



# Press Release

Brussels, 1 September 2009

## Important:

- This press release covers the consolidated results of Fortis Bank sa/nv (hereafter BNP Paribas Fortis) for the first six months of 2009. These figures are therefore different from the figures presented in the half year results announcement of BNP Paribas (4 August 2009). BNP Paribas acquired a majority stake in the bank on 12 May 2009 and therefore only reported on the contribution of BNP Paribas Fortis during this period of the second quarter.
- During the first half of 2009, BNP Paribas Fortis sold a part (the 'Portfolio OUT') of its structured credit portfolio to the special purpose vehicle Royal Park Investment ('RPI') as had been agreed in the 'Protocole d'Accord' (as subsequently amended by the 'Avenant n° 3') between the SFPI/FPIM, BNP Paribas, Fortis holding (Fortis SA/NV and Fortis N.V.) and BNP Paribas Fortis. This transaction had a positive impact on the results of BNP Paribas Fortis for the first half-year. Details are provided in the press release below.
- In its reporting, BNP Paribas Fortis, as a consequence of the integration with BNP Paribas and in line with changing conditions in financial markets and in the global economic situation, has partially aligned its accounting policies, accounting estimates, classifications and methodologies and parameters used in the valuation and measurement of assets and liabilities, with the policies, estimates, classifications, methodologies and parameters applied by BNP Paribas.
- Comparison with the respective half year of 2008 have limited relevance given the completely different structure of the organisation (as a result of the sale of the Dutch activities) and are therefore not included.

## **Fortis Bank**

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## **Stronger structure attracts significant deposits.**

Half year result breakeven on the back of high loan loss provisions.

### Statutory consolidated results in IFRS

- Reported net loss of EUR 17 million but underlying net profit of EUR 93 million for the first half year, showing improvement in commercial activities
- Better liquidity position thanks to return of confidence
- Tier 1 capital ratio increased to 12.1%
- Good performance amidst a stabilisation of the commercial franchise. In Belgian Retail Banking, net asset inflows from individual customers totalled 2.2 billion euros in the second quarter 2009 compared to 1.7 billion in net asset outflows in the first quarter of the year.
- Integration process with the BNP Paribas Group on track

## First half results

### Consolidated income statement (from reported to underlying)

	First half 2009	SCI Q1 09 Impact *	alignment **	Underlying H1 2009
<b>Income</b>				
Net interest income	2,163			2,163
Net fee and commission income	975			975
Dividend, share in result of associates and joint ventures				
and other investment income	106			106
Realised capital gains (losses) on investments	35			35
Other realised and unrealised gains and losses	373	198	(214)	389
Other income	164			164
<b>Total income, net of interest expense</b>	<b>3,816</b>	<b>198</b>	<b>(214)</b>	<b>3,832</b>
Change in impairments	(791)	289	(202)	(878)
<b>Net revenues</b>	<b>3,025</b>	<b>487</b>	<b>(416)</b>	<b>2,954</b>
<b>Expenses</b>				
Staff expenses	(1,558)		(72)	(1,486)
Depreciation and amortisation of tangible & intangible assets	(219)			(219)
Other expenses	(1,070)		(91)	(979)
<b>Total expenses</b>	<b>(2,847)</b>		<b>(163)</b>	<b>(2,684)</b>
<b>Profit before taxation</b>	<b>178</b>	<b>487</b>	<b>(579)</b>	<b>270</b>
Income tax expense	(98)	(24)	28	(102)
<b>Net profit for the period before disc. operations</b>	<b>80</b>	<b>463</b>	<b>(551)</b>	<b>168</b>
Net result from discontinued operations				
<b>Net profit (loss) for the period</b>	<b>80</b>	<b>463</b>	<b>(551)</b>	<b>168</b>
Net profit attributable to minority interests	97	22		75
<b>Net profit (loss) attributable to shareholders</b>	<b>(17)</b>	<b>441</b>	<b>(551)</b>	<b>93</b>

\* Structured credit impact for Q1 09 mainly involves the sale result of the Portfolio OUT, which was sold to Royal Park Investments based on the 'protocole' and concerns Merchant Banking.

\*\* Convergence differences are the result of changes in valuation models applied, estimates of model reserves and market parameters

BNP Paribas Fortis reported a net loss<sup>1</sup> for the first semester of the year amounting to EUR 17 million. This reported result included two material impacts to be highlighted, however largely offsetting: (1) Positive impact from the sale of part of the structured credit portfolio and (2) Negative impact from changes in accounting estimates in the frame of the alignment of accounting and valuation methodologies with BNP Paribas. Excluding these highlighted impacts, BNP Paribas Fortis realised an underlying net profit of EUR 93 million during the first half of 2009.

<sup>1</sup> Referred to as "Net Profit (Loss) attributable to shareholders in the "Fortis bank sa/nv consolidated interim financial statements for the First half year 2009"

The underlying net profit of EUR 93 million for the first half of 2009 was supported by good business in the retail networks, a solid performance by the trading activities and strict cost control, but the level of provisions remained at a high level due to the economic uncertainties. This underlying result was still impacted by a number of negative exceptional elements (e.g. provision for restructuring in Germany) resulting in a net impact of around EUR 80 million.

As far as the different businesses are concerned, Retail Banking, Asset Management and Merchant Banking achieved positive underlying net results over the period.

## Second Quarter Movements

BNP Paribas Fortis' results in the second quarter of 2009 were driven by initial signs of commercial improvement, translating into higher commercial revenues versus the prior quarter. Despite economic uncertainties, operational activities have shown resilience and all banking activities saw positive developments during the period:

- Retail Banking Belgium saw its net inflow from individuals increase to EUR 2.2 billion in the second quarter of 2009. Credits have been steady, in particular mortgages. Our average credit portfolio amounted to EUR 54.3 billion on 30 June 2009, whereas deposits amounted to EUR 60.7 billion.<sup>2</sup>
- Retail Banking Luxembourg stabilised deposits (EUR 7.9 billion on 30 June 2009) and saw an encouraging increase in credits, with a portfolio of EUR 4.9 billion at the end of the second quarter.
- Retail Banking International was marked by the operational merger of Dominet Bank and FB Polska in Poland, which was successfully finalised on 31 July. Increase in new credits in Poland was moderate whereas deposits rose in an uncertain environment. Banking activities in Turkey were stable.
- Fortis Investments Management (FIM) stabilised its assets under management, thanks to the reduction in outflows. The merger with ABN AMRO Asset Management has already led to synergies and cost reductions.
- Private Banking also stabilised its assets under management at the level of EUR 43 billion.
- Merchant Banking built a positive operational momentum, thanks to a good sales and marketing drive in an improved environment, while reducing market risks.

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<sup>2</sup> Retail Banking Belgium brings together the following activities of the old Fortis Bank: « Retail Belgium », « Private Banking Belgium » and « Commercial Banking Belgium »

## **Impact of the acquisition of BNP Paribas Fortis by BNP Paribas on accounting policies and valuation methods (convergence)**

As part of the integration with BNP Paribas, BNP Paribas Fortis is partially aligning, if possible and justified within the IFRS framework, its accounting policies, accounting estimates, classifications, methodologies and parameters used in the valuation and measurement of assets and liabilities, with the policies, estimates, classifications, methodologies and parameters applied by BNP Paribas. The objectives of this harmonisation are to attain consistent financial reporting with BNP Paribas. The overall economic impact of alignment is limited and amounted to EUR +20 million as some elements impact negatively the profit and loss and others have a positive impact on equity.

### Impact on structured credit instruments

The retained structured credit instruments (SCI) portfolio (IN) has been aligned with the valuation approach applied by BNPP with effect from the acquisition date (12 May 2009). The application of these rules has led to an addition of EUR +163 million to profit and loss and to an adjustment of EUR +711 million through equity. However, next to these adjustments, a collective provision (EUR -222 million) and a valuation reserve (EUR -130 million) have been booked, due to the uncertainties in non-active markets related to SCI (e.g. changes in ratings).

### Financial markets impact

In the course of 2009, the methodologies and models of BNP Paribas have been introduced in valuation methods related to various financial instruments. This allows for the use of more comprehensive reserving and valuation adjustment methodologies.

The valuation of the Nitshes, using the observable spread of BNP Paribas, which reflects the funding cost of the bank given its new ownership, has led to a decrease of EUR 255 million in the value of the Nitshes with a positive impact on P&L.

### Other impacts

The bank has reviewed estimates in relation to provisions for medical coverage and other items and has aligned some of its impairment policies, leading to a total negative impact of EUR 209 million.

## **Liquidity Position**

The liquidity position of BNP Paribas Fortis continued to improve in the first half of 2009 due to gradual normalisation of the markets and due to BNP Paribas gaining majority control, removing the uncertainty surrounding the future of the bank. In this respect all BNP Paribas Fortis ratings – both short and long term – improved or were reconfirmed by the three main rating agencies (S&P, Moody's and Fitch Rating).

S&P: AA- Outlook Negative (18/5/09, from A)  
Moody's:A1 (stable since 30 Sep 08, but positive watch removed on Feb 13 09)  
Fitch: AA- Outlook negative (15/5/09, from A+)

The ratio naked deposits/loans (excluding secured loans and deposits) improved to 94% at 30 June 2009 from 88% at the end of 2008.

## **BNP Paribas Fortis's CEO Jean-Laurent Bonnafé comments:**

*“The first half of 2009 was a transition period for the company. However, the first phase of the integration enabled us not only to confirm, but also to strengthen, our ambitions. The integration creates a unique opportunity to give to Belgium and Luxembourg leading banking entities that have learned all the lessons of the crisis, with the huge advantage of having the capacity to satisfy clients in high security, relying on the power and scope of one of the biggest international groups.”*

*“On the back of an environment that is still suffering from the economic slowdown, we have seen some signs of gradual normalisation in the financial markets. This, combined with the integration of BNP Paribas Fortis with a solid European group, has resulted in an improvement in confidence among our existing customers and in the return of some clients who feared for the future of the bank last year.”*

*“The promise of the BNP Paribas group to continue developing the local economy has already materialised in the successful '1 billion euro' campaign for SMEs.”*

*“The Executive Committee is now well in place and is currently defining the industrial plan for the Bank around several major priorities. Of course, our strategy will consider the Belgium and Luxembourg domestic markets as key priorities, but we also aim to set up the number one Belgian international bank and to integrate BNP Paribas Fortis and BGL BNP Paribas as key components of one of the Eurozone's top international banking groups.”*

*“Both BNP Paribas Fortis and the BNP Paribas Group are confident the integration of BNP Paribas Fortis and BGL can be realised in a socially responsible way. That is to say with the deepest respect for people and the diversity of culture, and of course in dialogue with staff and staff representative bodies.”*

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*BNP Paribas Fortis joined BNP Paribas, a leading European financial services group of international standing, in May 2009. BNP Paribas is the euro-zone's largest bank by deposits, and is one of the six most solid banks worldwide according to Standard & Poor's, employing more than 205,000 people in 85 countries. The group occupies key positions with its core businesses in Retail Banking, Investment Solutions and Corporate & Investment Banking. BNP Paribas has four domestic markets in retail banking: Belgium, France, Italy and Luxembourg. It also has a significant presence in the US and leading positions in Asia and emerging markets.*

*Under the name BNP Paribas Fortis, the bank offers the Belgian market a comprehensive package of financial services for private individuals, the self-employed, professionals and SMEs. In the insurance sector, BNP Paribas Fortis works closely with Belgian market leader AG Insurance. The bank also provides wealthy individuals, corporations and public and financial institutions with custom solutions for which it can draw on BNP Paribas' know-how and international network.*

More information is available at [www.fortisbank.com](http://www.fortisbank.com) and [www.bnpparibas.com](http://www.bnpparibas.com).