



Friesland Bank

Half-year report 2011

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Report of the Board of Management

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Half-year report

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REPORT OF THE BOARD OF MANAGEMENT

1. Key figures 2009 – 2011

(Amounts in millions of euros)

	half-year 2011	full year 2010	half-year 2010	full year 2009	half-year 2009
Balance sheet					
Balance sheet total	11,693.3	11,055.4	11,064.2	11,009.5	10,708.8
Loans and advances	8,749.8	8,545.8	8,658.6	8,451.0	8,457.9
Savings	3,777.9	3,265.8	3,221.1	2,926.4	2,865.2
Other funds entrusted	2,029.4	2,010.9	2,169.5	2,521.9	2,474.2
Debt securities	2,701.7	3,149.7	2,816.5	2,912.3	2,343.3
Shareholders' equity (excluding third-party interests)	788.9	795.6	846.4	856.2	818.3
Shareholders' equity (including third-party interests)	837.4	841.6	880.7	883.0	846.9
Group funds	1,193.1	1,202.1	1,294.8	1,301.8	1,288.4
BIS ratio (in %)	11.7	12.1	13.2	13.1	12.8
Tier 1 ratio (in %)	8.9	9.0	9.9	10.0	9.9
Profit and loss account figures, excluding consolidation of companies accounted for as private equity investments					
Operating income	114.5	225.2	104.3	225.6	98.9
Ordinary operating expenses	82.9	162.0	73.5	169.3	74.9
Ordinary operating result	31.6	63.2	30.8	56.3	24.0
Impairment losses	25.5	113.9	28.9	41.8	17.5
Operating result	6.1	-50.7	1.8	14.5	6.5
Net profit	5.6	-41.9	6.1	27.0	10.1
Attributable to minority interests	0.4	1.3	0.9	-	-
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	5.2	-43.3	5.2	27.0	10.1
Profit and loss account figures, including consolidation of companies accounted for as private equity investments					
Operating income	323.6	412.5	194.2	536.8	260.2
Ordinary operating expenses	292.5	345.3	160.1	467.2	228.9
Ordinary operating result	31.1	67.2	34.2	69.5	31.3
Impairment losses	22.3	115.9	29.5	41.8	17.6
Operating result	8.9	-48.7	4.7	27.8	13.7
Net profit	6.9	-42.6	8.5	32.6	13.4
Attributable to minority interests	1.7	0.7	3.3	5.6	3.3
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	5.2	-43.3	5.2	27.0	10.1
Ratios					
Efficiency ratio (in %)	72.4	71.9	70.5	75.0	75.7
Return on equity (in %)	1.3	-5.2	1.2	3.3	2.5

2. General

Under IFRS, the private equity investments of Friesland Bank Investments (FBI) where the interest is more than 50% are included in the consolidated financial statements. The results excluding these consolidations give a more accurate view of the affairs of Friesland Bank itself. The analyses in the report of the Board of Management are therefore based on the results excluding consolidation of FBI's private equity investments. In the profit and loss account below, the figures are given both including and excluding consolidations. The half-year financial statements give only the figures including consolidation of private equity investments.

Profit and loss account of Friesland Bank NV for the first half of 2011

(Amounts in millions of euros)

	1- half 2011 inc. cons.	1- half 2010 inc. cons.	1- half 2011 exc. cons.	1- half 2010 exc. cons.	change exc. cons.	change % exc. cons.
Interest	62,371	50,868	66,174	51,986	14,188	27.3%
Income from securities and associates	21,073	19,617	24,628	21,357	3,271	15.3%
Commission	22,383	22,888	22,383	22,888	-505	-2.2%
Results on financial transactions	942	7,532	942	7,532	-6,590	-87.5%
Other income	641	439	369	495	-126	-25.5%
Revenues of companies included as private equity investments	216,203	92,871	0	0	0	-
Operating income	323,613	194,215	114,496	104,258	10,238	9.8%
Staff costs	64,244	49,326	42,437	38,702	3,735	9.7%
Other administrative expenses	208,566	98,821	28,436	25,591	2,845	11.1%
Depreciation and amortisation	19,670	11,904	12,029	9,188	2,841	30.9%
Ordinary operating expenses	292,480	160,051	82,902	73,481	9,421	12.8%
Ordinary operating result	31,133	34,164	31,594	30,777	817	2.7%
Impairment of loans and advances	19,432	22,242	19,432	22,242	-2,810	-12.6%
Impairment of other financial assets	2,848	7,250	6,100	6,691	-591	-8.8%
Impairment of intangible assets and PP&E	0	0	0	0	0	-
Total impairment losses	22,280	29,492	25,532	28,933	-3,401	-11.8%
Operating result	8,853	4,672	6,062	1,844	4,218	228.7%
Tax	1,907	-3,835	425	-4,300	4,725	109.9%
Net profit	6,946	8,507	5,637	6,144	-507	-8.3%
Attributable to minority interests	1,761	3,296	452	933	-481	-51.6%
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	5,185	5,211	5,185	5,211	-26	-0.5%

3. Notes on the financial results

- Net profit €5 million, same as last year
- Operating result higher
- Structural income higher: interest income +27%
- Impairment losses lower, but still higher than longterm average
- Marketing campaign proved effective
- Substantial growth in customer base and savings deposits (€600 million: +12%)

The summarised profit and loss account figures for the core business are as follows:

(Amounts in millions of euros)

	2011 H1	2010 H1	%
Operating income	114	104	+10%
Ordinary operating expenses	<u>83</u>	<u>73</u>	+13%
Ordinary operating result	31	31	+2%
Impairment losses	<u>25</u>	<u>29</u>	-12%
Operating result	6	2	+228%
Tax	-	-4	+110%
Third-party interests	<u>1</u>	<u>1</u>	-52%
Net profit	5	5	-1%

Net profit on the bank's core business (attributable to Friesland Bank NV shareholders and holders of perpetual capital securities) remained stable at €5 million.

Income was up 10% at €114 million¹, mainly due to higher interest income and income from securities and associates. Commission income was under some pressure. Although the result on financial transactions turned out substantially lower than the year before, it is encouraging that a larger proportion of the income came from more structural sources and a smaller proportion was in the form of the more volatile results on financial transactions.

Operating expenses were higher, reflecting the intensified marketing effort and a number of other non-recurring items. Impairments were €3 million lower. Tax was €4 million higher.

Operating income was up 10% at €114 million. Interest income, the largest item, was substantially higher: up 27% to €66 million, mainly due to the improved interest margin. Interest income also benefited from the higher volume. Income from securities and associates was 15% higher at €64 million, the net effect of slightly lower results on private equity and a larger contribution from the banking associates. Commission income, at €22 million, was slightly lower than last year (-2%), with insurance and securities commission accounting for most of the decrease. Commission income from payment services was higher. The result on financial transactions was €1 million (including repurchase of the bank's own notes, yielding a result of €2.0 million), which was €7 million lower than last year. A (non-recurring) positive result was achieved in 2010 on buying and selling transactions on the financial markets, but that applied to a lesser extent this year.

Ordinary operating expenses were 13% higher at €83 million. Staff costs rose €4 million to €42 million, reflecting salary adjustments, higher pension and training expenses and higher staff costs in the private equity business among other factors. There was a modest increase in the number of FTEs employed by the bank in the first half-year, from 880 to 886. The other administrative expenses were €3 million higher at €28 million, partly due to a number of non-recurring items, as well as the intensified marketing effort. Depreciation and amortisation were €3 million higher at €12 million, reflecting higher depreciation of capitalised project costs in the banking business and higher amortisation of intangible assets in the private equity business.

¹ Under IFRS, the private equity investments of Friesland Bank Investments (FBI) where the interest is more than 50% are included in the consolidated financial statements. The figures excluding these consolidations give a more accurate view of the affairs of Friesland Bank itself. The analyses in the press release are therefore based on the figures excluding consolidation of FBI's private equity investments. No circumstances have arisen with regard to FBI's private equity investments which warrant further elucidation

Impairments totalled €25 million, of which €19 million related to loans and advances by the banking operations. Although lower than last year, this item was still well above the longterm average pre-crisis level. Overall, the creditworthiness of our customers has improved faster than indicated by this modest decrease in impairments. Due to the formation of a provision for a single customer in the first half-year, impairments remained at this level, which is above average for Friesland Bank. The impairments of other financial assets relate to write-downs in the private equity business. The disappointing performance of a number of investee companies necessitated a write-down of €6 million.

The tax item was nil, compared with a tax asset of €4 million last year. The deferred tax liabilities are included in the balance sheet to the extent that it is probable that future taxable results will be sufficient to permit their utilisation. On the basis of the latest financial projection, the tax-deductible losses can be set off within the nine-year period allowed by law. This deferred tax liability has been calculated using the same assumptions as those used at the end of 2010, since there has been no material change in the underlying premises.

These factors together resulted in a net profit of €5 million on the bank's core business, which equated to a return on equity of 1.3%. The efficiency ratio was 72.4%, compared with 71.9% for the whole of 2010.

4. Result by segment

Friesland Bank distinguishes the following segments: banking (including insurance brokerage and, as from 2011, Optimix), private equity (the activities of Friesland Bank Investments) and the banking associates (Van Lanschot, Triodos Bank, BinckBank and, until year-end 2010, Optimix). The banking business charges funding costs to the private equity business and the banking associates, which gives a good insight into the actual contribution made by the various business units to the group result.

Banking

The summarised profit and loss account figures for the banking operations are as follows:

(Amounts in millions of euros)

	2011 H1	2010 H1	%
Operating income	110	104	+6%
Ordinary operating expenses	<u>76</u>	<u>68</u>	+11%
Ordinary operating result	34	36	-4%
Impairment losses	<u>19</u>	<u>22</u>	-13%
Operating result	15	14	+11%
Tax	7	3	+146%
Third-party interests	<u>1</u>	<u>-</u>	-
Net profit	7	11	-31%

The intensified marketing effort generated significant growth in the number of personal customers (by over 11,000, or +5%). There was also growth in the volume of savings deposits, particularly by personal customers whose savings increased by over €500 to €3.9 billion. Growth in personal lending was limited at 1%, partly due to the continuing difficulties on the housing market. The personal lending portfolio increased to €4.8 billion. The number of corporate clients also increased, by almost 1,000 (+2%). There was volume growth in the corporate segment in both lending (almost €200 million or +4%) and savings (almost €100 million or +4%). The corporate lending portfolio increased to €4.1 billion and corporate savings balances grew to €1.6 billion.

The result on banking activities turned out at €7 million (€11 million last year). The operating result (operating income less operating expenses) fell to €34 million, but income was €6 million higher, driven mainly by the improvement in the interest result produced by both higher margins and increased volume. Commission income was under some pressure, with lower commission from securities and insurance due largely to the market conditions, but this decline was offset by a higher contribution to commission income from Optimix. The result on financial transactions was substantially lower than last year, when a non-recurring gain of €8 million was made on the

purchase and sale of financial instruments; this year the gain was €1 million. Operating expenses for the banking operation were €8 million higher, of which €3 million related to the inclusion of Optimix in the consolidation. The like-for-like increase of €5 million was due to higher staff costs (regular salary adjustments and higher pension and training expenses), higher other administrative expenses (including higher marketing expenditure) and higher depreciation (higher charges on capitalised project costs).

Friesland Bank Investments

The summarised profit and loss account figures for Friesland Bank Investments are as follows:

(Amounts in millions of euros)

	H1 2011	H1 2010	%
Operating income	7	11	-38%
Ordinary operating expenses	<u>7</u>	<u>2</u>	+326%
Ordinary operating result	0	9	-102%
Impairment losses	<u>6</u>	<u>6</u>	-9%
Operating result	-6	3	-344%
Tax	<u>-3</u>	<u>-2</u>	+51%
Net profit	-3	5	-170%

Although the market in which Friesland Bank Investments operates is showing some signs of recovery, the upturn is not yet being sustained and the level of activity has not yet returned to the pre-crisis position. On top of that, there is strong competition. A number of substantial transactions were entered into or prepared in the past half-year, including the acquisition of The Brakel Group and Van Houtum and the sale of Todlin and Doedijns. A gain of over € 20 million was made on those two sales, the majority of which will be recognised in the second half-year. A result of €3 million was recognised on sales in the first half-year, compared with €1 million in the first half of 2010. The operating results of most of the investee companies were generally good and only one investee company turned in a poor performance and had to be written down. Operating expenses were higher, reflecting higher staff costs (actual and provided for), and higher other administrative expenses.

The result on private equity was €8 million lower at €3 million negative. This represents the result after settlement of funding expenses.

Banking associates

The summarised profit and loss account figures for the banking associates are as follows:

(Amounts in millions of euros)

	2011 H1	2010 H1	%
Operating income	-3	-11	-74%
Ordinary operating expenses	<u>-</u>	<u>3</u>	-100%
Ordinary operating result	-3	-14	-80%
Impairment losses	<u>-</u>	<u>-</u>	-
Operating result	-3	-14	-80%
Tax	-4	-5	-27%
Third-party interests	<u>-</u>	<u>1</u>	-100%
Net profit	1	-10	+110%

Van Lanschot reported an improved result in the first half-year, with earnings per share rising from €0.43 to €0.92. For Friesland Bank, this meant an increase in Van Lanschot's regular profit contribution by €4.7 million to €8.7 million compared with the same period last year. The carrying amount of this investment (accounted for by the equity method) as at 30 June 2011 was €332 million. Because Van Lanschot's share price fell in the first half of 2011 from €30.05 (31 December 2010) to €28.80 (30 June 2011), the stock-market value of the investment remained below the carrying amount, which points to a possible impairment. On the basis of the impairment test that has been performed, it has been concluded that a further write-down of the investment is not necessary at the present time, because the calculated recoverable amount is higher than the carrying amount. Significant variables in this impairment test include the timing of the expected cash streams (including the timing of the sale) and the discount rate. In light of the market conditions, the bank's

management has slightly adjusted the timing of the planned disposal of this interest compared with year-end 2010. In anticipation of Basel III, it was planned at the end of 2010 to sell the interest in mid-2012, but this has now been put back by at least six months. As a consequence, the calculated recoverable amount has increased by 6%. As well as these two variables, the earnings per share (the expectations regarding the trend in this measure are little changed compared with year-end 2010) and the dividend pay-out ratio are also significant. Sensitivity analyses indicate that an increase or decrease of half a percentage point in the discount rate of 8.5% would decrease or increase the valuation by 0.8%.

The dividend received from BinckBank has been recognised as income. A gain of €3 million was also realised on the further sale of part of the interest in BinckBank. A regular dividend was received from Triodos. Due to a change in the bank's management of its interest in Optimix, this associate has been included in the banking business unit since the beginning of 2011; until year-end 2010, Optimix was one of the banking associates.

The result (after funding costs) of the banking associates turned out at €1 million, an improvement of €11 million.

5. Balance sheet, capital ratio and liquidity

The balance sheet total showed an increase of 6% relative to year-end 2010, to €11.7 billion. Loans and advances was up by 2% at €8.7 billion, with lending to personal banking customers 1% higher, at €4.8 billion. Business lending rose by 4%, to €4.1 billion. The investment portfolio remained on roughly the same level overall. Friesland Bank has no investments in high-risk countries. Growth in savings accounts amounted to 12%, this increase being included in funds entrusted. This growth in funds entrusted is as planned and supports the achievement of improved profitability. The transition from results of a more incidental nature, on financial transactions, to a more structural, interest-based result is broadly proceeding according to plan.

At 30-06-2011, the shareholders' equity of the bank works out at €837 million, which is almost unchanged compared with year-end 2010; in addition to the retained profits, there were adjustments to carrying amounts representing a net loss of €11 million. This concerns the combination of normal revaluation and a decrease due to the realisation of positive revaluations on the disposal of the financial assets held for sale. In addition, there was the normal dividend (€2 million) paid on the perpetual capital securities. There was a change of €3 million in the third-party interests. The BIS ratio turned out lower than the year-end 2010 level, at 11.7% (was 12.1%) and the Tier 1 ratio was 8.9%. The BIS ratio has come under a certain amount of pressure because the increase in lending has not been matched by higher actual own funds. The risk-weighted assets increased by 2% to €6.5 billion while actual own funds fell slightly, to €759 million, owing to a decrease in the revaluation reserves and subordinated liabilities. Friesland Bank is preparing to take action to strengthen the capital ratios, involving risk reduction and/or strengthening of actual own funds.

The monthly liquidity ratio was 1.5 per 30-06-2011 (year-end 2010: 1.2), making the liquidity position comfortably in excess of the current standards. In the reporting period, a liquidity line of €750 million, included in banks, was created with a third-party bank, which the bank is still able to draw on. In addition, there were regular repayments on the medium-term notes. The resultant funding requirement was met by an increase in the deposits on business accounts and various money and capital market transactions, such as funding against the collateral of loans and advances (Eleven Cities No. 7). As at the end of the first half, Friesland Bank had cash balances of €221 million. This amount includes the consolidation of all the Friesland Bank associates and the private equity investees of Friesland Bank Investments but excludes the cash balances held by the SPVs (*Stichtingen Eleven Cities*). In the second half of the year, the plan is to create a further strengthening of the liquidity position by structuring a new RMBS.

6. Outlook for 2011

Our expectations for the growth of the business in the remainder of the year are positive. The strong growth in customer numbers and in savings in the first six months has continued through the summer. The lending side of the business also continues to grow. On the basis of these trends and other factors we expect to see a further improvement in the ordinary results on the banking operations. The private equity business will begin to show the results of various disposals in the second half. Among the banking associates, Van Lanschot is looking forward to recovering results. As regards the actual financial results, however, we are unable to make any predictions. The economic circumstances are currently too uncertain for that.

7. Risks and uncertainties

This report includes forward-looking statements on future developments and results. These expectations for the coming six months are based on the information currently available to management and management assumptions on known and unknown risks and uncertainties. Actual developments and results may differ materially from those expressed in a forward-looking statement owing to risks and uncertainties such as general economic conditions, the availability and cost of subordinated and other funding, developments in lending margins, changes in customer and counterparty creditworthiness, losses on loans and advances, the performance of banking associates (including Van Lanschot) and private equity investees, general competition in the financial markets, legislative and regulatory changes and changes in the policies of governments and regulatory authorities.

8. Declaration by the Executive Board

The Executive Board of Friesland Bank NV declares that, to the best of its knowledge, the half-year figures present a true and fair view of the assets, the equity and liabilities, the financial position and the profits of Friesland Bank NV and the companies included along with it in the consolidation and the interim report by the Executive Board presents a true and fair view of the progress made by Friesland Bank NV and related businesses whose information is included in the bank's half-year figures along with a description of the principal risks and uncertainties for the remaining six months of 2011 specifically covering the investments and the circumstances on which the development in revenues and profitability depends, to the extent that there are no compelling interests preventing such disclosures.

Leeuwarden, 31 August 2011

Executive Board Friesland bank NV

C.J. Beuving, chairman

A. Vlaskamp

G.T. van Wakeren

HALF-YEAR FINANCIAL STATEMENTS

1. Condensed consolidated balance sheet as at 30 June 2011

Including consolidation of private equity interests in Friesland Bank Investments

(x €1,000)

	30-06-2011	31-12-2010	Change	Change %
ASSETS				
Cash	26,342	66,129	-39,787	-60.2%
Banks	889,265	533,683	355,582	66.6%
Loans and advances	8,749,767	8,545,832	203,935	2.4%
Other financial assets	827,820	848,359	-20,539	-2.4%
Investments in associates	433,464	430,951	2,513	0.6%
Intangible assets	197,823	199,415	-1,592	-0.8%
Property, plant and equipment	143,269	99,594	43,675	43.9%
Assets held for sale	66,083	-	66,083	-
Tax assets	141,979	146,589	-4,610	-3.1%
Inventories	46,723	30,168	16,555	54.9%
Trade receivables	64,121	56,955	7,166	12.6%
Other assets	40,805	38,675	2,130	5.5%
Prepayments and accrued income	65,869	59,024	6,845	11.6%
Total assets	11,693,330	11,055,374	637,956	5.8%
EQUITY AND LIABILITIES				
Banks	1,537,572	996,435	541,137	54.3%
Funds entrusted	5,807,322	5,276,714	530,608	10.1%
Debt securities	2,701,652	3,149,700	-448,048	-14.2%
Financial liabilities	71,680	119,654	-47,974	-40.1%
Other liabilities	142,560	100,675	41,885	41.6%
Accruals and deferred income	136,621	151,688	-15,067	-9.9%
Provisions	32,393	29,209	3,184	10.9%
Tax liabilities	14,843	29,165	-14,322	-49.1%
Assets held for sale	55,562	-	55,562	-
Subordinated liabilities	355,690	360,501	-4,811	-1.3%
	10,855,895	10,213,741	642,154	6.3%
Share capital and reserves attributable to shareholders of Friesland Bank NV	663,916	670,641	-6,725	-1.0%
Perpetual capital securities	125,000	125,000	-	0.0%
Third-party interests	48,519	45,992	2,527	5.5%
Shareholders' equity	837,435	841,633	-4,198	-0.5%
Total equity and liabilities	11,693,330	11,055,374	637,956	5.8%

2. Condensed consolidated profit and loss account for the first half of 2011

Including consolidation of private equity interests in Friesland Bank Investments

(x €1,000)

	1st half 2011	1st half 2010	Change	Change %
Interest	62,371	50,868	11,503	22.6%
Income from securities and associates	21,073	19,617	1,456	7.4%
Commission	22,383	22,888	-505	-2.2%
Results on financial transactions	942	7,532	-6,590	-87.5%
Other income	641	439	202	46.0%
Revenues of companies included as private equity investments	216,203	92,871	123,332	132.8%
Operating income	323,613	194,215	129,398	66.6%
Staff costs	64,244	49,326	14,918	30.2%
Other administrative expenses	208,566	98,821	109,745	111.1%
Depreciation and amortisation	19,670	11,904	7,766	65.2%
Ordinary operating expenses	292,480	160,051	132,429	82.7%
Ordinary operating result	31,133	34,164	-3,031	-8.9%
Impairment of loans and advances	19,432	22,242	-2,810	-12.6%
Impairment of other financial assets	2,848	7,250	-4,402	-60.7%
Impairment of intangible assets and PP&E	0	0	0	-
Total impairment losses	22,280	29,492	-7,212	-24.5%
Operating result	8,853	4,672	4,181	89.5%
Tax	1,907	-3,835	5,742	-149.7%
Net profit	6,946	8,507	-1,561	-18.3%
Attributable to third-party interests	1,761	3,296	-1,535	-46.6%
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	5,185	5,211	-26	-0.5%

3. Condensed consolidated statement of comprehensive income for the first half of 2011

Including consolidation of private equity interests in Friesland Bank Investments

(x €1,000)

	1st half 2011	1st half 2010	Change	Change %
Net profit	6,946	8,507	-1,561	-18.3%
Changes in cash flow hedges	2,560	1,635	925	56.6%
Tax effect	-640	-417	-223	-53.5%
	1,920	1,218	702	57.6%
Revaluation of associates	-1,449	-9,030	7,581	84.0%
Other income	64	0	64	-
Tax effect	0	0	0	-
	-1,385	-9,030	7,645	84.7%
Revaluation of available-for-sale financial assets	-12,276	-4,057	-8,219	-202.6%
Tax effect	641	-492	1,133	230.3%
	-11,635	-4,549	-7,086	-155.8%
Other gains and losses. including tax effects	-11,100	-12,361	1,261	10.2%
Total gains and losses. including tax effects	-4,154	-3,854	-300	7.8%
Attributable to third-party interests	1,761	3,296	-1,535	-46.6%
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	-5,915	-7,150	1,235	17.3%

4. Condensed consolidated statement of changes in equity in the first half of 2011

Including consolidation of private equity interests in Friesland Bank Investments

(x €1,000)

Share capital and reserves attributable to shareholders of Friesland Bank NV

	Share- capital	Share premium reserve	Revalu- ation- reserve	Cash Flow hedge reserve	Other statutory reserves	Other reserves	Result for the year	Total capital and reserves	Perpetual capital securities	Third- party interests	Total equity
Position as at 31 December 2010	16.858	76.319	31.777	-11.056	158.391	441.634	-43.282	670.641	125.000	45.992	841.633
Changes in 2011											
Profit appropriation for prior year	-	-	-	-	21,322	-64,604	43,282	-	-	-	-
Result for the period	-	-	-	-	-	-	5,185	5,185	-	1,761	6,946
Other income	-	-	-13,020	1,920	-	1,278	-	-9,822	-	-	-9,822
Comprehensive income	-	-	-13,020	1,920	-	1,278	5,185	-4,637	-	1,761	-2,876
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-2,088	-	-2,088	-	-	-2,088
Perpetual securities repurchased	-	-	-	-	-	-	-	-	-	-	-
Perpetual securities sold	-	-	-	-	-	-	-	-	-	-	-
Result on perpetual securities transactions	-	-	-	-	-	-	-	-	-	-	-
Changes in third-party interests	-	-	-	-	-	-	-	-	-	766	766
Position as at 30 June 2011	16,858	76,319	18,757	-9,136	179,713	376,220	5,185	663,916	125,000	48,519	837,435
Position as at 31 December 2009	16,858	76,319	45,100	-14,823	168,470	414,505	26,988	733,417	122,831	26,786	883,034
Changes in 2010											
Profit appropriation for prior year	-	-	-	-	-10,079	37,067	-26,988	-	-	-	-
Result for the period	-	-	-	-	-	-	5,211	5,211	-	3,296	8,507
Other income	-	-	-13,579	1,218	-	-	-	-12,361	-	-	-12,361
Comprehensive income	-	-	-13,579	1,218	-	-	5,211	-7,150	-	3,296	-3,854
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-2,201	-	-2,201	-	-	-2,201
Perpetual securities repurchased	-	-	-	-	-	-	-	-	-	-	-
Perpetual securities sold	-	-	-	-	-	-	-	-	2,505	-	2,505
Result on perpetual securities transactions	-	-	-	-	-	336	-	336	-336	-	-
Changes in third-party interests	-	-	-	-	-	-	-	-	-	1,215	1,215
Position as at 30 June 2010	16,858	76,319	31,521	-13,605	158,391	449,707	5,211	724,402	125,000	31,297	880,699

The other statutory reserves are made up of € 179,571 (2010: € 158,249) in respect of statutory reserves for undistributed profits of associates and € 142 (2009: € 142) in respect of a denomination reserves.

5. Condensed consolidated cash flow statement for the first half of 2011

Including consolidation of private equity interests in Friesland Bank Investments

(x €1,000)	1st half 2011	1st half 2010
Opening cash balance	524,217	679,762
- Cash flow from operating activities	439,600	-81,067
- Cash flow from investing activities	-27,404	-4,396
- Cash flow from financing activities	<u>-452,859</u>	<u>-131,172</u>
Cash balance as at 30 June	483,554	463,127
The cash balance is made up as follows:		
- Cash	26,342	23,110
- Banks. Demand deposits	204,434	384,266
- Banks. Demand deposits with SPVs	262,401	184,638
- Banks. Demand deposits (liabilities)	<u>-9,623</u>	<u>-128,887</u>
	483,554	463,127

6. Selective notes to the 2011 half-year financial statements of Friesland Bank NV

Accounting policies

The half-year figures have been prepared in accordance with IAS 34, Interim Financial Reporting. The principles of valuation and determination of results are unchanged from 2010. For details of the accounting policies used in the preparation of the half-year figures, see the 2010 financial statements. The half-year figures do not contain all the information included in the financial statements for the full year. The half-year figures should therefore be read in conjunction with the 2010 financial statements.

IFRS standards

In 2011, Friesland Bank applied IFRIC interpretation 19, the amended interpretation of IFRIC 14 and the amended standards IAS 24 and IAS 32. The improvements to IFRS standards made in 2010 have also been applied.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments is effective for annual periods beginning on or after 1 January 2011. IFRIC 19 issues guidance on how a debtor accounts for equity instruments issued to a creditor to settle a financial liability fully or partially following renegotiation of the terms and conditions of the liability. This interpretation does not affect Friesland Bank.

The amendment to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is effective for annual periods beginning on or after 1 January 2011. The amendment to IFRIC 14 corrects an unintended consequence of the interpretation. In certain circumstances, an entity whose pension fund is subject to minimum funding requirements which pays future contributions in advance, creating a surplus, is obliged to recognise an onerous obligation. If minimum funding requirements apply to a defined benefit plan, the amendment to IFRIC 14 means that such advance payments, like any other advance payment, should be treated as an asset. The amendment to IFRIC 14 does not affect either the profit and loss account or the balance sheet.

The amendment to IAS 24 Related Party Disclosures is effective for annual periods beginning on or after 1 January 2011. The amendment aims to simplify the definition of a related party and simultaneously to correct internal inconsistencies. Some relief is also provided for entities which are state-controlled or significantly influenced by the state concerning the extent of the related party disclosures required. The amendment to IAS 24 does not affect the disclosures.

The amendment to IAS 32 Financial Instruments: Presentation is effective for annual periods beginning on or after 1 February 2011. The amendment clarifies how to account for certain rights in the case of instruments issued in a currency other than the functional currency of the issuer. If these instruments are issued to the issuer's existing shareholders on a proportionate basis for a fixed amount in cash, they should be classed as equity instruments even if the exercise price is in a currency other than the functional currency of the issuer. This interpretation is not applicable to Friesland Bank.

The most important new standard issued by the IASB as far as Friesland Bank is concerned, but which is not yet effective, is IFRS 9 Financial Instruments. The impact of IFRS 9 is being examined.

Audit

The half-year report, including the half-year financial statements, has not been audited.

Estimates

In preparing the half-year figures, use has been made of estimates and assumptions which can have a significant impact on the reported amounts. The estimates and assumptions used are based on the most recent information. The actual results in the future may, however, differ from current estimates and assumptions. The estimates and assumptions are essentially not materially different from those included in the 2010 financial statements. For details of the estimates and assumptions relating to Van Lanschot, reference is made to the report by the Executive Board.

Analysis of banks (assets)

	30-06-2011	31-12-2010
- Demand deposits	204,434	384,266
- Deposits with SPVs	262,401	184,638
- Deposits not available on demand	422,430	22,163
	<u>889,265</u>	<u>533,683</u>

Analysis of loans and advances

	30-06-2011	31-12-2010
- Public authorities	12,578	14,092
- Corporate clients	2,288,211	2,199,192
- SME customers	1,788,530	1,743,218
- Home mortgages	4,173,420	4,109,756
- Other personal lending	634,688	614,153
- Provision for bad debts	-147,660	-134,579
	<u>8,749,767</u>	<u>8,545,832</u>

	1st half 2011	1st half 2010
The provision for credit risks can be analysed as follows:		
Balance as at 31 December	134,579	110,802
- Increase in existing accounts	7,059	13,826
- Decrease in existing accounts	-3,983	-2,988
- Existing accounts released	-13,939	-4,831
- Written off	-6,446	-3,430
- Received	93	82
- New accounts added	<u>30,297</u>	<u>16,237</u>
	147,660	129,698

Analysis of assets and liabilities held for sale

Assets and liabilities held for sale relates to the sale of group companies whose book value is to be realised by disposal rather than through normal operations. This concerns companies for which the sale has already been agreed or where it was highly probable as at balance sheet date that the sale would be effected although it was not yet completed. In the second quarter of 2011, Friesland Bank Investments began the process of selling its interest in Doedijns International Holding. The sale was finalised in the third quarter of this year. As a consequence, the assets and liabilities of this company have been presented separately in the balance sheet. A profit of around € 20 million will be realised on the disposal.

Analysis of other financial assets

	30-06-2011	31-12-2010
<i>Held for trading</i>		
- shares	-	-
<i>Available for sale</i>		
- shares	57,212	72,144
- private equity	7,074	14,510
- bonds	471,658	371,580
<i>Derivatives</i>		
- held for trading	36,679	42,953
- held for hedging	10,244	2,742
<i>Loans</i>		
- RMBS portfolio	<u>244,953</u>	<u>344,430</u>
	827,820	848,359

Analysis of other financial assets (excluding loans) recognised at fair value through profit or loss according to measurement basis:

Level I, quoted prices on active markets	415,038	317,865
Level II, model based on market data	94,478	98,741
Level III, model not (or not entirely) based on market data	<u>73,351</u>	<u>87,323</u>
	582,867	503,929

The decrease in the amount measured using method III is the result of ordinary changes. There were no transfers from one level to another (2010: ditto).

Analysis of property, plant and equipment

The carrying amount of property, plant and equipment has increased since year-end 2010, owing to the effect of private equity acquisitions and disposals and the reclassification of the Friesland Bank Investments interest in Doedijns International Holding.

Analysis of inventories

There was a substantial increase in inventories as at 30 June 2011 compared with year-end 2010, again due to private equity acquisitions and disposals and the reclassification of the Friesland Bank Investments interest in Doedijns International Holding.

Analysis of banks (liabilities)

	30-06-2011	31-12-2010
- Demand deposits	9,623	53,432
- Deposits not available on demand	<u>1,527,949</u>	<u>943,003</u>
	1,537,572	996,435

Analysis of funds entrusted

	30-06-2011	31-12-2010
- Savings	3,777,857	3,265,798
- Deposits	754,350	800,307
- Current accounts	676,311	697,996
- Other funds entrusted	<u>598,804</u>	<u>512,613</u>
	5,807,322	5,276,714

Analysis of debt securities

	30-06-2011	31-12-2010
- Medium-term notes	810,076	1,418,126
- Notes connected with securitisation transactions	1,791,134	1,680,820
- Other debt securities	<u>100,442</u>	<u>50,754</u>
	2,701,652	3,149,700

The decrease in the medium-term notes is a result of scheduled repayments.

Analysis of operating income

	1st half 2011	1st half 2010
Excluding consolidation of private equity interests		
- Interest	66,174	51,987
- Income from securities and associates	24,628	21,357
- Commission	22,383	22,888
- Results on financial transactions	942	7,532
- Other income	370	495
Including consolidation of private equity interests		
- Interest	-3,803	-1,119
- Income from securities and associates	-3,555	-1,740
- Other income	271	-56
- Revenues of companies included as private equity investments	<u>216,203</u>	<u>92,871</u>
	323,613	194,215

The increase in the revenues of companies included as private equity investments is both organic and the effect of consolidation changes, the latter being due to private equity acquisitions and disposals and the reclassification of the Friesland Bank Investments interest in Doedijns International Holding.

Analysis of operating expenses

	1st half 2011	1st half 2010
Excluding consolidation of private equity interests		
- Staff costs	42,437	38,702
- Other administrative expenses	28,436	25,591
- Depreciation and amortisation	12,029	9,188
Including consolidation of private equity interests		
- Staff costs	21,807	10,624
- Other administrative expenses and cost of sales	180,130	73,230
- Depreciation and amortisation	<u>7,641</u>	<u>2,716</u>
	292,730	160,051

The increase in the other administrative expenses and cost of sales of companies included as private equity investments is both organic and the effect of consolidation changes, the latter being due to private equity acquisitions and disposals and the reclassification of the Friesland Bank Investments interest in Doedijns International Holding.

Related party disclosures

Normal banking transactions, such as the extension of credit and transfer of funds, take place, on an arm's-length basis, with related parties to a limited extent. The related parties concerned are associated entities and members of key management. Within the group, the Executive Board and the Supervisory Board count as key management. There were no material transactions involving related parties in the first six months of the year.

Segment reporting

Friesland Bank distinguishes the following business segments: banking, private equity and banking associates. The business segment banking comprises the banking activities, including insurance brokerage en Optimix (with effect from 2011). The private equity segment comprises the activities of Friesland Bank Investments. The banking associates segment comprises Friesland Bank's banking interests, including Van Lanschot, BinckBank, Triodos and (up to year-end 2010) Optimix.

Because of the change in the management control of the interest in Optimix, bringing it more under the banking operations, Optimix has been transferred from banking associates to banking. The comparative figures have not been restated. As a result of obtaining control, step-up accounting was adopted for Optimix in 2010, with a result of €0.6 million being achieved.

Because of the fact that there is central financing by the banking operations, finance expenses are charged to the private equity operations and to the banking associates. These finance expenses relate to the cost of both equity and borrowed capital. The rates charged reflect the market interest rate plus mark-ups depending on the type of funding concerned, averaged over three years.

Segment results

Excluding consolidation of private equity interests in Friesland Bank Investments

(x €1,000)

1- half 2011	Banking	Private- equity	Banking associates	Total
Interest	86,528	-4,925	-15,429	66,174
Income from securities and associates	467	11,595	12,566	24,628
Commission	22,383	-	-	22,383
Results on financial transactions	942	-	-	942
Other income	332	38	-	370
Operating income	110,652	6,708	-2,863	114,497
Ordinary operating expenses	76,056	6,847	-	82,903
Ordinary operating result	34,596	-139	-2,863	31,594
Impairment losses	19,432	6,100	-	25,532
Operating result	15,164	-6,239	-2,863	6,062
Tax	7,314	-3,032	-3,857	425
Net profit	7,850	-3,207	994	5,637
Third-party interests	452	-	-	452
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	7,398	-3,207	994	5,185
Attributable finance expenses. gross	24,029	-8,600	-15,429	-
Attributable finance expenses. net	18,022	-6,450	-11,572	-
1- half 2010	Banking	Private equity	Banking associates	Total
Interest	78,151	-4,144	-22,021	51,986
Income from securities and associates	231	14,953	6,173	21,357
Commission	18,177	-	4,711	22,888
Results on financial transactions	7,592	-	-60	7,532
Other income	245	50	200	495
Operating income	104,396	10,859	-10,997	104,258
Ordinary operating expenses	68,453	1,607	3,421	73,481
Ordinary operating result	35,943	9,252	-14,418	30,777
Impairment losses	22,242	6,691	-	28,933
Operating result	13,701	2,561	-14,418	1,844
Tax	2,968	-2,006	-5,262	-4,300
Net profit	10,733	4,567	-9,156	6,144
Third-party interests	-	-	933	933
Attributable to shareholders of Friesland Bank NV and holders of perpetual capital securities	10,733	4,567	-10,089	5,211
Attributable finance expenses. gross	29,095	-7,051	-22,044	-
Attributable finance expenses. net	21,676	-5,253	-16,423	-