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BNPP-Fortis : Industrial partnership deal

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Pursuant to the new agreement, announced on 6 March 2009, the Belgian State will earmark 75% of Fortis Bank for BNP Paribas. This transaction will allow Fortis Bank to play its key role in serving the Belgian economy by uniting with the BNP Paribas, which will consolidate its pan-European network as a result of this strategic operation. Under the terms of the deal, Fortis Bank will also take a 25% stake in Fortis Insurance Belgium, so as to forge a strong industrial partnership in bank insurance and enable Fortis Holding to look forward to clear industrial prospects once again as the leading insurer in Belgium. The insurance partnership is being consolidated as follows : • Fortis Bank will buy 25% of Fortis Insurance Belgium for €1.375 billion, with BNP Paribas being responsible for financing this transaction; • The Fortis Insurance Belgium-Fortis Bank exclusive distribution contract is maintained until 2020; • BNP Paribas and Fortis Insurance will investigate the opportunities for cooperation in the field of car and housing insurance so as to make the most of Fortis Insurance's know-how on markets where the BNP Paribas group has a retail network, not including France, Belgium and Turkey. Other key changes compared to the previous agreement. Special Purpose Vehicle : • Fortis Holding's maximum exposure in the SPV is reduced by €1 billion to €760 million. The Belgian State's stake in the equity capital, with an impact on the public debt, is cut by €1.260 billion (from € 2 billion to €740 million), while BNP Paribas's share is reduced from €290 to €200 million. • The SPV assets are increased to the tune of roughly €1 billion, in the wake of compensation for repayments of high-on €1 billion over the last few months. • The state guarantee for the debt financed by Fortis Bank in the SPV is cut back from €5 billion to €4.36 billion. • The balance is covered by an increase in the non-guaranteed debt financed by Fortis Bank. In return for the State's lower stake in the SPV : • The State is providing a guarantee to cover losses at the end of the deal on the portfolio of structured assets remaining with Fortis Bank . • Limited to €1.5 billion, the guarantee will apply as soon as Fortis Bank has covered the first losses of €3.5 billion against the notional value. • Fortis Bank will have the option for three years to issue a Tier 1 instrument or a capital increase worth a maximum € 2 billion subscribed to by the Belgian State . The right to the surplus value the Belgian State granted to Fortis Holding in respect of its share in BNP Paribas is continued and supplemented with an anti-dilution clause. Lastly, BNP Paribas's undertakings in terms of employment, governance and the creation of one or more European or international centres of excellence within Fortis Bank have been confirmed and spelled out in a letter to the Belgian authorities. This agreement will shortly be presented for approval by the Fortis Holding general meeting.