

Summary of Government Interventions in Financial Markets *Netherlands*

Overview

In addition to the steps undertaken by the ECB, the Dutch government has provided different types of support to the Dutch financial system. These types of support include:

- government investments;
- government guarantees;
- government loans; and
- extended coverage by the depositor protection scheme.

Investments/recapitalisation

General

On 9 October 2008, the Dutch government together with the Dutch Central Bank (*De Nederlandsche Bank*) (the “**DNB**”) announced the following measures to promote financial stability:

the DNB will, if and as long as necessary, provide emergency funding to individual financial institutions on the basis of adequate collateral; and

the Dutch government will make capital available to each financial undertaking in the Netherlands that is fundamentally sound and viable and has EUR 20bn immediately available for this. The contribution of the government through the Dutch government capital provision scheme can take various forms, such as a participation via preferential shares, or otherwise if so required on account of the legal form, group structure or other considerations.

All these measures are subject to conditions in order to limit market distortions and the financial risks for the government and to prevent misuse. The conditions relate, among other things, to guarantees on returns, the financing of operational costs by the financial enterprises concerned, executive pay and representation in the executive bodies.

Fortis/ABN AMRO

On 28 September 2008, the Dutch government agreed to invest EUR 4bn in Fortis Bank Nederland (Holding) N.V. (“**FBNH**”) in exchange for a 49 per cent. share in the common equity of this entity. It was also decided that Fortis would sell its stake in ABN AMRO (consisting mainly of the retail business), excluding the asset management part which had already been integrated into Fortis.

On 3 October 2008, the Dutch government acquired FBNH (including the participation in RFS Holdings B.V., that represents the acquired ABN AMRO activities), Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. for a total consideration of EUR 16.8bn. The transaction replaced the previously announced investment of EUR 4bn in FBNH. As part of the deal, it was agreed that the Dutch state would provide FBNH and its subsidiaries with short-term funding (on market based terms) in the amount of EUR 34bn, enabling them to repay short-term debts to Fortis Bank NV/SA and to repay an emergency lending facility of the DNB (see below). Also, EUR 16bn in long-term debt owed by FBNH (and its subsidiaries) to Fortis Bank NV/SA was taken over by the Dutch state.

On 24 December 2008, the Dutch state and FBNH signed an agreement under which the Dutch state directly acquired shares in RFS Holdings B.V., the company that holds all shares in ABN AMRO. The transaction concerns shares previously held by FBNH and was set up as both FBNH and the Dutch state were of the opinion that the Dutch state’s indirect control over ABN AMRO (through FBNH) was undesirable. The shares were formally transferred to the Dutch state on 24 December 2008.

The value of the transferred interest in RFS Holdings B.V. is EUR 6.5bn. In return for this amount there was a settlement against debts that the Dutch state took over earlier from Fortis Bank SA/NV, the former parent company of FBNH.

On 28 January 2009, disgruntled Fortis shareholders launched legal proceedings against the Dutch state and Fortis to challenge the sale of Fortis and ABN AMRO to the Dutch state as, according to them, the sale occurred at undervalue. Further legal proceedings by Fortis shareholders were launched on 13 March 2009.

In addition, the general meeting of shareholders of Fortis SA/NV held on 11 February 2009 rejected the sale of 100% of the shares of FBNH, Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. to the Dutch state (even though such sale was already completed on 3 October 2008). Consequently, further litigation in relation to this sale may follow.

ING Bank N.V.

On 19 October 2008, the Finance Ministry and the DNB came to an agreement to strengthen ING's core capital by EUR 10bn. For this purpose, ING has issued EUR 10bn of core tier 1 securities (ranking *pari passu* with common equity) to the Dutch state. The coupon on the securities will be paid only if a dividend is paid on common shares over the financial year preceding the coupon date. The annual coupon per security of EUR 10 will be the higher of EUR 0.85 or an amount equal to 110 per cent./120 per cent./125 per cent. of dividends paid for 2008/2009/2010 onwards.

Also, the Dutch state will be entitled to nominate 2 representatives to the Supervisory Board of ING (who will have a veto right against a number of fundamental decisions).

Also, because ING has declared an interim dividend in 2008, the Dutch government will receive an aggregate first coupon payment of EUR 425m on 12 May 2009.

This transaction is part of the Dutch government capital provision scheme.

Aegon Insurances

On 28 October 2008, the Finance Ministry and the DNB came to an agreement to strengthen Aegon Group's capital by EUR 3bn. For this purpose, Aegon has issued EUR 750m non-voting securities at EUR 4.00 per security to Vereniging Aegon (who in turn will be funded on back-to-back terms and conditions by the Dutch government). The coupon on the securities will be paid only if a dividend is paid on common shares over the financial year preceding the coupon date. The annual coupon per security of EUR 4.00 will be the higher of EUR 0.34 or an amount equal to 110 per cent./120 per cent./125 per cent. of dividends paid for 2009/2010/2011. Vereniging Aegon will use income from the non-voting securities to service the loan from the Dutch state.

Also, the Dutch state will nominate 2 representatives to the Supervisory Board of Aegon (which is subject to shareholder approval at the next AGM). These representatives will be members of the Audit, Compensation and Nominating Committee and will have veto rights on a number of fundamental decisions.

This transaction is part of the Dutch government capital provision scheme.

SNS Reaal N.V.

On 12 November 2008, the Finance Ministry and the DNB agreed to reinforce the capital position of SNS REAAL N.V. by EUR 750m under the Dutch government capital provision scheme.

The Dutch state obtains EUR 750m in securities, which have largely the same features as shares. These securities enhance the capital strength of SNS REAAL (as confirmed by DNB). The rate of return on the securities shall be the maximum of either (i) 8.5 per

cent., or (ii) 110 per cent. of the 2009 dividends, 120 per cent. of the 2010 dividends and 125 per cent. of the dividends on any year starting 2011. This coupon will be payable if dividends are awarded over the preceding year.

SNS REAAL may terminate this scheme by redeeming the securities in cash at 150 per cent. of the issue price or converting them into ordinary shares after 3 years. Within one year after issuance, SNS REAAL may redeem the first EUR 250m in cash at the issue price subject to certain specific conditions. The issue price of the securities has been set at EUR 5.25, based on SNS REAAL's recent average share price.

As part of the capitalisation plan, Stichting Beheer SNS REAAL is to reinforce the capital of SNS REAAL by EUR 500m, bringing the total capital reinforcement contributed by the Dutch state and the Stichting Beheer SNS REAAL to EUR 1.25bn.

The government will nominate 2 Supervisory Board members, who shall have the right to veto important decisions relating to (i) substantial acquisitions and investments, (ii) increases or reductions in outstanding capital or (iii) changes to remuneration schemes.

This transaction is part of the Dutch government capital provision scheme.

State guarantees

General

On 13 October 2008, the Dutch government announced that it would commit EUR 200bn to guarantee bank loans of Dutch banks on the inter-bank market. Dutch banks who want to have the benefit of the guarantee will need to be solvent.

The Dutch credit guarantee scheme became effective on 23 October 2008 and is organised through the Dutch State Treasury Agency. The rules of the Dutch credit guarantee scheme were published on 21 October 2008 and are available through the website of the Dutch State Treasury Agency ("**DSTA**") at <http://www.dsta.nl/index.cfm?lang=ENG&menu2=24&defaultcontent=74&introttext=0&template=&>.

In general:

- the credit guarantee scheme targets non-complex senior unsecured loans, 'plain vanilla' commercial paper, certificates of deposit and medium term notes, with maturities ranging from 3 to 36 months;
- the guarantee fees depend on creditworthiness of the banks involved and will be based on historical credit default swap spreads (or an approximation if necessary), with an addition of 50 bps. For maturities of less than 1 year, only 50 bps will be charged. The CDS spreads are maximised per rating category. As a consequence, with regard to instrument with a maturity of more than 1 year the following maximum annual guarantee fee will be applied:

	Fixed fee	CDS spread	Total fee
AAA	50	23	73
AA	50	38	88
A	50	43	93
Others	50	63	113

- the guarantee scheme includes loans denominated in USD and British Pounds and both principal and interest will be covered;
- only one issuance can be made per guarantee;
- all Dutch banks meeting the criteria of the guarantee scheme will be eligible;
- the DNB will be consulted to determine the banks' solvency on application and their liquidity profiles in relation to the loans; and
- participating banks agree to additional requirements on corporate governance with respect to bonuses and resignation premiums.

On 16 January 2009, the Dutch government indicated that the majority of banks have indicated that they would make use of the EUR 200bn credit guarantee scheme in 2009. Also, the Finance Ministry indicated that it would examine whether the loan guarantee period could be extended from 3 to 5 years.

Leaseplan Corporation N.V.

On 9 December 2008, LeasePlan Corporation N.V., Europe's largest auto leasing company, secured a EUR 1.6bn guarantee from the Dutch government under the EUR 200bn credit guarantee scheme. The guarantee secures the EUR 1.45bn 2-year, fixed rate medium term notes issued by LeasePlan Corporation N.V. on 9 December 2008. The coupon on the notes is 3.375 per cent. Press reports suggest that the guarantee fee amounts to 93 bps.

On 23 January 2009, LeasePlan Corporation N.V. secured an additional guarantee for EUR 1.5bn under the EUR 200bn credit guarantee scheme. The guarantee secures the EUR 1.25bn 3-year, fixed rate medium term notes issued by Leaseplan Corporation N.V. on 9 February 2009. The coupon on the notes is 3.125 per cent.

NIBC Bank N.V.

At the end of November 2008 and in December 2008, NIBC Bank N.V. secured guarantees from the Dutch government under the EUR 200bn credit guarantee scheme for an aggregate amount of EUR 1.74bn. The guarantees secure a 3-year EUR 1.25bn government-guaranteed senior unsecured bond (carrying a fixed rate coupon of 3.625 per cent.) issued on 17 December 2008, a 2-year EUR 100m government-guaranteed senior unsecured bond (carrying a fixed rate coupon of 3.625 per cent.) issued on 7

January 2009 and a 1-year EUR 40m government-guaranteed senior unsecured bond (carrying a fixed rate coupon of 3.40 per cent.) issued on 22 December 2008.

On 9 February 2009, a further EUR 1.5bn guarantee under the EUR 200bn credit guarantee scheme was obtained by NIBC Bank N.V. in order to secure a EUR 1.5bn 3-year bond issue (which was priced at around 65 bps above mid-swaps and carries a fixed rate coupon of 3.125 per cent.) issued on 13 February 2009.

On 18 February 2009, a further EUR 50m guarantee under the EUR 200bn credit guarantee scheme was obtained by NIBC Bank N.V. in order to secure a proposed EUR 50m medium term note issue having a 3 year tenor and a maximum interest rate of 3-month LIBOR plus 0.55 per cent.

SNS Bank N.V.

On 19 January 2009, SNS Bank N.V. secured a EUR 2bn guarantee from the Dutch government under the EUR 200bn credit guarantee scheme. The guarantee secures 3-year EUR 2bn of bonds issued on 22 January 2009. The coupon on the bonds was set at 2.875 per cent.

On 3 March 2009, SNS Bank N.V. secured a EUR 1.6bn guarantee from the Dutch government under the EUR 200bn credit guarantee scheme. The guarantee secures 5-year EUR 1.6bn of bonds issued on 3 March 2009. The coupon on the bonds was set at 3.5 per cent.

ING Bank N.V.

On 27 January 2009, ING Bank N.V. secured two guarantees from the Dutch government under the EUR 200bn credit guarantee scheme for an aggregate amount of USD 6bn. The guarantees secure 3-year USD 6bn denominated government guaranteed senior unsecured bonds issued on 30 January 2009. USD 5bn of the issue was priced at a fixed rate of 80 bps over mid-swaps. USD 1bn was priced at a variable rate of 80 bps over 3-month LIBOR.

On 19 February 2009, a further EUR 5bn guarantee under the EUR 200bn credit guarantee scheme was obtained by ING Bank N.V. This credit guarantee secures a 5-year EUR 4bn government guaranteed senior unsecured bond issue which was placed on 20 February 2009. The issue was priced at a fixed rate of 3.375 per cent., 75 bps over mid-swaps.

On 10 March 2009, ING Bank N.V. obtained a further USD 3bn guarantee under the EUR 200bn credit guarantee scheme. This credit guarantee secures a 5-year USD 2bn government guaranteed senior unsecured bond issue which was issued on 19 March 2009. The issue was priced at a fixed coupon of 3.90 per cent., 145 bps over USD mid-swaps.

Government Loans

Landsbanki hf.

According to parliamentary records, the Dutch government concluded on 11 October 2008 a memorandum of understanding with Iceland to pay claims of holders of deposits at the Dutch branch of Landsbanki hf. (trading under the name “Icesave”). In order to allow Iceland to pay the maximum Icelandic deposit guarantee amount (EUR 20,887) to deposit holders of the Dutch branch, the Dutch government has provided a EUR 1.3bn loan to the Icelandic Deposit Guarantee Scheme. This loan:

- has a duration of 10 years;
- is fully guaranteed by the Icelandic government;
- carries an interest rate that reflects the maximum loan capacity of Iceland prior to the 3 bank failures and the extra costs of the Dutch government; and
- was made available through direct payment to the DNB (so that immediately available to deposit holders of the Dutch branch).

Fortis Bank (Nederland) N.V.

On 7 October 2008, Fortis Bank (Nederland) N.V., a subsidiary of FBNH, received a bridge loan from the DNB to repay debt to its former parent company Fortis Bank SA/NV. This bridge loan was repaid before the end of October through the short-term funding provided by the Dutch state (see above).

Notable developments with commercial banks (and other key financial players)

ING Bank N.V.

On 26 January 2009, ING Bank N.V. and the Dutch government reached an agreement on an “Illiquid Assets Back-up Facility” covering 80 per cent. of ING’s Alt-A mortgage securities portfolio.

Under the terms of the Back-up Facility, a full risk transfer to the Dutch state will be realised on 80 per cent. of ING’s EUR 27.7 billion portfolio of Alt-A RMBS at ING Direct USA and ING Insurance Americas. The Dutch state therefore will participate in 80 per cent. of any = results of the portfolio. This risk transfer will take place at a discount of 10 per cent. of par value. ING will remain the legal owner of 100 per cent. of the securities and will remain exposed to 20 per cent. of any results on the portfolio.

As a consequence of the transaction, the Dutch state will be entitled to receive 80 per cent. Of the cash flows of the total portfolio. ING will pay to the Dutch state an annual guarantee fee consisting of a fixed amount plus a percentage of the payments received

on the securities. The net present value of this fee is EUR -0.6bn. ING will receive from the Dutch state payments representing a net present value of EUR 0.5bn. In addition ING will receive from the Dutch state a management fee with a net present value of EUR 0.7bn.

As a condition to the Back-up Facility, ING has agreed to make EUR 25bn available for loans to individuals and companies.

Icesave

In addition to the loan provided to Iceland in this respect, the Dutch government agreed that all deposit holders at the Dutch branch of Landsbanki hf. (trading under the name "Icesave") should have the benefit of the Dutch deposit guarantee scheme (i.e. up to EUR 100,000). For this purpose, the Dutch government made EUR 100m available (which will be added to the national debt).

On 4 December 2008, the DNB confirmed that, as from 10 December 2008, it would start compensating Icesave's deposit holders under the Dutch deposit guarantee scheme.

ABN AMRO/Fortis

On 21 November 2008, the Finance Ministry announced the proposed merger of ABN AMRO Bank Nederland and FBNH as part of a new course for the companies that were acquired by the Dutch state as part of its rescue operation on 3 October 2008, namely FBNH, the Fortis-owned parts of the former ABN AMRO (34 per cent. share in RFS Holdings B.V.), Fortis Verzekeringen Nederland N.V. and Fortis Corporate Insurance N.V. According to the press release, FBNH and ABN AMRO Bank Nederland will form the basis of a strong new Dutch bank whilst opportunities will be sought in due course for returning the insurance companies to the private sector. ABN AMRO will be the new bank's leading brand. The Dutch state will hold a stake in the new bank for a number of years at least. No sale will take place before 2011 at the earliest. However, according to press reports on 16 January 2009, the announced merger of FBN with ABN AMRO Nederland is no longer a certainty as the European Commission is now prepared to accept other solutions and no longer demands that parts of ABN AMRO have to be sold in order to approve the merger. Further announcements in this respect are awaited.

According to press reports, ABN AMRO Nederland (which was fully nationalised on 24 December 2008 (see above)) has held exploratory talks with the Royal Bank of Scotland plc on buying back some of its former businesses as the Dutch government tries to recreate a viable third large Dutch bank. The Finance Ministry confirmed that there had been contact between RBS and ABN AMRO, although the Ministry added that the idea was not to recreate ABN AMRO as it was before its purchase and break-up by an RBS-led consortium in 2007.

Summary of proposed key legislation/regulation

On 11 October 2008, the Dutch law pertaining to temporary regulations to promote financial stability and transparency entered into force. This law enables the DNB and the Netherlands Authority for the Financial Markets (the “**Authority**”) to issue, in exceptional circumstances, temporary rules and regulations to promote financial stability and a transparent market process.

The Law has retroactive effect as from 1 October 2008.

Other developments

Depositor protection scheme

The Dutch government temporarily increased the deposit guarantee scheme to EUR 100,000 (per depositor and eligible institution) as of 7 October 2008 until 7 October 2009. This deposit guarantee scheme also applies to non-Dutch banks having a Dutch banking license. On 10 March 2009, the Finance Minister announced that the increase in the deposit guarantee scheme will continue after 7 October 2009.

On 11 November 2008, the DNB announced that the deposit guarantee scheme became effective for deposit holders at N.V. De Indonesische Overzeese Bank (Indover).

Short selling

On 10 October 2008, the Temporary Arrangement in relation to short selling, as promulgated by the Authority was published in the Netherlands Official Gazette. The provisions contained in the Temporary Arrangement preventing short selling in financial companies came into effect at 12.01 hrs on Sunday 5 October 2008. The provisions governing disclosure took effect at the same time.

The provisions against short selling have been extended on a number of occasions, and are currently set to cease to have effect on 1 June 2009 pursuant to the decision of the Authority on 24 February 2009.

For further information, please see: <http://www.afm.nl/corporate/default.ashx?DocumentId=11523> and <http://www.afm.nl/corporate/default.ashx?DocumentID=12118>

Additional funding for the Dutch state

The combined measures taken by the Dutch state to safeguard the Dutch financial system have caused a substantial increase in the DSTA funding need. The DSTA has been able to fulfill the increased borrowing requirement by using the flexibility of the market for Dutch Treasury Certificates (DTC) and the market for Euro Commercial

Paper (ECP), and also by increasing its call on the capital market. In particular, the DSTA has taken the following steps to achieve its funding requirements in 2008:

- Firstly, the DSTA adjusted its T-bill auction schedule to the new circumstances by: (i) stepping up the frequency of the auctions (on a case-by-case basis), (ii) offering extra DTC-programmes (as from 6 October 2008), (iii) reopening off-the-run programmes in early October 2008 and (iv) the introduction of new DTC-programmes (e.g. the 19 November and 17 December 2008 programmes were first launched on 13 October 2008 whilst in November 2008, the 18 February 2009 and 18 March 2009 programmes were added).
- Secondly, the DSTA used its ECP programme to raise large amounts of cash for up to 3 months.
- Thirdly, on 3 November 2008, the DSTA reopened the 3 off-the-run bonds maturing in 2009. A total amount of EUR 2.5bn was raised, with the majority in the 15 July 2009 Dutch State Loans.

For further information, see http://www.dsta.nl/uploads/200812121554525_Outlook%202009.pdf

On 12 December 2008, the Dutch state estimated its capital requirement for 2009 at EUR 110bn. The DSTA intends to satisfy this capital requirement by (i) calling on the capital market (for an amount of EUR 48bn) by issuing 3 new benchmark bonds and by reopening a number of off-the-run bonds and (ii) the issuance of Dutch State Loans. Using these funding routes, the DSTA has raised significant amounts since the beginning of 2009: <http://www.dsta.nl/index.cfm?lang=ENG&menu2=5&defaultcontent=&introtext=&template=persberichten&>.

Enhanced supervision

On 30 October 2008, the DNB announced that it would keep a strict watch on bonus structures at financial institutions that induce directors to take irresponsible risks. As part of its supervisory power, it would do an increased number of integrity tests on persons responsible for determining policy in Dutch banks.

Other measures to support the Dutch economy

Since October 2008, the Dutch government has announced a number of measures to support the Dutch economy. On 20 October 2008, the Dutch government announced that it would increase and expand its existing credit guarantee scheme for small- and medium-sized enterprises. On 9 December 2008, the Dutch government increased the *Financierings Maatschappij voor Ontwikkelingslanden's* credit guarantee scheme for Dutch companies investing in emerging markets.

On 16 January 2009, the Dutch government announced that it was going to undertake additional steps to improve the functioning of the credit market. These steps include, amongst others, the provision of governmental export credit insurance. The Dutch government will provide export credit insurance for markets (e.g. Eastern Europe) in respect of which commercial export credit insurances are no longer available. A further support package for the Dutch economy is expected to be announced in April 2009.

Contact us

For further information, please contact

Bruce Bloomingdale

Partner

T: +44 20 3130 3211

E: bbloomingdale@mayerbrown.com

Kevin Hawken

Partner

T: +44 20 3130 3318

E: khawken@mayerbrown.com

Ed Parker

Partner

T: +44 20 3130 3922

E: eparker@mayerbrown.com

Michèle Daelemans

Advocaat (Brussels)

T: +44 20 3130 3523

E: mdaelemans@mayerbrown.com

mayerbrown.com

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