrealised revaluations	--	--	1	20	--	--	21
Realised revaluations through equity	--	--	(2)	--	--	--	(2)
Realised revaluations through income statement	--	--	--	(6)	--	--	(6)
Other changes	--	--	--	--	2	--	2
Amounts charged directly to equity	--	--	(1)	52	35	(90)	(4)
Net profit 2005	--	--	--	--	--	204	204
Net profit	--	--	--	--	--	204	204
Dividend paid	--	--	--	--	--	(73)	(73)
Transactions with shareholders	--	--	--	--	--	(73)	(73)
Total changes in equity 2005	--	--	(1)	52	35	41	127
Balance as at 31 December 2005	**381**	**88**	**1**	**52**	**787**	**131**	**1,440**
Transfer of 2005 net profit	--	--	--	--	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 tax rate	--	--	--	(1)	--	--	(1)
Amounts charged directly to equity	--	--	5	(71)	130	(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 changes in equity 2006	--	600	5	(71)	130	(7)	657
Balance as at 31 December 2006	**381**	**688**	**6**	**(19)**	**917**	**124**	**2,097**

For further information, please refer to the separate statement of changes in equity in the notes to the Company balance sheet of SNS Bank (page 105).

[1]) The share premium reserve includes the paid-up capital that has been paid as an addition to the nominal value of the shares issued.
[2]) The revaluation reserve concerns land and buildings for own use.
[3]) The fair value reserve comprises the accumulated net change in the fair value of investments available for sale.
[4]) The other reserves consist of retained profits after profit appropriation.

Consolidated cash flow statement

In € millions	2006	2005
Cash flow from operating activities		
Net profit for the year	214	204
Adjustments for:		
- Depreciation and amortisation of tangible and intangible fixed assets	27	27
- Changes in provisions and deferred taxes	22	57
- Value adjustments to financial instruments and other assets	36	50
- Retained profit share in associates	1	--
Operating cash flow	**300**	**338**
Change in loans and advances to customers	(3,044)	(3,013)
Change in loans and advances to credit institutions	(3,096)	(832)
Change in savings	1,345	1,360
Revaluations and exchange rate differences in investments and derivatives	(435)	(260)
Revaluations and exchange rate differences in debt certificates	(305)	323
Change in other operating activities	(50)	55
Net cash flow from operating activities	**(5,285)**	**(2,029)**
Cash flow from investing activities		
Receipts from the sale of goodwill and intangible fixed assets	1	--
Receipts from the sale of tangible fixed assets	8	23
Receipts from the sale of subsidiaries	--	4
Income from the sale and redemption of investments and derivatives	1,023	800
Purchase of goodwill and intangible fixed assets	(7)	(5)
Purchase of tangible fixed assets	(39)	(33)
Purchase of subsidiaries	(831)	--
Purchase of investment property	(1)	--
Purchase of investments and derivatives	(1,337)	(804)
Net cash flow from investing activities	**(1,183)**	**(15)**
Cash flow from financing activities		
Share premium received	600	--
Receipts from subordinated loans	387	100
Receipts from debt certificates	14,295	9,614
Redemption of subordinated loans	(79)	(108)
Redemption of debt certificates	(8,555)	(7,721)
Dividend paid	(90)	(73)
Net cash flow from financing activities	**6,558**	**1,812**
Cash and cash equivalents as at 1 January	597	829
Net increase in cash and cash equivalents	90	(232)
Cash and cash equivalents as at 31 December 1	**687**	**597**
Additional disclosure with regard to cash flow from operating activities		
Interest income received	2,290	2,045
Interest paid	1,588	1,445

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in section 2.4 of the accounting principles for the consolidated balance sheet and the consolidated income statement.

Accounting principles for the consolidated financial statements

1 General information

SNS Bank N.V., established and domiciled in the Netherlands, is a limited liability company incorporated under the laws of the Netherlands. SNS Bank is a wholly owned subsidiary of SNS REAAL N.V. and is a group entity of SNS REAAL. SNS Bank is legally registered at Croeselaan 1, 3521 BJ Utrecht.

A number of corporate staff departments of SNS REAAL are shared. SNS REAAL charges he costs of the corporate staff department on the basis of the services provided, and in those cases where this cannot be reasonably done, proportionally allocated to SNS REAAL's subsidiaries. The costs of SNS REAAL's Executive Board and other specific company costs are not allocated to subsidiaries.

The consolidated financial statements of SNS Bank (referred to as the 'Group' or 'SNS Bank') comprise the subsidiaries that are controlled by SNS Bank and the interest of SNS Bank in associated entities.

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

2 Basis of preparation

2.1 Statement of IFRS compliance

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

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

2.2 Application dates

IFRS offers the opportunity to adopt certain standards prior to their required date. SNS Bank will adopt IFRS 7 'Financial instruments: Disclosures' and IFRS 8 'Operating Segments' starting January 1, 2007. The adoption of IFRS 7 and IFRS 8 will impact the type and amount of disclosures made in the financial statements, but will have no impact on the reported profits or financial position of the Group.

2.3 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 2004 key figures have been restated for IFRS, excluding IAS 32 'Financial instruments: disclosures and presentation', IAS 39 'Financial instruments: recognition and valuation. The 2003 and prior year key figures have not been restated for IFRS.

The group entities have consistently applied the accounting principles.

Several accounting methods have been used for these financial statements. Fair value is used for land and buildings in own use, investment property, investments classified as fair value through profit and 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.

The consolidated financial statements have been prepared in millions of euros (€).

2.4 Changes in principles, estimates and presentation

2.4.1 *Changes in presentation*

As at 2006 SNS Bank has decided to present the item Corporate tax on the balance sheet. Previously, this item was broken down in the notes to Other tax receivables. The Other taxes, previously recorded under Other tax receivables, are now presented under Other assets.

The items 'mortgage loans to customers' and 'other loans and advances to customers' have been merged into 'loans and advances to customers'. The acquisition of Bouwfonds Property Finance has resulted in a different presentation of 'loans and advances to customers'. This presentation is now part of the notes to this balance sheet item.

The share in the result of associates is presented under income, as is customary in the industry.

The comparative figures have been restated for all the changes mentioned above.

2.5 Principles of consolidation

2.5.1 *Subsidiaries*

Subsidiaries, i.e. the companies and other entities (including the so-called 'special purpose entities') whose financial and operating policies SNS Bank can directly or indirectly control, are included in the consolidation. This is usually the case if SNS Bank owns more than half the voting power or if SNS Bank can otherwise exercise control.

Subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The financial statements of these subsidiaries are fully consolidated, with uniform accounting principles being applied. Third-party interests are presented separately in the consolidated balance sheet and income statement.

2.5.2 *Joint ventures*

Joint ventures are entities over which the Group has joint control. This control has been agreed in a contract and the strategic decisions on the financial and operational policy have to be taken unanimously. In the financial statements, these entities are included in line with the investments in associates (see 3.7), from the date that SNS Bank first has joint control until the date that control ceases.

2.5.3 *Investments in associates*

Investments in associates are those entities in which SNS Bank has significant influence on the operational and financial policy, but no control. In general, accompanying voting rights of 20% to 50%.

The consolidated financial statements include the Group's share in the total results of non-consolidated investments, from the date the Group gains significant influence to the date significant influence ceases.

A number of investments in associates and joint ventures hold commercial real estate projects, as well as housing projects under construction or under development. Property under development for third parties is measured at the sum of direct costs incurred up to the reporting 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 where this is a specifically negotiated contract is measured at the percentage of completion method, the Group will recognise the profits in proportion to the stage of completion.

Expected losses are immediately recorded in the income statement. Commercial real estate and homes held for sale are measured at cost price or lower fair value less costs to sell, this is the estimated selling price under normal circumstances, minus the relevant variable selling costs. If the fair value is lower than the book value, an impairment is recognised in the income statement.

2.5.4 *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 share interests in these entities.

SNS Bank includes these SPEs in full in its consolidated 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.

2.5.5 *Elimination of transactions at consolidation*

Intra-group transactions, intra-group relationships and unrealised gains on transactions between group companies are eliminated.

Unrealised gains on transactions between SNS Bank and its investments in associates and joint ventures are eliminated for the share of SNS Bank in these investments. Unrealised losses are eliminated in the same way as unrealised gains, but only insofar as there is no indication of impairment.

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

The preparation of the consolidated financial statements requires SNS Bank to use estimates and make assumptions that could affect the reported assets and liabilities and the contingent assets and liabilities as at the date of the consolidated financial statements, and the reported income and expenditure for the period under review. It concerns particularly 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, the actual results can ultimately differ from the estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised if the revision only impacts the period in question, or in the period of revision and future periods if the revision impacts both the reporting 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.

2.7 Accounting at trade date and settlement date

All purchases and sales of financial instruments made 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 carried as forward transactions (derivatives) until they are settled.

2.8 Offsetting of financial instruments

Financial assets and liabilities are offsetted and the net amount presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts, and there is an intention to settle the items on a net basis, or to realise the asset and settle the liability simultaneously.

2.9 Translation of foreign currencies

Upon initial recognition, transactions in foreign currencies are translated into euros at the exchange rate at 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 in foreign currency are recorded in the income statement account under Result on investments or Result on derivatives and other financial instruments, depending on the balance sheet item to which they relate. However, if the balance sheet item is part of cash flow hedge accounting, the exchange rate differences are booked to equity.

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 equity, are incorporated in equity. Non-monetary items measured at historical cost are translated at the exchange rate applicable on the initial transaction date.

2.10 Information by segment

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

The two primary business segments of SNS Bank are Retail Banking and Property Finance. More information on the different segments can be found in the paragraph Information by segment.

3 Specific principles balance sheet

3.1 Cash and cash equivalents

Cash and cash equivalents include the unrestricted balances with De Nederlandsche Bank and other banks. Unrestricted balances 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 amounts due to credit institutions concern loans to banks not in the form of interest-bearing securities. These loans and advances are measured at amortised cost using the effective interest method.

3.3 Loans and advances to customers

3.3.1 *Mortgages and mortgage-backed commercial property finance*

These are defined as loans and advances to customers with mortgage collateral. These loans and advances are measured at amortised cost using the effective interest method. Loans and advances adjusted after negotiations or otherwise adjusted due to financial restructuring of the borrower are valued using 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 due by virtue of the original contracted loan terms and conditions. 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 cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the original effective interest rate of the loans and advances.

Smaller homogenous loans and advances are tested collectively for impairment. The provision with respect to this collective approach is calculated using a range of model-based instruments, including risk-rating models for homogenous pools of consumer and 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.

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 loan losses in the income statement.

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.

3.3.1.1 Credit guarantees

SNS Bank has concluded a credit guarantee for credit risk in a portion of the mortgage portfolio to recover impairment losses on the relevant mortgage portfolio from the guarantor. Impairment of mortgages is included under ‘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 commercial property finance and other loans and advances*

This comprises loans and advances to business and private customers without mortgage collateral. Loans and advances are measured at amortised cost using the effective interest method. Loans and advances adjusted after negotiations or otherwise adjusted due to financial restructuring of the borrower are measured using 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 by virtue of the original contracted loan terms and conditions.

The criteria for impairment are applied to the entire loans portfolio, except to smaller, homogenous loans, such as consumer credit, 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 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 using 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.

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

3.3.2.1 Lease

SNS Bank has entered into a number of financial lease agreements. These are agreements for which the Group has transferred almost all the risk of the property to the lessee. The balance sheet value of the lease receivable is equal to the present value of the lease payments, calculated using 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 in the balance sheet upon first-time recognition.

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

The fair value of non-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 value as assets and derivatives with a negative value as liabilities.

Adjustments in the fair value of derivatives held for trading are accounted for under the '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, with changes in fair value recognised in 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 risk 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). SNS Bank has not designated derivatives as cash flow hedge instruments in the reporting period under review.

Hedge accounting is used for derivatives thus identified, provided certain conditions are met. The conditions applied by SNS Bank for a derivative instrument to qualify for hedge accounting comprise:

- 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 to 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 remains within a bandwidth of 80% to 125%.

SNS Bank ends the 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 liabilities or of a definite obligation are stated as fair value hedge. Changes in the fair value of the derivatives that are designated as a hedge are recognised immediately in the income statement and reported together with 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 residual term of the instrument.

If the hedged instrument is no longer recognised, in other words, if it is sold or redeemed, the non-amortised fair value adjustment is recorded immediately to the income statement.

3.5 Investments

3.5.1 *Classification*

SNS Bank breaks down its investments into the following categories: (1) held to maturity, (2) loans and receivables, (3) available for sale and (4) fair value through profit and loss. The category depends on the purpose for which the investments were acquired. Upon acquisition of its investments, the management decides to which category the investment will be allocated. In the reporting period under review, no investments are classified as held to maturity.

Upon recognition, investments are measured at fair value including transaction costs, with exception of the category ‘fair value through profit and loss’, where transaction costs are recorded immediately to the income statement.

3.5.2 *Loans and receivables*

This item includes unlisted investments with a fixed term. These investments are measured at amortised cost based on 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 and loss investments, are classified as available for sale.

After first-time inclusion, investments available for sale are measured 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 equity, taking account of deferred taxes.

When the investments are sold or impaired, the related accumulated fair value adjustments are recognised in the income statement as result from investments.

SNS Bank uses the average cost method to determine the results. Investments in the form of shares of which the fair value cannot be estimated reliably are measured at cost less impairment.

3.5.4 *Fair value through profit and loss*

An instrument is classified at fair value through profit and loss if it is held for trading purposes or if designated as such on first recognition. Financial instruments are designated as at fair value through profit and loss if the Group manages the investments and makes its buying and selling decisions based on fair value.

Upon first recognition, the attributable transaction costs are recognised as a loss in the income statement at the moment they are incurred. The financial instruments are measured at fair value. Realised and unrealised gains and losses are recognised in the income statement under the ‘result on investments’.

Interest income earned on securities is recognised as interest income under ‘interest income’. Dividend received is recorded under ‘result on investments’.

3.5.5 *Impairment*

At each balance sheet date, the management 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 immediately to the income statement under Value adjustments to financial instruments and other assets. With investments available for sale, impairment loss is removed from the revaluation reserve.

An equity investment is considered to be impaired if the carrying amount exceeds the fair value 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.

Investments in debt securities are considered to be impaired if there are 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 equity 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, are held to generate long-term rental income. If property is kept partly as investment property and partly for own use, the property is included under tangible fixed assets, unless the part in own use is less than 20% of the total number of square metres.

Investment property is measured at fair value, including transaction costs, upon initial recognition. Investment property is treated as a long-term investment and measured at fair value. This is the same as the market value determined every three years by independent external appraisers with sufficient expertise and experience in the locations and categories of real estate. 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 recorded in the income statement under 'result on investments'.

The summary below shows the bandwidth of return factors used for fair valuation.

Building	Location	Return factor
Shops	A-location	5.50 – 7.25
Shops	B-location	6.75 – 10.00
Offices	A-location	6.50 – 8.00
Offices	B-location	6.75 – 10.00

3.7 Investments in associates

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

Interests in associates are accounted for by the equity method. The item also includes goodwill paid at acquisition less accumulated impairment where applicable.

Under the equity method, the share of SNS Bank in the result of the associates is recognised in the income statement of SNS Bank under 'share in the result of associates'. The share of SNS Bank in changes in the reserves of associates is recognised immediately to SNS Bank's equity. The value of the associates is adjusted for these results and changes in reserves.

If the valuation of the associate has become zero, no further losses are accounted for, unless the Group has entered into commitments on behalf of the associated company or has made payments on its behalf.

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

Associates held for sale are classified as Held for sale. These associates are measured at the lower of the book value and the selling price less selling costs. The result on the sale of an investment in an associate is presented in the income statement as a total amount, consisting of the selling price less transaction costs and the book value of the associate.

3.8 Tangible fixed assets

3.8.1 *Land and buildings in own use*

Property in own use primarily comprises offices (buildings and land) and is measured at fair value based on appraisals by independent external surveyors, less depreciation of buildings and any accumulated impairment.

Positive revaluations on the basis of these appraisals are added to the revaluation reserve in equity, less deferred taxes. Positive revaluations, insofar as these result in the reversal of earlier write-downs on the same asset, are credited to the income statement. Negative revaluations, insofar as these result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve.

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

Repair and maintenance expenses are recognised 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 in relation to the original use are capitalised and then amortised.

At the sale of a property the part of the revaluation reserve related to the sold real estate 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. Cost comprises the expenses directly attributable to the acquisition of the asset.

The cost of the other tangible fixed assets is depreciated on a straight-line basis over the useful life, with account being taken of any residual value. The estimated useful life is 3 to 10 years.

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

Repair 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 the ‘Other operating income’.

3.9 Goodwill and other intangible fixed assets

3.9.1 *Goodwill*

Acquisitions by SNS Bank are accounted for under 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 recorded immediately to the income statement.

If the provisionally determined fair value of acquired assets or liabilities are adjusted within a year of the acquisition date, the change is corrected and recorded as an adjustment to goodwill. Any subsequent adjustments that occur after a period of one year are recognised in the income statement.

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 allocated 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. If the recoverable amount is lower than the book value, the difference will be recognised as an impairment in the line item Value adjustments of financial instruments and other assets.

3.9.2 *Software*

Costs that are directly related to the manufacture of identifiable and unique software products which SNS Bank controls, and which are likely to generate economic benefits that exceed the costs, are capitalised as intangible assets. The direct costs comprise the staff costs directly attributable to software development. All the other costs associated with the development or maintenance of computer software are included as 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.

Impairment tests are carried out periodically.

3.9.3 *Other intangible fixed assets*

The other intangible fixed assets include intangible assets with a specific useful life, such as client portfolios stemming from acquisitions. These assets are amortised on a straight-line basis over the useful life. These intangible fixed assets are tested 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 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. The deferred taxes are measured at nominal value.

Deferred tax assets are 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.

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, deductible losses carried forward; and, as far as acquisitions are concerned, from the difference between (a) the fair value balance of the acquired assets and obligations entered into and (b) the book value.

Tax due on profits is recognised in the period during which the profits were generated, based on the applicable local tax laws. Deferred taxes with respect to the revaluation of investments available for sale, of which value adjustments are recognised immediately in equity, are also charged or credited to equity and upon realisation included in the income statement together with the deferred value adjustments.

3.11 Corporate tax

Corporate tax is tax levied on taxable profits. Current tax receivables are measured at nominal value according to the tax rate that will be employed. Dividend withholding tax recovered through the corporation tax return is also included in this item.

3.12 Other assets

Other assets consist of receivables from other taxes, other receivables and accrued assets. Accrued assets include the accumulated interest on financial instruments measured at amortised cost, as well as other accruals, which item also includes amounts receivable by SNS Bank from customers 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 private clients. Upon first-time inclusion, savings are measured at fair value, including transaction costs. Thereafter, they are measured at amortised cost. A difference between the income and the redemption value based on the effective interest method is recognised under Interest expenses, banking operations, in the income statement during the term of the savings.

3.14 Other amounts due to customers

Amounts owed to customers concern unsubordinated debts to non-banks, other than in the form of debt certificates. Upon first-time inclusion, these debts are measured at fair value, including transaction costs. Thereafter, they are measured at amortised cost. A 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 customers.

3.15 Amounts due to credit institutions

Amounts owed to credit institutions concern debts to banks. Upon first-time inclusion, these debts are measured at fair value, including transaction costs. Thereafter, they are measured at amortised cost. A difference between the income and the redemption value based on the effective interest method is recognised under interest charges in the income statement during the term of these debts to credit institutions.

3.16 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 hedge accounting rules, as referred to in 3.7., are applied to outstanding debt certificates that are hedged by derivatives.

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 tax

Corporate tax relates to tax on the taxable profit for the period under review, and if any taxes due from previous periods. 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 measured at amortised cost. This item also includes creditors, other taxes and accrued liabilities, which item also includes amounts due by SNS Bank to customers 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 comprises estimated termination benefits and other direct costs related to restructuring programmes. These costs are recognised in the period in which SNS Bank is presented with a legally enforceable or actual obligation to pay. No provision is formed for costs or future operating losses stemming from the continuing operations of SNS Bank.

SNS Bank recognises termination benefits if the Group has demonstrably committed itself to:

- Termination of the employment contract of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- Payment of termination benefits as a result of an offer to encourage voluntary redundancy.

Benefits that are due after more than twelve months after the balance sheet date are discounted.

3.21.2 *Legal costs*

A provision for legal proceedings is made at 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.

3.22 Participation certificates and subordinated debts

SNS Bank issues participation certificates to third parties. The certificates have an open-ended term, with SNS Bank maintaining the right to early redemption in full after 10 years, provided permission is given by the regulator. The amount of the dividend, in the form of a coupon rate, is fixed over a period of 10 years and equal to the CBS (Central Bureau for Statistics) return on 9-10 year Government bonds plus a mark-up. Participation certificates are measured at amortised cost. Benefit payments on participation certificates are recorded under Interest expenses.

These certificates are classified as debt capital in the financial statements. For SNS Bank's solvency reports to De Nederlandsche Bank, this item forms part of the Tier 1 capital.

Subordinated loans include the subordinated bond loans that are considered in the solvency test by De Nederlandsche Bank, and are measured at amortised cost using the effective interest rate.

3.23 Equity

3.23.1 *Issued and paid up share capital*

The share capital comprises the issued and paid-up share capital. Costs directly attributable to the issue of equity instruments are deducted net of tax from the share issue income in equity.

3.23.2 *Share premium reserve*

The capital paid up 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 the notes on the 'Articles of association provisions governing the appropriation of profit'.

3.23.4 *Revaluation reserve*

These reserves concern the revaluation of property in own use (see 3.8.1).

3.23.5 *Fair value reserve*

This component of equity includes gains and losses as a result of changes in the fair value of assets that are available for sale, net of deferred taxes. If the particular asset is sold or redeemed, in other words no longer recognised, the corresponding cumulative result will be transferred from equity to the income statement (see 3.5.4.). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are recorded in this reserve (see 3.4).

3.23.6 *Other reserves*

Other reserves comprise the retained profits of SNS Bank.

4 Specific principles income statement

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 attributable to the period. Interest income on financial assets not classified as fair value through profit and loss is recognised using the effective interest method based on the actual acquisition price.

The effective interest method is based on the estimated future cash receipts or payments, with account being taken of the risk of early redemption of the underlying financial instruments and the direct costs and revenues, such as the transaction costs charged, commission payable to intermediaries and discount 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 expenses*

Interest expenses comprise the interest expenses arising from financial liabilities. Financial liabilities not classified as fair value through profit and loss are recognised using the effective interest method.

4.1.3 *Commission and management fees receivable*

Commission income and management fees include income from securities transactions for clients, asset management 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 and loss, in which case the commission is included in the valuation result.

4.1.4 *Commission and management fees due*
This item includes commission and management fees payable by SNS Bank. These costs are recognised in the reporting period in which SNS Bank receives the services.

4.1.5 *Share in the results of associates*
This refers to SNS Bank's share in the results of associates. If the valuation of the associate 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 associates 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
- Increases and decreases in value

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 Increases and decreases in value
This item relates to the realised and unrealised increases and decreases in the value of investments in the category fair value through profit and loss and realised increases and decreases in the value of the investments in the other categories. Realised value increases concern the difference between the sale price and amortised cost; unrealised value increases concern the difference between the fair value and the book value in the reporting period.

4.1.7 *Result on derivatives and other financial instruments*
Derivatives are measured at fair value. Gains and losses from readjustments to fair value are taken 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 non-effective portion of any gains or losses is recognised under the Result on derivatives and other financial instruments.

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 spread 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*
Impairment losses concern the permanent loss on 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 the costs related to staffing, including salaries, social security charges, pension charges and discounts extended to members of staff.

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 Off-balance sheet commitments

Contingent liabilities are liabilities not recognised on the balance sheet because the existence is contingent on one or more uncertain events that may or may not occur in the future without SNS Bank having decisive influence on it. It is not possible to make a reliable estimate of the liability.

The maximum potential credit risk arising from these contingent liabilities of SNS Bank is disclosed 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 are without value.

6 Cash flow statement

The cash flow statement is prepared according to the indirect method, which 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, net profit is adjusted for gains and losses that did not result in income and payments in the same financial year and for changes in provisions and accrued and deferred items.

Investments in consolidated subsidiaries and associates are recorded under 'cash flow investing activities'. The available cash and cash equivalents 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

1 SNS Bank

SNS Bank is a banking company that focuses mainly on the Dutch retail and SME markets. The offering consists of two core products: mortgage and property financing & savings and investments. The service to the retail and SME markets are done through several distribution channels.

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

1.1 Retail Banking

This business unit offers banking products in the field of mortgages and savings and investments for both the private and SME markets. In addition to SNS Bank, this unit also comprises ASN Bank, BLG Hypotheken, CVB Bank and SNS Securities. Until 1 July, 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 the Group activities.

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 is at the moment still part of SNS Bank's Retail Banking unit will be transferred to Property Finance in 2007. The 2006 income statement for this unit shows only one month's worth of results of the Bouwfonds Property Finance acquisition.

Allocation of group costs

A number of corporate staff departments is shared. The costs of the corporate staff are charged on the basis of the services provided or proportionally allocated to the group's subsidiaries. The costs of the SNS REAAL's Executive Board and certain holding company costs are not allocated to group subsidiaries.

Secondary segmentation

Given the limited importance of activities abroad (approximately € 2 billion loans and advances to customers), SNS Bank does not provide a secondary, segmentation by region.

Balance sheet by segment

In € millions	Retail Banking		Property Finance		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Cash and cash equivalents	672	597	15	--	--	--	687	597
Loans and advances to credit institutions	3,592	4,118	346	--	(331)	--	3,607	4,118
Loans and advances to customers	56,006	45,225	8,809	--	(8,567)	--	56,248	45,225
Derivatives	804	915	--	--	--	--	804	915
Investments	2,038	1,641	--	--	--	--	2,038	1,641
Investment property	1	--	5	--	--	--	6	--
Subsidiaries	645	--	--	--	(645)	--	--	--
Investments in associates	--	2	34	--		--	34	2
Tangible fixed assets	162	153	1	--	--	--	163	153
Goodwill and other intangible fixed assets	209	12	5	--	--	--	214	12
Deferred tax assets	32	85	7	--	--	--	39	85
Corporate tax	106	50	--	--	--	--	106	50
Other assets	384	300	75	--	(23)	--	436	300
Total assets	**64,651**	**53,098**	**9,297**	**--**	**(9,566)**	**--**	**64,382**	**53,098**
Liabilities and equity								
Savings	13,678	12,333	--	--	--	--	13,678	12,333
Other amounts due to customers	7,350	7,494	--	--	(331)	--	7,019	7,494
Amounts due to credit institutions	7,286	3,103	8,580	--	(8,567)	--	7,299	3,103
Debt certificates	30,841	25,465	--	--	--	--	30,841	25,465
Derivatives	682	939	--	--	--	--	682	939
Deferred tax liabilities	89	119	8	--	--	--	97	119
Corporate tax	(1)	--	8	--	--	--	7	--
Other liabilities	1,159	1,032	54	--	(23)	--	1,190	1,032
Other provisions	22	23	2	--	--	--	24	23
Participation certificates and subordinated debt	1,448	1,150	--	--	--	--	1,448	1,150
Equity attributable to shareholders	2,097	1,440	645	--	(645)	--	2,097	1,440
Total liabilities and equity	**64,651**	**53,098**	**9,297**	**--**	**(9,566)**	**--**	**64,382**	**53,098**
Other Information:								
Investments and acquisitions in intangible and tangible fixed assets	248	38	--	--	--	--	248	38
Amortisation and depreciation of intangible and tangible fixed assets	27	27	--	--	--	--	27	27

Income statement by segment

In € millions	Retail Banking		Property Finance		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Income								
Interest income	2,300	1,996	39	--	(25)	--	2,314	1,996
Interest expense	1,749	1,401	23	--	(25)	--	1,747	1,401
Net interest income	551	595	16	--	--	--	567	595
Commission and management fees receivable	153	138	--	--	--	--	153	138
Commission and management fees due	33	24	--	--	--	--	33	24
Net commission and management fees	120	114	--	--	--	--	120	114
Share in the result of associates and subsidiaries	6	1	(1)	--	(6)	--	(1)	1
Result on investments	67	26	--	--	--	--	67	26
Result on derivatives and other financial instruments	15	33	--	--	--	--	15	33
Other operating income	--	(4)	--	--	--	--	--	(4)
Total income	**759**	**765**	**15**	**--**	**(6)**	**--**	**768**	**765**
Expenses								
Value adjustments to financial instruments and other assets	35	50	1	--	--	--	36	50
Staff costs	280	258	3	--	--	--	283	258
Depreciation and amortisation of tangible and intangible fixed assets	25	27	--	--	--	--	25	27
Other operating expenses	171	172	2	--	--	--	173	172
Total expenses	**511**	**507**	**6**	**--**	**--**	**--**	**517**	**507**
Operating profit before taxation	**248**	**258**	**9**	**--**	**(6)**	**--**	**251**	**258**
Taxation	34	54	3	--	--	--	37	54
Third party interests	--	--	--	--	--	--	--	--
Net profit attributable to shareholders	**214**	**204**	**6**	**--**	**(6)**	**--**	**214**	**204**

Acquisitions

Acquisition Bouwfonds Property Finance

On 1 December 2006 SNS Bank acquired Bouwfonds Property Finance B.V. (BPF). BPF has been renamed SNS Property Finance. The acquisition is an important strategic step because it has made SNS Bank one of the major players in property finance in the Netherlands, a market in which SNS Bank operates for a number of years. The existing activities of SNS Bank in the field of property finance will be intergrated in SNS Property Finance in 2007. SNS Property Finance was acquired by SNS Bank. Along with SNS Property Finance, a number of holding activities were acquired that are directly relevant to the activities of SNS Property Finance.

SNS Property Finance contributed € 7 million to SNS Bank net profit in the period from 1 December 2006 though 31 December 2006 before amortisation of the IFRS purchase accounting adjustments and higher interest expenses as a result of refinancing. After adjusting for these items, the acquisition contributed € 6 million to 2006 net profit.

A break-down of the purchase price and the fair value of the acquired assets and liabilities is provided below:

In € millions	
Costs directly related to the acquisition	11
Interest paid between the legal contract date (1 July) and the effective date of the acquisition date (1 December)	15
Purchase price	810
Total cost price acquisition	836
Fair value of the assets and liabilities acquired	640
Goodwill	**196**

Fair value of net assets acquired

The fair value of the assets, liabilities and contingent liabilities acquired has been determined provisionally; additional information might become available after the balance sheet date. Any possible adjustments as a result of a more precise reading of the fair value will be treated as adjustments to the fair value originally recognised and/or goodwill, should these adjustments become known within 12 months of the acquisition date. The goodwill will be assigned to the cash flow generating units of SNS Bank in 2007.

A revaluation of the fair value, as at 1 December 2006, of the investments in associates (including joint ventures) and the adjustments to the accounting principles for the pension provision has not yet taken place because the information required for these items was not available in time. The valuation of these items is identical to the valuation as previously accounted for by Bouwfonds Property Finance. Calculation of the adjustments will take place in 2007, after which goodwill will be adjusted. It is expected that this will lead to an upward adjustment of fair value for the investments in associates and conversely a downward adjustment of goodwill. The adjustment of the accounting principles for the pension provision is expected to result in a higher capitalisation of goodwill.

SNS Bank accounts for the customer relations acquired as a new intangible fixed asset. This intangible fixed asset is taken at fair value as at the effective date of the acquisition and has an economic life of 5 years.

Goodwill

Goodwill expresses the income and expense synergies, as well as the value of SNS Property Finance's that can not be accounted for separately .

The assets and liabilities of the acquisition breaks down as follows:

In € millions	Fair value 1 December 2006	Book value BPF 1 December 2006
Assets		
Cash and cash equivalents	6	6
Loans and advances to credit institutions	28	28
Loans and advances to customers	8,454	8,438
Investment property	5	5
Investments in associates	37	37
Tangible fixed assets	1	1
Goodwill and intangible fixed assets	5	--
Deferred tax assets	2	--
Other assets	198	198
Total assets	**8,736**	**8,713**
Liabilities and equity		
Amounts due to credit institutions	7,831	7,831
Deferred tax liabilities	3	(2)
Corporate tax	5	5
Other liabilities	255	253
Other provisions	2	--
Equity attributable to shareholders	640	626
Total liabilities and equity	**8,736**	**8,713**

The fair value of the net assets acquired is based on the present value of the estimated future cash flows.

The net profit of SNS Property Finance for 2006 was € 94 million, while total income amounted to € 199 million. These 2006 figures are pro-forma figures and are based on the accounting principles of Bouwfonds Property Finance before amortisation of IFRS purchase accounting adjustments and before the impact of the change in funding costs as a result of refinancing.

Acquisition Van Leeuwenhoeck Research

SNS Bank has bought the activities of Van Leeuwenhoeck Research in order to widen its offering of securities research and advice to institutional investors. SNS Bank has strengthened its ability to offer fundamental research and value analysis of biotechnological companies.

Proposed acquisition of Regio Bank

On 4 December 2006, SNS Bank announced it signed a Memorandum of Understanding with ING on the proposed acquisition of Regio Bank. The acquisition is expected to be completed in the course of 2007. Further details will be announced after the agreement has been signed.

Risk management

1 Risk profile

SNS Bank operates on the basis of a sound balance between risk and return, while aiming at a moderate risk profile. Our risk profile is determined by our focus on retail and SME customers, the Dutch market and the two core product groups: mortgages and property finance & savings and investments. Following the acquisition of SNS Property Finance, SNS Bank still retains a sound balance between return and risk.

SNS Bank believes that the focus on the consumer and SME markets has a lower risk profile than providing banking services to large companies. Furthermore, SNS Bank's assets largely consist of private mortgages, which in the Netherlands have historically carried minimal credit losses. As a result of the acquisition of Bouwfonds Property Finance (hereafter SNS Property Finance), SNS Bank's portfolio has been expanded by approximately € 8.8 billion in investment and property financing. This portfolio has shown stable profit growth over the past three years. SNS Property Finance has also shown a modest risk profile in terms of losses in credit portfolio over the past three years. These losses amounted to 4 basis points on average.

The risk policy will be discussed extensively in this section. The risks will be outlined by risk type and the measures aimed at mitigating risk will be discussed.

2 Risk management

2.1 Credit risk

Credit risk is the risk of a debtor defaulting in whole or in part, or of its rating deteriorating such that it has a negative impact on the company's results and/or net asset value.

Credit risk profile

SNS Bank recognises various types of credit risk, most of which are in respect of mortgage-backed loans. Of these, the bulk is in respect of mortgages on residential properties, being 80% of the total loan book. Resulting from the acquisition of Bouwfonds Property Finance's portfolio, there has been greater focus on commercial property financing, which carries a higher average risk profile but also creates more diversity in the overall portfolio. The credit portfolio of SNS Property Finance comprises 36% project finance and 64% investment finance. 77% of the loans have been extended to the Dutch SME market and 23% have been extended internationally.

With regard to private debtors, these are diversified evenly across the country, while other commercial clients are diversified evenly across the different industries. The portfolio consists primarily of mortgage loans, so the risk profile can be characterised as moderate to low.

Composition credit portfolio

The portfolio of SNS Bank, which carries credit risk, breaks down as follows (net amounts):

In € millions	2006	2006	2005	2005
Cash and cash equivalents		687		597
Loans and advances to credit institutions		3,607		4,118
Mortgages loans	44,930		42,558	
Property finance	8,809		--	
Other loans and advances to customers	2,509		2,667	
Total loans and advances to customers		56,248		45,225
Derivatives		804		915
Investments		2,038		1,641
Other assets, no lending operations		998		602
Total		**64,382**		**53,098**
Off-balance sheet commitments				
Liabilities from pledges and guarantees given		419		108
Liabilities from irrevocable facilities		2,696		1,334
Total		**67,497**		**54,540**

Credit management investments

The investments have been grouped per industry as follows:

In € millions	Available for sale		Held for trading		Total	
	2006	2005	2006	2005	2006	2005
Shares and similar investments:						
Financial institutions	--	--	1	31	1	31
Trade, industry and other services	15	15	41	2	56	17
Other	4	--	5	--	9	--
	19	15	47	33	66	48
Interest bearing securities:						
Loans and receivables:						
Financial institutions	--	--	1	--	1	--
Trade, industry and other services	--	--	2	--	2	--
Bonds and fixed-interest investments:						
Public sector - domestic	352	718	--	--	352	718
Public sector - foreign	1,064	639	27	19	1,091	658
Financial institutions	61	87	218	59	279	146
Trade, industry and other services	137	22	54	17	191	39
Other	5	9	51	23	56	32
	1,619	1,475	353	118	1,972	1,593
Total	**1,638**	**1,490**	**400**	**151**	**2,038**	**1,641**

The interest bearing investments have been grouped per rating as follows:

In € millions	Available for sale	Held for trading	Total
2006			
AAA	50	11	61
AA	1,201	66	1,267
A	334	137	471
BBB	--	5	5
Below BBB	4	--	4
Unrated	30	134	164
Total	**1,619**	**353**	**1,972**

Credit management loans and advances to customers

Loans to private clients consisting of mortgage loans or consumer credit are accepted by the relevant authorised officers on the basis of an extensive system of acceptance standards and policy rules. The acceptance of loans to private clients, insofar as mortgage loans are concerned, is carried out centrally. The acceptance score models, partly developed within the Basel II framework, play a supporting role.

Credit management for established clients takes place at client level by actively monitoring and following up on delays in payment. This process is supported by automated systems that categorises and prioritises clients with payment delays. A Portfolio Management Process is used for the effective management of credit risks at portfolio level and to prevent concentration risk. There are three parts to this process: classifying risk measures for mortgage loans, monthly portfolio monitoring (including reporting) and portfolio management.
The instruments for adjusting the portfolio consist of pricing policy, acceptance and management policy, special offers (marketing) and product development.

Decisions on management actions are taken in the Price Risk Committee. The committee manages the portfolio on the basis of the development of Probability of Default (PD), Loss Given Default (LGD) and the underlying risk indicators. Monitoring PD and LGD and the underlying risk indicators provides a transparent view of the development of credit risk.

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

In € millions	2006				2005		
	Mortgage loans	Property finance	Other	Total	Mortgage loans	Other	Total
Residential property in the Netherlands:							
- Mortgages < 75% of foreclosure value	21,383	692	--	22,075	21,990	--	21,990
- Mortgages > 75% of foreclosure value	3,497	1,733	--	5,230	4,395	--	4,395
- Mortgages with National Mortgage Guarantee	6,331	--	--	6,331	6,518	--	6,518
Securitised mortgages	11,272	--	--	11,272	7,585	--	7,585
Residential property outside the Netherlands	177	596	--	773	204	--	204
Non-residential property in the Netherlands:							
- Mortgage backed loans	2,329	4,209	--	6,538	1,909	--	1,909
- Other securities and unsecured loans	--	191	2,609	2,800	--	2,791	2,791
Non-residential property outside the Netherlands:							
- Mortgage backed outside the Netherlands	--	1,339	--	1,339	--	--	--
- Other securities and unsecured loans	--	100	--	100	--	--	--
Provisions for bad debts:							
- Specific provision	(54)	(46)	(83)	(183)	(39)	(97)	(136)
- IBNR	(5)	(5)	(17)	(27)	(4)	(27)	(31)
Total	**44,930**	**8,809**	**2,509**	**56,248**	**42,558**	**2,667**	**45,225**

With regard to the property financing and other credit portfolio, credit management is carried out at the client level, based on the management information system credit risk management, which indicates potential problems at an early stage on a daily basis , using a number of risk indicators. At the portfolio level, risks are tracked on a quarterly basis, based on extensive reporting of the developments in the portfolio. Besides the rate of contamination, the division across different industries is also monitored and adjusted if necessary.

The portfolio shows a sound diversification across different industries. The share of 'Construction and property' consists mostly of mortgage backed loans for commercial property. Following the acquisition of Bouwfonds Property Finance and given the future strategic policy for the property portfolio, the share of mortgage backed loans, both for commercial and non-commercial property, will be considerable. This will positively impact the risk profile of the portfolio.

The division of loans and advances to customers are specified according to type of segment or counterparty as follows:

In € millions	2006	2006 %	2005	2005 %
Construction and property	7,576	13.5%	40	0.1%
Public sector	13	0.0%	468	1.0%
Agriculture, horticulture, forestry and fishery	68	0.1%	20	0.0%
Industry	238	0.4%	40	0.1%
Service sector companies	3,240	5.8%	1,124	2.5%
Financial institutions	1,287	2.3%	471	1.0%
Other commercial	1,852	3.3%	1,922	4.2%
Private clients	42,184	75.0%	41,307	91.3%
Provisions for bad debts:				
- Specific provision	(183)	(0.3%)	(136)	(0.3%)
- IBNR	(27)	0.0%	(31)	(0.1%)
Total	**56,248**	**100.0%**	**45,225**	**100.0%**

Arrears management

An essential part of the risk policy is the timely deployment of the Arrears management department. If a borrower is seen no longer to be fulfilling his obligations to the bank, or the borrower's financial position has deteriorated to such an extent that he is expected not to fulfil his obligations in the near future, his file is handed over to the Arrears management department. This department, part of the Credit Risk Management, will, depending on the severity of the problem, take measures aimed at minimising the risk to the bank. In addition the department will determine, on a quarterly basis, the level of the provisions to be made and formulate proposals to the SNS Bank's Credit Commission accordingly.

The following table provides information regarding provisioned loans:

In € millions	Book value unprovisioned loans	Book value provisioned loans (gross receivable)	Specific provision	IBNR-provision	Total book value	Fair value collateral for provisioned receivables and receivables in arrears
2006						
Mortgage loans and other loans and advances to customers	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**

Defaults on the basis of the portfolio history (IBNR) are taken into account. For SME clients provisions are calculated based on risk classes. For private clients provisions are determined based on the number of months in arrears.

SNS Bank's mortgage portfolio's credit risk quality shows a stable picture over 2006.

The Loan to Foreclosure Value (LtFV) is an important risk indicator for managing the portfolio. The LtFV shows the level of collateralization by taking the outstanding loan as a percentage of the forceclosure value of the collateral. The Loan to Market Value (LtMV) relates to the market value of the collateral. The collateral mainly consists of houses for private occupation, residential/shop premises, apartments, business premises and commercial property. The value of other securities is negligible.

For SNS Bank's mortgage portfolio, the weighted average LtFV at year end 2006 was 91% (2005: 92%), based on an indexed LtFV of 79% (2005: 81%). The weighted average LtMV is 80% at year end 2006, equal to the weighted average at year end 2005; taking into account inflation compensation this ratio becomes 69% and 71% respectively.

During 2006 the default percentage remained stable at 0.60%. In 2005 this percentage was higher on average and also showed greater variability over the year. The main factor in this improvement was the further decrease in the number of customers with payment arrears.

Following the acquisition of Bouwfonds Property Finance the 2006 level of contamination of the rest of the portfolio, which specifically contains banking's SME credit extension, cannot be reasonably compared to 2005. The level of contamination of the original portfolio is lower than in 2005. The level of contamination of SNS Property Finance is lower than the original portfolio. This has a positive impact on the total level of contamination owing to the size of the SNS Property Finance portfolio.

The provisions for the whole credit portfolio have increased, mainly due to the acquisition of SNS Property Finance. The credit provision in relation to the risk weighted assets of SNS Bank have decreased from the 2005 value of 0.80% to 0.74%.

Arrears financial assets:

In € millions	No arrears	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Total
2006						
Loans and advances to credit institutions	3,607	--	--	--	--	3,607
Mortgage loans and other loans and advances to customers	45,709	1,264	128	99	239	47,439
Property finance	8,634	--	175	--	--	8,809
Derivatives	804	--	--	--	--	804
Investments	2,038	--	--	--	--	2,038
Other assets	1,685	--	--	--	--	1,685
Total	**62,477**	**1,264**	**303**	**99**	**239**	**64,382**

The management of customer payment arrears has been almost completely computerized. In addition, making use of score-card models, a prioritising method has been put in place to support an adequate arrears management with regard to the size of the credit risk and the level of the probability of default.

Credit management loans and advances to credit institutions and derivatives.

SNS Financial Markets conducts money and capital market transactions with various bank counterparties as part of its treasury and funding activities.This includes derivative transactions to hedge against interest rate and exchange rate risks. Derivative transactions that are part of Credit Support Annex (CSA) have maturities ranging from 1 to 20 years, with the emphasis on longer-term maturities. These CSAs are primarily aimed at minimising counterparty risk. Changes in the present value of all active transactions with counterparties are regularly accounted for on a cash basis.

Credit risk

The table below gives an indication of the credit risk of SNS Bank, based on the weighting percentages used in regular reporting to De Nederlandsche Bank (DNB). Generally, these percentages are 0% for 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 and 100% for the other receivables.

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

[2]) The level of contamination in the mortgage portfolio is the number of customers under management of the arrears department divided by the total number of customers

In € millions	2006		2005	
	Notional amount	Risk-weighted amount	Notional amount	Risk-weighted amount
Liquid assets	687	--	462	--
Banks	3,607	410	4,253	459
Loans and advances	56,248	25,371	45,225	18,521
Financial assets held for trading*	510	--	295	--
Financial assets available for sale	1,638	104	1,489	86
Other financial assets*	694	--	771	--
Associated companies	34	34	2	2
Intangible fixed assets	214	9	12	9
Property and equipment	169	169	154	154
Tax receivables	146	146	138	138
Other assets	107	89	29	29
Accrued assets	328	162	268	173
Subtotal of balance sheet items	64,382	26,494	53,098	19,571
Derivative contracts *	--	378	--	379
Off-balance sheet products **	--	1,180	--	37
Solvency requirements for market risks ***	--	402	--	188
Total	**64,382**	**28,454**	**53,098**	**20,175**

*) The assets include derivatives contracts of € 694 million for hedging (2005: € 771 million) and € 110 million in other derivatives (2005: € 144 million). Of these, the risk-weighted assets amount to € 378 million (2005: € 379 million).
**) Concerns irrevocable facilities and credit replacement guarantees of : € 5,881 million (2005: € 2,452 million). Of these, the risk-weighted assets amount to: € 1,180 million (2005: € 37 million).
***) Concerns other financial assets held for trading.

2.2 Market risk

Market risk is the risk of market prices changing giving rise to a negative impact on the results and net asset value of SNS Bank. Market prices include interest rates, share prices and exchange rates.

Interest rate risk is a significant component of SNS Bank's moderate risk profile. SNS Property Finance has been fully integrated in SNS Bank's interest rate position as of 1 December 2006. Interest rate risk arises since SNS Bank's asset and liabilities have a different interest rate sensitivity. The assets on the bank's balance sheet generally have a longer duration than the liabilities. SNS Bank will therefore benefit from a fall in interest rates. The bank's market risks are managed by the ALM Committee of SNS Bank. When managing SNS Bank's interest rate risks, assessments are made to establish if 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 long-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 3.1 Hedging SNS Bank and 3.2 Hedge accounting SNS Bank for more information.

Market risk - bank book

The interest rate risk in SNS Bank's portfolio is measured, monitored and managed using duration-, Value at Risk-, Earnings at Risk- and gapping analyses.

The duration of equity is the primary indicator for interest rate risk. The bandwidth of this measure is between 3 and 8. The ALM Committee of SNS Bank sets a new bandwidth each year. The duration of equity was 3.9 at year-end 2006 and 5.8 at year-end 2005. The duration of equity peaked at 7.1 in 2006 (at the end of April 2006 and the end of August 2006). As both the assets and liabilities of SNS Property Finance have a low interest rate sensitivity, the impact of its acquisition on SNS Bank's interest rate position after the integration on 1 December was limited.

Value at Risk during 2006 on average was 11% of the fair value of equity, reaching a maximum of 17% at the end of August 2006. Value-at-Risk stood at 12% at year-end 2006. Earnings-at-Risk were approximately € 40 million with a maximum of € 52 million at the end of April 2006.
VaR and EaR are both determined using scenario analyses. Changes in the fair value of equity and changes in gross interest income are determined in many scenarios for the underlying risk factors. At the 99% confidence level, VaR and EaR are equal to the 1% worst outcome of changes in the fair value of equity and in the net interest rate income, respectively. For EaR a static interest rate

position is used as a basis to calculate the refinance cost of the current position in different scenario's. VaR and EaR are both calculated using a one-year horizon.

Pipeline risk is the risk for SNS Bank that the mortgage interest rate decreases in the period between offering the mortgage rate to the customer and the actual settlement of the mortgage contract. 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 risk. In 2006, SNS Bank decided not to hedge this risk. The limit for the pipeline is a VaR limit of € 13 million.

All of SNS Bank's foreign exchange 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		Net		Hedge derivatives	
	2006	2005	2006	2005	2006	2005	2006	2005
US dollar	1,129	247	1,596	1,589	(467)	(1,342)	499	1,338
Japanese yen	160	74	209	140	(49)	(66)	41	66
Pound Sterling	33	553	749	493	(716)	60	712	(60)
Swiss franc	1	32	24	--	(23)	32	24	(32)
Canadian dollar	32	5	37	65	(5)	(60)	5	65
Australian dollar	62	--	979	784	(917)	(784)	918	784
Hong Kong dollar	--	2	3,262	361	(3,262)	(359)	3,262	360
Other	352	448	471	381	(119)	67	110	(68)
Total	**1,769**	**1,361**	**7,327**	**3,813**	**(5,558)**	**(2,452)**	**5,571**	**2,453**

The amounts of SNS Property Finance have been accounted for in the positions as of the end of December 2006. The maturities of the hedged positions and the derivatives in the context of foreign currency are almost equal.

Sensitivity test

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 share prices of -10% and +10% on the fair value equity, result and shareholders' equity. The sensitivity of interest rate movements on profit calculated as follows: based on the first 12 monthly interest rate gaps in the balance sheet year-end 2006, the refinancing expenses over a period of 1 year are calculated in the case of an immediate parallel shift of the interest rate curve.

In € millions	Fair value equity		Result		Shareholders' equity	
	2006	2005	2006	2005	2006	2005
Interest rate + 1%	(95)	(141)	(14)	(6)	(77)	(43)
Interest rate – 1%	98	153	14	6	77	43
Shares + 10%	2	2	--	--	2	1
Shares – 10%	(2)	(2)	--	--	(2)	(1)

Interest typical maturity calendar

In addition to duration of equity, Value-at-Risk and Earnings-at-Risk, SNS Bank uses a gapprofile as a risk management tool. A gapprofile outlines the net position of redeeming nominal amounts per interest rate maturity from both assets and liabilities. The table below illustrates the interest typical maturity calendar of SNS Bank on the basis of expected remaining interest related from maturity. The gapprofile is used to determine which maturities in the gapprofile need to be adjusted to the desired level using interest rate swaps. Hence, duration of equity and the gapprofile are the main tools to manage the interest rate position of SNS Bank. As from 2006, to improve the interest gapprofile reported below, the off-balance products are included.

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 year	> 5 year	Provision	Total
2006							
Assets							
Loans and advances to credit institutions	3,306	265	36	--	--	--	3,607
Loans and advances to customers	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	1,751	--	--	--	--	--	1,751
	22,279	**3,462**	**9,309**	**17,235**	**12,307**	**(210)**	**64,382**
Off-balance 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 customers	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 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 sensitivity gap (assets-liabilities)	**4,740**	**(9,920)**	**4,613**	**2,880**	**(6)**	**(210)**	**2,097**

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 year	> 5 year	Provision	Total
2005							
Assets							
Loans and advances to credit institutions	3,198	828	92	--	--	--	4,118
Loans and advances to customers	12,626	1,942	8,168	12,909	9,747	(167)	45,225
Derivatives	182	278	138	203	114	--	915
Investments (interest bearing)	49	1	185	697	661	--	1,593
Other assets	1,247	--	--	--	--	--	1,247
Total assets	**17,302**	**3,049**	**8,583**	**13,809**	**10,522**	**(167)**	**53,098**

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 year	> 5 year	Provision	Total
Liabilities							
Savings	977	1,955	4,531	3,638	1,232	--	12,333
Other amounts due to customers	3,770	604	569	1,081	1,470	--	7,494
Amounts due to credit institutions	2,253	650	200	--	--	--	3,103
Debt certificates	2,035	7,461	3,285	7,591	5,093	--	25,465
Derivatives	136	332	146	164	161	--	939
Other liabilities	1,174	--	--	--	--	--	1,174
Participation certificates and subordinated debt	--	290	5	8	847	--	1,150
Total liabilities	**10,345**	**11,292**	**8,736**	**12,482**	**8,803**	**--**	**51,658**
Interest sensitivity gap (assets-liabilities)	**6,957**	**(8,243)**	**(153)**	**1,327**	**1,719**	**(167)**	**1,440**

Effective interest rate

The table below shows the average effective interest rate percentages of SNS Bank throughout the year (for 2006 including 1 month of SNS Property Finance) with respect to monetary financial instruments not held for trading.

In percentage terms	2006	2005
Assets		
Loans and advances to credit institutions	2.5%	1.5%
Mortgage loans	4.5%	4.2%
Property finance	5.9%	n.a.
Other loans and advances to customers	8.5%	7.5%
Investments held for sale (interest-bearing)	4.1%	4.0%
Liabilities		
Savings	3.0%	3.1%
Other amounts due to customers	3.9%	3.5%
Amounts due to credit institutions	1.3%	1.5%
Debt certificates	3.6%	3.1%
Participation certificates and subordinated debt	5.0%	5.0%

Market risk - trading portfolio

Due to the small size of its trading portfolio, SNS Bank runs only a limited market risk. This risk is calculated each day in terms of Value-at-Risk (99%) and stress tests. The following tables show the limits for the different portfolios. The total limit in terms of Value-at-Risk for the trading portfolio was only € 3 million, further illustrating the low risk profile of this activity. The system of limits functioned well in 2006. 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 also have defined limits.

In € thousands	Limit	
	Value-at-Risk (99% on daily basis)	Stresstest
FX/Corporate desk	100	300
Money market desk foreign currency	700	2,100
Money market desk euro	500	1,500
Capital market desk	400	1,200
Off-balance desk	800	2,400
Equity desk	500	1,500
Bond desk	400	1,200
Total	**3,400**	**10,200**

2.3 Liquidity risk

Liquidity risk is the risk that funding and cash and cash equivalents are not (sufficiently) available to the company to the extent that it cannot meet its financial obligations in the short term. SNS Bank manages its exposure to this risk so 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 is the largest borrower within SNS REAAL. SNS Bank has a broad investor base, an extensive range of financing instruments, and extensive access to the international money and capital markets. As was the case in 2005, in 2006 the maturity of the funding is as long as possible in terms of the liquidity profile. In this context, SNS Bank benefits from historic low credit spreads in the current market.

The liquidity risk policy of SNS Bank has four elements:
1 Liquidity management assuming a going concern basis
2 Diversification in the funding portfolio
3 Liquidity of assets
4 Planning for unforeseen events

SNS Bank's liquidity risk management is founded on the composition of its funding portfolio as a going concern. The daily cash management activities of the central treasury are in line with the operational requirements of SNS Bank and take place in accordance with the supervisory guidelines in this field. An important indicator of liquidity risk is the surplus in the liquidity test of De Nederlandsche Bank (weekly and monthly). A going-concern situation is assumed with an ordinary level of mortgage, savings/credit production and expiration of existing funding. At the end of 2006, SNS Property Finance was integrated. In the run-up to the closing date of this acquisition, SNS Bank temporarily had built up a very generous liquidity position.

SNS Bank strives towards diversification of the funding portfolio with respect to maturity, instrument, currency and type of investor. SNS Bank also has a broad portfolio of very liquid assets, such as government bonds. Furthermore, SNS Bank is expected to be able to securitise or sell a major part of the mortgage portfolio within a year.

In addition to the above, SNS Bank also has a liquidity contingency plan that contains planning for unforeseen events. In 2006, SNS Bank developed liquidity stress scenarios in the framework of De Nederlandsche Bank's stress test survey. The plan describes how SNS Bank can respond to stress scenarios, for instance by describing alternatives for re-financing operational activities. SNS Bank also periodically carries out stress tests across the bank in which liquidity risk plays an important role.

Management of 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 gapprofile. The table below represents the gap profile of SNS Bank at the end of December 2005 and 2006 on the basis of the remaining contractual maturity. SNS Property Finance is, as was the case with the interest rate risk, included in the figures for year-end 2006. With regards to the table below, it should be noted that credit 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 year	> 5 year	Provision	Total
2006							
Assets							
Loans and advances to credit institutions	3,474	90	24	17	2	--	3,607
Loans and advances to customers	1,489	861	638	2,053	51,417	(210)	56,248
Derivatives	12	18	102	376	296	--	804
Investments	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 and equity							
Savings	12,266	29	145	412	826	--	13,678
Other amounts due to customers	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
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)**	**--**

In € millions	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 year	> 5 year	Provision	Total
2005							
Assets							
Loans and advances to credit institutions	3,663	338	88	22	7	--	4,118
Loans and advances to customers	1,347	1,155	200	866	41,824	(167)	45,225
Derivatives	11	32	126	370	376	--	915
Investments	128	7	22	684	752	--	1,593
Other assets	1,247	--	--	--	--	--	1,247
	6,396	**1,532**	**436**	**1,942**	**42,959**	**(167)**	**53,098**
Liabilities and equity							
Savings	10,894	80	140	432	787	--	12,333
Other amounts due to customers	6,280	94	93	367	660	--	7,494
Amounts due to credit institutions	462	252	205	662	1,522	--	3,103
Debt certificates	--	8,964	1,697	10,524	4,280	--	25,465
Derivatives	79	24	73	444	319	--	939
Other liabilities	1,174	--	--	--	--	--	1,174
Participation certificates and subordinated debt	--	--	--	137	1,013	--	1,150
Equity	--	--	--	--	1,440	--	1,440
	18,889	9,414	2,208	12,566	10,021	--	53,098
Net liquidity gap	**(12,493)**	**(7,882)**	**(1,772)**	**(10,624)**	**32,938**	**(167)**	**--**

Financial leases, part of loans and advances to customers can be categorised according to maturity as follows:

In € millions	Gross 2006	Net 2006
Shorter than 1 year	257	256
1 to 5 years	234	234
Longer than 5 years	228	228
Investment in financial leases	**719**	**718**

SNS Bank includes assets from financial leases in the balance sheet as a receivable for the same amount as the leases' net investment. This includes non-earned future earnings of € 1 million.

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 options, market value and foreign exchange 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 accounted for in the profit and loss account. In the event that changes in fair value of hedged risks are not accounted for through the profit and loss account, 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 the 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 profit and loss account. This compensates for the fair value movements of the accompanying derivatives.

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 are not included in this overview.

In € millions	Notional amounts				Fair value	
	Total	< 1 year	> 1 year ≤ 5 year	> 5 year	Positive	Negative
2006						
Interest rate contracts:						
- Swaps en FRA's	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)**
2005						
Interest rate contracts:						
- Swaps en FRA's	33,119	2,607	14,360	16,152	589	(685)
- Options	3,254	269	2,110	875	69	(40)
Currency contracts:						
- Swaps	3,892	845	2,758	289	141	(119)
- Forwards	--	--	--	--	--	--
Total	**40,265**	**3,721**	**19,228**	**17,316**	**799**	**(844)**

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 give no indication of the size of the cash flows and the market and credit risk attached to the transactions.

3.1 Hedging

SNS Bank uses interest rate swaps to manage the interest rate risk of the bank book. The policy is that the duration of equity is between 3 and 8. In addition, SNS Bank uses interest rate derivatives to hedge specific embedded options in mortgages. This relates to mortgages whose interest rate is capped of where movements in interest rates are transferred to clients gradually. 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 hedge investment portfolio risks.

The fair value of the swaps to hedge the interest rate risk of the bank book amounted to € 185 million positive as of 31 December 2006 (2005: € 392 million negative).
Certain mortgages have specific options, which is the case with the 'Plafond' (ceiling), 'Stabiel' (stable) and 'Rentedemper' (interest rate limiter) mortgages. The nominal value of these mortgages at the end 2006, was € 3.2 billion, € 1.3 billion and € 1.2 billion respectively. That compares to € 3.8 billion, € 1.8 billion and € 0.9 billion at the end of 2005. 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 € 108 million on 31 December 2006, versus € 43 million a year earlier. The (foreign currency) swaps relating to funding, had a fair value of € 116 million negative at year end (2005: € 267 million positive). The options linked to the hybrid savings products had a fair value of € 38 million (2005: € 36 million). Only a very limited number of derivatives have been allocated to the investment portfolios; they have a very small fair value (2005: € 3 million negative).

3.2 Hedge accounting

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 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. These caplets and floorlets 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-months 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 fixed-rate funding with interest rate swaps to floating-rate funding. 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 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 swaping the coupon to a floating rate. Through these instruments, the interest rate and foreign exchange risks are hedged.

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 given here below does not reflect the underlying value of SNS Bank and should therefore not be interpreted as such.

In € millions	2006		2005	
	Fair value	Book value	Fair value	Book value
Financial assets				
Cash and cash equivalents	687	687	597	597
Loans and advances to credit institutions	3,608	3,607	4,119	4,118
Loans and advances to customers	56,717	56,248	46,299	45,225
Derivatives	804	804	915	915
Investments:				
- Fair value through profit or loss, held for trading	400	400	151	151
- Available for sale	1,638	1,638	1,490	1,490
Other assets	436	436	300	300
Total financial assets	**64,290**	**63,820**	**53,871**	**52,796**
Financial liabilities				
Savings	13,343	13,678	12,167	12,333
Other debts to customers	6,581	7,019	7,316	7,494
Debt to credit institutions	7,337	7,299	3,178	3,103
Debt certificates	31,128	30,841	25,891	25,465
Derivatives	682	682	939	939
Other liabilities	1,190	1,190	1,032	1,032
Participation certificates and subordinated debts	1,580	1,448	1,309	1,150
Total financial liabilities	**61,841**	**62,157**	**51,832**	**51,516**

The fair values represent the value of the financial instruments on the balance sheet date on a real economic basis, i.e. as in a transaction between well informed and willing parties ('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 a poor 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 column other assets.
The following methods and assumptions are used to determine the fair value of financial instruments.

Financial assets

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

Loans and advances to customers
The fair value of mortgage loans is estimated by determining the cash value of the expected future cash flows, making use of the interest rate used for similar loans that were extended at that time, and taking into consideration the effect of future early redemptions. 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 the book value and the fair value.

The fair value of other loans and advances to customers is estimated on the basis of cash value of future cash flows, making use of the interest rate currently prevailing for credits with similar conditions and credit risks.

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.

Investments
The fair value of shares and convertible bonds is based on stock market prices. The fair value of interest-bearing debt paper, 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.

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

Financial liabilities

Other amounts due to customers 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 amount due to banks is estimated on the basis of the cash value of the future cash flows, using the interest rate currently applicable to amount due to banks with similar conditions.

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

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

Participation certificates and subordinated debts
The fair value of the share 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.

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

5 Legal solvency requirements

For SNS Bank the capital management policy is focused on optimising the capital structure in line with SNS Bank's strategic goals. Each year the commercial goals for the coming three years are translated into a capital plan. The capital plan shows how SNS Bank translates its need for capital in such a way as to satisfy the internal and external solvency requirements. Those requirements are set by:
- De Nederlandsche Bank (DNB)
- European legislation
- The rating agencies
- Internal requirements regarding SNS Bank's capitalisation.

In 2006, SNS Bank (including SNS Property Finance) maintained a minimum BIS-ratio of 11%, a Tier-1 ratio of 8% minimum and a Core Capital-ratio of at least 6%.

The required capital for banking activities, in accordance with DNB requirements, amounts to 8% of the risk-weighted assets, the off balance sheet items and the market risk of the trading portfolio (the so-called BIS standard). As of end 2006, the required capital amounted to € 2,276 million (2005: € 1,614 million).

In € millions	2006	2005
Tier 1 capital	2,336	1,753
Supplementary capital (Tier 2)	854	652
Deductable items (participating interest)	--	(4)
Qualifying capital (excluding Tier 3)	3,190	2,401
Risk weighted assets	28,454	20,175

In percentage terms	Internal standard	2006	2005
Tier 1-ratio	> 8%	8.2%	8.7%
BIS-ratio	> 11%	11.2%	11.9%
Core capital-ratio	> 6%	7.4%	6.9%

Notes to the consolidated balance sheet

Assets

1 Cash and cash equivalents

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

Cash and cash equivalents break down as follows:

In € millions	2006	2005
Deposits at De Nederlandsche Bank	458	383
Short term bank balances	158	135
Cash	71	79
Total	**687**	**597**

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 customers

Loans and advances to customers break down as follows:

In € millions	Gross amount		Provisions		Net amount	
	2006	2005	2006	2005	2006	2005
Mortgages	44,989	42,601	(59)	(43)	44,930	42,558
Property Finance:						
- Project finance	3,245	--	(41)	--	3,204	--
- Investment finance	4,893	--	(6)	--	4,887	--
- Financial lease	722	--	(4)	--	718	--
Other	2,609	2,791	(100)	(124)	2,509	2,667
Total	**56,458**	**45,392**	**(210)**	**(167)**	**56,248**	**45,225**

The Property Finance segment includes, as of 2006, all the activities of SNS Property Finance. Property finance loans and advances of the Retail Bank will be transferred to the Property Finance segment in 2007.

Of the loans secured by mortgages, € 1,956 million has been provided as collateral to third parties. These were transacted according to normal market conditions. The Property finance loans include € 8,554 million with mortgage security.

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 advances to group companies, under advances to customers, amounted to € 646 million (2005: € 316 million).

Other loans and advances to customers are private and small and medium sized commercial loans. In 2005 the other loans and advances to customers included € 11 million in receivables with a subordinated nature (2006: nil).

The movements in loans and advances to customers breaks down as follows:

	Mortgages		Property finance		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Balance as at 1 January	42,601	38,983	--	--	2,791	2,806	45,392	41,789
Implementation of IAS 32/39	--	451	--	--	--	(1)	--	450
Acquisitions	--	--	8,474	--	--	--	8,474	--
Reclassification	150	--	--	--	(150)	--	--	--
Advances	9,069	8,988	783	--	400	365	10,252	9,353
Redemptions	(6,438)	(5,745)	(299)	--	(174)	(258)	(6,911)	(6,003)
Change in fair value as a result of hedge accounting	(394)	(91)	--	--	--	--	(394)	(91)
Exchange rate differences	--	--	(43)	--	--	--	(43)	--
Movement in current accounts	--	--	--	--	(224)	(121)	(224)	(121)
Other changes	1	15	(55)	--	(34)	--	(88)	15
Balance as at 31 December	**44,989**	**42,601**	**8,860**	**--**	**2,609**	**2,791**	**56,458**	**45,392**

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. SNS Bank retains an economic interest in the companies in this context, and has consolidated these companies in its consolidated financial statements. The remaining principal of the securitised portfolio amounted to € 11,245 million as at year end 2006 (2005: € 7,585 million). Further information on securitisation transactions is provided under debt certificates.

SNS Bank has also structured synthetic securitisations in the form of credit guarantees, whereby the credit risk protection has been bought for a mortgage portfolio with a remaining principle of € 595 million as at year end 2006 (2005: € 731 million).

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

	2006							
	Mortgages		Property finance		Other		Total	
	Specific	IBNR	Specific	IBNR	Specific	IBNR	2006	2005
Balance as at 1 January	39	4	--	--	97	27	167	144
Implementation of IAS 32/39	--	--	--	--	--	--	--	18
Reclassification	4	--	--	--	(4)	--	--	--
Acquisitions	--	--	43	5	--	--	48	--
Usage	(27)	--	--	--	(16)	--	(43)	(49)
Additions	52	1	3	--	39	--	95	80
Releases	(14)	--	(2)	--	(33)	(10)	(59)	(26)
Other changes	--	--	2	--	--	--	2	--
Balance as at 31 December	**54**	**5**	**46**	**5**	**83**	**17**	**210**	**167**
Provisions as % of risk weighted assets							**0.7%**	**0.8%**

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 attendant on the underlying primary financial instruments are exchanged between parties. As a result of which the transactions do not lead to the transfer of the underlying primary financial instrument and neither does transfer have to take place when the agreement expires. Most derivatives are kept to hedge against unwanted market risks. This is explained in paragraph 3 of the chapter Risk management. The derivatives are unlisted.

In € millions	Positive fair value		Negative fair value		Balance	
	2006	2005	2006	2005	2006	2005
Summary of derivatives						
Derivatives held for fair-value hedging	651	692	516	762	135	(70)
Derivatives held in the context of asset and liability management that does not qualify for hedge accounting	43	107	73	82	(30)	25
Derivatives held for trading	110	116	93	95	17	21
Total	**804**	**915**	**682**	**939**	**122**	**(24)**

	2006	2005
Movement in derivatives		
Balance as at 1 January	(24)	42
Implementation of IAS 32/39	--	(315)
Reclassification implementation of IAS 32/39	--	(370)
Purchases	(15)	117
Disposals	137	67
Revaluations	229	175
Exchange rate movements	(187)	263
Other	(18)	(3)
Balance as at 31 December	**122**	**(24)**

5 Investments

In € millions	2006	2005
Fair value through profit and loss	400	151
Available for sale	1,638	1,490
Total	**2,038**	**1,641**

	Fair value through profit and loss		Available for sale		Total	
	2006	2005	2006	2005	2006	2005
Movements of investments						
Balance as at 1 January	151	133	1,490	1,572	1,641	1,705
Implementation of IAS 32/39	--	--	--	36	--	36
Reclassifications	--	--	3	--	3	--
Acquisitions and advances	--	--	1,540	687	1,540	687
Disposals and redemptions	--	--	(1,329)	(867)	(1,329)	(867)
Revaluations	--	--	(61)	67	(61)	67
Change in investments held for trading	249	18	--	--	249	18
Other	--	--	(5)	(5)	(5)	(5)
Balance as at 31 December	**400**	**151**	**1,638**	**1,490**	**2,038**	**1,641**

	2006	2005
Fair value through profit and loss		
Shares and similar investments:		
- Listed	46	33
- Unlisted	1	--
Bonds and fixed-income securities:		
- Listed	350	118
- Unlisted	3	--
Total	**400**	**151**
Available for sale		
Shares and similar investments:		
- Listed	19	15
Bonds and fixed-income securities:		
- Listed	1,619	1,475
Total	**1,638**	**1,490**

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

	Shares and similar investments		Bonds and fixed-income securities		Total	
	2006	2005	2006	2005	2006	2005
(Amortised) cost price	16	15	1,603	1,420	1,619	1,435
Unrealised gains in value	3	--	16	55	19	55
Total	**19**	**15**	**1,619**	**1,475**	**1,638**	**1,490**

6 Investment property

The 2006 movements in investment property (€ 6 million) can be fully explained by the acquisition of SNS Property Finance.

7 Investments in associates

In € millions	2006	2005
Equity participations	34	2
Investments in joint ventures	--	--
Total book value	**34**	**2**
Total market value	34	2

Movements in investments in associates can be specified as follows:

	2006	2005
Balance as at 1 January	2	5
Acquisitions	37	--
Purchases and expansions	1	--
Reclassification to investments available for sale	(3)	--
Share in the result of associates	(1)	--
Disposals and divestments	--	(4)
Revaluations	--	1
Other movements	(2)	--
Balance as at 31 December	**34**	**2**

Overview of the most significant investments in associates

	Country	Interest	Shareholders' equity		Share in the results		Assets		Liabilities		Income	
			2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Significant investments in associates:												
ProCom Desarrollos Urbanos SA	ES	20%	2	--	--	--	415	--	405	--	(2)	--
Project 2 Holding N.V.	BE	17%	5	--	--	--	51	--	24	--	(2)	--
Tarpon Point Associates LLC	US	10%	2	--	--	--	167	--	141	--	--	--
Überseequartier Beteilingungs GmbH	DE	43%	13	--	--	--	30	--	--	--	--	--
Other	Various	20-49%	12	2	--	--	302	--	228	--	--	--
Total			**34**	**2**	**--**	**--**	**965**	**--**	**798**	**--**	**(4)**	**--**

A total of € 741 million in loans has been granted to the associated companies in 2006 (2005: nil). These loans are included under loans and advances to customers.

Overview of the most important joint ventures

	Country	Interest	Shareholders' equity	Share in the results	Current assets	Fixed assets	Current liabi-lities	Long-term liabilities	Income	Expenses
Joint ventures :										
Zom Riveroaks LP	US	50%	1	--	4	--	--	--	--	--
Astro Tower NV	BE	50%	1	--	--	3	1	--	--	--
IMCA/BFP Holding BV	NL	50%	(1)	--	--	--	--	--	--	1
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**

A total of € 324 million in loans has been granted to joint ventures in 2006. These loans have been included under loans and advances to customers. As of year end 2006, the total investment commitments of the joint ventures amounted to € 35 million and the total contingent liabilities amounted to € 3 million.

8 Tangible fixed assets

In € millions	2006	2005
Land and buildings in own use	88	92
IT equipment	23	24
Other tangible fixed assets	52	37
Total	**163**	**153**

	Land and buildings		IT equipment		Other assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Accumulated acquisition cost	100	106	81	85	123	104	304	295
Accumulated revaluations	18	14	--	--	--	--	18	14
Accumulated depreciation and impairment	(30)	(28)	(58)	(61)	(71)	(67)	(159)	(156)
Balance as at 31 December	**88**	**92**	**23**	**24**	**52**	**37**	**163**	**153**

	Land and buildings		IT equipment		Other assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Balance as at 1 January	92	97	24	25	37	42	153	164
Acquisition	--	--	--	--	1	--	1	--
Revaluations	5	1	--	--	--	--	5	1
Investments	--	2	13	18	26	13	39	33
Divestments	(7)	(6)	(1)	(9)	(2)	(8)	(10)	(23)
Depreciation	(2)	(2)	(10)	(10)	(10)	(10)	(22)	(22)
Impairment	--	--	(3)	--	--	--	(3)	--
Balance as at 31 December	**88**	**92**	**23**	**24**	**52**	**37**	**163**	**153**

The book value of land and buildings in own use based on historical cost price is € 70 million (2005: € 78 million).

The depreciation has been included in the income statement under the section depreciation and amortisation of tangible and intangible fixed assets. A book profit on disposals of € 2 million was realised on divestments in 2006. This has been correspondingly debited in the item depreciation and amortisation of tangible and intangible fixed assets in the income statement.

Any impairment of tangible fixed assets is recognised in the income statement under value adjustments to financial instruments and other assets.
The impairment of € 3 million 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.

Valuation of land and buildings in own use
The values of land and buildings in own use are assessed by an external surveyor once every three years. In 2004, with the introduction of IFRS accounting principles, the whole portfolio was revalued.

The table below shows the balance sheet value of the assessed land and building in totals. The final column shows the balance sheet value of the assessed land and buildings in relation to the land and buildings in own use.

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

9 Goodwill and other intangible fixed assets

In € millions	2006	2005
Goodwill	197	--
Software	10	12
Other intangible fixed assets	7	--
Total	**214**	**12**

	Goodwill		Software		Other intangible fixed assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Accumulated acquisition cost	197	--	27	29	7	--	231	29
Accumulated amortisation and impairment	--	--	(17)	(17)	--	--	(17)	(17)
Balance as at 31 December	**197**	**--**	**10**	**12**	**7**	**--**	**214**	**12**

	Goodwill		Software		Other intangible fixed assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Balance as at 1 January	--	--	12	12	--	--	12	12
Acquisitions	197	--	--	--	5	--	202	--
Investments	--	--	4	5	2	--	6	5
Divestments	--	--	(1)	--	--	--	(1)	--
Amortisation			(5)	(5)	--	--	(5)	(5)
Balance as at 31 December	**197**	**--**	**10**	**12**	**7**	**--**	**214**	**12**

The amortisation of software and other intangible assets is included in the income statement under the line depreciation and amortisation of tangible and intangible fixed assets. Impairments of goodwill and other intangible fixed assets are included in the income statement under the line value adjustments to financial instruments and other assets (2006 en 2005 nil).

As a result of the acquitision of Bouwfonds Property Finance, SNS Bank recognizes customer relations as new intangible assets. This is accounted under 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.

10 Deferred tax assets and liabilities

In € millions	Assets		Liabilities		Balance	
	2006	2005	2006	2005	2006	2005
Source of the deferred tax assets and liabilities:						
Investment property	--	--	3	2	(3)	(2)
Investments	5	--	--	16	5	(16)
Derivatives	--	16	79	--	(79)	16
Goodwill and intangible fixed assets	--	--	1	--	(1)	--
Subordinated debt	--	4	2	--	(2)	4
Debt certificates	--	33	5	--	(5)	33
Provision for employee benefits	3	3	--	--	3	3
Reorganisation provision	3	4	--	--	3	4
Other provisions	5	3	--	--	5	3
Amounts due to credit institutions	1	--	--	--	1	--
Other amounts due to customers	2	18	--	--	2	18
Tax-deductible losses	2	2	--	--	2	2
Loans and advances to customers	15	--	7	101	8	(101)
Other	3	2	--	--	3	2
Net tax asset / liability	**39**	**85**	**97**	**119**	**(58)**	**(34)**

The tax-deductible losses for which a deferred tax receivable has been recognised can be specified as follows:

	2006	2005
- Total tax-deductible losses	6	5
- Deferred tax assets calculated on tax-deductible losses	2	2
Average tax rate	25.5%	29.6%

11 Corporate tax

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

12 Other assets

In € millions	2006	2005
Other taxes	2	1
Other advances	100	29
Accrued assets:		
- Accrued interest	246	200
- Other accrued assets	88	70
Total	**436**	**300**

Liabilities and equity

13 Savings

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

14 Other amounts due to customers

In € millions	2006	2005
Non-current debt	2,359	2,295
Demand deposits	4,260	4,815
Mortgage deposits	400	384
Total	**7,019**	**7,494**

15 Amounts due to credit institutions

In € millions	2006	2005
Due on demand	220	253
Deposits and certificates	7,079	2,850
Total	**7,299**	**3,103**

16 Debt certificates

Debt certificates refer to bonds and other debt certificates with a fixed or variable interest rate insofar as not subordinated.

The debt certificates have an average contractual interest rate of 3.6%. (2005: 3.1%).

In € millions	2006	2005
Total	30,841	25,465

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. SNS Bank retains an economic interest in the companies in this context, and has consolidated these companies in its consolidated financial statements.

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 a commercial incentive to early redeem the bonds. An overview of the securitisation programme is provided on page 96:

In € millions	Initial principal	Date of securiti-sation	Principal 31 December 2006	Principal 31 December 2005	First call-option date	Contractual date of expiry
As at 31 December 2006 the following issues were outstanding:						
Hermes I	437	Nov 1999	81	130	n.a.	Jul 2009
Hermes II	665	Nov 2000	183	237	n.a.	Apr 2012
Hermes III	900	Jun 2001	242	329	18 Jul 2009	Jun 2033
Hermes IV	800	Nov 2001	233	305	18 Jul 2009	Oct 2033
Hermes V	1,100	Nov 2002	406	561	18 Jan 2011	Oct 2034
Hermes VI	1,250	May 2003	509	701	18 Nov 2009	May 2035
Hermes VII	1,250	Sep 2003	860	1,172	18 Feb 2010	Feb 2039
Hermes VIII	1,250	May 2004	1,041	1,209	18 Nov 2013	May 2038
Hermes IX	1,500	May 2005	1,500	1,460	18 Feb 2014	Feb 2039
Hermes X	1,500	Sep 2005	1,500	1,481	18 Mar 2015	Sep 2039
Hermes XI	1,500	Feb 2006	1,500	--	18 Sep 2015	Sep 2040
Hermes XII	2,200	Oct 2006	2,176	--	18 Mar 2016	Dec 2038
PEARL I	1,014	Sep 2006	1,014	--	18 Sep 2026	Sep 2047
Total	**15,366**		**11,245**	**7,585**		

A subordinated loan is provided by SNS Bank to Pearl I with a principal outstanding amount of € 14 million and a loan with a principal outstanding amount of € 10 million to Hermes XII. In 2005, a subordinated loan was provided to Hermes I with a principal outstanding amount of € 4 million.

17 Other liabilities

In € millions	2006	2005
Other taxes	2	--
Other liabilities	305	276
Accrued liabilities:		
- Accrued interest	796	708
- Other accrued liabilities	87	48
Total	**1,190**	**1,032**

18 Other provisions

In € millions	2006	2005
Reorganisation provision	13	14
Other provisions	11	9
Total	**24**	**23**

In € millions	Reorganisation provision		Other provisions		Total	
	2006	2005	2006	2005	2006	2005
Balance as at 1 January	14	16	9	13	23	29
Acquisitions	--	--	2	--	2	--
Additions	5	5	3	4	8	9
Usage	(3)	(5)	--	(8)	(3)	(13)
Released to results	(3)	(2)	(3)	--	(6)	(2)
Total as at 31 December	**13**	**14**	**11**	**9**	**24**	**23**

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. More details are provided under off-balance sheet commitments. The other provisions are mainly of a long-term nature.

19 Participation certificates and subordinated debts

In € millions	2006	2005
Participation certificates	298	298
Subordinated debts	1,150	852
Total	**1,448**	**1,150**

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

In € millions	2006	2005
Subordinated debts		
Bond loans	1,024	826
Private loans	126	26
Total	**1,150**	**852**

			Balance sheet value	Nominal value	Balance sheet value	Nominal value
			2006		2005	
Bond loans						
SNS Bank	6.250%	1997/2009	135	136	137	136
SNS Bank	5.125%	1999/2011	117	122	115	116
SNS Bank	4.000%	1999/2019	5	5	5	5
SNS Bank	7.625%	Perpetual	80	81	80	80
SNS Bank	Variable	2001/2011	--	--	80	81
SNS Bank	5.750%	Perpetual	197	200	199	200
SNS Bank	Variable	2003/2013	107	107	110	110
SNS Bank	Variable	2005/2015	100	100	100	100
SNS Bank	5.500%	2006/2016	44	45	--	--
SNS Bank	6.750%	2006/2016	119	120	--	--
SNS Bank	Variable	2006/2016	120	120	--	--
Total			**1,024**	**1,036**	**826**	**828**

Bond loans

The two perpetually subordinated bond loans mentioned above have a term that is open-ended 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 De Nederlandsche Bank. The average contractual yield was 4.6% in 2006 (2005: 6.3%).

20 Equity attributable to shareholders

For more detailed information on equity please refer to ‘Consolidated statement of changes in equity’.

In € millions	2006	2005
Equity attributable to shareholders	2,097	1,440

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

Off-balance sheet commitments

In € millions	2006	2005
Contingent liabilities		
Liabilities from pledges and guarantees given	419	108
Commitments arising from irrevocable facilities	2,696	1,334

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 were no longer able to meet their commitments and all existing securities had 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 customers, but against which no claim has been made. These facilities are pledged for a set period and at a variable interest rate. For the majority of the irrevocable credit facilities that have not been called, collateral has been obtained.

On 1 January 2007 the Financial Supervision Law (Wft) came into force. A part of this relates to the deposit guarantee system, the successor to the Collective Guarantee scheme. The investors' compensation system has also 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. The next € 20,000 is for 90% guaranteed. The investors' compensation system foresees 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, De Nederlandsche Bank will pay out to the stated maximum. This total amount is then repaid to De Nederlandsche Bank by the banks according to an apportionment scheme.

Rental commitments

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

In € millions	2006
Breakdown by remaining maturity:	
≤ 1 year	9
> 1 year ≤ 5 years	22
> 5 years	4
Total future minimum lease commitments based on binding leases	**35**

Legal proceedings

SNS Bank is involved in legal proceedings. Although it is impossible to predict the result of pending or threatened legal proceedings, on the basis of information currently available and after consulting legal advisors, the Management Board of SNS Bank believes that the results of these proceedings are unlikely to adversely materially affect 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 action against the intermediary in question and the financial service provider that had offered the securities lease products. Some clients are claiming compensation from SNS Bank. The majority of these claims have been settled. However, it is not certain whether it will be possible to settle the remaining claims, and it is possible that more claims could follow. In connection with this risk, SNS Bank formed a provision.

SNS Bank used to offer securities lease products in the past. Other than with most of the securities lease products of other providers, these concerned guarantee products. The guarantee does not cover the interest payable by the investor for interest and expenses. For this reason, some clients filed claims. They argue that the product information was misleading on this point. In addition, a number of investors appeal to the fact that their spouses had not signed the agreements and/or that the Consumer Credit Act has been breached. Most of the claims have been settled. A number of clients have started legal proceedings. Only in one instance has it been ruled that SNS Bank did not make it sufficiently clear that not all the amounts invested by the investor (being interest of up to a maximum of € 6,000 per contract and costs) were covered by the guarantees. The verdict was that SNS Bank did not have to pay all the damage incurred because the fact that the applicant had not made any enquiries can be imputed to him/her. SNS Bank was ordered to pay a portion of the amount claimed. In connection with the risk that SNS Bank has to compensate investors, SNS Bank formed a provisions.

Related parties

Identity of related parties

Parties are considered to be related when one party can exert influence over the other party in deciding financial or operational questions. As part of its ordinary operations, SNS Bank maintains various sorts of normal business relationships with companies and parties, particularly in the area of banking activities and savings and investments, this includes the group companies REAAL Verzekeringen N.V. and SNS REAAL N.V. Other parties related to SNS Bank are associates, non-consolidated associates, joint ventures, managers in key positions and other family members of these related parties. Transactions between the related parties are conducted at arm's length.

Related party transactions

The transactions with these parties at SNS Bank also involve transactions between SNS Bank and SNS REAAL in connection with the legal transfer of SNS Asset Management. SNS Asset Management has operated as of 1 July 2006 as an independent business unit of SNS REAAL under the direct management of the Executive Board of SNS REAAL. Until 1 July 2006, main activities in the area of asset management fell under SNS Bank. SNS Asset Management was transferred by means of an asset transaction for the sum of € 1. In addition, it has been agreed that as of 1 July 2006, SNS Asset Management will pay SNS Bank a commission.

On 18 May 2006 SNS REAAL has been listed on the stock exchange. The listing costs were born by SNS REAAL and Stichting Beheer SNS REAAL proportionately to the interest of these parties in the IPO. As the exiting sole shareholder of SNS REAAL, Stichting Beheer SNS REAAL offered to bear a large part of the non-recurring expenses incurred by SNS REAAL and its subsidiaries in connection with the IPO. In case of SNS Bank, this concerns shares issued to employees (€ 2 million), costs in connection with the staff party (€ 2 million), the SNS REAAL trust (€ 2 million), and internal hours spent (€ 1 million).

Staff is employed 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 Board

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.

The remuneration of the members of the Management Board of SNS Bank (regular payments, deferred payments and profit-sharing & bonuses) amounted to € 2.8 million in 2006 (2005: € 2.9 million).

A car is provided to the members of the Management Board of SNS Bank, which may also be used privately.

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 € 2.4 million in 2006 (2005: € 2.6 million).

Notes to the consolidated income statement

Income

21 Net interest income

In € millions	2006	2005
Interest income	2,314	1,996
Interest expense	1,747	1,401
Net interest income	**567**	**595**

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.

	2006	2005
Interest income		
Mortgages	1,897	1,732
Property Finance	41	--
Other loans and advances to customers	183	160
Loans and advances to credit institutions	118	49
Investments	75	54
Other	--	1
Total	**2,314**	**1,996**

Interest expense

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

	2006	2005
Interest expense		
Savings	398	363
Amounts due to customers	293	277
Amounts due to credit institutions	57	28
Debt certificates	977	675
Participation certificates and subordinated debts	22	58
Total	**1,747**	**1,401**

22 Net commission and management fees

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

	2006	2005
Money transfer and payment charges	16	15
Securities activities	20	13
Insurance agency activities	33	39
Management fees	40	36
Other activities	11	11
Total	**120**	**114**

23 Share in the result of associates

This includes the share in the net profit of associates.

24 Result on investments

In € millions	2006	2005
Fair value through profit and loss	17	18
Available for sale	50	8
Total	**67**	**26**

	Fair value through profit and loss		Available for sale		Total	
	2006	2005	2006	2005	2006	2005
Composition of result on investments						
Realised revaluations	15	20	50	8	65	28
Unrealised revaluations	2	(2)	--	--	2	(2)
Total	**17**	**18**	**50**	**8**	**67**	**26**

25 Result on derivatives and other financial instruments

In € millions	2006	2005
Fair value movement in derivatives held for fair-value hedge accounting:		
Fair value movement in hedging instruments	223	85
Fair value movement in the hedged position attributable to the hedged risk	(219)	(75)
Fair value movement in the position of derivatives not classified for hedge accounting maintained for balance sheet management	5	17
Fair value movement in derivatives held for trading	6	6
Total	**15**	**33**

26 Other operating income

This includes income from securities and investments in associates, as well as gains that cannot be accounted for under other items.

Expenses

27 Value adjustments to financial instruments and other assets

This item includes impairments for investments, loans and advances to customers and tangible fixed assets.

	Impairments		Reversals		Total	
	2006	2005	2006	2005	2006	2005
Loans and advances to customers	95	70	59	20	36	50
Tangible fixed assets	--	--	--	--	--	--
Total	**95**	**70**	**59**	**20**	**36**	**50**

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

28 Staff costs

In € millions	2006	2005
Salaries	160	153
Pension costs	35	34
Social security	18	18
Other staff costs	70	53
Total	**283**	**258**

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.

SNS REAAL granted shares to personnel at the IPO. In case of SNS Bank this concerns € 2 million which were borne by the trust Stichting Beheer SNS REAAL.

SNS Bank has not granted any options to directors and employees.

Employees
The average number of employees calculated on the basis of full-time equivalents is 3,197 (2005: 3,158).

29 Other operating expenses

In € millions	2006	2005
Housing	27	29
IT systems	19	21
Marketing and Public Relations costs	31	29
External advisors	11	7
Other costs	85	86
Total	**173**	**172**

30 Taxation

In € millions	2006	2005
Corporate tax due:		
- In accounting period	51	58
- Prior year adjustments (including release of tax provisions)	(5)	(5)
Deferred tax:		
- Revaluation of deferred taxes due to change in the statutory tax rate	(9)	1
Total	**37**	**54**
Reconciliation between statutory and effective tax rate:		
- Result before tax	251	258
- Statutory tax rate	29.6%	31.5%
Statutory tax amount	74	81
Effect of participation exemption	(23)	(22)
Revaluation of deferred taxes due to change in the statutory tax rate	(9)	1
Prior year adjustments (including release of tax provisions)	(5)	(6)
Total	**37**	**54**
Effective tax rate	14.7%	20.9%

The statutory corporate tax rate has been lowered from 29.6% to 25.5% for 2007. As a result, deferred corporate tax has been recalculated. The effect is reported under 'revaluation of deferred tax due to change in statutory tax rate' to the extent it is not recognised directly in equity.

31 Net profit per share

In € millions	2006	2005
Net profit (in € millions)	214	204
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 profit per share (in €)	255	243
Diluted net profit per share (in €)	255	243

Utrecht, 13 March 2007

Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
J. den Hoed
S.C.J.J. Kortmann
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
M. Menkveld
M.E. Straub

Company balance sheet

In € millions	31-12-2006	31-12-2005
Assets		
Cash and cash equivalents	658	586
Loans and advances to credit institutions 1	3,569	4,090
Loans and advances to customers 2	39,241	33,021
Derivatives	804	915
Investments 3	471	657
Investment property	1	--
Subsidiaries 4	1,514	785
Investments in associates	--	2
Tangible fixed assets 5	146	136
Goodwill and other intangible fixed assets 6	213	11
Deferred tax assets	112	85
Corporate tax	108	53
Other assets	425	6
Total assets	**47,262**	**40,347**
Liabilities and equity		
Savings	9,535	9,103
Other amounts due to customers	6,052	6,485
Amounts due to customers 7	15,587	15,588
Amounts due to credit institutions 8	6,861	2,402
Debt certificates	19,224	17,484
Derivatives	652	906
Deferred tax liabilities	166	104
Corporate tax	--	(25)
Other liabilities	1,204	1,276
Other provisions 9	23	22
Participation certificates and subordinated debts	1,448	1,150
Issued and paid up share capital	381	381
Reserves required by law	5	--
Other reserves	1,587	928
Profit for the year	124	131
Equity attributable to shareholders 10	2,097	1,440
Total liabilities and equity	**47,262**	**40,347**

The numbers next to the balans sheet items refer to notes starting on page 107.

Some of the comparative figures have been restated for comparison purposes. Reference is made to the notes in paragraph 2.4 of the accounting principles for the consolidated financial statements.

Company income statement

In € millions	2006	2005
Result on subsidiaries after taxation	104	102
Other results after taxation	110	102
Net profit	**214**	**204**

Notes to the company balance sheet

General

For the Accounting principles used reference is made to the notes to the consolidated financial statements on page 54.
For additional information on items not explained further in the notes to the company balance sheet, reference is made to the notes on the consolidated balance sheet.

SNS Bank has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.
Based on the opportunity offered by the Dutch Civil Code, Book 2 Title 9, SNS Bank has drawn up its company financial statements according to the same accounting principles as those used in the consolidated statements.

In accordance with Section 402, Book 2 of the Dutch Civil Code, in the income statement the result on subsidiaries after taxation is the only item shown separately.

Assets

1 Loans and advances to credit institutions

In € millions	2006	2005
Breakdown by remaining maturity:		
Payable on demand	3,474	3,663
Not payable on demand:		
> 1 month ≤ 3 months	90	338
> 3 months ≤ 1 year	--	84
> 1 year ≤ 5 years	5	5
> 5 years	--	--
Total	**3,569**	**4,090**

2 Loans and advances to customers

In € millions	2006	2005
Breakdown by remaining maturity:		
Payable on demand	1,055	1,105
Not payable on demand:		
> 1 month ≤ 3 months	1,069	1,140
> 3 months ≤ 1 year	666	148
> 1 year ≤ 5 years	3,866	575
> 5 year	32,585	30,053
Total	**39,241**	**33,021**

Loans and advances to customers include receivables from subsidiaries of € 17.0 billion (2005: € 7.6 billion).

3 Investments

In € millions	2006	2005
Fair value through profit and loss	223	63
Available for sale	248	594
Total	**471**	**657**

	Fair value through profit and loss		Available for sale		Total	
	2006	2005	2006	2005	2006	2005
Movement in investments						
Balance as at 1 January	63	124	594	855	657	979
Implementation of IAS 32/39	--	--	--	27	--	27
Reclassifications	--	--	3	--	3	--
Divestments of business	--	--	286	--	286	--
Acquisitions and advances	--	--	385	234	385	234
Disposals and redemptions	--	--	(988)	(536)	(988)	(536)
Revaluations	--	--	(21)	14	(21)	14
Change in investments held for trading	160	(61)	--	--	160	(61)
Other	--	--	(11)	--	(11)	--
Total	**223**	**63**	**248**	**594**	**471**	**657**

4 Subsidiaries

In € millions	2006	2005
Balance as at 1 January	785	625
Implementation of IAS 32/39	--	85
Acquisitions	640	--
Purchase and expansions	92	--
Revaluations	(56)	(2)
Result	104	102
Dividend received	(51)	(25)
Total	**1,514**	**785**

5 Tangible fixed assets

In € millions	2006	2005
Land and buildings in own use	74	78
IT equipment	23	23
Other tangible fixed assets	49	35
Total	**146**	**136**

	Land and buildings		IT equipment		Other assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Accumulated acquisition cost	89	89	77	64	108	84	274	237
Accumulated revaluations	9	4	--	--	--	--	9	4
Accumulated depreciation and impairment	(24)	(15)	(54)	(41)	(59)	(49)	(137)	(105)
Balance as at 31 December	**74**	**78**	**23**	**23**	**49**	**35**	**146**	**136**
Balance as at 1 January	78	81	23	24	35	40	136	145
Revaluations	5	(3)	--	--	--	(1)	5	(4)
Investments	--	2	13	18	24	12	37	32
Divestments	(7)	(4)	(1)	(9)	(1)	(7)	(9)	(20)
Depreciation	(2)	2	(9)	(10)	(9)	(9)	(20)	(17)
Impairments	--	--	(3)	--	--	--	(3)	--
Balance as at 31 December	**74**	**78**	**23**	**23**	**49**	**35**	**146**	**136**

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

The impairment of € 3 million 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.

5 Goodwill and other intangible fixed assets

In € millions	2006	2005
Goodwill	196	--
Software	10	11
Other intangible fixed assets	7	--
Total	**213**	**11**

	Goodwill		Software		Other intangible fixed assets		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Accumulated acquisition costs	196	--	27	23	7	--	230	23
Accumulated amortisation and impairments	--	--	(17)	(12)	--	--	(17)	(12)
Balance as at 31 December	**196**	**--**	**10**	**11**	**7**	**--**	**213**	**11**
Balance as at 1 January	--	--	11	12	--	--	11	12
Acquisitions	196	--	--	--	5	--	201	--
Investments	--	--	5	5	2	--	7	5
Divestments	--	--	(1)	--	--	--	(1)	--
Amortisation	--	--	(5)	(6)	--	--	(5)	(6)
Balance as at 31 December	**196**	**--**	**10**	**11**	**7**	**--**	**213**	**11**

Liabilities and equity

7 Amounts due to customers

In € millions	2006	2005
Savings	9,535	9,103
Other amounts due to customers	6,052	6,485
Total	**15,587**	**15,588**
Breakdown by remaining maturity:		
Due on demand	12,811	13,158
Not due on demand:		
> 1 month ≤ 3 months	210	151
> 3 months ≤ 1 year	188	179
> 1 year ≤ 5 years	600	652
> 5 years	1,778	1,448
Total	**15,587**	**15,588**

8 Amounts due to credit institutions

In € millions	2006	2005
Breakdown by remaining maturity:		
Due on demand	717	408
Not due on demand:		
> 1 month ≤ 3 months	1,168	173
> 3 months ≤ 1 year	2,142	70
> 1 year ≤ 5 years	1,460	431
> 5 years	1,374	1,320
Total	**6,861**	**2,402**

9 Other provisions

In € millions	2006	2005
Reorganisation provision	13	13
Other provisions	10	9
Total	**23**	**22**

10 Equity attributable to shareholders

In € millions	Issued and paid up share capital	Share premium reserve	Revaluation reserve	Fair value reserve	Reserves required by law	Other reserves	Profit for the year	Total equity
Balance as at 1 January 2005	381	88	2	--	--	752	90	1,313
Implementation of IAS 32/39	--	--	--	38	--	(57)	--	(19)
Transfer of net profit 2004	--	--	--	--	--	90	(90)	--
Unrealised revaluations	--	--	1	20	--	--	--	21
Realised revaluations through equity	--	--	(2)	--	--	--	--	(2)
Realised revaluations through income statement	--	--	--	(6)	--	--	--	(6)
Other changes	--	--	--	--	--	2	--	2
Amounts charged directly to equity	--	--	(1)	52	--	35	(90)	(4)
Net profit 2005	--	--	--	--	--	--	204	204
Net profit	--	--	--	--	--	--	204	204
Dividend paid	--	--	--	--	--	--	(73)	(73)
Transactions with shareholders	--	--	--	--	--	--	(73)	(73)
Total change in equity 2005	--	--	(1)	52	--	35	41	127
Balance as at December 2005	**381**	**88**	**1**	**52**	**--**	**787**	**131**	**1,440**
Transfer of net profit 2005	--	--	--	--	--	131	(131)	--
Unrealised revaluations	--	--	4	(35)	--	--	--	(31)
Realised revaluation through equity	--	--	1	--	--	(1)	--	--
Realised revaluations through income statement	--	--	--	(35)	--	--	--	(35)
Revaluation deferred taxation as a result of the adjusted statutory tax rate	--	--	--	(1)	--	--	--	(1)
Other changes	--	--	--	--	5	(5)	--	--
Amounts directly charged 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 December 2006	**381**	**688**	**6**	**(19)**	**5**	**912**	**124**	**2,097**

The share premium reserve is recognised for tax purposes
The reserves required by law are held for cost of research and development of software in the balance sheet.

Issued and paid-up share capital

A total of 840,008 ordinary shares have been fully paid up and placed as at 31 December 2006. The nominal value of one share is € 453.79.

Movements in issued and paid-up share capital:

	Number of shares		Amount (In € millions)	
	2006	2005	2006	2005
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 2007

Supervisory Board

J.L. Bouma
H.M. van de Kar
J.V.M. van Heeswijk
J. den Hoed
S.C.J.J. Kortmann
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
M. Menkveld
M.E. Straub

Overview of principal subsidiaries

The percentage holding is 100, unless stated otherwise.

Algemene Spaarbank voor Nederland ASN N.V.	's Gravenhage
CVB Bank N.V.	's Hertogenbosch
BLG Hypotheekbank N.V.	Geleen
SNS Securities N.V.	Amsterdam
SNS Assurantiën B.V.	Maastricht
SNS Assuradeuren B.V.	Maastricht
SNS Property Finance B.V.	Hoevelaken

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. has provided guarantees as meant in section 403, Book 2 of the Dutch Civil Code for SNS Bank N.V. and most of the subsidiaries of SNS Bank mentioned above and several other subsidiaries of SNS Bank. SNS Bank is a direct and 100% subsidiary of SNS REAAL N.V. SNS Bank N.V. has provided guarantees as meant in section 403, Book 2 of the Dutch Civil Code for SNS Property Finance B.V. SNS Bank has guaranteed the commitments entered into by her subsidiaries Algemene Spaarbank voor Nederland ASN N.V., CVB Bank N.V., BLG Hypotheekbank N.V. and SNS Property Finance B.V.

SNS Bank is a subsidiary of SNS REAAL. They constitutes a single tax entity for corporate tax and VAT purposes (SNS Property Finance B.V. will be included as per 1 January 2007). All companies within this single tax entity are jointly and severally liable for corporate 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 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 2006: € 214 million.

The net profit is accounted for as retained profit as part of the equity attributable to shareholders.

To: the General Meeting of Shareholders of SNS Bank

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of SNS Bank N.V. in Utrecht as included on pages 49 to 113 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 2006, 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 2006, 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 2006, and of its result and its cash flow 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 2006 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 2007
KPMG ACCOUNTANTS N.V.
J.G.J.F. Oudejans RA

Definitions and ratios

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	The ratio between total operating cost and total income excluding value adjustments.
BIS ratio	The solvency ratio applying to banks in which designated capital items are expressed as a percentage of the risk-weighted assets. The minimum 8% requirement has been set by the Bank for International Settlements (BIS).
Core capital	The Tier 1 capital including the for Tier 1 capital excluded intangible fixed assets and deferred results on securitisation entities, excluding the innovative Tier 1 instruments defined by De Nederlandsche Bank (DNB).
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.
Customer Due Dilligence (CDD)	Policy aimed at gaining insight into the relevant aspects of customers in order to secure the integrity of the financial system. At SNS Bank, CDD consists of customer acceptance and identification procedures and monitoring customers, accounts and transactions rated at a higher risk.
Defined contribution plan	Under a defined contribution plan, the employer makes an agreed contribution available to employees to insure their pension rights. In contrast to a defined benefit plan, the pension benefits are not guaranteed.
Duration	The duration is the weighted average term of cash flows where the weight of each cash flow is determined by its relative interest.
Duty of care	The company's duty of care means that it is required to observe due care in its services, taking the customer's interests into account to the best of its ability.
Economic capital	The capital, determined according to SNS Bank's own models, required to deal with economic risks of all activities in a period of one year.
Institutional brokerage	Brokerage of securities transactions for institutional clients.
Interest rate mismatch	The difference in interest rate duration between monies lent and borrowed.
Investments financing (at SNS Property Finance)	The activities of SNS Property Finance that are aimed to the long-term financing of residential and retail property, shopping centres, offices and business premises. Clients mainly represent private investors, property funds, listed companies and resellers.
Modified duration	Measure of interest rate sensitivity, being the ratio between the movement of an interest rate change and the ensuing movement in the present value of the cash flows.
Private loan	Private loans are loans lent or borrowed on a debt certificate with a pre-set redemption scheme.
Project financing	Activities of SNS Property Finance consisting of short-term financing for the construction of offices, shopping centres, retail and residential properties, business premises, and mixed projects. It also includes trade and bridge financing, resell financing and land purchase financing.

Property lease	An SNS Property Finance activity consisting of sale and lease-back transactions of corporate real estate.
Rating	Quality mark awarded by credit rating agencies to institutions or bonds. Ratings are expressed in a combination of letters and figures, with a Triple A ('AAA') rating being the highest rating possible. The higher the rating, the lower the investor's credit risk.
Regulatory capital	Capital that must be maintained pursuant to the solvency supervision of SNS Bank by De Nederlandsche Bank.
Return on shareholders' equity (ROE)	The ROE is the ratio between net profit and shareholders' equity. The ROE represents the return on capital invested by the shareholders.
Securitisation	Securitisation is a transaction or scheme under which the economic ownership in existing assets – e.g. mortgages – is transferred to a separate entity. That entity then issues tradeable securities that entitle to the cash flows generated by those assets.
Share premium reserve	The capital paid-up in addition to the nominal value of the shares issued.
Solvency	Solvency is the extent to which a company can settle its obligations. It is expressed by the BIS ratio, which represents the ratio between the existing solvency margin and the statutory standard. In other words: existing solvency margin divided by required solvency margin (%).
Stress test	In a stress test, the financial resilience of a financial institution is analysed given realistic but sharp changes in parameters that are of major importance to the company. For example: macroeconomic changes, financial market crises, changes in legislation or regulations, changes in liquidity on money and capital markets.
Structured finance	Financial customised service aimed at the specific financing needs of customers. Solutions are not limited to standard loan agreements. Sophisticated financial transactions are used as well.
Tier 1 capital	This capital consists of the fully paid-up share capital, all the reserves except revaluation reserves, retained earnings, any third-party interests and the innovative Tier 1 instruments as defined by De Nederlandsche Bank. Intangible fixed assets, excluding software and purchased loan servicing rights, are excluded from Tier 1 capital.
Tier 1 ratio	The solvency ratio that expresses Tier 1 capital as a percentage of total risk-weighted assets.
Value at risk	Statistic measure that represents possible losses in a portfolio based on a variety of scenarios. A VaR of 100 with a reliability level of 99% states there is a 1% chance of losses in excess of 100.
Yield curve	The imaginary line connecting the interest rate levels with different maturities.

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