Annual Report 2008

BGL

BGL Société Anonyme, 50, avenue J.F. Kennedy L-2951 Luxembourg R.C.S. Luxembourg B 6481

Contents

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

Unconsolidated and Consolidated Key Figures

Unconsolidated Key Figures

EUR millions (Lux-Gaap)	2008	2007	%	Net profit 2008 except non recurrent items	%
Profit and loss account					
Net profit	30.6	406.6	-92%	211.9	-48%

EUR millions (IFRS)	2008	2007	%
Regulatory own funds and solvency ratio			
Total regulatory own funds	5,882.6	3,538.4	66%
Total solvency ratio (Minimum floor Basel II)	27.0%	13.7%	na
of which: Tier 1 solvency ratio (Minimum floor Basel II)	26.4%	12.7%	na

Consolidated Key Figures

EUR millions (IFRS)	2008	2007	%	Net profit 2008 except non recurrent items	%
Profit and loss account					
Net operating income before change in impairments	1,053.7	1,365.6	-23%	1,214.7	-11%
of which: - Net interest margin	675.3	601.5	12%	675.3	12%
- Net commissions and fees	356.5	345.5	3%	356.5	3%
Impairments	-504.2	-54.7	ns	-249.8	ns
Total operating expenses	-735.4	-559.5	31%	-594.5	6%
Net profit attributable to shareholders	-107.2	676.8	ns	329.6	-51%
Cost income ratio	70%	41%	na	49%	na

EUR millions (IFRS)	2008	2007	%
Regulatory own funds and Solvency ratio			
Total regulatory own funds	5,826.2	3,496.1	67%
Total solvency ratio (Minimum floor Basel II)	22.2%	11.2%	na
of which: Tier 1 solvency ratio (Minimum floor Basel II)	21.0%	9.7%	na

Ratings (April 2009)	Moody's	Standard & Poor's	Fitch IBCA
Short-term	P-1	A-1+	F1+
Long-term	Aa2	AA-	AA-

Directors and Officers

Board of Directors as from 15 December 2008

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

Board of Directors until 15 December 2008

Jean Meyer,
Doctor of Law, Attorney, Oberanven,
Chairman

Gilbert Mittler,
Chief Financial Officer of Fortis, Brussels,
Vice-Chairman

HRH Prince Guillaume of Luxembourg, Luxembourg,
Director

Albert Conter,
Staff Representative, Arlon,
Director

Michel de Hemptinne,
Chief Facility and Purchasing Officer of Fortis, Brussels,
Director

Gabriel Di Letizia,
Staff Representative, Bergem,
Director

Camille Fohl,
Member of the Executive Committee of Fortis, Garnich,
Director

Bernard Frenay,
Deputy Chief Financial Officer of Fortis, Brussels,
Director

Fernand Gales,
Staff Representative, Dudelange,
Director

Jean-Claude Gilbertz,
Staff Representative, Olm,
Director

Jacques Godet,
Chief Information Officer of Fortis, Brussels,
Director

Pierre Gramegna,
Lawyer and Economist, Esch/Alzette,
Director

Claude Heirend,
Staff Representative, Junglinster,
Director

Joseph Kinsch,
Chairman of the Board of Directors of
ARCELOR MITTAL, Luxembourg,
Director

Corinne Ludes,
Staff Representative, Dudelange,
Director

Paul Meyers,
Doctor of Law, Luxembourg,
Director

Marc Muno,
Staff Representative, Mensdorf,
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

Arno Schleich,
Honorary Chairman of the Institut des Réviseurs
d'Entreprises Luxembourg, Roodt/Syr,
Director

Carlo Thill,
Chairman of the Management Board, Leudelange,
Director

Daniël van Woensel,
Doctor of Law, Schilde,
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

Internal Control and Risk Management Committee

Jean Meyer, Director,
Chairman

Michel de Hemptinne, Director,
Member (until 13 February 2008)

Camille Fohl, Director,
Member (as from 18 December 2008)

Bernard Frenay, Director,
Member (as from 18 December 2008)

Jacques Godet, Director,
Member (as from 12 March 2008)

Gaston Reinesch, Chairman of the Board of Directors,
Member (as from 18 December 2008)

Arno Schleich, Director,
Member (until 15 December 2008)

Daniël van Woensel, Director,
Member (until 15 December 2008)

Michel Wurth, Director,
Member (as from 18 December 2008)

External Auditor

KPMG Audit S.à r.l.
Réviseurs d'entreprises

Management Board

Carlo Thill,
Chairman

Robert Scharfe,
Member

Christian Schaack,
Member

Marc Lenert,
Member

Thierry Schuman,
Member

Yves Stein,
Member (as from 1 January 2008 until 30 June 2008)

Hugues Delcourt,
Member (as from 1 July 2008 until 5 October 2008)

Left to right:
Robert Scharfe (Member of the Management Board), Thierry Schuman (Member of the Management Board), Carlo Thill (Chairman of the Management Board), Marc Lenert (Member of the Management Board), Christian Schaack (Member of the Management Board)

Senior Management

Retail Banking

Kik Schneider

Commercial & Private Banking

Jean Everard
Commercial Banking Luxembourg
& Grande Région

Carlo Friob
Private Banking

Merchant Banking

Jean Thill
Global Markets

Wolfgang Grohsjean
Corporate & Public Banking

Bernard Tancré
Securities Services

Tax

Francis Neu

Legal

Patrick Gregorius

ALM/Risk Management

Alfons Kirchen

Internal Audit

Marc Olinger

Compliance

Marco Heintz

Consolidation and Accounting

Carlo Lessel

Corporate Development

Karin Schintgen

Credits

Cedric Biwer

Facility Management

Roby Thill

Information & Technology

Michel Dauphin

Special Missions

Marc Aguilar

Jean-Luc Gavray

Operations

Jean-Marie Moes
Securities Handling

Patrick Lamhène
Accounts & Payments

Organisation

Bruno Ranieri

Human Resources and Professional Development

Christiane Deckenbrunnen

Company Secretariat

Jean-Louis Margue
Secrétaire général

Pascal Massard
General Advisor

Management of Main Subsidiaries and Participating Interests

Fortis Banque Suisse
Yves Stein

Fortis Lease Group
Claude Crespin

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

Fortis Banque Monaco
Jean Danckaert

Internaxx
Robert Glaesener

Statement of the Board of Directors

Pursuant to the requirement provided for in article 3 of the Luxembourg legislation dated 11 January 2008, the Board of Directors declares that, to the best of its knowledge, the annual accounts and consolidated accounts as at 31 December 2008, drawn up in accordance with applicable accounting standards, give a true and fair view of the assets and liabilities, the financial position and income statement of BGL SA and all entities within the scope of consolidation. The Board further declares that, to the best of its knowledge, the unconsolidated and consolidated management reports give a true and fair view of the development, the results and the situation of BGL SA, together with the entities within the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Luxembourg, 10 April 2009.

Management Report of the Board of Directors

Preamble

In 2008, the financial sector in all parts of the world faced extremely difficult conditions. This was due in particular to the worsening sub-prime crisis in the US and the failure of Lehman Brothers, which shook the international banking system to the foundations and led to deep distrust and the near-disappearance of the interbank market in the closing quarter. Trust in banks in general collapsed.

At the end of September 2008, the solvability and liquidity of BGL SA ("the Bank"), formerly Fortis Banque Luxembourg SA, were in principle satisfactory, exceeding both legal requirements and self-imposed minima. However, as a result of the systemic nature of the crisis taking an increasingly severe toll on the international financial sector and the pooling of its own treasury management with that of Fortis Bank SA/NV, the Bank found itself deprived de facto of access to the interbank market and its liquidity. Moreover, commercial and operational interdependence between BGL and Fortis Bank was such that the Bank would not have been able to survive without outside assistance in the event of its parent's collapse.

This was the background to the measures adopted under the Fortis Bank rescue plan of the weekend of 27 and 28 September 2008, when contact was in particular made with the authorities of the three Benelux countries.

Belgian, Dutch and Luxembourg authorities decided to assume their responsibilities in order to ensure the continuity of the banking activities of Fortis Bank, and thereby avoid dramatic consequences not only for savers/depositors, staff and shareholders, but, above all, for the operation of the Benelux economy in general.

An agreement was announced on the evening of Sunday, 28 September, providing for a capital injection of EUR 11.2 billion from the three Benelux countries.

In Luxembourg, it was announced that the Luxembourg State would grant BGL a loan amounting to EUR 2.5 billion at an interest rate of 10% and subject to various other requirements. This loan provided for mandatory conversion into Bank shares within three years, with the result that the Luxembourg State would hold at most 49.90% of the Bank's equity. This is a level matching that to be held in their respective banks by the Belgian and Dutch States.

In the following days, the parties conducted negotiations concerning the practical implementation of the agreements reached over the weekend. In Luxembourg, a term sheet setting out the principal terms and

conditions of the loan granted by the State was signed by the Bank and the Luxembourg State on 30 September 2008.

The agreement with the Dutch State, however, was not put into effect and on 3 October, the Dutch State arranged to purchase ABN Amro together with the banking and insurance business of Fortis in the Netherlands for an amount of EUR 16.8 billion.

On 6 October, preparations for the integration of ABN Amro Luxembourg and certain ABN Amro subsidiaries were halted. However, the Asset Management business of ABN Amro, already integrated, remained with Fortis.

On 17 November, the Luxembourg State applied for the conversion of the loan into Bank shares in an amount of EUR 2.4 billion, with a subordinated loan of EUR 100 million making up the remainder.

At its meeting on 20 November, the Board of Directors decided to call an Extraordinary General Meeting of Shareholders on 15 December 2008.

This Extraordinary General Meeting approved a capital increase enabling the State to acquire a 49.90% equity interest by conversion into shares of the loan it had granted. Fortis Bank in Belgium, itself 99.93% owned by the Belgian State, holds 50.06% of the Bank's equity. The remaining 0.04% of BGL is owned by other shareholders.

At the same meeting on 15 December, shareholders decided to change the membership of the Board of Directors to reflect the new structure of share ownership, and to change the name of the Bank to "BGL" with effect from 22 December 2008.

The events described above are the backdrop to BGL's consolidated accounts prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as to the unconsolidated accounts prepared in accordance with LuxGAAP and to the report on business in the 2008 financial year.

At this point, the Board of Directors wishes to express its thanks and gratitude to the Luxembourg State for its rapid and decisive action at a time of great uncertainty and considerable risk of the banking system in general and the Bank in particular. The State's acquisition of a significant equity interest ensures a sound, stable base for business development in the interest of clients and staff.

Consolidated Management Report

Consolidated accounts prepared in accordance with IFRS showed a loss of EUR 107.2 million for the financial year ended 31 December 2008.

Net interest and fee income showed a rise from the previous year and operating expenses were under control, but the Bank was forced to recognise large impairments for both the parent and subsidiaries.

Fortis Investment Management SA (FIM), the holding company for asset management business in which the Bank has a 15.33% interest, was forced to recognise significant impairments of goodwill. These arose from the integration of ABN Amro's Asset Management business as a result of the loss of the distribution network in the Netherlands, and also reflected the decline in assets under management associated with a highly unsettled financial environment. This impairment had an impact of EUR 161 million on BGL's consolidated accounts.

Subsidiary Fundamentum Asset Management SA recorded large provisions for operating losses, so that goodwill relating to the Bank's participation was written down in full. The total charge to the consolidated accounts was EUR 107 million.

A further EUR 62 million charge was recognised for the Bank's commitment to the Luxembourg deposit guarantee association AGDL (*Association pour la Garantie des Dépôts, Luxembourg*) following the unavailability of deposits with the Luxembourg subsidiaries of some Icelandic banks under suspension of payments.

Finally, in a context of inactive markets, the Bank wrote down certain positions in its structured loan portfolio, making a total charge of EUR 226.5 million in the 2008 financial year.

Following the capital increase subscribed to by the Luxembourg State on 15 December 2008, the Bank's regulatory own funds amounted to EUR 5.8 billion.

At 31 December 2008 and after appropriation of the result for 2008, its Basel II solvency ratio stood at 22.2%. This ratio, which measures own funds against total credit, market and operating risks, was thus far above the regulatory minimum of 8%.

Balance Sheet

The *balance sheet total* of EUR 52.5 billion at 31 December 2008 showed a 12.5% decline from the same date in the previous financial year, principally due to the early unwinding of several structured transactions. Excluding these items, the balance sheet total declined 1.9%. The net asset contribution of subsidiaries amounted to EUR 16.6 billion or 31.5% of the total.

On the asset side, the unwinding of these structured transactions is mainly reflected under the headings *loans and receivables to credit institutions* and *cash and cash equivalents*, which showed a combined decline of 27.0%. The decline excluding this was only 1.0%.

Loans and receivables to customers showed a moderate 2% decline, again due to the early unwinding of several structured transactions. Excluding this impact, loans and receivables to customers rose nearly 4.8%, mainly as a result of growth in the business of Fortis Lease Group SA, a rise in loans to large international businesses, and new loans to finance the national and regional economy.

Available-for-sale and *held-to-maturity financial assets* showed respective declines of 16.8% and 11.2% from the previous year as a result of security sales and redemptions. Both underwent significant value adjustment during the year as a result of falls in financial markets. At 31 December 2008, net unrealised losses on the Bank's books totalled EUR 463.2 million compared with net unrealised gains totalling EUR 25.8 million a year earlier, and impairments totalled EUR 319.1 million compared with EUR 32.2 million at 31 December 2007.

On the liabilities side, *deposits from customers* were down 20.2% or EUR 4.8 billion, of which over EUR 2.4 billion resulted from the unwinding of specific financial structuring transactions. The remainder of the decline was due to withdrawals by both institutional and individual clients.

The EUR 4.3 billion decline in *debt certificates* is principally due to the redemption of matured debt, which was not renewed given the persistently unstable financial markets.

The *other liabilities* item declined by EUR 1.5 billion due to early unwinding of the short sale of securities received under a repurchase agreement relating to a specific transaction on a significant scale.

Regulatory own funds amounted to EUR 5,826.2 million for 2008 compared with EUR 3,496.1 million for the previous year. At the General Meeting held on 15 December 2008, shareholders approved a capital increase enabling the Luxembourg State to convert into shares the mandatory convertible loan agreed with the Bank on the basis of the agreements reached at the end of September 2008. As a result, 13,677,216 new shares were issued for an amount of EUR 348.6 million. This capital increase of EUR 348.6 million was associated with a share premium reserve (net of contribution duty) amounting to EUR 2,042.8 million, and the total increase in the Bank's equity was thus EUR 2,391.4 million. At 31 December 2008, fully subscribed and paid-up capital amounted to EUR 698.6 million, represented by 27,409,251 shares.

Profit and Loss Account

Net interest income and *net fees and commissions* for the 2008 financial year came to EUR 1,031.8 million, showing a combined rise of 9.0% from the previous year.

Net interest income was up a firm 12.3%. This reflected good results for treasury management in favourable funding conditions combined with an increase in loans granted by both the parent and its Swiss subsidiary. Good results from leasing business also contributed.

Net fees and commissions were also up from the previous year, showing a rise of 3.2%, mainly attributable to the high net inflow of intermediary fees on trading operations. In contrast, there was a decline in net fees and commissions relating to the purchase and sale of securities on behalf of private and institutional clients, fund domiciliation and administration, wealth management and fund distribution. This decline affecting both BGL and its Swiss subsidiary reflected the continuing falls in stock-market prices during the year.

The Bank's share in the results of *associates accounted for under the equity method* suffered a steep decline to represent a net loss of EUR 74.4 million, principally due to the exceptional losses booked by Fortis Investment Management SA, as already indicated.

Net realised capital gains on investments fell EUR 135.9 million from EUR 203.3 million in 2007 to EUR 67.4 million in 2008. This reflects losses on sales of portfolio shares and capital gains on the sale of interests in SES SA and Luxair SA that were lower than those realised in the previous year on the sale of interests in Fortis Bank (C.I.) Ltd and RTL Group SA.

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 loss of EUR 89.9 million compared with a profit of EUR 31.2 million in 2007. The fall of EUR 121.1 million mainly concerns unrealised losses relating to measurement of derivatives at both the parent and a leasing subsidiary amid highly volatile market conditions, particularly in the closing months.

Net provisions for *impairments* amounted to EUR 504.2 million compared with EUR 54.7 million in 2007. The rise reflects significant impairments on loans due to worsening macro-economic conditions. These impairments, especially in the Bank's leasing entities, totalled EUR 172 million. The Bank also recognised impairments totalling EUR 48 million on its share portfolio and EUR 225.4 million on its structured loan portfolio. Finally, goodwill on its interest in Fundamentum Asset Management SA was fully written down for an amount of EUR 27.9 million in recognition of a lasting loss of value.

Total operating expenses came to EUR 735.4 million in the year to 31 December 2008 compared with EUR 559.5 million in 2007. The rise would have been limited to 6.3% had it not been for the impact of two non-recurring items on *other administrative expenses*. The first was the call on the total commitment of the BGL group to Luxembourg's deposit guarantee association AGDL (*Association pour la Garantie des Dépôts, Luxembourg*) after deposits with subsidiaries of certain Icelandic banks became unavailable. As already indicated, this represented a charge of EUR 62 million. The second was the recognition of a provision of EUR 78.9 million for subsidiary Fundamentum Asset Management SA to cover significant operating losses.

Staff expenses rose by 2.0% or EUR 6.3 million. Average staff numbers showed a modest increase of 1.3% or 47.06 to 3,560.27 full-time equivalent employees. Due to the fall in financial markets some additional allocations had to be made, in compliance with legal requirements, to certain supplementary pension plans of the Bank and its subsidiaries.

All told, the *net profit attributable to shareholders* in 2008 was thus a loss of EUR 107.2 million compared with the net profit of EUR 676.8 million recorded in the previous financial year.

Risk Management

The Bank's risk-management policies are described in detail in note 6 to the consolidated financial statements at 31 December 2008.

These policies are designed to ensure proper implementation of all the measures needed to comply fully with the required standards of governance. In addition to the central management bodies that coordinate the monitoring of risk, 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 risks 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 the monitoring and management of 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

Fundamental indicators of profitability in the Bank's traditional businesses remained on a generally positive path in 2008.

Retail Banking

In line with its continuing efforts to enhance and expand its offering of products and services, the Bank further consolidated and extended its day-to-day relationships with its various client segments. This targeted approach has drawn strength from the development of the Call Centre, which plays a key role in distribution structures, especially in connection with BGL advertising campaigns.

Retail Banking business gained ground in particular with cross-border commuters, who were targeted with an extended offering that includes insurance and investment products as well as daily banking services tailored to their specific needs.

Expatriates working in Luxembourg showed considerable interest in the International Client Card (ICC) included in the Bank's dedicated offering and entitling them to a large number of reductions from various partner businesses.

The Bank also reached out to younger clients with the successful launch of Global Start for people taking their first steps in professional life. In addition to an attractive combination of products and services for daily banking needs, Global Start offers preferred rates for savings, loans and insurance.

In the increasingly competitive personal-loan segment, the Bank turned in a good performance, especially during the Auto Festival with successes including a first-car offer for younger clients and loans at preferred rates for purchases of hybrid vehicles.

The Bank's portfolio of outstanding property loans held high and showed a further increase compared to 2007, although property loan applications tapered off in the closing quarter.

The interest rates applying to the Bank's loans and credit lines moved generally in step with the successive cuts in European Central Bank rates.

Turning to business with professional clients, the Bank offers a full range of solutions for financing, leasing, insurance and personal asset management.

In the field of investment products, the Bank continued to deploy of its offering of structured products and closed-end funds for resident and non-resident clients, bringing out nine new products over the year.

As regards electronic banking, the Bank deployed new security solutions developed by LuxTrust, the national certification authority set up by the Luxembourg State and major private-sector companies. Applied to WebBanking, now the Bank's main vector for transactions, and to the new version of the MultiLine application for professional users, these solutions offer clients easy, fully secure access to all the Bank's products and services and enable them to use an electronic signature for certain types of transaction.

In the second half of 2008, all of the Bank's teams made a special effort to provide concerned clients with answers to their questions and address their needs, successfully reassuring a majority and stabilising the Bank's client base.

Commercial Banking and the *Grande Région*

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

Healthy operational performances recorded in 2008 confirm the quality of the Bank's business approach based on close relationships and pro-active responses to client needs.

The Bank maintained its lead in banking for businesses in Luxembourg with a full range of solutions and services reflecting its longstanding commitment to a continuing role as a key contributor to the country's economic development.

This leadership role in the national economy was illustrated by a significant rise in outstanding client credit during the year.

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 and Strasbourg and reinforced the teams of those in Luxembourg and Trier/Saarbrücken, all being part of Fortis Bank's extended European network of more than 126 Business Centres spanning 19 countries.

Since June 2008, the Bank has also held a banking licence in Germany, enabling its bases in Trier and Saarbrücken to offer BGL's extensive range of banking and financial products and services.

In addition to traditional financing, the Bank's offering for businesses includes a full 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 operations, offering businesses alternative financing options in close cooperation with Commercial Banking, made continued progress during the year. Offering innovative solutions matching individual needs, Fortis Lease Luxembourg remained the uncontested leader on the national leasing market, and BGL is the only bank in Luxembourg offering a complete range of specialised factoring services.

Fortis Lease Group, a wholly owned subsidiary of BGL, brings together all the property and equipment leasing businesses of Fortis Bank, which span 23 countries.

Finally, Strasbourg-based subsidiary SADE has specialised in financing for real-estate professionals, while remaining an active partner of regional institutions. Leveraging its rootedness and specialised expertise, SADE once again recorded excellent results in 2008.

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.

In what were exceptionally testing conditions, especially in the second half of the year, BGL's Private Banking business was able to keep financial flows under control through a proactive approach to both the uncertainties of financial markets and the needs of its clients.

The Bank's Professional Banking unit, which serves asset management professionals, remained on a favourable track during the year.

Hit by the downturn of the financial markets, portfolios under discretionary management with Private Banking ended the year in negative territory. But they lost less ground than benchmark indices for most fund-based management profiles, and were close to the index in the case of portfolios managed line by line.

Extension of the Private Banking offering continued with the successful launch of a Private Management service for clients who have not taken out a discretionary management contract but want to maintain a close relationship and regular contact with a dedicated wealth adviser and benefit from the full range of Private Banking services. This naturally also includes access to a broad range of investment options, from the most traditional to the most innovative.

Finally, the Bank also offers unlisted companies full custody services for uncertificated securities.

As part of ongoing efforts to enhance its offering, the Bank has launched "WebBanking +" a service enabling clients to review their portfolios and make trades on line in a fully secure environment. They also have access to a wide range of information.

BGL's Private Banking website www.bglprivatebanking.lu is now in four languages: French, German, English and Dutch.

Private Banking International

Despite the severity of the global financial crisis, Fortis Banque (Suisse) SA, a subsidiary of the Bank specialised in wealth management, not only kept up healthy business pace but also booked a net profit of CHF 45.3 million. Drawing strength from a robust balance with own funds up to CHF 464 million at 31 December 2008, it proved its resilience and capacity to stand up to tough economic conditions.

Offering the complete Private Banking range that includes investment, financing and structuring services, the Bank's Swiss subsidiary continued fruitful cooperation with Commercial Banking and leasing specialists to meet even the most challenging needs of its clients to the full.

Merchant Banking

Global Markets

The impact of the events that marked the second half of the year varied significantly from one segment of market operations to another.

In Sales, there was a rise in client numbers resulting in additional business volumes.

Due to foresighted and proactive management of interest rate risks and market liquidity, Treasury Management had an exceptionally positive year. The Bank's Flow Trading unit, a competence centre for foreign exchange swaps, recorded rises in margins and volumes although business flows dried up towards year end.

EMTN, ECP and USCP Funding programmes suffered a steep decline in volumes in the final quarter, and market conditions also led to increased redemptions of issues outstanding.

Turning to Structured Products, investors' increased risk aversion led to marked slowing in business pace in the final quarter. The Bank's own portfolio of structured credit is to be phased out.

Fixed-Income Trading played an important part in providing for the market liquidity of in-house Fortis products and ensuring market access for client transactions. The positions taken also enabled the business to benefit from rate cuts by the European Central Bank.

In the second half of the year, the Foreign Exchange market saw volatility reach levels without precedent in the past two decades, a situation that enabled spot traders to achieve a highly satisfactory result in the fourth quarter.

Corporate & Public Banking

Corporate & Public Banking (CPB) teams continued their success in serving companies in Luxembourg and large businesses in Germany, Austria and Switzerland.

By the close of 2008, the client portfolio showed growing numbers of both unlisted companies and components of Germany's DAX, MDAX and SDAX indices.

The quality and results of the Corporate & Public Banking client portfolio remained satisfactory despite the impact of global economic deterioration, which led to a decline in orders for numerous industrial groups, weakening their balance sheets and profit and loss accounts.

The Bank also continued to take an active part in syndicated loans and bond subscriptions to meet demand from longstanding clients.

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.

Against a backdrop of extremely testing conditions for the financial industry as a whole, the Luxembourg investment fund sector – a centre of undisputed excellence for the distribution of funds across Europe and worldwide – has maintained its leading role and its drive, remaining the number-two investment centre worldwide behind the US.

Despite the declines in assets on deposit that affected the sector as a whole due to severe market turbulence and increased risk aversion, the most recent figures show the Bank holding on to its number-eight rank for fund services in Luxembourg. Related assets on deposit amounted to EUR 71.66 billion at 31 December 2008.

This number includes assets contributed as a result of the merger of the Luxembourg funds of ABN Amro Asset Management and Fortis Investments at the beginning of 2008.

The alternative funds sector, which had been a driver for the Bank's growth in the two previous years, had a difficult year.

Turning to real-estate and private-equity funds, trends remained favourable for the Bank in 2008.

The troubles affecting the hedge-fund sector as a result of the sub-prime crisis and the Madoff affair had no impact on the Bank and its capacity to offer specialised services in this area.

Operations

Securities Handling

Turning to Securities Handling, the unsettled economic environment of 2008 resulted in a slower growth in the volumes of market orders processed.

There was, however, no letup in continuing efforts to enhance the quality of client service, and activities related to investment funds benefited from new developments offering increased operational efficiency.

Custody business levelled off at operational level, while the Corporate Actions unit, a competence centre responsible for handling the entire volume of securities for Fortis Bank in the Benelux countries, had to process increasingly complex business flows. There was a marked rise in processing from the previous year, reflecting increased market activity.

Payments

In 2008 as in the two previous years, Payments business was marked by the deployment of the Single Euro Payment Area (SEPA) project.

During the year, the Bank successfully launched the first pan-European SEPA Credit Transfer (SCT) payment instrument.

The Bank also continued its review of the Payment Services Directive (PSD) which provides a harmonised legal framework for SEPA and is expected to be transposed into Luxembourg law in November 2009.

Unswerving commitment to Corporate Social Responsibility

Aware of its place in society as a whole and the contribution it can make, BGL aims for the responsible development of its business and takes initiatives to promote the cause of sustainability and enhance its own societal performance. Sustainable business development means a responsible approach to achieve lasting growth, taking into account the interests of all stakeholders and assuming societal and environmental responsibilities to the full.

As regards the latter, the Bank has moved to reduce its environmental footprint with a detailed review of policies and processes to ensure full compliance with the principles of sustainable development.

The Bank is also focusing on staff welfare, continuing its efforts to promote health and well-being at work. During the year, it organised a range of events and campaigns to raise awareness and protect health.

Through Fortis Foundation Luxembourg, the Bank provides financial assistance and other support for seven associations in which its present and retired staff members play an active part.

The implications of the new SEPA Direct Debit (SDD) are currently also being analysed with a view to ensuring a smooth launch at the end of 2009.

It is worth noting that each of these important projects was undertaken in an operating environment where volumes are constantly on the rise and electronic payments now account for over 90% of transactions.

Accounts, Customers and Channels

In 2008, the Bank continued pro-active efforts to upgrade the quality of legally and regulatory required client information collected by relationship management.

Turning to the administration of successions and immobilisation of accounts, new operational models have significantly enhanced the quality and transparency of immobilisation processes, while estate planning services were reinforced as a result of the implementation of a program for continued improvement.

Finally, as regards payment cards, the Bank continued implementing monitoring tools, in particular as regards instalment payments on credit cards to allow a fast and effective response for both in-house and outside clients.

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 at the same time reducing exposure to operational risks and staying in step with regulatory and business changes in the banking sector.

As regards regulatory compliance, progress included in particular the implementation of adjustments to allow efficient production of required monthly and quarterly reporting in accordance with IFRS (International Financial Reporting Standards). The WebBanking service also now enables clients to define their investors' profiles on line to meet the requirements of MiFID (Markets in Financial Instruments Directive).

A wide variety of new tools was installed to provide effective backup for the Bank's businesses and the development of their business activities.

In this connection, work continued on the harmonisation of technical infrastructure to ease cooperation across different areas of business, at the same time meeting new requirements in terms of availability, performance and security.

Also worth noting was the completion of work on systems producing statements and notices in Dutch, in connection with the Bank's takeover of ABN Amro's Asset Management business in Luxembourg.

Finally, at the close of the year IT teams made a special effort, successfully implementing the IT-based adjustments needed for the change of name to "BGL" in an extremely short time.

Human Resources at BGL

At 31 December 2008, the Bank counted 2,528 employees, of whom 1,323 or 52.33% were men and 1,205 or 47.67% were women. The Bank thus remains one of the two largest employers in the Luxembourg banking industry.

During the year, 94 new employees were recruited.

The proportion of employees working part time rose from 18.52% in 2007 to 19.90% or 503 people at the end of the year.

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

Luxembourg	48.2%
France	21.4%
Belgium	17.8%
Other EU countries	12.1%
Countries outside the EU	0.5%

The average age is 40.55 and average seniority 14.31 years.

Human Resources

Following several years of rapid rises associated with continuous growth in business activities of both the Bank and its subsidiaries, the Bank's consolidated staff numbers showed a slight decline from the end of 2007 to stand at 3,731 at 31 December 2008.

Totals for subsidiaries were 826 at Fortis Lease Group and 294 at Fortis Banque (Suisse), compared with 836 and 295, respectively, at the end of the previous year.

In Luxembourg, the number of employees eased from 2,608 at the end of 2007 to 2,528 at 31 December 2008.

Despite the troubled economic environment, the Bank was again active on the labour market during the year, welcoming 94 new staff members in 2008. Aspirations of individual staff members seeking new positions were also encouraged to meet needs in different areas of the Bank's business.

Training was more than ever a priority to ensure the necessary development of competencies within the business as well as the long-term employability of staff members, with special measures adopted in response to the exceptional conditions encountered during the year. Staff members from all areas of operation benefited from a total of 9,000 training days in 2008.

Strategy for the enrichment of competencies and the personal development of staff members made good progress during the year, with new tools including an electronic learning management system and additions to free-learning and e-learning options. There were also a number of new training programmes such as that dedicated to Leadership through Networking, which benefited 500 staff members.

A fundamental principle of the Bank's human resources policy is to offer staff members a healthy, attractive working environment that reinforces motivation. To this end, it made a number of adjustments to optional benefits policies, leading in particular to reassessments within its complementary pension scheme strengthening the equality of men and women. Other action concerned the harmonisation of policies for the grant of loans to staff members.

Concern for staff health and well-being is also illustrated by the organisation of seminars and workshops dedicated to the prevention and management of stress, and the prevention of cardio-vascular disease. This was in close cooperation with the Staff Committee and Luxembourg's association for the promotion of workplace health in the financial sector (ASTF, *Association pour la santé au travail du secteur financier*).

Staff elections at the end of the year renewed membership of the Staff Committee and the *Comité mixte*, which brings together representatives of staff and management, as well as staff representation on the Bank's Board of Directors.

The Bank places special value on its traditional corporate culture of responsible, constructive cooperation between management and staff. That combination of social responsibility, trust and mutual respect is a source of strength that is all the more significant in troubled times.

The Bank is highly appreciative of the invaluable contributions of all its staff members and expresses its profound gratitude for their many efforts over a particularly testing year, for their patience and loyalty as well as for their everyday commitment and exemplary professional conduct.

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.

Three major events affected BGL's balance sheet and profit and loss account in 2008:

- turbulence on financial markets
- non-recurring events at certain subsidiaries
- the crisis of confidence that struck the Fortis group at the end of September and beginning of October.

Balance Sheet

The unconsolidated *balance sheet total* at 31 December 2008 amounted to EUR 42.4 billion, showing a decline of 14% from the previous year. This was principally attributable to the early unwinding of several structured transactions. Excluding these impacts, the decline in the total was limited to 1.8%.

On the asset side, the unwinding of these structured transactions is mainly reflected in *loans and advances to credit institutions*, which showed a steep decline of some 23.8%. Excluding these impacts, the decline was limited to 1.8%.

Loans and advances to customers eased by around 1%, a modest decline again due to the early unwinding of some structured transactions. Excluding these, the total showed a rise of around 8%, mainly attributable to financing for the operations of Fortis Lease Group SA, increased lending to large international corporations, and several new credit lines to finance the national and regional economy.

The total of *debt securities and other fixed-income securities* declined 20.9% and that of *shares and other variable yield securities* fell 15.2% as a result of sales and maturities. Both items were also affected by sizeable allocations to value adjustments relating to the turbulence on financial markets.

On the liabilities side, a decline of approximately EUR 4.5 billion or 20.1% in *amounts owed to customers* reflected the maturing of specific financial structuring transactions in an amount of over EUR 1.9 billion, while the remainder was due to withdrawals by both institutional and individual clients.

The EUR 3.8 billion decline in *debts evidenced by certificates* is principally due to the redemption of matured debt, which was not renewed given the persistently unstable financial markets.

The *other liabilities* item showed a decline of EUR 1.1 billion due to the early unwinding of a short sale of securities received under a repurchase agreement associated with a structured transaction.

The *fund for general banking risks* amounted to EUR 362.9 million at 31 December 2008 compared with EUR 592.8 million at 31 December 2007.

Own Funds

At the General Meeting held on 15 December 2008, shareholders approved a capital increase enabling the Luxembourg State to convert into shares the mandatory convertible loan agreed with the Bank on the basis of the agreements reached at the end of September 2008. As a result, 13,677,216 new shares were issued for an amount of EUR 348.6 million. This capital increase of EUR 348.6 million was associated with a share premium reserve amounting to EUR 2,051.4 million and the total increase in the Bank's equity was thus EUR 2,400 million.

At 31 December 2008, fully subscribed and paid-up capital amounted to EUR 698.6 million, represented by 27,409,251 shares.

If the Annual General Meeting of 30 April 2009 approves the appropriation proposed below, the Bank's unconsolidated own funds included in the calculation of the solvency ratio will amount to EUR 5.9 billion at 1 January 2008.

Treasury Stock

In 2008, 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 2008, the Bank held none of its own shares.

Profits and Allocation of Profits

The sum of *net interest income* and *net fees and commissions* came to EUR 647.3 million in 2008, showing a rise of 6.3% from the previous financial year.

Net interest income showed a healthy rise of 6.9%, reflecting good results for treasury management in more favourable funding conditions, combined with an increase in loans granted.

Net fees and commissions were also up from the previous year, showing a rise of 5.4% mainly attributable to the high net inflow of intermediary fees on trading operations. Net fees and commissions relating to the purchase and sale of securities on behalf of private and institutional clients, to fund domiciliation and administration, as well as to wealth management and fund distribution declined due to the continuing falls in stock-market prices during the year.

Other operating income, which amounted to EUR 110.8 million compared with EUR 76.5 million in 2007, includes in particular capital gains on the sale of equity interests in SES SA and Luxair SA. In 2007, this item mainly consisted of the capital gains realised on the sale of interests in RTL Group and Fortis Bank (C.I.) Ltd as well as recoveries of tax provisions following finalisation of taxation for several financial years.

On the expenses side, *general administrative expenses* rose from EUR 309 million at 31 December 2007 to EUR 320.4 million at 31 December 2008.

Staff costs showed a rise due in particular to an additional allocation to a supplementary pension fund of the bank, as was legally

required following the decline in financial markets. The average number of employees was practically unchanged from 2007.

Other administrative expenses were penalised by full recognition of the charge for capital duty in an amount of EUR 12 million relating to the capital increase effected in December 2008. Excluding this charge, *other administrative expenses* showed a decline of 5.8% from 2007, reflecting the continuation of cost containment initiated in the previous year.

These positive developments were, however, more than offset by value adjustments and large provisions, most of which are non-recurring.

The *net profit on financial operations* of EUR 4 million booked in 2007 gave way to a loss of EUR 592.2 million, mainly as a result of market deterioration and unprecedented widening of credit spreads. These factors had a severe impact on values of structured credit portfolios as well as bond and equity holdings, leading the Bank to recognise value adjustments amounting to some EUR 632 million in 2008.

The *other operating charges* item and *value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings* were significantly affected by non-recurring events at two of the Bank's subsidiaries, which also affected the Bank's own accounts.

Firstly, various operating losses at Fundamentum Asset Management led the Bank to write down the book value of its participation by an amount of EUR 32.8 million and, in addition, to recognise a EUR 78.9 million provision for charges relating to the restructuring of this business.

At the same time, Fortis Investment Management SA was forced to recognise significant impairments as a result of the Fortis group's restructuring and a decline in assets under management. Considering the loss of value being lasting, the Bank wrote down its participation by an amount of EUR 161.2 million. It received no dividend from Fortis Investment Management SA in respect of the 2007 financial year.

In addition, the failures of Lehman Brothers, Washington Mutual and a UK subsidiary of an Icelandic bank had a negative impact on the Bank's income amounting to EUR 43 million.

However, the call for funds from Luxembourg's deposit guarantee association

AGDL (*Association pour la Garantie des Dépôts, Luxembourg*) was charged to existing provisions and did not affect results for the year. This followed the unavailability of deposits with the Luxembourg subsidiaries of some Icelandic banks under suspension of payments. At 31 December 2008, the Bank had a provision for the risk relating to this guarantee that is sufficient to cover any advances it may have to pay in 2009 in connection with the unavailability of deposits with the Luxembourg subsidiaries of Icelandic banks.

As a result of market turbulence and restructuring of subsidiaries, leading to significant write-downs of the Bank's portfolios and participations, the Bank recovered in 2008 the whole of its lump-sum provision for assets at risk. This amounted to EUR 220 million, as allowed under the Luxembourg banking supervisor's circular CSSF 08/336. As a result, the item *value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments* shows a net recovery of EUR 176.8 million for 2008 compared with a net appropriation of EUR 29.9 million for 2007. In the same vein, the Bank reduced its fund for general banking risk by EUR 229.9 million. 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 19.5 million, EUR 20.9 million less than in the previous year. Tax load resulted exclusively from a tax subsidy granted to an indirectly held subsidiary within the framework of an ad hoc financial structure.

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

The Bank's unconsolidated *net profit* thus came to EUR 30.6 million, showing a 92.5% decline from EUR 406.6 million in the previous year. Distributable earnings including profit carried forward from the previous year total EUR 30.8 million.

The Board of Directors proposes to shareholders at the General Meeting that no dividend be distributed in respect of the 2008 financial year. It also proposes that, as a matter of solidarity and responsibility, no statutory allocations be allotted to the members of the Board of Directors. The Annual General Meeting is thus asked to approve the following appropriation of earnings:

Appropriation to legal reserve	EUR	1,600,000.00
Dividend	EUR	-
Appropriation to statutory reserves	EUR	-
Appropriation to free reserves	EUR	29,100,000.00
Retained earnings	EUR	60,732.41
Total	**EUR**	**30,760,732.41**

Since the close of the 2008 financial year, recurrent performances have remained on a favourable track amid highly uncertain conditions. Net interest income shows a significant rise, while net fees and commissions are on a level similar to that observed at the beginning of 2008. Operating expenses remain under control. However, results relating to financial markets remain highly volatile.

Pursuant to the decision taken by the Board of Directors on 20 November 2008, in

February 2009 the Bank sold two-thirds of its interest in Internaxx Bank SA, which thus declined from 75% to 25%.

At an Extraordinary General Meeting on 2 April, the shareholders of Fundamentum Asset Management SA decided to liquidate the company.

Risk Management

The Bank's risk-management policies are described in detail in note 6 to the consolidated financial statements at 31 December 2008.

These policies are designed to ensure proper implementation of all the measures needed to comply fully with the required standards of governance. In addition to the central management bodies that coordinate the monitoring of risk, 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 risks 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 the monitoring and management of 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.

Internal Control and Risk Management Committee

At the end of 2008, the Audit and Compliance Committee set up in June 2005, bringing together the Audit Committee that existed since 1999 and a new Compliance Committee established pursuant to circular CSSF 04/155 on compliance, was renamed the Internal Control and Risk Management Committee. 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.

In 2008, the Internal Control and Risk Management Committee met six times.

The Committee's brief is defined by Terms of Reference, detailing its tasks and responsibilities for audits; by an Audit Charter establishing the internal control environment and setting out the status and mission of internal auditors; and by a Compliance Charter defining procedures for both Fortis Bank and its subsidiaries. With the adoption of these references and charters, the Bank has not only complied with the recommendations of its supervisory authority and generally accepted international standards, but has also favoured the development of an internal audit environment that enhances the security of its operations and reflects best practices in this area.

Board of Directors

The Annual General Meeting of 3 April 2008 renewed the terms of office of HRH Prince Guillaume of Luxembourg, Pierre Gramegna, Paul Meyers, and Arno Schleich.

Gilbert Mittler submitted his resignation on 13 October 2008.

On 15 December 2008, an Extraordinary General Meeting of Shareholders approved a capital increase enabling the Luxembourg State to acquire a 49.90% equity interest through the conversion of the loan it had previously granted into shares.

This Extraordinary General Meeting took note of the resignation of all members of the Board with the exception of staff representatives, and granted discharge to the Directors resigning as this is presented in the "Report of the Board of Directors to the Extraordinary General Meeting concerning the crisis having affected Fortis Banque Luxembourg". That report is appended to the present Management Report. The above-mentioned discharge was granted subject to the usual restrictions, which means that it does not discharge Directors of responsibility for errors, omissions, failures, negligence or other acts not known at the time it was granted and which may become known at a future date.

In accordance with article 14 of the Bank's articles, the Extraordinary General Meeting appointed the following Directors: HRH Prince Guillaume of Luxembourg, Marc Assa, Brigitte Boone, Michel de Hemptinne, Filip Dierckx, Camille Fohl, Bernard Frenay, Jacques Godet, Pierre Gramegna, Jean Meyer, Gaston Reinesch, Christian Schaack,

Robert Scharfe, Jean-Louis Siweck, Tom Theves, Carlo Thill and Michel Wurth. All were appointed for a period expiring at the close of the Annual General Meeting to be held in April 2012.

Following the staff elections held on 12 November 2008 and as required under Luxembourg law concerning staff representation, eight employees were appointed as staff representatives to the Board of Directors with effect from 15 December 2008 and for the same period as the Directors representing the shareholders. They are Corinne Ludes, Gabriel Di Letizia, Fernand Gales, Jean-Claude Gilbertz, Claude Heirend, Nico Kirsch, Jean Majerus and Norbert Roos.

The Board met with its new membership for the first time on 18 December 2008 and, in accordance with article 16 of the Bank's articles, appointed Gaston Reinesch Chairman and Camille Fohl Vice-Chairman of the Board of Directors.

Luxembourg, 10 April 2009

The Board of Directors

Appendix: Report of the Board of Directors to the Extraordinary General Meeting concerning the crisis having affected Fortis Banque Luxembourg

(Extraordinary General Meeting of 15 December 2008)

Chronology of events in Luxembourg

At the end of September 2008, the solvability and liquidity of Fortis Banque Luxembourg ("the Bank") were in principle satisfactory, exceeding both legal requirements and self-imposed minima. However, as a result of the systemic nature of the crisis taking an increasingly severe toll on the international financial sector and the pooling of its own treasury management with that of Fortis Bank SA/NV, the Bank found itself deprived de facto of access to the interbank market and its liquidity. Moreover, commercial and operational interdependence was such that the Bank would not have been able to survive without outside assistance in the event of its parent's collapse.

Phase I of the rescue plan, 28 September 2008

This was the background to the measures adopted under the Fortis Bank rescue plan of the weekend of 27 and 28 September 2008, when contact was in particular made with the authorities of the three Benelux countries.

Talks with private investors having rapidly broken off, Belgian, Dutch and Luxembourg authorities decided to assume their responsibilities in order to ensure the continuity of the banking activities of Fortis Bank, and thereby avoid dramatic consequences not only for savers/depositors, staff and shareholders, but, above all, for the operation of the Benelux economy in general.

An agreement was announced on the evening of Sunday, 28 September, providing for a capital injection of EUR 11.2 billion from the three Benelux countries.

In Luxembourg, it was announced that the Luxembourg government would grant the Bank a loan amounting to EUR 2.5 billion at an interest rate of 10% and subject to various other requirements. This loan provided for mandatory conversion into Bank shares within three years, with the result that the Luxembourg State would hold 49.9% of the equity of Fortis Banque Luxembourg SA, matching the levels of ownership for the bank in Belgium and in the Netherlands announced by the respective governments.

Summoned to an emergency meeting, the Bank's Board of Directors unanimously approved the Mandatory Convertible Loan Facility in an amount of EUR 2.5 billion to be contracted between the Bank and the Grand Duchy of Luxembourg ("the State").

Within the framework of the overall agreement, the State obtained various compensations that included the right to veto any sales of real-estate or equity interests and the assignment of the Bank's participation in Paul Wurth SA and the Luxembourg Stock Exchange (*Bourse de Luxembourg SA*).

The Belgian, Dutch and Luxembourg States thus gave a strong signal with the injection of capital for Fortis Bank. In exchange for their contribution of EUR 11.2 billion, they obtained interests of just under 50% in the banking entities in their respective countries.

In the following days, the parties conducted negotiations concerning the practical implementation of the agreements reached over the weekend. In Luxembourg, a term sheet setting out the principal terms and conditions of the loan granted by the State was signed by the Bank and the Luxembourg government on 30 September 2008.

The agreement with the Dutch State, however, was not put into effect. At the same time, the market price of Fortis shares went on falling

and the overall situation on interbank markets continued worsening.

The cash position of Fortis thus left less and less room for manoeuvre and the risk of a breakdown in its banking operations was once again imminent at the end of the first week of October.

3 October 2008

The Dutch State arranged to purchase ABN Amro together with the banking and insurance businesses of Fortis in the Netherlands for the sum of EUR 16.8 billion.

Phase II of the rescue plan, 5 October 2008

The crisis of confidence having continued even after the States' intervention, the governments of Belgium and Luxembourg met over the weekend to consider ways to ensure the continued operation of Fortis Bank and find lasting solutions in both countries. After renewed consideration of various options, an agreement was reached between the governments of Belgium and Luxembourg and BNP Paribas, which proposed to purchase, among other things, the banking businesses of Fortis in Belgium and Luxembourg.

This agreement gave BNP Paribas an interest in the equity of the Bank in Luxembourg, while the Luxembourg State retained a minority interest of 33.3%, giving it veto rights. The Board of Directors was also informed that the new shareholders had decided that:

- the Bank would change its name back to BGL, this being associated with the name BNP Paribas in a manner to be determined at a later date;
- as regards employment within the Bank, no plans for staff reductions were envisaged;

• as regards reporting and hierarchy, the Bank would be directly under the authority of the parent in Paris;
• the Chairman of the Board of Directors would be a representative of the State, which would name four directors in all, while the Vice-Chairman would be a representative of BNP Paribas.

In Belgium, BNP Paribas proposed to purchase 75% of Fortis Bank SA/NV and 100% of Fortis Assurances Belgique. The States of Belgium and Luxembourg were to become significant shareholders of BNP Paribas, with respective interests of 11.6% and 1.1%.

In Luxembourg, the new structure of shareholdings announced was centred on the State of Luxembourg with a 33.3% interest and BNP Paribas with 66.6%, 16.6% being held directly and 50% through Fortis Bank SA/NV.

6 October 2008

Preparations for the integration of ABN Amro Luxembourg and certain ABN Amro subsidiaries were halted. However the Asset Management business of ABN Amro, integrated on a fast-track basis, remained with Fortis.

10 October 2008

The Luxembourg government announced that it would ask the Board of Directors meeting after the General Meeting of Shareholders to appoint Gaston Reinesch, *Administrateur Général* at the Ministry of Finance, as its Chairman.

17 November 2008

The Mandatory Convertible Loan Agreement (MCL) with the Luxembourg government was signed by the Bank and countersigned by the parent company on 17 November 2008, this loan being in an amount of EUR 2.4 billion and completed with a subordinated loan of EUR 100 million.

On the same date of 17 November 2008, the Luxembourg government applied for conversion.

20 November 2008

The Board of Directors decided to call an Extraordinary General Meeting on 15 December 2008, in particular for the purposes of implementing:

• the capital increase through the contribution, without preferred subscription rights for other shareholders, of the State's EUR 2.4 billion loan convertible into company shares, and
• the change of company name and the changes in the members of the Board of Directors resulting from the new structures of the Bank's share ownership.

Report on the activities of the Board of Directors

In a context marked by the global financial crisis and, in particular, by the liquidity crisis suffered by the Fortis group's banking entities, the Bank's Board of Directors held an emergency meeting by teleconference at 11.15 pm on **28 September 2008**. In the course of the meeting, the Management Board's Chairman Carlo Thill presented the plan devised by the governments of the three Benelux countries for the rescue of Fortis banking entities in a situation of extreme urgency and force majeure.

In view of the group's vital interest in the cross-border solution agreed on after protracted negotiations, all the members of the Board of Directors present or represented saluted the action of authorities, enabling Fortis Bank SA/NV and, with it, Fortis Banque Luxembourg SA, to survive the liquidity crisis, and approved the principles of the State's intervention in the Bank with a Mandatory Convertible Loan Facility of EUR 2.5 billion to be contracted between the Bank and the State, this being complemented by conditions providing for:

- the State to have pre-emptive rights to Bank shares held by Fortis Bank SA/NV and the Bank's interest in BIP Investment Partners SA;
- the State to have a right to veto any sale of real-estate or the sale of the Bank's interest in Fortis Luxembourg Vie SA;
- the assignment of the Bank's interests in Paul Wurth SA and Bourse de Luxembourg SA;
- a significant number of State representatives on the Bank's Board of Directors;
- Fortis Bank SA/NV to return the liquid assets belonging to the Bank it has on deposit or, failing this, to supply sufficient guarantees for the performance of this obligation.

At the meeting of the Board of Directors held at 10.00 pm on **5 October 2008**, the Chairman of the Management Board, Carlo Thill, followed the introductory remarks of Jean Meyer with an explanation of the reasons that had led to reconsideration of issues and action needed to ensure the continued operation of Fortis banking entities. Having been informed of the solution agreed on by the State and BNP Paribas, involving the transfer to BNP Paribas of a 16.6% equity interest taken from the shares due to the State on conversion of the Mandatory Convertible Loan, with the State thus retaining a 33.3% interest, the Board expressed a favourable general view of this agreement.

At their meeting on **20 November 2008**, the members of the Board of Directors saluted the action of public authorities in the previous weeks. They approved and signed the minutes of the extraordinary Board meetings held on 28 September and 5 October 2008.

The Board of Directors then decided to call an Extraordinary General Meeting in consideration of the State's application on 17 November 2008

for conversion of the Mandatory Convertible Loan. It then set the following agenda for the Meeting:

1. Report on recent developments
2. Management report and discharge
3. Capital increase by contribution in kind by the Luxembourg State of the convertible loan granted to the company
4. Change of company name
5. Changes to the membership of the Board of Directors
6. Miscellaneous.

In connection with the change in share ownership, Directors chose to present their resignations with effect from the close of the Extraordinary Meeting of 15 December 2008 or of such meeting that might, for any reason, be called at a later date to appoint new directors, this being without prejudice to the special provisions of the law concerning directors representing employees.

At the same meeting, the Board of Directors appointed Ernst & Young, in connection with the intended capital increase by contribution in kind, as independent auditors charged with assessing the State's contribution and the shares to be issued by the Bank in consideration.

Finally, at its meeting on **8 December 2008**, the Board of Directors decided:

- to ratify the Bank's signature of the Mandatory Convertible Loan Agreement concerning an amount of EUR 2.4 billion and complemented by a subordinated loan in an amount of EUR 100 million;
- to recommend that the Extraordinary General Meeting of Shareholders called for 15 December 2008 approve the conversion of the State's claim of EUR 2,400,000,000 resulting from the Mandatory Convertible Loan into company capital, with EUR 348,602,794 allocated to capital stock and the remaining EUR 2,051,397,206 allocated to a non-drawable reserve as an issue premium;
- to recommend that the Extraordinary General Meeting of Shareholders approve the issue, in consideration of this, of 13,677,216 new shares with no par value to be subscribed by the State, these shares representing 49.9% of the Bank's capital after the capital increase;
- to confirm, insofar as necessary, the mandate conferred on Ernst & Young SA, the independent auditor, to establish its report pursuant to article 26.1 of the Luxembourg legislation dated 10 August 1915, as amended, governing commercial companies, as regards contributions in kind to *sociétés anonymes*.

Luxembourg, 11 December 2008

The Board of Directors