

Project Mercurius - Discussion Materials

5 February 2013



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Comparison CVC Proposals Dated i. 23/25 January, and ii. 31 January

- We refer to our analysis dated 28 January 2013 in which we discuss a CVC proposal dated 10 January, as well as a CVC proposal dated 23 January (including the amendments to that proposal dated 25 January 2013)
- Following our analysis dated 28 January, CVC shared an updated proposal with the Ministry of Finance on 31 January. In the below we lay out some of the main differences between the CVC proposal dated 23/25 January and the CVC proposal dated 31 January
- As discussed with the Ministry of Finance on 31 January 2013, we consider that taken together, as a whole, the amendments and new additions put forward by CVC in the 31 January proposal do not materially affect the conclusions of our analysis dated 28 January

Rights Issue - Pre-emption Rights, State Participation (Amended)

- In 31 January proposal, CVC indicating willingness to grant the benefit of the first €150m preemption investment by the Foundation and Free Float to the State. In the expectation that the pre-emption rights would be taken up this would reduce the required investment by the State to EUR 340 MM, in exchange for a 24.7% share (reduced from a 28.2% share in the 23/25 January proposal)

Loan from ING, Rabo and ABN AMRO (Newly Added)

- Three largest Dutch Banks envisaged to provide a loan of EUR 550 MM to a “Consortium Holding” which is set up to invest in SNS Reaal. The loan would have the following characteristics:
 - Perpetual
 - 2.5% PIK coupon payable only if the Consortium has achieved a 2.5x money multiple and 20% IRR on its investment in SNS Reaal
 - Principal is repaid from distributions received from the CVC’s investment
 - EUR 400 MM will be used towards provisioning for Property Finance losses and EUR 150 MM for the capitalisation of the Bad Bank
- Note that when CVC incorporated this feature as part of its 31 January proposal, this had been discussed only at a high level with the three largest Dutch banks. The Banks had in no way committed themselves to providing such a loan
- Also, the loan structure put forward in CVC’s 31 January proposal has not been vetted by the DNB. It would be important to ascertain the position of the DNB and whether regulatory approval for the structure would be granted given that such a structure would introduce a new source of leverage in the capital structure of SNS Reaal

Comparison CVC Proposals Dated i. 23/25 January, and ii. 31 January (Cont')

Loan from ING, Rabo and ABN AMRO (Continued From Previous Page)

- Additionally, initial feedback received from the EC was negative, based on i.a. the following considerations:
 - Remuneration not market conform
 - Equity-like instrument due to linkage with IRR realised by CVC
 - Potential concerns from State Aid perspective (arguably banks could be seen to be participating to avert levy)
- EC indicated that changes to the proposed structure would be required – even following amendments receiving approval would not have been guaranteed

Anti-embarrassment clause (Newly Added)

- Consortium offering to discuss an 'anti-embarrassment' clause, i.e. a mechanism whereby in case realised IRRs would exceed a certain pre-agreed threshold, any proceeds would be shared with the State

Ownership Structure Bad Bank (Amended)

- Now proposed that State ownership in the Bad Bank will be in the form of preference shares while CVC and the Foundation will hold ordinary shares. This would give the Dutch State liquidation preference in case of distributions, dissolution or winding-up of the Bad Bank
- Envisaged that a separate subsidiary would house French/German loans, allowing bulk of the loans outstanding to be run off without a banking license
- Capitalisation of EUR 320 MM vs EUR 400 MM previously

Treatment of Hybrid Instruments – Conditionality (Amended)

- Envisaged that a LM exercise would be launched with respect to Tier I securities. If as part of that exercise a 75% take-up would not be achieved in January 31 proposal it is envisaged that State would seek to adopt legislative measures to allow a mandatory liability management, in line with comparable situations in other EU countries, or compensate the Consortium in such way to preserve the economics of the transaction