ANNUAL REPORT 2009 BGL BNP PARIBAS

BGL BNP PARIBAS | The bank for a changing world

ANNUAL REPORT 2009

BGL
BNP PARIBAS

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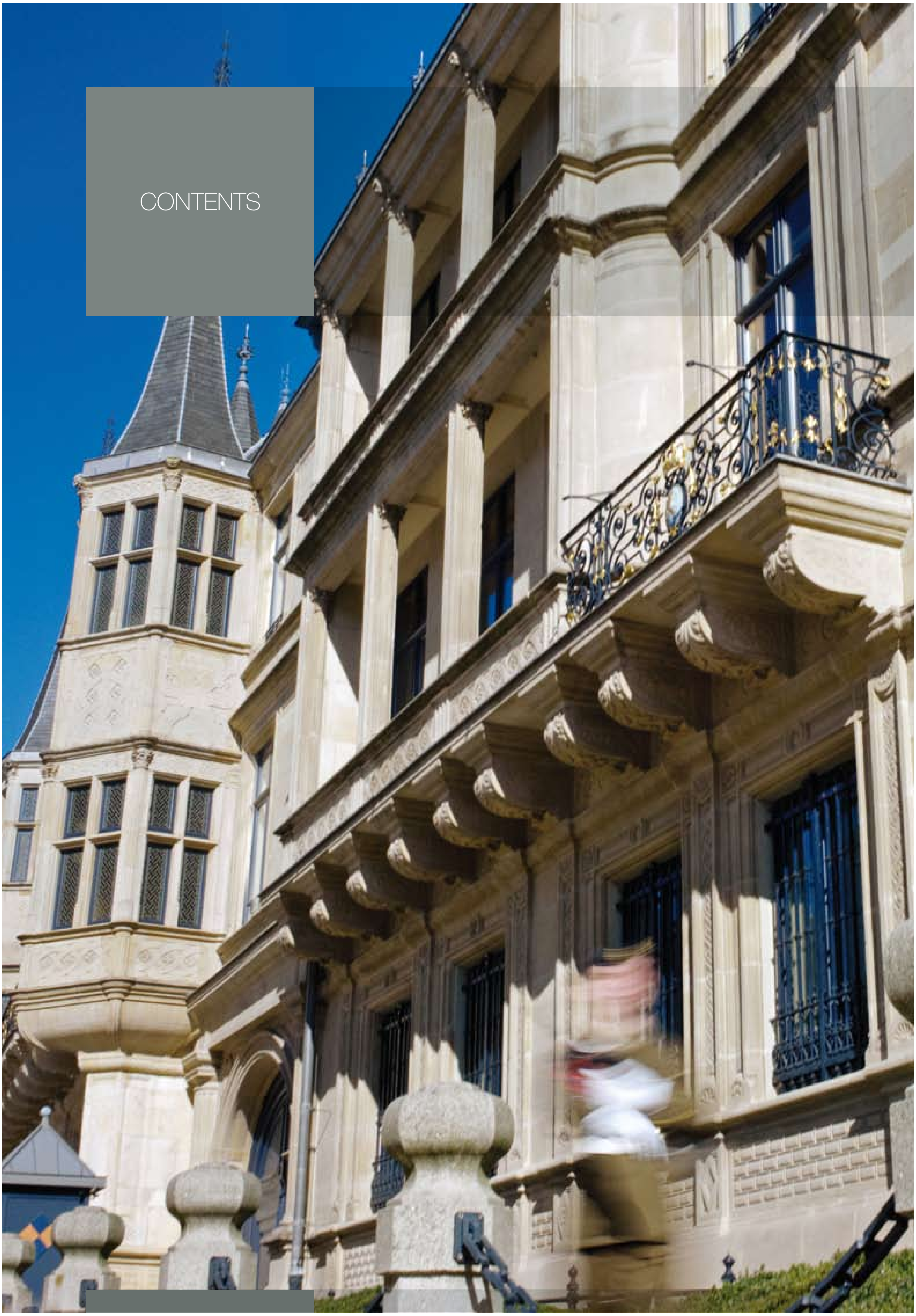

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This Annual Report is published in French and English. Readers should note that the French original alone is binding.

UNCONSOLIDATED AND CONSOLIDATED KEY FIGURES

UNCONSOLIDATED KEY FIGURES

in million of euros (Lux-Gaap)	2009	2008	%
Profit and loss account			
Net profit	432.4	30.6	n/a

in million of euros (IFRS)	2009	2008	%
Regulatory own funds and solvency ratio			
Total regulatory own funds	5,662.2	5,882.6	-4%
Total solvency ratio	34.7%	27.0%	29%
of which: Tier 1 solvency ratio	34.0%	26.4%	29%

CONSOLIDATED KEY FIGURES

In million of euros (IFRS)	2009	2008	%
Profit and loss account			
Net operating income before change in impairments		1,013.9	20%
of which: Net interest margin	747.8	651.2	15%
Net commissions and fees	241.3	282.3	-15%
Impairments	-584.3	-478.7	22%
Total operating expenses	-516.1	-654.0	-21%
Net profit attributable to equity holders of the parent		-107.2	n/a
(excluding non recurrent elements)		*174.3*	*12%*
Cost Income ratio	42%	65%	

In million of euros (IFRS)		2008
Regulatory own funds and solvency ratio		
Total regulatory own funds		5,826.2
Total solvency ration	27.2%	22.2%
of which: Tier 1 solvency ratio	25.7%	21.0%

Ratings (April 2010)	Moody's	Standard & Poor's	Fitch IBCA
Short term	P-1	A-1+	F1+
Long term	A1	AA	AA-

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS AS FROM 13 MAY 2009

Gaston Reinesch, Chairman of the Board of Directors

GASTON REINESCH,
Economist,
Luxembourg,
Chairman

JACQUES D'ESTAIS,
Member of the Executive
Committee of BNP Paribas,
Paris,
Vice-Chairman
(as from 11 March 2010)

ALAIN PAPIASSE,
Member of the Executive
Committee of BNP Paribas,
Paris,
Vice-Chairman
(until 11 March 2010)

HRH PRINCE GUILLAUME OF LUXEMBOURG,
Luxembourg,
Director

MARC ASSA,
Economist,
Steinsel,
Director

JEAN CLAMON,
Member of the Executive
Committee of BNP Paribas,
Paris,
Director
(as from 11 March 2010)

FRANÇOIS DEBIESSE,
Head of BNP Paribas Wealth
Management,
Paris,
Director

GABRIEL DI LETIZIA,
Staff Representative,
Bergem,
Director

CAMILLE FOHL,
Member of the Executive
Committee of Fortis Bank,
Brussels,
Director

FERNAND GALES,
Staff Representative,
Dudelange,
Director

JEAN-CLAUDE GILBERTZ,
Staff Representative,
Olm,
Director

PIERRE GRAMEGNA,
Lawyer and Economist,
Esch/Alzette,
Director

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS AS FROM 13 MAY 2009

CLAUDE HEIREND,
Staff Representative,
Junglinster,
Director

NICO KIRSCH,
Staff Representative,
Bivange,
Director

VIVIEN LEVY-GARBOUA,
Senior advisor BNP Paribas,
Paris,
Director

CORINNE LUDES,
Staff Representative,
Dudelange,
Director

JEAN MAJERUS,
Staff Representative,
Enscherange,
Director

ERIC MARTIN,
Chairman of the Management Board,
Managing Director of BNP Paribas
Luxembourg,
Luxembourg
Director

JEAN MEYER,
Doctor of Law, Attorney,
Oberanven,
Director

JEAN-PAUL PRUVOT,
Managing Director of l'Ardenne
Prévoyante,
Stavelot,
Director

NORBERT ROOS,
Staff Representative,
Rodange,
Director

JEAN-LOUIS SIWECK,
Master of Arts,
Luxembourg,
Director

TOM THEVES,
Chemical Engineer,
Luxembourg,
Director

CARLO THILL,
Chairman of the Management Board,
Leudelange,
Director

FRANÇOIS VILLEROY DE GALHAU,
Member of the Executive Committee
of BNP Paribas,
Paris,
Director

MICHEL WURTH,
Economist,
Sandweiler,
Director

BOARD OF DIRECTORS UNTIL 13 MAY 2009

GASTON REINESCH,
Economist,
Luxembourg,
Chairman

CAMILLE FOHL,
Member of the Executive Committee
of Fortis Bank,
Brussels,
Vice-Chairman

**HRH PRINCE GUILLAUME
OF LUXEMBOURG,**
Luxembourg,
Director

MARC ASSA,
Economist,
Steinsel,
Director

BRIGITTE BOONE,
Member of the Executive Committee
of Fortis Bank,
Brussels,
Director

MICHEL DE HEMPTINNE,
Chief Facility and Purchasing Officer
of Fortis Bank,
Brussels,
Director

FILIP DIERCKX,
Chairman of the Executive
Committee of Fortis Bank,
Brussels,
Director

GABRIEL DI LETIZIA,
Staff Representative,
Bergem,
Director

BERNARD FRENAY,
General Manager Consolidation
& Accounting of Fortis Bank,
Brussels,
Director

FERNAND GALES,
Staff Representative,
Dudelange,
Director

JEAN-CLAUDE GILBERTZ,
Staff Representative,
Olm,
Director

JACQUES GODET,
Chief Information Officer of Fortis
Bank,
Brussels,
Director

PIERRE GRAMEGNA,
Lawyer and Economist,
Esch/Alzette,
Director

CLAUDE HEIREND,
Staff Representative,
Junglinster,
Director

NICO KIRSCH,
Staff Representative,
Bivange,
Director

CORINNE LUDES,
Staff Representative,
Dudelange,
Director

JEAN MAJERUS,
Staff Representative,
Enscherange,
Director

JEAN MEYER,
Doctor of Law, Attorney,
Oberanven,
Director

NORBERT ROOS,
Staff Representative,
Rodange,
Director

CHRISTIAN SCHAACK,
Member of the Management Board,
Canach,
Director

ROBERT SCHARFE,
Member of the Management Board,
Niederanven,
Director

JEAN-LOUIS SIWECK,
Master of Arts,
Luxembourg,
Director

TOM THEVES,
Chemical Engineer,
Luxembourg,
Director

CARLO THILL,
Chairman of the Management Board,
Leudelange,
Director

MICHEL WURTH,
Economist,
Sandweiler,
Director

HONORARY CHAIRMEN

GEORGES ARENDT,
Doctor of Law,
Luxembourg

MARCEL MART,
Former President of the Court of Auditors
of the European Communities,
Luxembourg

HONORARY VICE-CHAIRMEN

XAVIER MALOU,
Honorary Director of
Generale Bank,
Brussels

FERDINAND CHAFFART,
Honorary Chairman of the Management
Board of Generale Bank,
Brussels
(† in February 2010)

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

VIVIEN LEVY-GARBOUA,
Director,
Chairman (as from 13 May 2009)

JEAN CLAMON,
Director,
Member (as from 11 March 2010)

JACQUES D'ESTAIS,
Vice-Chairman of the Board of
Directors,
Member (as from 11 March 2010)

CAMILLE FOHL,
Director,
Member

BERNARD FRENAY,
Director,
Member (until 13 May 2009)

JACQUES GODET,
Director,
Member (until 13 May 2009)

JEAN MEYER,
Director,
Member (as from 13 May 2009)
Chairman (until 13 May 2009)

ALAIN PAPIASSE,
Director,
Member (as from 13 May 2009)

GASTON REINESCH,
Chairman of the Board of Directors,
Member

MICHEL WURTH,
Director,
Member

EXTERNAL AUDITOR

PRICEWATERHOUSECOOPERS S.À R.L.
Réviseurs d'entreprises

MANAGEMENT BOARD

ERIC MARTIN,
Chairman (as from 13 May 2009)

CARLO THILL,
Chairman

PATRICE CROCHET,
Private Banking
Member (as from 1 March 2010)

DOMINIQUE GOULEM,
Treasury
Member (as from 1 March 2010)

LUC HENRARD,
Risk
Member (as from 1 March 2010)

ANNE KAYSER,
Compliance
Member (as from 1 March 2010)

MARC LENERT,
ITP & Operations
Member

CARLO LESSEL,
Finance
Member (as from 1 March 2010)

ROBERT SCHARFE,
Corporate and Investment Banking
Member

CHRISTIAN SCHAACK,
Member (until 25 February 2010)

KIK SCHNEIDER,
Banque de Détail et des Entreprises
Member (as from 1 March 2010)

THIERRY SCHUMAN,
Human Resources
Member

From left to right (standing): Marc Lenert (Member), Luc Henrard (Member), Kik Schneider (Member), Carlo Lessel (Member), Dominique Goulem (Member), Thierry Schuman (Member).
From left to right (seated): Patrice Crochet (Member), Eric Martin (Chairman), Anne Kayser (Member), Carlo Thill (Chairman), Robert Scharfe (Member).

JEAN-LOUIS MARGUE
Secrétaire général

INTERNAL AUDIT

EMMA PERTAT
(as from 15 March 2010)

MARC OLINGER
(until 15 March 2010)

MANAGEMENT OF THE MAIN SUBSIDIARIES AND PARTICIPATING INTERESTS

FORTIS BANQUE SUISSE
Bas Rijke

FORTIS LEASE GROUP
Claude Crespin

SADE
(Société Alsacienne
de Développement et d'Expansion)
Antoine Gilliot

STATEMENT OF THE BOARD OF DIRECTORS

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of BGL BNP Paribas SA (the Bank) is responsible for preparing the consolidated accounts of the Bank in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the EU Transparency Directive (2004/109/EC).

The Board of Directors revised these consolidated accounts on 11 March 2010 and authorised their publication.

The Board declares that, to the best of its knowledge, the consolidated accounts give a true and fair view of BGL BNP Paribas SA at 31 December 2009, and its consolidated financial performance and consolidated cash flows, and that there is no factor that might significantly impact its financial position.

Luxembourg, 11 March 2010

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

PREAMBLE

In 2009, all stakeholders united their efforts to make a success of the Bank's alliance with BNP Paribas.

On 6 March 2009, the governments of Luxembourg and Belgium adopted, in agreement with Fortis Holding, the principles for a new agreement amending the protocols of October 2008 that had allowed the Luxembourg State to become a shareholder of the Bank by acquiring a 49.90% equity interest through the conversion into shares on 15 December 2008 of EUR 2.4 billion out of the total EUR 2.5 billion subordinated loan granted to the Bank on 30 September 2008.

At an Extraordinary General Meeting on 30 April 2009, the Bank's shareholders authorised the Board of Directors to effect a capital increase through the conversion of the remaining EUR 100 million of the subordinated loan granted by the Luxembourg State. The Board conducted this capital increase on 13 May 2009.

Following subsequent transactions in France, Belgium and Luxembourg, BNP Paribas became the Bank's majority shareholder. It now controls, directly and indirectly through BNP Paribas Fortis, 65.96% of the Bank's equity. The Luxembourg State remains a significant shareholder with a 34% interest.

The decisions taken reflect the shared aim, clearly stated by all stakeholders, of building a solid group steered by BNP Paribas and with the Luxembourg State retaining a significant interest. This is both to ensure the security of employment and savers' deposits, and to enable the

Bank to continue developing its businesses in the interest of its clients and with the support of an internationally renowned industrial partner.

At an Extraordinary General Meeting on 11 June 2009, the Bank's shareholders approved amendments to its articles allowing for the Management Board to be headed by two co-chairmen, this being to smooth the way for the alliance between the local entities of the new group as well as to ensure the coordination and efficiency of day-to-day operations. Continuing the direction taken at the end of 2008, shareholders also voted to change the Bank's name to BGL BNP Paribas with effect from 21 September 2009.

On 25 November 2009, the Board of Directors approved the business plan for BGL BNP Paribas, adopted within the framework of the overall business project for the BNP Paribas group. Deployment of this plan, which is expected to be completed by the end of 2012, aims to unite all the forces of BGL BNP Paribas and BNP Paribas behind an ambitious project for Luxembourg.

The integration process will be conducted in strict accordance with the undertakings given on employment and consultation of staff representatives. For the Bank, the business plan will be tied to the integration of BNP Paribas Luxembourg SA into BGL BNP Paribas SA at the end of 2010.

CONSOLIDATED MANAGEMENT REPORT

The Bank's consolidated balance sheet and profit & loss account reflect four main developments in 2009:

- favourable trends for its operational activities
- the impact of the economic crisis, especially on the results of Fortis Lease Group
- the impact on consolidated results of convergence with the standards and valuation methods of BNP Paribas
- changes in the scope of consolidation pursuant to the business plan.

To comply with IFRS 5 standards, the Bank reclassified the balance sheets, income and charges of certain subsidiaries under available-for-sale assets. As regards the balance sheet, the Bank's interests in companies such as Fortis Banque (Suisse) SA, Fortis Investment Management SA and certain leasing entities in Scandinavia, as well as the businesses of BGL Securities Services that are to be sold to BNP Paribas Securities Services in Luxembourg in the course of 2010, have been classified under distinct headings as *assets and liabilities held for sale.* As regards the profit and loss account, the profits and losses relating to these interests have been reclassified as *net profit of discontinued business*. For the sake of comparability, 2008 accounts have been adjusted accordingly.

Balance Sheet

The *balance sheet total* of EUR 43.2 billion at 31 December 2009 showed an 18% decline from the same date in the previous financial year. This was principally attributable to the downturn in interbank business.

On the asset side, this downturn in interbank transactions was mainly apparent in *cash and cash equivalents and loans and receivables from credit institutions,* which showed a combined fall of 60.1%. This was principally due to the reclassification of the business of BGL Securities Services as *non-current assets held for sale and discontinued operations*.

Loans and receivables to customers were down by 15% or EUR 3.8 billion, partly as a result of the repayment of EUR 1.4 billion in loans granted to large international businesses and partly due to a EUR 1.5 billion decline in certain international leasing business in a context of global economic slowing. Finally the reclassification of Fortis Banque (Suisse) SA activities as *non-current assets held for sale and discontinued operations* reduced *loans and receivables to customers* by EUR 1.6 billion.

Available-for-sale and held-to-maturity financial assets showed respective declines of 28.5% and 4.9% from the previous year following sales and the maturing of securities positions. These two items were also affected by the sale of the riskier portion of the structured credit portfolio to Royal Park Investments SA/NV, a special purpose vehicle set up jointly by BNP Paris SA, Fortis NV/SA and the Belgian government through the Belgian public company *Société Fédérale de Participations et d'Investissement* (SFPI) to take over a portion of Fortis Banque group's structured credit portfolio.

On the liabilities side, *deposites from credit institutions* showed a steep decline, reflecting significantly lower cash requirements as well as less favourable refinancing terms at the end of 2009.

At the same time, *deposits from customers* showed an apparent decline of EUR 5.4 billion or 28.3%, essentially due to reclassification of the business of BGL Securities Services in a total amount of EUR 4.7 billion under the heading *liabilities linked to non-current assets held for sale and discontinued operations* as well as similar reclassification of the deposits of Fortis Banque (Suisse) SA, which is to be sold in the course of 2010. Deposits at parent company level were stable.

A EUR 1.2 billion rise in *debt certificates* principally relates to large investments from foreign institutional clients in the Bank's short-term commercial paper programme.

On 13 May 2009 the Bank recognised a capital increase following the Luxembourg State's contribution in kind of the 2009-2013 subordinated loan in a nominal amount of EUR 100 million, leading to the issue of 569,884 new shares for an amount of EUR 14.5 million. This capital increase of EUR 14.5 million was associated with an issuing premium of EUR 85.5 million, thus adding a total of EUR 100 million to the Bank's own funds.

At 31 December 2009, fully subscribed and paid-up capital amounted to EUR 713.1 million, represented by 27,979,135 shares.

Assuming the proposed appropriation of earnings is approved at the General Meeting of shareholders on 1 April 2010, consolidated regulatory own funds as recognised for the calculation of solvability ratios will amount to EUR 5,735.3 million at 1 January 2010 compared with EUR 5,826.2 million at the same date of the previous year.

The solvency ratio at 31 December 2009 was 27.2% compared with 22.2% at the end of the previous financial year.

Profit and Loss Account

Net interest income and *net fees and commissions* for the 2009 financial year totalled EUR 989.1 million, showing a rise of 6.0% from the previous year. Favourable refinancing terms associated with the decline in short-term interest rates enabled the Bank to significantly increase *net interest income,* but while this item showed an overall rise of 14.8%, leasing subsidiaries suffered declines as a result of slacker business, as did the results from lending in Switzerland. *Net fees and commissions,* in contrast, declined 14.5% from the previous year, primarily due to declines in revenue from assets under management and stock-market transactions. The plunge in stock prices triggered by the financial crisis and the economic downturn reduced the asset values used for the calculation of management fees and slowed the flow of market orders generating brokerage fees.

Net realised capital gains on investments suffered a steep fall of EUR 41.2 million from EUR 63.2 million in 2008 to EUR 22.0 million in 2009. This is partly due to losses on sales of portfolio shares, counter balanced by a capital gain of EUR 34.5 million on the sale of the Bank's interest in Fortis Intertrust Group Holding SA in 2009, but it also reflects the EUR 80 million gain recorded on the sale of non-strategic interests in SES SA and Luxair SA in 2008.

The results of the measurement of financial assets and liabilities at fair value are recognised under *other net realised and unrealised gains (losses).* This item represented a gain of EUR 85.3 million in 2009 compared with a loss of EUR 103.3 million in 2008. The EUR 85.3 million gain is principally made up of unrealised gains on debt certificates at fair value and valuations of derivatives.

The *other income* item showed a rise of EUR 9.8 million or 27.1% essentially attributable to the reimbursements received during the year from Luxembourg's deposit guarantee association AGDL *(Association pour la Garantie des Dépôts, Luxembourg)* in connection with the restructuring of the Luxembourg subsidiary of an Icelandic bank.

Net banking income for the year thus came to EUR 1,215.7 million, showing a rise of EUR 201.8 million or 19.9% from 2008.

Net allocations to *impairments* amounted to EUR 584.3 million compared with EUR 478.7 million in 2008. This very high figure reflects first of all the impact of the economic downturn on leasing entities, which recorded very large value corrections totalling EUR 530.3 million to cover the growing risk of customer defaults. It is also the result of convergence with the provisioning methods applied by the BNP Paribas group. The Bank also amortised goodwill on certain leasing companies in a total amount of EUR 36.3 million. Finally, the Bank recognised value impairments totalling EUR 41.0 million for interests in certain associated companies accounted for by the equity method.

Total operating expenses came to EUR 516.1 million in the year to 31 December 2009 compared with EUR 654.0 million in 2008. *Staff expenses* showed a modest increase of 0.8% or EUR 2.2 million. Average staff numbers declined by 4.8% or 173 full-time equivalents. The decline in total operating expense is principally due to the non-recurrence of two items booked under *other administrative expenses* in 2008. One of these was a provision of EUR 62.1 million to AGDL to reimburse customers of Icelandic banks, and the other was a provision of EUR 78.9 million to cover operational risk relating to subsidiary Fundamentum SA. Excluding these exceptional items in 2008, other administrative expense was at a similar level in 2008 and 2009.

Net profit of discontinued operations of EUR -52.6 million represents the results of subsidiaries that will be excluded

from the scope of consolidation in the course of 2010, among them Fortis Banque Suisse, Fortis Investment Management and certain leasing entities.

The *net profit attributable to equity holders of the parent* for 2009 was thus EUR 6.2 million compared with a loss of EUR 107.2 million for the previous financial year.

The negative net impact of non-recurring items relating to the restructuring process and alignment with the methods of the BNP Paribas group on net profit at 31 December 2009 was EUR 188.4 million. Excluding these items, net profit for the year would thus have come to EUR 194.7 million.

Following the close of the 2009 financial year, the favourable development of operational businesses continued despite the persistently unstable environment.

In relationship with deployment of BNP Paribas's overall industrial plan and in accordance with the decisions taken by the Board of Directors on 25 November 2009, the Bank plans to sell its interests in Fortis Banque (Suisse) SA and Fortis Investment Management SA to other entities in the BNP Paribas group and to acquire an interest in BNP Paribas Investment Partners SA. This will take place in the course of the first half of 2010.

The business of BGL Securities Services will be transferred to BNP Paribas Securities Services Luxembourg, a branch of BNP Paribas Securities Services SA, in the course of 2010.

In the first half of 2010, the Bank's interest in Fortis Lease Group will be diluted as a result of the issue of new shares as consideration for the contribution in kind of the leasing entities of BNP Paribas.

On 21 January 2010, the Board of Directors decided to sell the Bank's remaining interest in Internaxx Bank SA, representing 25% of equity, to its industrial partner TD Waterhouse.

On 25 February 2010, in accordance with the decision of the Board of Directors on 25 November 2009, the Bank acquired all the shares of BNP Paribas Luxembourg SA. The company will be integrated into BGL BNP Paribas in the course of 2010.

Risk Management

The Bank's risk-management policies are described in detail in note 6 to the consolidated financial statements at 31 December 2009.

This policy is designed to ensure proper deployment of all the measures needed to fully comply with the standards of governance required by Luxembourg's supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF), and the BNP Paribas group. In addition to the central management bodies that coordinate risk monitoring, each of the Bank's business lines has its own risk-management department dedicated to its specific activities.

At central management level, the different types of risk are monitored and managed by dedicated committees meeting on a regular basis. These include the *Central Credit Committee,* which meets once a week and controls credit risk; the *Asset & Liability Committee,* which meets every two months and is responsible for monitoring and managing market risk; and the *Operational Risk Committee,* which meets each quarter and deals with operational risk. These three committees report to the Management Board, which holds quarterly meetings with additional participants to consider all issues relating to risk management within the Bank.

The Bank has at all times had the necessary structures and applied sound risk management policies complying with Basel II requirements and those of competent regulators.

The Bank's Activities

Against a backdrop of persistently difficult economic conditions and gradual recovery on financial markets, all the Bank's business lines turned in globally satisfactory commercial performances in the 2009 financial year. The year was also marked by the intensive efforts of all staff members in support of the tie-up with BNP Paribas, initiated on 13 May 2009.

Retail Banking

In March 2009, BGL BNP Paribas became the first bank in Luxembourg to launch a special programme in support of individual and business clients exposed to the economic crisis.

The Bank thus deployed a full range of products and services to provide proactive responses to the needs of *retail clients* facing difficulties as a result of current conditions. These temporary measures, which continue to apply at present, allow in particular scope for reductions in monthly instalments or suspension of payments of interest and principal, as well as for restructuring debt owed to the Bank. The Bank is thus able to offer targeted responses in individual cases, particularly where employment is an issue. Separately, the Bank also innovated with the guarantee of 1.25% interest on deposits remaining on savings accounts throughout the year. BGL BNP Paribas thus remains clearly focused on clients' current needs with an offering that is attractive and transparent, providing ready access to reserves at all times.

BGL BNP Paribas: Support for independent professionals and businesses exposed to the economic downturn

The Bank has set up specialised units to develop a proactive approach to the needs of *self-employed professionals and businesses* facing temporary difficulties as a result of the economic downturn. Working alongside local institutions and building new partnerships with external parties BGL BNP Paribas has created conditions that allow it to take swift decisions, free from red tape, to adjust or restructure repayment schedules. More specifically, this can involve temporarily suspending payments and extending durations, as well as factoring and sale-leaseback financing. The success of the Bank's integrated offering has brought a significant rise in outstanding loans and other credit, continuing its longstanding commitment to playing a central role in the country's economic development.

BGL BNP Paribas was the first bank in Luxembourg to sign an agreement with the European Investment Bank specifically for small and medium-sized businesses. This provides for the distribution of EUR 50 million in low-interest financing to SMEs to support their planned investments.

BGL BNP Paribas in partnership with the EIB — the first EIB loan for SMEs in Luxembourg

In September 2009, the Bank signed a partnership agreement with the European Investment Bank to make EUR 50 million available to SMEs through a new-generation EIB loan — the first of its kind in Luxembourg.
As Luxembourg's leading bank in this business segment, BGL BNP Paribas is acutely aware of the need to ensure continued access to financing for operations and investments, and thus support the employment they create. With the EIB loan, SMEs benefit from advantages that include reduced interest rates in particular.

The Bank also offers a full range of products and services for self-employed professionals at every stage in the life of their business.

BGL BNP Paribas made a major push for business during the *Autofestival* which ran from 31 January to 9 February 2009. Initiatives included extending opening hours at some branches and enabling clients to file complete loan applications by phone, internet or via Web Banking — the first time this was offered in Luxembourg. These efforts were rewarded with a 41% rise in the number of contracts signed compared with the previous year, confirming their success with the general public.

In the second half of 2009, the Bank upgraded its offering for young clients, with the focus on support for students and people starting out in professional life. This new approach *"Jeunes"* has already proved very successful, in particular through a partnership with the main secondary schools. Based on a "get off to a good start" theme, the programme was launched to coincide with the annual student fair at the end of the year.

Turning to mortgage lending, the Bank's portfolio of loans granted to households in Luxembourg and neighbouring areas of other countries showed a rise of 5.6% from 2008. In this area, the Bank systematically passed on the benefit of successive cuts in ECB rates to borrowers.

It also continued to expand its investment offering by issuing bonds and structured products for both resident and non-resident clients, with nine new products brought to market in 2009.

Throughout the year, the Bank welcomed clients to a variety of events, notably to celebrate its change of name to BGL BNP Paribas. This reflects its longstanding links to the country's economic and social fabric and the close involvement of its branches in their local communities.

Commercial Banking and the Grande Région

A partner of choice for businesses in Luxembourg and the *Grande Région* that includes neighbouring areas of France and Germany, the Bank's Commercial Banking division serves clients through four Business Centres and its subsidiary SADE *(Société Alsacienne de Développement et d'Expansion)*.

Healthy operational performances in 2009 confirm the effectiveness of a business approach based on close relationships and proactive responses to client needs.

Traditionally in the service of the country's economic development, the Bank maintained its lead in banking for businesses in Luxembourg with a full range of solutions and services that provide effective support for both domestic and international operations.

A benchmark financial institution in the *Grande Région*, especially for cross-border and international businesses, the Bank consolidated staffing at its Business Centres in

Metz, Strasbourg, Luxembourg and Trier/Saarbrücken. A German banking licence enables Business Centres in Trier and Saarbrücken to offer clients a full range of banking/financial products and services.

In addition to traditional financing, the Bank's offering for businesses includes a comprehensive line-up of specialised services such as automated international treasury management and products for international trade, as well as hedging products for interest rates, exchange rates and commodities.

Leasing and factoring options developed in close cooperation with Commercial Banking continued to offer alternative solutions for business financing needs.

Finally, Strasbourg-based subsidiary SADE has specialised in financing for real-estate professionals, while remaining an active partner of regional institutions. Leveraging its close local ties and specialised expertise, SADE recorded steady results in 2009.

Private Banking

Private Banking Luxembourg

The Bank's Private Banking business is mainly structured around the Royal-Monterey Centre in the city of Luxembourg, and Private Banking Centres at Luxembourg Gare and Wiltz. It offers clients direct access to a broad range of services and tailor-made, value-added solutions to preserve and optimise assets and ensure effective estate planning.

The division maintained its business base through a combination of commercial initiatives and ongoing development of service and solutions matching client needs. These, in turn, drew strength from a proactive approach for long-term relationships founded on a full understanding of the needs and aspirations of each client.

In 2009, stock markets staged a spectacular rebound that lasted from the end of March to the end of December, a highly favourable context reflected in vigorous performances for discretionary management of both stock-picking and fund-based portfolios.

In this favourable market context, the Bank launched 22 structured products enabling clients to capture gains.

The Bank's Professional Banking unit, which serves asset management professionals, posted robust growth in 2009. Close connections to Private Banking operations together with pooling of expertise and resources have played a decisive role in business development in this sector, where BGL BNP Paribas holds a key position for the Luxembourg financial market.

At the end of 2009, the Private Banking division extended its range of non-financial services to include BNP Paribas Wealth Management's philanthropy services.

Philanthropy — a fresh addition to BGL BNP Paris offerings

Serving a wealthy and demanding clientele, BGL BNP Paribas provides personalised advice for asset structuring and diversification, as well as management services based on a carefully selected range of innovative, high-performance products.

New links to the Wealth Management International division of BNP Paribas allow the Bank to offer clients direct access to the Group's offering, which includes a uniquely comprehensive philanthropy service.

BNP Paribas Wealth Management is the euro zone's leading private bank in the sector, combining philanthropy services to its client with initiatives to spur public interest and debate. This is a clear source of added value for clients in Luxembourg who are interested in the field.

Private Banking International

A wholly-owned subsidiary of BGL BNP Paribas, Fortis Banque (Suisse) SA focuses on wealth management and representation of investment funds.

Wealth management services are principally for an international clientele of wealthy private clients. They include discretionary and advisory management of assets, as well as execution of related transactions in shares, investment funds and currencies, provision of Lombard loans and the issue of surety bonds.

In 2009, business conditions remained problematic throughout the year. The financial difficulties of the Fortis group and uncertainties about its future had a severe impact on the results of Fortis Banque (Suisse) SA, but BNP Paribas's takeover of Fortis Banque steadied business from May on.

Subsidiaries in Dubai and Lugano, associated with Fortis Banque (Suisse) SA were closed at the end of June and the end of September, respectively.

Finally, as a result of the implementation of the BNP Paribas group's industrial plan, BNP Paribas (Suisse) SA is to become the majority shareholder of Fortis Banque (Suisse) SA in the first half of 2010.

Merchant Banking

A favourable market environment and financing terms made for generally positive revenue trends for the *Merchant Banking* division.

Global Markets

All of the Bank's market operations turned in exceptional results in 2009.

Treasury Management benefited from the decline in interbank rates in the first quarter and generated vigorous profits on active asset-liability management. Short-term spreads then narrowed by stages, weakening performance in following months, although full-year results for 2009 remained very healthy.

Reactivating Euro (ECP) and US (USCP) commercial-paper programmes for short-term funding consolidated cash positions, while EMTN programmes showed a decline. *Bilateral repo* transactions helped optimise funding for the Bank's own portfolios.

Turning to currency markets, a permanent presence in a market-maker capacity enabled the Bank's *spot and options forex* team to turn in a solid performance with a strategy of prudent positioning.

Forward trading operations, also pursuing a prudent strategy, beat expectations with efficient management of business flows.

Credit trading had a record year, taking full advantage of narrowing *credit spreads.* Strategies adopted for positioning on financial-sector bonds and sovereign debt paid off handsomely.

During the year, the Bank continued moves to prune its investment portfolio. Exposure to risky counterparties was cut back with only limited increases in specific credit-risk provisions. Narrowing *credit spreads* led to positive revaluation of the *credit default swap* portfolio.

Corporate & Public Banking

The Corporate & Public Banking (CPB) team continued its success in serving large businesses in Luxembourg, Germany, Austria and German-speaking Switzerland. Business in these areas is to be transferred in accordance with the industrial plan approved on 25 November 2009.

The client portfolio at the end of 2009 was on much the same scale as a year earlier. Sector representation through both unlisted companies and components of Germany's DAX, MDAX and SDAX indices remained highly diversified.

During the first half of the year, the slide into global recession affected practically all countries and all branches of industry. For many industrial groups, the result was a decline in orders over the year, taking a heavy toll on balance sheets and profit & loss accounts. The Corporate & Public Banking portfolio nonetheless continued to meet generally high standards of quality and performance.

The Bank also remained active in lending, derivatives and deposits to meet client demand, with the result that Corporate & Public Banking made a very positive contribution to overall performance for the year.

Securities Services

The Bank's *Securities Services* cover a full range of support for investment funds, including depository bank and central administration services, treasury management, and financing for both traditional retail-market funds and specialised funds for institutional investors.

The Luxembourg investment fund sector — a centre of undisputed excellence for the distribution of funds across Europe and worldwide — maintained its leading role and drive, holding firmly on to its number-two place behind the US.

The EU's new Directive on Undertakings for Collective Investment in Transferable Securities/UCITS IV, approved by the European Parliament in January 2009, is designed to remove remaining barriers to cross-border distribution in Europe and will thus clearly open up new opportunities for Luxembourg's product and service offering.

After what was a very testing time for the financial sector as a whole in 2008, markets picked up again in 2009. This boosted assets on deposit with the Bank, which showed a 27% rise to EUR 91 billion at 31 December 2009. The latest figures rank the Bank eighth for fund services in Luxembourg.

The tie-up with BNP Paribas will result in the transfer of the Bank's securities services business to the Luxembourg branch of BNP Paribas Securities Services. This will give clients the benefit of a wider range combined with global geographic reach.

Operations

In *Securities Handling,* fund-related business rebounded towards the end of the year. There was no letup in efforts to enhance the quality of client service, and operations related to investment funds benefited from new developments offering increased efficiency and more effective control.

Custody business was at much the same level as in the previous year. Technical upgrades and pocess reviews increased automation of paperwork generated by corporate actions.

In *Payments,* 2009 — like the two previous years — was a busy time for both volumes processed and regulatory change. Continued growth in the sector brought a fresh rise in electronic processing at the expense of physical processing, with the former now accounting for over 90% of the total.

On the regulatory front, business was again marked by the deployment of the *Single Euro Payments Area (SEPA)* project. The Bank implemented the requirements of the *Payment Services Directive (PSD),* which provides a harmonised legal framework for SEPA, aiming for greater transparency to reinforce consumer protection.

Preparations for a new *SEPA direct debit service* were also a main focus, leading up to a successful launch in November and thus ensuring a Europe-wide presence for the Bank.

Operations under the *accounts, customers and payment instruments* heading were again marked by proactive initiatives to enhance the quality of information on clients and prospects and thus meet legal and regulatory requirements.

Information Technology

During the year, the Bank continued developing its information systems to meet new client needs and enhance process efficiency, keeping costs under control while reducing exposure to operational risks and staying in step with regulatory change. Projects for convergence with BNP Paribas were also defined and initiated.

A wide variety of new tools were installed to provide effective backup for all the Bank's business lines and the expansion of their activities.

In this connection, work continued on technical infrastructure to optimise the match with their requirements in terms of functionalities, performance and security. For the fourth year in a row, continued enhancement of applications security was rewarded with CYBERTRUST certification of the Bank's IT systems as a whole.

At regulatory level, the Bank updated applications to meet new requirements for VAT and SEPA.

Finally, IT teams took necessary steps for the name change to BGL BNP Paribas, at the same time analysing and preparing for technical and software migrations that will take place in 2010 for convergence with the BNP Paribas group.

Human Resources

The Bank's consolidated staff numbers showed a slight decline from the end of 2008 to stand at 3,602 at 31 December 2009.

Totals for consolidated subsidiaries declined from 826 to 782 at Fortis Lease Group and from 294 to 255 at Fortis Banque (Suisse).

In Luxembourg, the number of BGL BNP Paribas employees eased from 2,528 at the end of 2008 to 2,498 at 31 December 2009.

Human Resources at BGL BNP Paribas

At 31 December 2009, the Bank counted 2,498 employees, of whom 1,299 or 52% were men and 1,199 or 48 % were women. BGL BNP Paribas thus remains one of the two largest employers in the Luxembourg banking industry. During the year, 61 new employees were recruited.

The proportion of employees working part time rose from 19.90% in 2008 to 21.98% or 549 people at the end of 2009.

Over 25 nationalities are represented in the Bank's workforce, with origins breaking down as follows:

Luxembourg	47.7%
France	21.6%
Belgium	18.1%
Other EU countries	12.0%
Countries outside the EU	0.6%

Despite the troubled economic environment, the Bank was again active on the labour market during the year, participating in job forums and welcoming 61 new staff members along with around 30 interns. As integration and reorganisation proceeded, individual staff members seeking new in-house positions were also encouraged to express their priorities, with a view to matching their aspirations with needs in different areas of the Bank's business.

Training opportunities were maintained to ensure the necessary development of competencies within the business as well as the long-term employability of all staff members. Staff members from all areas of operation benefited from a total of some 6,800 training days, which is a lower figure than in 2008.

In this area, new *Free Learning* programmes, backed up by "Meet & Learn" sessions, received a promising welcome. These take place outside working hours and during lunch break and allow staff members at all levels and in all areas to round out their banking knowledge at no cost.

The Bank also offers an 18-month *Associates' Programme* for young graduates with master's degrees in economics, finance and law. Participants benefit from personalised training backed up by assignments of three to four months in different departments, acquiring practical experience as well as theoretical knowledge. During this time, they have a personal mentor, plus a coach in the HR department and coaches for specific business areas. There are seven participants in the 2009-2010 Associates' Programme.

Finally, a variety of employability initiatives were successfully deployed for the benefit of operational and sales staff members in preparation for future reorganisation in some areas of business.

Staff health and well-being naturally remained a fundamental priority for the Bank's human resource management.

This was reflected in a large number of initiatives adopted in consultation with staff representatives and ASTF *(Association pour la santé au travail du secteur financier)*, an association dedicated to health at the workplace in the financial sector. Aimed at improving working conditions and promote health, these included the installation of portable defibrillators, information and prevention campaigns for seasonal and H1N1 influenza, and vaccination programmes.

Turning to labour law, the beginning of 2009 saw deployment of legislation establishing a unified status for all private-sector employees, doing away with the earlier distinction between *ouvriers* and office *employés*. The move also resulted in the merger of healthcare and pension systems for these two categories.

At the end of the second half, the Luxembourg banking association (*Association des Banques et Banquiers*) and staff representatives renewed their collective labour agreement for bank employees.

Well aware of the critical importance of human capital, the Bank is very grateful for the invaluable contributions of all staff members in these times of rapid change, and expresses its profound gratitude for their continued efforts and unfailing dedication throughout the year under review. It also draws attention to the responsible, constructive approach taken by all employee representatives and thanks them for their day-to-day commitment and cooperation.

Alphonse Weicker Foundation

Established in 1989, the Alphonse Weicker Foundation promotes specialised study and research in Luxembourg, organising conferences and seminars and providing support for research in fields ranging from biomolecular science to health, information technology, politics, sociology and the history of art.

The Foundation is an invaluable lever for BGL BNP Paribas in its ongoing commitment to the central role it has played in the economic and social life of Luxembourg ever since 1919.

In 2010, the Foundation will award its first Sustainable Economic Progress Prize, carrying a cash award of EUR 25,000, in recognition of an achievement or achievements or exceptional projects making a lasting and significant contribution to economic progress in Luxembourg.

Corporate Social Responsibility

Aware of its place in society as a whole and the contribution it can make, BGL BNP Paribas aims for the responsible, sustainable development of its business. In so doing, it takes into account the interests of all stakeholders and assumes its societal and environmental responsibilities to the full.

As a socially responsible business, the Bank makes an active contribution to the work of Luxembourg's National Institute for Sustainable Development and Corporate Social Responsibility (INDR), which provides ongoing support and encouragement for business in this field. It also offers a Socially Responsible Business label for companies wishing to give formal shape to their commitment and share their experience for joint progress with reports on their initiatives and successes in relationships with their employees and society at large.

In 2009, BGL BNP Paribas was awarded Social and Equal Opportunity at work certification and is actively pursuing its drive to be among the first to obtain the Corporate Social Responsibility certification

Turning to the environment, in 2009 the Bank continued moves to reduce its environmental footprint with action targeting its own operations and employees' reflexes on the job. It thus regularly organises campaigns to raise awareness and encourage staff to adopt simple habits and practices that help reduce consumption of electricity and paper as well as limit waste.

Soft mobility also remained a priority, as illustrated by the shuttle service linking BGL BNP Paribas sites in the city of Luxembourg; this cuts back on private car journeys and, by the same token, CO_2 emissions.

Another 2009 initiative involved centralizing data for electricity, gas, fuel, water and urban heating meters in BGL BNP Paribas buildings to identify leaks and other anomalies in real time. Monitoring is also an essential tool for quantifying priorities in energy savings, and measuring the real impact of technical improvements to buildings.

During the year, BGL BNP Paribas also modernised chilled water production at its headquarters for more efficient cooling in the building and the Bank's data centre. The resulting reduction in CO_2 emissions is estimated at 4,000 metric tons a year and consumption of drinking water has also been significantly reduced.

Information systems worldwide are among the biggest users of energy and BGL BNP Paribas places special emphasis on the energy-efficient operation of this infrastructure.

The BGL Foundation

In operation since 2006, the BGL Foundation provides financial and other support for socially useful projects in which Bank employees and retired former employees are personally involved. The Foundation thus offers a sound base for the continuing operation of associations and institutions taking action to assist the under-privileged, combat exclusion or promote other social causes.

In 2009, the BGL Foundation continued to provide financial and logistic support to a number of non-profit associations. In December, it organised a Solidarity Days event at the Bank's headquarters to enable employees to learn more about the associations their colleagues are involved in and make their own contributions.

UNCONSOLIDATED MANAGEMENT REPORT

This report comments on unconsolidated financial information prepared in accordance with legal and regulatory requirements in Luxembourg, in particular the legislation dated 17 June 1992, as amended, governing the accounts of credit institutions.

Balance Sheet

The unconsolidated balance sheet total at 31 December 2009 amounted to EUR 33.6 billion, showing a decline of 20.8% from EUR 42.4 billion in 2008. This was principally attributable to a decline in interbank transactions.

On the assets side, this decline in interbank transactions is mainly reflected in *loans and advances to credit institutions,* which fell a steep 34.3%.

Loans and advances to customers were down 9.6% overall due to cuts in lending to large international corporations, but there was a rise in new property loans.

The total of *debt securities and other fixed income securities declined* 18% and that *of shares and other variable yield securities* fell 28.2% as a result of sales and the maturing of some bond positions.

In May 2009, the Bank sold the riskier portion of its structured credit portfolio to Royal Park Investments SA/NV, a special-purpose vehicle set up jointly by BNP Paribas SA, Fortis NV/SA and the Belgium government through the Belgium public company *Société Fédérale de Participations et d'Investissement* (SFPI) to take over a portion of Fortis Banque group's structured credit portfolio.

On the liabilities side, *amounts owed to credit institutions* showed a steep decline, reflecting significantly lower cash requirements as well as less favourable refinancing terms at the end of 2009.

Funds from non-banking customers *(amounts owed to customers and debts evidenced by certificates)* declined a modest 1.2%. This is the Bank's main source of refinancing, accounting for 69.3% of the total, and amounted to EUR 23.3 billion at the end of 2009. As regards *amounts owed to customers,* a portion of the cash customers received from investment funds was reinvested in equities, which explains most of the decline.

Funds from private clients held steady. A EUR 1.1 billion rise in *debts evidenced by certificates mainly* reflects the large investments of foreign institutions in the Bank's short-term commercial paper programmes.

Own Funds

On 13 May 2009 the Bank made a capital increase as consideration for the Luxembourg State's contribution in kind of the 2009-2013 subordinated loan in a nominal amount of EUR 100 million, leading to the issue of 569,884 new shares for an amount of EUR 14.5 million. This capital increase of EUR 14.5 million was associated with an issuing premium of EUR 85.5 million, thus adding a total of EUR 100 million to the Bank's tier 1 funds.

At 31 December 2009, fully subscribed and paid-up capital amounted to EUR 713.1 million, represented by 27,979,135 shares.

Assuming the proposed appropriation of earnings is approved at the General Meeting of shareholders on 1 April 2010, unconsolidated regulatory own funds as recognised for the calculation of solvability ratios will amount to EUR 5.7 billion at 1 January 2010.

Treasury Stock

In 2009, the Bank did not purchase any of its own shares pursuant to the provisions of article 49-3c) of the Law on Commercial Companies. At 31 December 2009, the Bank held none of its own shares.

Profits and Allocation of Profits

The sum of *net interest income, income from securities, net commissions income and net profit on financial operations* came to EUR 1,098.4 million in 2009.

Net interest income rose a steep 44.1% or EUR 170.1 million from the previous year, reflecting the impact of favourable refinancing terms that resulted from lower short-term interest rates.

Net commissions, in contrast, fell 16%, mainly due to declines in revenue from assets under management and stock-market transactions. The plunge in stock prices triggered by the financial crisis and the economic downturn reduced the asset values used for the calculation of management fees and slowed the flow of market orders generating brokerage fees.

Income from securities fell 40% reflecting lower dividend payments from subsidiaries. Finally, net income on investment transactions improved significantly, showing a net gain of EUR 267.3 million after a net loss of EUR 592.2 million in 2008. This was in large part due to the reversal in 2009 of value corrections applied to the bond portfolio in 2008, in turn reflecting the rebound in financial markets and the release of surplus provisions after the sale of some structured loans.

Other operating income was down from EUR 110.8 million in 2008 to EUR 57.2 million in 2009. The result for 2009 includes in particular reimbursements received during the year from Luxembourg's deposit guarantee association AGDL *(Association pour la Garantie des Dépôts, Luxembourg)* in connection with the restructuring of the Luxembourg subsidiary of an Icelandic bank, while the figure for 2008 reflects capital gains on the sale of equity interests in SES SA and Luxair SA.

On the expenses side, *general administrative expenses* eased from EUR 320.4 million at 31 December 2008 to EUR 310.3 million at 31 December 2009.

Staff costs rose 1.6% as a result of automatic adjustments provided for in the collective labour agreement and of salary increases to reflect changes in the cost of living. However the average number of employees was 59 lower than in 2008.

A decline in *other administrative expenses* reflects in particular the fact that the capital duty *(droit d'apport)* in an amount of EUR 12 million relating to the capital increase in December 2008 was charged in full to 2008 accounts. Excluding this item, *other administrative expenses* showed a more limited decline of 1.2%, rewarding continued efforts to contain costs.

Other operating charges were significantly lower than in the previous year, amounting to EUR 33 million in 2009 compared with EUR 94.4 million at the end of 2008. In 2008, provisions for restructuring of subsidiary Fundamentum Asset Management SA had a severe impact on this item.

The value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments item represented a net appropriation of EUR 39.9 million compared with a net recovery of EUR 176.8 million in 2008. In 2008, market turbulence and restructuring of subsidiaries led to significant write-downs of the Bank's portfolios and equity interests, and the Bank thus recovered the whole of its lump-sum provision for assets at risk, amounting to EUR 220 million, as allowed under the Luxembourg banking supervisor's circular CSSF 08/386.

In 2009, the Bank recognised significant value corrections on its equity interests, explaining a rise in the *value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings*. Value corrections totalling EUR 557.9 million were recognised for subsidiaries Fortis Lease Group SA, Fortis Banque (Suisse) SA, Postbank Ireland Ltd and Fortis Investment Management SA.

However, as in 2008, the call for funds from Luxembourg's deposit guarantee association AGDL *(Association pour la Garantie des Dépôts, Luxembourg)* following the unavailability of deposits with the Luxembourg subsidiary of an Icelandic bank was charged to existing provisions and did not affect results for the year.

In 2009, the Bank reduced its fund for general banking risk by EUR 260.5 million to partly offset the exceptional value adjustments for investments in subsidiaries and affiliates. These anti-cyclical provisions had been set up in favourable times as a precaution, allowing for their use in the event of a downturn.

Tax on results on ordinary activities amounted to EUR 21.5 million. The tax charge was reduced in an amount equalling the tax loss carried forward from 2008.

The *other taxes* for 2008 included in particular a charge for wealth tax amounting to EUR 7.5 million.

The Bank's unconsolidated *net profit* thus came to EUR 432.4 million in 2009, EUR 401.7 million more than the EUR 30.6 million recorded for 2008.

Excluding the impact of exceptional items on 2009 accounts, net profit came to EUR 538.3 million with the support of a rise in operating income.

The proposed appropriations to be submitted to the General Meeting of shareholders are as follows:

Appropriation to legal reserve	EUR	**21,700,000.00**
Dividend of EUR 11.80 per share on 27,979,135 shares	EUR	**330,153,793.00**
Appropriation to statutory reserves	EUR	**1,517,172.28**
Appropriation to free reserves	EUR	**79,000,000.00**
Retained earnings	EUR	**51,789.13**
Total	EUR	432,422,754.41

Assuming these appropriations are approved, a gross dividend of EUR 11.80 per share will be payable to shareholders on presentation of coupon no. 30.

Shareholders are asked to approve the transfer of EUR 93.5 million from free reserves to an unavailable reserve for wealth tax with a view to reducing the wealth tax charge in respect of the 2009 financial year. Under current tax law, this reserve must be held over the five tax years following the reduction.

Since the close of the 2009 financial year, operational performances have remained on a favourable track despite a persistently unsettled environment.

In relationship with the implementation of BNP Paribas's overall business plan and in accordance with the decisions taken by the Board of Directors on 25 November 2009, the Bank will sell its interests in Fortis Banque (Suisse) SA and Fortis Investment Management SA to other entities in the BNP Paribas group and acquire an interest in BNP Paribas Investment Partners SA in the first half of 2010. In addition, the Bank's interest in Fortis Lease Group will be diluted as a result of new shares issued as consideration for the contribution in kind of the leasing entities of BNP Paribas, and the Bank will transfer its securities services business to another BNP Paribas group entity.

Pursuant to the same plan, on 25 February 2010 the Bank acquired all the shares of BNP Paribas Luxembourg SA and the company will be integrated into BGL BNP Paribas in the course of 2010.

In agreement with its partner An Post, the Bank has decided to discontinue the business of Postbank Ireland Ltd at the end of 2010.

Finally, on 21 January 2010 the Board of Directors decided to sell the Bank's remaining interest in Internaxx Bank SA to its industrial partner TD Waterhouse.

Risk Management

The Bank's risk-management policies are described in detail in note 6 to the consolidated financial statements at 31 December 2009.

These policies are designed to ensure proper implementation of all the measures needed to fully comply with all standards of governance required by the regulator and the Group. In addition to the central management bodies that coordinate risk monitoring, each of the Bank's business lines has its own risk-management department dedicated to its specific activities.

At central management level, the different types of risk are monitored and managed by dedicated committees meeting on a regular basis. These include the *Central Credit Committee,* which meets once a week and controls credit risk; the *Asset & Liability Committee,* which meets every two months and is responsible for market risk; and the *Operational Risk Committee,* which meets each quarter. These three committees report to the Management Board, which holds quarterly meetings with additional participants to consider all issues relating to risk management within the Bank.

The Bank has at all times had the necessary structures and applied sound risk management policies complying with Basel II requirements and those of competent regulators.

Internal Control and Risk Management Committee

The Internal Control and Risk Management Committee results from the merger in June 2005 of the Audit Committee, which had existed since 1999, and a new Compliance Committee established pursuant to circular CSSF 04/155 on compliance. Made up of Directors who are not members of the Bank's management or staff, the Committee is charged with assisting the Board of Directors in its supervisory role. Its members are appointed by the Board of Directors and currently include the Chairman and Vice-Chairman of the Board of Directors and four other Directors, one of whom is the Committee Chairman.

In 2009, the Internal Control and Risk Management Committee met 12 times.

Terms of Reference detail the Committee's tasks and responsibilities for audits, and the Bank has also adopted an Audit Charter establishing the internal control environment and defining the status and mission of internal auditors. It also has a Compliance Charter setting out procedures for both the Bank and its subsidiaries. By implementing these references and charters, the Bank not only complies with the recommendations of its supervisory authority and generally accepted international standards, but has also consolidated an internal audit environment that enhances the security of its operations and reflects best practices in this area.

Board of Directors

The Extraordinary General Meeting of 30 April 2009 opted not to make any changes to Board membership as this resulted from the appointments made on 15 December 2008.

Brigitte Boone, Michel de Hemptinne, Filip Dierckx, Bernard Frenay, Jacques Godet, Christian Schaack and Robert Scharfe submitted their resignations from the Board of Directors on 13 May 2009.

Pursuant to article 15 of the Bank's articles and article 51 of the legislation dated 10 August 1915, as amended, governing commercial companies, and considering seven directorships vacant, the Board co-opted François Debiesse, Jacques d'Estais, Vivien Lévy-Garboua, Eric Martin, Alain Papiasse, Jean-Paul Pruvot and François Villeroy de Galhau to fill these positions.

The Bank's Board of Directors met with its new membership for the first time on 13 May 2009. In accordance with article 16 of the Bank's articles, the Board confirmed the appointment of Gaston Reinesch as Chairman and chose Alain Papiasse to replace Camille Fohl as Vice-Chairman of the Board of Directors.

The Extraordinary General Meeting of 11 June 2009 ratified the cooptation of directors at the Board meeting on 13 May 2009, and each may remain in office until the expiry of the remaining term of office of his predecessor after resignation. All these terms of office expire at the date of the Annual General Meeting in 2012.

11 March 2010

The Board of Directors