

Friesland Bank N.V.

Full Rating Report

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
Viability Rating	bbb
Individual Rating	C
Support Rating	3
Support Rating Floor	BB+

Sovereign Risk

Long-Term Foreign Currency IDR	AAA
Long-Term Local Currency IDR	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Friesland Bank N.V.

	31 Dec 10	31 Dec 09
Total assets (USDm)	14,772	15,859
Total assets (EURm)	11,055	11,009
Total equity (EURm)	842	883
Operating profit (EURm)	4.7	-13.5
Net income (EURm)	-43	33
Comprehensive income (EURm)	-52	72
Operating ROAA (%)	0.00	-0.10
Operating ROAE (%)	0.60	-1.70
Tier 1 ratio (%)	9.00	10.00
Fitch Core Capital /weighted risks (%)	7.70	11.30

Related Research

F. Van Lanschot Bankiers N.V.
(December 2010)

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Key Rating Drivers

Good but Regional Franchise: Friesland Bank N.V.'s (FB) Long- and Short-Term IDRs and Viability Rating reflect a good but essentially regional franchise in the northern part of the Netherlands, which is not the richest part of the country, modest profitability of the bank's core banking business and acceptable albeit declining capitalisation.

Modest Earnings Expected: Fitch Ratings expects operating performance to improve but remain modest in the medium term. While the net interest margin has progressively widened in 2011, the fierce competition in the Netherlands for customer deposits could restrain further progress. Cost reduction initiatives have started to pay-off, but further improvement is needed.

Van Lanschot Impairment: FB reported a net loss in 2010 due to a EUR61m impairment taken on the bank's 23%-stake in F. Van Lanschot Bankiers N.V. (Van Lanschot, 'A-/Stable). Management plans to sell this stake and has decided to adjust the book value of this substantial investment to a level which is line with the expected sale price.

Significant Equity Holdings: The private equity portfolio constituted about 25% of FB's equity at end-2010, and holdings in banking associates (the largest being Van Lanschot) about 50%, exposing the bank to significant market risk. However, private equity investments continue to generate positive earnings and to carry unrealised capital gains.

Satisfactory Asset Quality: Asset quality in the corporate loan book deteriorated in 2010 due to lagging effects of the recession. The inflow of new impaired loans has fallen since then but could rise again as the global recovery falters. The retail portfolio (90% of which being low-risk domestic mortgages) remains of sound quality. The bank has no exposure to peripheral euro zone countries.

Reliance on Capital Markets: the bank funds more than half of its loan book with customer deposits; therefore, it sources the remainder on the capital markets which FB has been able to access owing to investors' appetite for Dutch residential mortgage-backed securities (RMBS).

Acceptable but Declining Capitalisation: FB did not need to raise capital during the crisis but, in the absence of recurring retained earnings, capital has eroded over the past years. FB is addressing the challenges from higher capital requirements under Basel III by putting the large stake in Van Lanschot, which would gradually be deducted from common equity when Basel III rules are implemented as of 2013, up for sale. Fitch's view of FB's acceptable capitalisation takes into account the planned sale of the stake in Van Lanschot.

Support: FB is ultimately owned by a foundation, Stichting Friesland Bank. Although support from the foundation is possible, Fitch does not believe it can be relied upon. In light of FB's medium size and importance in the Dutch retail banking market, Fitch believes there is a moderate probability that the Dutch authorities would provide support if necessary.

What Could Trigger a Rating Action

Significant Decrease in Capitalisation: Downside risk to FB's Long-Term IDR and Viability Rating could arise if FB were to experience a marked decline in its capital ratios; notably if it did not manage to improve its profitability or sell its stake in Van Lanschot close to book value. Upside potential is limited by the bank's essentially regional franchise.

- Medium-sized Dutch universal bank
- Good franchise in northern Netherlands
- Expansion outside regional home market but facing tough competition
- Private equity is the second core activity

Profile

FB is a medium-sized bank operating in the northern provinces of the Netherlands. The bank has 23 branches and ranks among the 10 largest banks in the Netherlands by total assets.

FB is 100% owned by Friesland Bank Holding NV, which is wholly owned by Stichting Friesland Bank (SFB). As a foundation, SFB is statutorily obliged to preserve the bank's integrity and autonomy. The board members of SFB are private individuals representing the civic and business community of the bank's core region. SFB and the holding company have no operating assets or debt of their own.

The bank focuses on two business lines: Retail and Corporate Banking and Private Equity. In addition, FB has been active in investing in stakes in financial institutions. The most significant is a 23%-stake in another medium-sized Dutch bank Van Lanschot, (see link *Related Research*). However, this activity will likely be reduced in light of the punitive regulatory treatment of such investments under Basel III.

Retail and Corporate Banking

FB's historical core market is the northern provinces of the Netherlands. FB's market share in the region ranges between 5-10% for retail banking according to the products, making it second to Rabobank ('AA+/Stable). Its regional market share is higher in the SME/Corporate segment. Outside Friesland, FB has opened branches in the main business centres of the Netherlands (including Amsterdam, Utrecht and Rotterdam) for SMEs and middle- to high-income individuals. While FB aims to exploit its reputation as a "relationship" bank (ie, close to its customer base), it faces fierce competition from other domestic institutions.

FB has an agreement with VVAA, the Dutch association providing financial services to the healthcare sector (professionals and associations), to cater to the association's members with its full range of products. FB distributes insurance products to its customers through its insurance broker, Friesland Bank Assurantiën and savings products through a 75%-owned asset manager, Optimix Vermogenbeheer.

Friesland Bank Investments

This is the bank's private-equity business, developed in the early 1980s to diversify and augment earnings growth. FB expects this division to deliver stable and predictable revenue and this is reflected in a prudent investment strategy, focused on 30%-90% stakes in medium-sized mature companies benefiting from an established expertise and solid market share in their operating field, with limited leverage. The bank invests only capital and does not lend to the companies in which it owns shares. At end-2010, FB's private-equity investments had a book value of about EUR220m.

Investments in Financial Institutions

FB has been holding various strategic shareholdings as a means of offering a broader product range to its customers, but also sometimes with an opportunistic purpose. By far the largest one is the 23%-stake in Van Lanschot; the bank has decided to dispose of this investment.

Performance

FB's operating performance was positive in 2010 but low. Fitch expects operating performance to improve owing to wider net interest margin (NIM) and the benefit of further streamlining of the bank's cost base.

- Operating performance hampered by low cost efficiency and subdued revenue generation
- Large impairment taken on stake in Van Lanschot resulted in net loss reported in 2010
- Modest improvement anticipated in operating performance provided economic situation stays satisfactory

Related Criteria

[Global Financial Institutions Rating Criteria \(August 2011\)](#)

[Rating Hybrid Securities \(July 2011\)](#)

[Treatment of Hybrids in Bank Capital Analysis \(July 2011\)](#)

Net Income per Business Lines

EURm	2010	2009
Retail and Corporate Banking	14	11
Private Equity	15	29
Investments in FI	-72	27

Source: Friesland Bank, minority interests excluded

However, the bank's operating performance will likely remain modest over the medium term in light of FB's limited franchise, strong competition in the Netherlands for customer deposits and the improvements in the bank's efficiency that are still needed. Moreover, a marked slow down in the economic situation could impede the anticipated improvement as this would result in poor generation of new business and rising impairment charges.

Operating performance should benefit from a rise of net interest income essentially caused by a widening of the NIM, but lending growth could be constrained by the economic uncertainties and the related impact on private consumption and corporate investments. Costs of customer deposits have reduced from the peak of early 2009 and FB managed to increase the interest rate charged on its loan book. However, at 110bp in 2010, FB's ratio of net interest income to average earnings assets has remained rather low and below that of peers (see *Annex*).

The gain and losses on securities (line 10 in the attached *Income Statement*) largely come from private equity investments, not only in the form of capital gains from divestments but also the share in results of equity-accounted participations.

Net fees and commissions (line 13) essentially stems from insurance and securities brokerage but also management fees from Optimix, fully-consolidated for the first time in 2010, which partially explains the rise observed during the period. Depressed financial markets should restrain growth of net fees and commissions.

Cost-efficiency has improved owing to cost-saving initiatives aimed at reducing the bank's previously excessive cost base compared with its earnings capacities. However, the cost to income ratio has remained high (73% in 2010) compared with peers.

Impairment charges have remained rather limited as a percentage of assets (loan impairment charges – LICs – represented 0.4% of the loan book in 2010) and credit risk has not been a major concern so far (see *Risk Management*). However, in light of the bank's low earning generation, impairment charges wiped out a very large amount of pre-impairment operating profit in 2010. LICs were essentially booked on SME/Corporate lending in H110 in the aftermath of the 2009 recession. Since these have rather high sensitivity to the economic cycle, a renewed economic slowdown would result in additional strains on the portfolio.

The non-recurring income and expenses (line 25 and 26 in the attached *Income Statement*) are items viewed by Fitch as exceptional or extraordinary, which are not part of the bank's core business and occur as singular instances. The EUR61m non-recurring expense reported in 2010 referred to the impairment taken on the stake in Van Lanschot in preparation of the planned sale.

Risk Management

Moderate Credit Risk Focused on SME/Corporate Loan Book

Credit risk lies in FB's customer loan book and its fixed-income securities portfolio. The bank's loan book (EUR8.7bn at end-2010) is made up of corporate and SME/Corporate lending (about 45%) and retail lending (about 55%). The vast majority of retail lending is mortgages (90% at end-2010), a low risk asset class with historical loss rate hovering around 10bp. They peaked in the early 80s (30bp) but unemployment and interest rates were much higher and the drop in housing prices more significant than experienced so far. The mortgage market has been sluggish and housing prices have decreased by around 10% since 2008 but this remains manageable and Fitch does not expect significant strain to arise from these exposures.

FB's corporate customers are typically small to medium-sized businesses operating in various industries but some concentration exists in real estate (around 20% of total SME/Corporate exposures at end-2010) and agriculture (15%, reflecting the importance of the sector in FB's home region). Commitments to the real-estate sector, exclusively to domestic assets and

- Overall limited credit risk but SME/Corporate loan book is sensitive to economic conditions
- Significant market risk related to large equity holdings

borrowers, amounted at EUR1bn at end-2010 and were split between rental-based property investment (75%) and higher risk property development (25%). Impaired real estate exposures as a percentage of total real estate loans were not higher than for the overall SME/Corporate loan book. International lending is negligible. The corporate portfolio is fairly concentrated, with the 20 largest exposures (on- and off-balance-sheet) making up about 90% of equity at end-2010; only one was impaired at the same date.

Impaired loans increased substantially during 2010 in the SME/Corporate portfolio following the recession but only marginally in the retail portfolio. According to the bank's figures, FB's gross impaired loans totalled EUR520m at end-2010, representing 6% of gross loans outstanding. This ratio was 2% for the retail book, but an elevated 11% for the SME/Corporate book. Given the very open nature of the Dutch economy, the domestic SME/Corporate show a rather high sensitivity to the health of the global economy, a prolonged slowdown of which would put further strains on the quality of FB's SME/Corporate loan book.

All of FB's fixed income securities portfolio were rated investment grade at end-2010 (EUR770m, line B5 in the attached *Balance Sheet*) and essentially composed of Dutch RMBS and Dutch state bonds. The bank has no exposure to public or private European peripheral borrowers.

Significant Market Risk due to Large Equity Holdings

FB's equity holdings are essentially its investments in Van Lanschot (EUR332m book value at end-2010) and its private equity portfolio (EUR220m). The bank also has a small book of equity investments in Dutch Financial (EUR75m). Together, equity holdings represented 75% of the bank's equity at end-2010, which is significant.

The 23% stake in Van Lanschot was impaired in 2010 to adjust the book value given the considered disposal of this participation. As a portion of Van Lanschot's shares is listed, Fitch notes that in light of the drop in equity markets during 2011, the market value of this stake has fallen below book value.

FB's private-equity portfolio is spread over 20 different investments at end-2010; according to the bank's estimates, this portfolio carried an unrealised capital gain of about EUR30m at end-2010. These investments are in the form of direct stakes in Dutch companies that are in the mature stage of their lifecycle (ie, no start-ups); most of them operate in counter-cyclical activities.

Global interest rate risk is mostly hedged using derivatives. At end-2010 a 200bp upward/downward shift in the interest rate yield curve would have a positive/negative effect on net income of EUR4.5m and EUR0.7m of respectively over a full year, which is limited.

Limited Operational Risk

FB uses the basic indicator approach under Basel II. Taking into account the bank's size and limited spread of business, operational risk appears rather limited, Operational risk also exists in the private-equity business, which is more reliant on a small number of key staff.

Funding, Liquidity and Capital

Funding Reliant on Capital Markets

Its regional franchise provides FB with a good customer deposit base but this only funds 55% of its loan book. FB therefore needs to source additional funding on the interbank and capital markets.

FB did not use the credit guarantee scheme set up by the Dutch government between 2008 and 2010 to help domestic financial institutions raise funding during tough capital market conditions. Since 2008, the bank has issued only secured debt, benefiting from investor appetite for Dutch RMBS and had, at end-2010, EUR1.7bn of RMBS placed with investors.

- Reliance on capital markets to fund a loan book much larger than deposit base
- Significant use of RMBS
- Capital is under pressure but remains acceptable

Early 2011, the bank structured a EUR675m SME loan transaction, EUR250 of which placed with the European Investment Bank, and the rest kept on FB's book. The bank is considering a new RMBS for the second half of 2011. Around 30% of FB's total balance sheet is pledged for secured funding, which is significant but manageable.

Acceptable Liquidity

The bank could get about EUR500m of liquidity through securities eligible for repo transactions with the ECB and has a EUR750m committed facility line from a large financial institution that could be drawn in case of need. Excluding customer deposits, FB has EUR1.3bn of liabilities coming due in the 12 months starting June 2011, compared with EUR1bn of assets maturing in the same period. The gap could be closed using ECB funding or the committed facility.

Capital has Eroded but Remains Acceptable

The bank did not need to raise capital during the financial crisis but its capitalisation has eroded over the past three years in the absence of recurring net profit. In addition, FB does not need to distribute a significant part of its earnings due to its ownership structure.

With a Fitch Core Capital ratio of 7.7% at end-2010 (effectively deducting private equity investments), FB's capitalisation is viewed as just adequate. This view takes into account the planned sale of the stake in Van Lanschot, which will bring capital relief as it is currently 50% deducted from Tier 1 regulatory capital and 50% from Tier 2 and would be deducted from common equity under Basel III. Assuming a sale of the stake in Van Lanschot at book value, the Tier 1 ratio would have been around 260bp higher at end-2010.

The bank has EUR125m of Tier 1 hybrid securities, which have been assigned 0% equity credit by Fitch, as a "dividend pusher" provision reduces the bank's ability to cancel payment of coupon at its full discretion.

Annex

Peer Group (2010 figures)

%, unless otherwise stated	Friesland Bank N.V.	SNS Bank N.V.	F. Van Lanschot Bankiers N.V.
Long-term IDR/Outlook Viability Rating	'BBB'/Stable 'bbb'	'BBB+'/Stable 'bbb+'	'A-'/Stable 'a-'
Performance			
Operating Profit/Average Equity	0.60	-19.49	6.37
Operating Profit/Average Assets	0.00	-0.53	0.43
Net Interest Income/ Average Earnings Assets	1.10	1.15	1.84
Cost/Income	73.10	53.92	70.40
Asset Quality			
Loan Impairment Charges/Averages Gross Loans	0.40	1.05	0.52
Impaired Loans/Gross Loans	6.00	5.45	2.08
Reserves for Impaired Loans/Impaired Loans	25.90	27.00	76.69
Impaired Loans less Reserves for Imp Loans/ Equity	45.80	142.86	5.21
Capital			
Equity (EURm)	842	1,836	1,484
Tier 1 ratio	9.00	10.70	11.90
Fitch Core Capital Ratio	7.70	7.55	9.07
Funding & Liquidity			
Loans/Customer Deposits	182.20	174.19	117.86
Customer Deposits/Total Funding excl Derivatives	48.70	56.66	79.92

Source: Banks, Fitch

Friesland Bank N.V.
Income Statement

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	EURm	Earning	EURm	Earning	EURm	Earning	EURm	Earning
	Unqualified	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets
1. Interest Income on Loans	424.6	317.8	3.07	318.5	3.03	439.8	4.25	391.3	4.00
2. Other Interest Income	73.6	55.1	0.53	63.9	0.61	56.3	0.54	38.0	0.39
3. Dividend Income	3.3	2.5	0.02	3.9	0.04	26.1	0.25	16.5	0.17
4. Gross Interest and Dividend Income	501.6	375.4	3.62	386.3	3.67	522.2	5.04	445.8	4.56
5. Interest Expense on Customer Deposits	263.6	197.3	1.90	220.6	2.10	226.0	2.18	187.2	1.91
6. Other Interest Expense	88.5	66.2	0.64	76.7	0.73	166.4	1.61	147.3	1.51
7. Total Interest Expense	352.1	263.5	2.54	297.3	2.83	392.4	3.79	334.5	3.42
8. Net Interest Income	149.5	111.9	1.08	89.0	0.85	129.8	1.25	111.3	1.14
9. Net Gains (Losses) on Trading and Derivatives	5.3	4.0	0.04	15.7	0.15	-43.2	-0.42	31.8	0.33
10. Net Gains (Losses) on Other Securities	64.8	48.5	0.47	17.7	0.17	27.1	0.26	29.3	0.30
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	55.7	41.7	0.40	31.3	0.30	28.1	0.27	33.4	0.34
14. Other Operating Income	20.7	15.5	0.15	32.0	0.30	37.2	0.36	22.9	0.23
15. Total Non-Interest Operating Income	146.6	109.7	1.06	96.7	0.92	49.2	0.48	117.4	1.20
16. Personnel Expenses	112.6	84.3	0.81	91.5	0.87	89.3	0.86	91.2	0.93
17. Other Operating Expenses	103.8	77.7	0.75	77.8	0.74	76.0	0.73	74.7	0.76
18. Total Non-Interest Expenses	216.5	162.0	1.56	169.3	1.61	165.3	1.60	165.9	1.70
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	11.8	0.11	33.6	0.32	86.4	0.88
20. Pre-Impairment Operating Profit	79.6	59.6	0.58	28.2	0.27	47.3	0.46	149.2	1.53
21. Loan Impairment Charge	49.0	36.7	0.35	33.3	0.32	14.5	0.14	6.5	0.07
22. Securities and Other Credit Impairment Charges	24.3	18.2	0.18	8.4	0.08	100.5	0.97	42.0	0.43
23. Operating Profit	6.3	4.7	0.05	-13.5	-0.13	-67.7	-0.65	100.7	1.03
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	10.2	7.6	0.07	41.3	0.39	4.4	0.04	27.5	0.28
26. Non-recurring Expense	81.5	61.0	0.59	n.a.	-	24.2	0.23	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	-65.1	-48.7	-0.47	27.8	0.26	-87.5	-0.85	128.2	1.31
30. Tax expense	-8.2	-6.1	-0.06	-4.8	-0.05	-20.9	-0.20	-9.1	-0.09
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	-56.9	-42.6	-0.41	32.6	0.31	-66.6	-0.64	137.3	1.40
33. Change in Value of AFS Investments	-6.5	-4.9	-0.05	35.4	0.34	-28.2	-0.27	-33.0	-0.34
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	-6.3	-4.7	-0.05	4.1	0.04	-15.4	-0.15	6.2	0.06
37. Fitch Comprehensive Income	-69.7	-52.2	-0.50	72.1	0.69	-110.2	-1.06	110.5	1.13
38. Memo: Profit Allocation to Non-controlling Interests	0.9	0.7	0.01	5.6	0.05	8.5	0.08	6.5	0.07
39. Memo: Net Income after Allocation to Non-controlling Interests	-57.9	-43.3	-0.42	27.0	0.26	-75.1	-0.73	130.8	1.34
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	4.9	0.05	5.6	0.05	5.3	0.05
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

USD1 = EURO.67930

Friesland Bank N.V.
Balance Sheet

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	5,491.4	4,109.8	37.17	4,130.1	37.51	4,047.7	37.02	3,784.2	37.14
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer / Retail Loans	820.7	614.2	5.56	501.6	4.56	666.9	6.10	759.2	7.45
4. Corporate & Commercial Loans	5,267.8	3,942.4	35.66	3,857.4	35.04	3,484.7	31.87	3,018.9	29.63
5. Other Loans	18.8	14.1	0.13	72.6	0.66	113.8	1.04	154.5	1.52
6. Less: Reserves for Impaired Loans/ NPLs	179.9	134.6	1.22	110.8	1.01	85.8	0.78	94.8	0.93
7. Net Loans	11,418.9	8,545.9	77.30	8,450.9	76.76	8,227.3	75.24	7,622.0	74.81
8. Gross Loans	11,598.7	8,680.5	78.52	8,561.7	77.77	8,313.1	76.03	7,716.8	75.74
9. Memo: Impaired Loans included above	695.4	520.4	4.71	421.8	3.83	335.8	3.07	307.3	3.02
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	713.1	533.7	4.83	680.5	6.18	590.8	5.40	689.4	6.77
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	0.6	0.01	0.0	0.00
4. Derivatives	57.5	43.0	0.39	32.2	0.29	29.4	0.27	30.4	0.30
5. Available for Sale Securities	1,076.2	805.4	7.29	822.2	7.47	613.4	5.61	953.2	9.36
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	375.2	3.43	n.a.	-
7. At-equity Investments in Associates	575.9	431.0	3.90	535.2	4.86	514.9	4.71	480.1	4.71
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	1,709.5	1,279.4	11.57	1,389.6	12.62	1,533.5	14.02	1,463.7	14.37
10. Memo: Government Securities included Above	372.5	278.8	2.52	194.3	1.76	373.5	3.42	356.7	3.50
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	0.0	0.00	4.2	0.04
15. Total Earning Assets	13,841.5	10,359.0	93.70	10,521.0	95.56	10,351.6	94.67	9,779.3	95.98
C. Non-Earning Assets									
1. Cash and Due From Banks	88.3	66.1	0.60	60.2	0.55	98.4	0.90	90.3	0.89
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	133.0	99.5	0.90	93.8	0.85	106.1	0.97	87.2	0.86
5. Goodwill	120.3	90.0	0.81	39.2	0.36	82.6	0.76	24.4	0.24
6. Other Intangibles	146.2	109.4	0.99	42.8	0.39	12.4	0.11	6.9	0.07
7. Current Tax Assets	6.4	4.8	0.04	0.3	0.00	0.5	0.00	2.3	0.02
8. Deferred Tax Assets	189.5	141.8	1.28	132.8	1.21	121.7	1.11	84.7	0.83
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	246.9	184.8	1.67	119.4	1.08	160.8	1.47	113.7	1.12
11. Total Assets	14,772.0	11,055.4	100.00	11,009.5	100.00	10,934.1	100.00	10,188.8	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	932.7	698.0	6.31	833.6	7.57	963.7	8.81	3,128.5	30.71
2. Customer Deposits - Savings	4,363.7	3,265.8	29.54	2,926.4	26.58	2,705.6	24.74	2,283.7	22.41
3. Customer Deposits - Term	1,069.3	800.3	7.24	1,228.8	11.16	1,681.2	15.38	n.a.	-
4. Total Customer Deposits	6,365.7	4,764.1	43.09	4,988.8	45.31	5,350.5	48.93	5,412.2	53.12
5. Deposits from Banks	1,331.4	996.4	9.01	950.8	8.64	796.9	7.29	189.7	1.86
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	684.9	512.6	4.64	459.5	4.17	346.0	3.16	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	8,382.0	6,273.1	56.74	6,399.1	58.12	6,493.4	59.39	5,601.9	54.98
9. Senior Debt Maturing after 1 Year	4,208.6	3,149.7	28.49	2,912.3	26.45	2,734.1	25.01	2,929.0	28.75
10. Subordinated Borrowing	481.7	360.5	3.26	418.7	3.80	409.5	3.75	403.3	3.96
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	4,690.3	3,510.2	31.75	3,331.0	30.26	3,143.6	28.75	3,332.3	32.71
13. Derivatives	159.9	119.7	1.08	132.6	1.20	96.1	0.88	26.8	0.26
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	13,232.2	9,903.0	89.58	9,862.7	89.58	9,733.1	89.02	8,961.0	87.95
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	39.0	29.2	0.26	30.5	0.28	40.4	0.37	44.4	0.44
4. Current Tax Liabilities	6.9	5.2	0.05	n.a.	-	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	32.1	24.0	0.22	7.3	0.07	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	337.3	252.4	2.28	226.0	2.05	335.9	3.07	245.3	2.41
10. Total Liabilities	13,647.5	10,213.8	92.39	10,126.5	91.98	10,109.4	92.46	9,250.7	90.79
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	1,035.4	774.9	7.01	825.9	7.50	805.9	7.37	887.7	8.71
2. Non-controlling Interest	61.5	46.0	0.42	26.8	0.24	27.9	0.26	15.9	0.16
3. Securities Revaluation Reserves	42.5	31.8	0.29	45.1	0.41	-2.1	-0.02	26.1	0.26
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	-14.8	-11.1	-0.10	-14.8	-0.13	-7.0	-0.06	8.4	0.08
6. Total Equity	1,124.5	841.6	7.61	883.0	8.02	824.7	7.54	938.1	9.21
7. Total Liabilities and Equity	14,772.0	11,055.4	100.00	11,009.5	100.00	10,934.1	100.00	10,188.8	100.00
8. Memo: Fitch Core Capital	659.1	493.3	4.46	677.1	6.15	617.2	5.64	858.8	8.43
9. Memo: Fitch Eligible Capital	659.1	493.3	4.46	769.2	6.99	711.0	6.50	952.6	9.35

Exchange rate

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

USD1 = EURO.67930

Friesland Bank N.V. Summary Analytics

	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	Year End	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	3.70	3.80	5.50	5.20
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.90	4.20	4.10	3.60
3. Interest Income/ Average Earning Assets	3.60	3.70	5.20	4.70
4. Interest Expense/ Average Interest-bearing Liabilities	2.70	3.10	4.20	3.80
5. Net Interest Income/ Average Earning Assets	1.10	0.90	1.30	1.20
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.70	0.50	1.10	1.10
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.10	0.90	1.30	1.20
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	49.50	52.10	27.50	51.30
2. Non-Interest Expense/ Gross Revenues	73.10	91.20	92.30	72.50
3. Non-Interest Expense/ Average Assets	1.50	1.60	1.60	1.70
4. Pre-impairment Op. Profit/ Average Equity	7.20	3.50	5.50	17.00
5. Pre-impairment Op. Profit/ Average Total Assets	0.50	0.30	0.40	1.50
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	92.10	147.90	243.10	32.50
7. Operating Profit/ Average Equity	0.60	-1.70	-7.90	11.50
8. Operating Profit/ Average Total Assets	0.00	-0.10	-0.60	1.00
9. Taxes/ Pre-tax Profit	12.50	-17.30	23.90	-7.10
10. Pre-Impairment Operating Profit / Risk Weighted Assets	0.90	0.50	0.80	2.70
11. Operating Profit / Risk Weighted Assets	0.10	-0.20	-1.10	1.80
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	-5.20	4.00	-7.80	15.60
2. Net Income/ Average Total Assets	-0.40	0.30	-0.60	1.40
3. Fitch Comprehensive Income/ Average Total Equity	-6.30	8.90	-12.90	12.60
4. Fitch Comprehensive Income/ Average Total Assets	-0.50	0.70	-1.00	1.10
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	-0.70	0.50	-1.10	2.50
7. Fitch Comprehensive Income/ Risk Weighted Assets	-0.80	1.20	-1.80	2.00
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	7.70	11.30	10.20	15.40
2. Fitch Eligible Capital/ Weighted Risks	7.70	12.80	11.80	17.00
3. Tangible Common Equity/ Tangible Assets	5.90	6.60	6.20	8.70
4. Tier 1 Regulatory Capital Ratio	9.00	10.00	10.10	12.60
5. Total Regulatory Capital Ratio	12.10	13.10	12.60	12.60
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	7.60	8.00	7.50	9.20
8. Cash Dividends Paid & Declared/ Net Income	0.00	15.00	-8.40	3.90
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	0.00	6.80	-5.10	4.80
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	-5.10	3.10	-8.80	14.10
E. Loan Quality				
1. Growth of Total Assets	0.40	0.70	7.30	9.00
2. Growth of Gross Loans	1.40	3.00	7.70	4.80
3. Impaired Loans(NPLs)/ Gross Loans	6.00	4.90	4.00	4.00
4. Reserves for Impaired Loans/ Gross loans	1.60	1.30	1.00	1.20
5. Reserves for Impaired Loans/ Impaired Loans	25.90	26.30	25.60	30.80
6. Impaired Loans less Reserves for Imp Loans/ Equity	45.80	35.20	30.30	22.70
7. Loan Impairment Charges/ Average Gross Loans	0.40	0.40	0.20	0.10
8. Net Charge-offs/ Average Gross Loans	-0.20	-0.10	0.30	0.10
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	6.00	4.90	4.00	4.00
F. Funding				
1. Loans/ Customer Deposits	182.20	171.60	155.40	142.60
2. Interbank Assets/ Interbank Liabilities	53.60	71.60	74.10	363.40
3. Customer Deposits/ Total Funding excl Derivatives	48.70	51.30	55.50	60.60

Friesland Bank N.V.
Reference Data

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	n.a.	-	n.a.	-	80.5	0.79
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	727.8	7.14
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	17.6	0.17
7. Total Business Volume	14,772.0	11,055.4	100.00	11,009.5	100.00	10,934.1	100.00	11,014.7	108.11
8. Memo: Total Weighted Risks	8,512.8	6,371.0	57.63	6,010.0	54.59	6,040.0	55.24	5,593.2	54.90
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	8,512.8	6,371.0	57.63	6,010.0	54.59	6,040.0	55.24	5,593.2	54.90
B. Average Balance Sheet									
Average Loans	11,536.1	8,633.6	78.09	8,444.2	76.70	7,975.6	72.94	7,516.4	73.77
Average Earning Assets	14,005.1	10,481.4	94.81	10,304.8	93.60	10,058.0	91.99	9,523.9	93.47
Average Assets	14,755.5	11,043.0	99.89	10,884.1	98.86	10,577.2	96.74	9,899.7	97.16
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	13,227.8	9,899.7	89.55	9,699.5	88.10	9,319.0	85.23	8,701.8	85.41
Average Common equity	1,027.7	769.1	6.96	773.5	7.03	831.2	7.60	805.0	7.90
Average Equity	1,104.8	826.8	7.48	809.9	7.36	854.9	7.82	877.4	8.61
Average Customer Deposits	6,744.8	5,047.8	45.66	5,226.2	47.47	5,523.6	50.52	5,177.6	50.82
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	1,381.0	12.63	681.0	6.68
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	206.0	1.88	1,038.0	10.19
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	1,079.0	9.87	3,402.0	33.39
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	5,561.0	50.86	2,501.0	24.55
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	591.0	5.41	634.0	6.22
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	2,550.0	25.03
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	1,072.0	10.52
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	1,790.2	17.57
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	56.0	0.55
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	13.0	0.13
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	121.0	1.19
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	481.7	360.5	3.26	418.7	3.80	409.5	3.75	403.3	3.96
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	1,124.5	841.6	7.61	883.0	8.02	824.7	7.54	938.1	9.21
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	1,124.5	841.6	7.61	883.0	8.02	824.7	7.54	938.1	9.21
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	61.5	46.0	0.42	26.8	0.24	27.9	0.26	15.9	0.16
4. Goodwill	120.3	90.0	0.81	39.2	0.36	82.6	0.76	24.4	0.24
5. Other intangibles	146.2	109.4	0.99	42.8	0.39	12.4	0.11	6.9	0.07
6. Deferred tax assets deduction	112.2	84.0	0.76	81.0	0.74	61.4	0.56	26.6	0.26
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	25.3	18.9	0.17	16.1	0.15	23.2	0.21	5.5	0.05
9. Fitch Core Capital	659.1	493.3	4.46	677.1	6.15	617.2	5.64	858.8	8.43
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	92.1	0.84	93.8	0.86	93.8	0.92
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	659.1	493.3	4.46	769.2	6.99	711.0	6.50	952.6	9.35

Exchange Rate USD1 = EURO.74840 USD1 = EURO.69416 USD1 = EURO.71855 USD1 = EURO.67930

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