



## SNS Reaal, the sequel: alternative scenarios

**Luba Fakhrutdinova, Olivia Frieser, Ivan Zubo -  
European Credit Research Banks +44(0)207595 8082**

**Rafael Villarreal - European Credit Research  
Insurance +44(0)207595 8918**

- We believe that the SNS Reaal Group will continue to trade because of its importance to the Dutch Banking and insurance market. However, given market concerns, we look at several scenarios under a restructuring and run-off of some of the operations. The alternatives are numerous, so we have selected a few to give a broad view.
- We concentrate on the knock-on effects on the capital structure at each stage in Tables 1 to 11.
- The starting point is one of an aggregate shortfall to capital requirements of €1bn to €1.8bn, but in this note we use more severe potential losses for the PF unit prior to hive-off and run-off, which exacerbates the shortfall. We also assume the main goal is to repay the State upfront and therefore, finance deficits over time to get a sense of the time span required in terms of earnings and potential coupons lost.
- The Bank's 11.25% Tier 1 is already at 55 and that is equal to seven years of coupons lost. After the recent price action we see more upside than downside. However, there could be further negative headlines due to the Group's ongoing restructuring consequently, this bond could remain volatile. For investors in distressed/special situations, this bond should provide opportunities. The main risk is that the transfer of the Bank's subordinated bonds to PF could incur a loss of principal too, but we see this as unlikely. See scenario 2b.
- The Holding company's 6.258% faces downside under the scenarios we view as most likely, as coupons lost (not serviced through ACSM) would reduce the bond value to below the current level of 43. The recommendation remains to Sell. The caveat in trying to value this bond is estimating when it would be called.
- Our analysis suggests that the insurer has less leeway for losses than the Bank due to its low Tangible Core Equity (TCE) and we continue to see the insurer's bonds as overpriced (SRLEV 9% at mid-price of 93.25 with a yield of 10.2% and the SREV CHF 105mn 7% with a mid-price of 95.2 and a yield of 8.8%) due to the high gearing of the holding company in relation to insurance acquisitions. Hence, we reiterate our recommendation to Reduce both.

### Background

- The SNS restructuring story came back into the spotlight after an article was published in the *Het Financieele Dagblad* (a Dutch newspaper) saying that ABN and ING could be banned by the EC from investing in a bridge (or bad) Bank.
- Talks regarding several Banks' contributions to the bridge Bank were dismissed earlier last year, but in the situation of complete uncertainty around the Group's strategic plan and the level of additional provisions needed for the PF portfolio, the market assumed the worst.
- The price for the 11.25% bond has dropped to 55 within the last ten days and the price for the 6.258% fell to 43.5.
- To address the market's concerns, we analyse several split and run-off scenarios in this note and also discuss implications for sub bondholders.
- Our scenario analysis aims to shed light on the downside for the Group, Bank and insurer, given the unpredictability around the final terms between SNS and the EC on the support package and restructuring plan.

### Base case

- In our note of 8 January, we focused on the more likely probability of the SNS Reaal Group continuing to trade, although under numerous restrictions and looked at the valuation of bonds under various scenarios: if called at the first call date, if not called and assuming deferral or loss of coupons in both cases but the resumption of coupons after three to four years.
- We assume that the optional coupons could be deferred by the EC if SNS applies for an extension of the State aid repayment (up to three years), but assume that coupons will resume when SNS regains its earning position. Please refer to our note of 8 January 2013.
- Based on our analysis, the starting point is that the capital requirements (i.e. the capital resources required) fall in the range of €4.4bn to €5.2bn and the capital available is c.€4.9bn before the repayment to the State (€565mn), the payment of the premium (€282.5mn) and the setting up of additional provisions for Property Finance's loan losses, which we estimated at €686mn on a further deterioration on LTVs and NPLs.
- After these initial outlays that add up to €1.5bn, the balance of capital resources would be €3.4bn and the deficits would range from €1bn to €1.8bn. Given this sizeable shortfall, we explore split and run-off scenarios and assume subordinated bonds are not called until the financial position is fully restored.



## A scenario of split and run off of the Group

- On the basis that the Dutch Intervention Act (which we discuss in the appendix) could split the Group into two components and transfer PF assets to a bridge Bank or a private institution, we consider what would happen under different scenarios.
- The aim is to assess the expected losses that could accrue to bondholders and consequently the position in the legal structure and the rank of the securities (structural subordination) are important considerations.

The alternative scenarios we consider are the following.

- 1) **The Insurer is sold** and proceeds flow to the holding company to support the Bank and Property Finance units. See also the discussion about the disposal of the insurer in our note of 8 January. The disposal has to be at prices at or above book value to make a difference to the Group. This splits the insurer from the rest of the Group.
- 2) **PF+SME provisioned, transferred and run off.** There are two options for capitalising the PF+SME unit for provisions before its disposal: a) from the holding company; or b) from the Bank.
- 3) **Two-way split:** Bank and PF+SME together and separately, insurer and holding company together. The rationale for this is that PF+SME is a part of the Banking operation and the holding company financial position is due to the insurer's acquisitions.
- In all cases the underlying goal is to repay the State in full (premium included), set up adequate provisions and to remain well capitalised.

**Table 1: Starting point of capital structure**

	Reaal	Zwitser	Hold /elims	Bank / PF+SME	Total
Shareholders' equity	2.161	1.199	-1.292	1.737	3.804
intangible assets	1.124	0.397	0.017	0.150	1.688
<b>TCE</b>	<b>1.037</b>	<b>0.802</b>	<b>-1.309</b>	<b>1.587</b>	<b>2.116</b>
Capital securities	0.383	0.017	0.431	0.156	0.987
Part certificates	0.516		-0.428	0.281	0.369
Sub debt - undated	0.087		0.250	0.331	0.668
Sub debt - dated	0.418		0.076	0.303	0.797
<b>Total</b>	<b>2.441</b>	<b>0.819</b>	<b>-0.980</b>	<b>2.658</b>	<b>4.937</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- The PF+SME unit showed only equity of €137mn in its capital structure, so in Table 1 we merged it with the Bank. We also merged the holding company and eliminations columns from the financial statements. The breakdown of the participation certificates and subordinated debt was derived by us from Bloomberg and the financial statements. The participation certificates apparently qualify as Tier 1 and are issued by the Bank and the insurer.

## Scenario 1 – Disposal of insurance operations

- Please note that this first set of scenarios: i) does not cancel the holding company's equity against that of the insurer nor does it transfer debt from the holding company to the insurer prior to disposal, which means the holding company is left leveraged and the negative equity is entirely in relation to the Bank and

the PF+SME; ii) leads to different conclusions depending on price: book value (€3.3bn, low probability), tangible net book value (€1.8bn, fair probability), or a point in between these two (relatively low probability); iii) assumes the buyer takes all liabilities of the insurer.

- The fact is we do not see likely buyers for an insurer in the Netherlands and we see difficulty in finding a buyer willing to pay in excess of 9x earnings.

## Scenario 1a at book

**Table 2: Simplified capital structure if the insurer is sold for €3.3bn and proceeds go to holding company**

	Bank	PF+SME	Hold co	Elims	Total
Shareholders' equity	1.898	0.137	1.006	-0.001	3.040
intangible assets	0.150		0.017		0.167
<b>TCE</b>	<b>1.748</b>	<b>0.137</b>	<b>0.989</b>	<b>-0.001</b>	<b>2.873</b>
Capital securities			0.431		0.987
Part certificates	0.281		-0.428		0.369
Sub debt – undated	0.331		0.250		0.668
Sub debt – dated	0.303		0.076		0.797
<b>Total</b>	<b>2.663</b>	<b>0.137</b>	<b>1.318</b>	<b>-0.001</b>	<b>5.694</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- Notice that the sale at €3.3bn** (assuming that the value of all intangibles is 100%) boosts the total of the organisation, rebalances the holding company and allows for various provisions, not all of which are visible on the capital structure shown on Table 2.
- For instance, we allocated €0.69bn from the holding company to the PF+SME unit, but since it is provisioned (a P&L expense), the effect on equity is nil. We also allocated €234mn to the Bank as an equity injection but it is used to repay the State and the premium. Finally, we allocated €142mn extra to the Bank to increase the total capital to €2.8bn.
- The Bank's bonds are well protected by earnings, provisions and capital and gearing at the holding company would be moderate, which means that the 6.258% would also be protected.
- We just do not believe that this is a likely scenario given the profits of the insurer, the interest rate environment and other transaction levels. There are arguments for using earnings multiples lower than 9x given the environment in which the Group operates.

**Table 3: Simplified capital structure if the insurer were sold for €2.6bn and proceeds go to the hold co**

	Bank	PF+SME	Hold co	Elims	Total
Shareholders' equity	1.898	0.137	0.246	-0.001	2.280
intangible assets	0.150		0.017		0.167
<b>TCE</b>	<b>1.748</b>	<b>0.137</b>	<b>0.229</b>	<b>-0.001</b>	<b>2.113</b>
Capital securities			0.431		0.431
Part certificates	0.281		-0.428		(0.147)
Sub debt – undated	0.331		0.250		0.581
Sub debt – dated	0.303		0.076		0.379
<b>Total</b>	<b>2.663</b>	<b>0.137</b>	<b>0.558</b>	<b>-0.001</b>	<b>3.357</b>

Source: SNS Reaal Group accounts and report, BNP Paribas



### Scenario 1b at discount to book

- If sold at €2.6bn due to a 50% discount on intangibles (13x to 28x times depending on which average earnings you use, the long-term historical or the 2009-H1 2012 period when the earnings of Reaal more than doubled from the longer term average), the proceeds would work to provision PF+SME, recapitalise the Bank and repay the State. The capital securities that remain are those of the Foundation.
- We consider this price tag unlikely too, for the same reasons we stated before.

### Scenario 1c at tangible book value

- If sold at tangible book value of €1.8bn (20x earnings or 9x earnings based on average from), the proceeds would be insufficient to provision PF+SME, repay the State including the 50% premium and to recapitalise the Bank.
- Part of the issue here is also assuming risk appetite regarding holding company leverage.
- The recapitalisation of the Bank is still needed as the CT1 10% (€2bn) requirement is not met. There is a €243mn shortfall of the €2.8bn requirement.
- The scenario could require the conversion of the participation certificates but the subordinated debt, both perpetual and dated, would be safe.
- It is still relatively unlikely that at this price there might be a buyer.

**Table 4: Simplified capital structure if the insurer were sold for €1.8bn and proceeds go to the hold co**

	Bank	PF+SME	Hold co	Elims	Total
Shareholders' equity	1.756	0.137	-0.412	-0.001	1.480
intangible assets	0.150		0.017		0.167
<b>TCE</b>	<b>1.606</b>	<b>0.137</b>	<b>-0.429</b>	<b>-0.001</b>	<b>1.313</b>
Capital securities			0.431		0.431
Part certificates	0.281		-0.428		-0.147
Sub debt – undated	0.331		0.250		0.581
Sub debt – dated	0.303		0.076		0.379
<b>Total</b>	<b>2.521</b>	<b>0.137</b>	<b>-0.100</b>	<b>-0.001</b>	<b>2.557</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

### Scenario 2 – Property Finance and SME (PF+SME) provisioned for and hived off

- The starting point here is that on the basis of the RWA of €20bn, that the combined Bank and PF+SME have sufficient capital in relation to a 10% requirement and only a small deficit to the 14% total capital and hence, a pro-rata split could leave them within a year's earnings from achieving a balance. Our analysis suggests that only €156mn of the State aid is within the Bank and the rest is at the insurers.
- If the PF+SME unit is hived off, the leverage of the rest of the Group would have to be met through the earnings of the Bank and the insurer.
- The PF (€4.1bn) and SME (€5.2bn) units have an aggregate €9.3bn in loans and €0.9bn in provisions of which, €0.8bn at PF and €0.1bn at SME. Non-

performing loans are €2bn. The unit's RWA is €7.6bn (38% of the total) and the capital requirement would be €0.76bn for a CT1 of 10% to €1.1bn for a total capital ratio of 14%.

- As an alternative, if we assume that NPLs were to rise to 60% in the PF book and to 20% in the SME book and that the LTVs were to rise to 167% and 99% respectively, we would need an additional €1.1bn in provisions, which roughly matches these capital requirements and gives an indication of the degree of deterioration that could be sustained by the PF+SME unit, without needing additional capital injections.
- This would leave the Bank clean and profitable with RWA of €12.4bn approximately, however the issue is whether the Bank or the holding company could provide the amount needed for provisions.

### 2 a) If the holding company funds PF+SME's provisions

- The removal of the PF+SME with a €0.96bn injection from the holding company would be beneficial to the Bank and PF+SME but the holding company would end up highly geared.

**Table 5: Simplified capital structure if the hold co were to provision PF+SME**

	Bank	PF+SME	Insure	Hold co	Total
Shareholders' equity	1.522	1.100	3.360	2.254	3.726
intangible assets	0.150		1.521	0.017	1.688
<b>TCE</b>	<b>1.372</b>	<b>1.100</b>	<b>1.839</b>	<b>-2.272</b>	<b>2.038</b>
Capital securities			0.400	0.431	0.831
Part certificates	0.281		0.516	-0.428	0.369
Sub debt – undated	0.331		0.087	0.250	0.668
Sub debt – dated	0.303		0.418	0.076	0.797
<b>Total</b>	<b>2.287</b>	<b>1.100</b>	<b>3.260</b>	<b>-1.943</b>	<b>4.703</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- The Bank repays the State its €156mn and the premium and remains well capitalised, clean and profitable going forward.
- The holding company goes deeply negative in equity, investing funds it does not have; the question is how the holding company could raise that funding.
- The insurer still needs to repay the State (€600mn). We are still looking at a deficit of over €1bn to €1.8bn unless capital is raised. Please refer to our note of 8 January where we explored the various options to raise capital.

### 2 b) If the Bank funds PF+SME's provisions

- The possibilities, in terms of capital reallocation between the Bank and the PF+SME books, are numerous. We see no reason to assume that the worst case scenario for subordinated bondholders is the most likely scenario. However, in the next scenario we assume that the Bank provisions for the PF+SME unit with its own equity and with the subordinated bonds. The participation certificates would remain at the Bank.



- Subordinated debt and participation certificates together represent 1.4% of the Group's assets and 36% of capital resources. There is no reason why subordinated bondholders should contribute more than by providing funding.
- The rationale for this scenario is to maintain the capital according to RWA and ratios of 14% at each unit.
- The transfer of more equity from the Bank, instead of subordinated debt, to the PF+SME unit would debilitate the Bank, so we only transfer the remainder (€329mn) of the €1.1bn after the subordinated bonds (€634mn) and the initial PF equity of €137mn. It is detrimental and in our opinion unfair to subordinated bondholders to assume the entire risks of the PF+SME run-off.

**Table 6: Simplified capital structure if the Bank were to provide for PF+SME with subordinated debt too**

	Bank	PF+SME	Insurer	Hold co	Total
Shareholders' equity	1.193	0.466	3.360	-1.291	3.726
intangible assets	0.150		1.521	0.017	1.688
<b>TCE</b>	<b>1.043</b>	<b>0.466</b>	<b>1.839</b>	<b>-1.309</b>	<b>2.038</b>
Capital securities			0.400	0.431	0.831
Part certificates	0.281		0.516	-0.428	0.369
Sub debt – undated		0.331	0.087	0.250	0.668
Sub debt – dated		0.303	0.418	0.076	0.797
<b>Total</b>	<b>1.324</b>	<b>1.100</b>	<b>3.260</b>	<b>-0.980</b>	<b>4.703</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- Table 6 shows one of the worst case scenarios of restructuring for subordinated bondholders.
- The holding company's and the insurer's positions do not change. The Bank ends up with the 10% CT1, but short €412mn from its 14% total capital requirement goal, which is only about two years of earnings.
- The PF+SME unit has sufficient capital to run for a while and it meets the 14% requirement while at the same time matching closely the provisioning needs according to our estimates of 167% loan-to-value ratios and a deterioration to 60% of non-performing loans (please note that our 8 January note used a 50% assumption on NPLs).

**Table 7: Simplified capital structure if the holding company were to provide for, then spin off, PF+SME**

	Bank	Reaal	Zwits	Hold co	Total
Shareholders' equity	1.522	2.161	1.199	-2.255	2.626
intangible assets	0.150	1.124	0.397	0.017	1.688
<b>TCE</b>	<b>1.372</b>	<b>1.037</b>	<b>0.802</b>	<b>-2.272</b>	<b>0.938</b>
Capital securities		0.383	0.017	0.431	0.831
Part certificates	0.281	0.516		-0.428	0.369
Sub debt – undated	0.331	0.087		0.250	0.668
Sub debt – dated	0.303	0.418		0.076	0.797
<b>Total</b>	<b>2.287</b>	<b>2.441</b>	<b>0.819</b>	<b>-1.943</b>	<b>3.603</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- What we see in Table 7 is the result of deducting €137mn of PF equity, €963mn of additional capital funded by the holding company, the €156mn of Bank state aid and its premium. This reveals the situation for the remainder, the holding company looks highly

geared and the insurer undercapitalised whereas the Bank is overcapitalised.

- Table 8 shows what the Group looks like when the Bank funds the PF+SME unit provisions and the PF+SME unit is spun off, while the Bank remains within the Group. The subordinated bondholders of the Bank would be in the PF+SME unit now, out of the Group and potentially facing losses.

**Table 8: Simplified capital structure if the Bank were to provide for, then spin off, PF+SME**

	Bank	Reaal	Zwits	Hold co	Total
Shareholders' equity	1.193	2.161	1.199	-1.291	3.260
intangible assets	0.150	1.124	0.397	0.017	1.688
<b>TCE</b>	<b>1.043</b>	<b>1.037</b>	<b>0.802</b>	<b>-1.309</b>	<b>1.572</b>
Capital securities		0.383	0.017	0.431	0.831
Part certificates	0.281	0.516		-0.428	0.369
Sub debt – undated		0.087		0.250	0.337
Sub debt – dated		0.418		0.076	0.494
<b>Total</b>	<b>1.324</b>	<b>2.441</b>	<b>0.819</b>	<b>-0.980</b>	<b>3.603</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- In this scenario, the capital requirements would be about €4.1bn (€1.7bn for the Bank and €2.4bn for the insurer). The Bank has a deficit of some €412mn (about two years of earnings) in relation to a 14%.
- The earnings of the Bank and insurer, without the future erosion from the PF+SME unit could average over €200mn. In recent years, the average has been over €300mn and if it could be sustained at that level it could quickly restore the financial position of the Group.
- The holding company position has not changed from the starting point and the insurer appears to have sufficient capital, although the negative position of the holding company is largely for its account.
- Possibly, the Bank would be separated from the Group as well as the PF+SME unit, which brings us to the next scenario.

### Scenario 3: Bank and PF+SME together and Insurer and holding company together

#### Scenario 3a Hold co funds, Bank/PF+SME spun off

**Table 9: Simplified capital structure if Bank and PF+SME are spun off after hold co funds PF+SME**

	Reaal	Zwits	Hold co	Elims	Total
Shareholders' equity	2.161	1.199	-2.255	-0.001	1.104
intangible assets	1.124	0.397	0.017		1.538
<b>TCE</b>	<b>1.037</b>	<b>0.802</b>	<b>-2.272</b>	<b>-0.001</b>	<b>-0.434</b>
Capital securities	0.383	0.017	0.431		0.831
Part certificates	0.516		-0.428		0.088
Sub debt – undated	0.087		0.250		0.337
Sub debt – dated	0.418		0.076		0.494
<b>Total</b>	<b>2.441</b>	<b>0.819</b>	<b>-1.943</b>	<b>-0.001</b>	<b>1.316</b>

Source: SNS Reaal Group accounts and report, BNP Paribas





- If the PF+SME unit and the Bank are spun off as per the previous scenario (2b) and the insurer is left 'holding the bag', what we have is a two-way split where the Bank stands alone and out of the Group, the PF+SME unit is administered and run-off and the insurance operations and the holding company are left together.
- This is shown on Tables 9 and 10, firstly as though the holding company had funded the PF+SME provisions and then as if the Bank had done so.
- In scenarios 2a and 2b, the removal of the PF+SME unit from the Group and the protection of the Bank, leave the insurer encumbered with the holding company debt, which seems fair in relation to debt incurred for acquisitions (as in our opinion most debt was incurred making insurance acquisitions in 2007 and 2008), but not in relation to PF+SME recapitalisation for run-off.
- Gearing would be 133%.
- However, we have said nothing about the repayment by the insurer of the State aid, its share of the premium and about its capitalisation thereafter.
- As Table 9 shows, if the holding company's finances are consolidated with the insurer's, the Group's financial position is short of the €2.4bn that the regulator requires of the insurer (i.e. 175% ratio on €1.36bn of requirements under Solvency I) and there is a negative tangible net worth.
- Table 10 shows the exclusion of the Bank and PF+SME unit after the Bank funds the PF+SME provisions (2b).

### Scenario 3b Bank funds, Bank/PF+SME spun off

**Table 10: Simplified capital structure if Bank and PF+SME are spun off after the Bank funds PF+SME**

	Reaal	Zwits	Hold co	Elims	Total
Shareholders' equity	2.161	1.199	-1.292	-0.001	2.067
intangible assets	1.124	0.397	0.017		1.538
<b>TCE</b>	<b>1.037</b>	<b>0.802</b>	<b>-1.309</b>	<b>-0.001</b>	<b>0.529</b>
Capital securities	0.383	0.017	0.431		0.831
Part certificates	0.516		-0.428		0.088
Sub debt – undated	0.087		0.250		0.337
Sub debt – dated	0.418		0.076		0.494
<b>Total</b>	<b>2.441</b>	<b>0.819</b>	<b>-0.980</b>	<b>-0.001</b>	<b>2.279</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- The consolidated position is nearly in line with the €2.4bn demanded by the regulator of the insurance company, but that is before the repayment to the State. What is the total deficit on this side of the restructuring? €721mn (€600mn related to the repayment to the State and the premium and €121mn of the shortfall. More importantly, the split between Tier 1 and Tier 2 could require more adjustment. See Table 11.

### Scenario 3c Bank funds, Bank/PF+SME spun off, insurer repays the State its part

**Table 11: Simplified capital structure as Bank and PF are spun off, Bank funds PF, insurer repays State**

	Reaal	Zwits	Hold co	Elims	Total
Shareholders' equity	1.970	1.191	-1.292	-0.001	1.867
intangible assets	1.124	0.397	0.017		1.538
<b>TCE</b>	<b>0.846</b>	<b>0.794</b>	<b>-1.309</b>	<b>-0.001</b>	<b>0.329</b>
Capital securities			0.431		0.431
Part certificates	0.516		-0.428		0.088
Sub debt – undated	0.087		0.250		0.337
Sub debt – dated	0.418		0.076		0.494
<b>Total</b>	<b>1.867</b>	<b>0.794</b>	<b>-0.980</b>	<b>-0.001</b>	<b>1.679</b>

Source: SNS Reaal Group accounts and report, BNP Paribas

- Notice that gearing is high (80%) as the Group ends up with only €329mn of Tangible Core Equity, the Foundation's capital securities remain in the capital structure but are debt.
- The insurance operations and the holding company averaged net income of €58mn from 2000 to H1 2012. The average from 2007 was €14mn and from 2009 €153mn. Zwitterleven has not really contributed to the bottom line and the holding company costs absorb much of Reaal's profit.
- On the basis of the above, the time it would take the insurer to make up the €721mn shortfall will range from five to fifty years, depending on your view of the expected profitability of the combined insurer and holding company.

### Appendix - Cost of debt and stopping coupons

- Ultimately, the EC will dictate whether a coupon on a subordinated bond should be deferred or lost and the company will not have a say on this decision.
- However, we strongly believe that stopping coupon payments on subordinated debt is counterproductive as the issuer needs to maintain, as much as possible, an open door to the capital markets. It is no good saying on the one hand that the State should not support its institutions while, on the other, taking actions that prevent the institution from returning to the debt capital markets and reducing its dependence on the State.
- In the case of SNS the cost of the coupons that can be cancelled (from the undated bonds from SNS Bank, SRLev and SNS Reaal) amount to less than €60mn. If the Group needs an extra €1bn to €1.8bn in capital, these coupons would only replace that in a period of seventeen to thirty years. This makes no financial sense.



## Appendix - Bond valuations based on coupons lost and principal returned in the future

**Table 12: Valuation of the SNS Bank 11.25% bond if not called in 2019 as coupons are switched off (discount rate 10%)**

Coupons lost	Price
1 coupon lost	99
2 coupons lost	89
3 coupons lost	81
4 coupons lost	73
5 coupons lost	66
6 coupons lost	60
7 coupons lost	54
8 coupons lost	49
9 coupons lost	45
10 coupons lost	41
<b>Longer term scenarios</b>	
No coupons paid for 20 years, principal returned	29
No coupons paid for 30 years, principal returned	11
No coupons paid for 50 years, principal returned	2

Source: BNP Paribas

- The main concern investors have is with the 11.25% undated subordinated bond, as the coupons if passed would be lost.
- For other bonds, having a legal claim for a cumulative but deferred coupon in this scenario of run off is of little comfort.
- When we say that 1 coupon (or 2, 3, 4...) is lost, we assume that subsequently they are paid, but the principal is only returned until 2099.
- We hasten to add that we do not believe that most of these scenarios are likely. A run-off would end much sooner and the obligation to return at least the principal would still exist. We prepared the valuation tables as references for those who think that looking at doomsday scenarios makes sense.
- We all know that the market sometimes can overreact and can misprice bonds, at which time investors can decide to buy according to their own expectations.
- The choice of discount rate for the cash flows is fair but clearly discretionary and applying much higher levels may not be realistic as few shareholders actually earn a 10% return and these are bonds protected by equity and provisions.
- Investors must consider that the run-off may last less than ten years and that the return of principal at that time would increase the value of the bond substantially.
- As an instance, the 11.25% would be priced at 52 if it paid no coupons for 7 years and then returned the principal in 2020 with a single coupon attached to it. Since the discount rate is below the coupon rate even after 2019, the extension adds value, hence the 54 price above. The current price is 61.

- While the 6.258% is 'cumulative', we assume that the ACSM would be inoperative and therefore at some point the coupons deferred would be cancelled, so we move to value them as coupons lost.

**Table 13: Valuation of the SNS Reaal NV 6.258% bond if not called in 2017 as coupons are switched off (discount rate 10%)**

Coupons lost	Price
1 coupon lost	33
2 coupons lost	28
3 coupons lost	23
4 coupons lost	19
5 coupons lost	15
6 coupons lost	14
7 coupons lost	13
8 coupons lost	11
9 coupons lost	10
10 coupons lost, bond keeps running	9
<b>Longer term scenarios</b>	
No coupons paid for 20 years, principal returned 2033	17
No coupons paid for 30 years, principal returned 2043	7
No coupons paid for 50 years, principal returned 2063	1

Source: BNP Paribas

- As an instance, the 6.258% would be priced at 59 if it paid no coupons for 7 years and then returned the principal in 2020 with a single coupon attached to it. This is substantially higher than the value of 13 shown on Table 13.
- With the call date in 2016, the SRLEV CH 105mn 7% bond is unlikely to be called according to scenarios 3a, 3b and 3c.

**Table 14: Valuation of the SRLEV 7% bond if not called in 2016 as coupons deferred (discount rate 10%)**

Coupons lost	Price
1 coupon deferred, principal and coupon paid in 2099	60
2 coupons deferred, principal and coupon paid in 2099	53
3 coupons deferred, principal and coupon paid in 2099	48
4 coupons deferred, principal and coupon paid in 2099	43
5 coupons deferred, principal and coupon paid in 2099	39
6 coupons deferred, principal and coupon paid in 2099	35

Source: BNP Paribas

**Table 15: Valuation of the SRLEV 9% bond if not called in 2017 as coupons are switched off (discount rate 10%)**

Coupons lost	Price
1 coupon deferred, principal and coupon paid in 2041	75
2 coupons deferred, principal and coupon paid in 2041	68
3 coupons deferred, principal and coupon paid in 2041	62
4 coupons deferred, principal and coupon paid in 2041	56
5 coupons deferred, principal and coupon paid in 2041	51
6 coupons deferred, principal and coupon paid in 2041	47

Source: BNP Paribas



## Appendix - Dutch Intervention Act

- The legal basis for splitting SNS and its asset transfer is provided for by the Dutch Intervention Act which came into force in June 2012, allowing the Dutch Central Bank (CB) and Dutch Minister of Finance to intervene in respect of failing Banks (or insurance companies) without there being a sufficient or timely possibility of recovery.
- The Intervention Act is different from a resolution regime (which was drafted but not yet finalised yet in the Netherlands) as it does not contain proposals for recovery or resolution plans or bail-in. However, the Act introduces new instruments for the government to intervene when a Bank (or insurer) gets into trouble.
- At the early intervention stage, the Act gives the Dutch CB power to prepare a Transfer Plan, specifying which deposits, assets, liabilities and shares of the ailing entity are to be transferred and also price for the transfer (including price justification). If the Amsterdam District Court approves this plan then all or part of the ailing entity (Bank or insurer) could be sold to a suitable private purchaser or to the bridge Bank without the approval of the company's management.
- The bridge Bank could be established by the Dutch State or the Dutch CB. However, the bridge Bank could hold the assets and liabilities or shares of the ailing Bank or insurer **only temporarily** while looking for a private investor. Additionally, the transfer of whole or part of deposits will be covered by the Dutch Deposit Guarantee Scheme.
- In the case when the Ministry of Finance is of the view that the stability of the financial system is in serious and immediate danger because of the ailing entity, the Minister (after consultations with the Dutch Central Bank) can take over the internal powers of the entity (such as temporary suspension of shareholder voting rights) and even proceed to expropriating assets of the failing Bank or insurer. The power of expropriation is intended to be invoked as a last resort measure.
- The Intervention Act does not provide for a bail-in tool. As we mentioned in our note on 8 January, the draft of the Dutch resolution regime has not been finalised yet. Its implementation is expected before January 2015. However, as we saw in other European countries, the emergency resolution regime could be adopted quite quickly, if necessary.

*Within the last 12 months, BNP Paribas was involved in bond offerings for SNS Bank.*



## Appendix – Summary of scenarios

**Table 16: Summary of scenarios**

Scenario	Probability	Rationale	Conclusion
1a <b>Insurer sold</b> at book value – Table 2	Very low	It solves problems	No growth, multiple of earnings too high. Positive for Bank and holding company bonds but unlikely to happen.
1b <b>Insurer sold</b> at discount to book value – Table 3	Low	It solves problems	No growth, multiple of earnings too high. Positive for Bank and holding company bonds but unlikely to happen.
1c <b>Insurer sold</b> at tangible book value – Table 4	Low	It is insufficient to resolve problems	Still somewhat unlikely as management may believe that the insurer is worth more but it does not solve problems so why execute it? Indifferent for all bonds and unlikely to happen.  The recommendations on the insurer's bonds would depend on who the buyer is.
2a <b>PF+SME spun off, holding company funds</b> PF+SME provisions, the Bank remains in the Group - Tables 5 and 7 (Table 9 shows the capital structure if the Bank is also spun off)	Medium low	Solves Bank and PF but worse for hold co and insurer	Hard to rationalise, Bank overcapitalised great for Bank bondholders but unfair and negative for holding and insurer company bonds. Deficit is large in relation to average earnings of €218mn without PF unit.
2b <b>PF+SME spun off, Bank funds</b> PF+SME provisions with subordinated bonds, the Bank remains in the Group – Tables 6 and 8 (Table 10 shows capital structure if the Bank is also spun off)	Medium low	Solves Bank and PF deficits and Bank and Insurer earnings remain in the group	Negative to Bank subordinated bondholders if transferred but hard to justify. It would take three years of earnings to restore the deficit of the Bank's capital requirements. Earnings of Bank and Insurer can restore financial position.
2c <b>PF+SME spun off Bank funds</b> PF with equity, Bank remains in the Group (Not discussed in the note as it debilitates the Bank's Tier 1 position)	Low	Solves PF but Bank ends with Tier 1 deficit to requirements	Again, the PF is funded and the Bank needs three years of earnings to restore its T1 position. The deficit in T1 for both insurer and Bank is €0.4bn if undated subordinated debt and participation certificates are included, but the overall deficit for the Bank and Insurer on Consolidated capital is €1.1bn or about six years of earnings. Refer to tables to see value of bonds for six coupons lost or deferred, respectively.
3a <b>Insurance and holding company position</b> if the Bank and PF+SME spun off after holding company funds PF – Table 9	Low	Clean break for Bank and PF	Hold co and insurer left highly geared (133%). Gearing at Group extremely high, negative for holding company and insurer bonds. Hard to justify funding by holding company.
3b <b>Insurance and holding company position</b> if the Bank and PF+SME spun off after the Bank funds PF – Table 10	Medium high	Clean break for Bank and PF	Hold co and insurer left highly geared (80%). Gearing at Group still high but more manageable, negative for holding company and insurer bonds.
3c <b>Insurance and holding company position</b> if the Bank and PF+SME spun off after the Bank funds PF and the <b>insurer repays the State</b> – Table 11 shows insurer shortfall	High	Clean break for Bank and PF	Positive for Bank bonds. Negative for insurance and holding company bonds, particularly perpetual.  Insurer shows shortfall of €0.7bn which represents four to fifty years of earnings depending on which average of earnings you believe is sustainable.

Source: BNP Paribas





**Table 17: Summary of scenarios**

Scenario	Effect on insurer's bonds	Effect on Bank's bonds	Effect on Holding company's bonds
1a	Depending on buyer	Positive	Positive
1b	Depending on buyer	Positive	Positive
1c	Depending on buyer	Positive	Positive
2a	Negative	Positive	Negative
2b	Neutral to positive	If bonds are transferred to PF, negative for 11.25% as loss of principal is likely	Positive as Bank and insurer can restore with c.2 years of earnings positive for 6.258%
3a	Very negative	Positive, Bank overcapitalised	Very negative
3b	Mildly negative due to gearing of the Group (still needs to repay state)	If bonds are transferred to PF, negative	Positive
3c	Negative (5-12 years earnings)	If bonds are transferred to PF, negative	Neutral to negative, dependent on insurer's earnings

Source: BNP Paribas



## Appendix - Capital structure changes over time

**Table 18: Capital structures of the units as of 30 June 2012**

	Bank	PF+SME	Reaal	Zwitserleven	Hold co	Elims	Total
Shareholders' equity	1.600	0.137	2.161	1.199	-1.292	- 0.001	3.804
less intangible assets	0.150		1.124	0.397	0.017		1.688
<b>Tangible shareholders' equity</b>	<b>1.450</b>	<b>0.137</b>	<b>1.037</b>	<b>0.802</b>	<b>- 1.309</b>	<b>- 0.001</b>	<b>2.116</b>
Capital securities	0.156		0.383	0.017	0.431		0.987
Part cert	0.281		0.088				0.369
Sub debt	0.634		0.830				1.464
Debt certificates	22.548				0.551	-0.427	22.672
<b>Total</b>	<b>25.069</b>	<b>0.137</b>	<b>2.338</b>	<b>0.819</b>	<b>-0.327</b>	<b>-0.428</b>	<b>27.608</b>
Equity	1.450	0.137	1.037	0.802	-1.309	-0.001	2.116
Hybrid and sub	1.071	-	1.301	0.017	0.431	-	2.820
Debt certificates	22.548	-	-	-	0.551	-0.427	22.672
<b>Total</b>	<b>25.069</b>	<b>0.137</b>	<b>2.338</b>	<b>0.819</b>	<b>-0.327</b>	<b>- 0.428</b>	<b>27.608</b>

Source: BNP Paribas, SNS Reaal Group's reports and accounts

**Table 19: Capital structures of the units as of end of 2006 (prior to acquisitions)**

	Bank	PF+SME	Reaal	Zwitserleven	Hold co	Elims	Total
Shareholders' equity	2.097		1.307		3.200	- 3.404	3.200
less intangible assets	0.214		0.669				0.883
<b>Tangible shareholders' equity</b>	<b>1.883</b>	<b>-</b>	<b>0.638</b>	<b>-</b>	<b>3.200</b>	<b>- 3.404</b>	<b>2.317</b>
Capital securities							-
Part cert	1.448		0.120		0.299	- 0.203	1.664
Sub debt							-
Debt certificates	30.841				0.418		31.259
<b>Total</b>	<b>34.172</b>	<b>-</b>	<b>0.758</b>	<b>-</b>	<b>3.917</b>	<b>- 3.607</b>	<b>35.240</b>
Equity	1.883	-	0.638	-	3.200	- 3.404	2.317
Hybrid and sub	1.448	-	0.120	-	0.299	- 0.203	1.664
Debt certificates	30.841	-	-	-	0.418	-	31.259
<b>Total</b>	<b>34.172</b>	<b>-</b>	<b>0.758</b>	<b>-</b>	<b>3.917</b>	<b>- 3.607</b>	<b>35.240</b>

Source: BNP Paribas, SNS Reaal Group's reports and accounts

**Table 20: Capital structures of the units as of end of 2009 (after acquisitions and state aid)**

	Bank	PF+SME	Reaal	Zwitserleven	Hold co	Elims	Total
Shareholders' equity	1.437	0.737	1.455	1.120	-0.686	-	4.063
less intangible assets	0.126	0.117	1.629	0.807	0.018		2.697
<b>Tangible shareholders' equity</b>	<b>1.311</b>	<b>0.620</b>	<b>-0.174</b>	<b>0.313</b>	<b>-0.704</b>	<b>-</b>	<b>1.366</b>
Capital securities	0.260		0.678	0.047	0.014		0.999
Part cert	1.559		0.748	0.215	0.600	- 1.140	1.982
Sub debt							-
Debt certificates	30.739		1.976		0.398	-0.157	32.956
<b>Total</b>	<b>33.869</b>	<b>0.620</b>	<b>3.228</b>	<b>0.575</b>	<b>0.308</b>	<b>- 1.297</b>	<b>37.303</b>
Equity	1.311	0.620	-0.174	0.313	-0.704	-	1.366
Hybrid and sub	1.819	-	1.426	0.262	0.614	- 1.140	2.981
Debt certificates	30.739	-	1.976	-	0.398	- 0.157	32.956
<b>Total</b>	<b>33.869</b>	<b>0.620</b>	<b>3.228</b>	<b>0.575</b>	<b>0.308</b>	<b>- 1.297</b>	<b>37.303</b>

Source: BNP Paribas, SNS Reaal Group's reports and accounts



## Contacts

**Robert McAdie**, Global Head of Fixed Income Strategy and Credit Research +44 20 7595 8885 robert.mcadie@uk.bnpparibas.com

## European Credit Research

**Olivia Frieser**, Head of Investment Grade Research - Banks +44 20 7595 8591 olivia.frieser@uk.bnpparibas.com

<b>Jean-Yves Coupin</b> , CFA, Senior Credit Analyst	Retail, Metals & Mining, Building Products	+44 20 7595 8360	jean-yves.coupin@uk.bnpparibas.com
<b>Luba Fakhrutdinova</b> , Junior Credit Analyst	Banks	+44 20 7595 8082	luba.fakhrutdinova@uk.bnpparibas.com
<b>Heiko Langer</b> , Senior Credit Analyst	Covered Bonds	+44 20 7595 8569	heiko.langer@uk.bnpparibas.com
<b>Norbert Ling</b> , Junior Credit Analyst	Chemicals, Industrials, Consumer Products and Food & Beverage	+44 20 7595 8853	norbert.ling@uk.bnpparibas.com
<b>Hunter Martin</b> , CFA, Credit Analyst	TMT	+44 20 7595 8491	hunter.martin@uk.bnpparibas.com
<b>Timothy Rea</b> , Credit Analyst	Autos, Aero & Def, Pharma	+44 20 7595 8317	timothy.rea@uk.bnpparibas.com
<b>James Sparrow</b> , Senior Credit Analyst	Utilities	+44 20 7595 1269	james.sparrow@uk.bnpparibas.com
<b>Rafael Villarreal</b> , Senior Credit Analyst	Insurance	+44 20 7595 8918	rafael.villarreal@uk.bnpparibas.com
<b>Ivan Zubo</b> , Credit Analyst	Banks	+44 20 7595 1428	ivan.zubo@uk.bnpparibas.com

## European Credit Strategy

**Matthew Leeming**, Head of Quantitative & European Credit Strategy +44 20 7595 1230 matthew.leeming@uk.bnpparibas.com

<b>Pierre-Yves Bretonniere</b> , Senior Credit Strategist	Relative Value & Quantitative Credit Strategy	+44 20 7595 8973	pierre-yves.bretonniere@uk.bnpparibas.com
<b>Joanna Chan</b> , Graduate	Relative Value & Quantitative Credit Strategy	+44 20 7595 8185	joanna.chan@uk.bnpparibas.com
<b>Mehernosh Engineer</b> , Senior Credit Strategist	Macro Credit Strategy	+44 20 7595 8338	mehernosh.engineer@uk.bnpparibas.com
<b>Paola Lamedica</b> , Senior Credit Strategist	Option & Structured Product Strategy	+44 20 7595 8081	paola.lamedica@uk.bnpparibas.com
<b>Greg Venizelos</b> , Senior Credit Strategist	Macro & Relative Value Credit Strategy	+44 20 7595 8296	greg.venizelos@uk.bnpparibas.com

## Sector Specialists

**Jean-Yves Guibert**, Head of European High Yield Sector Specialists - HY TMT +44 20 7595 8308 jean-yves.guibert@uk.bnpparibas.com

<b>Helen Rodriguez</b> , Senior Sector Specialist	HY Consumer, Food & Beverage, Retail and Gaming	+44 20 7595 1285	helen.rodriguez@uk.bnpparibas.com
<b>Phil Spencer</b> , CFA, Senior Sector Specialist	HY Industrials: Paper & Packaging, Chemicals, Manufacturing	+44 20 7595 8810	philip.spencer@uk.bnpparibas.com
<b>Anthony Langlois</b> , Sector Specialist	High Yield	+44 20 7595 3329	anthony.langlois@uk.bnpparibas.com

**Belle Yang**, Senior Sector Specialist - Credit Trading Special Situations +44 20 7595 8445 belle.yang@uk.bnpparibas.com

## Production

<b>Barbara Hickling</b> , Editor/Research Assistant	+44 20 7595 8599	barbara.hickling@uk.bnpparibas.com
<b>Patricia Ivory</b> , Deputy Editor/Research Assistant	+44 20 7595 8260	patricia.ivory@uk.bnpparibas.com



## Research Disclaimers: Recommendation System:

Type	Terminology	Horizon
Credit Trend (1)	Positive/ Stable/ Negative	6 months
Investment Recommendation (2)	Buy/ Add/ Hold/ Reduce/ Sell (*)	Up to 6 months

(1) Credit Trend is based on underlying Credit fundamentals, business environment and industry trends;

(2) Investment Recommendations are as follows:

(\*) **BUY** – Maximise exposure based on improving financial profile and/or significant under-valuation.

**ADD** – Overweight exposure within industry sector/index, based on improving financial profile, and/or defensive characteristics and/or cheap valuation.

**HOLD** – Maintain position based on stable credit fundamentals and/or average expected return characteristics within peer group.

**REDUCE** – Underweight exposure within industry sector/index based on weakening financial profile, increased volatility and/or rich valuation.

**SELL** – Sell exposure/Maximise protection largely based on deteriorating credit fundamentals, negative headline/event risks and/or significant over-valuation.

**IMPORTANT DISCLOSURES:** Please see important disclosures in the text of this report.

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investment. Information and opinions contained in the report are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of the issuers mentioned in this report or derivatives thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices

BNP Paribas may have a financial interest in the issuers mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any issuer mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any issuer referred to in this report. BNP Paribas may be a party to an agreement with the issuer relating to the production of this report. BNP Paribas may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to an issuer mentioned in this report. Any issuer mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy. Information about conflicts of interest relevant to this report is available at the BNP Paribas Global Markets website at: <https://globalmarkets.bnpparibas.com/fiweb/public/ResearchPolicy.html>

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

**Analyst Certification:** Each analyst responsible for the preparation of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about any and all of the issuers and securities named in this report, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

### Certain countries within the European Economic Area:

This report is solely prepared for professional clients. It is not intended for retail clients and should not be passed on to any such persons. This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA, incorporated in France with Limited Liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF) whose head office is 16, Boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. – Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

**United States:** This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer to US major institutional investors only. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

**Japan:** This report is being distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

**Hong Kong:** This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

© BNP Paribas (2013). All rights reserved.