SNS REAAL

European Embedded Value Report 2005

2005

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Contents

The European Embedded Value ('EEV') Principles were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of 20 major European insurers. The principles and the additional guidance on EEV disclosures published in October 2005, provide a uniform framework for calculating and reporting supplementary embedded value information.

Highlights

1.1 Introduction

SNS REAAL Groep N.V. ('SNS REAAL') is not a member of the CFO Forum. However, SNS REAAL recognises the importance of the CFO Forum's framework for embedded value ('EV') reporting and has chosen to adopt the EEV Principles in reporting and disclosing REAAL Verzekeringen's 2005 EV results.

SNS REAAL uses EV as an internal management tool for its life operations. It traditionally plays an important role in:

- Pricing of new business.
- Analysis of operating performance.
- Product line management.
- Distribution channel management.

1.2 Definition of embedded value

EV for the life insurance business comprises two components:

- Adjusted net asset value, being the sum of
  - Required capital defined as 150% of the EU minimum solvency requirement, plus
  - Free surplus
- Value of in-force business, being the sum of
  - Present value of future after-tax profits, less
  - Cost of options and guarantees, less
  - Cost of holding required capital

Together, these two components make up the life insurance EV. The value of holding activities is included within the life insurance EV, as part of the adjusted net asset value. The insurance activities of Nieuwe Hollandse Lloyd N.V. were acquired in 2005 and the net asset value of these activities less the price paid to acquire them has been accounted for in the figures shown in this report. The net asset value of the non-life insurance activities is added to this life insurance EV to determine REAAL Verzekeringen's total EV.

All material blocks of life insurance business are included in the results shown in this report. The following product groupings have been valued:

- Life products and their associated disability rider benefits
- Deferred and immediate annuity (or pension) products
- Pension funds.

Future new life business that will be sold after the valuation date is not reflected in the figures shown in this report. No allowance has been made for the potential value added by the renewal of current policies by existing non-life policyholders. Please note however that the assumptions used in calculating the EV have been set assuming a going-concern basis.

Future after-tax profits are estimated using actuarial methods and best estimates for future operating and economic assumptions. The distribution of these profits, in terms of both amount and timing, is restricted by accounting rules ('International Financial Reporting Standards – IFRS'). The estimated timing of future after-tax profits allows for these restrictions.

SNS REAAL has chosen to exclude from its results the value of the profits that its investment management company makes on the assets it manages for the life insurance company. This choice has been made because of the commercially sensitive nature of disclosing margins for companies that also manage third-party assets. Asset management charges have therefore been dealt with on an arm's length basis.

The retirement benefit plans for employees of REAAL Verzekeringen are defined contribution and these plans are insured with parties outside SNS REAAL. As a result, there are no adjustments to EV required in respect of employee benefit plans.

Watson Wyatt Insurance Consulting B.V. has been engaged by SNS REAAL to review the calculations, methodology and assumptions used in preparing the figures in this report. The scope and conclusions of their review are contained in Section 7 of this report.

1.3 Embedded value results

Table 1 provides for a high-level overview of the EV results. All figures in this document are presented on an after-tax basis unless stated otherwise.

1 Total embedded value

In € millions	2005	2004
Life insurance EV	1,480.9	1,295.8
Adjusted net asset value of non-life activities	179.8	125.6
Total EV	**1,660.7**	**1,421.5**

The traditional EV at year-end 2004 has been restated in accordance with the EEV Principles. This restated value is shown in the table above. Both the 2004 and 2005 values allow for the impact of IFRS accounting. In addition, the life insurance EV allows for the value of financial options and guarantees.

1.4 New business results

Table 2 provides a summary of the value added by 2005 new life insurance business.

2 New business

In € millions	2005
Annualised Premium Equivalent ('APE')	176.0
Present Value New Business Premium ('PVNBP')	1,213.0
Value added by new business	14.9

1.5 Other

Readers of this report should note that:
- The figures presented in this report comply fully with the EEV Principles.
- The results are based on best-estimate assumptions, both economic and operational.

- SNS REAAL has not anticipated future expense reductions in preparing these figures, although SNS REAAL has a track record of achieving efficiency gains.
- In addition to life insurance activities, non-life and other insurance activities have been included at their net asset value. No allowance has been made in these figures for the potential value added by the renewal of current policies by existing non-life policyholders.
- The results shown in this report, the methodology applied and the assumptions used have been independently reviewed.

Economic assumptions are approved by REAAL Verzekeringen's Executive Board and are based on input from REAAL Verzekeringen's Asset Liability Committee. The risk-free rates for the first five years of the projections have been derived from the implied 10-year forward rates as at end 2004 and 2005 respectively. After five years, risk free rates are assumed to remain constant.

Economic assumptions

Equity returns are set by reference to the risk free return and assume an equity risk premium of 250 basis points. Property returns assume a premium above risk free rates of 166 basis points.

2.1 New money investment assumptions

These include the long term risk-free interest rates, new money credit spreads, equity and property returns. The rates used for the life insurance EV valuation at both year-end 2004 and 2005 are outlined in the tables below. The net credit spread on fixed interest investments allows for defaults that vary by credit rating.

3 New money investment assumptions 2004

In percentage	2005	2006	2007	2008	2009	2010+
Risk free fixed interest returns	3.82%	4.05%	4.25%	4.42%	4.55%	4.60%
Net credit spread on fixed interest	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Equity returns	6.32%	6.55%	6.75%	6.92%	7.05%	7.10%
Property returns	5.48%	5.72%	5.92%	6.08%	6.21%	6.27%

4 New money investment assumptions 2005

In percentage	2006	2007	2008	2009	2010	2011+
Risk free fixed interest returns	3.36%	3.46%	3.56%	3.64%	3.71%	3.74%
Net credit spread on fixed interest	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%
Equity returns	5.86%	5.96%	6.06%	6.14%	6.21%	6.24%
Property returns	5.02%	5.13%	5.22%	5.30%	5.37%	5.41%

Future investments for non-unit linked business have been assumed to be invested in a mix of fixed interest investments and equities and property. Around 85% of new money is assumed to be invested in fixed interest investments, the remainder in a mix of equities and property.

The average credit rating of the existing fixed interest portfolio is 'AA'. Current market values of fixed interest assets make an implicit allowance for defaults on the existing portfolio. The assumed level of defaults on new money is approximately 10 basis points in both years.

2.2 Risk discount rate

The risk discount rate is a combination of a risk free rate (in this case, the ultimate rates shown in the tables above) to reflect the time value of money plus a risk margin to make allowance for the risk that experience in future years differs from that assumed. In particular, a risk margin is added to allow for the risk that projected additional returns on, for example, equities are not achieved.

In determining the risk discount rate REAAL Verzekeringen follows the principle that an appropriate risk margin should be derived using a weighted average cost of capital ('WACC') approach. The WACC is calculated using a risk free interest rate, an equity risk premium, a risk factor (beta) and an allowance for the impact of debt financing. Please note that no adjustments have been made to discount rates at the individual business unit or product level.

Given that SNS REAAL does not have a stock market listing, the risk factor (beta) i.e. the assumed correlation between SNS REAAL and European stock market returns has been estimated based on a peer group of insurance companies (as represented by the MSCI Insurance Index).

The WACC computation produced a discount rate at end 2005 of 6.7%, a decrease of 100 basis points compared to the 7.7% discount rate resulting for 2004.

No other adjustments for risk are reflected in the discount rate. Differences in risk by product line are reflected through the capital allocation and through deductions for the time value of financial options and guarantees.

2.3 Economic scenarios

SNS REAAL has generated a series of economic scenarios for use in determining the cost of options and guarantees. The way in which these scenarios have been derived is described below.

Scenarios for traditional profit-sharing business

Long-term (i.e. 10 year) fixed interest rates are simulated using a normal distribution. Where profit-sharing is based on an external index (e.g., u-yield), the u-yield is approximated as the projected return on 10 year Government bonds minus 20 basis points. Where management has some discretion over the amount of profit-sharing, the level of profit-sharing is estimated as a moving average of projected returns on fixed interest investments with an average maturity of 10 years.

Scenarios for unit-linked and group separate account business

These portfolios are backed by a mix of fixed interest and equity investments. Economic scenarios are generated using expected returns on each of these investment categories, the correlation between returns in each of the investment categories and the volatility of return per category. Equity and fixed interest volatilities are shown below and are based on a mix of implied and historical levels.

5 Volatility 2004 and 2005

	Interest	Equities
2004	0.68%	17.3%
2005	0.68%	16.0%

2.4 Taxes

In preparing its end 2004 and 2005 EV life insurance results, REAAL Verzekeringen has assumed the nominal tax rates shown in the table below.

6 Nominal tax rates

	2005	2006	2007	2008+
End 2004	31.5%	30.5%	30.0%	30.0%
End 2005		29.6%	29.1%	29.1%

In calculating after-tax earnings allowance has been made for tax-exempt income and expenses. In both 2004 and 2005, the effective rate of tax used was 24.4%.

2.5 Required capital

In addition to policyholder reserves, capital is required to support the life insurance business. This 'required capital' is an allocation of surplus that cannot be distributed until it is no longer needed to support the business in-force. Setting aside capital to protect policyholders comes with a cost, which is reflected in a reduced EV and value of new business. This cost arises when the discount rate used to value future cash flows is higher than the assumed after-tax investment returns on assets corresponding to required capital.

REAAL Verzekeringen has set its required capital level at 150% of the EU regulatory minimum requirement. This reflects the level of capital considered by SNS REAAL to be appropriate to manage the business, allowing for REAAL Verzekeringen's assessment of the level of market, insurance and operating risk inherent in the underlying portfolio. The same definition of required capital is used for both existing and new business.

All of REAAL Verzekeringen's expenses, including corporate overhead expenses, have been allocated to the various business units within the insurance group. Other than certain non-recurrent expenses, as discussed below, expenses attributable to the life insurance businesses have been allocated to acquisition or to maintenance expenses and are included in the EV projections.

Operational assumptions

3.1 Expenses and expense inflation

The expenses used to determine unit costs exclude the costs associated with regulatory and legislative projects performed in 2005 and staffed mainly by external resources. These projects have been finalised in the course of 2005. As a result, around € 11 million of pre-tax expenses were excluded from the EV calculations. Whilst these expenses have been excluded for the purposes of determining unit costs, they have been included in calculating the EEV return over 2005. The expense assumptions used at end 2005 were also used in calculating the end 2004 EV.

The following maintenance expense inflation assumptions have been used in preparing these figures.

6 Expense inflation

	2005	2006	2007	2008+
End 2004	1.00%	1.50%	1.75%	2.0%
End 2005		1.50%	1.75%	2.0%

3.2 Mortality, disability and lapses

The assumptions used in the EV calculations for 2004 and 2005 are based on a review of actual operating experience in 2004 and 2005 by REAAL Verzekeringen's Insurance Risk Management Department function. The business, through the SNS REAAL Asset Liability Committee, has provided a sign-off that their assumptions represent their best estimates for 2004 and 2005.

The EV is based on local regulatory reporting and allows for required capital defined as being 150% of the EU minimum solvency requirement.

Capital

4.1 Adjusted net asset value

The table below illustrates the derivation of the adjusted net asset value figures for life insurance business and non-life insurance activities that are part of the total EV.

7 Adjusted net asset value

In € millions	2005	2004
Total reported shareholders' equity - REAAL Verzekeringen	1,193.3	810.0
less minority interests	(2.8)	(3.3)
Total shareholders' equity after minority interests	**1,190.5**	**806.7**
IFRS adjustments		174.6
Adjusted shareholders' equity after minority interests	**1,190.5**	**981.3**
Adjusted net asset value		
Life insurance activities	1,010.7	855.7
Restricted capital (beklemd vermogen)	(37.6)	(48.6)
Sub-total Life insurance	973.1	807.1
Non-life insurance activities	179.8	125.6
Total adjusted net asset value	**1,152.9**	**932.7**

The figures for 2004 allow for a restatement of € 174.6 million and this reflects the impact on net asset value of the first time adoption of the financial reporting standards IFRS4, IAS 32 and IAS 39.

The amount shown in the table above as 'Restricted Capital '(beklemd vermogen) results from the adoption of IFRS and relates to individual profit-sharing business where part of the revaluation of the underlying assets is to be distributed in the future to policyholders in the form of profit-sharing and as such is restricted capital. The amount deducted from the net asset value in this respect, has been added to the value of in-force business i.e., this adjustment represents a reallocation of value between the adjusted net asset value and the value of in-force business.

4.2 DAC and VOBA

In calculating the new business and value of in-force figures shown in this report, allowance has been made for the deferral and amortisation of deferred acquisition costs ('DAC') and of value of business acquired ('VOBA'). At the end of 2005, DAC totalled € 421 million and VOBA € 118 million. Consequently, reducing EV by DAC and/or VOBA would introduce double counting.

Results

5.1 Embedded Value

The table below provides for details of the EV at year-end 2004 and year-end 2005. Non-life activities are included on the basis of their net asset value.

8 Embedded Value

In € millions	2005	2004
Free surplus (life)	257.8	101.7
Required capital (life)	715.3	705.4
Total adjusted net asset value (life)	**973.1**	**807.1**
Present value of future profits	748.9	722.0
Cost of options and guarantees	(45.7)	(20.3)
Cost of capital	(195.4)	(213.0)
Value of in-force business	**507.8**	**488.7**
Life insurance EV	**1,480.9**	**1,295.8**
Net asset value of non-life activities	179.8	125.6
Total EV	**1,660.7**	**1,421.5**

All material blocks of life insurance business are included in the reported EV results. 95% of the in-force business is included in the REAAL Verzekeringen's projection models.

5.2 Financial options and guarantees

In addition to the margin above the risk free rate contained in the risk discount rate and the cost of holding required capital, risk is also allowed for under EEV through an explicit reduction in the EV for the time value of financial options and guarantees.

Financial options and guarantees result from a minimum guarantee within a specified profit sharing formula. Minimum guarantees are either 3% or 4% depending on the issue date of the policy, with more recent issues having lower rates of guarantee. For traditional business, around 40% of the technical provisions relate to business with some form of profit-sharing (discretionary or otherwise). Around 20% of the unit-linked business, measured as a percentage of technical provisions, has some form of minimum maturity guarantee.

The change in the cost of financial options and guarantees (from € 20 million at year-end 2004, to € 46 million at year-end 2005) is primarily the result of the decline in bond yields and the flattening of the yield curve over the course of 2005.

Further detail on the types of options and guarantees embedded in insurance products and their valuation is provided in Appendices I and II of this report.

5.3 New business

An important element in the change in EV from one year to the next is the value added by new business. The value added by new business is the present value of after-tax distributable profits associated with sales during the reporting period. The value is stated on economic assumptions of the beginning of the year and year-end operational assumptions. The cost of capital associated with the new business is included in the new business value.

New business sales are expressed on the basis of the following:

- Annual premium equivalent ('APE'), equal to regular premium plus one tenth of single premium and
- The present value of future new business premiums ('PVNBP') which equals the single premiums received in the year plus the present value of regular premiums projected to be received over the term of new contracts

New business volumes include premiums arising from the sales of new individual and group contracts. Renewals of existing group contracts are included in new business volumes. Projected contractual increases in premiums (either salary related or due to new members on existing group contracts) are reflected in the in-force value and deviations from these projections are treated as variations in experience rather than new sales. For individual policies, non-contractual increases to the benefits under these contracts are included in new business.

The table below provides an overview of the value created by the new business sold in 2005.

9 Value added by new business

In € millions	2005
Value of new business before tax and cost of capital	47.4
Tax	(11.8)
Cost of capital	(20.7)
Value of new business after tax and cost of capital	14.9
APE	176.4
Margin as % of APE	**8.5%**
PVNBP	1,213
Margin as % of PVNBP	**1.2%**

The APE figure shown above differs from that shown in the annual accounts. This difference arises from the use of different definitions of new business in the EV and annual accounts.

The internal rate of return is the discount rate at which the present value of distributable earnings projected to be earned by new business is equal to the total capital invested to write the business. New business generally requires capital to be invested to meet acquisition costs, set up statutory reserves in excess of premiums received and to meet required capital levels in excess of statutory reserves. This investment is recouped over the remaining lifetime of the policies.

REAAL Verzekeringen invested initial capital of € 12.9 million representing the capital required to pay acquisition costs less any deferral of such costs and set up statutory reserves, plus € 70 million required capital, at 150% of the EU minimum requirement. The total internal rate of return on this investment is 8.8% after tax and allowing for the cost of required capital.

5.4 Analysis of the change in embedded value

The EV increased by € 239 million (17%) during 2005. This is after a dividend payment, in respect of calendar year 2005, by REAAL Verzekeringen to SNS REAAL of € 58 million in 2005. Before dividend payment the increase is € 297 (20.5%). The change in EV in 2005 is explained by the movement analysis shown in the table below. The analysis is shown separately for adjusted net asset value and the value of in-force business, and includes amounts transferred between these two categories. The major components that impact the change in the EV in 2005 have been quantified.

10 Movement analysis

In € millions	Adjusted net asset value	Value of in-force business	Total
EV from prior period	**932.7**	**488.7**	**1,421.5**
New business contribution	(12.9)	27.8	14.9
Expected return	85.8	3.6	89.3
Operational experience variances	(5.3)	14.9	9.6
Operating return	**67.6**	**46.3**	**113.9**
Economic experience variances	180.9	17.8	198.7
Economic assumption changes		(66.3)	(66.3)
Capital adjustments	(58.0)		(58.0)
Miscellaneous impacts	(24.5)	21.2	(3.3)
Change in value of other activities	54.2		54.2
Closing EV	**1,152.9**	**507.8**	**1,660.7**

The EV at year-end 2004 has been restated in accordance with the EEV Principles. This restated value is the starting point for the movement analysis.

The expected return consists of:

- The unwinding of the discount rate on the value of in-force business at the beginning of the year and of new business written during the year; and
- The expected profits included in the present value of future profits that flow from the in-force business to the net asset value; and
- The expected return on adjusted net asset value

The in-force operational experience variance results from better than projected lapse experience.

The same set of operational parameters was used to calculate the opening and closing EVs resulting in a zero impact on EV. Economic experience variances primarily reflect better than anticipated investment income, particularly from equities.
Economic assumption changes reflect both the change in risk discount rate from 7.7% in 2004 to 6.7% in 2005 and the reduction in bond yields. The former increased the value of in-force business by € 107 million and the latter reduced the value of in-force business by € 173 million.

EV calculations rely upon several best estimate assumptions with respect to future investment income, mortality rate, lapse rates, etc. Sensitivity testing of the life insurance EV and new business outcomes for alternative assumptions is provided in the tables below.

Sensitivity analysis

Please note that if several of the changes outlined below were to occur at once, then the result would not be the sum of the individual sensitivity tests i.e. the results of the tests are not additive.

The sensitivities that have been performed are as follows:

- 100 basis point lower discount rate;
- 100 basis point higher discount rate;
- 100 basis point reduction per annum in fixed interest returns – current market values, future reinvestment rates and profit-sharing rates are also impacted under this scenario. Risk discount rates are unchanged under this scenario;
- 100 basis point increase per annum in fixed interest returns – is the same as above but with a shift downward;
- 100 basis point per annum reduction in the yields on equity and property;
- 100 basis point per annum increase in the yields on equity and property;
- 10% lower maintenance expenses;
- 10% lower lapses: lapse assumptions are multiplied by 0.90;
- 5% lower mortality and morbidity: mortality and morbidity assumptions are multiplied by 0.95;
- Required capital equal to 100% of EU minimum solvency requirement rather than 150%.

6.1 Life insurance embedded value sensitivities

11 Life insurance EV sensitivities

In € millions	Value	Change to base
Sensitivity		
Base	1,660.7	
100 b.p. reduction in the risk discount rate	1,766.9	106.3
100 b.p. increase in the risk discount rate	1,570.4	(90.2)
100 b.p. p.a. reduction in fixed interest returns	1,401.5	(259.1)
100 b.p. p.a. increase in fixed interest returns	1,745.6	84.9
100 b.p. p.a. reduction in the yield on equity/property	1,587.9	(72.7)
100 b.p. p.a. increase in the yield on equity/property	1,735.0	74.3
10% decrease in maintenance expenses	1,714.7	54.0
10% decrease in lapse rates	1,667.0	6.3
5% lower mortality and disability rates	1,659.5	(1.2)
Required capital 100% of EU minimum requirement	1,725.8	65.1

The 1% lower new money rates have a larger negative impact on the EV than the 1% increase because in the down scenario the investment returns are at, or below, the interest guarantees. The gain on the mirror sensitivity test, 1% higher new money rate, is not as significant because a portion of these gains are passed to policyholders.

Changes in new money rates generally coincide with changes in the discount rates. For this reason, we believe it is more appropriate to consider the changes in value with simultaneous changes in the new money and discount rates than to consider these two items independently. Taken together, the impact of a change in the new money and discount rates is reduced significantly.

6.2 New Business sensitivities

The table provides a summary of the impact of the sensitivities described above on the value added by 2005 new business.

12 New Business sensitivities

In € millions	Value	Change to base
Sensitivity		
Base	14.9	
100 b.p. reduction in the risk discount rate	24.0	9.1
100 b.p. increase in the risk discount rate	7.4	(7.5)
100 b.p. pa reduction in fixed interest returns	(9.3)	(24.2)
100 b.p. pa increase in fixed interest returns	30.6	15.7
100 b.p. pa reduction in the yield on equity / property	11.0	(3.9)
100 b.p. pa increase in the yield on equity / property	19.7	4.8
10% decrease in maintenance expenses	18.1	3.1
10% decrease in lapse rates	17.0	2.1
5% lower mortality and disability rates	16.4	1.5
Required capital 100% of EU minimum requirement	21.9	6.9

Independent review

Watson Wyatt Insurance Consulting B.V. (‘Watson Wyatt’) has reviewed the calculation of the embedded value of SNS REAAL as at 31 December 2005 and 31 December 2004, the value of its new business written during 2005 and the movement analysis over 2005. All material business units were included in the review. The covered business included all life insurances and associated rider benefits.

Watson Wyatt has concluded that the methodology and assumptions used comply with the European Embedded Value Principles and Guidance.

Watson Wyatt has performed high level checks on the results of the calculations and has checked a limited number of sample policies. Watson Wyatt has not however performed detailed checks on the models and processes used.

In arriving at these conclusions, Watson Wyatt has relied on the accuracy and completeness of data and information supplied by SNS REAAL.

The review was conducted on behalf of SNS REAAL and designed solely to meet the requirements of the Directors of SNS REAAL. To the fullest extent permitted by law, Watson Wyatt does not accept or assume responsibility to anyone other than SNS REAAL for its work or for the opinions it has formed.

Watson Wyatt Insurance Consulting B.V.

APPENDIX 1 – Types of Options and Guarantees

Financial options and guarantees may result from a minimum guarantee within a specified profit sharing formula, they may result from management discretion, or maturity guarantees may have been provided at outset of the policy. Generally, minimum guarantee rates are either 3% or 4%, depending on the issue date of the policy, with more recent issues having lower guaranteed rates.

A brief description of the options and guarantees in the life insurance products sold by REAAL Verzekeringen is provided below.

1 Traditional profit-sharing business

Traditional profit-sharing business with minimum interest guarantees typically have a time value related to these guarantees. There are two prevailing profit-sharing forms:

a The credited rate is determined by formula based on an external index (u-yield).
b The credited rate is based on the performance of REAAL Verzekeringen's fixed income portfolio with some management discretion as to the precise amounts paid; only on Individual business.

2 Unit-linked business

Part of the unit-linked portfolio contains maturity guarantees. Minimum guarantees vary from 0% to 5.5% depending on the issue date of the policy, with lower returns applying to more recent issues. Funds have to be invested for a minimum number of years, usually ten, before any guarantee applies. The guarantee normally only applies at maturity but for Pensions' policies any maturity guarantee also applies when funds are transferred to another provider (to the amount transferred).

3 Group, separate account business

Certain group, separate account contracts provide the holder (i.e. an employer) with the right to leave paid-up benefits with REAAL Verzekeringen irrespective of whether the underlying assets are sufficient to meet the contract's liabilities.

APPENDIX 2 – *Valuation of options and guarantees*

1 Traditional profit-sharing business

The cost of financial options and guarantees was determined by comparing the average of benefit payments over a range of stochastically generated economic scenarios to the benefit payments under a single deterministic economic scenario. Using this approach, the costs associated with a range of possible economic developments are estimated and reflected.

The projected benefits under each of the stochastic scenarios are discounted using a risk discount rate that varies by economic scenario, maintaining a risk margin consistent with the deterministic scenario throughout each of the scenarios.

The after-tax time value of these financial options and guarantees is then deducted from the present value of after-tax profits in order to arrive at the results in this report.

2 Unit linked business

For this type of business, the total cost (i.e. time value plus intrinsic value) was determined by projecting the average of benefit payments over a range of stochastically generated economic scenarios.

The projected benefits under each of the stochastic scenarios are discounted using a risk discount rate that varies by economic scenario, maintaining a risk margin consistent with the deterministic scenario throughout each of the scenarios.

The total cost of financial options and guarantees was then deducted from the deterministic EV to arrive at the results shown in this report.

3 Group, separate account business

For separate accounts, the total cost (i.e. time value plus intrinsic value) was determined by projecting the average of benefit payments over a range of stochastically generated economic scenarios.

The projected benefits under each of the stochastic scenarios are discounted using a risk discount rate that varies by economic scenario, maintaining a risk margin consistent with the deterministic scenario throughout each of the scenarios.

The total cost of this guarantee was then deducted from the deterministic EV to arrive at the results shown in this report.

APPENDIX 3 – *disclaimer*

Cautionary note regarding forward looking statements

This document contains forward-looking statements, including statements about SNS REAAL's beliefs, expectations, and targets. These statements, including, without limitation, SNS REAAL's financial targets are based on SNS REAAL's current plans, estimates and projections, as well as SNS REAAL's expectations of external conditions and events. In particular the words 'expect', 'anticipate', 'estimate', 'may', 'should', 'believe', 'intend', 'plan', 'aim', 'could', 'will', 'potential', and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. SNS REAAL's undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by applicable law. SNS REAAL's cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements.