ANNUAL REPORT 2010

KBL EUROPEAN PRIVATE BANKERS

1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |

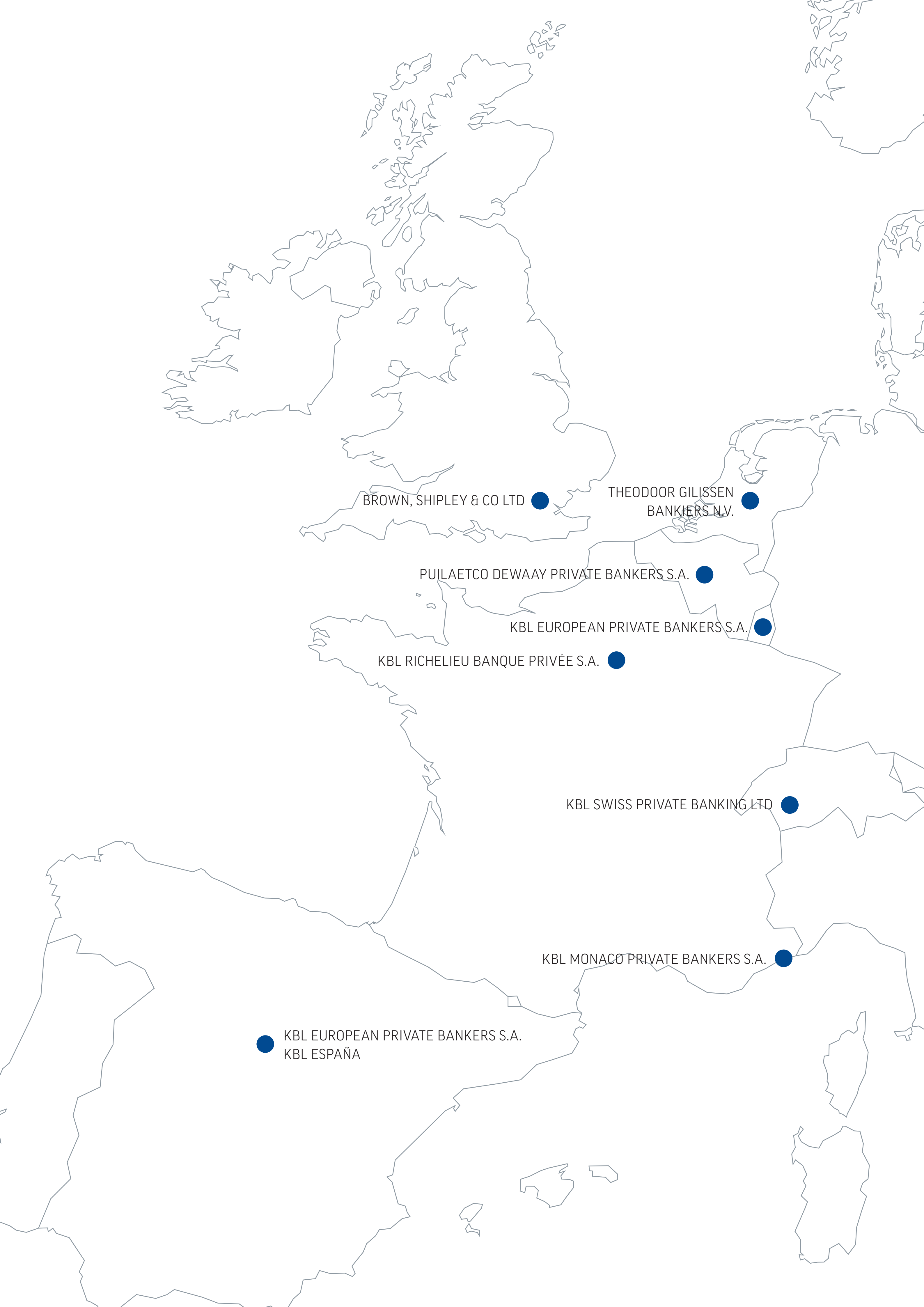
Addendum

While the Annual Report had already been approved by the Board of Directors and the external auditors, on 15 March 2011 we learned that KBC Group's sale of KBL *epb* to the Hinduja group would not go through. The reader should thus bear this last-minute event in mind when reading the comments on the sale in our annual report. Further information may be found in the KBC press release of 15 March 2011 available at www.KBC.com.

Marie-Paule GILLEN, General Secretary

2005 | 2006 | 2007 | 2008 | 2009 | 2010

ANNUAL REPORT 2010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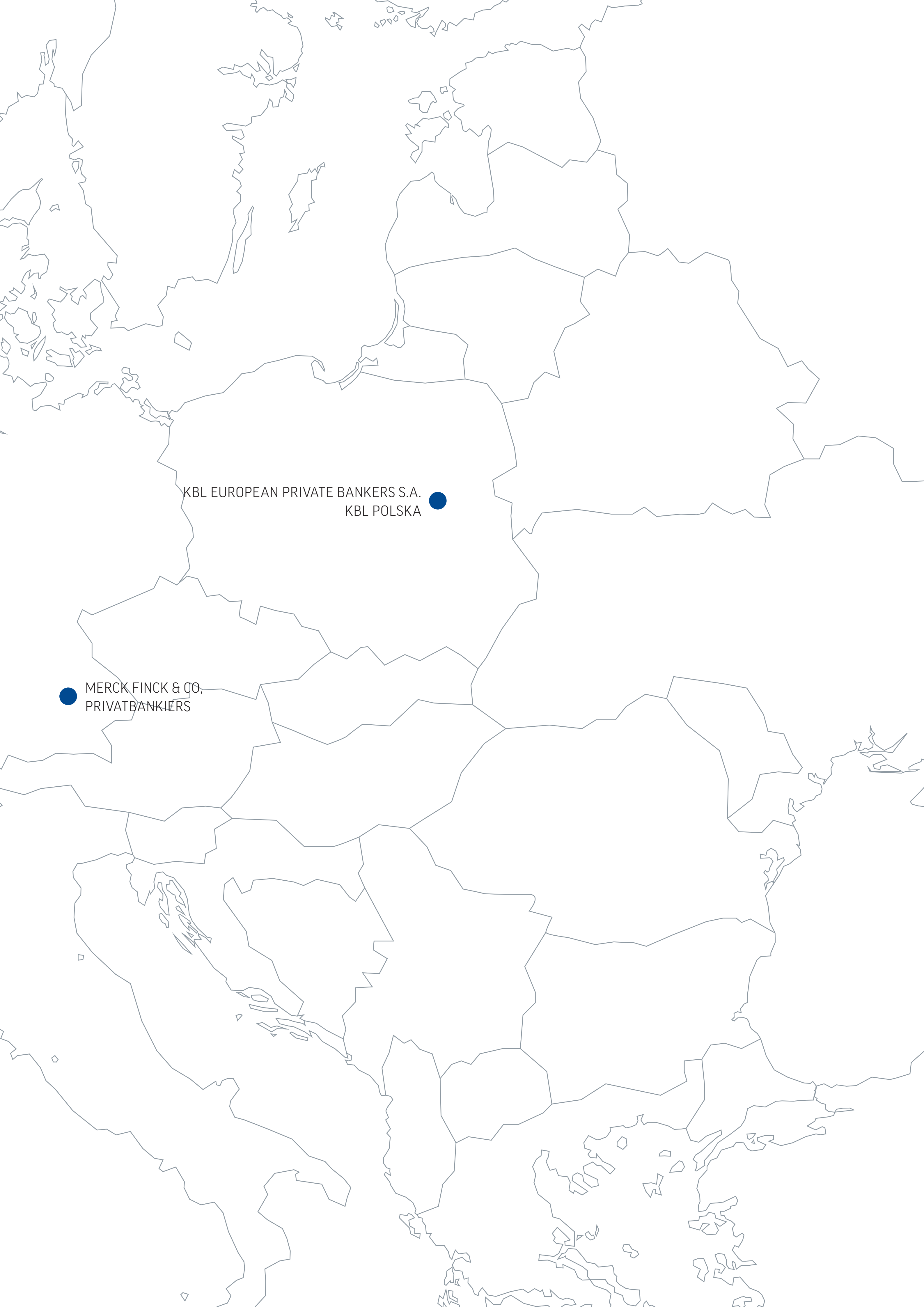
KBL EUROPEAN PRIVATE BANKERS S.A.
KBL POLSKA
MERCK FINCK & CO,
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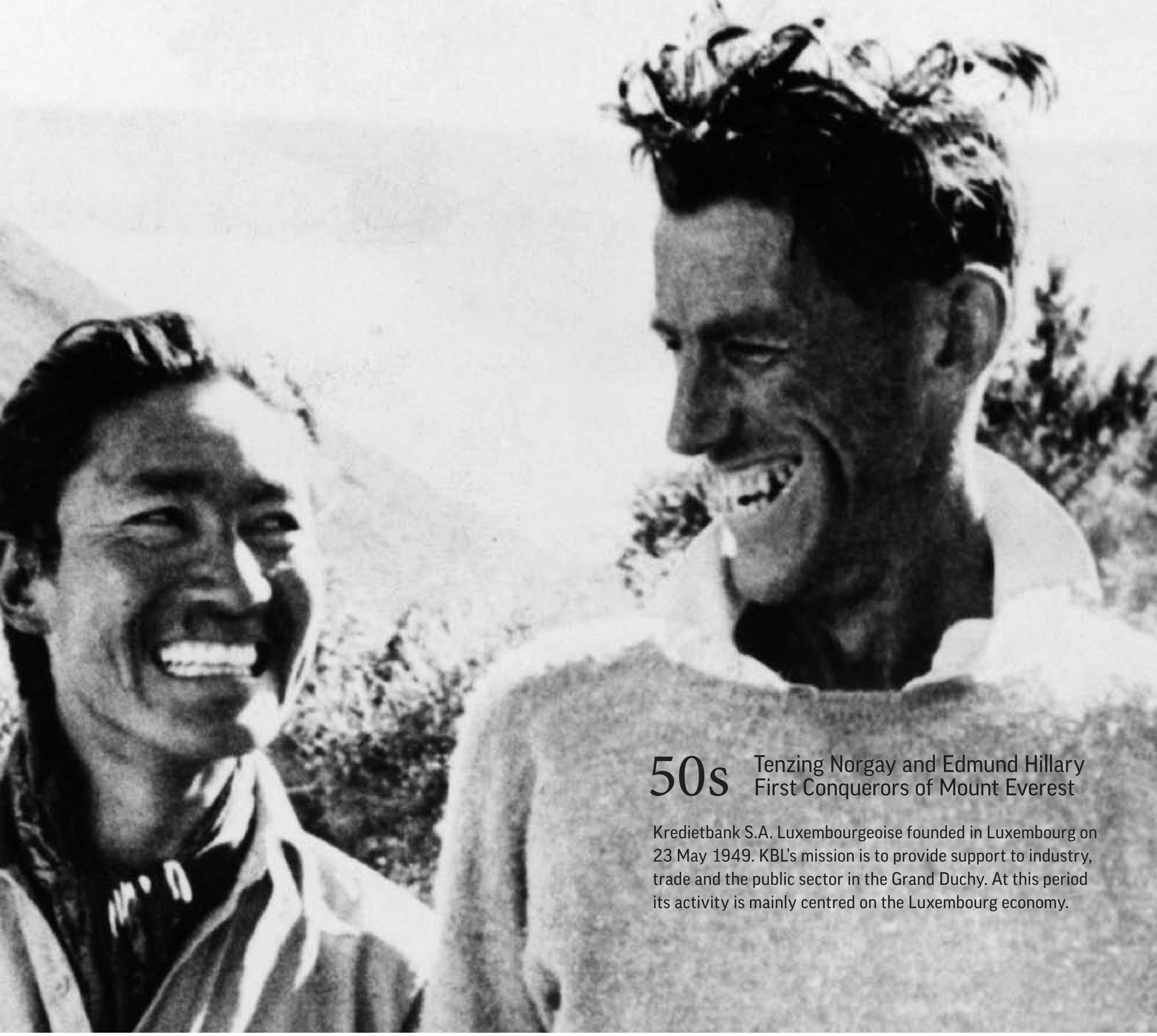

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60s Beatles Fans Storm Buckingham Palace

In 1961 Kredietbank S.A. Luxembourgeoise launches the first international issue in the European Currency Unit. This is generally considered the first euro issue on international capital markets. In 1963 Kredietbank S.A. Luxembourgeoise manages its first international loan denominated in dollars and becomes a pioneer in Eurobonds.

Board of Directors and Executive Committee

Position as at 31 December 2010

Board of Directors

Jan HUYGHEBAERT
Chairman of the Board of Directors of KBC Group N.V. and KBC Bank N.V. and of the Board of Directors of KBL European Private Bankers S.A.

Philippe VLERICK
Deputy Chairman of the Board of Directors of KBL European Private Bankers S.A.
Deputy Chairman of the Board of Directors of KBC Group N.V.
President B.I.C. Carpets S.A.

Franky DEPICKERE
Managing Director, Cera Société de gestion S.A. and Almancora Société de gestion S.A.
Chairman of Management Committee of Cera SCRL

Frank ERTEL
Staff representative
KBL European Private Bankers S.A.

Marc GLESENER
President of ALEBA
Staff representative
KBL European Private Bankers S.A.

Francis GODFROID
Staff representative
KBL European Private Bankers S.A.

Christian HOELTGEN
Staff representative
KBL European Private Bankers S.A.

Christine JANSSENS
Staff representative
KBL European Private Bankers S.A.

Jan Maarten de JONG
Company Director

Laurent MERTZ
Staff representative
KBL European Private Bankers S.A.

Diego du MONCEAU de BERGENDAL
Company Director

Edmond MULLER
Industrialist

Philippe PAQUAY
Executive Director
KBL European Private Bankers S.A.

Jacques PETERS
CEO (from 15 November 2010)
KBL European Private Bankers S.A.

Luc PHILIPS
Chairman of the Board of Directors of KBC Insurance N.V./S.A. and Director of KBC Group N.V. and KBC Bank N.V.

Marie-Christine VANTHOURNOUT-SANTENS
Company Director

Mathias RAUEN
Staff representative
KBL European Private Bankers S.A.

Etienne VERWILGHEN
CEO (until 15 November 2010)
KBL European Private Bankers S.A.

Marc WITTEMANS
Managing Director of MRBB SCRL
Director of KBC Group N.V.

Approved statutory auditors responsible for external audit: Ernst & Young S.A.

Executive Committee

Jacques PETERS
President

Olivier de JAMBLINNE de MEUX

Philippe PAQUAY

Yves PITSAER

SENIOR MANAGEMENT

Philippe AUQUIER
Finance

Luc CAYTAN
Financial Markets

Rafik FISCHER
Global Investor Services

Marie-Paule GILLEN
General Secretary

Michel GODFRAIND
Risk Management

Bernard JACQUEMIN
KBL Private Banking

John PERKS
IT

Bernard SOETENS
Corporate / Loans

Philippe VAN DOOREN
Operations Management

Guillaume de GROOT HERZOG
Buildings and Logistics

Olivier HUBERT
Tax Department

Siegfried MARISSENS
Corporate Centre

Vincent SALZINGER
KBL & Group Compliance

Bernard SIMONET
Human Resources

Thierry THOUVENOT
Internal Audit

Key events

1. NEW FINANCIAL PARTNER FOR KBL *epb*

At the end of 2009 the Executive Committee of KBL European Private Bankers ("KBL *epb*") was asked by KBC to oversee the search for a future shareholder. This search came to an end in May 2010 with the selection of the Hinduja family group.

On 21 May 2010 an agreement was reached between the Hinduja Group and KBC Group for the purchase of KBL *epb*. The transaction amounts to some EUR 1.35 billion.

2. CLOSING EXPECTED IN 2011

The agreement between KBC Group, KBL *epb*'s reference shareholder, and Hinduja Group on 21 May 2010 must first be approved by the Luxembourg supervisory authorities and also by the regulators in the various countries in which KBL *epb* is active. The complexity of the case and the legal deadlines of each regulator have had the effect of delaying the closing of the operation which is now expected in the first half of 2011.

3. REFOCUSING ACTIVITIES AND ADAPTING RESOURCES

In the global context of the effects of the financial crisis, we concentrated our efforts on preserving our clients' assets.

Today the nature of the activities and transactions that we are carrying out for our clients has developed considerably. Some have disappeared, others have changed profoundly, such as certain Dealing Room activities and private banking which has refocused on discretionary management. Activities which do not form part of our core business have been sharply scaled back and over the past few years an efficient automation process has led to a structural resizing of the company. Consequently, a redundancy plan for 108 people was implemented in December 2010.

4. RESULTS - TOWARDS A RELAUNCH OF ACTIVITY WITH THE FUTURE SHAREHOLDERS

After the barely favourable market performance in 2010 and the direct impact of other exceptional items, the net consolidated profit of KBL *epb* equalled EUR 67.7 million. This compared with EUR 119.2 million the previous year.

A mix of volume and price effects took private client assets under management to EUR 39.0 billion on 31 December 2010, against EUR 37.4 billion a year earlier - including Vitis Life. This equalled an overall increase of 4.4%, or EUR +1.6 billion. Overall assets under management came to EUR 48.7 billion on 31 December 2010, having expanded by 3.3% including Vitis Life.

5. EMPLOYEES

As at 31 December 2010, the KBL *epb* network employed a total of 2,522 staff, compared with 2,661 at the end of 2009, that is, a 5% reduction. The change was due to a decrease in employees at the parent company, as well as at certain subsidiaries. Out of the 2,522 staff in the KBL *epb* network, some 56% work in subsidiaries outside Luxembourg.

6. AN AMBITIOUS STRATEGY

- To strengthen its presence in Europe, KBL *epb* opened a branch in Madrid (Spain) in April 2010.
- With the acquisition of Vitis Life on 14 April 2010 KBL *epb* brought a homogenous structure to its network and provided the means to offer the most specialised solutions to its clients.
- KBL *epb* means to remain a centre of excellence in its core business of private banking. This activity will be developed in Europe and seizing the opportunities offered by the widening of our geographic area, we will enter other parts of the world with strong development potential where our unique service offer is likely to meet the expectations of new wealthy potential clients.
- As well as private banking, KBL *epb* will continue to develop its services for institutional investors and financial markets in which its expertise is an added value.

Key consolidated figures

(consolidated figures as at 31 December 2010)	2007	2008	2008 "Underlying result"*	2009	2010
RESULTS (in EUR million)					
Net banking income	756.3	396.0	653.5	664.9	**602.6**
General expenses	-509.9	-683.7	-517.7	-526.4	**-546.2**
of which: Other operating expenses	-475.5	-475.6	-475.6	-504.4	-503.2
Impairments	-37.5	-210.2	-44.3	-24.7	-44.6
Badwill					**29.0**
Pre-tax profit	246.4	-287.7	135.8	138.5	**85.4**
Income taxes	-38.1	141.8	18.2	-19.4	**-17.7**
Net consolidated profit, Group share	208.3	-145.9	153.9	119.2	**67.7**
FINANCIAL RATIOS					
Core Tier one ratio - Basel II	9.3%	5.8%	-	9.1%	**11.3%**
Tier one ratio - Basel II	10.9%	6.9%	-	10.7%	**13.4%**
Solvency ratio - Basel II	18.2%	12.2%	-	18.4%	**21.6%**
Regulatory capital/Balance sheet total	6.8%	5.6%	-	7.9%	**8.8%**
Loan-to-Deposit Ratio	-	14.0%	-	14.1%	**17.2%**
ROAE	13.7%	-13.6%	14.3%	12.9%	**6.6%**
ROAA	1.0%	-0.8%	0.8%	0.8%	**0.5%**
Cost/Income Ratio	62.9%	120.1%	72.8%	75.9%	**83.5%**

* The 2008 Underlying Result data take account of the neutralisation of the negative impacts directly linked to the financial crisis such as the negative valuation of certain financial instruments at fair value and impairment on the Available for Sale (AFS) portfolio and the Loans and Receivables portfolio.

(consolidated figures as at 31 December 2010)	2007	2008	2009	2010
BALANCE SHEET TOTAL (in EUR billion)	20.3	16.2	13.9	**14.7**
ASSETS				
Loans and advances to credit institutions and investment companies	8.9	5.4	4.8	**4.3**
Loans and advances to customers	1.9	1.5	1.3	**1.4**
Transferable securities	6.5	6.5	6.2	**5.0**
LIABILITIES				
Amounts owed to credit institutions and investment companies	6.0	3.8	3.4	**2.7**
Amounts owed to customers and debts evidenced by certificates	11.9	10.4	8.4	**7.8**
of which: Subordinated debts	1.0	0.8	0.8	0.8
Total equity	1.3	0.8	1.0	**1.1**
AUM (in EUR million)				
Assets under management	54,462	44,040	46,087	**48,656**
of which: Private banking customers	41,041	34,575	36,373	39,004

70s Oil crisis bites

KBL is one of the European leaders on the Eurobonds and Euroloans primary market.
The bank is involved in setting up CEDEL (later Clearstream) a neutral and independent securities clearing house allowing professionals to execute transactions in Eurobonds quickly and efficiently.

Consolidated Management Report

Consolidated Management Report

1. GENERAL COMMENTS ON THE RESULTS

Net consolidated profit, group share, as at 31 December 2010 totalled EUR 67.7 million compared with EUR 119.2 million as at 31 December 2009.

As at 31 December 2010, net banking income had fallen by 9% compared with 2009 net banking income to stand at EUR 602.6 million. This was largely due to the decrease in the net interest margin, reflecting the markets' evolution in 2010. On the other hand, commissions rose by 5% compared with 2009, in phase with the increase in AUM in 2010, largely due to the volume effect of Vitis Life entering the scope of consolidation. Assets under management reached EUR 48.7 billion at the end of 2010 compared with EUR 46.1 billion at the end of 2009, i.e. +6% growth.

Operating expenses remained stable in spite of restructuration costs for an amount of EUR 24 million covering staff reduction programmes in Luxembourg and Germany.

As at 31 December 2010, impairment charges totalled EUR -44.6 million compared with EUR -24.7 million as at 31 December 2009. An impairment on goodwill of EUR 37.2 million has been booked. Among the other non-recurring items, badwill of EUR 29 million was recognized when acquiring Vitis Life.

Excluding variation of impairment charges and restructuration costs mentioned above, general overheads decreased by 5%.

The balance sheet total rose by 6% compared with the end of 2009. When excluding any change in the scope of consolidation (i.e. without Vitis Life), it fell by 11% mainly in the Bank's own portfolio exposures and to a lesser extent in interbank transactions.

At the end of the financial year under review, Tier One capital (calculated in accordance with CSSF Circular 06/273, as subsequently amended, defining capital ratios under Basel II), amounted to EUR 680 million. Consolidated solvency ratio on Tier One equity was 13.4%, compared with 10.7% at the end of 2009. Core Tier One ratio amounted to 11.3% compared with 9.1% at the end of 2009.

2. KBL *epb* MISSION

Up to now KBL *epb* has focused on the development of pure-play private banking in key countries in Europe. This will now extend to the Middle East and Asia and to services for professional investors provided by our Asset Management, Global Investor Services and Global Financial Markets departments.

2.1. STRATEGIC OBJECTIVES: CONDUCT BUSINESS ON A SOLID BASIS

With a wealth of Private Banking expertise, our time-honoured European speciality, and our entrepreneurial tradition - furthering the excellence of our businesses - and with the support of our future shareholders[1], we see ourselves as open to geographical expansion and ready to take advantage of opportunities on the market.

Indeed, KBL *epb* is genuinely the only European network of pure-play local private banks. Private Banking is our core business and we place the client at the heart of our concerns, favouring proximity and the respect of cultures and identities.

We believe the entrepreneurial spirit of our private bankers and the autonomy of each member of our network are key factors in our success. We want to be Belgian in Belgium, Dutch in the Netherlands and Polish in Poland, so each member of the KBL *epb* network benefits from considerable freedom in defining its commercial strategy. With a human dimension, they work under their own identity and with their own culture. Wherever we have a presence, therefore, our lasting quality and success are based on the name, history and reputation of each member of KBL *epb*.

2.2. THE CULTURE OF EXCELLENCE IN OUR BUSINESS

In this difficult period for the financial markets, our private bankers are working to position themselves as trusted advisors, closer than ever to their clients. Their brief is to advise each individual client on the basis of his or her individual investment profile and expectations. This is why our private bankers have a personalised approach, focusing on dialogue with the client. This approach is rooted in a long-term relationship which engages us in a process of continual reassessment, thereby allowing us to use the best of our expertise in the service of our clients.

We are also recognised as trusted investors. Our independence in our investment choice is guaranteed by our tried and tested strategy of open architecture.

All the investment strategies that our private bankers offer our clients have first undergone an in-depth analysis which takes into account the performance expected with regard to the level of risk that the investor accepts.

We want to assert ourselves as a trusted employer. To achieve this we offer an attractive career to private bankers who make

1 As mentioned in Key Events, item 2, p. 12, it should be noted that the sale of KBL *epb* to the Hinduja Group has not yet been completed. The closing will take place as soon as all the conditions precedent for the sale have been fulfilled (i.e. approval of all regulators). All the statements made hereafter concerning cooperation with the future shareholder are made subject to completion of the closing.

a difference in their job. We surround ourselves with professionals, skilled in all aspects of banking, which allows us to provide the best support to optimise the work and performance of our private bankers.

We are convinced that in the coming years this private banking-centred model and our new financial partner will provide a genuine engine for growth.

2.3. EXPANSION BACKED BY OUR FUTURE SHAREHOLDERS

The close collaboration with our future shareholders in the development of KBL *epb* from 2011 will open attractive possibilities for us which we intend to explore quickly.

With this in mind, we are preparing ourselves enthusiastically to develop our policy of commercial expansion, be it by approaching new categories of potential customers in the countries where we are already present or by entering new geographical markets and by developing new types of services needed by these categories of customers.

We are also willing to bolster our activities in setting up and managing investment funds and other financial products in which we are already one of the leaders in Luxembourg. With the support of our future shareholders we will in the near future target new markets and new categories of prospects.

In this approach certain business lines are going to be able to become mutually stronger. Consequently Asset Management, which has been working in conjunction with private banking for a long time, will now find a much wider area of expansion. The same applies to Correspondent Banking and other financial services (Global Financial Markets) in which our Dealing Room has recognised expertise.

2.4. BUSINESS MANAGEMENT PROCESSES TAILORED TO CONTEXT

Following the turbulence of the financial crises of 2008 and 2009, a proactive plan to cut costs was launched across the entire KBL *epb* network. In December 2010 KBL *epb* took the decision to adapt staff numbers to economic reality and IT developments within the parent company in Luxembourg. There were 108 job losses within KBL *epb* and its subsidiary KTL.

However, to prepare the ground for our future expansion, some targeted recruitment is planned for the beginning of 2011.

2.5. EMPLOYEE COMMITMENT

Our employees are the primary resource of our network. The quality of the relationships they forge with our clients and the extent to which they are able to achieve their targets are a direct reflection of their attitude towards our Bank. We aim to maximise the value of the efforts of our staff, rewarding personal initiative and strengthening the sense of belonging to KBL *epb*.

In addition, through its cultural and corporate sponsorship projects, KBL *epb* encourages its employees to take part in cultural, social and charity work. This year, in particular, we supported a microfinance project in Vietnam, and around 10 members of staff took part in a voluntary scheme to share professional know-how with the local structure on the ground.

3. THE HUB SERVICE CENTRE

In order to provide itself with the means to ensure the successful development of its European Private Bankers network, KBL *epb* has developed for its members a set of Information and Communication Technologies (ICT) and Operational services in Luxembourg grouped within the Hub Service Centre concept.

KBL *epb* wants to offer its members state-of-the-art facilities with regard to quality, flexibility, cost management, specialist ICT tools, back-office services, market execution and operational support through centralisation of these activities on a common platform. The Hub in Luxembourg is based on all the tools and skills developed within KBL *epb* in Luxembourg and the whole KBL *epb* network over several years. It facilitates the optimisation of service quality for clients wherever KBL *epb* is present in Europe, while achieving high productivity through the systematic use of Straight Through Processing.

The full ICT platform has been successfully introduced in France (KBL Richelieu Banque Privée), in the United Kingdom (Brown Shipley Private Banking), in Belgium (Puilaetco Dewaay Private Bankers), in Poland (KBL *epb* Polska), in Spain (KBL *epb* España) and in Switzerland (KBL Swiss Private Banking).

As regards Spain, it should be noted that it was possible to create this branch in greenfield mode, within a nine-month deadline. This is proof of the Hub's efficiency.

On the Operational side, all KBL *epb* members are using (some fully, others partially due to local constraints) the common Hub platform.

With the Hub, KBL *epb* has firmly focused on a new role, a high-quality proactive service based in Luxembourg for European private bankers who seek excellence for their customers. Pooling processing capabilities and skills plus the flexibility of the architecture implemented make the Hub an essential tool in supporting growth, optimising the quality of service, risk management and the cost base of KBL *epb*.

4. COMPLEMENTARY NICHE ACTIVITY

4.1. GLOBAL INVESTOR SERVICES

In Luxembourg, we have a second core business directly linked to the specific nature of the financial centre. This is Global Investor Services, which, since 2007, has been working to develop non-private client services and to generate new contacts and new business in sectors where the Bank has recognised expertise. These sectors are primarily those linked to the undertaking for collective investment (UCI) industry and to market-based activities and those involving portfolio management services - seen in the broadest sense of the term - for professional and institutional clients.

The 50 expert staff in the GIS, provide tailor-made services to professional and institutional clients and offer them products developed within the Bank and more particularly within the Dealing Room, one of the last working ones in Luxembourg. They are assisted in their task by technical devices, such as the Hub's integrated operational platform and top-flight financial communication and information systems.

While investors have not yet completely returned to collective investment products, the UCI & Global Custody Services division, experts in the field of administrative and banking services essential for the smooth running of the UCI of our professional and institutional clients, was nonetheless able to continue its good work in 2010 and signed up a relatively high number of new contracts (For more details see 4.2 (UCI) below).

Activities linked to our market skills enjoyed an excellent 2010 at all levels (foreign exchange, equity intermediation and bond sales). Cross-selling within a loyal client base continued to bear fruit and made it possible to strengthen and consolidate many business relationships.

Furthermore, for the second time in a row, our Bank was named best sub-custodian in Luxembourg for 2010 by *Global Finance*, an international financial magazine appearing in some 163 countries.

Throughout 2010 the GIS teams worked with IT on phase II of our internet-based real-time communication system. This development of the eKBL look-up tool concerns sending orders, cash and securities. The transactional part, eagerly awaited by many clients, should become operational in March 2011 for cash and for securities in May 2011.

The purchase of our Bank by the Hinduja Group will open new and attractive perspectives, since it will make it easier for the GIS teams to export their skills to new geographical and cultural horizons. Access to these new, essentially Asian, markets, will be eased and it has already been possible to harvest the first fruits. The Hinduja Group fully supports these activities and will take an active part in encouraging their development.

4.2. UCI

4.2.1. Luxembourg - still Europe's number 1 for UCI

After the pick up in activity begun in 2009 on the back of the 2008 crisis, the investment fund sector continued to grow in 2010 to reach EUR 2,199 trillion in net assets as at 31 December 2010 which represents an increase of over 19% compared to the end of December 2009 (EUR 1,841 billion). The all time high for Luxembourg UCI net assets dating from October 2007 (EUR 2,124 billion) was beaten at the end of 2010.

Particularly pleasing is the net capital contribution from investors of EUR 162 billion at the end of December 2010 (compared to EUR 85 billion in 2009). Promoters from an increasing number of countries launched 204 UCI or 705 sub-funds in the course of 2010. Luxembourg confirmed its first place in Europe and with its 3,667 UCI and 12,937 sub-funds is still, after the United States, the second global market for investment funds. It should however be noted that less of the new capital came from European investors, who are losing ground to Asian investors who were the drivers in 2010.

As was also the case in 2008 and 2009, 2010 was marked by the continuing success of alternative funds in the form of venture capital investment companies (SICAR - *Sociétés d'Investissement en Capital à Risque*) (244 companies at the end of December 2010 against 236 one year before) or Specialist Investment Funds (SIF). The SIF, a flexible but regulated private equity investment vehicle introduced less than four years ago, continued to do well. 221 structures were launched in 2010. The majority of them are funds which follow an alternative investment strategy in the wide sense: property, non-listed companies, hedge funds, microfinance, socially responsible investments, passion funds (wine, watches...).

In regulatory terms, the following were on the agenda:
- consultation and discussion ahead of the AIFM (Alternative Investment Fund Managers) Directive, with European governments keen to regulate alternative products - the Directive was adopted in November 2010;
- the European UCITS Directive commonly referred to as UCITS IV, which will deal with subjects such as cross-border fund mergers, master-feeder structures, the management company passport, the simplification of the notification procedure and a new version of the simplified prospectus, known as KIID (Key Investor Information Document). By the law of 17 December 2010 Luxembourg was again the first EU country to transpose UCITS IV into national legislation.

4.2.2. Growth in assets

In a still difficult and unstable financial environment, added to which is the coming change of shareholder for KBL *epb*, net assets remained at a very satisfactory level of EUR 37.4 billion for 100 UCI totalling 758 sub-funds. A considerable number of new business relationships with promoters with very different backgrounds also started in 2010.

4.2.3. European Fund Administration

Since 1998 Kredietrust Luxembourg, a specialist subsidiary of KBL *epb*, as the central UCI administration entity has subcontracted its management accounting and investor register management functions to a specialist company called European Fund Administration (EFA), of which KBL *epb* is the major shareholder. At the end of 2010, EFA was managing over 2,665 sub-funds containing total net assets worth EUR 90 billion.

In 2010, EFA Private Equity, the business line handling services for real estate funds and Venture Capital / Private Equity, became one of the market leaders.

Finally, there are many ongoing developments at EFA to offer ideal solutions in the context of the new opportunities provided by UCITS IV (KIID, ...) and AIFMD.

80s East German family travels through a new border in the West

In 1981 KBL is once again among the pioneers in developing the private use of the ECU, the forerunner of today's European currency. The Kredietbank group manages issues for borrowers as prestigious as the European Investment Bank (EIB) and the World Bank.
To support its international activity, KBL sets up in Geneva (Kredietbank (Suisse) S.A.) and Hong Kong in the 1980s and then opens representative offices in major financial centres such as London, New York, Tokyo, Madrid and Milan.

Non-consolidated Management Report

Non-consolidated Management Report

1. GENERAL BALANCE SHEET PERFORMANCE

At the end of the 2010 financial year, the total balance sheet stood at EUR 11 billion, EUR 1.3 billion less than at 31 December 2009.

This decrease lies within the framework of KBC's decision to sell KBL *epb* to the Hinduja Group and the ensuing period between signing and closing.

The non-consolidated annual financial statements include our Polish and Spanish branches which opened in April 2009 and April 2010 respectively. Their impacts are relatively marginal at this stage.

The ratio of liquid assets to short-term debts remained above the regulatory minimum. The Bank still has a comfortable liquidity position. The solvency ratio on a non-consolidated basis is a comfortable 36.8%.

2. DEVELOPMENTS IN NET COMMISSION INCOME AND THE NET INTEREST MARGIN

Net commission income rose by some 3.7% thanks to a recovery in activity and improved investor sentiment. However, the net interest margin was down 38.3% compared with 2009 under less attractive conditions of transformation and as a logical consequence of the balance sheet's decline

3. FALL IN DIVIDENDS

Dividend income decreased by 8.9%.

4. OTHER ITEMS FROM GROSS INCOME

The rise in other net income results from net gains from financial instruments at fair value which largely offset the lower capital gains realised on the AFS portfolio compared with 2009.

5. CONTAINMENT OF OPERATING EXPENSES

Staff costs increased because of a provision for restructuration, while the administrative expenses taken into the profit and loss account, particularly those for IT, were down 26.1% on 2009.

6. WRITE-DOWN OF ASSETS

Impairment booked in 2010 mainly concerned one of our holdings.

7. INCOME TAXES

After posting a loss in 2008, the Bank recognised a tax credit which was partially reversed in 2009 and 2010 when the Bank recorded a profit.

8. CHANGE IN PROFIT

Taking into account the various elements above, the Bank reported a net profit of EUR 67.6 million in 2010.

90s Bill Gates at the Annual Software Association Meeting

Private Banking develops with the advent of investment funds (including Luxembourg UCITS, the first to have a European passport). After acquiring British bank Brown Shipley & Co Ltd in 1991, KBL begins to develop into a group. Acquisitions in France and Germany follow.

Annexes

Annexes

Annex 1

MINORITY SHAREHOLDERS AND TREASURY SHARES HELD

In a bid to simplify and streamline its administrative management, a treasury share buyback offer was launched by the Bank on 25 September 2006 and renewed on 19 March 2008.

The Bank did not purchase any of its own shares in 2010.

As at 31 December 2010, the number of shares:
- still held by minority shareholders totalled 17,562 (10,474 ordinary shares and 7,088 preferred shares), representing a total of 0.09% of the Bank's capital; and
- held in the Bank's portfolio totalled 844 (844 ordinary shares and zero preferred shares), representing a total of 0.004% of the Bank's capital.

Annex 2

COMPLIANCE RISK

Compliance is responsible for implementing all measures designed to prevent the Bank and the group from suffering damage or loss, whether financial or otherwise, due to a failure to comply with regulations in force.

The KBL & Group Compliance Division covers a wide range of tasks, including identifying and managing compliance risks, the implementation of an awareness-raising policy, corrective measures, internal reporting and liaising with the Public Prosecutor and the CSSF. It actively assists management in managing and controlling these risks.

Its major areas of activity are:
- the fight against money laundering and the financing of terrorism;
- investor protection (MiFID, Market Abuse, customer complaints, ...);
- professional ethics (codes of conduct, compliance manuals, ...) and the fight against fraud;
- data protection (including banking secrecy).

The threefold role of advice, prevention and control in these areas forms the core work of the Compliance Division. The latter also monitors compliance risks and their management across the whole KBL *epb* network.

The reorganisation carried out at the end of 2010 means that it is now directly attached to the President of the Bank, further strengthening, if that were needed, its weight and access to the Group's managing bodies.

2.1 ADVICE AND PREVENTION

In 2010 Compliance continued in its advisory and support role for the various business lines, within the framework of the Bank's current activities. It has become a regular support for commercial actions and the questions which may arise from them. It is involved in the Bank's client acceptance and revision procedure.

It should be noted that the Committee on the Authorisation and Supervision of Financial Products (CAS), of which Compliance is a permanent member, meets monthly to approve products which are to be offered to clients. Informing clients so that they can understand the products and make an informed investment decision is the main point of this process which uses brochures or term sheets to clarify the products' characteristics and risks.

In 2010 apart from being there to answer questions of interpretation and ongoing supervision of the subsidiaries, Compliance Advice and the Money Laundering Reporting Officer (MLRO) paid particular attention to the following fields:

- Deployment of Compliance Awareness programmes across the KBL *epb* network. This programme is principally based upon a long-term systematic and structured approach with training sessions which are more or less frequent and more or less extensive depending upon the extent to which the persons concerned are exposed to Compliance risks. Regular information for employees and managers on Compliance risks according to (internal or external) events at the time accompanies the programme.

Consequently, information bulletins were sent to all staff regarding legislative changes in the fight against money laundering, in particular on the back of the FATF report on Luxembourg. In the same context, working procedures were also adapted and certain departments received targeted training.

- Three years after MiFID's entry into force, certain employees had training sessions (face-to-face and e-learning) based on the key themes of this legislation to refresh their knowledge of investor protection.
- Further face-to-face and e-learning sessions were used to remind the most exposed staff of the rules concerning market abuse.

2.2. CONTROL

In terms of checks and balances, Compliance continued to maintain its role in this area. Its control framework crowns the Bank's general internal control framework. In addition to refining and strengthening certain tests, the Compliance Control Unit continued to oversee its Compliance Monitoring Programme (CMP). This tool maps Compliance risks and is designed to check on a regular basis that these risks are under adequate control. Where appropriate, suggestions are put forward for improving the framework.

Performance of these checks and balances by our subsidiaries was also monitored from Luxembourg. Where appropriate, support was also given to certain Group bodies.

2010 was marked in particular by the continuing implementation of specialist anti-money laundering software (SIRON), in Belgium and the United Kingdom. These projects should be finished by the beginning of 2011. This was rolled out in all the other subsidiaries in 2009. This solution seeks to improve the review process for the Group's clients, whether new or existing, both by analysing client behaviour (before and after) and by comparison with international lists of persons subject to legal action or restrictive measures.

Special attention was given to strengthening controls on the fight against money laundering following legislative reinforcement (grand-ducal regulation of February 2010 and the new law of October 2010).

Finally, one of the side effects of the financial crisis was an increase in the number of external fraud attempts through falsifying payment instructions. The Bank has responded to this new threat by tightening its control procedures when accepting instructions and by issuing regular updates to staff. The tightening of procedures was effective in thwarting external fraud attempts targeting the Bank's clients.

In general, 2010 also saw Compliance procedures strengthened within the Group with regular forums and exchanges of information with the Compliance Officers in our European network. This enabled various bodies in the Group to share best practices.

Annex 3

RISK MANAGEMENT

3.1 MISSION AND ACHIEVEMENTS 2010

Like the other key control functions of the Group, in 2010 Risk Management was deeply involved in the due diligence exercise in the context of KBC's sale of the bank to Hinduja. Numerous documents were provided for the dataroom and numerous questions concerning risk management and controls were answered in the first half of 2010.

At the same time, KBC implemented a new risk management governance, called "Harbour", that ignored KBL. The Group Risk committees were wound up as of the end of Q3 2010 and since KBL was not a part of the new ones, the KBL Executive Committee had to take over responsibility for the whole risk management framework. A new ALCO meeting was put in place to deal with all financial risk management previously dealt with by the former GALCO (ALM risk, liquidity risk, capital & balance sheet management), GTRC (Trading risk) and GCRC (credit risk).

Since 2006 KBL *epb* risk management had been closely integrated into the KBC framework. With the announced sale, some important "separation items" had to be dealt with, notably:

- the reconstruction of a stand alone insurance programme, put into operation on 1 January 2011, before the closing date of the sale;
- the insourcing of the management bank lines and country lines set up for the KBL Group. While the banking lines have been reduced to cope with the new "large exposure" regulation, the whole system is ready to be implemented as soon as closing is reached;
- the same applies for the trading risk lines and for the calculation of trading exposures that will be carried out on the bank's own system, outsourced in 2008 to KBC. As detailed in the "trading risk" section of this report, we have decided to reactivate methodologies we applied before inclusion in KBC;
- bond prices and monetary curves were also imported from sources (other than KBC) to ensure a continuing independent valuation of our positions.

2010 was also the second year that KBL *epb* Risk Management extended its activities beyond the customary Risk Management areas (trading, ALM, liquidity and counterparty risks), to the control of the two core businesses: Group-wide private banking and Global Investor Services (GIS) in Luxembourg.

The so-called "client risk" is now taking up substantial time and resources as we endeavour to improve the detection of potentially risky exposures in client portfolios and help our subsidiaries. The continuous strengthening of the risk management controls on private banking portfolios, either at the first level on a continuous basis (usually daily by the asset management entity for discretionary portfolios) or at the second level on a sample basis (usually monthly/quarterly by the "risk management" entity) remains a key concern for nearly all KBL Group entities.

As acknowledged in recent legal cases (involving Lehman securities/structured products or Madoff funds), financial institutions are facing increasing reputation risks that can sometimes translate into heavy financial losses to compensate clients for inappropriate asset management and investment advice and sometimes heavy fines. Globally the KBL Group has not been hurt by a single massive "misselling" incident as private banking is mainly about providing tailor made solutions to individual customers.

If risk management controls on discretionary and advisory portfolios have been implemented in all Group entities, the degree of harmonization of the scope of coverage and the escalation of exceptions/breaches reports is not yet satisfactory. Several projects are ongoing on a variety of platforms (Globus, Excel, Equalizer, Data Warehouse) and a common methodology that should give a better global view has been developed by the Group Risk Management and is being implemented and progressively reported to each Audit, Compliance and Risk Management Committee (ACRC). In 2010, the focus was also put on drawing up the risk management control reports on the "home funds" (for the entities where amounts are significant), i.e. on the funds that are managed by a KBL Group entity and represent significant investment levels in the local private banking clients' portfolios.

In the area of global custody, the spotlight remained on the "Madoff fraud" case for the whole of 2010. The answer to the fundamental question of the custodian bank's ultimate liability is still uncertain. Several legal cases against Madoff feeder fund custodian banks are pending but no definite conclusions have yet been reached. However a majority of the industry and regulators is still against the obligation of the custodian bank to restore the assets whatever happens, meaning *de facto* an obligation of result. The initial requests for the absolute ultimate liability of the custodian bank as tabled by the EU Commission were not shared by CESR/ESMA and the final obligations were substantially watered down as shown by the wording of the recent AIFMD.

As already reported in 2009, as soon as the Madoff case broke in January 2009, the bank conducted an audit and put in place a working group steered by the Head of the Global Investor Services Function, that released its final conclusions in March 2010. The Executive Committee ratified those conclusions which showed that the "Madoff risk" is under control in our current organisation, given the strengthening of the selection procedures for sub-custodians and external counterparties and the ongoing supervision of those. Improvements include the setting up of a custody acceptance committee, a new sub-custodian score card, a weekly follow-up of sub-custodian ratings (Credit Risk Management). The due diligence questionnaire for sub-custodians has also been further updated. A full set of procedures was documented and published in December 2010.

In 2010 the risk management scope was extended to our new branch in Spain and to Vitis Life, purchased from KBC Insurance in April 2010. Risk Management teams in KBL have been assigned to help Vitis Life to reach the standard of the group. Among the projects, the most important one is the implementation of "Solvency II". In order to continue to benefit from the expertise of KBC, Vitis Life has concluded a Service Level Agreement with KBC Insurance.

In 2010, reporting by Risk Management departments to their respective ACRC was further extended and streamlined among the various entities of the group. This procedure is designed to give a common view along the same framework and at the KBL level and wherever possible a consolidated picture of the Group's risks. Those documents serve as a reference for our reports to the various stakeholders concerned within the Group. In 2010 the functional links and management of the Risk Management units within its subsidiaries were strengthened. While recognising the principle of subsidiarity and the need for basic local level management of the risks inherent in the business model, steering by Luxembourg staff of the eight subsidiaries considered significant in terms of risk was further developed.

3.2 STRUCTURE AND ORGANISATION

Since February 2009, the new Risk Management structure of KBL *epb* has consisted of four departments with a total of 26 FTE:

- Operational Risk Management, with 4.6 FTE, which mainly uses incident analysis (Loss Event Reporter), the Group's operational risk standards, Risk Self-Assessments and Case Studies to monitor risk. It is also in charge of managing the insurance programme for the KBL *epb* Group and for the development and maintenance of the BCP for KBL *epb*.
- Market Risk Management, with 5 FTE, is responsible for the methodological monitoring of market risk issues in the KBL *epb* Group. The department monitors ALM and liquidity risk issues, and leads the ICAAP process of the Bank (pillar 2 of Basel II). It also provides support to subsidiaries in accordance with local regulatory requirements. Lastly, it is within this entity that new controls are developed regarding potential risk in client portfolios.
- Credit Risk Management, with 3.8 FTE, is in charge of monitoring credit risk for the KBL *epb* Group. It includes the former Financial Analysis department, which until the end of 2008 was part of Corporate Banking. Credit risk mainly results from Lombard loans granted to private clients, credit facilities arranged for investment funds, bond investment (FRN and SAS) portfolios and unconfirmed bank lines, covering counterparty risk.
- the Risk Controlling department (with 11.7 FTE), consisting of Middle Office and Collateral Management, which is in charge of recurring level 2 controls of the Markets Function. This essentially involves:
  - checking the integrity and reliability of positions and trading results and the reporting of these;
  - controlling the usage/overruns of limits and monitoring and consolidating residual trading risk of subsidiaries;
  - monitoring counterparty/country risk (unconfirmed lines);
  - managing the Bank's collateral in relation to Repos, Securities Lending and Derivatives, in addition to monitoring the quality of guarantees received from counterparties under framework agreements.

On 1 January 2011 the "Group Process Management" entity that was formerly part of the Organisation Division and is staffed with 4.7 FTE was integrated into the Operational Risk Management department. This move is intended to maximise synergies since risk self assessments are often based on process analysis, and to reach economies of scale. The tools used by Group Process Management will be used principally for new developments in the field of operational risk.

The total number of Risk Managers in the affiliates is approximately 25 FTE. At Merck Finck & Co Privatbankiers and Theodoor Gilissen Private Bankers, there are up to 5 FTE. The other teams are much smaller (3 FTE on average). Given the more standard activities within subsidiaries and the non-materiality of some risks (absence of trading activity, minimal ALM and liquidity risk and limited credit risk), most resources are dedicated to the management and control of client risk and operational risk.

3.3 RISK APPETITE

The KBL *epb* Group sees itself as a specialist group of pure-play private banks generating minimal proprietary risk.

This risk aversion is based on the following four principles:

1. A global strategy aimed at reducing the volatility of net earnings and ensuring steady earnings growth that also generates significant liquidity.
   - Over the past 10 years, the Bank has built up a network of banks in 10 European countries, enabling it to benefit from geographical dispersion and to be present in markets which are at different stages of development. Growth is guaranteed at the local level through the takeover of small banks or the recruitment of private bankers attracted by our business model of pure-play private banking.
   - This expansion has taken place onshore, a steady growth market, while offshore, which represents the historical base of KBL *epb*, has been undergoing consolidation for a number of years. Onshore entities act as the safety net for clients looking to exit offshore markets. In just a few years, the proportion of onshore to offshore has shifted towards the former.
   - Over the years, the Group has encouraged the development of asset-based fees rather than transaction-based fees. Discretionary management, advisory, UCI investment and unit-linked life insurance products satisfy this need for stable overall income.

- The core businesses of private banking and GIS are natural sources of liquidity. Structurally, the Group is a net lender on the financial markets. In the absence of regulatory constraints, subsidiaries transfer their liquidity to KBL *epb*, which reinvests on the market. When conditions are favourable, KBL *epb* focuses on secured reverse repo transactions. Limits are monitored closely. The Bank also has considerable room for manoeuvre to obtain additional liquidity by converting eligible portfolios into liquid assets with the ECB or on the repo market.

2. For the subsidiaries, the overall strategy focuses on eliminating non-core activities and reducing business risk.
- All bond and share trading activities have ceased. Current trading positions are simply a natural legacy from client activity, mainly in forex and treasury.
- Tactical ALM positions have been frozen or sold and only structural or limited positions remain.
- Pure corporate lending has been discontinued and is now geared towards private clients as an ancillary service. Most of the exposure is secured either by portfolios (Lombard loans) or by real estate (mortgages) owned by the customers.
- Subsidiaries now focus purely on B-to-C services through global custody, market and ICT support services offered by Hub teams in Luxembourg. The Group platform, Globus, while suited to local requirements, helps to generate significant operational savings.

3. The overall strategy seeks to limit the risks of the non-core activities of KBL *epb* in Luxembourg:
- lending, one of the historic activities of KBL *epb*, was restructured in 2009 to focus on ancillary products for private clients and, to a lesser extent, GIS clients. The pure loan portfolio activity has been refocussed by abandoning several niche activities, such as structured products and private equity.
- Tactical ALM positions were also frozen in Luxembourg in 2005 and most have reached maturity or have been realised. The remaining ALM positions are essentially structural positions in line with the Group's ALM methodology.
- Trading positions in the Luxembourg Dealing Room are closely monitored and largely result from client activity. Classic instruments are used, with limited derivatives activity. Most client bond and equity transactions are unwound on a Delivery Versus Payment basis. Forex and treasury credit risk is generally covered by netting agreements (ISDA and CSA). Securities lending transactions to GIS clients and their counterparties in the market are also covered by MSLA/GMSLA.

4. Lastly, this strategy also seeks to minimise inherent non-financial risks.
- Over the years, the Bank has developed a strong internal control culture. The segregation of duties and structuring of organisations, the introduction of work procedures and processes, the general "four eyes" principle, the double registration of risk-bearing operations, accounting for transactions as closely as possible to the instructions, the performance of audits covering most activities on a regular basis, the introduction of a complete compliance framework supported by testing on a sample and non-sample basis and the introduction of operational risk standards and Risk Management audits are just some aspects of supervision at KBL *epb*.

During the last quarter of 2010, KBL *epb* developed its own initial framework to express and quantify its risk appetite. This concept, which has to be discussed in close interaction with the strategy, was approved by the Executive Committee at the end of January 2011. It will be presented for decision/validation at the Board of Directors as soon as possible. It should become the cornerstone for establishing a set of limits defined by risk and activity throughout the group.

Annex 4

RISK MANAGEMENT

While the business lines (either front office, back office or support entities) retain the primary responsibility and accountability for managing their risks, Risk Management contributes at the second or third level, to the overall management of the risks described below. These risks are also the subject of a global assessment based on ICAAP, as briefly described at the end of this report. A quarterly review of the risks of KBL *epb* and of each subsidiary is carried out by the local Executive Committees and by their respective ACRC, which report to the Board of Directors.

4.1 CLIENT RISK MANAGEMENT

Client Risk Management aims to ensure that in our core business of private banking, client portfolios that might be exposed to an undesirable risk are identified, that the client is informed and that appropriate solutions are duly recommended. This risk can result from a sudden change in the markets, for example the higher correlation between the various asset classes during the financial crisis, or a deterioration in risk linked to certain types of securities. It can also result from progressive risk taking by the client which no longer ensures the sufficient diversification of his portfolio required by his risk profile.

In our Group, Client Risk Management has always existed, but was mainly focused on discretionary managed portfolios, and adapted to the local situation. Depending on the subsidiary, the contracts signed with clients more or less stipulate various investment limits (by type of instrument, region,...) which can increase the Bank's liability if the allocation is not respected. Therefore, Risk Management carries out its own level 2 or 3 control (if another entity handles it) on a regular basis (often monthly) to ensure that the allocation criteria are being met and that any overrun is justified or corrected. Another type of control is also carried out to verify whether the individual securities placed in portfolios under management are actually on the list of recommended securities and that any exceptions are justified and disclosed to the client concerned.

As reported in the introduction to this report, a more standardised approach is currently being introduced throughout the Group, encompassing non-discretionary clients.

In addition, during the financial crisis in late 2008 and 2009, many clients suffered unexpected losses linked to extreme market conditions or even fraud. Some financial institutions were heavily penalised, being forced to pay for risks originally taken by their clients. Quick to learn from the crisis, the Bank has responded with two initiatives:

- In 2010, Risk Management was tasked with better structuring the controls dedicated to client risk. In that way, a generic universe of controls has been defined, that integrates existing allocation controls, but that will also incorporate, in the medium term, more targeted controls of concentration and volatility within the client portfolios.

  For controls already developed (assets' liquidity, quality of issuer/counterparty, controls per product type, ...), any risk exposure identified is analysed in terms of its weighting in the client's portfolio in order to assess its potential impact on the performance/valuation of that portfolio. Any genuine risk is reported to the commercial entity which then decides whether or not to contact the client in order to resolve the situation.

Furthermore, Risk Management is drafting a complete mapping of the current client risk controls in all Group entities and is involved in a project aiming to upgrade the integrated IT system of the subsidiaries (Globus). The objective is to implement real control standards in terms of client risk controls.

- Structured products are permanently supervised and controlled by the Committee on Authorisation and Supervision of New Products (CAS) in Luxembourg, set up at the end of 2008. These products, which are offered to a selected number of the Group's clients must now obtain formal approval before being sold. The primary role of this committee is to strengthen checks and transparency for all the underlying risks (market, credit, operational, legal, etc.) of these structures. The permanent members of this committee come from Risk Management, Financial Markets, Compliance, Legal, Wealth Management and KTL Asset Management, as well as Marketing.

  More specifically, one of the principal objectives is to ensure that all documents sent to clients allow them to have an understanding of the workings of these products and to ensure that they match their risk profile.

  Issuers of structured products sold to our customers are individually validated by the CAS, after detailed analysis conducted by Risk Management, which is also in charge of a specific monitoring, to ensure that the credit risk linked to the issuers remains acceptable.

  In consultation with the Dealing Room and Marketing, Risk Management awards a risk score to each product launched

  The committee meets monthly or whenever one of its members requests it, and is chaired by the member of the Executive Committee responsible for Wealth Management. The minutes are circulated to all BU entity members as well as to the Group Internal Audit.

4.2. OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of direct or indirect losses resulting from inadequate or deficient internal procedures, individuals, systems or external events. In all KBL *epb* companies, the Operational Risk methodology adopted is the standardised method under Basel II/CRD. For 2010, the capital charge was EUR 69.3 million (average for 2008-2010).

The methodology is mainly based on the following pillars:

- Gathering and analysis of operational incidents in a database available to the entire Group and referred to as the "Loss Event Reporter". Challenging at local level of the entities responsible for these incidents (and at consolidated level, for incidents exceeding EUR 25,000) and the setting up of action plans resulting from these analyses and performance monitoring. Drawing up of incident statistics by entity/activity/type of incident and comparison with gross income.
- Analysis and implementation of Group operational risk standards covering a wide range of areas. In 2010, five new standards were added to the 40 existing ones. KBL *epb* and its subsidiaries assessed and introduced these standards in 2010, requiring few waivers. Within KBC Group, KBL *epb* seems to be one of the business units in which the stage of implementation of these standards is by far the most advanced. Due to the sale by KBC Group, the CORRS (Common Operational Risk Rules System) project was launched in Q4 2010, in order to centralize all operational risk rules for the KBL *epb* Group in a common tool allowing the users to access these rules through different views.
- Identification and measurement of risks and evaluation of the controls through risk matrices prepared for each activity during Risk Self-Assessment sessions. Based on the risk matrices prepared by Audit, this exercise has been successfully implemented for KBL *epb*, although it is still at various stages of development in the majority of subsidiaries.
- A specific examination of external incidents/events through a case study. In 2010, several case studies were launched, mainly in private banking throughout the KBL *epb* Group after an incident affecting KBL or a subsidiary.

- Follow-up of a limited set of Key Risk Indicators for certain issues mainly linked to Group standards.

The key principle applied here is that ORM remains the responsibility of the various business lines. To assist the Business Management in managing these risks and to ensure sound interaction with Risk Management teams (CORMs), a network of local operational risk managers (LORMs) has been set up within the operational units. The LORMs monitor compliance with procedures, the performance of self-assessments and compliance assessments based on Group standards. At KBL *epb* and in some entities, LORMs are the department/division heads, which afford better visibility and management of operational risks.

In each key entity, an Operational Risk Committee (ORC) supervises the operational risk management process and takes the necessary decisions. It issues instructions to the local Operational Risk Management division (CORM). At KBL *epb*, this committee is chaired by the CFRO and is composed of heads of business lines with a known operational risk. Within the subsidiaries, the CFRO or even the CEO is a member of the committee and chairs the committee meetings.

Within KBL *epb* Group, the new Group Risk Committee, consisting of the ORCs from KBL and the different subsidiaries, has acted as the Operational Risk Committee since 2009. Each member of the KBL *epb* network has set up a three-tier structure of this type at local level (ORC - CORM - LORM). The Operational Risk Department of KBL *epb* plays a key role in the launch and consolidation of initiatives within subsidiaries.

The residual operational risk is covered by a number of insurance policies, most of which were taken out by KBC Group for 2010. All members of the KBL *epb* network are included in this KBC Group cover. Since 1 January 2011, due to the sale by KBC Group, a new KBL *epb* Group insurance programme, created during the second half of 2010, has been in force. This new programme covers the various entities of the KBL *epb* Group for the same type of risks as those covered in the previous KBC Group programme. The Operational Risk Department of KBL *epb* centralises and handles claims from Group divisions.

A Business Continuity Plan (BCP) designed by the BCP Manager has been in place for a number of years. This BCP can rely, if needed, on the Disaster Recovery Plan (DRP) with duplicated IT infrastructures designed to ensure the continuity of the applications used by the critical activities. An IT emergency site and a “business” emergency site, both remote from the main headquarters, are designed to guarantee the continuity of critical activities in a maximum of four hours after trigger of theDRP and/or BCP.

Improvements are made to the BCP each year. Operating tests for the BCP infrastructure are carried out every year by selected users of all critical activities in genuine working conditions. A DRP infrastructure test is also carried out each year.

Each KBL *epb* subsidiary is responsible for the performance of its BCM activities. The BCP Manager of KBL *epb* provides support to subsidiaries when required. All of our subsidiaries have backup infrastructures either on-site or hosted by external providers. These activities are covered by procedures describing the actions to take of there is an incident. The BCP procedures are tested at least annually. For subsidiaries using our IT “hub” (Brown Shipley Private Banking, KBL Richelieu Banque Privée, KBL Swiss Private Banking, Puilaetco Dewaay Private Bankers) and our Polish branch KBL *epb* Polska and Spanish branch KBL *epb* Espãna, their primary banking applications are hosted in Luxembourg and are therefore covered by KBL *epb*'s DRP. DRP tests are organised at least once a year in collaboration with our “hub” subsidiaries and the Bank. For subsidiaries which do not yet have the IT “hub”, backup IT infrastructures have been set up to cover their DRP.

4.3. CREDIT RISK MANAGEMENT

Proprietary credit risks covered by the CRM mainly originate from:

- private banking in the form of Lombard loans (Luxembourg and subsidiaries) and to a lesser extent mortgages (particularly Theodoor Gilissen Private Bankers);
- granting of unofficial lines to GIS clients in Luxembourg (mainly UCI) to cover temporary requirements;
- bond portfolio/international credit, in the form of liquid FRN and SAS, earmarked for gradual run-off in certain niches since late 2008;
- positions in some ALM portfolios (mainly government); and
- unofficial lines covering the trading activity and counterparty exposure with banks (forex, money markets, swaps, reverse repo, securities lending, derivatives, etc.).

Since 2009 Credit Risk Management's sphere of control has been extended to all credit risks for private and institutional clients. New initiatives have been introduced to monitor credit risk for the custodian bank and to update acceptance criteria for securities used as collateral in securities lending and repo transactions. Like other Risk Management departments in Luxembourg, CRM has also stepped up its level 3 supervision and advisory role for local divisions within our subsidiaries. The consolidated credit portfolio report now covers all subsidiaries and provides a detailed picture of the activity and credit risk of each one.

At a regulatory level, all KBL *epb* Group entities use the standardised method under Basel II to calculate credit risk. The project begun in 2005 aimed at adopting the IRB Foundation method by 2009/2010, steered by KBC, was suspended after the annoucement of the sale of KBL *epb* by KBC Group.

In the context of the KBC divestment process, Credit Risk Management has developed its own tools for bank analyses, and implemented its own system for bank limits, approved by the Executive Committee. The same is being implemented for country lines.

4.3.1. Credit allocation decision making

In Luxembourg, as in our subsidiaries, all lending decisions are the responsiblity of the Executive Committee or one of the other competent bodies designated under the delegation of authority based on specific criteria. This delegation of authority always entails the involvement of at least two people from different entities, to ensure that there is no risk of any conflict of interest. All decisions taken on the basis of a delegation of authority must also be reported to and approved by the senior body.

For KBL *epb*, each new credit proposal in terms of bond portfolio/international credit is accompanied by an opinion issued by Credit Risk Management, based on an analysis of the financial situation and creditworthiness of the borrower. For any new investment in a corporate, an internal rating is assigned and used as a reference when delegating authority. For banks and governments, the internal ratings established by the KBC analyst teams are used as a reference, in addition to the external ratings published by the ratings agencies.

4.3.2. Breakdown of loan portfolio

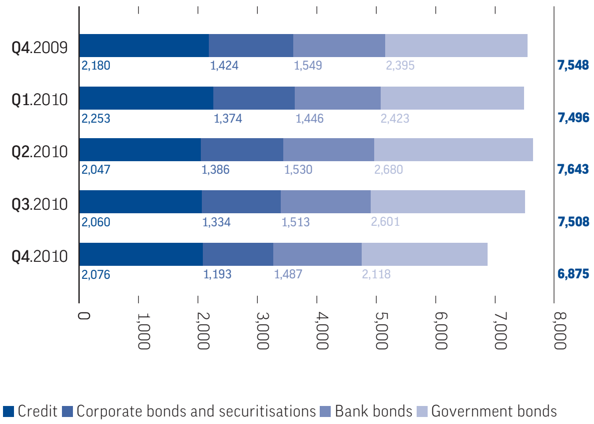
As at 31 December 2010, 76% of the global portfolio was concentrated in Luxembourg (KBL *epb* and Vitis Life, the last being included since Q2 2010). This is due to the traditional activity of bond investment and international credit and the ALM portfolios. Lending to private clients (mainly Lombard loans) and to investment funds, alongside the Bank's core activities, has remained a pillar of the business. Bond investment in KBL *epb* is limited in terms of the amount of new business and has a minimum quality: the portfolio is being renewed with international institutions/governments, national companies and utilities, and good quality banks and firms. Loan portfolios linked to structured products are no longer in use. The securitisation portfolio, repatriated from Dublin in 2007, is being run off.

The distribution by country of origin of the debtor/guarantor shows that borrowers from European countries which make up the natural sphere of activity of the KBL *epb* Group, represent 88% of the consolidated portfolio. 5% are on supranational issuers. US borrowers account for 3% (4% in 2009), while only 3% are from other regions (4% in 2009).

The chart above opposite illustrates the quarterly growth in loans outstanding by type since the end of 2009. There has been a steady contraction in total loans outstanding, given the maturity dates of secured ALM portfolios, run-off portfolios and the cautious policy towards new loans in the bond/international credit portfolio.

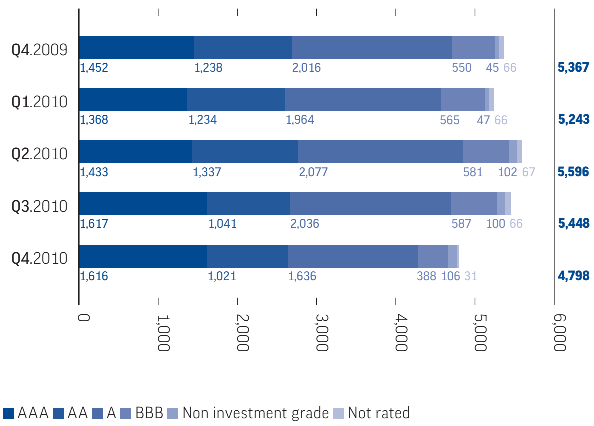
The inclusion of Vitis Life in the consolidated financial statements explains the increase in the Bond portfolio (around EUR 450 million, mainly Government and Bank Bonds) observed in Q2 2010.

CREDIT PORTFOLIO - PRODUCT BREAKDOWN
Credits and investment bond portfolios - in EUR mio



The portfolio of largely European government bonds with a solid rating remains one of the most significant asset classes. If we add to this corporate bonds and securitisations and bonds issued by banks, the vast majority of which have a rating, we obtain the following rating distribution.

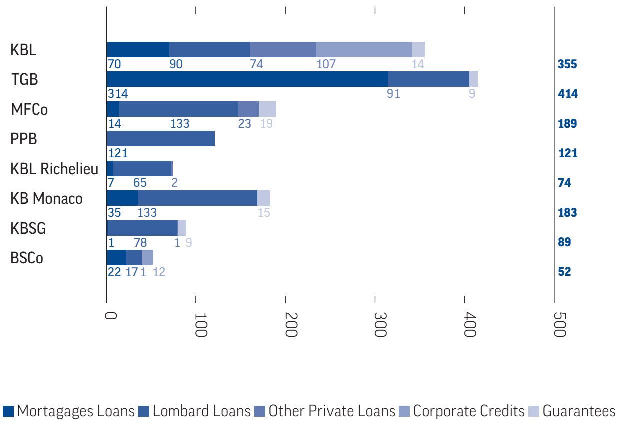
CREDIT BOND PORTFOLIO - RATING DISTRIBUTION
Investment bond portfolios - in EUR mio



Despite the crisis which began at the end of 2008, the portfolio is relatively stable in terms of quality, with 97% of assets enjoying investment-grade status.

In terms of credit transactions (rather than bonds) with counterparties outside KBC Group, the following chart illustrates the importance of private banking.

CREDIT PORTFOLIO - PRODUCT BREAKDOWN BY ENTITY
Situation as at 31.12.2010 - in EUR mio



Subsidiaries' loans totalled approximately EUR 1.1 billion. With the exception of Theodoor Gilissen Private Bankers, which has a sizeable mortgage portfolio (EUR 314 million), the portfolios of other entities mainly consist of guaranteed Lombard loans in which there is a limited track record of default.

Monitoring of credit risk

In terms of the day-to-day monitoring of lending transactions, KBL *epb* automatically monitors the loans and guarantees schedule, which allows any overrun to be detected and the appropriate corrective action to be taken swiftly. Within the Group, these situations are reported to the credit committees or Executive Committees of the legal entities concerned. They are also reported to the local ACRC.

In Luxembourg, Credit Risk Management automatically monitors debtors' ratings, as reported by rating agencies, and informs the entities concerned accordingly. Various types of standard or specific report are also drawn up in order to monitor any deterioratation in the quality of the portfolio. Therefore, for portfolio investment, debtors are reviewed at least once a year based on the financial statements; certain factors could even lead to more frequent reviews (and inclusion on a specific watch list). The watch list is being extended to include subsidiaries' exposure. Similarly, consolidated reporting takes place at least once a year in order to monitor the sector concentration of our risks, as well as debtor concentration.

During 2010, the monitoring was extended by systematic follow up of CDS spreads.

4.3.3. Specific loan provisions

For the parent company in Luxembourg, the evaluation of probable losses and the adjustment of specific provisions are carried out quarterly by the Credit Risk Management. The Credit Committee decides on any adjustments for the first three quarters of the year, this being the responsibility of the Executive Committee for the fourth quarter. Subsidiaries submit their proposals for provisions during the quarterly consolidation.

	As at 31.12.2009			As at 31.12.2010		
(in EUR thousand)	**Gross loans**	**Specific provisions**	**Net loans**	**Gross loans**	**Specific provisions**	**Net loans**
More than 90 days overdue	168,483	124,698	43,786	130,783	107,901	22,882
Other doubtful debts	79,231	31,098	48,133	26,345	7,494	18,851
All doubtful and non-performing loans	247,714	155,796	91,918	157,128	115,396	41,733

Above are the specific provisions established in respect of the consolidated loan portfolio as at 31 December 2010 and the changes in these provisions in the course of the year.

Many of these provisions result from adjustments to certain structured products in 2008, when the Bank decided to establish a 100% provision for its exposure to Structured Investment Vehicles. The sale to KBC of several commitments linked to structured products has resulted in a significant decrease in doubtful and non-performing assets, and a EUR 37 million reduction of provisions.

Loan / Loss ratio (*)	**2009**	**2010**
Average over 5 years	51 bps	58 bps
Financial Year	0 bps	0 bps

* The loan/loss ratio is defined as the net variation of specific and general provisions in the average loan portfolio over the year.

Variation in specific loan provisions	**(in EUR million)**
Total provisions as at 01.01.2010	**155.79**
Transfer from income statement	
Increase in provisions	5.21
Reduction in provisions	-21.12
Applications	-29.59
Adjustments for exchange-rate differences	5.10
Total provisions as at 31.12.2010	**115.39**

Provisions recognised on structured products were partially used and partially cancelled during the period.

4.3.4. Counterparty Risk Management

The measurement and monitoring of counterparty risk for interbank transactions, which are mainly concentrated in the Luxembourg Dealing Room, are a major part of Credit Risk Management. In collaboration with KBC, it sets interbank limits for these transactions by establishing requirements for the entire network. Loans outstanding are allocated to lines based on the “marked-to-market + add on” method, except for securities lending, where (conservative) fixed weightings are used.

In the context of the KBC divestment process, a new system for managing interbank limits has been validated, which will be operational from the date of the closing. This new system defines interbank limits which are commensurate with the size of the Bank and its risk appetite, and fully integrates the new Large Exposures regulation. Credit Risk Management has also developed its own tools for analysing bank counterparts.

The management and supervision of collateral received for secured transactions, in addition to contract management, is handled by Collateral Management, which is part of Risk Controlling and situated in close proximity to CRM. At the beginning of 2010, the Executive Committee updated the specific guidelines regarding acceptable collateral, the respect of which is monitored on a regular basis by the Credit Risk Management department.

It is the task of the Bank’s Front Office to manage the loans outstanding on these lines. Thus, for example, before closing a transaction, the operator must ensure that lines exist for the counterparty and for the product (and country) in question and that the relevant amounts and terms are available. Overruns are monitored daily by Risk Controlling (and more particularly Middle Office) using GEM. Anomaly reports are sent to the Dealing Room management on a daily basis for justification and ratification, as well as to the head of Risk Management. All overruns are reported each month to members of the KBL *epb* Executive Committee, as well as to KBC Group.

4.3.5. Country Risk Management

As regards country risk, transferability risks are the Bank’s chief concern. Lines are allocated to the Bank and its subsidiaries for credit activities and Dealing Room activities as and when required. Until the closing, the decision to grant a country line will be taken by KBC Group. As with counterparty risk, Risk Controlling is responsible for independent monitoring, on a daily basis, of whether the set country limits are respected.

As for interbank limits, Credit Risk Management is developing a new framework for the definition and monitoring of country limits, which will be operational from the date of the sale of KBL *epb* by KBC Group.

4.4. MARKET RISK MANAGEMENT: TRADING RISK

KBL *epb* Group being a specialized group of Private Banks, its trading risk-taking is done primarily to support the core business activities. The trading position reflects the necessary intermediation of the Dealing Room, supporting client flows in terms of bonds, equities, forex and deposits. Most of the instruments used by the Dealing Room are plain vanilla. The proprietary use of derivatives is relatively rare and the Dealing Room does not deal in credit derivatives.

The risks incurred therefore are mainly short-term interest-rate risk (treasury in the currencies of clients), medium/long-term interest-rate risk (bond trading, particularly in EUR), market risk (trading in listed equities and structured products sold to private clients) and forex risk (spot and forward exchange rates in the liquid currency pairs used by clients).

In practical terms, all bond and equity trading is concentrated in Luxembourg. The trading positions of subsidiaries are therefore limited to remaining forex balances (mainly with KBL *epb* as a counterparty) resulting from transactions for clients and remaining interest rate balances arising from the treasury mismatch between their bank reinvestment (mainly on KBL *epb*) and client deposits.

Since 2006 the Bank has been relying heavily on the methodology and trading risk measurement tools of KBC. The measurement of exposures and the limits framework are defined based on primary limits in terms of Historical Value-at-Risk (HVaR) and nominal amount, secondary limits in terms of sensitivity (for activities exposed to interest rate risk) and concentration (for forex and equity), in addition to monthly stop loss and a delegation of authority hierarchy.

Under the KBC governance, the KBL *epb* Group global limit amounts to EUR 8 million in terms of Historical Value-at-Risk (10 days HVaR 99% over a history of 500 observations) and a limit of EUR 75 million in nominal amount for all products not measurable by HVaR. In September 2010, the nominal limit was revised downwards to EUR 60 million.

All trading positions are communicated to KBC on a daily basis. KBC calculates HVaR, BPV, outstanding nominal and concentration and provide the results to KBL *epb* during the day. Exposure evolution relating to each activity compared with their respective limits as well as results and highlights are reported daily to Trading and Risk Management managers. They were also sent every week to the KBL *epb* Executive Committee and twice a month to the KBC Group Trading Risk Committee until it was wound up in September 2010 as well as quarterly to the ACRC of KBL *epb*.

In 2010 the overall exposure in terms of HVaR for all forex, treasury, fixed-income and equity trading activities generally remained below EUR 5.2 million throughout the year. It stood at EUR 3.0 million as at 31 December 2009 and decreased to EUR 2.2 million as at 31 December 2010. The outstanding amounts of structured products and certain illiquid bonds were globally maintained at under EUR 61.4 million during 2010. It stood at EUR 45.9 million as at 31 December 2009 and decreased to EUR 34.9 million as at 31 December 2010.

Following the implementation of the "Harbour Project" at KBC and the winding up of the Group Trading Risk Committee (GTRC), the KBL *epb* Executive Committee took over the responsibility for the whole trading risk management framework. KBL *epb* has begun to regain its autonomy in terms of calculation and monitoring of trading risks. In September, the KBL *epb* Executive Committee approved the establishment of a new limit structure based on primary limits broadly inspired by the system that was in place before integration into KBC Group; i.e. the limits on nominal amounts for the activities subject to currency risk (Forex) and on the risk of price volatility (Equity, Structured Products, Special Bonds) and limits in global BPV at 10 bps for activities subject to interest rate risk (Treasury & Bond). These new monitoring methods have been operational since January 2011 and the full framework of limits will be implemented as soon as the closing is reached.

These new primary limits will continue to be supplemented by a structure of secondary limits allowing for a more detailed analysis of the trading risks. Moreover, limits relative to issuer risk (based on by ratings) as well as stop-losses will complete the follow-up.

4.5. MARKET RISK MANAGEMENT: ALM

As far as ALM is concerned, KBL was fully integrated within KBC Group governance until August 2010, when the Group ALM Committee (GALCO), the decision-making centre for Assets and Liabilities Management matters (ALM), was wound up. As for other risks, the KBL *epb* Executive Committee took over direct responsibility for the ALM for KBL *epb* and since December 2010 there has been a monthly ALM Committee (ALCO), in the form of an extended Executive Committee dedicated to ALM issues.

The traditional activity of a private bank entails little ALM risk compared with a retail bank: most of the client assets are reported as an off-balance sheet item in the form of securities deposits. ALM is not seen as a key factor in improving the global return on portfolios. Most short-term client deposits offer variable rates depending on the money market rates. The same applies for Lombard loans. When fixed rates are granted for loans (as for Theodoor Gilissen Private Bankers, which has developed a mortgage business as a means of attracting private banking clients), hedging swaps are contracted.

Therefore, in terms of ALM, the Bank only holds a few "structural positions", in addition to some limited remaining "historic" portfolios with bonds that will come to maturity in the next few years.

In this context, KBL has no "tactical" ALM portfolios aiming to speculate on interest rate evolution.

The major structural positions held by KBL *epb*, since the subsidiaries actually have very limited balance sheets, are:

- the reinvestment of free capital in Luxembourg and in the subsidiaries concerned: Merck Finck & Co Privatbankiers, Theodoor Gilissen Private Bankers, Puilaetco Dewaay Private Bankers and KBL Richelieu Banque Privée; these positions consist of sovereign bonds issued by EU countries with a minimum rating of AA- and in most cases a maximum maturity of seven years;
- the reinvestment of fixed rate sight deposits and savings accounts at KBL *epb* by applying the same reinvestment policy as with free capital;
- bond/credit portfolios which generate little interest rate risk owing to their securitisation, the majority being FRN, synthetic asset swaps (SAS) or variable rate credits;
- an investment portfolio invested in direct lines of equities or in UCI shares, set up almost 10 years ago and which also holds positions inherited during the acquisition of our subsidiaries;
- some limited old sovereign bond portfolios, reflecting a historical strategy based on the convergence of non-euro currencies towards the euro (in terms of exchange/interest rates). The corresponding residual positions (some matured in 2010) are being transferred to KBC according to the sale agreement with Hinduja.

KBL *epb* has the following ALM limits:

- a 10 BPV (Basis Point Value) limit of EUR 7.3 million for all banking book positions;
- a diversified VaR limit (99% over 1 year) of EUR 125 million for the equity investment portfolio;
- a non-diversified VaR limit (99% over 1 year) of EUR 66 million to control exchange-rate risk in non-euro foreign currency positions financed with euros (Brazilian and Turkish government bonds). This limit is no longer relevant further to the hiving off of the portfolio.

The results of the various indicators are reported monthly to the KBL *epb* ALCO and quarterly to the Audit Compliance and Risk Committee. No overrun was recorded in 2010.

After the closing, a new set of ALM limits will be proposed to reflect the risk appetite of the new Board of Directors. In the meantime, steps have been taken to provide KBL *epb* with complete autonomy in its ALM risk measurement tools, which have been provided by KBC until now.

4.6. MARKET RISK MANAGEMENT: LIQUIDITY RISK

Like Asset and Liabilities Management, the Liquidity Risk Management of KBL *epb* passed out of KBC governance after the dissolution of GALCO, and is now the direct responsibility of KBL's own ALCO. Within KBL *epb*, liquidity risk has always been closely monitored, though it is not seen as a major risk: the Group has a large and stable funding base due to the natural accumulation of deposits from its two core businesses: Private Banking and GIS (Global Investor Services), which absorb relatively little liquidity. The subsidiaries make a significant contribution to the liquidity of the KBL *epb* Group, which is centralised in Luxembourg.

This global funding is essentially reinvested in liquid assets (European Central Bank-eligible bonds) and in the short-term interbank market, if possible in the form of reverse repo transactions.

The Bank uses a number of tools to monitor liquidity risk:
- an operational liquidity monitoring process (evolution of the liquidity gap and client deposits);
- a structural liquidity monitoring process (stress tests, Loan to Deposit ratio and vertical analysis);
- a Liquidity Contingency Plan.

The operational liquidity of KBL *epb* is monitored on a daily basis by Risk Controlling, which reports to Financial Markets (dealing room) and Risk Management:
- a liquidity gap for each currency over a period of three months, compared with operational limits of 5 and 30 days;
- a stock of available liquid assets; and
- the evolution of deposits for each Group entity.

In addition, a new report is sent to the Central Bank of Luxembourg daily, presenting the liquidity gap of up to five days according to going concern assumptions (no stress test).

In terms of measurement of structural liquidity, the Bank's Loan-to-Deposit (LTD) ratio is established on a monthly basis. Given the low volumes of loans granted, the consolidated LTD ratio of KBL *epb* is at a very low level, reflecting the excellent situation in terms of liquidity. As at 31 December 2010, it stood at 17.2%.

Another measure of structural liquidity consists in a quarterly "vertical analysis" of balance sheet items. This report assures the Management of the ability of stable funding sources to cover "illiquid" assets (such as fixed assets, non-ECB eligible portfolios, credits).

Monthly liquidity stress testing is designed to measure the structural liquidity of KBL *epb* during general market crisis periods, when the interbank market can dry up as a funding source. Various behavioural assumptions are used to predict the renewal/withdrawal of deposits by clients. A "liquidity buffer" and a "survival period" are calculated based on the forecast incoming and outgoing cash flows and on a series of specific measures enabling liquidity to be increased (use of the repo market to obtain liquidity, reduction/cessation of interbank loans, ...).

KBL is an active member of the *Association des Banques et Banquiers Luxembourg* Working Group aiming to analyse the impact of the Basel Committee proposals in terms of liquidity management (Basel III), and to discuss the conclusions with international authorities. When in force, the Liquidity Coverage Ratio will be part of the list of operational liquidity indicators, while the Net Stable Funding Ratio will replace KBL's vertical analysis.

Finally, a "Liquidity Contingency Plan" has been defined, consisting of various actions depending on the gravity of the liquidity crisis. In its present version a minor crisis would be handled by the General Manager of Financial Markets, while a major crisis would be managed by KBL ALCO.

4.7. PILLAR 2: INTERNAL CAPITAL ADEQUACY AND ASSESSMENT PROCESS (ICAAP)

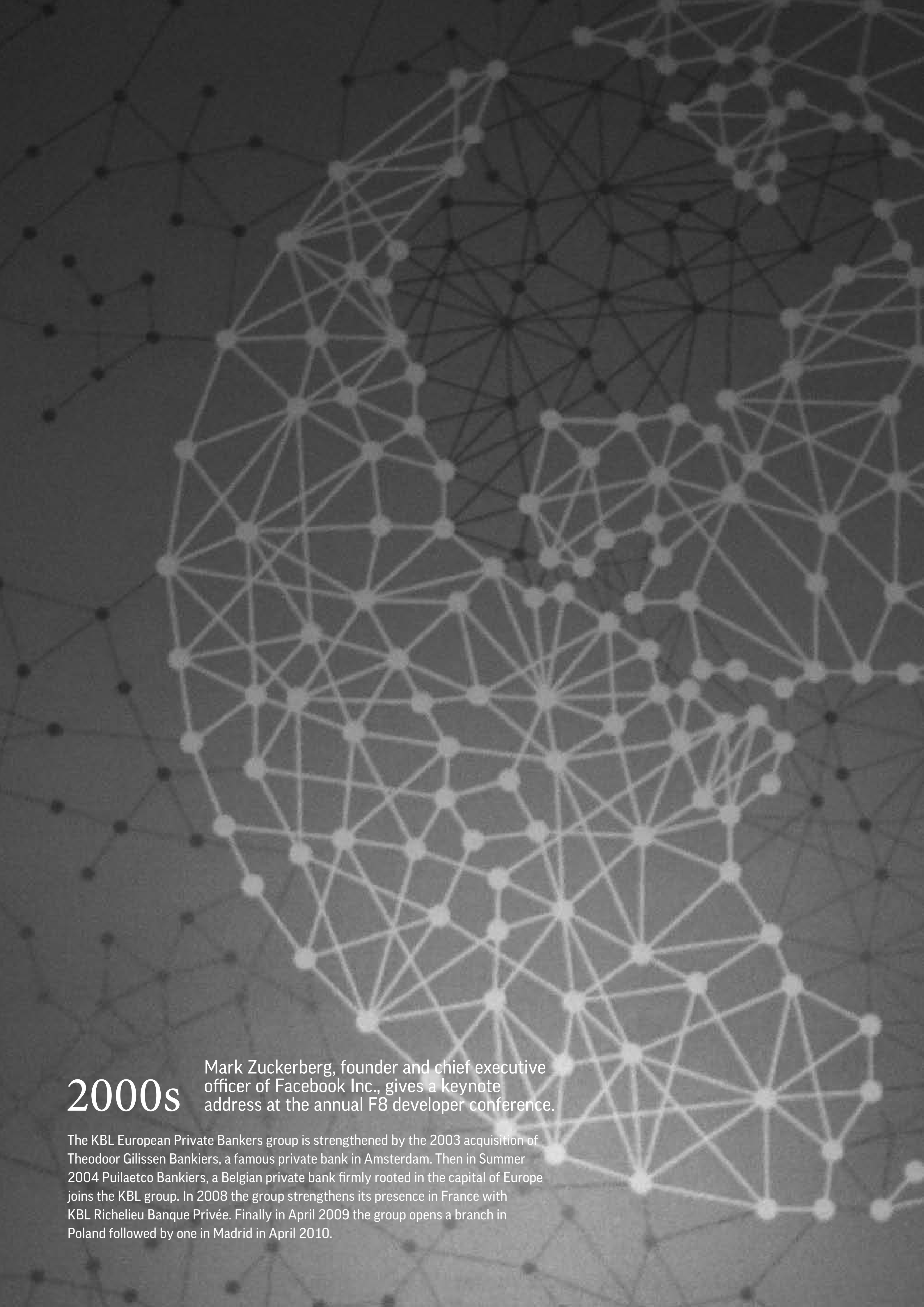
The ICAAP process was carried on and expanded during the first half of 2010. This process is based on an *Economic Capital* model developed and managed at KBC Group level. The model evaluates all material risks to which the Bank is (or could be) exposed to assess the maximum loss incurred by KBL *epb* on a one-year time horizon and for a given confidence interval (99.9%).

Capital is allocated to the following five risks (considered as material):
- credit risk
- business risk
- ALM risks: interest rates, equities, exchange rates, real estate
- operational risk
- market risk (trading).

The 2009 ICAAP report was produced on the basis of KBL *epb*'s consolidation scope as at 31 December 2009. It incorporates the latest methodological improvements made by KBC. It was also thoroughly amended to address the main recommendations made by the CSSF in the section of its annual report dedicated to the ICAAP and during the presentation of the 2008 ICAAP report of KBL *epb*. However, in the context of the KBL *epb* sale, this latest version should be considered as a transitional one in terms of methodology.

During the last quarter of 2010, the emphasis was put on the complete methodological autonomy of KBL *epb*, through the development of its own models aimed at:
- evaluating the capital allocated to the various components of ALM;
- maintaining the use of the inter-risks diversification concept.

In addition, KBL *epb* Risk Management aided various subsidiaries which had to submit an ICAAP report.



2000s

Mark Zuckerberg, founder and chief executive officer of Facebook Inc., gives a keynote address at the annual F8 developer conference.

The KBL European Private Bankers group is strengthened by the 2003 acquisition of Theodoor Gilissen Bankiers, a famous private bank in Amsterdam. Then in Summer 2004 Puilaetco Bankiers, a Belgian private bank firmly rooted in the capital of Europe joins the KBL group. In 2008 the group strengthens its presence in France with KBL Richelieu Banque Privée. Finally in April 2009 the group opens a branch in Poland followed by one in Madrid in April 2010.

Appropriation of profit and Composition of the Board of Directors

Appropriation of profit

At its meeting on 16 February 2011, the Board of Directors proposes to allocate:

- the current retained earnings of EUR 22.7 million to the available reserves;
- the 2010 result of EUR 67.6 million to the retained earnings.

On 16 March 2011, this affectation will be submitted to the approval of the Annual General Meeting.

	EUR
2010 profit (KBL company)	**67,622,004.03**
Retained earnings	22,655,163.92
Profit available for distribution	90,277,167.95
Voluntary reserve	22,655,163.92
Retained earnings	**67,622,004.03**

Composition of the Board of Directors

The mandates of Messrs F. Depickere, J. Huyghebaert, E. Muller, E. Verwilghen, Ph. Vlerick and M. Wittemans will expire at the 2011 Ordinary General Meeting.

A recommendation has been made to the Meeting to renew the mandates of Messrs F. Depickere, J. Huyghebaert, E. Muller, E. Verwilghen, Ph. Vlerick and M. Wittemans for one year.

The Board recommends that the Meeting appoint as executive directors, Messrs Olivier de Jamblinne de Meux and Yves Pitsaer, members of the KBL *epb* Executive Committee. Their mandates will be for four years.

Luxembourg, 16 February 2011

The Board of Directors

Consolidated accounts and Report of the approved statutory auditor and Consolidated Management Report as at 31 December 2010

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The quantitative tables in the following pages may sometimes show small differences due to the use of concealed decimals. These differences, however, do not in any way affect the true and fair view of the consolidated accounts of the Group. Similarly, the value zero "0" in the following tables indicates the presence of a number after the decimal, while "-" represents the value nil.

Unqualified certification of the approved statutory auditor

To the Board of Directors of KBL European Private Bankers S.A.
Société Anonyme, Luxembourg

REPORT ON THE CONSOLIDATED ACCOUNTS

Following our appointment by the Board of Directors, we have audited the accompanying consolidated accounts of KBL European Private Bankers S.A., which comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the financial position of KBL European Private Bankers S.A. as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts.

ERNST & YOUNG
Société Anonyme
Cabinet de Révision Agréé

Sylvie TESTA Daniel MEIS

Luxembourg, 16 February 2011

Consolidated income statement

(in EUR thousand)	Notes	31.12.2009	31.12.2010
Net interest income	4, 38	223,384	150,274
Gross earned premiums, insurance	5	-	3,300
Gross technical charges, insurance	6	-	-11,725
Ceded reinsurance result		-	-65
Dividend income	7	4,859	6,591
Net gains / losses on financial instruments at fair value	8	32,475	46,905
Net realised gains on available-for-sale financial assets	9	48,441	26,903
Net fee and commission income	10, 38	359,217	378,663
Other net income / (charges)	11, 38	-3,450	1,776
GROSS INCOME		**664,925**	**602,624**
Operating expenses	12, 38	-504,398	-503,194
– Staff expenses	13, 33	-327,276	-352,332
– General administrative expenses	42	-139,274	-116,039
– Other	28, 29, 31	-37,848	-34,822
Impairment	14, 22, 23, 28, 29	-24,699	-44,603
Badwill	44	-	29,002
Share of profit of associates	15, 27	2,697	1,596
PROFIT BEFORE TAX		**138,525**	**85,424**
Income tax (expenses) / income	16	-19,352	-17,698
PROFIT AFTER TAX		**119,173**	**67,726**
– Attributable to non-controlling interest		-3	-6
– Attributable to owners of the parent		**119,177**	**67,733**

The notes refer to the 'Notes to the consolidated accounts'.

Consolidated statement of comprehensive income

(in EUR thousand)	31.12.2009	31.12.2010
PROFIT AFTER TAX	**119,173**	**67,726**
– Revaluation at fair value	130,178	3,925
– Net realised gains / losses on sales	-18,583	-10,627
– Impairment	27,296	774
– Income tax (expenses) / income	-43,326	459
Financial assets available-for-sale	**95,565**	**-5,469**
Exchange differences on translation of foreign operations	**-6,139**	**-8,260**
OTHER COMPREHENSIVE INCOME	**89,425**	**-13,729**
TOTAL COMPREHENSIVE INCOME	**208,599**	**53,998**
– Attributable to non-controlling interest	-3	-5
– Attributable to owners of the parent	**208,602**	**54,003**

The notes refer to the 'Notes to the consolidated accounts'.

Consolidated balance sheet

ASSETS

(in EUR million)	Notes	31.12.2009	31.12.2010
Cash and balances with central banks	40	187	437
Financial assets	17-21, 38, 40	12,860	13,488
– Held-for-trading	24	693	574
– At fair value through profit or loss		32	1,836
– Available-for-sale financial assets	22	5,934	5,278
– Loans and receivables	23	6,122	5,733
– Hedging derivatives	24	79	67
Reinsurers' share in technical provisions, insurance		-	0
Tax assets	26, 40	95	86
– Current tax assets		17	21
– Deferred tax assets		79	64
Investments in associates	27	15	14
Investment properties	29	37	37
Property and equipment	29	199	197
Goodwill and other intangible assets	28	374	356
Other assets	25, 40	139	108
TOTAL ASSETS		**13,907**	**14,722**

The notes refer to the 'Notes to the consolidated accounts'.

EQUITY AND LIABILITIES

(in EUR million)	Notes	31.12.2009	31.12.2010
Financial liabilities	17, 19, 38	12,524	12,788
– Held-for-trading	24	493	360
– At fair value through profit or loss		-	1,822
– At amortised cost		11,934	10,518
– Hedging derivatives	24	96	89
Gross technical provisions, insurance	30	-	475
Tax liabilities	26	7	10
– Current tax liabilities		3	5
– Deferred tax liabilities		4	5
Provisions	31	26	33
Other liabilities	32, 33, 38	353	361
TOTAL LIABILITIES		**12,910**	**13,667**
TOTAL EQUITY		**998**	**1,055**
Equity attributable to the owners of the parent	34	997	1,054
Non-controlling interest		0	0
TOTAL EQUITY AND LIABILITIES		**13,907**	**14,722**

The notes refer to the 'Notes to the consolidated accounts'.

Consolidated statement of changes in equity

2009 (in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Consolidated reserves	Revaluation reserve (AFS investments)	Foreign currency translation reserve	Equity attributable to owners of the parent	Non-controlling interest	**Total equity**
BALANCE AS AT 01.01.2009	**187.2**	**321.3**	**-0.1**	**404.7**	**-89.1**	**24.3**	**848.3**	**0.4**	**848.7**
Net movements on treasury shares	-	-	-0.0	-	-	-	-	-	-
Dividends and profit-sharing	-	-	-	-59.6	-	-	-59.6	-	-59.6
Total comprehensive income for the year	-	-	-	119.2	95.6	-6.1	208.6	-	208.6
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Effects of acquisitions/ disposals on non-controlling interest	-	-	-	-	-	-	-	-	-
Other	-	-	-	0.0	0.0	-	0.0	-	0.0
BALANCE AS AT 31.12.2009	**187.2**	**321.3**	**-0.1**	**464.2**	**6.5**	**18.2**	**997.3**	**0.4**	**997.7**

2010 (in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Consolidated reserves	Revaluation reserve (AFS investments)	Foreign currency translation reserve	Equity attributable to owners of the parent	Non-controlling interest	**Total equity**
BALANCE AS AT 01.01.2010	**187.2**	**321.3**	**-0.1**	**464.2**	**6.5**	**18.2**	**997.3**	**0.4**	**997.7**
Net movements on treasury shares	-	-	-	-	-	-	-	-	-
Dividends and profit-sharing	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	67.7	-5.5	-8.3	54.0	-0.0	54.0
Changes in scope of consolidation	-	-	-	-	2.9	-	2.9	-	2.9
Effects of acquisitions / disposals on non-controlling interest	-	-	-	-	-	-	-	-	-
Other	-	-	-	0.0	0.1	-	-	-	0.2
BALANCE AS AT 31.12.2010	**187.2**	**321.3**	**-0.1**	**532.0**	**4.0**	**9.9**	**1,054.0**	**0.3**	**1,054.7**

Consolidated cash flow statement

(in EUR million)	31.12.2009	31.12.2010
Profit before tax	138.5	85.4
Adjustments for:	185.5	45.9
– Impairment on securities, amortisation and depreciation on property and equipment, intangible assets and investment properties	48.9	74.3
– Badwill	-	-29.0
– Profit/loss on the disposal of investments	0.2	-0.0
– Change in impairment for losses on loans and advances	2.1	-1.7
– Change in gross technical provisions – insurance	-	-11.7
– Change in the reinsurers' share in the technical provisions	-	-0.1
– Change in other provisions	11.6	10.7
– Unrealised foreign currency gains and losses and valuation differences	125.4	5.1
– Income from associates	-2.7	-1.6
Cash flows from operating activities, before tax and changes in operating assets and liabilities	**324.0**	**131.3**
Changes in operating assets(1)	1,872.9	1,495.7
Changes in operating liabilities(2)	-2,024.8	-1,415.5
Income taxes	22.4	-7.2
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**194.6**	**204.3**
Purchase of subsidiaries or business units, net of cash acquired/disposed of	-5.4	-41.0
Proceeds from sale of subsidiaries or business units, net of cash acquired/disposed of	0.8	0.4
Proceeds from sale of investment properties	-0.8	-0.5
Purchase of intangible assets	-13.9	-28.9
Proceeds from sale of intangible assets	1.4	-
Purchase of property and equipment	-16.7	-13.3
Proceeds from sale of property and equipment	0.4	0.8
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**-34.2**	**-82.5**

(1) Including loans and advances to banks and customers, securities, derivatives and other assets.
(2) Including deposits from banks and customers, bonds issued, derivatives and other liabilities.

(in EUR million)	31.12.2009	31.12.2010
Purchase/sale of treasury shares	-0.0	-
Issue/repayment of loans	-3.8	-9.9
Issue /repayment of subordinated debts	-6.2	-22.8
Dividends paid and profit-sharing	-59.6	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**-69.6**	**-32.6**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS[3]	**90.8**	**89.1**
CASH AND CASH EQUIVALENTS AS AT 01.01	**2,724.6**	**2,815.4**
Net increase/decrease in cash and cash equivalents	90.8	89.1
Net foreign exchange difference	-	-
CASH AND CASH EQUIVALENTS AS AT 31.12	**2,815.4**	**2,904.6**
ADDITIONAL INFORMATION		
Interest paid during the year	-279.4	-173.7
Interest received during the year	510.4	327.7
Dividends received (including equity method)	4.9	6.6
COMPONENTS OF CASH AND CASH EQUIVALENTS	**2,815.4**	**2,904.6**
Cash and balances with central banks (including legal reserve with the central bank)	186.9	436.6
Loans and advances to banks repayable on demand	3,843.5	3,513.1
Deposits from banks repayable on demand	-1,215.0	-1,045.1
of which: not available[4]	110.4	323.6

(3) Cash includes cash and deposits payable on demand; cash equivalents are short-term investments that are very liquid, easily convertible into a known cash amount and subject to a negligible risk of a change in value.

(4) Cash and cash equivalents not available for the Group mainly comprise the legal reserve held with the Luxembourg Central Bank and the 'margin' accounts held with clearing houses (futures markets, etc.).

Notes to the consolidated accounts

NOTE 1 – GENERAL

KBL European Private Bankers Group (hereinafter "KBL *epb* group" or the "Group") is an international network of banks and financial companies, specialised in private banking. In support of, and complementary to, this activity, KBL *epb* group is also developing several niche activities specific to its various markets.

The business purpose of KBL *epb* group is to carry out all banking and credit activities. In addition, KBL *epb* group is allowed to carry out all commercial, industrial or other operations, including real estate transactions, in order to achieve its main business purpose, either directly or through shareholdings, or in any other manner, these provisions to be understood in the widest manner possible. KBL *epb* group may carry out any activity which contributes in any way whatsoever to the achievement of its business purpose. The Group's main activities are described in Note 3 - Operating segments by business segment.

KBL *epb* group is headed by KBL European Private Bankers S.A. (hereinafter "KBL *epb*" or "KBL" or the "Bank"), a public limited liability company (*société anonyme*) in Luxembourg and having its registered office at:

43, boulevard Royal
L-2955 Luxembourg.

KBL *epb* group is part of the KBC Group. Born on 2 March 2005 from the merger of KBC Bank and Insurance Holding N.V. and its parent company Almanij, the KBC Group is today one of the major financial groups in Europe. As a multi-channel, independent bank-insurance group, active in Europe, the KBC Group provides individual clients, as well as small and medium-sized companies, with retail and private banking services. It is also active in asset management, corporate banking and private equity markets. The KBC Group is a major player on the Belgian and Central and Eastern European markets and has created a large network of private bankers in Western Europe. The KBC Group has also selectively developed a presence in certain other countries and regions across the world.

But, on 18 November 2009, the KBC Group communicated its strategic plan as requested by the European Commission to repay the support received from Belgian national and Flemish governments. This plan was formally approved by the European Commission. KBC wants to refocus on its basic business, namely bank-insurance on its domestic markets. It has decided to sell certain high-quality assets, of which KBL *epb* is one. The Executive Committee of KBL *epb* was designated by KBC to pilot the process of searching for a new shareholder.

Since 2006, the Luxembourg insurance company Vitis Life S.A. has been part of the European Private Banking Business Unit within KBC Group. Furthermore, taking into account the significant links between Vitis Life S.A. and the Bank, KBL *epb*, which already held 5.68% of this entity, bought from KBC Verzekeringen N.V. the remaining 94.32% stake in Vitis Life S.A. as at 14 April 2010 for EUR 42.4 million.

The first consolidation of Vitis Life S.A. in June 2010 led to a recognition of badwill of EUR 29.0 million in KBL *epb* consolidated income statement. In addition, in accordance with IFRS 3, the 5.68% stake previously held in Vitis Life S.A. has been measured at fair value on the acquisition date. This fair valuation, which amounted to EUR 4.3 million, resulted in a profit recognition of EUR 2.9 million that appears in the consolidated income statement under the heading “Net realised gains on available-for-sale financial assets”.

KBL *epb* group is part of the KBC Group. The consolidated accounts of KBL *epb* group are themselves consolidated in the KBC Group consolidated accounts. KBC Group’s consolidated accounts and management report are available at its head office.

KBL’s non-consolidated accounts include those of the Polish branch opened on 1 April 2009 and of the Spanish branch opened on 7 April 2010.

NOTE 2A – STATEMENT OF COMPLIANCE

The consolidated accounts presented in this report were approved by the Board of Directors of KBL *epb* on 16 February 2011.

The Group consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

In preparing the consolidated accounts under IFRS, the Board of Directors is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the consolidated accounts.

As at 31 December 2010, the Group presented for the first time in its consolidated accounts the effects of several standards, amendments to standards and IFRIC.

These main new requirements encompass the following areas (only the requirements that impacted or could have impacted the Group consolidated accounts are reported below):

- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*
  IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.
  IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.
  The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.
  IFRS 3 (Revised) has been applied to account for the Vitis Life S.A. business combination that occurred in April 2010. The effect of this business combination on the Group consolidated financial statements is disclosed in Note 44.

- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- *Improvements to IFRS*
  In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures, required in respect of non-current assets and disposal groups classified as held for sale, of discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS only apply if specifically required for such non-current assets or discontinued operations.
- *IFRS 8 Operating Segments:* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- *IAS 7 Statement of Cash Flows:* states that only expenditure that results in recognising an asset can be classified as a cash flow investing activities.
- *IAS 36 Impairment of Assets:* the amendment clarifies that the largest unit permitted for allocating goodwill, arising in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

The Group has also decided not to adopt the standards, amendments to standards and interpretations of the IFRIC which have been published but which are not applicable for the year ending 31 December 2010. The Group will adopt these standards on the date of their effective application and when they have been approved by the European Union.

This basically concerns the following publications (only the standards, amendments to standards and IFRIC which may have an effect on the Group financial position or performance are mentioned below):

- *IFRS 9 Financial Instruments*

  This standard, which is being developed to ultimately replace IAS 39 in its entirety, has been divided into three main phases. The first phase, which relates to the recognition and measurement of financial assets and financial liabilities, has already been completed. It introduces significant changes in the accounting requirements of financial assets, such as: a reduction in the number of available categories, business model-oriented classification rules and the prohibition to recycle (into P&L) any gains and losses on financial assets measured at fair value through other comprehensive income.

  The last two phases which concern impairment and hedge accounting are still to be finalized.

  The standard (including its first phase on a stand-alone basis) is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

  Up to now, however, no portion of the standard has been endorsed by the European Union.

- *IAS 24 Related Party Disclosures (Amended)*

  The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.

- *IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)*

  The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010. It amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given prorata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

  IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. If this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in the income statement.

NOTE 2B – SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION CRITERIA

All entities controlled by KBL *epb* or over which KBL *epb* has a significant influence are included in the scope of consolidation when the materiality thresholds are exceeded. These limits are based on the following criteria: share in the Group equity, share in the Group profit and in the Group total balance sheet increased by the off-balance sheet rights and commitments which are used to calculate the solvency ratio.

An entity is included in the scope of consolidation from the date of acquisition, being the date on which KBL *epb* obtains a significant influence or control over this entity and continues to be included until this influence or control ceases.

All entities exclusively controlled by KBL *epb*, directly or indirectly, are consolidated using the full consolidation method.

Companies over which joint control is exercised, directly or indirectly, are consolidated using the proportionate consolidation method.

Investments in associates, that is, where KBL *epb* has a significant influence, are accounted for using the equity method.

B. FOREIGN CURRENCY TRANSLATION

KBL *epb*'s consolidated accounts are presented in EUR, which is also the functional currency of the Group.

KBL *epb* maintains a multi-currency accounting system under which any transaction is registered in its original foreign currency.

In preparing the annual accounts of KBL *epb* (and of all the consolidated subsidiaries which also present their accounts in EUR), assets and liabilities in foreign currencies are translated into EUR. Monetary items in foreign currencies are converted at the closing rate prevailing at the reporting date; differences arising from such conversion are recorded in the income statement. Non-monetary items measured in terms of historical cost are translated using the historical exchange rate prevailing at the date of the transaction. Non-monetary items in foreign currencies measured at fair value are translated using the spot exchange rate at the date when the fair value is determined and translation differences are reported together with changes in fair value.

Income and expense items denominated in foreign currencies are recognised in the income statement in their respective currencies and periodically translated at the average monthly exchange rate.

Foreign subsidiaries balance sheets denominated in foreign currencies are translated into EUR using the closing rate prevailing at the reporting date (with the exception of the capital, reserves and goodwill, which are translated using historical rates).

Foreign subsidiaries' profit and loss accounts denominated in foreign currencies are translated at the average exchange rate for the financial year. This principle is applicable to the KBL *epb* subsidiaries in Switzerland and in the United Kingdom.

Annual average exchange rates in 2010

	1 EUR = ... CUR	VARIATION VERSUS AVERAGE 2009
CHF	1.379675	-8.84%
GBP	0.857146	-3.98%

Exchange rate as at 31.12.2010

	1 EUR = ... CUR	VARIATION VERSUS 31.12.2009
CHF	1.25040	-15.72%
GBP	0.86075	-3.08%

Exchange differences resulting from the procedures applied to translate balance sheets and income statements of foreign subsidiaries denominated in foreign currencies into EUR are recognised as a separate item in equity.

C. FINANCIAL ASSETS AND LIABILITIES

General principles of recognition and derecognition of financial instruments

A financial instrument is recognised in the balance sheet when and only when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when and only when the contractual rights to receive cash flows from the asset have expired or the Group transfers the financial asset.

A financial liability is derecognised when and only when the contractual liability is settled, cancelled or expires.

The purchases and sales of financial assets are recognised on the payment date, which is the date that the asset is delivered. Any variation in the fair value of the asset to be received during the period from the transaction date to the payment date is recognised in the same way as for the asset acquired. In other words, the change in value is not recognised for assets recognised at cost or at amortised cost; it is recognised in the income statement for assets classified as financial assets at fair value through profit or loss and in equity for those classified as available-for-sale.

In the case of sales, the assets at fair value are measured at their sale price during the period between the transaction date and the payment date.

Pursuant to the provisions of IAS 39 on derecognition, the Group keeps securities lent in its securities portfolio but securities borrowed are not recorded on the balance sheet. Similarly, the securities transferred through repurchase agreements are kept in the securities portfolio but those under reverse repurchase agreements are not recorded on the balance sheet.

Definition of IAS 39 categories of financial assets and financial liabilities

All financial assets and liabilities – including derivatives – must be measured on the balance sheet according to their IAS 39 category. Each category is subject to specific measurement rules.

The IAS 39 categories are the following:

- *Held-to-maturity assets* are all non-derivative financial assets with fixed maturities and fixed or determinable payments that KBL *epb* group intends and is able to hold to maturity. The Group's management has decided not to class financial instruments in this category.

- *Loans and receivables* are all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- *Financial assets at fair value through profit or loss* include held-for-trading assets and any other financial assets initially designated at fair value through profit or loss. Held-for-trading assets are those acquired principally for the purpose of selling them in the near term and those which are part of a portfolio with indications of recent short-term profit-taking. All derivative assets are considered as being held for trading unless designated as effective hedging instruments. Other assets at fair value through profit or loss are valued in the same way as held-for-trading assets, even if there is no intention of short-term profit taking. The fair value option may be used when a contract contains one or more embedded derivatives under certain conditions or when its application produces more pertinent information:
  - either because a group of financial assets/liabilities is managed on a fair value basis and its performance measured on a fair value basis, following a documented investment or risk management strategy,
  - or because the application of this option reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

  This option is mainly used by the Group for contracts with one or more embedded derivatives, as an alternative to hedge accounting (aligning the valuation of the hedged instrument with that of the hedging instrument) and, for insurance subsidiaries, to mirror the valuation of unit-linked financial liabilities.

- *Available-for-sale assets* are all non-derivative financial assets which do not fall into one of the above categories.

- *Financial liabilities at fair value through profit or loss* encompass *held-for-trading liabilities* and *financial liabilities initially designated at fair value through profit or loss*. *Held-for-trading liabilities* are liabilities held mainly with the intention of repurchasing them in the short term. All derivative liabilities are considered as being held for trading unless designated as effective hedging instruments. *Financial liabilities initially designated at fair value through profit or loss* are those liabilities accounted for under the fair value option. This category is currently only used for unit-linked financial liabilities for insurance subsidiaries.

- *Other financial liabilities* are all other financial instruments not at fair value through profit or loss.

- *Hedging derivatives* are derivatives used for hedging purposes.

Evaluation of financial instruments

Financial assets and liabilities are initially recognised at fair value and are then measured in accordance with the principles governing the IAS 39 category in which they are placed.

General principles

Loans and receivables with a fixed maturity are measured at amortised cost using the effective interest rate (hereinafter EIR) method, that is the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. Instruments without a fixed maturity are measured at cost.

The *available-for-sale financial assets* are measured at fair value with changes in fair value recognised in equity (Revaluation reserve (available-for-sale financial instruments)) until the sale or impairment of these instruments. In the latter cases, the cumulative result of the revaluation is transferred from equity to the income statement of the period.

The *financial assets and liabilities at fair value through profit or los*s are measured at fair value with changes in fair value recognised in the income statement.

Other financial liabilities are measured at amortised cost. The difference between the amount made available and the nominal amount is recognised in the income statement (net interest income) prorata temporis, on an actuarial basis using the EIR method.

Impairment

Available-for-sale financial assets and *loans and receivables* are also subject to impairment tests and impairment losses are recognised if evidence of impairment exists on the balance sheet date.

- *Available-for-sale financial assets*

For listed shares, an impairment is recognised if the market value is less than 70% of the purchase value or if the market price of the share is less than the acquisition price over one year. For debt and other equity instruments, the impairment amount is measured from the recoverable value.

Impairment losses are always recognised in the income statement. Impairment reversals are recognised in the income statement for debt instruments and in other comprehensive income (available-for-sale revaluation reserve) for listed shares and other equity instruments.

- *Loans and receivables*

The amount of the impairment loss is the excess of the carrying amount over the recoverable amount of the asset. The Group firstly evaluates if there is an impairment loss for each individually significant loan or receivable or for each group of loans or receivables not individually significant. If the Group considers that there is no evidence of an impairment loss for a given loan or receivable, individually significant or not, it includes it in a group of financial assets presenting the same credit risk characteristics and examines the possibility of an impairment loss on a collective basis. The assets evaluated individually and for which an impairment loss is recognised are not examined collectively.

Embedded derivatives

Derivatives embedded in financial instruments that are not measured at fair value through profit or loss are separated from the financial instrument and measured at fair value through profit or loss if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

In practice, financial assets with embedded derivatives are however primarily classified as financial instruments at fair value through profit or loss, making it unnecessary to separate the embedded derivative from the hybrid (combined) instrument, since the entire financial instrument is measured at fair value, with changes in fair value being recognised in the income statement.

Hedge accounting

The Group makes little use of macro-hedge accounting. It is used to hedge a mortgage portfolio in one of the Group's subsidiaries.

It does however apply micro-hedge accounting when all the following conditions are met: the hedging relationship must be designated at inception and formally documented, the hedge is expected to be highly effective and it must be possible to reliably measure the effectiveness of the hedge, forecast transactions (for cash flow hedges) must be highly probable and the hedge is measured on an ongoing basis and is determined actually to have been highly effective throughout the periods covered by the consolidated accounts for which the hedge was designated.

Fair value hedge accounting is used by the Group to cover the exposure of a financial instrument (e.g. loans, available-for-sale bonds and some issued debt securities) to changes in fair value attributable to changes in interest rates or exchange rates. In this case those derivatives designated as hedging instruments (mainly interest rate swaps and cross-currency interest rate swaps) are measured at fair value with changes in fair value recognised in the income statement. Furthermore, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged element and is also recognised in the income statement. If the hedged item is an available-for-sale asset already measured at fair value under other IFRS requirements, applying hedge accounting leads to splitting the change in the instrument fair value between the portion addressed by the hedging relationship, recognised in the income statement, and the portion that relates to unhedged risks, recognised in the revaluation reserve in equity.

Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, and for debt instruments, the cumulative change to the carrying amount of the hedged instrument (relating to hedged risks) is transferred to the income statement prorata temporis until the instrument expires.

As regards cash flow hedge (not currently used by the KBL *epb* group), hedging instruments are measured at fair value. The portion of the gain or loss that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised in the income statement. Hedge accounting is discontinued if the hedge accounting criteria are no longer met. In this case, the hedging instruments shall be treated as held-for-trading and measured accordingly.

Foreign currency funding of a net investment in a foreign entity is accounted for as a hedge of that net investment. Translation differences (taking account of deferred taxes) on the financing are recorded in equity, along with translation differences on the net investment.

Determination of fair value

When available, published price quotations on active markets are used to determine the fair value of financial assets or liabilities.

If such quotations are not available fair value can be obtained:
- by reference to recent at arm's length market transactions between knowledgeable, willing parties;
- by using a valuation technique (discounted cash flow analysis and option pricing models). The valuation technique must then incorporate all factors that market participants would consider in setting a price and be consistent with accepted financial methodologies used for pricing financial instruments;
- by using the European Venture Capital Association (EVCA) guidance for private equity instruments.

D. GOODWILL, BADWILL AND OTHER INTANGIBLE ASSETS

Goodwill arising in a business combination is defined as any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired and contingent liabilities recorded at the date of acquisition.

Goodwill arising in a business combination is not amortised but is tested for impairment at least annually.

An impairment loss is recognised if the carrying amount of the goodwill exceeds its recoverable amount. The recoverable amount is estimated using various methods such as discounted cash flow analysis, percentage of assets under management or a price/earnings ratio multiple. Impairment losses on goodwill cannot be reversed.

Badwill (negative goodwill) is the excess of KBL *epb*'s interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture or associate at the date of acquisition over the acquisition cost. Where negative goodwill exists after re-examination and re-estimation of the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture or associate, it is immediately recognised as a profit in the income statement.

The purchase of a portfolio of customers generally includes the transfer of the client assets under management to the Group and the recruitment of all or part of the account officers in charge of client relationships.

This type of intangible asset is not amortised, but is tested for impairment at least annually. The criteria and methodologies used for impairment testing are those initially used to measure the purchase price (percentage of assets under management, gross margin multiple, etc.). Whenever available, the result of the impairment test is compared with an estimate based on the parameters deduced from similar transactions.

When the recognition criteria are met and when the amounts are not immaterial, software is recognised as an intangible asset. Internal and external expenses incurred during the development phase of internally generated strategic software are recognised in assets and amortised using the straight-line method over the estimated useful life (average annual depreciation rate: 25%).

Research expenses for these projects and all expenses that relate to non-strategic projects are recognised directly in the income statement.

E. PROPERTY AND EQUIPMENT

Property and equipment are initially recognised at cost.

Property and equipment the use of which is limited in time are depreciated using the straight-line method over their estimated useful lives.

Overview of average depreciation rates

TYPE OF INVESTMENT	DEPRECIATION RATE
Land	Non depreciable
Buildings	2%-3%
Technical installations	5%-10%
Furniture	25%
IT hardware	25%
Vehicles	25%
Works of art	Non depreciable

An impairment loss must be recognised if the carrying value exceeds the recoverable value (which is the greater of the asset's value in use and its fair value less costs to sell).

When property or equipment is sold, the realised gains or losses are recognised in the income statement. If property or equipment is destroyed, the carrying amount to be written off is immediately recognised in the income statement.

F. INVESTMENT PROPERTIES

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is recognised only when it is probable that future economic benefits associated with the investment property will flow to KBL *epb* group and if its cost can be measured reliably.

Investment property is measured at cost less any accumulated depreciation and impairment. It is depreciated using the straight-line method over its estimated useful live (average rate: 2% - 3%).

G. TECHNICAL PROVISIONS, INSURANCE

Sufficient technical provisions are made to enable the Group to face its commitments resulting from insurance contracts. The reinsurers' share in technical provisions is included within assets on the balance sheet.

Provision for unearned premiums

Premiums earned represent premiums received or receivable for all insurance policies issued before year end. The part of the premiums earned which relates to subsequent accounting periods (i.e. the entrance fee) is calculated individually *prorata temporis* for each contract with fixed duration and deferred through the transfer to the provision for unearned premiums.

Life insurance provision

Life insurance provision, which comprises the actuarial value of the Group's liabilities after deducting the actuarial value of future premiums, is estimated separately for each insurance policy on the basis of mortality tables accepted in Luxembourg. Life insurance provision is calculated on the basis of a prospective actuarial method.

Discretionary participation feature (DPF)

The provision for DPF is estimated separately for each contract.

H. PENSIONS

In addition to the general and legally prescribed retirement plans, KBL *epb* group maintains a certain number of complementary systems in the form of both defined contribution and defined benefit pension plans. Defined benefit plans are those under which the Group has a legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits for the current and past periods. Defined contribution plans are those under which the Group has no further legal or constructive liability beyond the amount it pays into the fund.

In the case of defined benefit pension plans, the pension cost in the income statement and the liability on the balance sheet are calculated in accordance with IAS 19, based on the Projected Unit Credit Method, which sees each period of service as giving rise to an additional unit of benefit entitlement. The calculations are made each year by independent actuaries.

Actuarial gains and losses are recognised using what is known as the corridor method. The portion of gains and losses exceeding 10% of the greater of the two values below shall be recognised in the income statement on a straight-line basis over a period representing the expected average remaining working lives of the employees participating in the plan:
- the discounted value of the defined benefit obligation at the balance sheet date (before deducting plan assets); and
- the fair value of the plan assets at the balance sheet date.

In the case of defined contribution plans, the contributions payable are expensed when the employees render the corresponding service which generally coincides with the year in which the contributions are actually paid.

I. TAX ASSETS AND LIABILITIES

These balance sheet headings include both current and deferred tax assets and liabilities.

Current tax is the amount expected to be paid or recovered, using the tax rates which have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of an asset or liability and its tax base. They are valued using the tax rates in effect for the periods when the assets are realised or the liabilities settled, on the basis of the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for the carryforward of all unused tax losses and unused tax credits and for all deductible temporary differences between the carrying value of the assets and liabilities and their tax base, to the extent that it is probable that future taxable profit will be available against which these losses, tax credits and deductible temporary differences can be utilised.

Where required by IAS 12, tax assets and liabilities are offset.

J. PROVISIONS

A provision is recognised when and only when the following three conditions are met:
- the Group has a present obligation (at the reporting date) as a result of a past event;
- it is more likely than not that an outflow of resources embodying economic benefits will be required to settle this obligation; and
- the amount of the obligation can be estimated reliably.

K. FINANCIAL GUARANTEES

Financial guarantees contracts are initially recognised at fair value and subsequently measured at the higher of (i) the amount initially recognised less, when appropriate, cumulative amortisation and (ii) the Group's best estimate of the expenditure required to settle the present obligation at the reporting date.

L. EQUITY

Equity is the residual interest in the assets of the KBL *epb* group after all its liabilities have been deducted.

Equity instruments have been differentiated from financial instruments in accordance with the provisions of IAS 32.

The acquisition cost of KBL *epb* treasury shares that have been or are being purchased is deducted from equity. Gains and losses realised on sale or cancellation of treasury shares are recognised directly in equity.

The revaluation reserve for available-for-sale financial assets is included in equity until any impairment or sale. In such a case, the gains and losses are transferred to the income statement of the period.

As regards cash flow hedges and hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity.

M. REVENUE

KBL *epb* group recognises revenue relating to ordinary activities if and only if the following conditions are met:

- it is probable that the economic benefits associated with the transaction will flow to the KBL *epb* group; and
- the amount of revenue can be measured reliably.

The specific conditions below must also be met before recognising the related revenue:

Net interest income

Interest is recognised *prorata temporis* using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

All interest paid and received on financial instruments are recorded under the heading "Net interest income" except interest on held-for-trading derivative instruments, which are presented under the heading "Net gains/losses on financial instruments at fair value" in the income statement.

Dividends

Dividends are recognised when the right of the shareholder to receive the payment is established. They are presented under the heading "Dividend income" in the income statement irrespective of the IFRS category of the related assets.

Rendering of services

Revenue from services is recognised by reference to the stage of completion at the balance sheet date. According to this method, the revenue is recognised in the periods when the services are provided.

Gross premiums, insurance

For single premium business, revenue is recognised on the date on which the policy is effective.

NOTE 3A – OPERATING SEGMENTS BY BUSINESS SEGMENT

KBL *epb* group distinguishes between the following primary segments:

- The **Private Banking** segment includes the wealth management activities provided to private clients, as well as the management of investment funds, mainly distributed to private clients. This segment includes all major subsidiaries of KBL *epb* group (KBL Swiss Private Banking, KBL Monaco Private Bankers, KBL Richelieu Banque Privée S.A., Puilaetco Dewaay Private Bankers S.A., Theodoor Gilissen Bankiers N.V., Brown Shipley & Co Limited, and Merck Finck & Co), the private banking activities of KBL *epb*, Kredietrust Luxembourg S.A. and, finally, Vitis Life S.A. (Insurance) consolidated as per April 2010.

- The **Global Investor Services** segment includes services provided to institutional clients. This segment includes custodian bank and fund domiciliation and administration activities, paying agent activities, central securities depository Clearstream / Euroclear activities, as well as intermediation and portfolio management services for KBL *epb* institutional clients.

- The **Client Dealing & Treasury** segment represents the extension of intermediation activities provided to KBL *epb* clients and operates cash management within the Group by means of treasury activities, securities lending and repos / reverse repos.

- The **Credit & Securities portfolio** segment covers credit exposure (including direct loans to non-private clients of KBL *epb* group) and the securities held on its own behalf by KBL *epb* group.

- The **Other** segment includes support activity provided by KBL *epb* for the network of subsidiaries, acting in its capacity as parent company, and all other elements not directly linked to the previous four segments, including reallocation of excess equity, net of the cost of financing holdings, and extraordinary elements not directly linked to other business segments.

The various items of the income statement include inter-segment transfers, calculated on an arm's length or cost recovery basis.

The net result of each entity included in the scope of consolidation is allocated to the various sectors after taking into account consolidation adjustments, after elimination of non-controlling interests and before elimination of the intercompanies' accounts.

INCOME STATEMENT

(in EUR million)	PRIVATE BANKING 2009	PRIVATE BANKING 2010	GLOBAL INVESTOR SERVICES 2009	GLOBAL INVESTOR SERVICES 2010	CLIENT DEALING & TREASURY 2009	CLIENT DEALING & TREASURY 2010	CREDIT & SECURITIES PORTFOLIO 2009	CREDIT & SECURITIES PORTFOLIO 2010	OTHER 2009	OTHER 2010	TOTAL GROUP 2009	TOTAL GROUP 2010
Net interest income	90.5	73.4	15.5	15.2	58.8	21.7	39.1	37.5	19.4	2.5	**223.4**	**150.3**
Gross Earned Premiums, insurance	-	3.3	-	-	-	-	-	-	-	-	**-**	**3.3**
Gross Technical Charges, insurance	-	-11.7	-	-	-	-	-	-	-	-	**-**	**-11.7**
Ceded reinsurance result, insurance	-	-0.1	-	-	-	-	-	-	-	-	**-**	**-0.1**
Dividend income	1.2	2.4	-	-	-	-	3.6	4.2	0	-	**4.9**	**6.6**
Net gains / losses on financial instruments at fair value	16.7	13.0	3.6	5.2	29.9	14.7	12.5	10.0	-30.1	4.0	**32.5**	**46.9**
Net realised gains / losses on available-for-sale financial assets	8.4	9.9	-	1.1	-	-	4.1	12.2	36.0	3.8	**48.4**	**26.9**
Net fee and commission income	314.4	331.1	40.0	41.3	-0.3	-0.9	-0.1	-0.2	5.2	7.3	**359.2**	**378.7**
Other net income / (charges)	-4.0	-1.6	-	0.2	2.2	2.6	-2.7	-2.0	1.2	2.5	**-3.5**	**1.8**
GROSS INCOME	**427.1**	**419.6**	**59.1**	**63.0**	**90.5**	**38.2**	**56.5**	**61.6**	**31.6**	**20.2**	**664.9**	**602.6**
Operating expenses	-363.4	-367.4	-37.2	-33.2	-22.3	-18.5	-4.7	-3.3	-76.8	-80.8	**-504.4**	**-503.2**
Impairment	-6.7	-4.8	0	0	-	-	-4.3	-0.2	-13.7	-39.6	**-24.7**	**-44.6**
Badwill	-	-	-	-	-	-	-	-	-	29.0	**-**	**29.0**
Share of profit of associates	-	-	2.7	1.6	-	-	-	-	-	-	**2.7**	**1.6**
PROFIT BEFORE TAX	**57.1**	**47.4**	**24.6**	**31.4**	**68.3**	**19.7**	**47.6**	**58.1**	**-58.9**	**-71.2**	**138.5**	**85.4**
Income tax (expense) / income	-16.8	-20.8	-6.3	-8.5	-19.5	-6.2	-13.0	-15.9	36.3	33.8	**-19.4**	**-17.7**
KBL *epb* GROUP PROFIT	**40.2**	**26.6**	**18.3**	**22.9**	**48.7**	**13.4**	**34.5**	**42.2**	**-22.6**	**-37.4**	**119.2**	**67.7**
Attributable to non-controlling interest	0	0	-	-	-	-	-	-	0	0	**0**	**0**
ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**40.2**	**26.6**	**18.3**	**22.9**	**48.7**	**13.4**	**34.5**	**42.2**	**-22.6**	**-37.4**	**119.2**	**67.7**

BALANCE SHEET

(in EUR million)	PRIVATE BANKING 2009	PRIVATE BANKING 2010	GLOBAL INVESTOR SERVICES 2009	GLOBAL INVESTOR SERVICES 2010	CLIENT DEALING & TREASURY 2009	CLIENT DEALING & TREASURY 2010	CREDIT & SECURITIES PORTFOLIO 2009	CREDIT & SECURITIES PORTFOLIO 2010	OTHER 2009	OTHER 2010	TOTAL GROUP 2009	TOTAL GROUP 2010
Cash and balances with central banks	63	98	-	-	124	339	-	-	-	-	**187**	**437**
Financial assets	2,730	4,953	242	185	4,956	4,240	4,608	3,824	325	286	**12,860**	**13,488**
Held-for-trading	132	116	-	-	500	442	60	15	1	-	**693**	**574**
At fair value through profit or loss	5	1,822	-	-	-	-	27	14	-	-	**32**	**1,836**
Available-for-sale financial assets	1,294	1,507	139	115	624	419	3,633	3,018	245	219	**5,934**	**5,278**
Loans and receivables	1,299	1,507	103	70	3,831	3,379	888	777	0	-	**6,122**	**5,733**
Hedging derivatives	-	-	-	-	-	-	-	-	79	67	**79**	**67**
Tax assets	32	32	-	-	-	-	-	-	63	54	**95**	**86**
Current tax assets	15	17	-	-	-	-	-	-	2	4	**17**	**21**
Deferred tax assets	17	15	-	-	-	-	-	-	61	49	**79**	**64**
Investments in associates	-	-	15	14	-	-	-	-	-	-	**15**	**14**
Investment properties	-	-	-	-	-	-	-	-	37	37	**37**	**37**
Property and equipment	136	139	13	13	6	6	-	-	43	39	**199**	**197**
Goodwill and other intangible assets	364	325	-	-	-	-	-	-	10	30	**374**	**356**
Other assets	139	108	-	-	-	-	-	-	-	-	**139**	**108**
TOTAL ASSETS	**3,464**	**5,656**	**270**	**211**	**5,086**	**4,585**	**4,608**	**3,824**	**479**	**446**	**13,907**	**14,722**
Financial liabilities	6,009	7,595	2,548	2,000	2,730	1,999	130	80	1,107	1,115	**12,524**	**12,788**
Held-for-trading	128	114	-	-	283	215	70	21	12	10	**493**	**360**
Designated at fair value through profit or loss	-	1,822	-	-	-	-	-	-	-	-	**-**	**1,822**
At amortised cost	5,869	5,646	2,548	2,000	2,443	1,782	1	1	1,073	1,089	**11,934**	**10,518**
Hedging derivatives	12	13	-	-	4	2	58	58	22	16	**96**	**89**
Gross technical provisions	-	475	-	-	-	-	-	-	-	-	**-**	**475**
Tax liabilities	6	10	-	-	-	-	-	-	-	-	**7**	**10**
Current tax liabilities	3	5	-	-	-	-	-	-	-	-	**3**	**5**
Deferred tax liabilities	3	5	-	-	-	-	-	-	-	-	**4**	**5**
Provisions	16	26	-	-	-	-	-	-	10	7	**26**	**33**
Other liabilities	353	361	-	-	-	-	-	-	-	-	**353**	**361**
TOTAL LIABILITIES (excluding equity)	**6,384**	**8,466**	**2,548**	**2,000**	**2,730**	**1,999**	**130**	**80**	**1,118**	**1,123**	**12,910**	**13,667**

NOTE 3B – OPERATING SEGMENTS BY GEOGRAPHIC SECTOR

KBL *epb* group distinguishes between the secondary segments **OFF-SHORE**, covering the activities of the Luxembourg, Swiss and Monegasque companies, and **ON-SHORE**, covering the activities of the other companies included in the scope of consolidation.

	ON-SHORE		**OFF-SHORE**		**KBL *epb* GROUP**	
(in EUR million)	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Gross income	238	245	427	357	665	603
Total assets	2,768	2,788	11,140	11,934	13,907	14,722
TOTAL LIABILITIES (excluding equity)	**3,175**	**3,273**	**9,734**	**10,394**	**12,910**	**13,667**

NOTE 4 – NET INTEREST INCOME

(in EUR thousand)	**31.12.2009**	**31.12.2010**
BREAKDOWN BY PORTFOLIO		
INTEREST INCOME	**475,938**	**321,207**
Available-for-sale financial assets	198,485	163,003
Loans and receivables	159,828	69,862
Other	1,063	452
Sub-total of interest income from financial assets not measured at fair value through profit or loss	359,377	233,317
Financial assets held-for-trading	6,158	8,423
Net interest on hedging derivatives	100,141	75,574
Other financial assets at fair value through profit or loss	10,263	3,893
INTEREST EXPENSE	**-252,554**	**-170,933**
Financial liabilities at amortised cost	-147,771	-82,617
Other	-1,385	-1,009
Sub-total of interest expense on financial liabilities not measured at fair value through profit or loss	-149,156	-83,625
Net interest on hedging derivatives	-103,398	-87,307
TOTAL	**223,384**	**150,274**

NOTE 5 – GROSS EARNED PREMIUMS, INSURANCE

As of 31 December 2010, the gross earned premiums only include individual and single premiums (2009: -).

NOTE 6 – GROSS TECHNICAL CHARGES, INSURANCE

(in EUR thousand)	**31.12.2009**	**31.12.2010**
Claims paid	-	-38,829
Change in life provision	-	29,500
Profit sharing	-	-185
Other technical charges / income	-	-2,211
TOTAL	**-**	**-11,725**

NOTE 7 – DIVIDEND INCOME

(in EUR thousand)	**31.12.2009**	**31.12.2010**
Available-for-sale equity instruments	3,004	6,248
Equity instruments held-for-trading	1,851	339
Equity instruments at fair value through profit or loss	4	4
TOTAL	**4,859**	**6,591**

NOTE 8 – NET GAINS / LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE

(in EUR thousand)	**31.12.2009**	**31.12.2010**
Held-for-trading (including interest and valuation of trading derivatives)	486	16,276
Other financial instruments at fair value	8,120	1,076
Exchange differences	25,138	30,829
Fair value adjustments in hedge accounting	-1,269	-1,275
Fair value micro-hedging	*-2,224*	*-975*
Fair value of hedged item	*-1,237*	*10,718*
Fair value of hedging item	*-986*	*-11,693*
Macro-hedging	*955*	*-300*
Fair value of hedged item	*2,368*	*743*
Fair value of hedging item	*-1,413*	*-1,043*
TOTAL	**32,475**	**46,905**

NOTE 9 – NET REALISED GAINS / LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Net realised gains / losses on available-for-sale financial assets are the results realised on sales of available-for-sale financial assets (on both debt and equity instruments).

(in EUR thousand)	31.12.2009	31.12.2010
Debt instruments	43,074	21,130
Equity instruments	5,367	5,773
TOTAL	**48,441**	**26,903**

NOTE 10 – NET FEE AND COMMISSION INCOME

(in EUR thousand)	31.12.2009	31.12.2010
FEE AND COMMISSION INCOME	465,375	483,169
Asset management	260,222	278,669
Securities transactions	172,939	165,510
Other	32,213	38,990
FEE AND COMMISSION EXPENSE	-106,159	-104,505
Asset management	-60,557	-56,676
Securities transactions	-36,229	-37,033
Other	-9,373	-10,796
TOTAL	**359,217**	**378,663**

NOTE 11 – OTHER NET INCOME / (CHARGES)

(in EUR thousand)	31.12.2009	31.12.2010
TOTAL	**-3,450**	**1,776**
of which:		
Write-back of provisions for various expenses	757	735
Net proceeds from precious metals transactions	2,171	2,641
Withholding tax on dividends and wealth tax	-3,986	-3,722
Net proceeds on sale of other activities	791	221
Rental income	2,608	2,343

NOTE 12 – OPERATING EXPENSES

Operating expenses include staff costs, amortisation and depreciation of investment properties, property and equipment and intangible assets, changes in provisions and general administrative expenses.

General administrative expenses include in particular repair and maintenance expenses, advertising expenses, rent, professional duties, IT costs and various (non-income) taxes.

(in EUR thousand)	**31.12.2009**	**31.12.2010**
Staff expenses	-327,276	-352,332
General administrative expenses	-139,274	-116,039
Depreciation and amortisation of property and equipment, intangible assets and investment properties	-26,288	-24,111
Net provision allowances	-11,560	-10,711
TOTAL	**-504,398**	**-503,194**

NOTE 13 – STAFF

	31.12.2009	**31.12.2010**
TOTAL AVERAGE NUMBER OF PERSONS EMPLOYED (IN FULL-TIME EQUIVALENTS)	**2,742**	**2,607**

	31.12.2009	**31.12.2010**
BREAKDOWN BY BUSINESS SEGMENT[1]		
Private Banking	1,968	1,887
Global Investor Services	267	245
Client Dealing & Treasury	119	114
Credit & Securities portfolio	26	20
Other	363	341
TOTAL	**2,742**	**2,607**

[1] The breakdown of commercial, administrative and support staff has been made on the same basis as for drawing up Note 3a on operating segments by business segment.

	31.12.2009	**31.12.2010**
GEOGRAPHIC BREAKDOWN		
On-shore	1,362	1,281
Off-shore	1,380	1,326
TOTAL	**2,742**	**2,607**

NOTE 14 – IMPAIRMENT

(in EUR thousand)	31.12.2009	31.12.2010
(Impairment)/reversal of impairment of:		
Loans and receivables	-2,137	1,740
Available-for-sale financial assets	-19,684	-4,531
Goodwill	-2,879	-41,812
TOTAL	**-24,699**	**-44,603**

Impairment of loans and receivables

More detailed information on impairment is provided in the annex to the consolidated management report.

(in EUR thousand)	31.12.2009	31.12.2010
BREAKDOWN BY TYPE		
(Impairment)/reversal on impairment of:		
Specific impairment on loans and receivables	-1,354	1,671
Specific impairment on loans commitments	9	-
Portfolio-based impairments	-791	69
TOTAL	**-2,137**	**1,740**
GEOGRAPHIC BREAKDOWN		
On-shore	-1,549	1,565
Off-shore	-588	175
TOTAL	**-2,137**	**1,740**

See also Note 23 – Impairment of loans and receivables – and Note 31 – Provisions.

Impairment of available-for-sale financial assets

(in EUR thousand)	31.12.2009	31.12.2010
(Impairment)/reversal of impairment of:		
Debt instruments	-10,625	-1,084
Equity instruments	-9,058	-3,447
TOTAL	**-19,684**	**-4,531**

Impairment on goodwill

(in EUR thousand)	31.12.2009	31.12.2010
Goodwill arising in a business combination	-2,879	-39.764
Purchased portfolio of customers	-	-2.048
TOTAL	**-2,879**	**-41,812**

NOTE 15 – SHARE OF PROFIT OF ASSOCIATES

(in EUR thousand)	31.12.2009	31.12.2010
European Fund Administration S.A. and EFA Partners S.A.	2,697	1,596
TOTAL	**2,697**	**1,596**

NOTE 16 – INCOME TAX

(in EUR thousand)	31.12.2009	31.12.2010
BREAKDOWN BY TYPE		
Current tax*	5,097	-3,826
Deferred tax	-24,449	-13,872
TOTAL	**-19,352**	**-17,698**

* For 2009, this amount included reversals of provisions in excess of previous years.

(in EUR thousand)	31.12.2009	31.12.2010
BREAKDOWN BY MAJOR COMPONENTS		
Profit before tax	138,525	85,424
Luxembourg income tax rate	28.59%	28.80%
INCOME TAX CALCULATED AT THE LUXEMBOURG INCOME TAX RATE	**-39,604**	**-24,602**
Plus/minus tax effects attributable to:		
Differences in tax rates, Luxembourg – abroad	1,450	-5,272
Tax-free income	14,279	21,253
Other non-deductible expenses	-1,930	-1,016
Adjustments related to prior years	8,260	-414
Adjustments to opening balance due to tax rate change	-	577
Unused tax losses and tax credits	887	-5,608
Other	-2,694	-2,616
INCOME TAX ADJUSTMENTS	**20,253**	**6,904**
TOTAL	**-19,352**	**-17,698**

Details of tax assets and liabilities are given in Note 26.

NOTE 17 – CLASSIFICATION OF FINANCIAL INSTRUMENTS: BREAKDOWN BY PORTFOLIO AND BY PRODUCT

- Financial instruments are classified into several categories (portfolios). Details of these various categories and the valuation rules linked to them are given in Note 2b, point c, dealing with financial assets and liabilities (IAS 39).
- The balance sheet analyses below have been conducted at the clean price. Thus the interest accrued is presented separately, except for trading derivatives, which are presented at the dirty price.

CARRYING AMOUNT

31.12.2009

ASSETS (in EUR million)	**Held-for-trading (HFT) assets**	**Financial instruments at fair value (FIFV) through profit or loss**	**Available-for-sale (AFS) financial assets**	**Loans and receivables (L&R)**	**Hedging derivatives**	**TOTAL**
LOANS AND ADVANCES TO BANKS AND INVESTMENT FIRMS	**-**	**-**	**-**	**4,837**	**-**	**4,837**
LOANS AND ADVANCES TO BANKS AND INVESTMENT FIRMS	**-**	**23**	**-**	**1,267**	**-**	**1,290**
Discount and acceptance credits	-	-	-	11	-	11
Consumer credits	-	-	-	7	-	7
Mortgage loans	-	-	-	378	-	378
Term loans	-	-	-	374	-	374
Current accounts	-	-	-	444	-	444
Other	-	23	-	53	-	76
EQUITY INSTRUMENTS	**37**	**0**	**243**	**-**	**-**	**281**
DEBT INSTRUMENTS ISSUED BY	**322**	**8**	**5,623**	**-**	**-**	**5,953**
– government bodies	25	-	2,628	-	-	2,652
– banks and investment firms	63	1	539	-	-	602
– corporates	235	7	2,456	-	-	2,698
FINANCIAL DERIVATIVES	**330**	**-**	**-**	**-**	**46**	**376**
TOTAL EXCL. ACCRUED INTEREST	**689**	**31**	**5,866**	**6,104**	**46**	**12,737**
ACCRUED INTEREST	**3**	**1**	**68**	**18**	**32**	**123**
TOTAL INCL. ACCRUED INTEREST	**693**	**32**	**5,934**	**6,122**	**79**	**12,860**
of which: reverse repos	-	-	-	2,378	-	2,378

CARRYING AMOUNT
31.12.2010

ASSETS (in EUR million)	Held-for-trading (HFT) assets	Financial instruments at fair value (FIFV) through profit or loss	Available-for-sale (AFS) financial assets	Loans and receivables (L&R)	Hedging derivatives	TOTAL
LOANS AND ADVANCES TO BANKS AND INVESTMENT FIRMS	**-**	**-**	**-**	**4,324**	**-**	**4,324**
LOANS AND ADVANCES TO BANKS AND INVESTMENT FIRMS	**-**	**14**	**-**	**1,402**	**-**	**1,416**
Discount and acceptance credits	-	-	-	12	-	12
Consumer credits	-	-	-	7	-	7
Mortgage loans	-	-	-	438	-	438
Term loans	-	-	-	456	-	456
Current accounts	-	-	-	437	-	437
Other	-	14	-	51	-	65
INVESTMENT CONTRACTS (INSURANCE "BRANCHE 23")	**-**	**1,822**	**-**	**-**	**-**	**1,822**
EQUITY INSTRUMENTS	**3**	**0**	**292**	**-**	**-**	**295**
DEBT INSTRUMENTS ISSUED BY	**280**	**-**	**4,916**	**-**	**-**	**5,196**
– government bodies	40	-	2,180	-	-	2,220
– banks and investment firms	119	-	502	-	-	622
– corporates	120	-	2,234	-	-	2,354
FINANCIAL DERIVATIVES	**284**	**-**	**-**	**-**	**35**	**319**
TOTAL EXCL. ACCRUED INTEREST	**566**	**1,836**	**5,208**	**5,726**	**35**	**13,371**
ACCRUED INTEREST	**7**	**0**	**71**	**8**	**32**	**117**
TOTAL INCL. ACCRUED INTEREST	**574**	**1,836**	**5,278**	**5,733**	**67**	**13,488**
of which: reverse repos	-	-	-	2,530	-	2,530

CARRYING AMOUNT
31.12.2009

LIABILITIES (in EUR million)	**Held-for-trading (HFT) liabilities**	**Financial liabilities at fair value (FIFV) through profit or loss**	**Hedging derivatives**	**Financial liabilities at amortised cost**	**TOTAL**
DEPOSITS FROM BANKS AND INVESTMENT FIRMS	**-**	**-**	**-**	**3,443**	**3,443**
DEPOSITS FROM CUSTOMERS	**-**	**-**	**-**	**7,616**	**7,616**
Current accounts/demand deposits	-	-	-	5,235	5,235
Time deposits	-	-	-	2,330	2,330
Other deposits	-	-	-	51	51
DEBT CERTIFICATES	**-**	**-**	**-**	**834**	**834**
Certificates of deposits	-	-	-	0	0
Customer savings bonds	-	-	-	4	4
Non-convertible bonds	-	-	-	13	13
Non-convertible subordinated liabilities	-	-	-	816	816
FINANCIAL DERIVATIVES	**418**	**-**	**74**	**-**	**492**
SHORT SALES	**75**	**-**	**-**	**-**	**75**
Equity instruments	35	-	-	-	35
Debt instruments	40	-	-	-	40
TOTAL EXCL. ACCRUED INTEREST	**493**	**-**	**74**	**11,892**	**12,459**
ACCRUED INTEREST	**0**	**-**	**22**	**43**	**65**
TOTAL INCL. ACCRUED INTEREST	**493**	**-**	**96**	**11,934**	**12,524**
of which: repos	-	-	-	1,336	1,336

CARRYING AMOUNT
31.12.2010

LIABILITIES (in EUR million)	Held-for-trading (HFT) liabilities	Financial liabilities at fair value (FIFV) through profit or loss	Hedging derivatives	Financial liabilities at amortised cost	TOTAL
DEPOSITS FROM BANKS AND INVESTMENT FIRMS	**-**	**-**	**-**	**2,717**	**2,717**
DEPOSITS FROM CUSTOMERS	**-**	**-**	**-**	**6,920**	**6,920**
Current accounts/demand deposits	-	-	-	5,048	5,048
Time deposits	-	-	-	1,853	1,853
Other deposits	-	-	-	20	20
DEBT CERTIFICATES	**-**	**-**	**-**	**840**	**840**
Certificates of deposits	-	-	-	0	0
Customer savings bonds	-	-	-	4	4
Non-convertible bonds	-	-	-	3	3
Non-convertible subordinated liabilities	-	-	-	833	**833**
INVESTMENT CONTRACTS (INSURANCE)	**-**	**1,822**	**-**	**-**	**1,822**
FINANCIAL DERIVATIVESÆ	**336**	**-**	**67**	**-**	**403**
SHORT SALES	**24**	**-**	**-**	**-**	**24**
Equity instruments	0	-	-	-	0
Debt instruments	24	-	-	-	24
TOTAL EXCL. ACCRUED INTEREST	**360**	**1,822**	**67**	**10,477**	**12,726**
ACCRUED INTEREST	**0**	**-**	**21**	**40**	**62**
TOTAL INCL. ACCRUED INTEREST	**360**	**1,822**	**89**	**10,518**	**12,788**
of which: repos	-	-	-	1,078	1,078

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying amounts and fair values of the financial assets and liabilities not measured at fair value, excluding accrued interest.

	CARRYING AMOUNT		FAIR VALUE	
(in EUR million)	31.12.2009	31.12.2010	31.12.2009	31.12.2010
ASSETS				
Loans and advances to banks and investment firms	4,837	4,324	4,836	4,324
Loans and advances to customers	1,267	1,402	1,267	1,402
Discount and acceptance credits	11	12	11	12
Consumer credits	7	7	7	7
Mortgage loans	378	438	378	438
Term loans	374	456	374	456
Current accounts	444	437	444	437
Other	53	51	53	51
LIABILITIES				
Deposits from banks and investment firms	3,443	2,717	3,443	2,717
Deposits from customers	7,616	6,920	7,615	6,919
Current accounts/demand deposits	5,235	5,048	5,235	5,046
Time deposits	2,330	1,853	2,330	1,853
Other deposits	51	20	51	20
Debt certificates	834	840	859	830
Certificates of deposits	0	0	0	0
Customer savings bonds	4	4	4	4
Non-convertible bonds	13	3	13	3
Non-convertible subordinated liabilities	816	833	841	823

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) price in active market for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

31.12.2009 (in EUR million)	Level 1	Level 2	Level 3	Accrued interest	TOTAL
ASSETS					
HELD-FOR-TRADING	**239**	**450**	**0**	**3**	**693**
Equity instruments	1	36	0	-	37
Debt instruments	119	203	0	3	326
Derivatives	119	211	0	-	330
AT FAIR VALUE THROUGH PROFIT OR LOSS	**1**	**23**	**7**	**1**	**32**
AVAILABLE-FOR-SALE	**3,499**	**2,334**	**33**	**68**	**5,934**
Equity instruments	186	24	33	-	243
Debt instruments	3,312	2,311	-	68	5,691
HEDGING DERIVATIVES	**-**	**46**	**-**	**32**	**79**
TOTAL	**3,739**	**2,853**	**40**	**105**	**6,737**
LIABILITIES					
HELD-FOR-TRADING	**193**	**300**	**0**	**0**	**493**
Equity instruments	35	0	-	-	35
Debt instruments	38	1	-	0	40
Derivatives	119	299	-	-	418
HEDGING DERIVATIVES	**-**	**74**	**-**	**22**	**96**
TOTAL	**193**	**374**	**0**	**22**	**589**

31.12.2010 (in EUR million)	Level 1	Level 2	Level 3	Accrued interest	TOTAL
ASSETS					
HELD-FOR-TRADING	**309**	**258**	**-**	**7**	**574**
Equity instruments	2	1	-	-	3
Debt instruments	227	52	-	7	287
Derivatives	80	204	-	-	284
AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,822**	**14**	**-**	**0**	1,836
AVAILABLE-FOR-SALE	**3,233**	**1,930**	**38**	**71**	5,272
Equity instruments	234	13	38	-	285
Debt instruments	2,999	1,917	-	71	4,987
HEDGING DERIVATIVES	**-**	**35**	**-**	**32**	**67**
TOTAL	**5,364**	**2,237**	**38**	**109**	**7,749**
LIABILITIES					
HELD-FOR-TRADING	**103**	**257**	**-**	**0**	**360**
Equity instruments	0	-	-	-	0
Debt instruments	21	2	-	0	24
Derivatives	81	255	-	-	336
AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,822**	**-**	**-**	**-**	**1,822**
HEDGING DERIVATIVES	**0**	**67**	**-**	**21**	**89**
TOTAL	**1,924**	**324**	**-**	**22**	**2,271**

There were no transfers between Level 1 and Level 2 in 2010 and 2009.

Level 3 items measured at fair value

(in EUR million)	Financial instruments at fair value through profit or loss	Available-for-sale financial assets	TOTAL
BALANCE AS AT 01.01.2009	**0**	**37**	**37**
Total profit / loss for the year			
– recognised in the income statement	7	0	7
– recognised in other components of comprehensive income	-	-7	-7
Purchases	-	5	5
Sales	-	-1	-1
Transfers from / to Level 3	-	-	-
BALANCE AS AT 31.12.2009	**7**	**33**	**40**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31.12.2009	7	0	7

(in EUR million)	Financial instruments at fair value through profit or loss	Available-for-sale financial assets	TOTAL
BALANCE AS AT 01.01.2010	**7**	**33**	**40**
Total profit / loss for the year			
– recognised in the income statement	0	-2	-2
– recognised in other components of comprehensive income	-	1	1
Purchases	-	6	6
Sales	-7	-1	-8
Transfers from / to Level 3	-	-	-
BALANCE AS AT 31.12.2010	**-**	**38**	**38**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31.12.2010	0	-	0

NOTE 18 – AVAILABLE-FOR-SALE FINANCIAL ASSETS AND LOANS AND RECEIVABLES: BREAKDOWN BY PORTFOLIO AND QUALITY

(in EUR million)	Available-for-sale (AFS) financial assets	Loans and receivables (L&R)	TOTAL
31.12.2009			
Unimpaired assets	5,844	6,115	11,959
Impaired assets	177	131	308
Impairment	-86	-124	-210
TOTAL	**5,934**	**6,122**	**12,057**
31.12.2010			
Unimpaired assets	5,217	5,728	10,945
Impaired assets	128	123	250
Impairment	-66	-117	-184
TOTAL	**5,278**	**5,733**	**11,012**

NOTE 19 – FINANCIAL ASSETS AND LIABILITIES: BREAKDOWN BY PORTFOLIO AND RESIDUAL MATURITY

ASSETS (in EUR million)	**Held-for-trading (HFT) assets**	**Financial instruments at fair value (FIFV) through profit or loss**	**Available-for-sale (AFS) financial assets**	**Loans and receivables (L&R)**	**Hedging derivatives**	**TOTAL**
31.12.2009						
Less than or equal to 1 year	280	2	1,326	4,876	0	6,484
More than 1 but less than or equal to 5 years	242	19	3,148	875	18	4,302
More than 5 years	133	11	1,217	371	28	1,761
Indefinite period	37	0	243	-	32	313
TOTAL	**693**	**32**	**5,934**	**6,122**	**79**	**12,860**
31.12.2010						
Less than or equal to 1 year	271	0	1,018	5,089	1	6,380
More than 1 but less than or equal to 5 years	159	14	2,692	209	0	3,075
More than 5 years	141	-	1,276	435	34	1,885
Indefinite period	3	1,822	292	-	32	2,148
TOTAL	**574**	**1,836**	**5,278**	**5,733**	**67**	**13,488**

LIABILITIES (in EUR million)	**Held-for-trading (HFT) liabilities**	**Financial instruments at fair value (FIFV) through profit or loss**	**Liabilities at amortised cost**	**Hedging derivatives**	**TOTAL**
31.12.2009					
Less than or equal to 1 year	273	-	11,023	10	11,306
More than 1 but less than or equal to 5 years	52	-	666	26	744
More than 5 years	93	-	245	38	376
Indefinite period	75	-	-	22	97
TOTAL	**493**	**-**	**11,934**	**96**	**12,524**
31.12.2010					
Less than or equal to 1 year	221	-	9,832	1	10,054
More than 1 but less than or equal to 5 years	32	-	253	28	314
More than 5 years	82	-	433	39	554
Indefinite period	24	1,822	-	21	1,867
TOTAL	**360**	**1,822**	**10,518**	**89**	**12,788**

NOTE 20 – SECURITIES LENDING AND SECURITIES GIVEN IN GUARANTEE

The Group regularly carries out transactions in which the assets transferred do not qualify for derecognition under IAS 39. This mainly concerns the following operations:

- repurchase agreements (repo);
- securities lending; and
- securities given as collateral (in particular for securities borrowing or to guarantee credit lines received).

These transactions can be broken down as follows:

	REPO**	SECURITIES LENDING		OTHER
(in EUR million)	Debt instruments	Debt instruments	Equity instruments	Debt instruments
31.12.2009				
Financial assets held-for-trading	-	9	-	-
Financial instruments at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	485	46	-	1,484
Total financial assets not derecognised	485	55	-	1,484
Other*	810	654	57	1,237
TOTAL	**1,295**	**709**	**57**	**2,721**
31.12.2010				
Financial assets held-for-trading	-	6	-	-
Financial instruments at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	198	120	2	1,311
Total financial assets not derecognised	198	126	2	1,311
Other*	872	1,301	0	1,633
TOTAL	**1,070**	**1,427**	**2**	**2,944**

* The item 'Other' relates to securities borrowed or received as collateral for other operations.

** The carrying amount of debts associated with repo operations is available in Note 17.

NOTE 21 – SECURITIES RECEIVED IN GUARANTEE

The Group mainly receives securities as collateral in relation to its reverse repurchase agreement operations and securities lending. These securities are generally transferred under full ownership and the Group is able to re-use them in other operations.

The fair value of these guarantees can be broken down as follows:

(in EUR million)	**31.12.2009**	**31.12.2010**
Reverse repurchase agreements	2,456	2,522
Collateral received in securities lending	710	1,322
TOTAL	**3,166**	**3,844**
of which, transferred to:		
Repurchase agreements	99	26
Securities lent	-	1
Collateral given for securities borrowing	1,237	1,633
Other	-	-
TOTAL	**1,336**	**1,660**

NOTE 22 – IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in EUR million)	**Debt instruments**	**Equity instruments**
CHANGES		
BALANCE AS AT 01.01.2009	**93**	**82**
Changes affecting the income statement		
Allowances	16	9
Reversals	-5	-
Changes not affecting the income statement		
Securities sold/matured	-48	-58
Other	0	-2
BALANCE AS AT 31.12.2009	**55**	**31**

(in EUR million)	Debt instruments	Equity instruments
CHANGES		
BALANCE AS AT 01.01.2010	**55**	**31**
Changes affecting the income statement		
Allowances	4	3
Reversals	-3	-
Changes not affecting the income statement		
Securities sold/matured	-34	1
Other	-2	10
BALANCE AS AT 31.12.2010	**21**	**46**

NOTE 23 – IMPAIRMENT OF LOANS AND RECEIVABLES

The annex to the consolidated management report contains information relating to non-performing receivables and the management of the related impairments.

(in EUR million)	31.12.2009	31.12.2010
TOTAL	**124**	**118**
BREAKDOWN BY TYPE		
Specific impairments of loans and receivables	122	116
Specific impairments of loans commitments	0	0
Portfolio-based impairment	1	1
TOTAL	**124**	**118**
BREAKDOWN BY COUNTERPARTY		
Loans and advances to banks	-	-
Loans and advances to customers	124	117
Loans commitments (specific and portfolio-based impairments)	0	0
TOTAL	**124**	**118**
GEOGRAPHIC BREAKDOWN		
On-shore	26	24
Off-shore	97	94
TOTAL	**124**	**118**

(in EUR million)	Specific impairments on loans and receivables	Specific impairments on loans commitments	Portfolio-based impairment	TOTAL
CHANGES				
BALANCE AS AT 01.01.2010	**122**	**0**	**1**	**124**
Changes affecting the income statement				
Allowances	1	-	0	1
Reversals	-3	-	0	-3
Changes not affecting the income statement				
Securities sold/matured	-1	-	-	-1
Other	-3	0	-	-3
BALANCE AS AT 31.12.2010	**116**	**0**	**1**	**118**

NOTE 24 – DERIVATIVES

31.12.2009	HELD-FOR-TRADING				HEDGING – FAIR VALUE HEDGING			
	Fair value		Notional value		Fair value		Notional value	
(in EUR million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
TOTAL	**330**	**418**	**29,359**	**29,453**	**46**	**74**	**2,331**	**2,332**
INTEREST RATE CONTRACTS	**90**	**103**	**18,825**	**18,825**	**46**	**72**	**2,315**	**2,315**
Interest rate swaps	86	99	18,053	18,053	46	72	2,315	2,315
Futures	1	0	105	105	-	-	-	-
Forward rate agreements	0	0	146	146	-	-	-	-
Other	3	4	520	520	-	-	-	-
FOREIGN EXCHANGE CONTRACTS	**82**	**161**	**7,092**	**7,186**	**-**	**1**	**7**	**8**
Foreign exchange forward	81	159	6,939	7,033	-	-	-	-
Cross currency swaps	-	-	-	-	-	1	7	8
Options	1	1	115	115	-	-	-	-
Other	0	0	37	37	-	-	-	-
EQUITY CONTRACTS	**156**	**151**	**3,365**	**3,365**	**-**	**-**	**9**	**9**
Futures	11	11	688	688	-	-	-	-
Options	112	112	1,857	1,857	-	-	-	-
Other	34	29	820	820	-	-	9	9
LOAN CONTRACTS	**0**	**0**	**23**	**23**	**-**	**-**	**-**	**-**
COMMODITIES AND OTHER CONTRACTS	**1**	**2**	**54**	**54**	**-**	**-**	**-**	**-**

The fair value of held-for-trading derivatives includes interest, while the fair value of the hedging derivatives does not. The accrued interest income on hedging derivatives was EUR 32 million, while the accrued interest expense equaled EUR 22 million.

31.12.2010 (in EUR million)	HELD-FOR-TRADING				HEDGING – FAIR VALUE HEDGING			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
TOTAL	**284**	**336**	**28,266**	**28,313**	**35**	**67**	**1,880**	**1,882**
INTEREST RATE CONTRACTS	**73**	**84**	**19,539**	**19,539**	**35**	**65**	**1,873**	**1,873**
Interest rate swaps	71	81	18,879	18,879	35	65	1,873	1,873
Futures	0	0	91	91	-	-	-	-
Forward rate agreements	-	-	-	-	-	-	-	-
Other	3	3	569	569	-	-	-	-
FOREIGN EXCHANGE CONTRACTS	**88**	**129**	**5,580**	**5,628**	**-**	**2**	**7**	**9**
Foreign exchange forward	87	129	5,571	5,615	-	-	-	-
Cross currency swaps	-	-	-	-	-	2	7	9
Futures	0	0	-	3	-	-	-	-
Options	0	0	-	1	-	-	-	-
Other	0	0	9	9	-	-	-	-
EQUITY CONTRACTS	**121**	**121**	**3,112**	**3,112**	**-**	**-**	**-**	**-**
Futures	1	1	188	188	-	-	-	-
Options	102	102	2,414	2,414	-	-	-	-
Other	18	18	510	510	-	-	-	-
LOAN CONTRACTS	**0**	**0**	**3**	**3**	**-**	**-**	**-**	**-**
COMMODITIES AND OTHER CONTRACTS	**1**	**1**	**31**	**31**	**-**	**-**	**-**	**-**

The fair value of held-for-trading derivatives includes interest, while the fair value of the hedging derivatives does not. The accrued interest income on hedging derivatives is EUR 32 million, while the accrued interest expense equals EUR 21 million.

NOTE 25 – OTHER ASSETS

The heading 'Other assets' covers various short-term receivables such as dividends and coupons that clients bring to KBL *epb* group to be cashed and the value of which has already been paid.

NOTE 26 – TAX ASSETS AND LIABILITIES

(in EUR million)	31.12.2009	31.12.2010
CURRENT TAX ASSETS	**17**	**21**
DEFERRED TAX ASSETS	**79**	**64**
Employee benefits	-	-3
Losses carried forward	72	67
Tangible and intangible assets	-	0
Provisions	-22	-18
Financial instruments at fair value through profit or loss	2	0
Available-for-sale financial instruments	-1	-5
Other	27	22
TAX ASSETS	**95**	**86**
Tax losses and tax credits not capitalised[1]	67	78

[1] Tax losses and tax credits not capitalised concern tax losses of Group companies, which are not recognised because of uncertainty about future taxable profits.

(in EUR million)	31.12.2009	31.12.2010
CURRENT TAX ASSETS	**3**	**5**
DEFERRED TAX ASSETS	**4**	**5**
Employee benefits	0	-
Tangible and intangible assets	-	0
Provisions	0	0
Financial instruments at fair value through profit or loss	0	0
Available-for-sale financial instruments	0	2
Other	4	3
TAX LIABILITIES	**7**	**10**

Changes in deferred tax assets and liabilities are not equal to the deferred tax charge/income recognised in the income statement during the year. This is mainly due to the deferred tax linked to the recognition in the revaluation reserve of fair value changes in unimpaired available-for-sale financial instruments.

NOTE 27 – INVESTMENTS IN ASSOCIATES

Associates are companies over which the KBL *epb* group has a significant influence, either directly or indirectly, without having full or joint control.

(in EUR million)	31.12.2009	31.12.2010
TOTAL	**15**	**14**
OVERVIEW OF INVESTMENTS IN ASSOCIATES (INCLUDING GOODWILL)		
European Fund Administration S.A. and EFA Partners S.A.	15	14
GOODWILL IN ASSOCIATES		
Gross amount	-	-
Cumulative impairment	-	-
CHANGES		
BALANCE AS AT 01.01.2010	**-**	**15**
Share of profit for the year	-	2
Dividends paid	-	-3
Changes in scope	-	-
BALANCE AS AT 31.12.2010	**-**	**14**

Summary financial information

(in EUR thousand)	Total assets	Total liabilities excluding equity	Net profit
31.12.2010 (provisional figures)			
European Fund Administration S.A. (Group)	43,109	17,559	3,115
EFA Partners S.A.	3,331	4	1,308

NOTE 28 – GOODWILL AND OTHER INTANGIBLE ASSETS

(in EUR million)	Goodwill arising in a business combination	Purchased Portfolio of customers	Software developed in-house	Software purchased	Other	TOTAL
CHANGES						
BALANCE AS AT 01.01.2009	**324**	**36**	**8**	**5**	**-**	**372**
Acquisitions	1	2	7	3	0	14
Disposals	-	-	0	-1	-	-1
Amortisation	-	-	-5	-2	0	-7
Impairment	-3	-	-	-	-	-3
Allowances	-3	-	-	-	-	-3
Reversals	-	-	-	-	-	-
Changes in scope	0	0	-	0	0	0
Other	-	-	-	-	-	-
BALANCE AS AT 31.12.2009	**322**	**38**	**10**	**5**	**-**	**374**
of which: cumulative amortisation and impairment	-3	-47	-8	-25	-	-82

(in EUR million)	Goodwill arising in a business combination	Purchased Portfolio of customers	Software developed in-house	Software purchased	Other	TOTAL
CHANGES						
BALANCE AS AT 01.01.2010	**322**	**38**	**10**	**5**	**-**	**374**
Acquisitions	2	-	19	10	0	30
Disposals	-	-	-4	-	-	-4
Amortisation	-	-	-2	-2	-	-5
Impairment	-39	-1	-	-	-	-41
Allowances	-39	-1	-	-	-	-41
Reversals	-	-	-	-	-	-
Changes in scope	-	-	-	1	-	1
Other	-	-	0	0	0	0
BALANCE AS AT 31.12.2010	**284**	**36**	**22**	**13**	**0**	**356**
of which: cumulative amortisation and impairment	-43	-49	-6	-28	0	-76

NOTE 29 – PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

(in EUR million)	31.12.2009	31.12.2010
PROPERTY AND EQUIPMENT	**199**	**197**
INVESTMENT PROPERTIES		
Carrying amount	37	37
Fair value	46	46
Investment property – Rental income	3	2

(in EUR million)	Land and buildings	IT equipment	Other equipment	TOTAL PROPERTY AND EQUIPMENT	Investment properties
CHANGES					
BALANCE AS AT 01.01.2009	**155**	**16**	**29**	**200**	**38**
Acquisitions	5	6	6	17	1
Disposals	0	0	0	0	0
Depreciation	-7	-6	-4	-18	-1
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Translation differences	0	0	0	0	-
Changes in scope	-	-	-	-	-
Other	0	0	0	0	0
BALANCE AS AT 31.12.2009	**152**	**16**	**30**	**199**	**37**
of which: cumulative depreciation and impairment	-79	-51	-39	-169	-9

(in EUR million)	Land and buildings	IT equipment	Other equipment	TOTAL PROPERTY AND EQUIPMENT	Investment properties
CHANGES					
BALANCE AS AT 01.01.2010	**152**	**16**	**30**	**199**	**37**
Acquisitions	3	7	3	13	1
Disposals	0	0	-1	-1	-
Depreciation	-7	-7	-5	-19	-1
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Translation differences	4	0	1	4	-
Changes in scope	-	0	0	0	-
Other	0	-2	2	0	0
BALANCE AS AT 31.12.2010	**152**	**14**	**31**	**197**	**37**
of which: cumulative depreciation and impairment	-85	-46	-50	-182	-10

NOTE 30 – GROSS TECHNICAL PROVISIONS, INSURANCE

(in EUR million)	31.12.2009	31.12.2010
TOTAL	**-**	**475**
Provision for unearned premiums	-	0
Life insurance provision	-	475
Discretionary participation features	-	0

(in EUR million)	GROSS TECHNICAL PROVISIONS, INSURANCE
CHANGES	
BALANCE AS AT 01.01.2010	**-**
Net payments received/premiums receivable	3
Liabilities paid for surrenders, benefits and claims	-39
(Theoretical) risk premiums deducted	-
Credit of interest or change in unit-prices	11
Attributed profit sharing	0
Translation differences	-
Other movements	-5
Changes in scope	504
BALANCE AS AT 31.12.2010	**475**

NOTE 31 – PROVISIONS

(in EUR million)	Provisions for restructuring	Specific impairment for credit commitments	Other provisions[1]	TOTAL
CHANGES				
BALANCE AS AT 01.01.2010	**8**	**0**	**18**	**26**
Changes affecting the income statement	-	-	11	11
Allowances	-	-	14	14
Reversals	-	-	-4	-4
Other changes	-8	-	4	-4
BALANCE AS AT 31.12.2010	**0**	**-**	**33**	**33**

[1] The column 'Other provisions' mainly contains provisions for the expenses relating to disputes, consultancy and miscellaneous fees.

NOTE 32 – OTHER LIABILITIES

The heading 'Other liabilities' in particular covers various items payable in the short term such as coupons and redeemable securities as paying agent. The net liabilities related to staff pension funds (see Note 33) and restructuration plans are also included in this item.

NOTE 33 – RETIREMENT BENEFIT OBLIGATIONS

In addition to the legally prescribed plans, KBL *epb* group maintains various complementary pension plans, of both the defined contribution and defined benefit kind.

The staff of the various KBL *epb* group companies is covered by means of a number of funded and insured pension plans most of which are defined benefit plans. In order to be able to participate in some of these plans, a minimum period of service with the KBL *epb* group is required and the benefits may also depend on the employees' years of affiliation to the plans as well as on their remuneration in the years before retirement. The annual funding requirements for these various complementary pension plans are determined based on actuarial cost methods.

Defined benefit plans

(in EUR million)	31.12.2009	31.12.2010
DEFINED BENEFIT PLAN OBLIGATIONS		
Value of obligations as at 01.01	**150**	**183**
Current service cost	7	7
Interest cost	8	8
Plan amendments	-	-
Actuarial gain/(losses)	-3	7
Benefits paid	-14	-17
Currency adjustments	1	8
Changes in scope	-	-
Other	35	1
Value of obligations as at 31.12	**183**	**196**
FAIR VALUE OF PLAN ASSETS		
Fair value of assets as at 01.01	**75**	**115**
Actual return on plan assets	13	6
Employer contributions	6	7
Plan participants contributions	2	2
Benefits paid	-8	-14
Currency adjustments	1	7
Changes in scope	-	-
Other	27	2
Fair value of assets as at 31.12	**115**	**125**
of which: financial instruments issued by KBL *epb* group	-	-
FUNDED STATUS		
Plan assets in excess of defined benefit obligations	-68	-71
Unrecognised net actuarial gains (-) / losses (+)	13	17
Unrecognised past service costs	-	-
Unrecognised assets	-1	-1
Plan over-/(under-) funding	-56	-55

Defined benefit plans (continued)

(in EUR million)	31.12.2009	31.12.2010
CHANGES RELATING TO NET LIABILITY		
Net liability as at 01.01	**-53**	**-56**
Net period cost in the income statement	-12	-10
Employer contributions	7	6
Currency adjustments	1	1
Change in scope of consolidation	-	-
Other	1	4
Net liability as at 31.12	**-56**	**-55**
AMOUNTS RECOGNISED IN PROFIT OR LOSS		
Current service cost	-7	-7
Interest cost	-8	-8
Expected return on plan assets	4	5
Adjustments to asset limits recognised	-	0
Amortisation of unrecognised past service costs	-	0
Amortisation of unrecognised net actuarial (gains)/losses	-2	-1
Other	-	-
Net period cost in the income statement	**-12**	**-10**
Actual return on plan assets (in %)	17.03%	5.29%
PRINCIPAL ACTUARIAL ASSUMPTIONS USED[1]		
Discount rate	from 3.50% to 5.70%	from 2.75% to 5.31%
Expected rate of return on plan assets	from 4.00% to 5.70%	from 4.00% to 5.40%
Expected rate of salary increase	from 2.50% to 3.00%	from 2.50% to 3.00%
Expected rate of pension increase	from 1.80% to 5.00%	from 1.80% to 2.60%

[1] Ranges of assumptions taking into account the local situation of each KBL *epb* group company.

Defined benefit plans

(in EUR million)	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Year-end amount of liability	138	138	150	183	196
Year-end fair value of assets	72	79	75	115	125
Plan assets in excess of obligations	-66	-59	-75	-68	-71
Plan excess/(under-) funding	-58	-55	-53	-56	-55

The estimate of the employer contribution payable to the defined benefit pension plan assets for 2011 is EUR 8 million.

Defined contribution plans

(in EUR million)	31.12.2009	31.12.2010
AMOUNT RECORDED IN THE INCOME STATEMENT	**-6**	**-6**

NOTE 34 – EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The subscribed and paid-up capital is EUR 187.2 million, represented by 18,186,877 ordinary shares without par value and by 1,949,711 non-voting preference shares without par value.

Holders of preference shares are entitled to receive an initial dividend of EUR 0.25 per share, as established in the Bank's articles of association, and are therefore guaranteed a minimum annual return. If there are no profits, this dividend entitlement is carried forward to subsequent periods. Any profits remaining once this first dividend has been paid are shared out between all shareholders, whether they hold ordinary or preference shares, in such a way that both categories of shareholders ultimately receive an identical dividend.

The Bank's articles of association specify that, if the Bank is wound up, holders of preference shares are guaranteed repayment of the capital initially invested, that is EUR 14.56. Holders of preference shares are not however entitled to receive a share of any accumulated reserves.

(in number of shares)	31.12.2009	31.12.2010
TOTAL NUMBER OF SHARES ISSUED	**20,136,588**	**20,136,588**
Ordinary shares	18,186,877	18,186,877
Preference shares	1,949,711	1,949,711
of which: shares entitling the holder to a dividend payment	20,135,744	20,135,744
of which: treasury shares, including commitments	844	844
of which: shares representing equity under IFRS	20,135,744	20,135,744

Changes

	Ordinary shares	Preference shares	Total
BALANCE AS AT 01.01.2010	**18,186,877**	**1,949,711**	**20,136,588**
Cancellation of shares bought back	-	-	-
BALANCE AS AT 31.12.2010	**18,186,877**	**1,949,711**	**20,136,588**

NOTE 35 – PROFIT ALLOCATION PROPOSAL

At its meeting on 16 February 2011, the Board of Directors proposes to allocate:
- the current retained earnings of EUR 22.7 million to the available reserves;
- the 2010 social result of EUR 67.6 million to the retained earnings.

On 16 March 2011, this affectation will be submitted to the approval of the Annual General Meeting.

NOTE 36 – LOANS COMMITMENTS, FINANCIAL GUARANTEES AND OTHER COMMITMENTS

(in EUR million)	31.12.2009	31.12.2010
Confirmed credits, unused	653	578
Financial guarantees	71	68
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	1,032	594
TOTAL	**1,757**	**1,241**

In the course of 2000, several (current and former) directors, managers and members of KBL *epb* staff, were charged by a Belgian examining magistrate with offences relating to a tax suit as a result of their professional activities at the Bank. The case was brought before the Council Chamber of the Court of Brussels on 24 January 2006. After the order of this court on 11 January 2008, six persons from KBL *epb* were referred to the criminal court.

The case was brought before the Brussels Criminal Court on 3 April 2009. After several weeks of hearings where it was exclusively pleaded that the investigation had been conducted in an improper and even illegal manner, a judgment was issued on 8 December 2009. The Court considered that the evidence on which all the legal proceedings were based had been introduced into the procedure in a seriously irregular or even illegal manner by the police and by the magistrates in charge of the enquiry. The flaws were so serious that they were considered to have a structural effect on the investigation and so the whole legal suit was declared invalid and the proceedings inadmissible.

As a result, all the accused were discharged from all proceedings.

On 10 December 2009, the Public Prosecutor filed an appeal against this judgement. The proceedings were then brought before the Court of Appeal of Brussels. On 16 September 2010, the Court of Appeal, after hearing the pleadings of the defence, decided to split the proceedings in two: the admissibility of the prosecution would be judged first, followed by a separate decision on the merits of the accusation. Pleadings took place from 16 September 2010 until 8 October 2010. In its judgment dated 10 December 2010, the Court of Appeal confirmed the judgment of the Court dated 8 December 2009 and ruled that the legal suit against all accused persons were inadmissable.

An appeal before the Supreme Court (*pourvoi en cassation*) against the decision of the Court of Appeal was filed by the Public Prosecutor on 20 December 2010.

NOTE 37 – ASSETS UNDER MANAGEMENT

Total assets under management as at 31 December 2010 are EUR 48.66 billion, of which EUR 39.00 billion relate to clients in the private banking sector (2009: EUR 46.09 billion, of which EUR 36.37 billion related to the private banking sector).

NOTE 38 – RELATED PARTY TRANSACTIONS

'Related parties' refers to the parent company of KBL *epb*, its subsidiaries and key management personnel. Transactions with related parties are carried out under conditions equivalent to those applicable to transactions subject to conditions of normal competition. Transactions with associates are not included below because they are not material.

(in EUR million)	31.12.2009	31.12.2010
ASSETS	**3,787**	**2,355**
Held-for-trading	102	27
At fair value through profit or loss	1	-
Available-for-sale	1,923	1,469
Loans and receivables	1,683	792
Hedging derivatives	79	66
LIABILITIES	**813**	**294**
Held-for-trading	88	65
At amortised cost	693	201
Hedging derivatives	32	28
INCOME STATEMENT	**167**	**74**
Net interest income	162	65
Net realised gains on available-for-sale financial assets	-	3
Net fee and commission income	5	9
Other net income / (charges)	0	0
Operating expenses	0	0
Impairment of financial assets not measured at fair value through profit or loss	-	-2
GUARANTEES GIVEN BY KBL *epb* GROUP	**4**	**2**
GUARANTEES RECEIVED BY KBL *epb* GROUP	**99**	**566**

With Key Management Personnel

(in EUR million)	31.12.2009	31.12.2010
Amount of remuneration to key management personnel of KBL *epb* group on the basis of their activity, including the amount paid to former key management personnel	36	45
Credit facilities and guarantees granted	31	37
Loans outstanding	24	28
Guarantees outstanding	0	0
Pension commitments	69	68
Expenses for defined contribution plans	2	1

NOTE 39 – SOLVENCY

The table below gives the solvency ratios calculated pursuant to CSSF circular 06/273 as amended.

In accordance with CSSF instructions, Vitis Life S.A. is excluded from the scope of consolidation for the calculation of the solvency ratios.

(in EUR million)	31.12.2009	31.12.2010
REGULATORY CAPITAL	**1,095**	**1,096**
TIER 1 CAPITAL	**640**	**680**
Capital and reserves[(1)]	998	1,028
Purchased portfolio of customers and intangible assets	-52	-71
Goodwill arising in business combinations	-322	-284
Hybrid capital	96	105
Non controlling interest	0	0
Eliminations:	-144	-75
Profit for the year, unaudited	-119	-33
Preference shares and relatives share premiums[(2)]	-18	-30
Positive AFS revaluation reserve for equity instruments	-45	-47
AFS revaluation reserve for debt instruments[(3)]	38	35
Company profit for period as at 30/06/2009[(4)]	64	-
Deductions	0	-24
TIER 2 AND TIER 3 CAPITAL	**456**	**418**
Preference shares and relative shares premiums[(2)]	18	30
Hybrid capital not assimilated in Tier 1	54	79
Positive AFS revaluation reserve for equity instruments	45	47
Subordinated liabilities	339	285
Complementary equity (Tier 3)		
Deductions	0	-24
WEIGHTED RISKS	**5,968**	**5,069**
Credit risk	4,609	3,797
Market risk	422	329
Operational risk	936	943
SOLVENCY RATIOS		
Core Tier-1 ratio	9.1%	11.3%
Tier-1 ratio	10.7%	13.4%
CAD ratio	18.4%	21.6%

(1) An interim dividend of EUR 59.6 million was paid in the second half of 2009.

(2) As from 2010 shares premiums relative to preference shares are eliminated from Tier 1 and are included in Tier 2.

(3) In July 2009, KBL *epb* notified the *Commission de Surveillance du Secteur Financier* (CSSF) of its choice to cease including unrealised profits or losses on available-for-sale debt securities when calculating its prudential capital figures.

(4) As at 31 December 2009 the revised company result as at 30 June 2009 in the framework of paying an interim dividend is included in Tier-1 capital.

NOTE 40 – MAXIMUM CREDIT RISK EXPOSURE

(in EUR million)	31.12.2009	31.12.2010
ASSETS	**13,251**	**12,274**
Balances with central banks	156	414
Financial assets	12,860	11,667
Held-for-trading	693	574
At fair value through profit or loss	32	15
Available-for-sale financial assets	5,934	5,278
Loans and receivables	6,122	5,733
Hedging derivatives	79	67
Tax assets	95	86
Other assets	139	108
OFF-BALANCE SHEET ITEMS	**1,757**	**1,241**
Loans commitments	653	578
Financial guarantees	71	68
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	1,032	594
MAXIMUM CREDIT RISK EXPOSURE	**15,008**	**13,515**

For the instruments carried at fair value, the amounts disclosed above represent the current credit risk exposure and not the maximum credit risk that could apply as a consequence of future changes in the estimates made.

The amount and type of collateral required depend on the type of business considered and the Group's assessment of the debtor's credit risk.

The main types of collateral received are as follows:
- cash,
- securities (in particular for reverse repo operations and securities lending), and
- other personal and/or collateral guarantees (mortgages).

These guarantees are monitored on a regular basis to ensure their market value remains adequate as regards the assets they are intended to cover. If a guarantee is noted to be insufficient, margin calls are made in accordance with the agreements signed with the various counterparties concerned.

Following the Bank's request, the CSSF has approved an exemption from including in its calculation of the large risks exposures, in accordance with Part XVI, point 24 of the CSSF Circular 06/273, as amended, the risks to which the Group is exposed within the KBC Group. The exposures on related parties are disclosed in Note 38.

NOTE 41 – RISK MANAGEMENT

Information on risk management (credit risk, market risks, operational risks, etc.) is given in the annex to the consolidated management report.

NOTE 42 – AUDIT FEES

(in EUR thousand)	31.12.2009	31.12.2010
Standard audit services	2,360	2,485
Other services	61	432
TOTAL	**2,420**	**2,917**

NOTE 43 – LIST OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

Company	Registered office	Ownership percentage as at 31.12.2010	Sector of activity
KBL European Private Bankers S.A.	Luxembourg - LU	100.00%	Bank
FULLY CONSOLIDATED SUBSIDIARIES (GLOBAL METHOD)			
Brown, Shipley & Co Limited	London - GB	100.00%	Bank
Cawood Smithie & Co Limited	London - GB	100.00%	Other - financial
Fairmount Group Nominees Ltd	Leatherhead - GB	100.00%	Other - financial
Fairmount Pension Trustee Limited	London - GB	100.00%	Other - financial
Fairmount Trustee Services Ltd	Leatherhead - GB	100.00%	Other - financial
KBL Investment Funds Ltd	London - GB	100.00%	Management (Funds, Pensions, Portfolios)
The Brown Shipley Pension Portfolio Ltd	London - GB	100.00%	Other - financial
Slark Trustee Company Ltd	Leatherhead - GB	100.00%	Other - financial
White Rose Nominees Ltd	London - GB	100.00%	Other - financial
Fidef Ingénierie Patrimoniale S.A.	La Rochelle - FR	100.00%	Other - financial
Financière et Immobilière S.A.	Luxembourg - LU	100.00%	Other - financial
KB Lux Immo S.A.	Luxembourg - LU	100.00%	Real estate
Centre Europe S.A.	Luxembourg - LU	100.00%	Real estate
Rocher Ltd	Isle of Man - IoM	100.00%	Real estate
S.C.I. KB Luxembourg Immo III (Monaco)	Monaco - MC	100.00%	Real estate
KBL Monaco Private Bankers	Monaco - MC	100.00%	Bank
S.C.I. KB Luxembourg Immo I (Monaco)	Monaco - MC	100.00%	Real estate
KBL Monaco Conseil et Courtage en Assurance	Monaco - MC	100.00%	Insurance

Company	**Registered office**	**Ownership percentage as at 31.12.2010**	**Sector of activity**
KBL Beteiligungs A.G.	Mainz - DE	100.00%	Holding
Modernisierungsgesellschaft Lübecker Str. 28/29 Gbr	Mainz - DE	79.06%	Real estate
Merck Finck & Co	Munich - DE	100.00%	Bank
Merck Finck Pension Universal Funds	Munich - DE	100.00%	Management (Funds, Pensions, Portfolios)
Merck Finck Treuhand A.G.	Munich - DE	100.00%	Other - financial
Unterstützung u. Einrichtung des Bankhauses MF	Munich - DE	100.00%	Management (Funds, Pensions, Portfolios)
KBL Richelieu Banque Privée S.A.	Paris - FR	100.00%	Bank
KBL Richelieu Gestion (ex-KBL France Gestion)	Paris - FR	100.00%	Management (Funds, Pensions, Portfolios)
S.E.V.	Paris - FR	68.92%	Other - commercial
Kredietbank Informatique G.I.E.	Luxembourg - LU	100.00%	IT
KBL Swiss Private Banking	Geneva - CH	99.99%	Bank
Privagest	Geneva - CH	99.99%	Management (Funds, Pensions, Portfolios)
Kredietrust Luxembourg S.A.	Luxembourg - LU	100.00%	Management (Funds, Pensions, Portfolios)
Puilaetco Dewaay Private Bankers S.A.	Brussels - BE	100.00%	Bank
Banque Puilaetco Dewaay Luxembourg S.A.	Luxembourg - LU	100.00%	Bank
Theodoor Gilissen Bankiers N.V.	Amsterdam - NL	100.00%	Bank
Adm. Kantoor Interland B.V.	Amsterdam - NL	100.00%	Company administration
Trust- en Adm. My. Interland B.V.	Amsterdam - NL	100.00%	Company administration
TG Fund Management B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
TG Ventures B.V	Amsterdam - NL	100.00%	Corporate Finance
Theodoor Gilissen Trust B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
Theodoor Gilissen Global Custody B.V.	Amsterdam - NL	100.00%	Custodian
Lange Voorbehout B.V.	Amsterdam - NL	100.00%	Real estate
Stroeve Asset Management B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
Wereldeffect B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
Vitis Life S.A.	Luxembourg - LU	100.00%	Insurance
Data Office	Brussels - BE	100.00%	Other - financial

Company	Registered office	Ownership percentage as at 31.12.2010	Sector of activity
ASSOCIATES			
EFA Partners S.A.[1]	Luxembourg - LU	52.70%	Holding
European Fund Administration S.A.[1]	Luxembourg - LU	51.13%	Fund administration
European Fund Administration France S.A.S.	Paris - FR	51.13%	Fund administration
NON-CONSOLIDATED COMPANIES (MATERIALITY THRESHOLD NOT REACHED)			
KBL *epb*			
Forest Value Management Investment S.A.	Luxembourg - LU	26.67%	
KBL Beteiligungs AG			
Steubag G. Betriebsw. & Bankendienst. GmbH	Mainz - DE	100.00%	
KB Lux Immo S.A.			
Plateau Real Estate Limited	Douglas - IoM	100.00%	
SCI KB Luxembourg Immo II (Monaco)	Monaco - MC	100.00%	
Theodoor Gilissen Bankiers N.V.			
Damsigt SCP	Utrecht - NL	24.60%	

[1] Despite the ownership percentage, KBL *epb* does not exercise control or joint control over EFA Partners S.A. or European Fund Administration S.A. These two companies are thus considered as associates over which KBL *epb* exercises a significant influence and are equity reported.

NOTE 44 – MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

Company	Activity	Ownership percentage (direct + indirect)		Comments
		31.12.2010	31.12.2009	
INCLUDED IN SCOPE OF CONSOLIDATION				
Vitis Life S.A.	Insurance	100%	5.68%	94.32% bought in April 2010
Data office	Other-Financial	100%	5.68%	94.32% bought in April 2010
KBL Monaco Conseil et Courtage en Assurance	Insurance	100%	-	Company created by KBL Monaco Private Bankers in the fourth quarter of 2010
REMOVED FROM SCOPE OF CONSOLIDATION				
Brown Shipley Holding (Jersey) Ltd	Holding	-	100%	Liquidated by Brown Shipley & Co Ltd
Merck Finck Vermögensbetreuungs	Other – financial	-	100%	Merged with Merck & Finck
Merck Finck Invest Asset Management GMBH	Fund administration	-	100%	Sold
René Aballea Finance S.A.	Management (Funds, Pensions, Portfolios)	-	100%	Merged with KBL Richelieu Banque Privée
DL Quality Asset Management S.A.	Other – financial	-	100%	Liquidated by Puilaetco Dewaay Private Bankers S.A.
Adm. Kant. Gebr. Kant. Boissevain en Kerkhoven B.V	Company administration	-	100%	Liquidated by Theodoor Gilissen Bankiers
Adm. Kant. Gebr. Boissevain en Gebr. Texeira de Mattos B.V.	Company administration	-	100%	Liquidated by Theodoor Gilissen Bankiers
Van Kollem en Broekman Effecten B.V.	Company administration	-	100%	Liquidated by Theodoor Gilissen Bankiers

IMPACT OF ACQUISITION OF VITIS LIFE S.A.

A. ASSETS AND LIABILITIES ACCOUNTED AS FROM ACQUISITION DATE (14 APRIL 2010)

(in EUR million)

ASSETS	
Cash and balances with central banks	0
Financial assets	1,836
Held-for-trading assets	-
At fair value through profit or loss	1,203
Available-for-sale financial assets	572
Loans and receivables	61
Hedging derivatives	-
Reinsurer's share in technical provisions (insurance)	-
Tax assets	5
Current tax assets	-
Deferred tax assets	5
Investments in associates	-
Investment properties	-
Property and equipment	0
Goodwill and other intangible assets	1
Other assets	4
TOTAL ASSETS	**1,845**
EQUITY AND LIABILITIES	
Financial liabilities	1,208
Held-for-trading	-
At fair value through profit or loss	1,203
At amortised cost	5
Hedging derivatives	-
Gross technical provisions, insurance	504
Tax liabilities	9
Current tax liabilities	2
Deferred tax liabilities	7
Provisions	7
Other liabilities	39
TOTAL LIABILITIES	**1,767**
TOTAL EQUITY	**79**
Equity attributable to the owners of the parent	79
Non controlling interest	-
TOTAL EQUITY AND LIABILITIES	**1,845**

B. CONTRIBUTION OF VITIS LIFE S.A. TO THE 2010 CONSOLIDATED INCOME STATEMENT

(in EUR thousand)	31.12.2010
Net interest income	10,720
Gross earned premiums, insurance	3,300
Gross technical charges, insurance	-11,725
Ceded reinsurance result	-65
Dividend income	1,262
Net gains from financial instruments at fair value	24
Net realised gains from available-for-sale financial assets	-130
Net fee and commission income	9,641
Other net income (expenses)	-189
GROSS INCOME	**12,838**
Operating expenses	-3,262
Staff expenses	-3,586
General administrative expenses	-744
Other	1,068
Impairment	-1,592
Badwill	29,002
Share in profit of associates	-
PROFIT BEFORE TAX	**36,987**
Income tax expenses	-2,310
PROFIT AFTER TAX	**34,677**
Attributable to: non-controlling interest	-
OWNERS OF THE PARENT	**34,677**

NOTE 45 – EVENTS AFTER THE BALANCE SHEET DATE

There was, after the closing date, no significant event requiring an update of the information provided or adjustments in the consolidated accounts as at 31 December 2010.

Annual accounts and Report of the approved statutory auditor and Management Report as at 31 December 2010

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The quantitative tables in the following pages may sometimes show small differences due to the use of concealed decimals. These differences, however, do not in any way affect the true and fair view of the annual accounts of the Bank. Similarly, the value zero "0" in the following tables indicates the presence of a number after the decimal, while "-" represents the value nil.

Unqualified certification of the approved statutory auditor

To the Board of Directors of KBL European Private Bankers S.A.
Société Anonyme, Luxembourg

REPORT ON THE ANNUAL ACCOUNTS

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of KBL European Private Bankers S.A., which comprise the balance sheet as at 31 December 2010, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of KBL European Private Bankers S.A. as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Cabinet de Révision Agréé

Sylvie TESTA Daniel MEIS

Luxembourg, 16 February 2011

Income statement

(in EUR thousand)	Notes	31.12.2009	31.12.2010
Net interest income	4, 33	160,368	98,873
Dividend income	5, 33	48,403	44,082
Net gains/losses on financial instruments at fair value	6	17,285	36,289
Net realised gains on available-for-sale financial assets	7	32,979	22,171
Net fee and commission income	8, 33	92,528	95,950
Other net income	9	90	2,393
GROSS INCOME		**351,651**	**299,758**
Operating expenses	10, 33	-188,565	-176,224
– Staff expenses	11, 28	-118,926	-126,610
– General administrative expenses	37	-53,999	-39,916
– Other	24, 25, 26	-15,640	-9,698
Impairment	12, 19, 20, 33	-63,718	-48,747
PROFIT BEFORE TAX		**99,368**	**74,787**
Income tax (expenses) / income	13	-12,503	-7,165
PROFIT AFTER TAX		**86,865**	**67,622**

The notes refer to the 'Notes to the annual accounts'.

Statement of comprehensive income

(in EUR thousand)	2009	2010
PROFIT AFTER TAX	**86,865**	**67,622**
– Revaluation at fair value	130,454	26,157
– Net realised gains/losses on sales	-8,515	-9,918
– Impairment	26,392	-
– Income tax (expenses) / income	-42,408	-4,682
Financial assets available-for-sale	**105,924**	**11,557**
Exchange differences on translation of foreign operations	**-37,989**	**146**
OTHER COMPREHENSIVE INCOME	**67,935**	**11,703**
TOTAL COMPREHENSIVE INCOME	**154,799**	**79,325**

The notes refer to the 'Notes to the annual accounts'.

Balance sheet

ASSETS

(in EUR million)	Notes	31.12.2009	31.12.2010
Cash and balances with central banks		124	339
Financial assets	14, 15, 16, 17, 18, 33	11,884	10,369
– Held-for-trading	21	582	477
– At fair value through profit or loss		27	14
– Available-for-sale financial assets	19, 38	5,911	5,092
– Loans and receivables	20	5,285	4,720
– Hedging derivatives	21	79	66
Tax assets	23	63	54
– Current tax assets		2	4
– Deferred tax assets		61	49
Investment properties	25	14	14
Property and equipment	25	109	106
Intangible assets	24	94	115
Other assets	22	32	30
TOTAL ASSETS		**12,320**	**11,026**

The notes refer to the 'Notes to the annual accounts'.

EQUITY AND LIABILITIES

(in EUR million)	Notes	31.12.2009	31.12.2010
Financial liabilities	14, 16, 33	10,844	9,454
– Held-for-trading	21	384	264
– At amortised cost		10,375	9,115
– Hedging derivatives	21	84	76
Provisions	26	10	8
Other liabilities	27, 28, 33	155	173
TOTAL LIABILITIES		**11,009**	**9,636**
TOTAL EQUITY	**29**	**1,312**	**1,391**
TOTAL EQUITY AND LIABILITIES		**12,320**	**11,026**

The notes refer to the 'Notes to the annual accounts'.

Statement of changes in equity

2009 (in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Reserves	Foreign currency translation reserve	**Total equity**
BALANCE AS AT 01.01.2009	**187.2**	**321.3**	**-0.1**	**-104.1**	**774.2**	**37.8**	**1,216.3**
Net movements on treasury shares	-	-	-0.0	-	-	-	-0.0
Dividends and profit-sharing	-	-	-	-	-59.6	-	-59.6
Total comprehensive income for the year	-	-	-	105.9	86.9	-38.0	154.8
Other	-	-	-	-	-	-	-
Total variations	-	-	-0.0	105.9	27.3	-38.0	95.2
BALANCE AS AT 31.12.2009	**187.2**	**321.3**	**-0.1**	**1.9**	**801.4**	**-0.2**	**1,311.5**

2010 (in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Reserves	Foreign currency translation reserve	**Total equity**
BALANCE AS AT 01.01.2010	**187.2**	**321.3**	**-0.1**	**1.9**	**801.4**	**-0.2**	**1,311.5**
Net movements on treasury shares	-	-	-	-	-	-	-
Dividends and profit-sharing	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	11.6	67.6	-	79.2
Other	-	-	-	-	-0.3	0.1	-0.1
Total variations	-	-	-	11.6	67.3	0.1	79.0
BALANCE AS AT 31.12.2010	**187.2**	**321.3**	**-0.1**	**13.4**	**868.8**	**-0.0**	**1,390.6**

Cash flow statement

(in EUR million)	31.12.2009	31.12.2010
Profit before tax	99.4	74.8
Adjustments for:		
– Impairment of securities, amortisation and depreciation of property and equipment, intangible assets and investment properties	74.5	57.8
– Profit/loss on the disposal of investments	-0.8	-0.2
– Change in impairment for losses on loans and advances	0.7	-0.2
– Change in other provisions	4.2	0.8
– Unrealised foreign currency gains and losses	-12.2	-6.4
Cash flows from operating activities, before tax and changes in operating assets and liabilities	**165.8**	**126.7**
Changes in operating assets[1]	-213.9	-113.9
Changes in operating liabilities[2]	193.4	252.7
Income taxes	7.7	-1.0
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**152.9**	**264.6**
Purchase of subsidiaries or business units	-6.8	-55.3
Proceeds from sale of subsidiaries or business units	0.9	0.2
Purchase of intangible assets	-0.0	-8.1
Purchase of property and equipment	-7.0	-4.0
Proceeds from sale of property and equipment	0.9	0.5
NET CASH FLOWS FROM /(USED IN) INVESTING ACTIVITIES	**-12.1**	**-66.7**

(1) Including loans and advances to banks and customers, securities, derivatives and other assets.

(2) Including deposits from banks and customers, bonds issued, derivatives and other liabilities.

(in EUR million)	31.12.2009	31.12.2010
Purchase/sale of treasury shares	-0.0	-
Issue/repayment of loans	-4.7	-10.4
Issue/repayment of subordinated debts	-3.9	-22.8
Dividends paid and profit-sharing	-59.6	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**-68.2**	**-33.2**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS[3]	**72.6**	**164.7**
CASH AND CASH EQUIVALENTS AS AT 01.01	**2,275.7**	**2,348.3**
Net increase/decrease in cash and cash equivalents	72.6	164.7
Net foreign exchange difference	-	-
CASH AND CASH EQUIVALENTS AS AT 31.12	**2,348.3**	**2,513.0**
ADDITIONAL INFORMATION		
Interest paid during the year	296.8	171.9
Interest received during the year	460.1	281.0
Dividends received (including equity method)	48.4	44.1
COMPONENTS OF CASH AND CASH EQUIVALENTS	**2,348.3**	**2,513.0**
Cash and balances with central banks (including legal reserve with the central bank)	124.3	338.8
Loans and advances to banks repayable on demand	3,741.4	3,396.5
Deposits from banks repayable on demand	-1,517.4	-1,222.2
of which: not available[4]	110.4	323.6

[3] Cash includes cash and deposits payable on demand; cash equivalents are short-term investments that are very liquid, easily convertible into a known cash amount and subject to a negligible risk of a change in value.

[4] Cash and cash equivalents not available mainly comprise of the legal reserve held with the Luxembourg Central Bank and the 'margin' accounts held with clearing houses (futures markets, etc.).

Notes to the annual accounts

NOTE 1 – GENERAL

KBL European Private Bankers S.A. (hereafter "KBL *epb*" or the "Bank") is specialised in private banking. In support of, and complementary to, this activity, KBL *epb* has also developed several niche activities specific to its various markets.

The business purpose of KBL *epb* is to carry out all banking and credit activities. In addition, KBL *epb* is allowed to carry out all commercial, industrial or other transactions, including real estate transactions, in order to achieve its main business purpose, either directly or through participation, or in any other manner, these provisions to be understood in the widest manner possible. KBL *epb* may carry out any activity which contributes in any way to the achievement of its business purpose. The Bank's main activities are described in Note 3a.

KBL *epb* is a public limited liability company *(société anonyme)* incorporated in Luxembourg and having its registered office at:

43, boulevard Royal
L-2955 Luxembourg.

KBL *epb* is part of the KBC Group. Born on 2 March 2005 from the merger of KBC Bank and Insurance Holding N.V. and its parent company Almanij, the KBC Group is today one of the major financial groups in Europe. As a multi-channel, independent bank-insurance group, active in Europe, the KBC Group provides individual clients, as well as small and medium-sized companies, with retail and private banking services. It is also active in asset management, corporate banking and private equity markets. The KBC Group is a major player on the Belgian and Central and Eastern European markets and has created a large network of private bankers in Western Europe. The KBC Group has also selectively developed a presence in certain other countries and regions across the world.

But, on 18 November 2009, the KBC Group communicated its strategic plan as requested by the European Commission to repay the support received from the Belgian national and Flemish governments. This plan was formally approved by the European Commission. KBC wants to refocus on its basic business, namely bank-insurance on its domestic markets. It has decided to sell certain high-quality assets, of which KBL *epb* is one. The Executive Committee of KBL *epb* has been designated by KBC to pilot the process of searching for a new shareholder.

The Bank prepares consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union, as well as a consolidated management report, which are available at its head office.

The Bank's consolidated accounts are consolidated in the KBC Group consolidated accounts. KBC Group's consolidated accounts and management report are available at its head office.

KBL *epb*'s non-consolidated accounts include those of the Polish branch opened on 1 April 2009 and of the Spanish branch opened on 7 April 2010.

NOTE 2A – STATEMENT OF COMPLIANCE

The annual accounts presented in this report were approved by the Board of Directors of KBL *epb* on 16 February 2011.

KBL *epb*'s annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Given its activity, KBL *epb* is not concerned de facto by IFRS 4 on insurance contracts. In preparing the annual accounts under IFRS, the Board of Directors is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities.

Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the annual accounts.

As at 31 December 2010, KBL *epb* presented for the first time in its annual accounts the effects of several standards, amendments to standards and IFRIC. Those newly applicable requirements have had no significant impact on the financial position and performance of the Bank.

The main new requirements encompass the following areas (only the requirements that impacted or could have impacted the annual accounts of the Bank are reported below):

- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- *Improvements to IFRS*
  In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
  - *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures, required in respect of non-current assets and disposal groups classified as held for sale, of discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS only apply if specifically required for such non-current assets or discontinued operations.
  - *IFRS 8 Operating Segments:* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
  - *IAS 7 Statement of Cash Flows:* states that only expenditure that results in recognising an asset can be classified as a cash flow investing activity.

KBL *epb* has also decided not to adopt the standards, amendments to standards and interpretations of the IFRIC which have been published but which are not applicable for the year ending 31 December 2010. KBL *epb* will adopt these standards on the date of their effective application and when they have been approved by the European Union.

This basically concerns the following publications (only the standards, amendments to standards and IFRIC which may have an effect on KBL *epb* financial position or performance are mentioned below):

- *IFRS 9 Financial Instruments*
  This standard, which is being developed to ultimately replace IAS 39 in its entirety, has been divided into three main phases. The first phase, which relates to the recognition and measurement of financial assets and financial liabilities, has already been completed. It introduces significant changes in the accounting requirements of financial assets, such as: a reduction in the number of available categories, business model-oriented classification rules and the prohibition to recycle (into P&L) any gains and losses on financial assets measured at fair value through other comprehensive income.
  The last two phases which concern impairment and hedge accounting are still to be finalized.
  The standard (including its first phase on a stand-alone basis) is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
  Up to now, however, no portion of the standard has been endorsed by the European Union.

- *IAS 24 Related Party Disclosures (Amended)*
  The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.

- *IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)*
  The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010. It amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given prorata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*
  IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. If this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in the income statement.

NOTE 2B – SIGNIFICANT ACCOUNTING POLICIES

A. FOREIGN CURRENCY TRANSLATION

KBL European Private Bankers S.A.'s accounts are presented in EUR, which is also its functional currency.

KBL European Private Bankers S.A. maintains a multi-currency accounting system under which any transaction is registered in its original foreign currency.

In preparing the annual accounts, assets and liabilities in foreign currencies are translated into EUR. Monetary items denominated in foreign currencies are converted at the closing rate prevailing at the reporting date; differences arising from such conversion are recorded in the income statement. Non-monetary items that are measured in terms of historical cost are translated at the historical exchange rate prevailing at the date of the transaction. Non-monetary items measured at fair value are translated using the spot exchange rate at the date when the fair value is determined and translation differences are reported together with changes in fair value.

Income and expense items denominated in foreign currencies are recognised in the income statement in their respective currencies and periodically translated at the average monthly exchange rate.

B. FINANCIAL ASSETS AND LIABILITIES

General principles of recognition and derecognition of financial instruments

A financial instrument is recognised in the balance sheet when and only when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when and only when the contractual rights to receive cash flows from the asset have expired or KBL European Private Bankers S.A. transfers the financial asset.

A financial liability is derecognised when and only when the contractual liability is settled, cancelled or expires.

The purchases and sales of financial assets are recognised on the payment date, which is the date on which the asset is delivered. Any variation in the fair value of the asset to be received during the period from the transaction date to the payment date is recognised in the same way as for the asset acquired. In other words, the change in value is not recognised for assets measured at cost or at amortised cost; it is recognised in the income statement for assets classified as financial assets at fair value through profit or loss and in equity for those classified as available-for-sale.

In the case of sales, the assets at fair value are measured at their sale price during the period between the transaction date and the payment date.

Pursuant to the provisions of IAS 39 on derecognition, the Bank keeps securities lent in its securities portfolio but securities borrowed are not recorded on the balance sheet. Similarly, the securities transferred through repurchase agreements are kept in the securities portfolio but those under reverse repurchase agreements are not recorded on the balance sheet.

Definition of IAS 39 categories of financial assets and financial liabilities

All financial assets and liabilities – including derivatives – must be measured on the balance sheet according to their IAS 39 category. Each category is subject to specific measurement rules.

The IAS 39 categories are:

- *Held-to-maturity assets* are all non-derivative financial assets with fixed maturities and fixed or determinable payments that KBL European Private Bankers S.A. intends and is able to hold to maturity. The Bank's management has decided not to class financial instruments in this category.

- *Loans and receivables* are all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- *Financial assets at fair value through profit or loss* include held-for-trading assets and any other financial assets initially designated at fair value through profit or loss. Held-for-trading assets are those acquired principally for the purpose of selling them in the near term and those which are part of a portfolio with indications of recent short-term profit-taking. All derivative assets are considered as being held for trading unless designated as effective hedging instruments. Other assets at fair value through profit or loss are valued in the same way as held-for-trading assets, even if there is no intention of short-term profit taking. The fair value option may be used when a contract contains one or more embedded derivatives under certain conditions or when its application produces more pertinent information:
  - either because a group of financial assets/liabilities is managed on a fair value basis and its performance measured on a fair value basis, following a documented investment or risk management strategy,
  - or because the application of this option reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

This option is mainly used by the Bank firstly for contracts with one or more embedded derivatives and secondly as an alternative to hedge accounting (aligning the valuation of the hedged instrument with that of the hedging instrument).

- *Available-for-sale financial assets* are all non-derivative financial assets which do not fall into one of the above categories.

- *Financial liabilities at fair value through profit or loss* encompass *held-for-trading liabilities* and *financial liabilities initially designated at fair value through profit or loss.*

- *Held-for-trading liabilities are liabilities* held mainly with the intention of repurchasing them in the short term. All derivative liabilities are considered as being held for trading unless designated as effective hedging instruments.

- *Financial liabilities initially designated at fair value through profit or loss* are those liabilities accounted for under the fair value option.

  No liability is currently recognized under this category in the KBL *epb*'s annual accounts.

- *Other financial liabilities* are all other financial instruments not at fair value through profit or loss.

- *Hedging derivatives* are derivatives used for hedging purposes.

Evaluation of financial instruments

Financial assets and liabilities are initially recognised at fair value and are subsequently measured in accordance with the principles governing the IAS 39 category in which they are placed.

General principles

Loans and receivables with a fixed maturity are measured at amortised cost using the effective interest rate (hereinafter EIR) method, that is the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. Instruments without a fixed maturity are measured at cost.

The available-for-sale financial assets are measured at fair value with changes in fair value recognised in equity (Revaluation reserve (available-for-sale financial instruments)) until the sale or impairment of these instruments. In the latter cases, the cumulative result of the revaluation is transferred from equity to the income statement of the period.

The *financial assets and liabilities at fair value through profit or loss* are measured at fair value with changes in fair value recognised in the income statement.

Other financial liabilities are measured at amortised cost. The difference between the amount made available and the nominal amount is recognised in the income statement (net interest income) prorata temporis, on an actuarial basis using the EIR method.

Evaluation of participating interests

Participating interests in subsidiaries, controlled entities and associates which are not classified as held for sale according to IFRS 5 are measured at cost, less possible impairment.

Other participating interests are valued according to IAS 39 at fair value or at cost less possible impairment if the fair value cannot be measured reliably.

Impairment

Available-for-sale financial assets and *loans and receivables* are also subject to impairment tests and impairment losses are recognised if evidence of impairment exists on the balance sheet date.

- *Available-for-sale financial assets*
  For listed shares, an impairment is recognised if the market value is less than 70% of the purchase value or if the market price of the share is less than the acquisition price over one year. For debt and other equity instruments, the impairment amount is measured from the recoverable value.
  Impairment losses are always recognised in the income statement. Impairment reversals are recognised in the income statement for debt instruments and in other comprehensive income (available-for-sale revaluation reserve) for listed shares and other equity instruments.

- *Loans and receivables*
  The amount of the impairment loss is the excess of the carrying amount over the recoverable amount of the asset. The Bank firstly evaluates if there is an impairment loss for each individually significant loan or receivable or for each group of loans or receivables not individually significant. If the Bank considers that there is no evidence of an impairment loss for a given loan or receivable, individually significant or not, it includes it in a group of financial assets presenting the same credit risk characteristics and examines the possibility of an impairment loss on a collective basis. The assets evaluated individually and for which an impairment loss is recognised are not examined collectively.

Embedded derivatives

Derivatives embedded in financial instruments that are not measured at fair value through profit or loss are separated from the financial instrument and measured at fair value through profit or loss if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
In practice, financial assets with embedded derivatives are however primarily classified as financial instruments at fair value through profit or loss, making it unnecessary to separate the embedded derivative from the hybrid (combined) instrument, since the entire financial instrument is measured at fair value, with changes in fair value being recognised in the income statement.

Hedge accounting

The Bank applies micro-hedge accounting when all the following conditions are met: the hedging relationship must be designated at inception and formally documented, the hedge is expected to be highly effective, and it must be possible to reliably measure the effectiveness of the hedge, forecast transactions (for cash flow hedges) must be highly probable and the hedge is measured on an ongoing basis and is determined actually to have been highly effective throughout the periods covered by the annual accounts for which the hedge was designated.

Fair value hedge accounting is used by the Bank to cover the exposure of a financial instrument (participating interests in foreign currency, available-for-sale financial assets and certain financial liabilities) to changes in fair value attributable to changes in interest rates or exchange rates. In this case those derivatives designated as hedging instruments (mainly interest rate swaps and cross- currency interest rate swaps) are measured at fair value with changes in fair value recognised in the income statement. Furthermore, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged element and is also recognised in the income statement. If the hedged item is an available-for-sale financial asset already measured at fair value under other IFRS requirements, applying hedge accounting leads to splitting the change in the instrument fair value between the portion addressed by the hedge relationship, recognised in the income statement, and the portion that relates to unhedged risks, recognised in the revaluation reserve in equity.

Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, and for debt instruments, the cumulative change to the carrying amount of the hedged instrument (relating to hedged risks) is transferred to the income statement prorata temporis until the instrument expires.

As regards cash flow hedge (not currently used by the Bank) hedging instruments are measured at fair value. The portion of the gain or loss that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised in the income statement. Hedge accounting shall be discontinued if the hedge accounting criteria are no longer met. In this case, the hedging instruments shall be treated as held-for-trading instruments and measured accordingly.

Foreign currency financing of a net investment in a foreign entity is accounted for as a hedge of that net investment. Translation differences (taking account of deferred taxes) on the financing are recorded in equity, along with translation differences on the net investment. This only applies to the Polish branch.

Determination of fair value

When available, published price quotations on active markets are used to determine the fair value of financial assets or liabilities.

If such quotations are not available, fair value can be obtained:
- by reference to recent at arm's length market transactions between knowledgeable, willing parties;
- by using a valuation technique (discounted cash flow analysis and option pricing models). The valuation technique must then incorporate all factors that market participants would consider in setting a price and be consistent with accepted financial methodologies used for pricing financial instruments;
- by using the European Venture Capital Association (EVCA) guidance for private equity instruments.

C. INTANGIBLE ASSETS

Intangible assets acquired are initially measured at cost. Value adjustments or impairment are then recognised according to the nature of the assets and the duration of its life (finite or indefinite).

The purchase of a portfolio of customers generally includes the transfer of the client assets under management to the Bank and the recruitment of all or part of the account officers in charge of client relationships.

This type of intangible assets is not amortised, but is tested for impairment at least annually. The criteria and methodologies used for impairment testing are those initially used to measure the purchase price (percentage of assets under management, gross margin multiple, etc.). Whenever available, the result of the impairment test is compared with an estimate based on the parameters deduced from similar transactions.

When the recognition criteria are met and when the amounts are not immaterial, software is recognised as an intangible asset. Internal and external expenses incurred during the development phase of internally generated strategic software are recognised in assets and amortised using the straight-line method over the estimated useful life (average annual rate: 25%).

Research expenses for these projects and all expenses that relate to non-strategic projects are recognised directly in the income statement.

D. PROPERTY AND EQUIPMENT

Property and equipment are initially recognised at cost.

Property and equipment the use of which is limited in time are depreciated using the straight-line method over their estimated useful lives.

Overview of average depreciation rates

TYPE OF INVESTMENT	DEPRECIATION RATE
Land	Non depreciable
Buildings	2%-3%
Technical installations	5%-10%
Furniture	25%
IT hardware	25%
Vehicles	25%
Works of art	Non depreciable

An impairment loss must be recognised if the carrying value exceeds the recoverable value (which is the greater of the asset's value in use and its fair value less costs to sell).

When property or equipment is sold, the realised gains or losses are recognised in the income statement. If property or equipment is destroyed, the carrying amount to be written off is immediately recognised in the income statement.

E. INVESTMENT PROPERTIES

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is recognised only when it is probable that future economic benefits associated with the investment property will flow to KBL *epb* and if its cost can be measured reliably.

Investment properties are measured at cost less any accumulated depreciation and impairment. They are depreciated using the straight-line method over their estimated useful life (average rate: 2% - 3%).

F. PENSIONS

In addition to the general and legally prescribed retirement plans, the Bank maintains a certain number of complementary systems in the form of both defined contribution and defined benefit pension plans. Defined benefit plans are those under which the Bank has a legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits for the current and past periods. Defined contribution plans are those under which the Bank has no further legal or constructive liability beyond the amount it pays into the fund.

In the case of defined benefit pension plans, the pension cost in the income statement and liability on the balance sheet are calculated in accordance with IAS 19, based on the Projected Unit Credit Method, which sees each period of service as giving rise to an additional unit of benefit entitlement. The calculations are made each year by independent actuaries.

Actuarial gains and losses are recognised using what is known as the corridor method. The portion of gains and losses exceeding 10% of the greater of the two values below shall be recognised in the income statement on a straight-line basis over a period representing the expected average remaining working-lives of the employees participating in the plan:
- the discounted value of the defined benefit obligation at the balance sheet date (before deducting plan assets), and
- the fair value of the plan assets at the balance sheet date.

In the case of defined contribution plans, the contributions payable are expensed when the employees render the corresponding service which generally coincides with the year in which the contributions are actually paid.

G. TAX ASSETS AND TAX LIABILITIES

These balance sheet headings include both current and deferred tax assets and liabilities.

Current tax is the amount expected to be paid or recovered, using the tax rate which has been enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of an asset or liability and its tax base. They are valued using the tax rates in effect for the periods when the assets are realised or the liabilities settled, on the basis of the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for the carryforward of unused tax losses and unused tax credits and for all deductible temporary differences between the carrying value of the assets and liabilities and their tax base, to the extent that it is probable that future taxable profit will be available against which these losses, tax credits and deductible temporary differences can be utilised.

Where required by IAS 12, tax assets and liabilities are offset.

H. PROVISIONS

A provision is recognised when and only when the following three conditions are met:

- KBL *epb* has a present obligation (at the reporting date) as a result of a past event,
- it is more likely than not that an outflow of resources embodying economic benefits will be required to settle this obligation, and
- the amount of the obligation can be estimated reliably.

I. FINANCIAL GUARANTEES CONTRACTS

Financial guarantees contracts are initially recognised at fair value and subsequently measured at the higher of (i) the amount initially recognized less, when appropriate, cumulative amortisation and (ii) the Bank's best estimate of the expenditure required to settle the present obligation at the reporting date.

J. EQUITY

Equity is the residual interest in the assets of KBL *epb* after all its liabilities have been deducted.

Equity instruments have been differentiated from financial instruments in accordance with the provisions of IAS 32.

The acquisition cost of KBL *epb* treasury shares that have been or are being purchased is deducted from equity. Gains and losses realised on sale or cancellation of treasury shares are recognised directly in equity.

The revaluation reserve for available-for-sale financial assets is included in equity until any impairment or sale. In such a case, the gains and losses are transferred to the income statement of the period.

As regards cash flow hedges and hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity.

K. REVENUE

KBL *epb* recognises revenue relating to ordinary activities if and only if the following conditions are met:

- it is probable that the economic benefits associated with the transaction will flow to KBL *epb,* and
- the amount of revenue can be measured reliably.

The specific conditions below must also be met before recognising the related revenue:

Net interest income

Interest is recognised prorata temporis using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

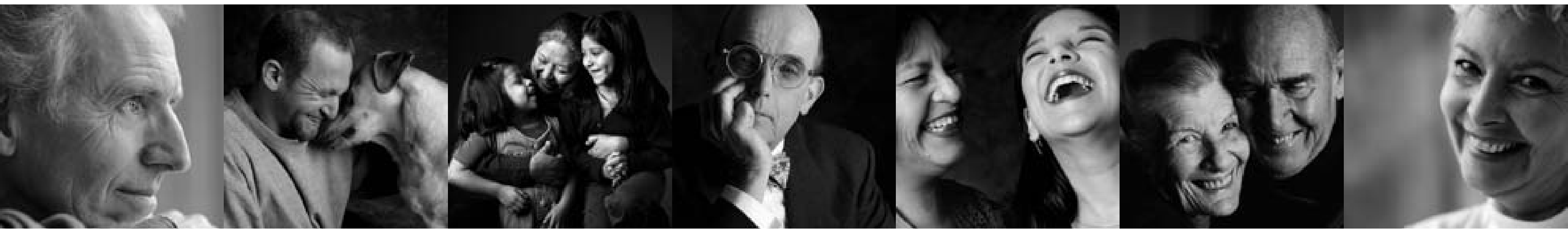
All interests paid and received on financial instruments are recorded under the heading "Net interest income" except interests on held-for-trading derivative instruments, which are presented under the heading "Net gains/losses on financial instruments at fair value" in the income statement.

Dividends

Dividends are recognised when the right of the shareholder to receive the payment is established. They are presented under the heading "Dividend income" in the income statement irrespective of the IFRS category of the related assets.

Rendering of services

Revenue from services is recognised by reference to the stage of completion at the balance sheet date. According to this method, the revenue is recognised in the periods when the services are provided.



NOTE 3A – OPERATING SEGMENTS BY BUSINESS SEGMENT

KBL *epb* distinguishes between the following primary segments:

- The **PRIVATE BANKING** segment includes the advisory and wealth management activities provided to KBL *epb* private clients.

- The **GLOBAL INVESTOR SERVICES** segment includes services provided to institutional clients. This segment includes custodian bank and fund domiciliation and administration activities, paying agent activities, central securities depository Clearstream / Euroclear activities, as well as intermediation and portfolio management services for KBL *epb* institutional clients.

- The **CLIENT DEALING & TREASURY** segment represents the extension of intermediation activities provided to KBL *epb* clients and operates cash management within the group by means of treasury activities, securities lending and repos / reverse repos.

- The **CREDIT & SECURITIES PORTFOLIO** segment covers "credit" exposure (including direct loans to non-private clients of KBL *epb*) and securities held on its own behalf by KBL *epb*.

- The **OTHER** segment includes support activity provided by KBL *epb* to the network of subsidiaries, acting in its capacity as parent company, and all other elements not directly linked to the previous four segments, including reallocation of excess equity, net of the cost of financing of the holdings, and extraordinary elements not directly linked to other business segments.

The various items of the income statement include inter-segment transfers, calculated on an arm's length or cost recovery basis.

INCOME STATEMENT

(in EUR million)	PRIVATE BANKING 2009	PRIVATE BANKING 2010	GLOBAL INVESTOR SERVICES 2009	GLOBAL INVESTOR SERVICES 2010	CLIENT DEALING & TREASURY 2009	CLIENT DEALING & TREASURY 2010	CREDIT & SECURITIES PORTFOLIO 2009	CREDIT & SECURITIES PORTFOLIO 2010	OTHER 2009	OTHER 2010	KBL *epb* 2009	KBL *epb* 2010
Net interest income	17.7	13.9	15.5	15.2	58.8	21.7	40.6	37.2	27.7	10.9	**160.4**	**98.9**
Dividend income	-	-	-	-	-	-	3.6	4.2	44.8	39.9	**48.4**	**44.1**
Net gains/losses on financial instruments at fair value	1.9	2.2	3.6	5.2	29.9	14.7	12.5	10.0	-30.6	4.2	**17.3**	**36.3**
Net realised gains/losses on available-for-sale financial assets	-	2.2	-	1.1	-	-	4.1	13.0	28.9	5.9	**33.0**	**22.2**
Net fee and commission income	56.1	57.6	31.6	32.1	-0.3	-0.9	-0.1	-0.2	5.2	7.2	**92.5**	**96.0**
Other net income	-	-0.4	-	0.2	2.2	2.6	-2.7	-2.0	0.6	1.9	**0.1**	**2.4**
GROSS INCOME	**75.8**	**75.5**	**50.7**	**53.9**	**90.5**	**38.2**	**58.0**	**62.1**	**76.5**	**70.1**	**351.7**	**299.8**
Operating expenses	-56.6	-56.9	-32.9	-29.2	-22.3	-18.5	-4.7	-3.3	-72.1	-68.4	**-188.6**	**-176.2**
Impairment	-0.2	0.1	-	0.0	-	-	-4.3	-0.2	-59.2	-48.6	**-63.7**	**-48.7**
PROFIT BEFORE TAX	**19.0**	**18.7**	**17.8**	**24.7**	**68.3**	**19.7**	**49.1**	**58.6**	**-54.8**	**-46.9**	**99.4**	**74.8**
Income tax (expense) / income	-8.0	-8.5	-6.4	-8.4	-19.5	-6.2	-13.0	-15.9	34.5	31.9	**-12.5**	**-7.2**
PROFIT AFTER TAX	**11.0**	**10.2**	**11.4**	**16.3**	**48.7**	**13.4**	**36.0**	**42.7**	**-20.3**	**-14.9**	**86.9**	**67.6**

BALANCE SHEET

(in EUR million)	PRIVATE BANKING 2009	PRIVATE BANKING 2010	GLOBAL INVESTOR SERVICES 2009	GLOBAL INVESTOR SERVICES 2010	CLIENT DEALING & TREASURY 2009	CLIENT DEALING & TREASURY 2010	CREDIT & SECURITIES PORTFOLIO 2009	CREDIT & SECURITIES PORTFOLIO 2010	OTHER 2009	OTHER 2010	KBL *epb* 2009	KBL *epb* 2010
Cash and balances with central banks	-	-	-	-	124	339	-	-	-	-	**124**	**339**
Financial assets	493	505	242	185	4,976	4,240	4,610	3,824	1,563	1,615	**11,884**	**10,369**
Held-for-trading	-	-	-	-	522	442	60	15	0	20	**582**	**477**
At fair value through profit or loss	-	-	-	-	-	-	27	14	-	-	**27**	**14**
Available-for-sale financial assets	283	302	139	115	624	419	3,633	3,018	1,232	1,237	**5,911**	**5,092**
Loans and receivables	210	203	103	70	3,830	3,379	890	777	252	291	**5,285**	**4,720**
Hedging derivatives	-	-	-	-	-	-	-	-	79	66	**79**	**66**
Tax assets	-	-	-	-	-	-	-	-	63	54	**63**	**54**
Current tax assets	-	-	-	-	-	-	-	-	2	4	**2**	**4**
Deferred tax assets	-	-	-	-	-	-	-	-	61	49	**61**	**49**
Investment properties	-	-	-	-	-	-	-	-	14	14	**14**	**14**
Property and equipment	88	87	13	12	6	6	1	0	-	0	**109**	**106**
Intangible assets	-	-	-	-	-	-	-	-	94	115	**94**	**115**
Other assets	32	30	-	-	-	-	-	-	-	-	**32**	**30**
TOTAL ASSETS	**614**	**622**	**255**	**197**	**5,106**	**4,585**	**4,611**	**3,824**	**1,736**	**1,798**	**12,320**	**11,026**
Financial liabilities	2,033	1,827	2,548	2,000	3,523	1,999	130	80	2,611	3,549	**10,844**	**9,454**
Held-for-trading	-	-	-	-	302	215	70	21	12	28	**384**	**264**
At amortised cost	2,033	1,827	2,548	2,000	3,216	1,782	1	1	2,577	3,505	**10,375**	**9,115**
Hedging derivatives	-	0	-	0	4	2	58	58	22	16	**84**	**76**
Provisions	-	-	-	-	-	-	-	-	10	8	**10**	**8**
Other liabilities	155	173	-	-	-	-	-	-	-	-	**155**	**173**
TOTAL LIABILITIES (excluding equity)	**2,188**	**2,000**	**2,548**	**2,000**	**3,523**	**1,999**	**130**	**80**	**2,621**	**3,558**	**11,009**	**9,636**

NOTE 3B – OPERATING SEGMENTS BY GEOGRAPHIC SECTOR

The Bank carries out most of its activities in Western Europe.

NOTE 4 – NET INTEREST INCOME

(in EUR thousand)	31.12.2009	31.12.2010
BREAKDOWN BY PORTFOLIO		
INTEREST INCOME	**425,875**	**267,648**
Available-for-sale financial assets	175,522	138,305
Loans and receivables	136,608	43,292
Other	372	37
Sub-total of interest income from financial assets not measured at fair value through profit or loss	312,502	181,634
Financial assets held-for-trading	6,139	8,423
Net interest on hedging derivatives	97,640	73,989
Other financial assets at fair value through profit or loss	9,594	3,601
INTEREST EXPENSE	**-265,507**	**-168,774**
Financial liabilities at amortised cost	-166,956	-87,608
Other	-1,327	-967
Sub-total of interest expense on financial liabilities not measured at fair value through profit or loss	-168,283	-88,575
Net interest on hedging derivatives	*-97,224*	-80,199
NET INTEREST INCOME	**160,368**	**98,873**

NOTE 5 – DIVIDEND INCOME

(in EUR thousand)	31.12.2009	31.12.2010
Participating interests	44,753	39,926
Other equity instruments available-for-sale	2,126	4,156
Other equity instruments held-for-trading	1,523	-
DIVIDEND INCOME	**48,403**	**44,082**

NOTE 6 – NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE

(in EUR thousand)	**31.12.2009**	**31.12.2010**
Held-for-trading (including interest and valuation of trading derivatives)	7,921	23,749
Other financial instruments at fair value	4,557	638
Exchange differences	7,031	12,877
Fair value adjustments in hedge accounting	-2,224	-975
Fair value micro-hedging	*-2,224*	*-975*
Fair value of hedged item	*7,766*	*11,635*
Fair value of hedging item	*-9,990*	*-12,610*
NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**17,285**	**36,289**

NOTE 7 – NET REALISED GAINS/LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in EUR thousand)	**31.12.2009**	**31.12.2010**
Debt instruments	36,743	16,903
Equity instruments	-3,764	5,268
NET REALISED GAINS/LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**32,979**	**22,171**

NOTE 8 – NET FEE AND COMMISSION INCOME

(in EUR thousand)	**31.12.2009**	**31.12.2010**
FEE AND COMMISSION INCOME	133,170	137,335
Asset management	89,581	92,670
Securities transactions	29,448	31,471
Other	14,140	13,195
FEE AND COMMISSION EXPENSE	-40,642	-41,385
Asset management	-34,499	-36,374
Securities transactions	-4,470	-3,480
Other	-1,674	-1,531
NET FEE AND COMMISSION INCOME	**92,528**	**95,950**

NOTE 9 – OTHER NET INCOME

(in EUR thousand)	31.12.2009	31.12.2010
TOTAL	**90**	**2,393**
of which:		
Net proceeds from precious metals transactions	2,171	2,641
Write-back of provisions	757	743
Net proceeds from the partial sale of European Fund Administration	-	378
Net proceeds from the sale of Cogéré and Gecalux	705	-
Withholding tax on dividends	-2,735	-2,002

NOTE 10 – OPERATING EXPENSES

Operating expenses include staff costs, amortisation and depreciation of investment properties, property and equipment and intangible assets, changes in provisions and general administrative expenses.

General administrative expenses include in particular repair and maintenance expenses, advertising expenses, rent, professional duties, IT costs and various (non-income) taxes.

(in EUR thousand)	31.12.2009	31.12.2010
Staff expenses	-118,926	-126,610
General administrative expenses	-53,999	-39,916
Depreciation and amortisation of property and equipment, intangible assets and investment properties	-11,462	-8,879
Net provision allowances	-4,178	-819
OPERATING EXPENSES	**-188,565**	**-176,224**

NOTE 11 – STAFF

	31.12.2009	31.12.2010
TOTAL AVERAGE NUMBER OF PERSONS EMPLOYED (IN FULL-TIME EQUIVALENTS)	**1,105**	**1,047**
Breakdown by business segment[1]		
Private Banking	392	379
Global Investor Services	242	223
Client Dealing & Treasury	119	114
Credit & Securities Portfolio	26	20
Other	327	311

[1] The breakdown of commercial, administrative and support staff has been made on the same basis than for drawing up Note 3a on operating segments by business segment.

NOTE 12 – IMPAIRMENT

(in EUR thousand)	31.12.2009	31.12.2010
(Impairment)/reversal of impairment of:		
Loans and receivables	-665	170
Available-for-sale financial assets[1]	-63,053	-48,917
IMPAIRMENT	**-63,718**	**-48,747**

[1] Of which EUR 46,200 on participating interests as at 31 December 2010 (EUR 45,600 as at 31 December 2009).

See also Note 19 – Impairment of available-for-sale financial assets.

Impairment on loans and receivables

More detailed information on impairment is provided in the management report.

(in EUR thousand)	31.12.2009	31.12.2010
TOTAL	**-665**	**170**
BREAKDOWN BY TYPE		
(Impairment)/reversal of impairment		
Specific impairment of loans and receivables	126	101
Portfolio-based impairments	-791	69

See also Note 20 – Impairment of loans and receivables.

Impairment on available-for-sale financial assets

(in EUR thousand)	31.12.2009	31.12.2010
TOTAL	**-63,053**	**-48,917**
(Impairment)/reversal of impairment of:		
Debt instruments	-9,722	-334
Equity instruments[1]	-53,332	-48,583

[1] Of which EUR 46,200 on participating interests as at 31 December 2010 (EUR 45,600 as at 31 December 2009).

See also Note 19 – Impairment of available-for-sale financial assets.

NOTE 13 – INCOME TAX (EXPENSES) / INCOME

(in EUR thousand)	31.12.2009	31.12.2010
TOTAL	**-12,503**	**-7,165**
BREAKDOWN BY TYPE	**-12,503**	**-7,165**
Current tax*	7,654	-
Deferred tax	-20,157	-7,165
BREAKDOWN BY MAJOR COMPONENTS	**-12,503**	**-7,165**
Profit before tax excluding branches	102,312	82,372
Luxembourg income tax rate	28.59%	28.80%
INCOME TAX CALCULATED AT THE LUXEMBOURG INCOME TAX RATE	**-29,251**	**-23,723**
Plus/minus tax effects attributable to:		
Tax-free income	13,788	19,616
Other non-deductible expenses	-1,450	-526
Adjustments related to prior years	7,700	-
Adjustments opening deferred tax due to change in tax rate	-	456
Other	-3,290	-2,988
INCOME TAX ADJUSTMENTS	**16,748**	**16,558**

* For 2009, this amount included reversals of provisions in excess of previous years.

Details of tax assets are given in Note 23.

In 2002, under Article 164(a) of the Luxembourg Income Tax Law (LIR), the Bank obtained approval for the fiscal consolidation of the following subsidiaries: Kredietrust Luxembourg S.A., Financière et Immobilière S.A., Centre Europe S.A., Renelux (sold in 2007) and KB Lux Immo S.A.

NOTE 14 – CLASSIFICATION OF FINANCIAL INSTRUMENTS: BREAKDOWN BY PORTFOLIO AND BY PRODUCT

- Financial instruments are classified into several categories (portfolios). Details of these various categories and the valuation rules linked to them are given in Note 2b, point b of this Note dealing with financial assets and liabilities (IAS 39).
- The balance sheet analyses below have been conducted at the clean price. Thus the accrued interest is presented separately, except for trading derivatives, which are presented at the dirty price.

CARRYING AMOUNT
31.12.2009

ASSETS (in EUR million)	**Held-for-trading (HFT) assets**	**Financial instruments at fair value (FIFV) through profit or loss**	**Available-for-sale (AFS) financial assets**	**Loans and receivables (L&R)**	**Hedging derivatives**	**TOTAL**
LOANS AND ADVANCES TO BANKS AND INVESTMENT FIRMS	**-**	**-**	**-**	**4,760**	**-**	**4,760**
LOANS AND ADVANCES TO CUSTOMERS	**-**	**23**	**-**	**512**	**-**	**534**
Consumer credits	-	-	-	7	-	7
Mortgage loans	-	-	-	71	-	71
Term loans	-	-	-	253	-	253
Current accounts	-	-	-	132	-	132
Other	-	23	-	49	-	72
EQUITY INSTRUMENTS	**36**	**-**	**1,199**	**-**	**-**	**1,234**
DEBT INSTRUMENTS ISSUED BY	**322**	**4**	**4,658**	**-**	**-**	**4,984**
– government bodies	25	-	1,956	-	-	1,981
– banks and investment firms	63	-	249	-	-	312
– corporates	235	4	2,453	-	-	2,692
FINANCIAL DERIVATIVES	**221**	**-**	**-**	**-**	**46**	**267**
ACCRUED INTEREST	**3**	**1**	**54**	**13**	**32**	**104**
TOTAL	**582**	**27**	**5,911**	**5,285**	**79**	**11,884**
of which: reverse repos	-	-	-	2,378	-	2,378

CARRYING AMOUNT
31.12.2010

ASSETS (in EUR million)	**Held-for-trading (HFT) assets**	**Financial instruments at fair value (FIFV) through profit or loss**	**Available-for-sale (AFS) financial assets**	**Loans and receivables (L&R)**	**Hedging derivatives**	**TOTAL**
LOANS AND ADVANCES TO BANKS AND INVESTMENT FIRMS	**-**	**-**	**-**	**4,235**	**-**	**4,235**
LOANS AND ADVANCES TO CUSTOMERS	**-**	**14**	**-**	**482**	**-**	**496**
Consumer credits	-	-	-	6	-	6
Mortgage loans	-	-	-	67	-	67
Term loans	-	-	-	253	-	253
Current accounts	-	-	-	109	-	109
Other	-	14	-	47	-	61
EQUITY INSTRUMENTS	**1**	**-**	**1,212**	**-**		**1,214**
DEBT INSTRUMENTS ISSUED BY	**279**	**-**	**3,830**	**-**	**-**	**4,109**
– government bodies	40	-	1,395	-	-	1,435
– banks and investment firms	119	-	237	-	-	356
– corporates	120	-	2,199	-	-	2,319
FINANCIAL DERIVATIVES	**189**	**-**	**-**	**-**	**35**	**224**
ACCRUED INTEREST	**7**	**0**	**49**	**2**	**31**	**90**
TOTAL	**477**	**14**	**5,092**	**4,720**	**66**	**10,369**
of which: reverse repos	-	-	-	2,534	-	2,534

CARRYING AMOUNT
31.12.2009

LIABILITIES (in EUR million)	**Held-for-trading (HFT) liabilities**	**Hedging derivatives**	**Financial liabilities at amortised cost**	**TOTAL**
DEPOSITS FROM BANKS AND INVESTMENT FIRMS	**-**	**-**	**4,869**	**4,869**
DEPOSITS FROM CUSTOMERS	**-**	**-**	**4,629**	**4,629**
Current accounts/demand deposits	-	-	2,831	2,831
Time deposits	-	-	1,747	1,747
Other deposits	-	-	51	51
DEBT CERTIFICATES	**-**	**-**	**834**	**834**
Deposit certificates	-	-	0	0
Customer savings bonds	-	-	4	4
Non-convertible bonds	-	-	13	13
Non-convertible subordinated liabilities	-	-	816	816
FINANCIAL DERIVATIVES	**309**	**67**	**-**	**376**
SHORT SALES	**75**	**-**	**-**	**75**
Equity instruments	35	-	-	35
Debt instruments	40	-	-	40
ACCRUED INTEREST	**0**	**17**	**44**	**62**
TOTAL	**384**	**84**	**10,375**	**10,844**
of which: repos	-	-	1,401	1,401

CARRYING AMOUNT
31.12.2010

LIABILITIES (in EUR million)	**Held-for-trading (HFT) liabilities**	**Hedging derivatives**	**Financial liabilities at amortised cost**	**TOTAL**
DEPOSITS FROM BANKS AND INVESTMENT FIRMS	**-**	**-**	**4,335**	**4,335**
DEPOSITS FROM CUSTOMERS	**-**	**-**	**3,898**	**3,898**
Current accounts/demand deposits	-	-	2,626	2,626
Time deposits	-	-	1,252	1,252
Other deposits	-	-	20	20
DEBT CERTIFICATES	**-**	**-**	**840**	**840**
Deposit certificates	-	-	0	0
Customer savings bonds	-	-	4	4
Non-convertible bonds	-	-	3	3
Non-convertible subordinated liabilities	-	-	833	833
FINANCIAL DERIVATIVES	**239**	**59**	**-**	**298**
SHORT SALES	**24**	**-**	**-**	**24**
Equity instruments	0	-	-	0
Debt instruments	24	-	-	24
ACCRUED INTEREST	**0**	**17**	**41**	**58**
TOTAL	**264**	**76**	**9,115**	**9,454**
of which: repos	-	-	1,220	1,220

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying amounts and fair values of the financial assets and liabilities not measured at fair value (excluding accrued interest).

	CARRYING AMOUNT		FAIR VALUE	
(in EUR million)	31.12.2009	31.12.2010	31.12.2009	31.12.2010
ASSETS				
Loans and advances to banks and investment firms	4,760	4,235	4,760	4,236
Loans and advances to customers	512	482	512	482
Consumer credits	7	6	7	6
Mortgage loans	71	67	71	67
Term loans	253	253	253	253
Current accounts	132	109	132	109
Other	49	47	49	47
LIABILITIES				
Deposits from banks and investment firms	4,869	4,335	4,870	4,336
Deposits from customers	4,629	3,898	4,629	3,896
Current accounts/demand deposits	2,831	2,626	2,831	2,625
Time deposits	1,747	1,252	1,747	1,252
Other deposits	51	20	51	20
Debt certificates	834	840	859	830
Certificates of deposit	0	0	0	0
Customer savings bonds	4	4	4	4
Non-convertible bonds	13	3	13	3
Non-convertible subordinated liabilities	816	833	841	823

FAIR VALUE HIERARCHY

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) price in active market for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

31.12.2009 (in EUR million)	**Level 1**	**Level 2**	**Level 3**	**Accrued interest**	**TOTAL**
ASSETS					
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
Equity instruments held-for-trading	-	36	-	-	36
Debt instruments held-for-trading	119	203	-	3	325
Derivatives held-for-trading	-	221	-	-	221
Instruments designated at fair value through profit or loss	-	23	4	1	27
AVAILABLE-FOR-SALE FINANCIAL ASSETS					
Equity instruments	165	9	33	-	206
Debt instruments	2,543	2,115	-	54	4,713
HEDGING DERIVATIVES	**-**	**46**	**-**	**32**	**79**
	2,827	**2,653**	**36**	**91**	**5,607**
LIABILITIES					
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS					
Equity instruments held-for-trading	35	0	-	-	35
Debt instruments held-for-trading	38	1	-	0	40
Derivatives held-for-trading	-	309	-	-	309
HEDGING DERIVATIVES	**-**	**67**	**-**	**17**	**84**
	73	**378**	**-**	**18**	**468**

31.12.2010 (in EUR million)	Level 1	Level 2	Level 3	Accrued interest	TOTAL
ASSETS					
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
Equity instruments held-for-trading	0	1	-	-	1
Debt instruments held-for-trading	227	52	-	7	286
Derivatives held-for-trading	0	189	-	-	189
Instruments designated at fair value through profit or loss	-	14	-	0	14
AVAILABLE-FOR-SALE FINANCIAL ASSETS					
Equity instruments	152	4	38	-	194
Debt instruments	1,950	1,849	-	49	3,848
HEDGING DERIVATIVES	**-**	**35**	**-**	**31**	**66**
	2,329	**2,145**	**38**	**87**	**4,599**
LIABILITIES					
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS					
Equity instruments held-for-trading	0	0	-	-	0
Debt instruments held-for-trading	21	2	-	0	24
Derivatives held-for-trading	-	239	-	-	239
HEDGING DERIVATIVES	**-**	**59**	**-**	**17**	**76**
	21	**301**	**-**	**17**	**339**

There were no transfers between Level 1 and Level 2 in 2010 and 2009.

Level 3 items measured at fair value

(in EUR million)	Financial instruments designated at fair value through profit or loss	Available-for-sale financial assets	TOTAL
BALANCE AS AT 01.01.2009	**0**	**37**	**37**
Total profit / loss for the year			
– recognised in the income statement	4	0	3
– recognised in the other comprehensive income	-	-7	-7
Purchases	-	5	5
Sales	-	-1	-1
Transfers from / to Level 3	-	-	-
BALANCE AS AT 31.12.2009	**4**	**33**	**36**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31.12.2009	4	0	4

(in EUR million)	Financial instruments designated at fair value through profit or loss	Available-for-sale financial assets	TOTAL
BALANCE AS AT 01.01.2010	**4**	**33**	**36**
Total profit / loss for the year			
– recognised in the income statement	0	-2	-2
– recognised in the other comprehensive income	-	1	1
Purchases	-	6	6
Sales	-4	-1	-5
Transfers from / to Level 3	-	-	-
BALANCE AS AT 31.12.2010	**-**	**38**	**38**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31.12.2010	0	-	0

NOTE 15 – AVAILABLE-FOR-SALE FINANCIAL ASSETS AND LOANS AND RECEIVABLES: BREAKDOWN BY PORTFOLIO AND QUALITY

(in EUR million)	Available-for-sale (AFS) financial assets	Loans and receivables (L&R)	TOTAL
31.12.2009			
Unimpaired assets	5,468	5,270	10,738
Impaired assets	548	102	650
Impairment	-159	-100	-260
Accrued interest (net)	54	13	68
Accrued interest (gross)	*55*	*13*	*68*
Accrued interest impaired	*0*	*0*	*0*
TOTAL	**5,911**	**5,285**	**11,196**
31.12.2010			
Unimpaired assets	4,746	4,716	9,463
Impaired assets	471	98	569
Impairment	-175	-97	-272
Accrued interest (net)	49	2	51
Accrued interest (gross)	*49*	*2*	*52*
Accrued interest impaired	*0*	*0*	*0*
TOTAL	**5,092**	**4,720**	**9,812**

NOTE 16 – FINANCIAL ASSETS AND LIABILITIES: BREAKDOWN BY PORTFOLIO AND RESIDUAL MATURITY

ASSETS (in EUR million)	**Held-for-trading (HFT) assets**	**Financial instruments at fair value (FIFV) through profit or loss**	**Available-for-sale (AFS) financial assets**	**Loans and receivables (L&R)**	**Hedging derivatives**	**TOTAL**
31.12.2009						
Less than or equal to 1 year	253	-	845	4,404	0	5,502
More than 1 but less than or equal to 5 years	245	19	2,702	778	18	3,762
More than 5 years	45	7	1,112	89	28	1,281
Indefinite period	36	-	1,198	-	-	1,234
Accrued interest	3	1	54	13	32	104
TOTAL	**582**	**27**	**5,911**	**5,285**	**79**	**11,884**
31.12.2010						
Less than or equal to 1 year	238	-	741	4,562	1	5,543
More than 1 but less than or equal to 5 years	163	14	2,057	67	0	2,302
More than 5 years	68	-	1,032	89	34	1,222
Indefinite period	1	-	1,212	-	-	1,213
Accrued interest	7	0	49	2	31	90
TOTAL	**477**	**14**	**5,092**	**4,720**	**66**	**10,369**

LIABILITIES (in EUR million)	**Held-for-trading (HFT) liabilities**	**Liabilities at amortised cost**	**Hedging derivatives**	**TOTAL**
31.12.2009				
Less than or equal to 1 year	247	9	9,643	9,900
More than 1 but less than or equal to 5 years	77	24	446	547
More than 5 years	23	33	235	292
Indefinite period	37	-	7	43
Accrued interest	0	17	44	62
TOTAL	**384**	**84**	**10,375**	**10,844**
31.12.2010				
Less than or equal to 1 year	194	1	8,641	8,835
More than 1 but less than or equal to 5 years	51	27	30	109
More than 5 years	17	31	234	283
Indefinite period	1	-	168	169
Accrued interest	0	17	41	58
TOTAL	**264**	**76**	**9,115**	**9,454**

NOTE 17 – SECURITIES LENDING AND SECURITIES GIVEN IN GUARANTEE

The Bank regularly carries out transactions in which the assets transferred do not qualify for derecognition under IAS 39, This mainly concerns the following operations:

- repurchase agreements (repo),
- securities lending,
- securities given as collateral (in particular for securities borrowing or to guarantee credit lines received).

These transactions can be broken down as follows:

	REPO**	SECURITIES LENDING		OTHER
(in EUR million)	Debt instruments	Debt instruments	Equity instruments	Debt instruments
31.12.2009				
Financial assets at fair value through profit or loss	-	9	-	-
Available-for-sale financial assets	519	46	-	1.955
Total financial assets not derecognised	519	55	-	1,955
Other*	840	654	57	1,380
TOTAL	**1,359**	**709**	**57**	**3,335**
31.12.2010				
Financial assets at fair value through profit or loss	-	6	-	-
Available-for-sale financial assets	257	120	2	1,456
Total financial assets not derecognised	257	126	2	1,456
Other*	955	1,301	0	2,237
TOTAL	**1,212**	**1,427**	**2**	**3,693**

* The item 'Other' relates to securities borrowed or received as collateral for other operations.

** The carrying amount of debts associated with repo operations is available in Note 14.

NOTE 18 – SECURITIES RECEIVED IN GUARANTEE

The Bank mainly receives securities as collateral in relation to its reverse repurchase agreement operations and securities lending. These securities are generally transferred under full ownership and the Bank is able to re-use them in other operations.

The fair value of these guarantees can be broken down as follows:

(in EUR million)	31.12.2009	31.12.2010
Reverse repurchase agreements	2,456	2,529
Collateral received in securities lending	710	1,322
TOTAL	**3,166**	**3,851**
of which, transferred to:		
Repurchase agreements	99	51
Securities lent	-	1
Collateral given for securities borrowing	1,237	1,633
Other	143	604
TOTAL	**1,479**	**2,289**

NOTE 19 – IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in EUR million)	Debt instruments	Equity instruments
CHANGES		
BALANCE AS AT 01.01.2009	**84**	**128**
Changes affecting the income statement	10	53
Allowances	15	53
Reversals	-5	-
Changes not affecting the income statement	-40	-76
Amortization	-	-
Other	-40	-76
BALANCE AS AT 31.12.2009	**54**	**105**

(in EUR million)	Debt instruments	Equity instruments
CHANGES		
BALANCE AS AT 01.01.2010	**54**	**105**
Changes affecting the income statement	0	49
Allowances	3	49
Reversals	-3	-
Changes not affecting the income statement	-36	3
Amortization	-	-
Other	-36	3
BALANCE AS AT 31.12.2010	**19**	**156**

NOTE 20 – IMPAIRMENT OF LOANS AND RECEIVABLES

The annex to the management report contains information relating to non-performing receivables and the management of the related impairments.

(in EUR million)	31.12.2009	31.12.2010
TOTAL (BALANCE SHEET)	**100**	**97**
BREAKDOWN BY TYPE	**100**	**97**
Specific impairments on loans and receivables	99	95
Collective impairment	1	1
BREAKDOWN BY COUNTERPARTY	**100**	**97**
Loans and advances to banks	-	-
Loans and advances to customers	100	97

(in EUR million)	Specific impairments on loans and receivables	Collective impairment	TOTAL
CHANGES			
BALANCE AS AT 01.01.2009	**103**	**0**	**103**
Changes affecting the income statement	0	1	1
Allowances	0	1	1
Reversals	0	-	0
Changes not affecting the income statement	-4	-	-4
Amortization	-	-	-
Other	-4	-	-4
BALANCE AS AT 31.12.2009	**99**	**1**	**100**

(in EUR million)	Specific impairments on loans and receivables	Collective impairment	TOTAL
CHANGES			
BALANCE AS AT 01.01.2010	**99**	**1**	**100**
Changes affecting the income statement	0	0	0
Allowances	0	0	0
Reversals	0	-	0
Changes not affecting the income statement	-3	-	-3
Amortization	-	-	-
Other	-3	-	-3
BALANCE AS AT 31.12.2010	**95**	**1**	**97**

NOTE 21 – DERIVATIVES

31.12.2009	HELD-FOR-TRADING			FAIR-VALUE MICRO-HEDGING		
	Fair value			Fair value		
(in EUR million)	Assets	Liabilities	Notional value	Assets	Liabilities	Notional value
TOTAL	**221**	**309**	**27,111**	**79**	**84**	**2,150**
INTEREST RATE CONTRACTS	**102**	**115**	**19,010**	**79**	**83**	**2,134**
Interest rate swaps	98	111	18,268	79	83	2,134
Forward rate agreements	0	0	146	-	-	-
Futures	1	0	76	-	-	-
Other	3	4	520	-	-	-
FOREIGN EXCHANGE CONTRACTS	**81**	**159**	**7,064**	**-**	**1**	**8**
Foreign exchange forward	80	159	7,027	-	-	-
Cross currency swaps	-	-	-	-	1	8
Other	0	0	37	-	-	-
EQUITY CONTRACTS	**37**	**32**	**959**	**0**	**-**	**9**
Equity futures	1	1	74	-	-	-
Equity options	2	2	65	-	-	-
Other	34	29	820	0	-	9
COMMODITIES AND OTHER CONTRACTS	**1**	**3**	**77**	**-**	**-**	**-**

The notional value of the foreign-exchange contracts represents the nominal to be delivered.

31.12.2010 (in EUR million)	HELD-FOR-TRADING Fair value Assets	Liabilities	Notional value	FAIR-VALUE MICRO-HEDGING Fair value Assets	Liabilities	Notional value
TOTAL	**189**	**239**	**26,208**	**66**	**76**	**1,657**
INTEREST RATE CONTRACTS	**88**	**97**	**19,989**	**66**	**73**	**1,648**
Interest rate swaps	85	94	19,342	66	73	1,648
Forward rate agreements	-	-	-	-	-	-
Futures	0	0	78	-	-	-
Other	3	3	569	-	-	-
FOREIGN EXCHANGE CONTRACTS	**81**	**121**	**5,601**	**-**	**3**	**-**
Foreign exchange forward	80	121	5,591	-	-	-
Foreign exchange options	0	0	1	-	-	-
Foreign exchange futures	0	0	3	-	-	-
Cross currency swaps	-	-	-	-	3	9
Other	0	0	7	-	-	-
EQUITY CONTRACTS	**20**	**20**	**584**	**-**	**-**	**-**
Equity futures	0	0	29	-	-	-
Equity options	2	2	44	-	-	-
Other	18	18	510	-	-	-
COMMODITIES AND OTHER CONTRACTS	**1**	**1**	**31**	**-**	**-**	**-**

The notional value of the foreign-exchange contracts represents the nominal to be delivered.

NOTE 22 – OTHER ASSETS

The heading 'Other assets' covers various short-term receivables such as dividends and coupons that clients bring to KBL *epb* to be cashed and the value of which has already been paid.

NOTE 23 – TAX ASSETS

(in EUR million)	31.12.2009	31.12.2010
CURRENT TAX ASSETS	**2**	**4**
DEFERRED TAX ASSETS	**61**	**49**
Losses carried forward	62	58
Provisions	-22	-22
Available-for-sale financial instruments	-1	-5
Other	22	19
TAX ASSETS	**63**	**54**

Changes in deferred tax assets and liabilities are not equal to the deferred tax charge recognised in the income statement during the year. This is mainly due to the deferred tax linked to the recognition in the revaluation reserve of fair value changes in unimpaired available-for-sale financial instruments.

NOTE 24 – INTANGIBLE ASSETS

(in EUR million)	Goodwill	Software developed in-house	Software purchased	TOTAL
CHANGES				
BALANCE AS AT 01.01.2009	**84**	**8**	**0**	**92**
Acquisitions	-	7	0	7
Disposals	-	0	-	0
Depreciation	-	-5	0	-5
Impairment	-	-	-	-
Allowances	-	-	-	-
Reversals	-	-	-	-
Other	-	-	-	-
BALANCE AS AT 31.12.2009	**84**	**10**	**0**	**94**
of which: cumulative amortisation and impairment	-	-8	-1	-8
CHANGES				
BALANCE AS AT 01.01.2010	**84**	**10**	**0**	**94**
Acquisitions	-	19	8	27
Disposals	-	-4	-	-4
Depreciation	-	-2	0	-2
Impairment	-	-	-	-
Allowances	-	-	-	-
Reversals	-	-	-	-
Other	-	-	-	-
BALANCE AS AT 31.12.2010	**84**	**22**	**8**	**115**
of which: cumulative amortisation and impairment	-	-6	-1	-7

NOTE 25 – PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

(in EUR million)	31.12.2009	31.12.2010
PROPERTY AND EQUIPMENT	**109**	**106**
INVESTMENT PROPERTIES		
Net carrying value	14	14
Fair value	21	21
Investment property – Rental income	1	1

(in EUR million)	Land and buildings	IT equipment	Other equipment	TOTAL PROPERTY AND EQUIPMENT	Investment properties
CHANGES					
BALANCE AS AT 01.01.2009	**91**	**4**	**12**	**108**	**14**
Acquisitions	5	1	1	7	0
Disposals	-	-	0	0	0
Depreciation	-5	-1	0	-6	0
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Other	0	-	-	0	0
BALANCE AS AT 31.12.2009	**91**	**4**	**13**	**109**	**14**
of which: cumulative amortisation and impairment	-52	-9	-3	-64	-7

(in EUR million)	Land and buildings	IT equipment	Other equipment	TOTAL PROPERTY AND EQUIPMENT	Investment properties
CHANGES					
BALANCE AS AT 01.01.2010	**91**	**4**	**13**	**109**	**14**
Acquisitions	2	0	1	4	0
Disposals	-	0	0	0	-
Depreciation	-5	0	-1	-6	0
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Other	0	-2	2	0	0
BALANCE AS AT 31.12.2010	**89**	**1**	**15**	**106**	**14**
of which: cumulative amortisation and impairment	-56	-4	-9	-69	-7

NOTE 26 – PROVISIONS

(in EUR million)	Provisions for restructuring	Specific impairment for credit commitments	Other provisions[1]	TOTAL
BALANCE AS AT 01.01.2009	**-**	**0**	**7**	**7**
Changes affecting the income statement	-	0	4	4
Allowances	-	-	6	6
Reversals	-	0	-2	-2
Other changes	-	0	-2	-2
BALANCE AS AT 31.12.2009	**-**	**0**	**10**	**10**

[1] The column 'Other provisions' mainly contains provisions for the expenses relating to disputes, consultancy and miscellaneous fees.

(in EUR million)	Provisions for restructuring	Specific impairment for credit commitments	Other provisions[1]	TOTAL
BALANCE AS AT 01.01.2010	**-**	**0**	**10**	**10**
Changes affecting the income statement	-	-	1	1
Allowances	-	-	1	1
Reversals	-	-	0	0
Other changes	-	0	-2	-2
BALANCE AS AT 31.12.2010	**-**	**0**	**8**	**8**

[1] The column 'Other provisions' mainly contains provisions for the expenses relating to disputes, consultancy and miscellaneous fees.

NOTE 27 – OTHER LIABILITIES

The heading 'Other liabilities' in particular covers various items payable in the short term such as coupons and redeemable securities as paying agent. The net liabilities related to staff pension funds (see Note 28) are also included in this item.

NOTE 28 – RETIREMENT BENEFIT OBLIGATIONS

In addition to the legally prescribed plans, KBL *epb* maintains various complementary pension plans, of both the defined contribution and defined benefit kind.

The staff of KBL *epb* is covered by means of a number of funded and insured pension plans most of which are defined-benefit plans. In order to be able to participate in some of these plans, a minimum period of service with KBL *epb* is required and the benefits may also depend on the employees' years of affiliation to the plans as well as on their remuneration in the years before retirement. The annual funding requirements for these various complementary pension plans are determined based on actuarial cost methods.

Defined benefit plans

(in EUR million)	31.12.2009	31.12.2010
DEFINED BENEFIT PLAN OBLIGATIONS		
Value of obligations as at 01/01	**56**	**59**
Current service cost	2	2
Interest cost	3	2
Plans amendments	-	-
Actuarial gains/(losses)	2	2
Benefits paid	-5	-7
Other	-	-
Value of obligations as at 31/12	**59**	**58**
FAIR VALUE OF PLAN ASSETS		
Fair value of assets as at 01/01	**39**	**45**
Actual return on plan assets	6	3
Employer contributions	3	3
Plan participants contributions	1	1
Benefits paid	-4	-7
Other	-	-
Fair value of assets as at 31/12	**45**	**45**
of which: financial instruments issued by KBL *epb*	-	-
FUNDED STATUS		
Plan assets in excess of defined benefit obligations	-13	-14
Unrecognised net actuarial gains	8	9
Unrecognised past service costs	-	-
Unrecognised assets	-1	-1
Plan over-/(under-) funding	-6	-6
CHANGES RELATING TO NET LIABILITY		
Net liability as at 01/01	-6	-6
Net period cost in the income statement	-3	-3
Employer contributions	3	3
Other	*0*	0
NET LIABILITY AS AT 31/12	**-6**	**-6**

(in EUR million)	31.12.2009	31.12.2010
AMOUNTS RECOGNISED IN THE INCOME STATEMENT		
Current service cost	-2	-2
Interest cost	-3	-2
Expected return on plan assets	2	2
Adjustments to asset limits recognised	0	0
Amortisation of unrecognised past service costs	-	-
Amortisation of unrecognised net actuarial (gains)/losses	0	0
Other	-	-
NET PERIOD COST IN THE INCOME STATEMENT	**-3**	**-3**
Actual return on plan assets (in %)	15.86%	7.03%
PRINCIPAL ACTUARIAL ASSUMPTIONS USED		
Discount rate	4.60%	4.15%
Expected rate of return on plan assets	4.00%	4.00%
Expected rate of salary increase	3.00%	3.00%
Expected rate of pension increase	2.00%	2.00%

Defined benefit plans

(in EUR million)	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Year-end amount of liability	58.2	55.2	56.1	58.5	58.3
Year-end fair value of assets	43.4	45.3	39.2	45.1	44.5
Plan assets in excess of obligations	-14.7	-10.0	-16.9	-13.4	-13.8
Plan excess/(under-) funding	-8.9	-7.0	-6.5	-6.1	-5.8

The estimate of the employer contribution payable to the defined-benefit pension plan assets for 2011 is EUR 3,2 millions.

Defined contribution plans

(in EUR million)	31.12.2009	31.12.2010
AMOUNT RECORDED IN THE INCOME STATEMENT	**2**	**1**

NOTE 29 – EQUITY

The subscribed and paid-up capital is EUR 187.2 million, represented by 18,186,877 ordinary shares without par value and by 1,949,711 non-voting preference shares without par value.

Holders of preference shares are entitled to receive an initial dividend of EUR 0.25 per share, as established in the Bank's articles of association, and are therefore guaranteed a minimum annual return. If there are no profits, this dividend entitlement is carried forward to subsequent periods. Any profits remaining once this first dividend has been paid are shared out between all shareholders, whether they hold ordinary or preference shares, in such a way that both categories of shareholders ultimately receive an identical dividend.

The Bank's articles of association specify that, if the Bank is wound up, holders of preference shares are guaranteed repayment of the capital initially invested, that is EUR 14.56. Holders of preference shares are not however entitled to receive a share of any accumulated reserves.

As at 31 December 2010, the legal reserve is EUR 18.7 million representing 10% of the paid-up capital, the free reserves and the reserve for the reduction of wealth tax amount to EUR 718.8 million and EUR 41.0 million respectively. The retained earnings amount to EUR 22.7 million.

(in number of shares)	**31.12.2009**	**31.12.2010**
TOTAL NUMBER OF SHARES ISSUED	**20,136,588**	**20,136,588**
Ordinary shares	18,186,877	18,186,877
Preference shares	1,949,711	1,949,711
of which: those that entitle the holder to a dividend payment	20,135,744	20,135,744
of which: treasury shares, including commitments	844	844
of which: shares representing equity under IFRS	20,135,744	20,135,744

Changes

	Ordinary shares	**Preference shares**	**Total**
BALANCE AS AT 01.01.2010	**18,186,877**	**1,949,711**	**20,136,588**
Cancellation of shares bought back	-	-	-
BALANCE AS AT 31.12.2010	**18,186,877**	**1,949,711**	**20,136,588**

NOTE 30 – PROFIT ALLOCATION PROPOSAL

At its meeting on 16 February 2011, the Board of Directors proposes to allocate:
- the current retained earnings of EUR 22.7 million to the available reserves;
- the 2010 result of EUR 67.6 million to the retained earnings.

On 16 March 2011, this affectation will be submitted to the approval of the Annual General Meeting.

NOTE 31 – LOANS COMMITMENTS, FINANCIAL GUARANTEES AND OTHER COMMITMENTS

(in EUR million)	31.12.2009	31.12.2010
Confirmed credits, unused	537	470
Financial guarantees	236	233
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	993	594
TOTAL	**1,766**	**1,297**

In the course of 2000, several (current and former) directors, managers and members of KBL *epb* staff, were charged by a Belgian examining magistrate with offences relating to a tax suit as a result of their professional activities at the Bank. The case was brought before the Council Chamber of the Court of Brussels on 24 January 2006. After the order of this court on 11 January 2008, six persons from KBL *epb* were referred to the criminal court.

The case was brought before the Brussels Criminal Court on 3 April 2009. After several weeks of hearings where it was exclusively pleaded that the investigation had been conducted in an improper and even illegal manner, a judgment was issued on 8 December 2009. The Court considered that the evidence on which all the legal proceedings were based had been introduced into the procedure in a seriously irregular or even illegal manner by the police and by the magistrates in charge of the enquiry. The flaws were so serious that they were considered to have a structural effect on the investigation and so the whole legal suit was declared invalid and the proceedings inadmissible.

As a result, all the accused were discharged from all proceedings.

On 10 December 2009, the Public Prosecutor filed an appeal against this judgment. The proceedings were then brought before the Court of Appeal of Brussels. On 16 September 2010, the Court of Appeal, after hearing the pleadings of the defence, decided to split the proceedings in two: the admissibility of the prosecution would be judged first, followed by a separate decision on the merits of the accusation. Pleadings took place from 16 September 2010 to 8 October 2010. In its judgment dated 10 December 2010, the Court of Appeal confirmed the judgment of the Court dated 8 December 2009 and ruled that the legal suit against all accused persons was inadmissable.

An appeal before the Supreme Court (*pourvoi en cassation*) against the decision of the Court of Appeal was filed by the Public Prosecutor on 20 December 2010.

NOTE 32 – ASSETS UNDER MANAGEMENT

Total assets under management as at 31 December 2010 were EUR 12.2 billion, of which EUR 6.9 billion relates to clients in the private banking sector (2009: EUR 14 billion, of which EUR 7.3 billion related to the private banking sector).

NOTE 33 – RELATED PARTY TRANSACTIONS

'Related parties' refers to the parent company of KBL *epb*, its subsidiaries and key management personnel. Transactions with related parties are carried out under conditions equivalent to those applicable to transactions subject to conditions of normal competition. Transactions with associates are not included below because they are not material.

(in EUR million)	31.12.2009	31.12.2010
FINANCIAL ASSETS	**4,336**	**3,293**
Held-for-trading	297	79
At fair value through profit or loss	-	-
Available-for-sale	2,052	2,077
Loans and receivables	1,908	1,070
Hedging derivatives	79	66
FINANCIAL LIABILITIES	**3,427**	**2,967**
Held-for-trading	99	70
At amortised cost	3,297	2,869
Hedging derivatives	32	28
INCOME STATEMENT		
Net interest income	91	23
Dividends	45	40
Net fee and commission income	3	8
Other net income	1	1
Operating expenses	7	8
Impairment of financial assets not measured at fair value through profit or loss	-46	-48

With Key Management Personnel

(in EUR million)	31.12.2009	31.12.2010
Amount of remuneration to key management personnel of KBL *epb* on the basis of their activity, including the amounts paid to former key management personnel	7	10
Credit facilities and guarantees granted	26	36
Loans outstanding	23	27
Guarantees outstanding	0	0
Pension commitments	28	27
Expenses for defined contribution plans	-	-

NOTE 34 – SOLVENCY

The table below discloses the solvency ratios calculated according to the IFRS definition of own funds and applying the prudential filters as defined by CSSF circular 06/273 as amended.

(in EUR million)	31.12.2009	31.12.2010
REGULATORY CAPITAL	**1,767**	**1,662**
TIER 1 CAPITAL	**1,325**	**1,349**
Capital and reserves (including profit/loss carried forward)	1,269	1,279
Hybrid capital	150	184
Intangible assets	-94	-115
Treasury shares	-0	-0
Negative revaluation of AFS bonds(1)	-	-
TIER 2 CAPITAL	**443**	**360**
Preference shares(2)	18	30
Positive revaluation of AFS shares	42	45
Subordinated liabilities	383	285
TIER 3 CAPITAL	**-**	**-**
DEDUCTIONS	**-0**	**-47**
OVERALL OWN FUNDS REQUIREMENTS	**435**	**361**
Credit risk, counterparty risk, securitisation and incomplete trransaction risk	377	309
Exchange risk	11	11
Position risk linked to debt securities trading	18	14
Position risk linked to equities	4	0
Operational risk	25	26
SOLVENCY RATIOS		
Basic solvency ratio (Tier 1 ratio)	24.34%	29.37%
Solvency ratio (CAD ratio)	32.47%	36.82%

(1) In July 2009, KBL *epb* notified the *Commission de Surveillance du Secteur Financier* (CSSF) of its choice to cease including unrealised profits or losses on available-for-sale debt instruments when calculating its prudential capital figures.

(2) In 2010, share premium related to preference shares have been classified under this caption. In 2009, they were classified under the caption Capital and reserves.

NOTE 35 – MAXIMUM CREDIT RISK EXPOSURE

(in EUR million)	31.12.2009	31.12.2010
ASSETS	**12,080**	**10,777**
Balances with central banks	101	324
Financial assets	11,884	10,369
Held-for-trading	582	477
At fair value throuhg profit or loss	27	14
Available-for-sale financial assets	5,911	5,092
Loans and receivables	5,285	4,720
Hedging derivatives	79	66
Tax assets	63	54
Other assets	32	30
OFF-BALANCE SHEET ITEMS	**1,766**	**1,297**
Loans commitments	537	470
Financial guarantees	236	233
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	993	594
MAXIMUM CREDIT RISK EXPOSURE	**13,846**	**12,074**

For the instruments measured at fair value, the amounts disclosed above represent the current credit risk exposure and not the maximum credit risk that could apply as a consequence of future changes in the estimates made.

The amount and type of collateral required depend on the type of business considered and the Bank's assessment of the debtor's credit risk.

The main types of collateral received are as follows:
- cash,
- securities (in particular for reverse repo operations and securities lending), and
- other personal and/or collateral guarantees (mortgages).

These guarantees are monitored on a regular basis to ensure their market value remains adequate as regards the assets they are intended to cover. If a guarantee is noted to be insufficient, margin calls are made in accordance with the agreements signed with the various counterparties concerned.

Following the Bank's request, the CSSF has approved an exemption from including in its calculation of the large risks exposures, in accordance with Part XVI, point 24 of the CSSF Circular 06/273, as amended, the risks to which the Bank is exposed within the KBC Group. The exposures on related parties are disclosed in Note 33.

NOTE 36 – RISK MANAGEMENT

Information on risk management (credit risk, market risks, operational risks, etc.) is given in the appendix to the management report.

NOTE 37 – AUDIT FEES

(in EUR thousand)	31.12.2009	31.12.2010
Standard audit services	642	643
Other services	-	-
TOTAL	**642**	**643**

NOTE 38 – LIST OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

As at 31 December 2010, the list of companies in which the Bank has a significant holding of at least 20% of the capital is as follows:

NAME AND HEAD OFFICE	CAPITAL HELD	EQUITY Excluding result of the year[2]		RESULT[2]	
Brown, Shipley & Co, Ltd – U.K.[1] and [3]	100.00%	GBP	35,952,331	GBP	3,858,804
KBLSwiss Private Banking - Switzerland	99.99%	CHF	112,260,674	CHF	-24,581,378
KBL Richelieu Banque Privée – France	100.00%	EUR	107,624,736	EUR	5,840,938
KBL Monaco Private Bankers S.A.– Monaco	100.00%	EUR	12,035,706	EUR	414,484
Financière et Immobilière S.A. – Luxembourg[1]	100.00%	EUR	2,418,686	EUR	73,883
KB Lux Immo S.A. – Luxembourg[1]	100.00%	EUR	35,713,306	EUR	807,876
Centre Europe S.A. – Luxembourg[1]	100.00%	EUR	25,165,687	EUR	1,016,538
Merck Finck & Co – Germany[1]	100.00%	EUR	155,002,112	EUR	-15,834,534
European Fund Administration – Luxembourg[1]	51.13%	EUR	22,435,178	EUR	3,115,467
Kredietrust Luxembourg S.A. – Luxembourg[1]	100.00%	EUR	7,242,501	EUR	7,406,012
Theodoor Gilissen Bankiers N.V. – Netherlands[3]	100.00%	EUR	93,298,710	EUR	3,726,521
Fidef Ingenièrie Patrimoniale S.A. – France	100.00%	EUR	-2,850,400	EUR	39,518
Puilaetco Dewaay Private Bankers S.A. – Belgium[1]	100.00%	EUR	82,677,110	EUR	16,797,957

[1] Percentage of direct and indirect holdings.
[2] Provisional, social, local GAAP figures.
[3] Local GAAP = IFRS ; equity excluding reserves on the available-for-sale portfolio and cash flow hedge effects.

NOTE 39 – EVENTS AFTER THE BALANCE SHEET DATE

There was, after the closing date, no significant event requiring an update of the provided information or adjustments in the annual accounts as at 31 December 2010.

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Fixed Income	T. (+352) 2621-0122

STRUCTURED PRODUCTS + EQUITIES

Structured Products + Derivatives	T. (+352) 2621-0233
Equity Care Orders	T. (+352) 2621-0366

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Treasury	T. (+352) 2621-0311
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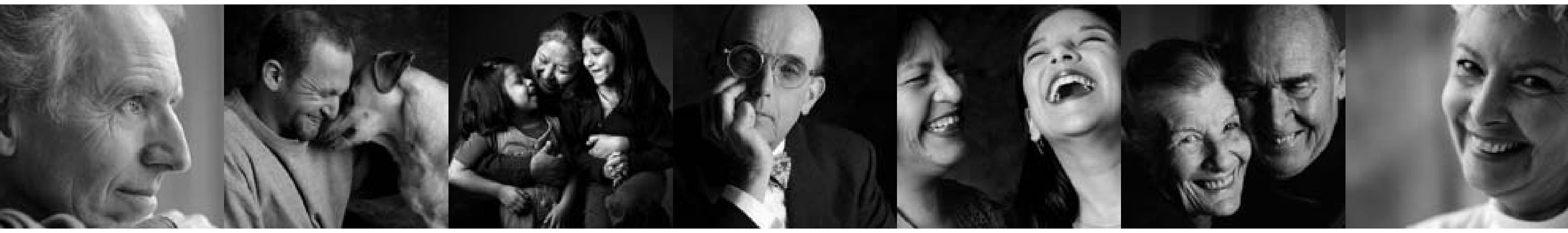
ANNUAL REPORT 2010

2011 | 2012 | 2013 | 2014 | 2015 | 2016

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 203



KBL EUROPEAN PRIVATE BANKERS

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