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Fortis Dismembered as Financial Crisis Bites Europe

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AMSTERDAM, Netherlands (BestWire) - Dutch financial services provider Fortis has been split up and sold off as a direct result of the ongoing credit crisis.

On Sept. 29, the governments of Belgium, the Netherlands and Luxembourg announced that they were effectively bailing out the individual parts of the company within their own territories by granting loans that effectively made the governments substantial minority shareholders of the company (BestWire, Sept. 29, 2008).

Despite this bailout there were further developments in the next few days. On Oct. 3 the Dutch government announced that it was acquiring Fortis Bank Nederland (Holding) N.V., including Fortis' interest ABN Amro Holding N.V., and its Dutch insurance activities for a total of 16.8 billion euros (12.98 billion pounds). According to Fortis, this second intervention by the Dutch government replaced the previous deal.

In a statement released by the Dutch government, it said that the deal "provides a strong safeguard for all those involved in these institutions and for the stability of the Dutch financial system."

"Under the current exceptional circumstances, the interests of account holders and other parties concerned must be safeguarded. The potential impact on the real economy constitutes another important ground for taking this decision. The takeover will contribute to the continued proper functioning of vital financial functions for the Dutch economy."

The Dutch government added that the measure is "temporary" and that once the international financial system had settled, the institutions would be privatized.

Three days later, on Oct. 6, French bank BNP Paribas agreed to take control of Fortis's operations in Belgium and Luxembourg, as well as the international banking franchises, in a 14.5 billion euro deal. BNP Paribas now has Fortis's insurance business in Belgium, its investment management activities (including former ABN Amro Asset Management), as well as Fortis's private banking business, merchant banking activities and consumer finance activities outside the Netherlands.

According to Fortis, under the terms of the deal the Belgian government will raise its stake in Fortis Bank SA/NV to 100%. BNP Paribas will then acquire from the Belgian state 75% of Fortis Bank SA/NV and 100% of Fortis Insurance Belgium, and acquire 16% of Fortis Banque Luxembourg from the government of Luxembourg, taking its controlling interest in Fortis Banque Luxembourg to 67%.

BNP Paribas will acquire its interest in Fortis's banking business in Belgium and Luxembourg for 9 billion euros paid in 132.6 million newly-issued BNP Paribas shares. Fortis Insurance Belgium will be acquired for a cash consideration of 5.5 billion euros. As a consequence, the Belgian and Luxembourg states will become shareholders of BNP Paribas, with stakes of 11.6% and 1.1% respectively, and Belgium will appoint two new members to join the BNP Paribas board. The Belgian state's stake will be subject, for up to 10% of BNP Paribas' capital, to a two-year lock-up, and 50% of the Luxembourg's stake will be subject to a lock-up period of one year.

BNP Paribas added that it has reviewed Fortis's structured credit portfolio. As a result, 10.4 billion euros of structured complex assets have been ring-fenced and put into a special purpose vehicle, in which 10% of any profits or losses will attributed to BNP Paribas.

(By Marc Jones, London news editor: marc.jones@ambest.com)