

# Press release: Half-year results 2009

Amsterdam, 20 August 2009

**Fortis Bank** Nederland

## Net operating profit: EUR 51 million

*In the first half of 2009 Fortis Bank Nederland achieved a net operating profit of EUR 51 million, driven by Retail Banking and Merchant Banking. Due to exceptional gains, the total net profit for the first half of 2009 came to EUR 338 million.*

This net operating result was achieved despite the negative impact of challenging markets, high funding costs, high default rates and costs for separation and preparation of the integration. Despite these difficult circumstances, Fortis Bank Nederland had a successful start in rebuilding and reinforcing its businesses and its risk and treasury activities.

### Key developments

- Net operating profit of EUR 51 million slightly higher than the second half of 2008 (EUR 42 million), but significantly lower than the first half of 2008 (EUR 562 million)
- Net profit of EUR 338 million positively impacted by exceptional gains on Fortis Capital Company Ltd. of EUR 271 million and recovered funds from the Madoff investment fraud of EUR 16 million
- The amount of loans granted to customers increased by 1.7% in the first half of 2009
- Clients remained loyal and showed their faith in the bank, as reflected by an increase in client deposits of roughly EUR 9 billion in the first half of 2009
- The short-term funding facility of EUR 34 billion granted by the Dutch State in October 2008 was fully repaid in the first half of 2009, ahead of schedule
- Changes in impairments in the first half of 2009 remained high at EUR 195 million (EUR 179 million including exceptional items)
- The availability of wholesale funding increased significantly since January 2009. The average amount of funds raised in the wholesale market (money markets and commercial paper) had increased on average to EUR 18 billion in June 2009 from EUR 12 billion in December 2008. The average tenor of wholesale funding also improved
- DNB reconfirmed the bank's advanced Basel II status
- On 30 June 2009, the solvency ratio had risen to 11.7% and the tier 1 ratio had climbed to 7.7% under Basel I. Under Basel II the solvency ratio decreased to 13.5% and the tier 1 ratio to 9.1%
- Much progress was made towards becoming a stand-alone bank. The separation from Fortis Bank SA/NV and ASR Nederland is well on track, as well as preparations for the integration with ABN AMRO in accordance with the plans for the combined bank as announced by the Transition Team on 19 May 2009

Key figures can be found in the appendices to this press release. More extensive information can be found in the 'Consolidated Interim Financial Statements 2009' which are published on [www.fortis.nl](http://www.fortis.nl).

## Jan van Rutte, Chairman of the Board of Fortis Bank Nederland:

*"The first six months of 2009 have been very challenging, yet we have accomplished a great deal. We have been working towards becoming fully independent from Fortis Group, launching new funding programmes to improve our liquidity position and preparing for integration into a new bank. At the same time, we kept focusing on our clients in markets that are still under pressure.*

*In the first half of 2009, Fortis Bank Nederland turned in a modest net operating profit, driven by Retail Banking and Merchant Banking. Under the current circumstances, we are not dissatisfied with this result. All businesses faced challenges in the first six months of the year as they coped with pressure on margins and high default rates. Meanwhile, they met stringent requirements in order to reduce the bank's risk profile, optimise the use of scarce financial resources and staff, and carry out various separation projects. Costs were under control.*

*This could not have been achieved without the support and loyalty of our clients (from consumer to multinational), our broad and supportive investor base and the strong commitment, motivation and perseverance of our employees. On behalf of all members of the Management Board, and as shared by the Supervisory Board, I would like to express my sincere gratitude for their loyalty and trust.*

*Looking ahead, as always we will remain focused on serving our clients. Our business clients are still adjusting to the current situation and we expect an increase in requests for credit extensions. We will continue to seek alternatives that strengthen our funding position and further improve our solvency position.*

*The separation from Fortis Bank SA/NV and ASR Nederland is well on track. Meanwhile, we will also continue to prepare for the integration with ABN AMRO in accordance with the plans for the combined bank as announced by Gerrit Zalm, CEO designate of the combined bank, on 19 May 2009.*

*There have been a few bright spots in the economy in recent weeks. In addition, a number of niche markets in which we are active appear to be recovering. We remain cautious, however. We assume retail markets will continue to be fragile, as consumers are likely to remain conservative and postpone larger expenditures. The financial markets are expected to remain uncertain too. All in all, we assume there will be constant pressure on our operating income, due to lower margins and fees. In addition, funding costs, default rates and costs for separation and integration remain high. As ever, we will continue to apply tight cost control in the period ahead. All this will require continuous management attention."*

Amsterdam, 20 August 2009

## 1. Net operating profit

The economic environment and last year's events have left their mark on the bank's net operating profit. Comparing the first six months of 2009 with the same period in 2008, this is best reflected by the sharp fall in total operating income, which was down to EUR 1,086 million from EUR 1,708 million and the increase in changes in impairments to EUR 195 million (excluding exceptional items) from EUR 33 million. In the second half of 2008 the changes in impairments were EUR 298 million (excluding exceptional items).

Compared with the second half of 2008, the net operating profit edged up to EUR 51 million from EUR 42 million.

In the first half of 2009, net interest income (excluding exceptional items) fell by 30% compared with the same period in 2008. The sharp decrease in net interest income was caused mainly by higher interest costs of short-term funding, savings and issued debt.

Total expenses decreased to EUR 834 million in the first half of 2009 from EUR 928 million in the first half of 2008; the separation had a positive impact of EUR 61 million. Tight cost control and lower staff expenses, resulting from a reduction of FTEs, explain the remainder of the decline.

## 2. Net profit

The net profit for the first half of 2009 was positively impacted by two exceptional gains. The cash settlement of Fortis Capital Company Ltd. (FCC) resulted in a capital gain of EUR 271 million (net of tax). In addition, EUR 16 million net of tax was recovered from the Madoff investment fraud.

### Net profit per business

Retail Banking and Merchant Banking made positive contributions to net profit. Private Banking incurred a small net loss.

#### *Retail Banking*

Retail Banking recorded a net profit of EUR 62 million in the first half of 2009, down from EUR 110 million in the second half of last year. This result was negatively impacted by high funding costs and shrinking margins on savings due to fierce competition on the savings market. Regained trust in the bank in 2009 led to an inflow of savings and brought savings levels above those of June 2008. The reduction of expenses could not make up for the fall in income.

#### *Private Banking*

Private Banking saw its net result decrease to EUR 3 million negative, which was partly caused by the separation from Fortis Bank SA/NV. As a consequence of the separation, all employees working for the international network but located in the Netherlands were allocated to MeesPierson in the Netherlands. Many of these specialists will be valuable to the future combined Private Bank of MeesPierson and ABN AMRO. As a result, MeesPierson chose to accept the resulting and temporary higher level of costs. In addition, the net result was influenced by fierce competition for savings, high funding expenses for credit activities and a decrease in commissions and fees as a result of the continued adverse markets. Costs were reduced thanks to tight cost control and the transfer of the Singapore activities. Assets under management grew by EUR 1.3 billion, mainly due to a positive net inflow of EUR 0.8 billion.

### *Merchant Banking*

Merchant Banking generated a net profit of EUR 39 million and a net operating profit of EUR 23 million. The difference of EUR 16 million is an exceptional gain owing to recovered funds in the Madoff fraud. The net operating profit in the first half of 2009 was higher than the second half of 2008 (loss of EUR 2 million). The main contributors to the net profit of Merchant Banking are Global Markets, Brokerage Clearing & Custody (BCC) and Energy as well Commodities, partly neutralised by unfavourable mark-to-markets revaluations in the private equity portfolio and impairments within large companies. Comprehensive refinancing solutions and capital market transactions offered to prominent Dutch listed corporates confirm the bank's client focus and ability to create professional solutions for our clients. Income was under pressure due to the solvency restrictions. Tight cost control kept costs from rising.

### *Other*

The net profit reported under 'other' came to EUR 240 million, thanks to exceptional items. 'Other' shows a net operating loss of EUR 31 million (mainly separation costs) for activities that are recognised at bank level rather than being allocated to a specific business.

## **3. Balance sheet, funding and capital**

Changes in the balance sheet are presented on the basis of movements in amounts due from customers, and amounts due to customers. The consolidated balance sheet can be found in appendix 2.

In the first half of 2009, the bank actively managed its balance sheet. The balance sheet total increased from EUR 184 billion on 31 December 2008 to EUR 199 billion on 30 June 2009. The change in total assets and the change in 'due from customers' relates primarily to the method of repayment of the EUR 34 billion short-term debt facility to the Dutch State, and its recognition in the balance sheet. The debt facility has been redeemed for an amount of EUR 18.5 billion and partly offset for an amount of EUR 15.5 billion in deposits placed with the Dutch State. The latter has extended the balance sheet through an increase in 'due from customers'. This effect will gradually disappear as the deposits placed and received will mature at the same time and consequently the balances of 'due from customers' and 'due to customers' will decrease.

When adjusted for the EUR 15.5 billion in deposits placed with the Dutch State, total 'due from customers' increased by 1.7% in the first six months of 2009.

Total deposits, again when adjusted for deposits received from the Dutch State, increased by approximately 17%.

Fortis Bank Nederland has no investments in US mortgage-related investment products or collateralised debt obligations (CDOs).

### **Impairments**

In the first half of 2009, changes in impairments (excluding exceptional items) increased to EUR 195 million (Retail Banking EUR 51 million, Private Banking EUR 4 million, Merchant Banking EUR 137 million and EUR 3 million relates to Other). This is significantly lower than EUR 298 million (excluding exceptional items) in the second half of 2008, yet substantially higher than in the first

half of 2008 (EUR 33 million). This change in provisions clearly shows the effect of the deteriorating economy.

The increase in impairments was mainly driven by increases in impairments for (credit) exposures to customers (EUR 145 million) and banks (EUR 32 million).

### **Funding**

On 2 July 2009, Fortis Bank Nederland announced that it had repaid the short-term loan facility of EUR 34 billion to the Dutch State in the first half of 2009. This repayment of this loan facility was partly financed by increases in client savings and deposits, increases in wholesale funding and issues of short and long-term debt certificates under new funding programmes, some of which are partly guaranteed by the government.

In the first half of 2009, the availability of wholesale funding improved significantly, which allowed Fortis Bank Nederland to benefit from improved pricing conditions and extending the tenor of the funding. The average amount of funds raised in the wholesale market (money markets and commercial paper) had increased to EUR 18 billion in June 2009 from EUR 12 billion in December 2008.

### **Capital**

On 30 June 2009, total capital amounted to EUR 8,033 million under Basel I, compared with EUR 7,973 million at year-end 2008, while total capital under Basel II amounted to EUR 7,485 million relative to EUR 7,625 million at year-end 2008.

On 30 June 2009, tier 1 capital under Basel I amounted to EUR 5,327 million compared with EUR 5,276 million at year-end 2008, while tier 1 capital under Basel II amounted to EUR 5,053 million relative to EUR 5,102 million at year-end 2008.

### *Solvency*

On 30 June 2009, the Basel I solvency ratio increased to 11.7% (up from 11.2% per year-end 2008) and the Basel I tier 1 ratio was 7.7% (up from 7.4% year-end 2008).

On 30 June 2009, the Basel II solvency ratio stood at 13.5% (down from 16.6% at year-end 2008) and the Basel II tier 1 ratio came to 9.1% (down from 11.1% year-end 2008). The decline mainly relates to temporary add-ons to the risk-weighted assets, due to application of the Standardised Approach in some portfolios (until the advanced models are validated and approved by DNB).

### *Fortis Capital Company (FCC)*

Following FCC's successful legal proceedings against Fortis Holdings and the subsequent EUR 362,511,000 cash settlement, EUR 87,489,000 of the class A1 preference shares remain outstanding. Since 29 June 2009, the dividend on the outstanding class A1 preference shares has been payable in arrears and calculated on the paid-up value of the preference shares at three-month EURIBOR plus 260 basis points.

## **Risk Management**

Following separation from Fortis Group, Fortis Bank Nederland's risk profile has been brought in line with the new ambition and balance sheet of a stand-alone bank. The bank's risk appetite was reformulated, which in turn was translated into a set of transparent limits and targets for the key risk indicators covering the full risk spectrum. As a result, balance sheet risks of the bank in a stand-alone situation have returned to more conservative levels with adequate solvency ratios, control over risk-weighted asset growth, good market access to a wide range of funding sources and a conservative interest rate risk profile. Moreover, trading risks have been moderated to match the reduced size of the balance sheet and capital base of Fortis Bank Nederland. A new credit risk framework was developed to manage concentration risks. DNB has reconfirmed the bank's advanced Basel II status.

## **4. Bank in transition**

As a result of the break-up of Fortis Group in October 2008, Fortis Bank Nederland is a bank in transition.

### **International network**

In the past, several departments of Fortis Bank Nederland were active outside the Netherlands under the local licenses of entities owned by Fortis Bank SA/NV. In order to continue these activities, the bank has applied for branch licenses in Singapore, Dubai, Brazil, France and Belgium. Important international separation projects include rebuilding of the international IT network, linking the different offices with each other and the Netherlands, and the rollout of a core banking platform for the offices abroad.

In October 2008, Brokerage, Clearing & Custody (BCC) - part of Merchant Banking - lost its US franchise due to the separation from Fortis Bank SA/NV. BCC has repurchased these activities from Fortis Bank SA/NV to re-establish its position in the United States and to complete its presence in all time zones.

### **Separation**

The separation has been in full swing since the start of 2009 and it is well on track to be completed within the set timeframe. By the end of 2009, approximately 75% of the dependencies will have been resolved, and by the end of September 2010, Fortis Bank Nederland will have been fully separated from Fortis Bank SA/NV, ASR Nederland and Fortis Corporate Insurance N.V.

### **Integration**

On 19 May 2009 a general outline of the plans for the combined bank was announced by the Transition Team. The name of the combined bank will be ABN AMRO. Private Banking Netherlands will be named ABN AMRO MeesPierson. The new organisation will be composed of two businesses, i.e. Retail & Private Banking and Commercial & Merchant Banking, supported by various central functions.

### **Simplified legal structure**

In its 2008 Annual Report, Fortis Bank Nederland (Holding) N.V. announced its intention of simplifying its legal structure. In the current legal structure, Fortis Bank (Nederland) N.V. is a subsidiary of Fortis Bank Nederland (Holding) N.V. By way of a legal merger in accordance with the Dutch Civil Code, Fortis Bank (Nederland) N.V. (the 'Disappearing Company') will merge into

Fortis Bank Nederland (Holding) N.V. (the 'Acquiring Company'). As a result, the Acquiring Company will acquire all assets and liabilities of the Disappearing Company by universal succession. The transfer by universal succession of title implies that for the transferable assets there are no special transfer requirements nor is there a need for cooperation by third parties, other than execution of the notarial deed of merger. The Disappearing Company will cease to exist. On the effective date of the merger, Fortis Bank Nederland (Holding) N.V. will change its statutory name into Fortis Bank (Nederland) N.V. The merger is expected to be effectuated in the third quarter of 2009, subject to the timely receipt of all necessary legal and regulatory approvals.

## 5. FTEs

On 30 June 2009, Fortis Bank Nederland employed 9,547 FTEs, a reduction of 2.5% compared with 9,793 at year-end 2008. Apart from limited natural turnover, the reduction of FTEs mainly relates to the separation from ASR Nederland and Fortis Holdings and to shifts in Merchant Banking due to the separation and changes to the organisation. Around one quarter of the workforce was based outside the Netherlands.

### Appendices

1. Key figures
2. Consolidated balance sheet
3. Consolidated income statement

#### **Press contact**

Press Office Fortis Bank Nederland, telephone number +31 (0)30 – 226 3219

#### **Professional market parties**

Institutional investors and other professional market parties can direct questions by email to Investor Relations at 'investor.relations@nl.fortis.com'.

#### **Disclaimer**

*The semi-annual figures in this press release have been derived from the Interim Financial Statements 2009 of Fortis Bank Nederland (Holding) N.V.*

## Appendix 1: Key figures

	First half year 2009	Second half year 2008	First half year 2008
<b>Income statement</b>			
Net interest income <sup>1</sup>	630	701	903
Net commissions and fees	352	405	418
Other income <sup>1</sup>	104	302	387
<b>Total operating income<sup>1</sup></b>	<b>1,086</b>	<b>1,408</b>	<b>1,708</b>
Change in impairments <sup>1</sup>	( 195 )	( 298 )	( 33 )
<b>Total net operating income<sup>1</sup></b>	<b>891</b>	<b>1,110</b>	<b>1,675</b>
Staff expenses	( 425 )	( 453 )	( 462 )
Other expenses	( 409 )	( 649 )	( 466 )
<b>Total expenses</b>	<b>( 834 )</b>	<b>( 1,102 )</b>	<b>( 928 )</b>
Net operating profit <sup>1</sup>	51	42	562
Exceptional items (net of tax)	287	( 19,071 )	( 19 )
<b>Net profit attributable to shareholders</b>	<b>338</b>	<b>( 19,029 )</b>	<b>543</b>
<b>Financial ratios</b>			
Return on equity (excluding exceptional items)	1.8%	0.8%	3.8%
Cost/Income ratio	76.8%	78.3%	54.3%

1) Excluding exceptional items

	30 June 2009	31 December 2008	30 June 2008
<b>Balance sheet</b>			
Due from banks	22,331	24,272	58,196
Due to banks	32,664	21,309	83,982
Due from customers	142,363	124,692	136,862
Due to customers	81,466	91,798	68,026
Shareholders' equity	3,304	2,944	21,880
Total balance sheet	199,442	184,203	308,586
Assets under management	28,711	28,452	58,830
<b>Basel I Financial ratios</b>			
Risk-weighted commitments	68,837	70,932	79,340
Tier 1 capital	5,327	5,276	8,920
Total capital	8,033	7,973	8,920
Tier 1 ratio	7.7%	7.4%	11.2%
Total capital ratio including interim profits	11.7%	11.2%	11.2%
<b>Basel II Financial ratios</b>			
Risk-weighted commitments	55,419	45,894	52,550
Tier 1 capital	5,053	5,102	8,746
Total capital	7,485	7,625	8,746
Tier 1 ratio	9.1%	11.1%	16.6%
Total capital ratio including interim profits	13.5%	16.6%	16.6%
<b>Employees</b>			
FTEs	9,547	9,793	9,888

## Appendix 2: Consolidated Balance sheet

30 June 2009

31 December 2008

	30 June 2009	31 December 2008
<b>Assets</b>		
Cash and cash equivalents	9,213	9,859
Assets held for trading	14,549	13,948
Due from banks	22,331	24,272
Due from customers	142,363	124,692
<i>Investments:</i>		
- Held to maturity	33	30
- Available for sale	2,505	3,542
- Held at fair value through profit or loss	133	151
- Investment property	93	90
- Associates and joint ventures	380	388
Total investments	3,144	4,201
Other receivables	2,626	3,029
Property and equipment	372	414
Goodwill and other intangible assets	196	182
Accrued interest and other assets	4,441	3,369
Deferred tax assets	207	237
<b>Total assets</b>	<b>199,442</b>	<b>184,203</b>
<b>Liabilities</b>		
Liabilities related to assets held for trading	24,974	23,716
Due to banks	32,664	21,309
Due to customers	81,466	91,798
Debt certificates	42,045	28,251
Subordinated liabilities	6,078	6,561
Other borrowings	285	257
Provisions	98	97
Current tax liabilities	405	247
Deferred tax liabilities	45	74
Accrued interest and other liabilities	7,997	8,874
<b>Total liabilities</b>	<b>196,057</b>	<b>181,184</b>
Shareholders' equity	3,304	2,944
Minority interests	81	75
<b>Total equity</b>	<b>3,385</b>	<b>3,019</b>
<b>Total liabilities and equity</b>	<b>199,442</b>	<b>184,203</b>

## Appendix 3: Consolidated income statement

	<i>First half year</i> <i>2009</i>	<i>First half year</i> <i>2009</i>	<i>First half year</i> <i>2009</i>	<i>First half year</i> <i>2008</i>	<i>First half year</i> <i>2008</i>	<i>First half year</i> <i>2008</i>
		<i>Exceptional</i> <i>items</i>	<i>Excluding</i> <i>Exceptional</i> <i>items</i>		<i>Exceptional</i> <i>items</i>	<i>Excluding</i> <i>Exceptional</i> <i>items</i>
<b>Income</b>						
Interest income	4,791		4,791	9,762		9,762
Interest expense	(4,161)		(4,161)	(9,146)	(287)	(8,859)
<b>Net interest income</b>	<b>630</b>		<b>630</b>	<b>616</b>	<b>(287)</b>	<b>903</b>
Fee and commission income	499		499	566		566
Fee and commission expense	(147)		(147)	(148)		(148)
<b>Net fee and commission income</b>	<b>352</b>		<b>352</b>	<b>418</b>		<b>418</b>
Dividend and other investment income	8		8	15		15
Share in result of associates and joint ventures	6		6	203	198	5
Realised capital gains (losses) on investments	9		9	40		40
Other realised and unrealised gains and losses	61		61	228		228
Other income	383	363	20	99		99
<b>Total operating income</b>	<b>1,449</b>	<b>363</b>	<b>1,086</b>	<b>1,619</b>	<b>(89)</b>	<b>1,708</b>
Change in impairments	(179)	16	(195)	(33)		(33)
<b>Net operating income</b>	<b>1,270</b>	<b>379</b>	<b>891</b>	<b>1,586</b>	<b>(89)</b>	<b>1,675</b>
<b>Expenses</b>						
Staff expenses	(425)		(425)	(462)		(462)
Depreciation and amortisation of tangible and intangible assets	(31)		(31)	(31)		(31)
Other expenses	(378)		(378)	(435)		(435)
<b>Total expenses</b>	<b>(834)</b>		<b>(834)</b>	<b>(928)</b>		<b>(928)</b>
<b>Profit before taxation</b>	<b>436</b>	<b>379</b>	<b>57</b>	<b>658</b>	<b>(89)</b>	<b>747</b>
Income tax expense	(94)	(92)	(2)	(102)	70	(172)
<b>Net profit for the period</b>	<b>342</b>	<b>287</b>	<b>55</b>	<b>556</b>	<b>(19)</b>	<b>575</b>
Net profit attributable to minority interests	4		4	13		13
<b>Net profit attributable to shareholders</b>	<b>338</b>	<b>287</b>	<b>51</b>	<b>543</b>	<b>(19)</b>	<b>562</b>
<b>Per share data (EUR)</b>						
Basic earnings per share	201			365		