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10-5-2008

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Belgium, Luxembourg in emergency talks on Fortis

590 words

5 October 2008

02:14 PM

Agence France Presse

AFPR

English

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Belgium and Luxembourg held emergency talks with private groups Sunday on the future of the troubled Fortis financial group, with the Belgian prime minister saying there would be an announcement "within hours".

Over the weekend the governments have been mulling the future of Fortis, amid speculation that it could totally nationalise the Belgian and Luxembourg portions of the ailing group or sell assets to BNP Paribas or another suitor.

Belgian media reported that one option being considered, as the talks continued into the evening, was that the French bank would take an 80 percent stake in Fortis, with the rest remaining in state hands.

Belgian Prime Minister Yves Leterme promised there would be a "clear and strong" signal on the bank's future by Monday morning, when stock market trading resumes.

"The negotiations are still going on, with contacts with several private groups," said Leterme, without saying who he was talking to or what the final plan might look like.

On Saturday, Luxembourg Prime Minister Jean-Claude Juncker said "we are willing to discuss with others how to arrange things in a different way. This will be done very soon".

Belgium hopes to be able to keep the Belgian and Luxembourg operations together.

Speaking on Belgian television, Leterme said his government was doing everything possible and was keen to reassure Fortis savers, clients and staff, as the US-born financial crisis continues to hit European concerns.

However, the Belgian leader had no such words of comfort for the bank's shareholders.

"Naturally that's different," he told RTBF television, when asked particularly about small shareholders.

"A shareholder in a company takes risks and therefore the state, the Belgian taxpayers cannot guarantee all the interests of all the shareholders of the whole economy."

Whatever the Belgian government decides, it will be phase three in the complicated bail out of Fortis which began a week ago with a surprise announcement from the three Benelux countries where the banking group has major operations.

Under the original, hastily arranged rescue deal, Belgium, the Netherlands and Luxembourg announced a 11.2 billion euro (15.5 billion-dollar) part-nationalisation of Fortis to prevent the US-driven financial crisis from claiming another victim in Europe.

Belgium made the biggest contribution, taking a 49-percent stake in the Belgian arm of the company, for 4.7 billion euros.

Then Friday the Dutch government announced it was totally nationalising the Dutch arm of the group.

Fortis, caught up in the US-born international financial crisis, has seen nearly 70 percent of its share value wiped out this year.

Commentators have spoken of several possible scenarios for the future of the rest of **Fortis**, including full nationalisation of the Belgian operation, sale of part to a major bank or a full buy-out by BNP Paribas or another enterprise.

A BNP Paribas spokesman in Paris refused to comment on the rumours on Saturday.

La Libre Belgique newspaper mentioned French bank Societe Generale as also being interested in **Fortis**.

The Belgian government will also send out reassurances on French-Belgian banking group Dexia, which received a 6.4 billion euro bailout from Belgium, France and Luxembourg last week, according to local media.

Dexia's new problems are due to its links to German property lender Hypo Real Estate, which has seen its own German package of help unravel.

Leterme described Dexia as sound but admitted "it has suffered the effects of the international banking crisis".

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US-banking-finance-Belgium-company-**Fortis**

Document AFPR000020081005e4a5008n9