2013 ANNUAL REPORT

EUROPE'S PRIVATE BANKING GROUP

KBL EUROPEAN PRIVATE BANKERS

AMSTERDAM BRUSSELS GENEVA LONDON LUXEMBOURG MADRID MONACO MUNICH PARIS

2010 2011 2012 2013

ANNUAL REPORT

OUR EUROPEAN NETWORK

KBL EUROPEAN PRIVATE BANKERS

43, boulevard Royal
L-2955 Luxembourg
Luxembourg
www.kbl.lu

BROWN SHIPLEY Private Banking

Founders Court, Lothbury
London EC2R 7HE
United Kingdom
www.brownshipley.com

THEODOOR GILISSEN PRIVATE BANKERS

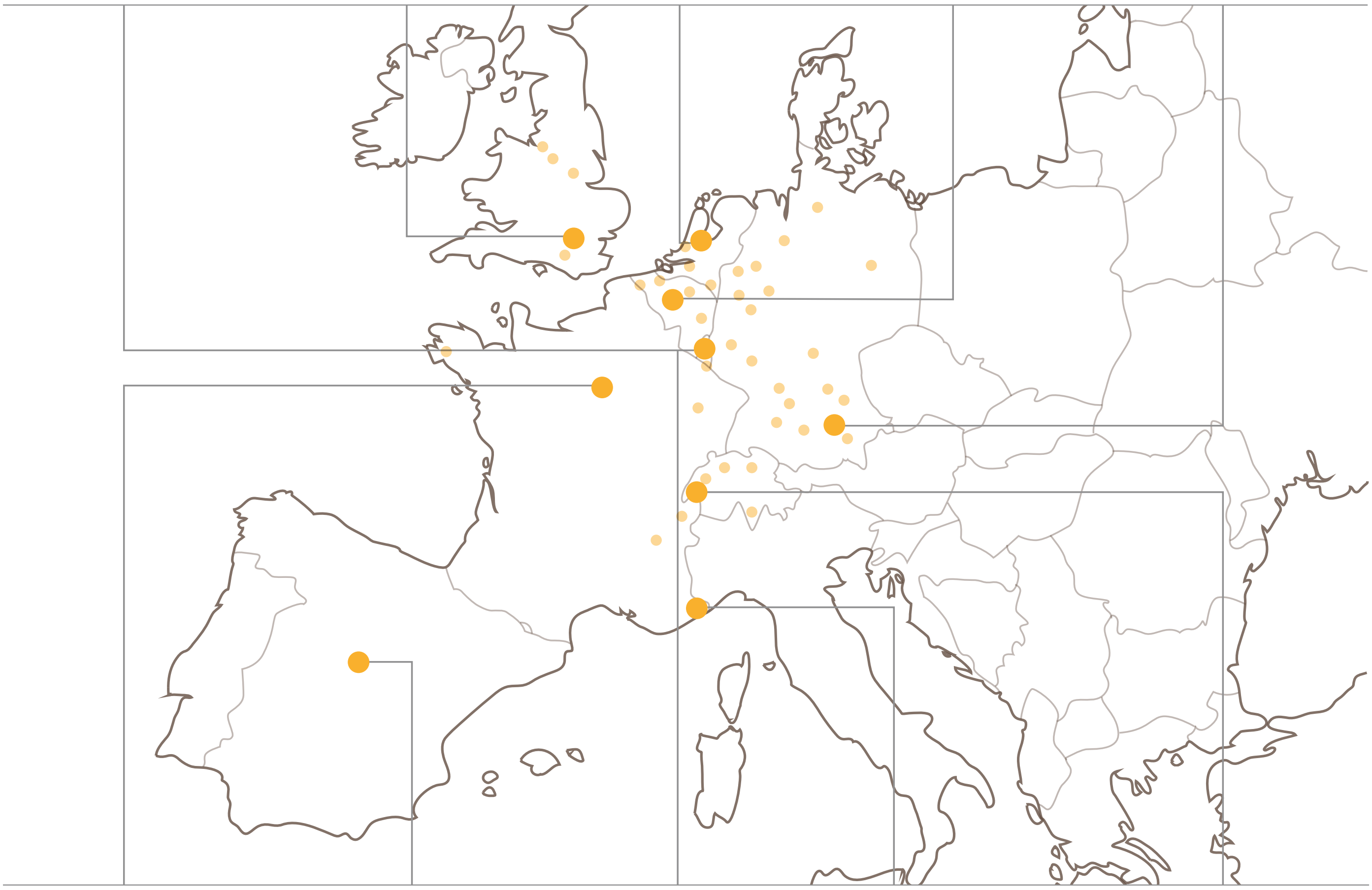
Keizergracht 617
1017 DS Amsterdam
The Netherlands
www.gilissen.nl

Puilaetco Dewaay PRIVATE BANKERS

Herrmann Debrouxlaan 46
B-1160 Brussels
Belgium
www.pldw.be

MERCK FINCK & CO PRIVATBANKIERS

Pacellistrasse 16
D-80333 Munich
Germany
www.merckfinck.de



KBL RICHELIEU

22, boulevard Malesherbes
F-75008 Paris
France
www.kblrichelieu.com

KBL ESPAÑA EUROPEAN PRIVATE BANKERS

57, Calle Serrano
E-28006 Madrid
Spain
www.kbl-bank.es

VITISLIFE inspired wealth insurance

2, boulevard E. Servais
L-2535 Luxembourg
Luxembourg
www.vitislife.com

KBL MONACO PRIVATE BANKERS

8, avenue
de Grande-Bretagne
MC-98005 Monaco
Monaco

KBL SWISS PRIVATE BANKING

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CH-1211 Geneva 11
Switzerland
www.kbs-bank.com

LETTER FROM THE GROUP CEO

We provide one-stop-shop solutions to a client base that includes individuals, business owners and families, as well as institutional clients, family offices, foundations and external asset managers

2013 was a positive year for KBL *epb*, the leading pan-European private banking group headquartered in Luxembourg.

While our decision-making center is here, more than half of our 2,225 employees are based *outside* the Grand Duchy, serving in the eight other European countries where we operate.

Based on our experience in each of these markets, we have developed a knowledge base that combines deep domestic market insight and broader international perspective. We harness that truly pan-European expertise in the training and development of our staff – and by putting it to work for our clients in our domestic markets and in hubs such as Luxembourg, where our client base reflects the diversity of our wider network.

For KBL *epb*, the previous 12-month period was marked by a return to profitability and the full implementation of the group's long-term growth strategy, including both ongoing internal transformation and significant focus on identifying potential acquisition opportunities.

In Luxembourg, where we provide a range of multi-specialist solutions to our HNWI clients, the bank adapted quickly to the requirements of a new regulatory environment – supporting impacted clients with the "onshorization" of assets, and increasing the number of staff dedicated to this critical project.

In the Grand Duchy, the bank also made a significant number of senior appointments, including to the Board of Directors and Executive Committee, enhancing our ability to meet the evolving needs of all our stakeholders.

In addition to focusing on the development of our core business of private banking, we continue to reinforce the services provided by our Asset Management, Global Investor Services and Global Financial Markets business lines, while simultaneously enhancing the life insurance contracts offered through our subsidiary Vitis Life.

Our unique value proposition is to *integrate* these competencies into a "one-stop shop" solution for a client base that includes individuals, families and business owners, as well as institutional clients, family offices, foundations and external asset managers.

Outside Luxembourg, we saw great progress last year. All of our onshore affiliates are now profitable, with our branch in Spain delivering above-budget performance.

Through our group-wide Transformation Programme, launched last year, we are focusing on the further professionalization of our approach to clients, delivering greater value to them and contributing to the group's bottom-line results.

Based on our core belief in the interdependence of our nine-country network, we invested significant effort last year in strengthening the ties that bind us as a group. That effort continues, and will accelerate, in 2014 and the years to come as this skills-based organization works toward the realization of its ambitious goals.

Extending that principle to the communities we serve, the group engaged in a wide range of corporate social responsibility activities last year – underlining our commitment in that area, and in everything we do, to our larger purpose: *Caring for generations.*

Sincerely,

Yves Stein
Group CEO

DIRECTORS & MANAGEMENT

1 *BOARD OF DIRECTORS

Jan Huyghebaert
Chairman

George Nasra
Vice Chairman

Alfred Bouckaert
Director

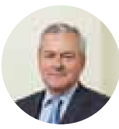
Ernst Wilhelm Contzen
Director

Frank Ertel
Director
Staff Representative

Marc Glesener
Director
Staff Representative

Nicholas Harvey
Director

Christian Hoeltgen
Director
Staff Representative



Jan Maarten de Jong
Director

Daniel Lardo
Director
Staff Representative

Laurent Mertz
Director
Staff Representative

Alan Morgan
Director

Mathias Rauen
Director
Staff Representative

Anne Reuland
Director

Philippe Ryelandt
Director
Staff Representative

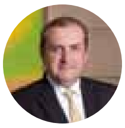
Jacques Peters
Director

Albert Wildgen
Director

Andreas Wölfer
Director

**As of December 31, 2013*

2 EXECUTIVE COMMITTEE



Yves Stein
Group CEO

Olivier de Jamblinne de Meux
CEO, Luxembourg

Marc Lauwers
Deputy Group CEO & COO

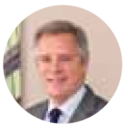
Yves Pitsaer
Chief Finance, Risk & Compliance Officer

3 AFFILIATE CEOs

Ruedi Baumgartner
KBL (Switzerland) Ltd

Tanja Nagel
Theodoor Gilissen

Jean Danckaert
KBL Monaco Private Bankers



Olivier Roy
KBL Richelieu

Rafael Grau
KBL España

Ian Sackfield
Brown Shipley

Michael Krume
Merck Finck & Co

Franck Sarre
Banque Puilaetco Dewaay Luxembourg

Nicolas Limbourg
Vitis Life

Thierry Smets
Puilaetco Dewaay Private Bankers

4 GENERAL MANAGERS

Philippe Auquier
ALM

Jean-Yves Dourte
Credit

Rafik Fischer
Global Investor Services

Stephen Friedlos
Information Technology Services

Guillaume de Groot-Herzog
Real Estate, Logistics & Procurement

Jonathan Grosvenor
Global Financial Markets

Gaelle Haag
Private Banking Strategic Planning

Olivier Hubert
Tax

Bernard Jacquemin
Wealth Management

Cédric Lebegge
Project Management Office

Philippe Mairlot
Accounting

Siegfried Marissens
Corporate Center & Legal

Nicholas Nesson
Corporate Communications

Dominique Rossignol
Deputy CFO

Vincent Salzinger
Group Compliance

Bernard Simonet
Human Resources

Anthony Swings (a.i.)
Risk Control

Thierry Thouvenot
Group Internal Audit

Philippe Van Dooren
Operations

Stefan Van Geyt
Group CIO

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

2013 IN REVIEW

JANUARY

Marking the start of the new year, and a new era, KBL *epb* launches its group-wide Transformation Programme, a set of 14 key initiatives that support ongoing, positive organizational change.

Philippe Auquier, previously Chief Financial Officer, is appointed to the newly created position of General Manager, Assets & Liabilities Management (ALM), reflecting a reinvigorated focus on the management of the group balance sheet.

Stephen Friedlos, a seasoned IT professional with nearly three decades of international experience, joins KBL *epb* as Head of the Information Technology Services department.

Nicholas Nesson – formerly Director of Strategy and Financial Services at Burson-Marsteller Middle East – is appointed General Manager, Corporate Communications.

The month of January concludes with the annual gathering of all Luxembourg-based staff to review with senior management the group's performance in 2012 and, more importantly, its vision and strategy for 2013 and beyond. Reflecting a new spirit of positive accountability among all staff, the theme of the evening is: *A Declaration of Interdependence.*

FEBRUARY

KBL *epb* announces several key appointments to its Executive Committee, including naming Yves Stein, a very senior financial services professional, as CEO, Private Banking, for the group. Almost exactly one year later, Stein – who previously held the position of CEO of Union Bancaire Privée (Europe) in Luxembourg – is promoted to Group CEO.

During the same month, Marc Lauwers is named group Chief Operating Officer. Lauwers – who brings nearly three decades of experience to his new role, including most recently as Head of Retail and Commercial Banking at Belfius Bank in Belgium – later assumes additional responsibility as Deputy Group CEO.

MARCH

Group financial results for 2012 are published: by significantly depreciating the value of certain assets and therefore cleaning up its balance sheet, the group is positioned for growth in 2013 and in the years to come. At the same time, KBL *epb* highlights that it is now actively seeking to identify acquisition opportunities in select markets in Europe.

KBL *epb* becomes a signatory to the Lëtzebuerg Diversity Charter, an initiative of Luxembourg's Ministry of Family and Integration. This follows the earlier signing by the bank of the Diversity and Equal Opportunity Charter, drawn up by the Luxembourg Bankers' Association.





APRIL

Prime Minister Jean-Claude Juncker announces that, as of January 1, 2015, Luxembourg will introduce the automatic exchange of information for all interest payments made by financial institutions in Luxembourg to individuals resident in another EU member state. KBL *epb* accelerates its efforts to assist clients with the "onshorization" of assets, and increases the number of staff dedicated to this extremely important process.

The senior management of KBL *epb* hosts a media briefing to outline the group's three-year growth strategy, including a series of 14 key initiatives that will support the realization of KBL *epb*'s vision to become a top 20 European private banking group by 2015.

At the same briefing, senior management emphasize the group's significant growth ambitions – and, critically, the full support of its shareholder to achieve its goals.

Hanif Mohamed, a senior lawyer with significant cross-border experience, is appointed Group Chief Legal Officer, tasked with supervising and coordinating the activities of all legal departments across the group's nine-country European network.

Concluding the month of April, KBL *epb* announces a significant upgrade to its IT system through migration from its existing mainframe to an open-systems solution.

MAY

Amsterdam-headquartered Theodoor Gilissen celebrates the 10th anniversary of its first sustainable index fund, which has been highly profitable since it was launched. In the last decade, the Dutch private bank has introduced three sustainable index funds, each with a specific geographic scope.

KBL *epb* introduces the Luxembourg Coordination Committee, which, as the name suggests, is primarily focused on coordinating activities in the Grand Duchy – including identifying existing inefficiencies and implementing actions to enhance performance. Olivier de Jamblinne de Meux, CEO, Luxembourg, is named Chairman of the Committee.

Brown Shipley holds its fourth annual Gulls' Eggs Luncheon in aid of Macmillan cancer research. Over 160 people attend, raising £14,839 for Macmillan initiatives in the local area.

JUNE

Theodoor Gilissen Fund Management strengthens its sustainable index investing by appointing F&C, a global investment management company, to assist with engagement activities related to its sustainable funds.

2013 IN REVIEW

JULY-AUGUST

KBL *epb* appoints Jonathan Grosvenor as Head of Global Financial Markets. He provides 25 years of experience, including as BBVA's Managing Director, Head of Corporate Clients.

In the UK, Brown Shipley's Sterling Bond Fund is the best Sterling Corporate Bond Fund in the industry, based on the previous 12-month return of 14.8%.

KBL *epb* launches its UHNWI Desk, which has been introduced to meet the specific needs of clients with a minimum of €20 million in liquid financial assets with the group.

Half-yearly financial results show that group net profit has risen to €41.9 million, up more than 300% compared to €9.7 million for the same period in 2012. This robust performance reflects the group's increased income, lower operating expenses and significantly reduced impairment provisions.

KBL *epb* introduces SuccessFactors, a cloud-based platform that supports enhanced accountability and performance among individuals, teams and business units across the group.

KBL *epb* participates in the successful launch of the first tranche of $490 million in a $2 billion short-term certificate programme issued by the International Islamic Liquidity Management Corp., whose Governing Board Members include the central bank of Luxembourg.

SEPTEMBER

Stefan Van Geyt is appointed Group CIO. He will lead investment strategy and activity across KBL *epb*'s nine markets, drawing from his experience.

KBL *epb* also announces the appointment of Franck Prévot as Head of Group Procurement, tasked with defining, implementing and managing purchasing strategy and activities across a wide range of business units.

KBL *epb* supports the Luxembourg Autism Foundation's Open Day, which provides community members with a glimpse into the lives of autistic children and adults.

Later this month, KBL *epb* hosts a group of Maastricht University students, giving them the opportunity to discuss key topics with senior management.

Vitis Life enters the Spanish market with the introduction of Vitis FlexiPatrimonium, a life insurance contract tailored to the needs of HNWIs, and Vitis FlexiRemuneration, a tool for executive remuneration.

In Germany, Merck Finck launches the innovative Triathlon Fund, a three-part investment fund that focuses on investment-grade bonds, derivatives and bonus certificates.

In France, KBL Richelieu participates as a partner in the 20th annual Salon Patrominia, a major wealth management event, attracting nearly 7,000 attendees. Vitis Life also participates.

OCTOBER

Together, KBL *epb* and Vitis Life launch a Sharia-compliant life insurance contract, becoming the first insurer to offer this service to high net worth individuals in France.

Puilaetco Dewaay earns Committed to Excellence certification from the European Foundation for Quality Management, becoming the only bank to earn this recognition in Belgium.

Munich-headquartered Merck Finck & Co appoints Joachim Gorny as Chief Finance and Risk Officer. His responsibilities include the identification, assessment and monitoring of financial risk factors and the overseeing of the balance sheet.

Also this month, *Focus-Money* magazine officially recognizes Merck Finck for its "outstanding" asset management.

In the UK, Brown Shipley supports St. Ann's Hospice's annual Ladies Fashion Lunch, a sponsorship that began in 2009. At any given time, the hospice cares for around 3,000 patients affected by cancer.





NOVEMBER

Jean Danckaert is appointed Chief Executive Officer of KBL Monaco Private Bankers. At this key moment for KBL mpb and the sector as a whole, he will drive the transformation and "onshorization" of the group's business in Monaco.

Cédric Lebegge joins KBL *epb* as Head of the Project Management Office. He will lead the coordination, monitoring and support of large-scale group projects. He joins the bank from Bain & Company, where he was a partner in the Financial Services Practice.

Also this month, Theodoor Gilissen is voted Best Asset Manager at the seventh annual Gouden Stier (Golden Bull) Awards.

Based on the newly active regulation establishing the Single Supervisory Mechanism, it is decided that KBL *epb*, due to its size and systemic characteristics, falls under the direct supervision of the European Central Bank. It will therefore undergo a risk assessment, to conclude in November 2014, that includes an asset quality review and a stress test.

For the sixth year in a row, Merck Finck receives summa cum laude ranking from *Elite Report*, in cooperation with the business newspaper *Handelsblatt*.

DECEMBER

Daniel Boos is appointed to the Executive Committee of KBL (Switzerland) Ltd, and Head of International Private Banking. In the latter role, he will develop the private banking activities of KBL spb in global markets of strategic importance, including the Middle East.

Marc Formisani, a senior professional with more than a decade of corporate finance experience, is appointed Head of Mergers and Acquisitions. Based in Luxembourg, he will lead, coordinate and execute the M&A process, in close collaboration with all relevant stakeholders.

In France, KBL Richelieu presents an award to entrepreneurs who incorporate innovative, socially minded business ideas. A jury of high-level business and community leaders in Paris determines which companies receive this award.

Also in France, KBL Richelieu organizes a major private client event at the Lyon Museum of Fine Arts. The bank, which has offices in Lyon, is a founding member of the Lyon Museum of Fine Arts Club.

Wrapping up 2013, KBL *epb*'s Flagship Fund, an actively managed fund that determines equity exposure based on "confirmed" trend indicators and other key criteria, registers a 12-month net return of 10.10%, significantly outperforming the average of comparable peers and enhancing its competitiveness in both absolute and relative terms.

KEY CONSOLIDATED FIGURES

KEY CONSOLIDATED FIGURES (Consolidated figures as of December 31)	2010	2011	2012[1]	2013
Results (in EUR million)				
Net banking income	602.6	549.3	393.5	**540.6**
Operating expenses	-503.2	-438.8	-561.3	**-425.9**
Impairments	-44.6	-99.4	-76.0	**-3.6**
Share in results of associated companies	1.6	0.6	0.0	**0.1**
Badwill	29.0			
Pre-tax profit	85.4	11.8	-243.8	**111.2**
Income taxes	-17.7	8.3	-6.1	**-26.7**
Net consolidated profit, group share	67.7	20.1	-249.9	**84.5**
Financial ratios (in %)				
Core tier one ratio – Basel II	11.3%	16.3%	12.6%	**13.5%**
Tier one ratio – Basel II	13.4%	16.3%	12.6%	**13.5%**
Solvency ratio – Basel II	21.6%	22.3%	18.7%	**18.2%**
Regulatory capital/balance sheet total	8.8%	7.0%	6.0%	**5.6%**
Loan-to-deposit ratio	17.2%	19.0%	21.5%	**23.8%**
ROAE	6.6%	2.0%	-26.4%	**9.1%**
ROAA	0.5%	0.1%	-1.8%	**0.7%**
Cost/income ratio	83.5%	79.9%	142.6%	**78.8%**

[1] Restated according to the amendment to IAS 19.
The Pillar III disclosures report will be published in first half of 2014 on the website of KBL *epb*.

(Consolidated figures as of December 31)	2010	2011	2012[1]	2013
Balance sheet total (in EUR billion)	14.7	14.8	12.9	**12.5**
ASSETS				
Loans and advances to credit institutions	4.1	4.9	2.2	**2.1**
Loans and advances to non-credit institutions	1.6	1.7	1.9	**2.3**
Equity and debt instruments	5.5	4.1	4.4	**4.1**
LIABILITIES				
Deposits from credit institutions	2.4	2.5	1.2	**1.0**
Deposits from non-credit institutions	8.1	8.2	7.4	**7.5**
of which, subordinated debt	0.8	0.3	0.3	**0.2**
Total equity	1.1	1.0	0.9	**1.0**
AuMs (in EUR billion)				
Assets under management (private banking)	44.1	39.8	40.9	**42.2**
Volume impact	+0.4%	-3.9%	-4.8%	**-2.0%**
Price impact	+5.7%	-6.0%	+7.6%	**+5.3%**
AuCs (in EUR billion)				
Assets under custody (funds & institutions)	44.1	39.9	38.6	**41.3**

(1) Restated according to the amendment to IAS 19.
The Pillar III disclosures report will be published in first half of 2014 on the internet site of KBL *epb*.

CONSOLIDATED MANAGEMENT REPORT

1 GENERAL COMMENTS ON THE RESULTS

Net consolidated profit, group share, as of December 31, 2013, was EUR 84.5 million compared to EUR -249.9 million as of December 31, 2012, (adjusted amount of +EUR 1.2 million due to the retrospective application of IAS19R).

This positive performance is due to an increase in gross income, a reduction in operating expenses and a significant reduction in impairment losses.

Whereas 2012 was marked by the completion of a long sales process, 2013 was the first full year since the implementation of the group's long-term growth strategy. This performance is particularly remarkable since the bank's willingness to grow has not yet materialized through new acquisitions. Therefore, the increase in results compared to last year was on an unchanged consolidation scope basis.

In 2013 gross income rose by 37% compared to the previous year, reaching EUR 540.6 million.

Net interest continued to fall, a result of very low interest rates on capital markets and a slight reduction in balance sheet assets.

The result realized and the valuation result on the financial assets and liabilities globally climbed to EUR 120.4 million. However, 2012 was impacted by a loss of EUR 70.5 million generated by the divestment of certain PIIGS positions intended to reduce risk.

In parallel to the increase in net banking income, the net result benefited from a significant reduction in operating expenses. These fell by 24%.

Staff costs fell by EUR 83.3 million. Even though 2012 was sharply impacted by restructuring costs, this reduction shows the efficiency of the cost-cutting measures implemented.

Administrative costs and depreciations fell by 17% and 64% respectively.

Here again, one-off elements such as impairments on IT projects of EUR 30 million were entered in the accounts in 2012.

Impairments on goodwill were EUR 0.1 million in 2013 against EUR 46.9 million in 2012.

The balance sheet total of EUR 12,468.6 million is down 4% on the year due in particular to divestments in the portfolio of "available for sale" assets and a reduction of deposits with central banks.

At the end of the financial year under review, tier one capital after deductions (calculated in accordance with CSSF Circular 06/273, as subsequently amended, defining capital ratios under Basel II) amounted to EUR 522.3 million. Consolidated solvency ratio on tier one equity and core tier one ratio stand at 13.53%.

2 CORPORATE PURPOSE

Here in Luxembourg and across Europe, we engage our clients in dialogue, provide them with independent investment advice, and strive to meet their evolving needs through a range of tailor-made services and products.

Based on our core belief in the principle of interdependence – among our stakeholders and across our network of more than 2,000 specialist professionals in nine European markets – KBL *epb* fosters cooperation and encourages entrepreneurship.

From our central hub in Luxembourg – with the ability to share information and resources seamlessly and efficiently across our footprint – we serve our clients through an operational model that allows us to combine broad pan-European perspective and deep local insight.

As a group, we look to the future with ambition and confidence, focusing on our mission to be a preferred European private banking group that cares for clients and colleagues as if they were members of our own family, always putting their long-term well-being first.

We have defined a clear strategy for even greater success and are confident that we can realize our vision to become a top 20 European private banking group by 2015. To achieve our ambitious goals, we are today in the midst of group-wide transformation.

With the full support of our shareholder – Precision Capital, a Luxembourg-based bank holding company – KBL *epb* is consolidating its presence across Europe, including through potential acquisitions. Simultaneously, we are expanding our horizons to capture future opportunities in high-growth emerging markets.

Complementing our core private banking activities, we provide a range of additional investment solutions through our Global Investor Services, Global Financial Markets and Asset Management departments.

At KBL *epb*, our aspiration is to serve as a trusted advisor, investor and employer whose larger purpose – *caring for generations* – informs everything we do, every single day.

With a multi-local presence spanning Europe, centuries of collective heritage and a shared commitment to personalized service, KBL European Private Bankers *cares for generations*

2.1 MISSION

Our mission is to be a preferred European private banking group that cares for clients and colleagues as if they were members of our own family, always putting their long-term well-being first.

In line with this mission, we seek to serve as a trusted advisor to our private banking clients, acting as a trusted investor on their behalf, earning their confidence by committing ourselves to:

- Listening carefully to each client's needs
- Developing personalized, long-term relationships
- Communicating with every client clearly and transparently
- Managing each portfolio proactively and with foresight

Recognizing the vital importance of building and sustaining such relationships by adhering to these principles, we offer ongoing, objective advice adapted to the profile of each individual client.

Through sustained dialogue with our private banking clients, KBL *epb* provides tailored investment strategies, which are flawlessly executed by our specialist advisors based in Luxembourg and across our European network.

Just as importantly, we seek to be perceived as a trusted employer.

Informed by our core belief in the principle of interdependence, we promote both entrepreneurship and collaboration among all our staff. Within this framework of positive accountability, every employee understands the importance of their individual contribution to our shared success.

To that end, we provide ongoing professional development opportunities so that all KBL *epb* staff, across our network, can realize their full potential.

As an employer of choice in all the markets in which we are present, KBL *epb* encourages its staff to be active participants in their local communities, including through the bank's various corporate social responsibility initiatives.

2.2 VISION

Our vision is to become a top 20 European private banking group by 2015.

Already an established leader in private banking, KBL *epb* will further consolidate this position in future, including through both organic and inorganic growth, supported by the full commitment of its shareholder in this regard.

At the same time, we will continue to reinforce the services provided by our Asset Management, Global Investor Services and Global Financial Markets departments.

2.3 GROUP EMPLOYEES

As of December 31, 2013, the KBL *epb* network included 2,225 individual staff, 7.5% lower than 2,406 at the end of 2012. Of the group's 2,225 employees, some 56% work in subsidiaries outside Luxembourg.

2.4 INTERNAL TRANSFORMATION

At KBL *epb*, we are rising to the challenge of change, seizing new opportunities to further professionalize our approach to clients, deliver greater value and contribute to bottom-line results.

This is why, in 2013, we launched our Transformation Programme – which includes a range of group-wide initiatives, each of which has Executive Committee-level ownership. This ongoing programme is critical to our success, and our vision to become a top 20 European private banking group by 2015.

2.5 CORPORATE GOVERNANCE

KBL *epb* is committed to the highest standards of corporate governance in all its activities, and, over the past year, has put in place an enhanced organizational structure to meet the needs of the group – and its clients – today and in the future.

Through new appointments to the Board of Directors and Executive Committee – staffed by highly respected industry leaders who are empowered to oversee and manage the bank's operations – we are ensuring that the group's sustained growth journey will be informed by the core values of transparency, accountability and integrity.

3 OUR CORE PROFESSION: PRIVATE BANKING

Private banking is the core business of KBL European Private Bankers.

Already firmly established as European leaders, we have started to consolidate this position with the full support of our shareholder.

With our teams of private bankers and their local know-how based on knowledge of international practices, we are continuing to expand our private banking activities, maintaining our client-focused approach, while at the same time favoring innovation and diversity. We are also attaching greater importance to electronic banking products and services.

Throughout the group, our wealth management services are distinguished not only by their variety and quality, but also by an overall partnership approach, informed by long-term analysis and founded upon our belief in the importance of holistic portfolio management.

Our approach does not consist of offering the same products and strategies to everyone. Whether we are managing today's wealth or structuring tomorrow's inheritance, our clients benefit from an approach that is open, independent and individually tailored to their specific needs.

It is from this perspective that we intend to further develop a high-end clientele, whom we will offer personalized, added-value service.

PROVEN PROFESSIONAL EXPERIENCE

Our teams have professional experience in areas such as portfolio management, investment advice, and financial and estate planning.

At KBL *epb*, our broad array of portfolio management services provides significant added value for clients. By highlighting strategic investment opportunities and offering tailored solutions, we take into account the specific requirements and risk appetite of each client.

Our investment advisers – including portfolio management specialists, analysts, lawyers and tax experts – guide each client to the right solutions to meet their needs.

Our ongoing focus is to safeguard and grow our clients' wealth. Whether by investing in equities, derivatives, fixed-income or structured products, or KBL *epb* or third-party funds, we take into account the risk-return potential of each investment, which we tailor to each client's specific objectives.

When it comes to financial and estate planning, our aim is to provide investment strategies and wealth management solutions based on a detailed analysis of each client's assets, so that capital is preserved and can be passed on to future generations in the best way possible.

CLIENT FOCUS

At KBL *epb* our success comes from the fact that, as an organization, we are wholly focused on our clients.

The client is at the center of the relationship and constitutes our priority.

We also understand the importance of regular communication, especially during periods of increased volatility, and remain in constant contact with our clients, providing transparent reporting of the management of each portfolio.

As we mark a new beginning in the more than 60-year history of the group we will therefore continue to build upon our heritage as European private bankers, demonstrating our ongoing commitment to earning the trust of our clients each and every day.

4 THE HUB SERVICE CENTER

KBL *epb* has developed for its members a set of ICT and operational services in Luxembourg grouped in the Hub Service Center concept. The Project GOLD (Generate excellence in Operations, Lean processes and Dashboards) was launched in 2012 and aimed at the improvement of services to clients, efficient cost management, synergies, review of processes, the development of performance dashboards and the centralization of support functions. The project resulted in a new Target Operating Model (TOM) that went live in the first half of 2013.

The new TOM demonstrated its value when the Hub managed throughout 2013 to cope with a significant increase in volumes while maintaining a structurally lower cost level. With its focus on continuous improvement and new managerial roles, the model inspired the launch of GOLD 2, incorporating all remaining operational tasks into the new organizational structure.

In 2013 we continued our efforts to optimize the use of technology across the group, sharing the scale benefits of our Luxembourg Hub both as a center for hosting and managing group technology, and as a center of expertise from which we support local technology teams in our subsidiaries.

Technology continues to play a vital role in our operational efficiency and in the delivery of service excellence to clients.

2013 was a notable year for investment in our technology infrastructure; we have initiated a number of projects to refresh or enhance key elements of our core infrastructure, giving the group added systems resilience, performance, scalability and functionality for the future. As well, we launched a new group procurement function and group-wide procurement optimization project.

The group is going through a Transformation Programme. As part of the COO function, a Project Management Office was installed. Its mission is to ensure feasibility of the KBL *epb* project roadmap while the scope is expanding, capturing interdependencies and resources constraints. The PMO ensures transversal control of execution at all times, with a proper challenging of initiatives.

5 COMPLEMENTARY NICHE ACTIVITY

5.1 GLOBAL INVESTOR SERVICES

In parallel with our private banking business, in Luxembourg we have a second core business closely linked to the specifics of the financial center. Since its launch in 2007 our Global Investor Services (GIS) has been centralizing all the services and skills in the bank and making them available to non-private clients. The sectors in which GIS professionals work are primarily those linked to the undertaking for collective investment (UCI) industry and to market-based activities for professional and institutional clients. Their aim is to develop these services and generate new business relationships.

Within GIS, some 40 experts provide tailor-made services to professional and institutional clients and offer them products and services developed within the bank and more particularly within the dealing room. They are assisted in their task by technical devices, such as the Hub's integrated operational platform and the financial communication and information systems eKBL, AMP, Bloomberg and Reuters.

In 2013 the world economy and, in particular, developed markets showed signs of renewed vigor and posted global growth of 2.5% at the end of the year. The positive stock market performance and the stability of our clients' funds in terms of subscriptions and redemptions, as well as the commercial successes in the acquisition and extension of our business relationships contributed to a sharp increase in our net assets.

The UCI & Global Custody Services, experts in the field of administrative and banking services, essential for the smooth running of the UCI of our professional and institutional clients, now have clients from the four corners of the globe; from the US to Singapore to the Middle East.

This year again, we want to highlight the impressive evolution of non-domiciled finds with KBL *epb*, which have risen sharply.

Activities linked to our skills and market activities have also profited from the growth in assets of our institutional and professional clients and have had very good financial results generated by a marked increase in foreign exchange transactions, intermediation on third-party funds and equities. They met with the approval of investors who, expecting markets to rise and having large cash reserves available, made massive investments in equities, mainly US and from emerging markets.

GIS is staffed by some 40 experts, who provide tailor-made services to professional and institutional clients, offering them products and services developed by KBL *epb* and within our dealing room

5.2 CENTRAL UCI ADMINISTRATION

LUXEMBOURG, EUROPE'S LEADER

Just as in 2012, the Luxembourg investment fund sector rose almost continuously throughout the year. At the end of December 2013, net assets in the Luxembourg financial center rose 9.69% to reach a new all-time high, for the second year running of EUR 2.615 trillion against EUR 2.384 trillion at the end of 2012. In the summer of 2013, net assets fell slightly, only to pick up again quickly. The rise of EUR 231 billion was made up of 84% net issues (EUR 194 billion) and 16% positive financial market effect (EUR 38 billion).

In 2013 promoters and initiators from 61 countries again became active in launching structures and UCI sub-funds: net UCI structures increased 1.6% (+61 units) in 2013 while the number of sub-funds rose 2% (+265 units). As seen in previous years, Specialized Investment Funds (SIF) increased most with 77 new units, while UCI under Part I and Part II of the 2010 Law were less successful – up 16 and down 32 units respectively.

Luxembourg strengthened its first-place ranking in Europe. With its 3,902 structures and 13,685 sub-funds, the country is, after the United States, still the second global market for investment funds.

For the first year the United Kingdom entered the top three countries for promoters (market share in percentage of total net assets); this now comprises the US (22.7%), Germany (15.2%) and the UK (15.1%); Switzerland (14.3%) closed 2013 in fourth place.

Through various initiatives, ALFI (Association of the Luxembourg Fund Industry) and LFF (Luxembourg for Finance), are continuing to promote the financial center in Asia, the Middle East and Latin America, territories that are now distribution markets of prime importance for Luxembourg funds and also of growing interest for players from these regions for launching their own Luxembourg investment funds.

In 2013, once again, alternative investment funds in the form of Specialized Investment Funds (1,562 units at the end of December 2013) or in the form of venture capital investment companies (Sociétés d'Investissement en Capital à Risque; 280 units at the end of 2013) met with clear success. As indicated above, with a net rise of 77 structures, it is once again the SIF – a flexible but regulated vehicle introduced just over six years ago – which performed best. The majority of them are funds that follow an alternative investment strategy in the widest sense: property, non-listed companies, hedge funds, micro-finance, new energy, socially responsible investments, etc.

In regulatory terms, the following were on the agenda:

- The AIFM (Alternative Investment Fund Managers) Directive regulating the managers of alternative vehicles and indirectly also alternative funds - the Directive of July 2011 should be transposed into the various national legislations by July 21, 2013, at the latest. In Luxembourg this was done last July when the Law of 12 July on alternative investment fund managers entered into force.

- The professional European passport for alternative managers and their alternative investment funds introduced by this new Directive now offers opportunities to many initiators and will undoubtedly have a positive effect on the UCI business in Luxembourg. Consequently, alternative funds such as SIF, SICAR and Part II funds should still have a rosy outlook.
- 2013 was also marked by the implementation of the requirements of the European UCITS Directive (UCITS IV) and also by discussions on the next version of this Directive (UCITS V) expected in mid-May 2014 (with a two-year grandfathering period), which will deal with subjects such as the responsibility of the custodian bank and managers' remuneration.

EVOLUTION OF ASSETS MANAGED BY KTL

In 2013 the net assets of the 85 UCI structures, totalling 612 sub-funds being managed, reached EUR 29.7 billion, up EUR 1.2 billion (4.2%) on 2012. A considerable number of new business relationships with promoters worldwide started in 2013.

EUROPEAN FUND ADMINISTRATION

Since 1998 KTL – a specialist subsidiary of KBL *epb* – has served as the central UCI administration entity and 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 2013, EFA was managing over 2,687 sub-funds containing total net assets worth EUR 107 billion for 215 clients.

Since its launch in 2007 EFA Private Equity, the business line handling services for real estate funds and venture capital/private equity, has been offering its specialized services to more than 100 clients. With more than EUR 11 billion in assets under management, EFA Private Equity is the main provider of administrative and accounting services for regulated capital investment and real-estate vehicles in Luxembourg.

Finally, within the context of new regulations and requirements introduced by UCITS IV and AIFMD, EFA has developed numerous additional services to support the various players in fields such as governance, risk management and performance analysis, investment limits, eligibility and the valuation of targeted investments.

5.3 GLOBAL FINANCIAL MARKETS

2013 was a year of contrasting fortunes in financial markets, with equities delivering another stellar year while fixed income markets suffered significant reversals as the yield curve steepened on both sides of the Atlantic. There was a similar polarization of performance between developed and emerging markets, as evidenced across all geographies in currency, equity and fixed-income markets. Meanwhile, central banks intensified their efforts to peg short-term interest rates at rock-bottom levels, complemented by a full suite of open market operations, forward guidance and quantitative easing.

With the Dow Jones recording its best year since 1998, Japan's Nikkei a standout performer and European and UK stocks also rallying strongly, Global Financial Markets was well positioned to advise and deliver investment solutions for our private and institutional clients into equities, exchange-traded funds and bespoke structured products.

Fixed-income markets started 2013 nervously, but were particularly spooked by the Federal Reserve Chairman's comments regarding a possible tapering in quantitative easing in May, prompting a 100 basis point rise in yields over 60 days. The European market response was fully correlated, and thus began the rebalance between assets generating capital gains and those offering yield, with emerging markets and precious metals – particularly gold – being the clear losers. Over the year, gold lost more than a third of its value and recorded its first retracement since the millennium, although trading volumes for Global Financial Markets remained stable, and we consolidated our position as the leading trader and custodian of precious metals in Luxembourg.

Against the rising yield curve, the switch from emerging to developed fixed income markets dominated, with the peripheral European markets particularly benefiting from the ECB's monetary stimulus. Nevertheless demand for this bellwether product continued to grow, and we participated in more than 750 different new bond issues across a broad swathe of markets, industries, currencies and maturities in response to client demand. Indeed, as the only European Primary Dealer on a $2 billion short-term certificate programme for IILM, KBL *epb* was awarded "Deal of the Year" and "Sukuk Deal of the Year" at the 2014 Islamic Finance Awards.

On currency markets, we noted the euro's persistence strength, a recovery in sterling but above all a 25% retreat in the yen under the reflationary policies of Shinzo Abe, prompting a corresponding rally in Japanese equities. From Global Financial Markets, we continue to hedge our customers' currency exposures in all major convertible currencies, on both outright and forward bases.

In July 2013, we appointed a new General Manager of Global Financial Markets, with a mandate to reorganize and refocus our trading activities in Luxembourg and throughout the group. Initiatives have been already adopted in equities, fixed income and funds trading, while we continue to reposition GFM to best serve our clients' interests.

2013 IN REVIEW: AFFILIATES

BROWN SHIPLEY

2013 was a very interesting yet challenging year for UK-based Brown Shipley, and one that ultimately resulted in an excellent contribution to overall group performance.

Every one of our 232 employees contributed significantly to our performance over that 12-month period. Thanks to that commitment, we are convinced that we have a great opportunity to further grow and develop in 2014.

As part of the group-wide Transformation Programme, our initial venture in this regard led to the launch of a dedicated Transformation Team at Brown Shipley. This team will be at the forefront of change management within our organization for years to come, and is complemented by the Group Project Management Office, from whom we seek regular input and advice on our own transformation journey.

Specific work was undertaken in 2013 in relation to pricing, which has resulted in the roll-out of new fee structures for our discretionary clients, while also giving us the opportunity to re-launch our advisory and execution-only offerings, which will happen in the first quarter of 2014.

We continued our initiative to recruit new private bankers in 2013, as part of our semi-organic growth plans. With three new hires last year and a number of high-quality potential private bankers in the pipeline for 2014, recruitment will significantly aid our own growth ambitions. Additionally, we will consider growth via acquisition should such opportunities arise in 2014.

We started 2014 with a new senior management and corporate governance structure in place, and welcomed Hugh Titcomb as our new Head of Private Banking in January 2014. In addition, we have restructured our Board membership in line with KBL *epb*'s new governance framework. In the heavily regulated UK environment, this new structure will support our continued progress, positioning us well for future growth opportunities.

KBL ESPAÑA

Established in 2011, KBL España is headquartered in Madrid, with offices in Barcelona, Murcia and Las Palmas. We offer clients the flexibility of private banking relationship management from Spain with the ability to domicile assets in the KBL *epb* market of their choice.

As a greenfield operation in the very large Spanish market, we believe that there is enormous opportunity for future growth – both organically and, potentially, through acquisitions.

In 2013, during only our second full year of operations and despite the lingering impact of the financial crisis, the bank witnessed significant expansion in terms of both assets under management and total revenues.

Meanwhile, in addition to asset management and tax and estate planning, our range of tailored wealth management solutions has grown over the last year to include:

- Spanish SICAV and Luxembourg SIF
- Collective SICAV
- Unit-linked insurance
- Structured deposits
- Short, medium and long-term financing as an integral part of the service required by HNWI and UHNWI clients in the Spanish market
- Acting as intermediaries for property/ corporate divestments

The majority of our clients are high net worth individuals. We provide them with customized asset management services, with the objective of analyzing each client holistically to provide a complete wealth management solution that takes into account more than purely financial factors.

Working closely with our colleagues in Luxembourg and across Europe, we are identifying further opportunities for cross-border cooperation, enhancing our ability to provide clients with both deep insight on the Spanish market and broader international perspective.

KBL MONACO PRIVATE BANKERS

2013 marked a new beginning for KBL Monaco Private Bankers, which provides bespoke, high-quality service to both resident and international clients.

The appointment of Jean Danckaert as Chief Executive Officer, in the fourth quarter of last year, was a truly milestone announcement in the bank's nearly 20-year history. At this key moment for KBL mpb and the sector as a whole, Danckaert is now driving the transformation and "onshorization" of the business in Monaco.

Having held a range of senior management positions at private banks in the Principality over the last two decades, Danckaert is focused on ensuring that KBL mpb provides its clients with an even higher level of personalized service and access to an even greater range of products.

With a team of more than 50 experienced, committed professionals in Monaco – supported by some 2,000 KBL *epb* colleagues across Europe – KBL mpb provides the full spectrum of financial solutions, including:

- Investment advisory
- Portfolio management
- Specialized services, including brokerage, wealth insurance and credit solutions

Additionally, the bank provides an integrated, multilingual platform for external asset managers and family offices, which benefit from a range of flexible investment services and solutions for their own end clients.

Based in one of Europe's major international private banking centers, KBL mpb operates from a politically and economically stable financial hub with optimal regulations that support the private banking needs of both resident and international clients.

Since its founding in 1996, KBL mpb has stood out due to the quality of service we provide and the long-term nature of our client relationships. As we mark this new beginning and look to the future with renewed confidence, those core values will not change.

KBL RICHELIEU

2013 was a positive year for KBL Richelieu, a French private bank on a human scale.

Building upon our long experience, the bank increased its market share across each of its three business lines, which serve private clients, institutional clients and independent financial advisors (IFAs). At the same time, we continued to expand our horizons to capture future growth opportunities.

Belonging to KBL *epb*, an ambitious European private banking group, supports our ability to serve an increasingly global client base. KBL Richelieu is also able to drawn upon in-house savoir-faire to meet the complex requirements of our private clients, while simultaneously broadening our offering for institutional clients and IFAs.

In 2013, we continued to demonstrate to institutional clients the significant appeal of the Undertakings for Collective Investment in Transferable Securities (UCITS) offered by KBL Richelieu Gestion, our asset management arm. As a consequence, KBL Richelieu Gestion was entrusted with a range of new management mandates over the course of last year.

In parallel, our fund managers reached out beyond our domestic borders – to countries such as Belgium, Luxembourg, Monaco and Switzerland – as part of an ongoing geographic diversification strategy.

Indeed, the strong historical performance of KBL Richelieu Gestion is a key differentiator, not just for our advisory business but across each of our primary lines. That includes, in particular, the positive ranking of our UCITS and, more generally, the broad recognition of our fund managers as thought leaders in France.

Another differentiator for KBL Richelieu is the quality of the service we provide. Recently, we were very pleased to have been recognized for excellence in that regard by Gestion de Fortune, a leading magazine that covers the French private banking sector.

We are proud to have received such acknowledgment, and share the credit for it with all our staff, who work so hard on behalf of our clients – striving each day to meet their individual needs and maintain their long-term trust.

The strong historical performance of KBL Richelieu Gestion is one of the key differentiators for the Paris-headquartered private bank

KBL (SWITZERLAND) LTD

Founded in 1970, KBL (Switzerland) Ltd provides global perspective rooted in traditional Swiss values. With over 100 staff operating from Geneva, Lausanne, Zurich and Lugano, we are always close to our clients – working with them to meet their evolving expectations, including during periods of significant external change.

2013 was just such a period for the private banking sector in Switzerland.

Last year, at an historic moment for the sector, amidst increasingly complex regulatory requirements, KBL *spb* launched a major internal transformation programme. We realigned our strategic priorities to ensure long-term stability, while at the same time ensuring compliance with new intergovernmental agreements and rules in force in our target markets.

Our first priority was to define markets of strategic current and future importance. Simultaneously, we redoubled our efforts to assist existing clients with the "onshorization" process.

We also reviewed and revised our range of products and services, placing particular emphasis on increased specialization. At the same time, we invested in increased training for our client advisers, including on the key topic of regulatory affairs.

Importantly, we strengthened both our Compliance and Risk Management departments to ensure that to we can meet these new systemic challenges.

By the end of 2013, nearly all of this work was complete.

In 2014, like many of our peers, KBL *spb* will continue to invest significant energy in the successful resolution of the private bank's status vis-à-vis the new US regulatory framework, ensuring the full application of relevant regulations with complete peace of mind.

During this transitional period, we see a significant opportunity for this local private bank that is part of a larger, pan-European group. Indeed, the ability to share knowledge and resources has never been more critical to our success – and to that of our clients.

MERCK FINCK & CO

As an experienced, broad-based asset manager, Munich-headquartered Merck Finck & Co offers a wide spectrum of solutions for our high net worth clients. Indeed, with 16 offices and 340 employees across Germany, we build upon 140 years of experience to forge strong relationships founded upon mutual trust.

Key milestones last year at Merck Finck & Co included the appointment of Joachim Gorny as Chief Finance and Risk Officer. The German KBL *epb* affiliate also invested significant efforts in hiring experienced private bankers, thus extending its impact within the large German market.

As part of the group-wide Transformation Programme, the bank introduced a new, transparent and fair pricing model in 2013. Moreover, varying client needs are now met by tailored relationship management solutions for each segment.

Over the same period, Merck Finck & Co launched two major IT projects to ensure that our Portfolio Management and archiving systems remain up to date.

In 2013, investors continued to face the prospect of diminishing yields in the bond market. At the same time, client focus on asset protection remained unchanged. Our investment team therefore developed the Triathlon Fund, which aims to combine different strategies by linking a bond investment to a conservative option selling strategy. The combination of these elements offers an above-average yield, based on a conservative investment approach, in a single product.

Inspired by KBL *epb*'s ambition to become a top 20 European private banking group by 2015, Merck Finck & Co is likewise focused on growth – both organically and inorganically. We see a special opportunity to do so in the German market, where many HNWI and UHNWI clients are eager to identify a private bank that can meet their special requirements.

Finally, the outstanding quality of our advisory services was again recognized by leading media such as the *Handelsblatt Elite Report* and *Focus-Money*.

PUILAETCO DEWAAY PRIVATE BANKERS

2013 was a landmark year for Brussels-headquartered Puilaetco Dewaay Private Bankers, which operates seven offices across Belgium.

During the course of last year, our ongoing pursuit of excellence was acknowledged by the European Foundation for Quality Management, making us the only Belgian bank to have earned *Committed to Excellence* certification from the EFQM.

We see this acknowledgement not as an end, but as the beginning of our further growth: it is a milestone on our journey towards becoming the most trusted private bank in Belgium.

In 2013, we substantially improved our commercial organization – attracting a range of new private bankers and significantly enhancing the tools we use to serve our clients.

Investing in people – including appointing a new Chief Strategist as well as a new Head of Credit – and communicating the depth of our expertise were also key in 2013. Over the same period, we provided a total of more than 500 days of training for our private bankers and managers as part of our commitment to lifelong learning.

Following the announcement by the Belgian government that 2013 would be the last period of fiscal amnesty for those with holdings abroad, Puilaetco Dewaay worked closely with relevant clients to guide them through this process – providing deep insight and local expertise.

Partly as a consequence of the "onshorization" process and also through our renewed commercial vigour, we attracted a significant number of new clients throughout the year, and exceeded earlier forecasts in this regard.

Finally, at a time when technology is more important than ever, we improved our existing platforms and processes, and remain focused on achieving progress in this important area.

For all of those reasons, for all of us at Puilaetco Dewaay, 2013 was a year to be proud of.

BANQUE PUILAETCO DEWAAY LUXEMBOURG

For the financial services sector in Luxembourg, no event in 2013 was more important than the announcement by the government of the upcoming automatic exchange of information with EU and American tax authorities.

At Banque Puilaetco Dewaay Luxembourg, we have long been preparing our clients – and ourselves – for this significant moment. As anticipated, throughout the year, we received an increasing number of requests from clients, particularly those resident in Belgium, to transfer their accounts to their country of residence.

That's precisely why we proactively forged strong third-party management agreements with our parent, Puilaetco Dewaay Private Bankers in Belgium, and then strengthened them further in 2013.

Introduced over the past several years, these third-party management agreements took concrete form last year, and now concern a significant percentage of the clientele of Puilaetco Dewaay Luxembourg.

This solution allows any Belgian client of the bank to have their account domiciled in Belgium while continuing to be served by their trusted private banker from Puilaetco Dewaay Luxembourg.

Over the course of this year, we expect to conclude similar agreements with other KBL *epb* affiliates, including in France and in Switzerland.

At the same time, we maintained our ongoing focus on the development of our private banking activities. To that end, we hired two new Senior Private Bankers with primary responsibility for the development of our French client base.

Indeed, since 2010, we have put in place a policy of hiring Senior Private Bankers specifically to develop new assets. Over the past four years, this strategy has borne significant fruit – and will continue to be pursued in 2014 and beyond.

Last year, we launched an initiative to automate the production of certain key documents, such as annual statements for our private clients, to ensure greater consistency and efficiency. This represents a small but important step in the ongoing modernization of our operations.

Overall, despite the significant challenges facing the sector as a whole, we met all of our objectives for 2013. As a consequence, we are confident about our outlook for this year – and for those that follow.

THEODOOR GILISSEN

2013 was transformative for Amsterdam-headquartered Theodoor Gilissen, founded more than 130 years ago.

As part of a group-wide strategic review initiated in 2012 by our parent, KBL *epb*, we jointly identified the need to carry out several key actions at Theodoor Gilissen, including increasing our asset base, optimizing our cost-to-income ratio and adding greater value to our overall service offering.

We then developed specific initiatives to address these challenges, including:

- Reshaping our private banking service offering and pricing model, based on co-creation efforts with clients
- Enhancing the efficiency of our sales force
- Upgrading our online service offering
- Improving and tailoring investment information and research

In 2013, our focus was on the implementation of these initiatives.

In that regard, our efforts unquestionably paid off: profitability was restored, with annual performance significantly up from the previous year, and a substantial number of new client relationships were established.

Last year, we continued to safeguard and nurture our strong reputation in the Dutch market. To that end, the bank maintained its excellent solidity and strong liquidity positions, well above the market average and minimum required levels. Also, our robust risk framework to control strategic and tactical risks (in place since 2011) was reviewed and approved by the Supervisory Board.

In 2013, our investment team delivered strong returns on discretionary portfolios. Meanwhile, Theodoor Gilissen was voted Best Asset Manager at the seventh annual *Gouden Stier* (Golden Bull) Awards. An independent jury of experts reached that decision after considering criteria that included comprehensiveness, transparency, cost, explanation of risks, portfolio structure and client focus.

As always, we maintained our commitment to best practice corporate governance, as well as soundly managed operations. Ongoing attention was also given to our corporate culture – including the our vision, mission and core values – ensuring that we keep in mind the needs of all our stakeholders in everything we do.

VITIS LIFE

2013 was a year of multiple achievements for Vitis Life, a Luxembourg-headquartered provider of à la carte wealth solutions for clients in Belgium, France, Italy, the Netherlands and Spain.

Indeed, several major projects were launched last year, enhancing our offering of high-end life insurance contracts and positioning Vitis Life as a major participant in the pan-European life insurance market.

Vitis Life entered the Spanish market in September 2013 with two different life insurance contracts: Vitis FlexiPatrimonium, a life insurance contract dedicated to high net worth individuals, and Vitis FlexiRemuneration, a life insurance tool for executive remuneration. To market these two new products in Spain, we recruited two Spanish Country Managers with significant private banking experience.

In France, we launched our first Sharia-compliant product for that market: Amâne Exclusive Life. This contract is the result of close cooperation among Vitis Life, KBL *epb* and the Independent Islamic Finance Committee in Europe (CIFIE).

Vitis Life and KBL *epb* worked together to launch this life insurance contract that fully adheres to the principles of Islamic finance, obtaining a *fatwa* (legal judgement) approving that product in October 2013. We thus became the first life insurer operating under the Freedom to Provide Services from Luxembourg Act to offer Sharia-compliant life insurance to high net worth individuals in France.

Finally, Vitis Life partnered with KBL *epb* to offer clients of the private bank in Luxembourg accidental death cover when signing or renewing any discretionary or advisory mandate – another example of the kind of intra-group cooperation that is driving our shared success.

NON-CONSOLIDATED MANAGEMENT REPORT

1. GENERAL BALANCE SHEET PERFORMANCE

At the end of 2013, KBL *epb*'s balance sheet totalled EUR 8.4 billion and remains stable, both in size and structure, compared to the end of 2012 (+EUR 0.2 billion).

Under the aegis of Precision Capital for more than a year, a Luxembourg-based bank holding company, the bank has begun an internal Transformation Programme and redefined its investment strategy. At the end of 2012, KBL *epb* consequently decided to exit a series of bond and asset-backed securities investments - where the underlyings are situated in peripheral eurozone countries - to reinvest the cash in a new bond portfolio.

The bank is continuing its relaunch of loan activity on a securitized base and has slightly raised the volume of its reverse repo interbank operations.

Thanks to the quality of its assets, KBL *epb* is maintaining a high liquidity ratio of 51.2%. The Basel II solvency ratio and the core tier I ratio both remain very comfortable at 32.9% and 27.9% respectively.

2. NET INTEREST AND COMMISSION MARGIN

Interest margins, held since the beginning of the crisis, are 6% lower compared to 2012, at EUR 53.3 million.

Net commissions rose more than 3% to EUR 87.5 million. KBL *epb* showed its ability to manage proactively the "onshorization" process and kept most of its clients in Luxembourg or within the group.

3. DIVIDEND

Dividend income (EUR 19.4 million) fell by 24.4%, mainly with group companies.

4. SECURITIES INCOME

KBL *epb* posted securities income of EUR 30.2 million, mainly on the sale of equities exposed to Asia. In 2012 KBL *epb* posted a loss on the sale of PIIGS positions of EUR 70.5 million.

5. OPERATING EXPENSES

The restructuring plan begun in 2012 combined with a policy of operational efficiency reduced expenses by 38% and now total EUR 154.9 million (2012: EUR 249.5 million).

6. IMPAIRMENT

The annual impairment tests led to a write-down of EUR 26.4 million for KBL (Switzerland) Ltd.

7. 2013 NET RESULT

As of December 31, 2013, KBL *epb* recorded a net profit of EUR 35.2 million.

For detailed figures please refer to the Annual Accounts.

APPENDICES

APPENDIX 1
DEPOSIT GUARANTEE

Since December 31, 2013, KBL *epb* has had, in accordance with CSSF Circular 13/555, a system allowing it, should the bank become insolvent, to rapidly produce a Single Customer View file for the Association pour la Garantie des Dépôts Luxembourg (AGDL – Deposit Guarantee Association Luxembourg) covering all cash accounts and personal information for clients benefiting from the deposit guarantee. This file also includes clients from the Spanish subsidiary.

This guarantee covers natural persons and small-scale legal bodies (under certain conditions) headquartered in a member state of the European Economic Area and consists in compensating them, in the case of the insolvency of an establishment which is a member of the AGDL, for their cash deposits in this establishment. This guarantee is limited to EUR 100,000 per person.

APPENDIX 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 tasks of KBL & Group Compliance encompass the identification and management of compliance risks, as well as the implementation of an awareness-raising policy, corrective measures, internal reporting and relations with the Public Prosecutor and the CSSF in the field of money laundering. It actively helps the managing bodies in the management and control of these risks.

Its major areas of intervention are:

- The fight against money laundering and the financing of terrorism
- Investor protection (MiFID, market abuse, customer complaints, conflicts of interest, etc.)
- Professional ethics (codes of conduct, compliance manuals, etc.) and the fight against fraud
- Data protection (including banking secrecy)
- Prevention of risks linked to cross-border business

The threefold role of advice, prevention and control in these various areas of intervention form the core work of Compliance. The latter also monitors compliance risks and their management across the whole KBL *epb* network through a functional link between the local bodies and those in Luxembourg.

Furthermore, a specific Board Compliance & Legal Committee is informed of and regulatory monitors the adequacy of Compliance measures. It consists of three directors with expertise in the field.

2.1 ADVICE AND PREVENTION

In 2013 Compliance continued its advisory and support role for the various business lines, especially 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 Authorization and Supervision of Financial Products (CAS), of which Compliance is a permanent member, meets on a regular basis to approve products that are to be offered to clients. Informing clients so that they can understand the products and make an informed investment decision are the main points of this process, which uses brochures or term sheets to clarify the products' characteristics and risks.

Apart from being available to answer questions of interpretation and its constant monitoring of the subsidiaries, Compliance Advisory and the Money Laundering Reporting Officer (MLRO) pay particular attention to carrying out a Compliance Awareness programme across the KBL *epb* network. This programme is principally based upon a systematic and structured multi-annual approach, with more or less frequent and more or less extensive training sessions depending upon the level of exposure to Compliance risks of the concerned persons. The programme is accompanied by regular information for employees and managers on Compliance risks according to what is topical (internal or external).

We continue to strengthen Compliance practices within the group with forums, regular exchanges with the Compliance Officers in our European network and by adopting new codes of conduct and good practice (acceptance policy for high-profile clients, good practice in the matter of "suitability," good practice in tax compliance relating to the acceptance of new clients, etc.)

2.2 CONTROL

Compliance continued to maintain its role in this area. Its second-level control framework is part of the bank's general internal control framework. In addition to refining and strengthening certain tests, the Compliance Monitoring entity 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. If necessary, suggestions for improving the plan are put forward.

The correct execution of these controls by our subsidiaries was also monitored from Luxembourg. Where appropriate, support was also given to certain group bodies.

Specialist anti-money laundering software (SIRON) is now in place in all KBL *epb* group subsidiaries of significant size. This solution seeks to improve the review processes for the group's clients, whether new or existing, both by analyzing client behaviour (before and after) and by screening the client database versus international lists of persons subject to legal action or restrictive measures.

The bank is constantly adapting its control procedures and making staff aware of the need to protect clients.

Group Compliance carries out regular checks in the group's various subsidiaries.

APPENDIX 3
RISK MANAGEMENT

3.1 MISSION AND ACHIEVEMENTS 2013

In 2013 the Board of Directors, through its dedicated committee for risk oversight, the Board Risk Committee (BRC), expressed its appetite for risk in its first Risk Appetite Statement (RAS). This document defines the types and levels of risk it is prepared to accept in pursuit of its strategy, whether financial (liquidity risk, market risk, credit risk and business risk) or non-financial (operational risk, reputational risk, regulatory risk and client risk).

The risk levels considered acceptable are quantified and monitored by means of key indicators, for which limits and alert thresholds have been set at consolidated level first. Implementation of this principle throughout the various group entities started in 2013 and will continue during the first half of 2014.

At the same time, a new system of reporting to the BRC and the Management Committee was constructed based on the RAS, with the collaboration of external consultant Oliver Wyman. In addition to providing regular measurement of the corresponding indicators, focusing on any excesses detected (i.e. analysis and action plan), the reporting places greater emphasis on the concerns, stakes and projects relating to risk problems.

The rollout of the RAS (through the adoption by local Boards of Directors of their own limits) and of the associated reporting started in 2013 and will continue during the first half of 2014.

As regards liquidity risk, in preparation for their coming into force under the European CRR/ CRD IV regulations, the LCR (liquidity coverage ratio) and NSFR (net stable funding ratio) continued to be evaluated every quarter for all group entities, while for KBL *epb*, where the liquidity risk is more material, daily monitoring was put in place to ensure tight control.

The BRC also validated the new version of the liquidity stress tests. This exercise aims to evaluate the bank's liquidity situation in the event of a general market crisis arising at the same time as a crisis specific to KBL *epb*. The former relates to the difficulty of mobilizing the financial instruments held by the bank, while the latter focuses more on its ability to stabilise its financing sources (funding risk). The conclusions of this exercise show that the group could survive a severe liquidity crisis for three months without its business model being affected.

On the same theme, towards the end of 2013 the bank embarked on the initial reflections preliminary to drawing up a recovery plan, studying what measures the bank could take to re-establish its financial situation if it were to seriously deteriorate. In 2014 this project will involve the heads of the majority of functions, either on a permanent basis or as guests of a dedicated steering committee.

For market risks associated with the trading activity, a 10-day, 99% HVaR (Historical Value at Risk), which had been discontinued following the change of shareholder, was reactivated for monitoring trading activities in order to provide a measurement common to all market risks, but also with a view to completing the limits structure currently in place for each of the activities. This HVaR is still in the test phase and should go into production in early 2014.

As regards market risks linked to assets and liability management (ALM), excluding trading activities, the controls were adapted following the creation of the ALM function in early 2013. This function's essential responsibility is to recommend to the ALCO (Assets and Liabilities Committee) strategies in terms of management of the gaps between resources and utilization (long-term), liquidity management, ROE enhancement and risk mitigation. It also oversees implementation of the ALM policy throughout the group. In the context of this new governance, the Risk Control Function performs a veritable second-level control entity role, issuing opinions on proposals and repeatedly measuring the market risks associated with the ALM activity.

In the field of credit risk, a global action plan was established for 2013 and 2014, covering the evaluation of the risks associated with the Lombard lending activity in the various group entities. The first phase of this plan, executed in 2013, consisted in a comprehensive inventory of existing practices, notably in terms of the eligibility of collateral (types of securities accepted or excluded), the level of haircuts and pledged securities and the conditions for realizing securities in pledged portfolios.

A stress-test was also developed in order to determine the pertinence of the haircuts used in light of historical market volatility over a period corresponding to the time needed to realise the security. Studies will continue in 2014, in particular on the possibility and desirability of still further harmonisation of practices within the group.

Control and monitoring of credit risk in the fixed-income investment portfolios was adapted, these portfolios now being managed by the ALM function. All investments must comply with the concentration limits defined by type of issuer (sovereign, corporate or bank), as well as with country limits. Interbank limits continued to be closely monitored in 2013. Notably, they were reduced during the year following the lowering of the Large Exposures limit to below the EUR 176 million threshold.

In addition to a prior control of limits, the Credit Risk Control department can reject a fixed-income investment based on its own assessment of the credit risk, supported by the comments of the international rating agencies and an analysis of the issuer's financial statements.

The situation of the investment portfolios, and any excesses over concentration limits arising from downgrading of ratings are reported monthly to the ALCO.

Apart from this, 2013 was devoted to bringing the bank into compliance with the EMIR (European Market Infrastructure Regulation), which introduces new obligations relating to derivative contracts traded over the counter, notably in terms of risk reduction techniques, the handling of collateral and the reporting of transactions. In the course of this project, all the valuation models for financial instruments were validated by a recognised independent company, these models being used in the context of determining results and for bilateral margin calls. The modelling of structured products and options was similarly validated, allowing them to be integrated in a new valuation and analysis tool.

As part of the move to meet EMIR requirements, the bank equipped itself with the triResolve system (the industry standard) which makes possible an exhaustive reconciliation of its portfolio of derivative contracts with those of its counterparties, and thus optimizes the handling and resolution of differences.

In the field of operational risk, an Operational Risk Framework was defined with Oliver Wyman in order to formalize the organisation and standardize the management of operational risk in the group by means of:

- Common classification of operational risk
- Organisation and a governance model
- Series of tools and methods for detecting and measuring risk
- Risk-mitigation process
- Standardized reporting

In this context, particular attention was given to improving the existing tools for risk self-assessment (RSA) through the introduction of a new approach called risk and control self-assessment (RCSA), which will allow the bank's various business lines to gain a better understanding of their operational risk by evaluating the effectiveness of the controls and mitigation procedures put in place. The development of a centralised approach will also make it possible to analyse and compare the level of risk and the efficiency of the controls throughout the group and thus to form a clearer idea of the exposure to operational risk. This new methodology, which has been used in two pilot schemes, one in Luxembourg and the other at Theodoor Gilissen, will be rolled out starting in 2014.

Additionally, the Common Operational Risk Rules System (CORRS), design and deployment of which started in 2012, was developed in 2013 for the private banking and lending business lines. The purpose of the CORRS is to establish minimum principles (standards) in respect of operational risk at group level.

Lastly, in the context of the Single Supervisory Mechanism that will come into force in November 2014, our shareholder, Precision Capital, appears on the list of credit institutions considered significant. As such, it will be subject to a comprehensive evaluation in 2014, covering among other areas the quality of its assets, and will also be subjected to a stress test.

All the information needed for this evaluation was collected during the last quarter of 2013 from the group as an entity forming part of the consolidated balance sheet of Precision Capital.

3.2 STRUCTURE AND ORGANIZATION

The Risk Control Charter was drawn up based on the EBA's Guidelines for Internal Governance; it formalizes the work of the Risk Control entities and the principles, responsibilities and guidelines for risk management.

As described in the Charter, the Risk Control Function performs a level two control function in managing the bank's risks, a level it shares with entities such as Compliance, the Finance Function and Human Resources. Level one controls are performed by the entities at the source of the risks (front-office, back-office, etc.)

The Group Risk Control Function in the parent company is organized in four departments with a total of 25 FTEs:

- The Market Risk Control department (with 4.8 FTEs) is in charge of the specific control of ALM and liquidity risks.

  It also performs certain more transversal functions for all the risks covered by the Risk Control Function, including reporting to the Management Committee and the Board Risk Committee, regulatory watch, modelling (when sophisticated statistical techniques are required) and transversal regulatory approaches such as the ICAAP.

  This is also the department that develops the controls for detecting potential risks in client portfolios.

- The Middle Office and Collateral Management department (with 9.9 FTEs) is in charge of the level two recurrent controls on the activities of the Financial Markets function, i.e. mainly:

- The control of the integrity and reliability of positions and trading results in Luxembourg, as well as their reporting
- Consolidated monitoring of the market risk associated with the Group's trading activities (control of usage of and excesses over limits)
- Monitoring of counterparty/country risk (uncommitted lines), namely the credit risk associated with the professional activities of the Luxembourg dealing room
- The management of collateral arising from proprietary activities such as repos, securities lending and derivative products based on negotiated framework agreements

In June 2013, the bank launched the GOLD 2.0 project, which aims to put synergies in place by reallocating operational activities, enabling expertise to be developed, people to become more flexible and versatile, performance management to be improved and controls to be optimized. At the conclusion of this project, it was decided that the activities of control of positions and results and management of collateral arising from proprietary trading would leave the Middle Office and Collateral Management in 2014 and join the Operational Function, while the control of limits and liquidity monitoring activities would remain in the Risk Control functions.

■ The Operational Risk Control department (with 5.2 FTEs), is in charge of monitoring problems relating to operational risk. Its responsibilities are essentially:

- Defining and implementing the Operational Risk Framework and controlling its application in all group entities
- Defining and implementing standards for managing operational risk (risk identification, measurement and mitigation)
- Controlling the application of plans for mitigating the risks identified
- Reporting on the management of operational risk to the Executive Committee and the Board of Directors

The department also manages the insurance programme for the group and the implementation of a consistent and exhaustive set of transversal procedures, mainly for the parent company, but also for certain branches/subsidiaries that use its services.

■ The Credit Risk Control department (with 3.8 FTEs) is in charge of monitoring credit risk for the group. Credit risk arises essentially from the following activities:

- Lombard loans mortgage lending to private clients in support of the bank's main activity
- Portfolios of fixed income investments (essentially investment-grade, FRN and SAS), in the context of placement of liquidity
- Counterparty risk linked to transactions of the Financial Markets function (management of uncommitted bank lines)
- Committed and uncommitted credit lines granted to investment funds in support of the Global Investor Services activity

- Direct bilateral credits to local companies
- Credit risk in the network of sub-custodians

The department also covers the monitoring of country risks, and is involved in defining and complying with criteria for accepting securities taken as collateral.

The total number of risk managers in group associates is 25 FTEs. In view of the greater degree of uniformity of the activities in the subsidiaries and the non-materiality of certain risks (absence of trading activity, ALM risk present only in certain entities and tightly controlled from the parent company, liquidity risk also limited), the major part of these resources is dedicated to managing and controlling client risks and operational risks.

A "Rule Book between Group Risk Control and Local Risk Control" sets out the operating rules between the Group's Risk Control entities on the one hand and those of the subsidiaries/branches on the other. It governs in particular the involvement of Group Risk Control in recruitment, transfers and evaluation of local executives.

3.3 ASSETS & LIABILITIES MANAGEMENT

Banking crisis

The crisis of 2008 was in large part caused by banks having significant internal imbalances, the risks of which neither they nor their controllers had measured. The collapse of the investment bank Lehman Brothers, based in the United States but with business worldwide, showed that the notion of "too big to fail" had become obsolete: anything was now possible, including the fall of the biggest and best-known banks. Governments were no longer necessarily disposed to intervene in order to save those that had poorly evaluated their risks. This led to great distrust among banks, which stopped lending to one another except on a secured basis (repo or reverse repo). In Europe, governments continued to support most of the ailing banks, but at the same time the European Union was drawing up regulations imposing material constraints on banks to ensure that in future they would have the means, in case of problems, to protect depositors in all circumstances, and above all independently, thus ensuring their survival.

These constraints find expression chiefly in the strengthening of minimum levels of solvency and liquidity required and in more robust measurements and controls. In this way they aim to reduce the internal imbalances that are considered the most dangerous. In this regard, our group is one of the approximately 100 European banks that will henceforth come under the control of the European Central Bank as well as of our national regulators.

ALM – Principles

ALM is not a commercial activity in the way that private banking or the administration of mutual funds is. ALM is a concept, which was developed in the years 1980-90 in the financial sector. It concerns the balance sheet equilibrium of each legal entity as well as of the consolidated group, and therefore in a way it encompasses everything that the commercial activities contribute to the bank's balance sheet.

A balance sheet is in one sense always in equilibrium by definition: total assets equal total liabilities, or in layman's terms, all the investments are financed.

However, within the balance sheet, imbalances at the level of certain sub-sets can generate unwanted risks or lead to loss of profits if they are not managed: financing assets denominated in US dollars using euro resources without hedging, financing assets that produce variable revenue using fixed-cost resources, or financing long-term investments with unstable resources.

The first objective of ALM is to manage these imbalances while at the same time optimizing profitability under the constraint of a maximum level of acceptable risk. This maximum level of acceptable risk is defined by the bank's management bodies and finds expression in limits (in euros, or in VaR sensitivity metrics, basis points value, etc.) on risk by country, issuer, maturity, currency, limits on interest rate risk, on liquidity risk, etc.

ALM at KBL *epb*

KBL *epb*'s activity, like that of most traditional banks, consists in the use of client deposits that, by their nature, are usually at short term, by reinvesting them in short-, medium- and long-term transactions. This apparent imbalance (short-term resources financing long-term applications) is not really so if the proven behavior of these short-term resources means that in practice they remain in the bank for long periods. ALM therefore evaluates the stable portion of these short-term resources in order to define the possible volume of medium- and long-term reinvestment in the form of lending (secured or otherwise) or in the form of portfolios of liquid securities. The mix between lending and liquid bonds will in part be determined by the bank's strategy, but also by the liquidity constraints (Basel III Regulations).

At KBL *epb*, the private banking and UCITS custodian activities have the effect of generating very high levels of liquidity. This liquidity, consisting of client deposits, is in fact largely what is left, i.e. the part that has not been invested (in securities, precious metals, property, etc.) Therefore these resources may fluctuate, but in general we see that the proportion of cash deposits is historically fairly stable. Moreover, as far as usage is concerned, the lending activity is appreciably less developed in a private bank than in a branch network bank, so with us the portion corresponding to liquid bonds is significant.

Bonds form the bulk of the group's liquid securities. They are:

- Of high credit quality (weighted average rating "A")
- Very highly liquid, as evidenced by their very high level of ECB eligibility (> 80%) and of High Quality Liquid Assets (>60%) for calculating the Liquidity Coverage Ratio
- Have limited exposure to interest rate risk (average duration less than two years)

Apart from this, we also have a small portfolio of equities, which we slightly increased in 2013. This equity portfolio is an "opportunistic" investment, which means that in certain circumstances it may be completely absent. However, in a year like 2013 when we expected an improvement in the health of economies and a gradual increase in interest rates, our equity investments constituted a useful and profitable diversification.

The equities portion is subject to a strict stop-loss policy, but more generally, ALM investments (like the bank's other activities) are governed by management and risk control policies which are reported on to the ALM committee (ALCO), the Board of Directors and the regulator.

The positive performances in 2013 are the result of a combination of several factors:

- Historically low cost of financing
- A largely cyclical portfolio structure, i.e. with maturities spread evenly over the duration and a significant portion of securities that have been in the portfolio for several years and therefore have relatively high returns
- An appreciable proportion of securities on which the credit risk evolved favourably over the year, while at the same time generating an attractive margin
- The realization of capital gains in target markets

ALLOCATION OF PROFIT AND PROPOSED DIVIDEND

After constitution of the necessary provisions and depreciation, KBL *epb*'s net profit for the financial year ended on December 31, 2013, was	**35,229,989.27**
(all figures in EUR)	
Pursuant to legal and statutory provisions, we propose appropriating this profit as follows:	
Unavailable reserve – AGDL [1] provision framework	2,000,000.00
Dividend to preference shareholders relating to years 2010, 2011 and 2012 [2]	1,462,283.25
Dividend relating to year 2013	31,758,095.44
Carried forward	9,610.58

Subject to approval of this allocation, the following dividends shall be payable at our branches as from March 20, 2014:

- A gross dividend of EUR 0.75 (net dividend of EUR 0.6375) per non-voting preferential shares upon submission of Coupon No. 12
- A gross dividend of EUR 1.5772 (net dividend of EUR 1.3406) per share upon submission of Coupon No. 13 of the non-voting preferential shares, and Coupon No. 13 of the ordinary shares

(1) "Association pour la Garantie des Dépôts Luxembourg"

(2) Holders of preferential shares are entitled to receive an initial dividend of EUR 0.25 per share, as established in the bank's articles of incorporation, 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 preferential shares, in such a way that both categories of shareholders ultimately receive an identical dividend

COMPOSITION OF THE BOARD OF DIRECTORS

On April 15, 2013, Edmond Muller resigned from his post as Director of KBL *epb*.

Francis Godfroid resigned from his post as director representing the staff on August 1, 2013 and was replaced by Daniel Lardo.

At the Ordinary General Meeting of July 18, 2013, the mandates of Jan Huyghebaert, George Nasra, Alan Morgan and Albert Wildgen were unanimously renewed until the 2014 Ordinary General Meeting.

At the Ordinary General Meeting of December 18, 2013, the mandates of Ernst Wilhelm Contzen, Nicholas Harvey and Alfred Bouckaert were unanimously approved until the 2017 Ordinary General Meeting.

This report is available in English and French.

Only the English version is authentic.

DECLARATION ON THE CONFORMITY OF THE ANNUAL ACCOUNTS

We, Yves Stein, Group Chief Executive Office, and Yves Pitsaer, Chief Finance, Risk & Compliance Officer, confirm, to the best of our knowledge, that the annual accounts which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of KBL European Private Bankers S.A., and that the management report includes a fair review of the development and performance of the business and the position of KBL European Private Bankers S.A. together with a description of the principal risks and uncertainties that the Bank faces.

Luxembourg, February 27, 2014

Yves Stein

Group CEO

Yves Pitsaer

Chief Finance, Risk & Compliance Officer

UNQUALIFIED CERTIFICATION OF THE INDEPENDENT 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 December 31, 2013, 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 2013, 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, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Sylvie Testa

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Consolidated accounts, Report of the independent auditor and Consolidated management report as at 31 December 2013

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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 INDEPENDENT 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 2013, 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.

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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 2013, 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, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Sylvie Testa

Luxembourg, 27 February 2014

CONSOLIDATED INCOME STATEMENT

(in EUR thousand)	Notes	31/12/2012[1]	31/12/2013
Net interest income	4, 39	95,214	87,921
Gross earned premiums, insurance	5, 31	1,553	1
Gross technical charges, insurance	6, 31	-9,182	-3,841
Ceded reinsurance result, insurance	31	-265	-496
Dividend income	7	4,255	6,044
Net gains / losses on financial instruments measured at fair value through profit or loss	8	49,746	44,255
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	9	-83,376	42,467
Net fee and commission income	10, 39	330,194	348,133
Other net income	11, 39	5,377	16,088
GROSS INCOME		**393,516**	**540,572**
Operating expenses	12, 39	-561,320	-425,923
Staff expenses	13, 33, 34	-360,300	-277,018
General administrative expenses	43	-140,906	-116,423
Other	29, 30, 32	-60,114	-32,482
Impairment	14, 23, 24, 29, 39	-76,015	-3,628
Share of profit of associates	15, 28	35	142
PROFIT / (LOSS) BEFORE TAX		**-243,784**	**111,163**
Income tax (expenses) / income	16	-6,091	-26,678
PROFIT / (LOSS) AFTER TAX		**-249,874**	**84,485**
Attributable to: Non-controlling interest		-8	-9
Owners of the parent		**-249,866**	**84,494**

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

(1) Restated according to the amendment to IAS 19 (see Note 2a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR thousand)	31/12/2012[(1)]	31/12/2013
PROFIT / (LOSS) AFTER TAX	**-249,874**	**84,485**
OTHER COMPREHENSIVE INCOME	**160,795**	**-15,173**
Items that may be reclassified subsequently to profit or loss	**178,862**	**-14,879**
Available-for-sale financial assets	181,750	-16,930
Revaluation at fair value	*144,996*	*21,555*
Net realised gains / losses on sales	*97,970*	*-47,059*
Impairment	*7,279*	*1,996*
Income tax (expenses) / income	*-68,494*	*6,578*
Exchange differences on translation of foreign operations	-2,888	**2,051**
Items that will not be reclassified to profit or loss	**-18,068**	**-294**
Remeasurements of defined benefit pension plans	-18,068	-294
Remeasurements (gross)	*-19,524*	*71*
Income tax (expense)/income on remeasurements	*1,456*	*-365*
TOTAL COMPREHENSIVE INCOME	**-89,080**	**69,312**
Attributable to non-controlling interest	-8	-9
Attributable to owners of the parent	**-89,072**	**69,321**

The notes refer to the ‘Notes to the consolidated accounts’.

(1) Restated according to the amendment to IAS 19 (see Note 2a).

CONSOLIDATED BALANCE SHEET

ASSETS (in EUR million)	Notes	31/12/2012[1]	31/12/2013
Cash and balances with central banks	20, 41	1,330	1,171
Financial assets	17, 18, 19, 20, 21, 22, 39, 41	10,996	10,708
Held-for-trading	25	502	390
At fair value through profit or loss		2,110	1,863
Available-for-sale financial assets	23	4,270	4,005
Loans and receivables	24	4,069	4,415
Hedging derivatives	25	45	34
Reinsurers' share in technical provisions, insurance	31	1	0
Tax assets	27, 41	35	23
Current tax assets		5	4
Deferred tax assets		30	19
Investments in associates	28	12	12
Investment properties	30	27	26
Property and equipment	30	180	168
Goodwill and other intangible assets	29	231	232
Other assets	26, 41	121	129
TOTAL ASSETS		**12,933**	**12,469**

EQUITY AND LIABILITIES (in EUR million)		31/12/2012[1]	31/12/2013
Financial liabilities	17, 19, 20, 39	11,158	10,820
Held-for-trading	25	301	309
At fair value through profit or loss		2,095	1,856
At amortised cost		8,655	8,560
Hedging derivatives	25	107	95
Gross technical provisions, insurance	31	355	214
Tax liabilities	27	9	11
Current tax liabilities		2	2
Deferred tax liabilities		7	9
Provisions	32	25	34
Other liabilities	33, 34, 39	497	430
TOTAL LIABILITIES		**12,043**	**11,510**
TOTAL EQUITY		**890**	**959**
Equity attributable to the owners of the parent	35	*889*	*958*
Non-controlling interest		*0*	*0*
Out of which Common Equity Tier 1 instruments issued		*478*	*508*
TOTAL EQUITY AND LIABILITIES		**12,933**	**12,469**

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

(1) Restated according to the amendment to IAS 19 (see Note 2a).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Consolidated reserves	Revaluation reserve (AFS)	Remeasurement of defined benefit pension plans	Currency translation differences	Equity, group share	Non-controlling interests	Total equity
2012										
Balance as at 01/01/2012	**187.2**	**321.3**	**-0.1**	**524.2**	**-61.4**	**-**	**6.6**	**977.7**	**0.3**	**978.1**
Net movements on treasury shares	-	-	-	-	-	-	-	-	-	**-**
Dividends and profit-sharing	-	-	-	-	-	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	-249.9	181.8	-18.1	-2.9	-89.1	-0.0	**-89.1**
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	**-**
Effects of acquisitions/ disposals on non-controlling interest	-	-	-	-	-	-	-	-	-	**-**
Other	-	-	-	0.7	-	-	-	0.7	-	**0.7**
Balance as at 31/12/2012[1]	**187.2**	**321.3**	**-0.1**	**275.0**	**120.3**	**-18.1**	**3.7**	**889.3**	**0.3**	**889.7**

[1] Restated according to the amendment to IAS 19 (see Note 2a).

(in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Consolidated reserves	Revaluation reserve (AFS)	Remeasurement of defined benefit pension plans	Currency translation differences	Equity, group share	Non-controlling interests	Total equity
2013										
Balance as at 01/01/2013	**187.2**	**321.3**	**-0.1**	**275.0**	**120.3**	**-18.1**	**3.7**	**889.3**	**0.3**	**889.7**
Net movements on treasury shares	-	-	-	-	-	-	-	-	**-**	**-**
Dividends and profit-sharing	-	-	-	-	-	-	-	-	**-**	**-**
Total comprehensive income for the year	-	-	-	84.5	-16.9	-0.3	2.1	**69.3**	-0.0	**69.3**
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	**-**
Effects of acquisitions/ disposals on non-controlling interest	-	-	-	-	-	-	-	-	-	**-**
Other	-	-	-	-0.3	-	-	-	-0.3	-0.0	**-0.3**
Balance as at 31/12/2013	**187.2**	**321.3**	**-0.1**	**359.2**	**103.4**	**-18.4**	**5.7**	**958.3**	**0.3**	**958.7**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR million)	Notes	31/12/2012[1]	31/12/2013
Profit / (loss) before tax		-243.8	111.2
Adjustments for:		128.5	38.4
Impairment on securities, amortisation and depreciation on property and equipment, intangible assets and investment properties	*12, 14*	*123.4*	*22.4*
Profit/loss on the disposal of investments	*11*	*-5.7*	*0.1*
Change in impairment for losses on loans and advances	*14*	*10.1*	*1.6*
Change in gross technical provisions – insurance	*6*	*9.2*	*3.8*
Change in the reinsurers' share in the technical provisions	*5*	*0.3*	*0.5*
Change in gross earned premiums	*5*	*-1.6*	*0.0*
Change in other provisions	*12*	*2.6*	*12.1*
Unrealised foreign currency gains and losses and valuation differences		*-9.8*	*-2.0*
Income from associates	*15*	*0.0*	*-0.1*
Cash flows from operating activities, before tax and changes in operating assets and liabilities		**-115.3**	**149.6**
Changes in operating assets [2]		-2,739.6	219.6
Changes in operating liabilities [3]		1,060.2	-140.5
Income taxes		-	-2.9
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		**-1,794.8**	**225.8**
Purchase of subsidiaries or business units, net of cash acquired/disposed of		-	-
Proceeds from sale of subsidiaries or business units, net of cash acquired/disposed of		-	-
Purchase of investment properties	30	-0.2	0.0
Proceeds from sale of investment properties	11, 30	13.7	-
Purchase of intangible assets	29	-2.6	-2.4
Proceeds from sale of intangible assets	29	-	-
Purchase of property and equipment	30	-10.2	-5.2
Proceeds from sale of property and equipment	11, 30	1.9	0.1
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**2.5**	**-7.4**
Purchase/sale of treasury shares		-	-
Issue/repayment of loans	17	-0.3	-30.5
Issue /repayment of subordinated debts	17	-8.6	-9.8
Dividends paid and profit-sharing		-	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**-8.8**	**-40.3**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [4]		**-1,801.1**	**178.0**
CASH AND CASH EQUIVALENTS AS AT 01/01		**4,529.3**	**2,728.2**
Net increase/decrease in cash and cash equivalents		-1,801.1	178.0
Net foreign exchange difference		-	-
CASH AND CASH EQUIVALENTS AS AT 31/12		**2,728.2**	**2,906.2**
ADDITIONAL INFORMATION			
Interest paid during the year		-90.1	-70.8
Interest received during the year		172.4	162.7
Dividends received (including equity method)	7	4.3	6.0
COMPONENTS OF CASH AND CASH EQUIVALENTS		**2,728.2**	**2,906.2**
Cash and balances with central banks (including legal reserve with the central bank)		1,329.6	1,171.5
Loans and advances to banks repayable on demand		1,980.3	2,347.7
Deposits from banks repayable on demand		-581.7	-613.0
Of which: not available [5]		389.4	595.5

1. Restated according to the amendment to IAS 19 (see Note 2a).
2. Including loans and advances to banks and customers, securities, derivatives and other assets.
3. Including deposits from banks and customers, bonds issued, derivatives and other liabilities.
4. 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.
5. Cash and cash equivalents not available for the Group mainly comprise of the legal reserve held with the Luxembourg Central Bank and the 'margin' accounts held with clearing houses (futures markets, etc.).

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

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 a - Operating segments by business segment”.

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

43, boulevard Royal
L-2955 Luxembourg

Since July 2012, KBL *epb* group is 99.9% owned by Precision Capital, a Luxembourg-based company governed by Luxembourg law representing the interests of a group of Qatari private investors.

The Bank’s consolidated accounts are consolidated in the Precision Capital’s consolidated accounts. Precision Capital’s annual consolidated accounts and management report are available at its head office.

Note 2a – Statement of compliance

The consolidated accounts presented in this report were approved by the Board of Directors of KBL *epb* on 27 February 2014.

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

The consolidated accounts provide comparative information in respect of the previous financial year. Comparative information as of 31 December 2012 has been modified following the application of IAS 19 Employee Benefits (Revised 2011) but the Group did not present an additional balance sheet at the beginning of the earliest financial year as the impact is not material on the balance sheet.

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 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 consolidated accounts.

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective for the Group as of 1 January 2013 (for the avoidance of doubt, only the new standards, amendments to standards and IFRIC which may have an effect on the Group's consolidated accounts are mentioned below):

- *Presentation of Items of Other Comprehensive Income (issued in June 2011) – Amendments to IAS 1 - Presentation of Financial Statements*

  The amendments modify the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to the income statement at a future point in time are now to be presented separately from items that will never be reclassified. The layout of the consolidated statement of comprehensive income has been adjusted accordingly.
  The amendments affect presentation only and have no impact on the Group's financial position or performance.

- *IFRS 13 – Fair Value Measurement (new standard issued in May 2011)*

  According to the specific transitional provisions embedded in IFRS 13, the new standard is to be applied on a prospective basis (with no requirement to restate / produce disclosures for the comparative period).
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when a fair valuation is required or permitted. IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures.
  Application of IFRS 13 has not impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The extended disclosure of the fair value hierarchy is provided in Note 17.

- *IAS 19 revised – Employee benefits (revised standard issued in June 2011)*

  The revised standard has introduced numerous amendments to the previous version of IAS 19. These range from fundamental changes such as removing of the corridor mechanism and the concept of expected return on plan assets to simple clarifications and re-wording. The transitional provisions of IAS 19 revised require a retrospective application.
  Prior periods figures presented in this report have therefore been adjusted to comply with the requirements of the revised standard. The below table shows the detailed impacts of IAS 19 revised on prior periods figures.

The major adjustment concerns the actuarial gains and losses which were not recognized under the previous version of IAS 19 (optional "corridor approach" chosen by the Group) and that are to be recognized through other comprehensive income under the revised standard.

Impacts that relate to periods before the 2012 exercise have been directly deducted from the consolidated reserves; those relating to the 2012 exercise were recognized in the new dedicated remeasurement reserve.

Amounts are presented in EUR thousand and as adjustment (increase / decrease) of the related headings in previous consolidated accounts).

(in EUR thousand)	**Opening 01/01/2012**	**Closing 31/12/2012**
ASSETS	**-629**	**-4,634**
Tax assets	+220	+1,633
Other assets	-848	-6,267
LIABILITIES	**+27,013**	**+39,868**
Tax liabilities	+41	-
Other liabilities	+26,972	+39,868
EQUITY AND COMPREHENSIVE INCOME	**-27,642**	**-44,502**
Consolidated reserves and currency translation differences	-27,642	-27,642
Defined benefit remeasurement reserve (gross)	-	-19,523
Defined benefit remeasurement reserve (income tax)	-	+1,456
Staff expenses (income statement)	-	+1,208
Income tax (income statement)	-	-1
of which total net impact on the profit or loss	**-**	***+1,207***

OPERATING SEGMENTS BY BUSINESS SEGMENT	
Operating expenses (staff expenses)	**+1,208**
Private banking	+869
Global Investor Services	+113
ALM activities	+84
Other	+142
Income tax expense	**-1**
Private banking	-1

The impact of IAS 19 revised on the 2013 income statement - i.e. compared to the picture that would have been obtained had the previous version of IAS 19 still been applied - is not significant.

- *Annual Improvements to IFRS 2009-2011 Cycle (issued in May 2012)*
  Amendments to IAS 1 - Presentation of Financial Statements
  Amendments to IAS 16 - Property, Plant and Equipment
  Amendments to IAS 32 - Financial Instruments: Presentation
  Amendments to IAS 34 - Interim Financial Reporting

  The only amendment that had an impact on the Group's consolidated accounts concerns the clarification introduced in IAS 34. As a matter of fact, the related amendment aligns the disclosure requirements for segment assets and liabilities in interim financial statements to those applicable in the consolidated accounts.
  This in particular means that the disclosures of segment assets and liabilities are only required if such measures are regularly provided to the chief operating decision maker.

Considering the information of segment assets and liabilities is no longer regularly provided to any member of the Group's Management, the related disclosures were removed from the interim report for the first time as at 30 June 2013.
The approach adopted in that interim report has been maintained in these consolidated accounts.

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (issued in December 2011) - Amendments to IFRS 7 – Financial Instruments : Disclosures*

  The amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements).
  The new disclosures provide users with information that is useful in evaluating the effect of netting arrangements on the Group’s financial position. They apply to all recognized financial instruments that are subject to an enforceable master netting agreement, irrespective of whether they are set off in accordance with *IAS 32 – Financial Instruments : Presentation.*
  Transitional rules indicate the amendments are to be applied on a retrospective basis.

  The new required disclosures, including those which relate to the comparative period, are provided in Note 20.

The Group has also decided not to early adopt the standards, amendments to standards and interpretations of the IFRIC which have been published but are not applicable to the Group for the year ending 31 December 2013. The Group will adopt these standards on the date of their effective application and when they will be 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’s financial position or performance are mentioned below):

- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

  These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are not expected to impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- *IFRS 9 Financial Instruments – Classification and Measurement (Not endorsed by the European Union yet)*

  IFRS 9, as issued, reflects the first and the third phases of the IASB’s work on the replacement of IAS 39. Those phases relate to classification and measurement of financial assets and financial liabilities (as defined in IAS 39) and to Hedge Accounting. The second phase, which deals with impairment methodology, has not been published yet.
  The IASB recently decided to tentatively remove the mandatory effective date for IFRS 9. That mandatory effective date will be set when the revised classification and measurement proposals and the expected credit loss proposals are finalised.
  The adoption of the first phase of IFRS 9 is expected to have an effect on the classification and measurement of the Group’s financial assets, but not on the classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- *IFRIC Interpretation 21 – Levies*

  IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have a material financial impact in future consolidated accounts.

- *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated derivatives designated in effective hedging relationships during the current financial year. However, these amendments will be considered for future novations.

- *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36*

  The amendments remove the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant when compared to an entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The disclosure requirement is however maintained for impaired assets. The amendments are applicable on a retrospective basis for annual periods beginning on or after 1 January 2014.

- *IFRS 10 – Consolidated Financial Statements*

  IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities.*

  IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have a significant impact on the financial position and performance of the Group.

  The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014.

- *IFRS 11 – Joint Arrangements*

  IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.* It establishes revised principles for financial reporting by entities that have interest in arrangements that are controlled jointly.
  Based on the preliminary analyses performed, the Group has no interest in such arrangements. The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014.

- *IFRS 12 – Disclosure of Involvement with Other Entities*

  The new IFRS includes all disclosures relating to consolidated financial statements previously included in IAS 27, as well as all disclosures previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates.* These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Group concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the consolidated accounts. Those users will then be able to make their own assessment of the financial impact were the Group to reach a different conclusion regarding consolidation.

  The Group will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard will not have any impact on the consolidated financial position or performance of the Group.

  The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014.

- *IAS 27 – Separate Financial Statements (as revised in 2011)*

  As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate annual accounts.
  The IASB determined the revised standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014.

- *IAS 28 – Investments in Associates and Joint Ventures (as revised in 2011)*

  As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
  The IASB determined the revised standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014.
  This application is not expected to impact the Group's financial position or performance.

- *Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27*

  These amendments are effective for annual periods beginning on or after 1 January 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments should not significantly impact the Group's financial position and performance.

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 all the consolidated entities which present their accounts in EUR, assets and liabilities in foreign currencies are translated into EUR according to the following principles:

- 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 in foreign currencies measured in terms of historical cost are translated using the historical exchange rate prevailing at the date of the transaction;
- non-monetary items denominated 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 using exchange rates that approximate the rates at the dates of the transactions (e.g. average monthly exchange rates).

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 income statements denominated in foreign currencies are translated at the average exchange rate for the financial year.

These principles are applicable to the KBL *epb* subsidiaries in Switzerland and in the United Kingdom.

Annual average exchange rates in 2013

	1 EUR = ... CUR	Variation versus average 2012
CHF	1.228208	+1.95%
GBP	0.849342	+4.50%

Exchange rate as at 31/12/2013

	1 EUR = ... CUR	Variation versus 31/12/2012
CHF	1.2276	+1.69%
GBP	0.8337	+2.16%

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 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 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 initially designated at fair value through profit or loss (frequently referred to as ‘the fair value option’) 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 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 near 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 of insurance subsidiaries.

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

- *Hedging derivatives* are the derivatives designated in hedging relationships for which hedge accounting is applied.

<u>Evaluation of financial instruments</u>

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 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.

- **Determination of fair value**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date (i.e. an exit price).

When available, published price quotations (unadjusted) 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 determined or derived :

- from quoted prices for similar assets or liabilities in active markets and/or from quoted prices for identical assets or liabilities in markets that are not active.
- by using a valuation technique.

When valuation techniques are used to estimate fair value, those techniques incorporate all factors that market participants would consider in setting a price and are consistent with accepted financial methodologies used for pricing financial instruments.
Such techniques encompass discounted cash flow analysis (e.g. for the valuation of interest rate swaps or forward foreign exchange transactions) and option pricing models. Inputs used in those models (yield curves, exchange rates, volatilities…) are often readily observable on the markets. When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

- **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.

o 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 subsidiary.
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 to 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 into account deferred taxes) on the financing are recorded in equity, along with translation differences on the net investment.

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 on an annual basis.

An impairment loss is recognised if the carrying amount of the goodwill exceeds its recoverable amount. The recoverable amount may be estimated using various methods such as a Dividend Discount Model, 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 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 initially recognised in assets at cost. These assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.
Amortisation is calculated using the straight-line method over the estimated useful life (average annual depreciation rate: 25%). However, the useful life of two specific IT projects (Corporate Action Management - CAMA - and Globus T24) has been estimated at 7 years (average annual rate: 14.3%).

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 of disposal).

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 (as revised in 2011), 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.

The components of the defined benefit cost are recognized according to the following principles:

(i) Service cost and net interest on the net defined benefit liability / asset are recognized in the income statement;

(ii) Remeasurements of the net defined benefit liability / asset are recognized in other comprehensive income. Remeasurements include:
- actuarial gains and losses stemming from the remeasurement of the defined benefit obligation;
- the return of plan assets after deducting the portion included in net interest as determined in (i); and
- any change in the effect of the asset ceiling – also excluding any amount included in net interest as determined in (i).

Remeasurements recognized in other comprehensive income are not reclassified to the income statement in subsequent periods.

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.

The "defined benefit remeasurement reserve" relating to the recognition of certain pension costs is also included in equity. This reserve will however never be subsequently recycled into the income statement.

As regards to 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 interests 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 measured at fair value through profit or loss" 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.

n. Reclassifications of prior year figures

Where necessary, certain prior year figures in the Notes to the consolidated accounts have been reclassified to conform with changes to the current year's presentation for comparative purposes.

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 (Switzerland) Ltd, 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.), and the private banking activities of KBL *epb* and Kredietrust Luxembourg S.A. (including the branch in Spain). Vitis Life S.A. (insurance) is also part of this segment**.**

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 **“ALM Activities”** segment includes “Global Financial Markets & Treasury" activities, which represent 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, as well as “Credit & Portfolio ALM”, which cover “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* for the network of subsidiaries, acting in its capacity as parent company, and all other elements not directly linked to the previous three segments, including reallocation of excess equity, net of the cost of financing holdings, and 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 subsidiary included in the scope of consolidation is allocated to the various sectors after taking into account consolidation restatements, after removing non-controlling interests and before removing intercompanies accounts.

Income statement In EUR million	PRIVATE BANKING		GLOBAL INVESTOR SERVICES		ALM ACTIVITIES		OTHER		TOTAL GROUP	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
Net interest income	64.5	57.8	11.7	10.6	22.6	28.0	-3.6	-8.5	**95.2**	**87.9**
Gross earned premiums, insurance	1.6	0.0	-	-	-	-	-	-	**1.6**	**0.0**
Gross technical charges, insurance	-12.2	-6.1	-	-	-	-	3.1	2.3	**-9.2**	**-3.8**
Ceded reinsurance result, insurance	-0.3	-0.5	-	-	-	-	-	-	**-0.3**	**-0.5**
Dividend income	3.1	2.8	-	-	1.1	3.3	0.0	0.0	**4.3**	**6.0**
Net gains/losses on financial instruments measured at fair value through profit or loss	10.8	13.4	5.2	6.4	34.2	16.8	-0.5	7.7	**49.7**	**44.3**
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	2.2	12.3	-	-	3.3	30.2	-88.9	0.0	**-83.4**	**42.5**
Net fee and commission income	286.9	301.2	36.3	37.2	-0.3	1.8	7.3	7.9	**330.2**	**348.1**
Other net income	-0.7	6.0	-	-	2.0	4.0	4.1	6.1	**5.4**	**16.1**
GROSS INCOME	**355.8**	**386.7**	**53.1**	**54.3**	**62.9**	**84.1**	**-78.4**	**15.4**	**393.5**	**540.6**
Operating expenses	-359.0	-319.8	-33.0	-29.1	-25.6	-27.4	-143.6	-49.6	**-561.3**	**-425.9**
Impairment	-57.5	-0.7	-	-	-10.0	-1.7	-8.5	-1.3	**-76.0**	**-3.6**
Share of profit of associates	-	-	0.0	0.1	-	-	-	-	**0.0**	**0.1**
PROFIT / (LOSS) BEFORE TAX	**-60.8**	**66.3**	**20.1**	**25.4**	**27.4**	**55.0**	**-230.5**	**-35.4**	**-243.8**	**111.2**
Income tax (expense) / income	-13.6	-21.7	-5.7	-7.3	-7.3	-16.1	20.5	18.4	**-6.1**	**-26.7**
PROFIT / (LOSS) AFTER TAX	**-74.3**	**44.6**	**14.4**	**18.0**	**20.1**	**38.9**	**-210.0**	**-17.0**	**-249.9**	**84.5**
Attributable to non-controlling interest	0.0	0.0	-	-	-	-	0.0	0.0	**0.0**	**0.0**
Attributable to the owners of the parent	-74.3	44.6	14.4	18.0	20.1	38.9	-210.0	-17.0	**-249.9**	**84.5**

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated accounts.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Note 3b – Operating segments by geographic sector

KBL *epb* group distinguishes between the secondary segments "INTERNATIONAL MARKETS", covering the activities of the Luxembourg, Swiss and of Monaco companies, and "DOMESTIC", covering the activities of the other companies included in the scope of consolidation

(in EUR million)	**Domestic**		**International markets**		**KBL *epb* group**	
	2012[(1)]	**2013**	**2012**[(1)]	**2013**	**2012**[(1)]	**2013**
Gross income	206	230	188	310	394	541
Total assets	2,529	2,634	10,404	9,835	12,933	12,469
Total liabilities (excluding equity)	3,199	3,269	8,844	8,241	12,043	11,510

[(1)] Restated according to the amendment to IAS 19 (see Note 2a).

Note 4 – Net interest income

(in EUR thousand)	**31/12/2012**	**31/12/2013**
Breakdown by portfolio		
Interest income	**181,596**	**157,362**
Available-for-sale financial assets	90,987	84,546
Loans and receivables	58,787	46,527
Other	1,168	1,303
Sub-total of interest income from financial assets not measured at fair value through profit or loss	*150,942*	*132,376*
Financial assets held-for-trading	4,663	3,700
Net interest on hedging derivatives	25,797	21,185
Other financial assets at fair value through profit or loss	195	101
Interest expense	**-86,382**	**-69,442**
Financial liabilities at amortised cost	-42,003	-28,725
Other	-476	-435
Sub-total of interest expense on financial liabilities not measured at fair value through profit or loss	*-42,478*	*-29,161*
Net interest on hedging derivatives	-43,904	-40,281
Total	**95,214**	**87,921**

Note 5 – Gross earned premiums, insurance

As of 31 December 2013 and 2012, the gross earned premiums only include individual and single premiums.

Note 6 – Gross technical charges, insurance

(in EUR thousand)	**31/12/2012**	**31/12/2013**
Claims paid	-65,046	-140,427
Change in life provision	74,656	140,109
Profit sharing	173	-19
Other technical charges / income	-18,964	-3,502
Total	**-9,182**	**-3,841**

Note 7 – Dividend income

(in EUR thousand)	**31/12/2012**	**31/12/2013**
Available-for-sale equity instruments	3,886	5,658
Equity instruments held-for-trading	356	381
Equity instruments at fair value through profit or loss	13	5
Total	**4,255**	**6,044**

Note 8 – Net gains/losses on financial instruments measured at fair value through profit or loss

(in EUR thousand)	**31/12/2012**	**31/12/2013**
Held-for-trading (including interest and valuation of trading derivatives)	20,567	10,738
Other financial instruments at fair value	941	2,881
Exchange differences	28,693	30,486
Fair value adjustments in hedge accounting	-456	150
Micro-hedging	-569	21
Fair value of hedged items	*12,434*	*-7,283*
Fair value of hedging items	*-13,003*	*7,305*
Macro-hedging	114	129
Fair value of hedged items	*3,292*	*-5,078*
Fair value of hedging items	*-3,179*	*5,207*
Total	**49,746**	**44,255**

Note 9 – Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss

(in EUR thousand)	31/12/2012	31/12/2013
Available-for-sale financial assets	**-85,848**	**40,969**
Debt instruments	-84,791	6,019
Equity instruments	-1,056	34,949
Loans and receivables	**2,411**	**1,495**
Financial liabilities measured at amortised cost	**-**	**-**
Other	**61**	**3**
Total	**-83,376**	**42,467**

Note 10 – Net fee and commission income

(in EUR thousand)	31/12/2012	31/12/2013
Fee and commission income	**416,798**	**428,566**
Asset management	264,344	279,919
Securities transactions	118,693	114,005
Other [1]	33,761	34,642
Fee and commission expense	**-86,605**	**-80,433**
Asset management	-51,788	-54,436
Securities transactions	-26,366	-19,071
Other [1]	-8,451	-6,927
Total	**330,194**	**348,133**
[1] of which net commissions on Unit Link activities of the Insurance subsidiary	11,232	12,835

Note 11 – Other net income

(in EUR thousand)	31/12/2012	31/12/2013
Total	**5,377**	**16,088**
of which:		
Final wealth tax settlement from 2008 to 2011		3,142
Reimbursement “Fonds de Protection”		3,654
Net proceeds from the sale of “Boulevard Royal” building	5,708	
Net proceeds from precious metals transactions	2,215	4,251
Tax on property	-3,111	2,865
Rental income	2,101	1,972
Withholding tax on dividends and wealth tax	-2,305	

Note 12 – Operating expenses

Operating expenses include staff costs, amortisation and depreciation of investment properties, amortisation and depreciation of 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)	31/12/2012[1]	31/12/2013
Staff expenses	-360,300	-277,018
General administrative expenses	-140,906	-116,423
Depreciation and amortisation of property and equipment, intangible assets and investment properties	-57,482(*)	-20,333
Net provision allowances	-2,632	-12,149
Total	**-561,320**	**-425,923**

(1) Restated according to the amendment to IAS 19 (see Note 2a).
(*) of which accelerated depreciation on several IT projects (please refer to Note 29).

Note 13 – Staff

	31/12/2012	31/12/2013
Total average number of persons employed (in full-time equivalents - FTE)	**2,289**	**2,078**
Breakdown by business segment [1]		
Private Banking	1,701	1,549
Global Investor Services	207	180
ALM Activities	140	130
Other	241	219
Total	**2,289**	**2,078**

	31/12/2012	31/12/2013
Geographic breakdown		
Domestic	1,129	1,053
International markets	1,159	1,026
Total	**2,289**	**2,078**

(1) The breakdown of commercial, administrative and support staff, which does not include the pre-retirement FTE, has been made on the same basis as for drawing up Note 3a on operating segments by business segment.

Note 14 – Impairment

(in EUR thousand)	31/12/2012	31/12/2013
(Impairment)/reversal of impairment of:		
Loans and receivables	-10,052	-1,570
Available-for-sale financial assets	-19,009	-1,925
Goodwill	-46,955	-133
Total	**-76,015**	**-3,628**

Impairment of loans and receivables

More detailed information on impairment is provided in Note 42 and in the annex to the consolidated management report.

(in EUR thousand)	31/12/2012	31/12/2013
Breakdown by type		
(Impairment)/reversal of impairment:		
Specific impairment on loans and receivables	-8,647	-2,024
Portfolio-based impairments	-1,406	454
Total	**-10,052**	**-1,570**
Geographic breakdown		
Domestic	-7,986	-140
International markets	-2,066	-1,429
Total	**-10,052**	**-1,570**

See also Note 24 – Impairment of loans and receivables

Impairment of available-for-sale financial assets

(in EUR thousand)	31/12/2012	31/12/2013
(Impairment)/reversal of impairment of:		
Debt instruments	-12,914	-1,818
Equity instruments	-6,095	-107
Total	**-19,009**	**-1,925**

Impairment of goodwill

(in EUR thousand)	31/12/2012	31/12/2013
Goodwill arising in a business combination	-32,230	-
Purchased portfolio of customers	-14,724	-133
Total	**-46,955**	**-133**

The values of goodwill and purchased portfolios of customers in the Group's consolidated accounts are subject to an impairment test which is performed at least annually in the course of the fourth quarter.

Recoverable values are primarily measured from a Dividend Discount Model ("DDM") valuation method which, in practice, represents an estimation of fair value less costs of disposal (the related fair value estimates correspond to "level 3" fair values under the fair value hierarchy described in IFRS 13).
Other cross-check methods such as the "Net asset value + multiple of Assets under management" might be used to corroborate the results of the DDM method.

DDM methodology

Future dividends input in the DDM model are estimated according to the following methodology:
- For the period covering the next three years, dividends are based on the three-year Business Plan presented by the subsidiaries to the Group Executive Committee;
- For the period beyond the third year, a terminal value is calculated based on a long term ("LT") growth rate of dividends.

In 2012, the DDM method included a seven-year transitory period after the initial three-year period (when cash-flows are directly extracted from business plans) and before the date when the terminal value was calculated. This period was primarily used to recognize a transition towards the Group "cost/income" target ratio.
In 2013, considering the mature profile of the participations tested for impairments and, more specifically, the high degree of integration of their related intangible assets, this transitory period has been removed.

Key assumptions

Key assumptions used in the DDM are the following:
- the Discount rate;
- the LT growth rate.

The Discount rate used in the DDM calculations is determined from the Group current cost of capital as estimated from the *Capital Asset Pricing Model* ("CAPM").
The CAPM estimates the cost of capital as the sum of the current risk free rate and an equity premium, the latter being adjusted to reflect current market expectations of the return required for the specific asset (β factor).

Inputs used in the model are adjusted to reflect current market situation and relies as much as possible on relevant observable data:
- risk free rates are measured from current long dated (10 years) government bond yields in the country where the participation operates;
- the β factor is directly derived from current observable market data for a selection of listed peers;
- consistently with generally accepted market methodologies used in business valuations, the standard Equity Risk premium is estimated from historical data on a country-by-country basis (source Morningstar - Ibbotson).

LT growth rates used in the DDM have been aligned on "Real GDP Growth rates" (i.e. excluding the inflation component) as published in the European Commission Eurostat database (2015 forecasts by country).

Impairment tests performed

Impairment tests performed as at 31 December 2013 primarily concerned assets related to two following subsidiaries. Those tests did not reveal any losses to be recognized in the 2013 consolidated accounts.

- **Puilaetco Dewaay Private Bankers ("PDW")**

  Goodwill recognized on the Group balance sheet amounts to EUR 179.7 million. The current recoverable value of this asset at year end has been estimated at EUR 191.4 million.

  The underlying assumptions for the estimation of the current recoverable value are detailed infra:

- *Key assumptions*

Discount rate *(measured on a post-tax basis)*	**LT Growth rate**
9.1% *(2012: 10.0%)*	1.4% *(2012: 3.5%)*

- *Recoverable amount (in EUR million)*

Net carrying value of assets before 2013 impairment test	Current estimated recoverable value at year end	Impairment loss recognized in the 2013 income statement	Net carrying value of assets after 2013 impairment test
179.7	191.4	-	179.7

- *Sensitivity analysis*

  As described here above, the estimates of the current recoverable values are mostly sensitive to changes in the Discount and LT growth rates.
  The Group performed a sensitivity analysis to measure changes in the recoverable values in several alternate "LT growth rate/Discount rate" scenarios. The results of that analysis are disclosed in the below table (in EUR million):

LT growth rate

Discount rate	**0,0%**	**0,5%**	**1,0%**	**1,4%**	**2,0%**	**2,5%**	**3,0%**
7,0%	39,0	**55,2**	74,1	91,6			
8,0%	9,0	21,1	**34,8**	47,3	69,2		
9,1%		-7,5	2,7	**11,7**	27,2	42,3	
10,0%			-17,4	-10,2	**1,9**	13,6	26,8
11,0%				-30,0	-20,5	**-11,5**	-1,5

NB: the LT growth rate and the Discount rate are related. The most meaningful figures in the table above are highlighted in the diagonal and results in a meaningful sensitivity range from EUR -11.5 million to EUR + 55.2 million.

- **Theodoor Gilissen Bankiers ("TGB")**

  The net carrying amount of assets[1] recognized on the Group balance sheet amounts to EUR 28 million. For this subsidiary, the current estimated recoverable value[2] largely exceeds the net carrying amount of assets.

[1] Goodwill arising in a business combination + purchased portfolio of customers

[2] Recoverable value of EUR 93.5 million as of 31 December 2013, based on the following key assumptions: discount rate 9.5% (vs 10% in 2012), LT growth rate 1.2% (vs 3.5% in 2012)

Changes in key assumptions which would result in a recoverable value equalling current carrying value are not currently considered reasonable.

Note 15 – Share of profit of associates

(in EUR thousand)	31/12/2012	31/12/2013
European Fund Administration S.A. and EFA Partners S.A.	35	142
Total	**35**	**142**

Note 16 – Income tax (expenses) / income

(in EUR thousand)	31/12/2012[1]	31/12/2013
Breakdown by type		
Current tax	-2,924	-6,859
Deferred tax	-3,166	-19,819
Total	**-6,091**	**-26,678**

(in EUR thousand)	31/12/2012[1]	31/12/2013
Breakdown by major components:		
Result before tax	-243,784	111,163
Luxembourg income tax rate	28.80%	29.22%
Income tax calculated at the Luxembourg income tax rate	**70,210**	**-32,482**
Plus/minus tax effects attributable to:		
Differences in tax rates, Luxembourg – abroad	50,078	8,156
Tax free-income	6,681	1,779
Other non-deductible expenses	-8,564	-1,234
Adjustments related to prior years	-1	1,111
Adjustments to opening balance due to tax rate change	818	-15
Unused tax losses and tax credits	-124,229	541
Other	-1,080	-4,534
Income tax adjustments	**-76,300**	**5,804**
Total	**-6,091**	**-26,678**

Details of tax assets and liabilities are given in Note 27.

(1) Restated according to the amendment to IAS 19 (see Note 2a).

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
(in EUR million)

31/12/2012

ASSETS	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 credit institutions	**-**	**-**	**-**	**2,157**	**-**	**2,157**
Loans and advances other than with credit institutions	**-**	**15**	**-**	**1,905**	**-**	**1,920**
Consumer credits	-	-	-	5	-	**5**
Mortgage loans	-	-	-	496	-	**496**
Term loans	-	-	-	928	-	**928**
Current accounts	-	-	-	412	-	**412**
Other	-	15	-	64	-	**79**
Equity instruments	**7**	**0**	**329**	**-**	**-**	**337**
Investment contracts (Insurance "branche 23")	-	**2,095**	-	-	-	**2,095**
Debt instruments						
Government bodies	**229**	**0**	**3,869**	**-**	**-**	**4,098**
Credit institutions	16	0	1,803	-	-	**1,819**
Corporates	80	-	769	-	-	**850**
	132	-	1,297	-	-	**1,429**
Financial derivatives	**264**	**-**	**-**	**-**	**34**	**298**
Accrued interest	**3**	**0**	**72**	**6**	**10**	**92**
Total	**502**	**2,110**	**4,270**	**4,069**	**45**	**10,996**
Of which reverse repos	-	-	-	1,617	-	**1,617**

CARRYING AMOUNT
(in EUR million)

31/12/2013

ASSETS	**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 credit institutions	**-**	**-**	**-**	**2,143**	**-**	**2,143**
Loans and advances other than with credit institutions	-	-	-	**2,267**	-	**2,267**
Consumer credits	-	-	-	5	-	**5**
Mortgage loans	-	-	-	617	-	**617**
Term loans	-	-	-	1,176	-	**1,176**
Current accounts	-	-	-	386	-	**386**
Other	-	-	-	84	-	**84**
Equity instruments	**4**	**7**	**386**	**-**	**-**	**398**
Investment contracts (Insurance “branche 23”)	**-**	**1,856**	**-**	**-**	**-**	**1,856**
Debt instruments	**133**	**0**	**3,550**	**-**	**-**	**3,683**
Government bodies	4	0	1,668	-	-	**1,671**
Credit institutions	58	-	713	-	-	**771**
Corporates	71	-	1,170	-	-	**1,241**
Financial derivatives	**252**	**-**	**-**	**-**	**24**	**276**
Accrued interest	**2**	**-**	**68**	**6**	**10**	**86**
Total	**390**	**1,863**	**4,005**	**4,415**	**34**	**10,708**
Of which reverse repos	-	-	-	1,961	-	**1,961**

CARRYING AMOUNT
(in EUR million)

31/12/2012

LIABILITIES	**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 credit institutions	**-**	**-**	**-**	**1,196**	**1,196**
Deposits from other than credit institutions	**-**	**-**	**-**	**7,068**	**7,068**
Current accounts/demand deposits	-	-	-	5,350	**5,350**
Time deposits	-	-	-	1,700	**1,700**
Other deposits	-	-	-	18	**18**
Debt certificates	**-**	**-**	**-**	**377**	**377**
Deposits certificates	-	-	-	0	**0**
Customer savings bonds	-	-	-	2	**2**
Debt certificates	-	-	-	118	**118**
Non-convertible bonds	-	-	-	3	**3**
Non-convertible subordinated liabilities	-	-	-	254	**254**
Investment contracts (insurance)	**-**	**2,095**	**-**	**-**	**2,095**
Financial derivatives	**286**	**-**	**86**	**-**	**372**
Short sales	**15**	**-**	**-**	**-**	**15**
Equity instruments	0	-	-	-	**0**
Debt instruments	15	-	-	-	**15**
Accrued interest	**0**	**-**	**20**	**14**	**35**
Total	**301**	**2,095**	**107**	**8,655**	**11,158**
Of which repos	-	-	-	1,118	**1,118**

CARRYING AMOUNT
(in EUR million)

31/12/2013

LIABILITIES	**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 credit institutions	**-**	**-**	**-**	**1,011**	**1,011**
Deposits from other than credit institutions	**-**	**-**	**-**	**7,211**	**7,211**
Current accounts/demand deposits	-	-	-	5,497	**5,497**
Time deposits	-	-	-	1,702	**1,702**
Other deposits	-	-	-	12	**12**
Debt certificates	**-**	**-**	**-**	**326**	**326**
Deposits certificates	-	-	-	0	**0**
Customer savings bonds	-	-	-	1	**1**
Debt certificates	-	-	-	90	**90**
Non-convertible bonds	-	-	-	1	**1**
Non-convertible subordinated liabilities	-	-	-	233	**233**
Investment contracts (insurance)	**-**	**1,856**	**-**	**-**	**1,856**
Financial derivatives	**304**	**-**	**75**	**-**	**379**
Short sales	**5**	**-**	**-**	**-**	**5**
Equity instruments	0	-	-	-	**0**
Debt instruments	5	-	-	-	**5**
Accrued interest	**0**	**-**	**21**	**13**	**34**
Total	**309**	**1,856**	**95**	**8,560**	**10,820**
Of which repos	-	-	-	324	**324**

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)	**31/12/2012**	**31/12/2013**	**31/12/2012**	**31/12/2013**
ASSETS				
Loans and advances to credit institutions	2,157	2,143	2,157	2,143
Loans and advances to other than credit institutions	1,905	2,267	1,905	2,267
Consumer credits	5	5	5	5
Mortgage loans	496	617	496	617
Term loans	928	1,176	928	1,176
Current accounts	412	386	412	386
Other	64	84	64	84
LIABILITIES				
Deposits from credit institutions	1,196	1,011	1,196	1,011
Deposits from other than credit institutions	7,068	7,211	7,067	7,210
Current accounts/demand deposits	5,350	5,497	5,350	5,497
Time deposits	1,700	1,702	1,699	1,702
Other deposits	18	12	18	12
Debt certificates	377	326	367	316
Deposit certificates	0	0	0	0
Customer savings bonds	2	1	2	1
Debt certificates	118	90	118	90
Non-convertible bonds	3	1	3	1
Non-convertible subordinated liabilities	254	233	244	223

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.

31/12/2012

(in EUR million)	Level 1	Level 2	Level 3	Accrued interest	TOTAL
ASSETS					
Held-for-trading	**161**	**339**	**-**	**3**	**502**
Equity instruments	7	0	-	-	7
Debt instruments	119	109	-	3	231
Derivatives	35	229	-	-	264
At fair value through profit or loss	**2,095**	**15**	**-**	**0**	**2,110**
Available-for-sale financial assets	**3,900**	**296**	**0**	**72**	**4,269**
Equity instruments (excluding instruments at cost)	298	30	-	-	328
Debt instruments	3,602	267	0	72	3,941
Hedging derivatives	**-**	**34**	**-**	**10**	**45**
LIABILITIES					
Held-for-trading	**49**	**252**	**-**	**0**	**301**
Equity instruments	-	-	-	-	-
Debt instruments	14	1	-	0	15
Derivatives	35	252	-	-	286
At fair value through profit or loss	**2,095**	**-**	**-**	**-**	**2,095**
Hedging derivatives	**-**	**86**	**-**	**20**	**107**

31/12/2013

(in EUR million)	Level 1	Level 2	Level 3	Accrued interest	TOTAL
ASSETS					
Held-for-trading	**168**	**220**	**0**	**2**	**390**
Equity instruments	4	0	-	-	4
Debt instruments	76	57	0	2	134
Derivatives	89	163	-	-	252
At fair value through profit or loss	**1,863**	**0**	**-**	**-**	**1,863**
Available-for-sale financial assets	**3,618**	**317**	**-**	**68**	**4,003**
Equity instruments (excluding instruments at cost)	342	43	-	-	385
Debt instruments	3,276	274	-	68	3,619
Loans and receivables	**-**	**4,409**	**-**	**6**	**4,415**
Loans and advances to credit institutions	-	2,143	-	1	2,143
Loans and advances to others than credit institutions	-	2,267	-	5	2,272
Hedging derivatives	**-**	**24**	**-**	**10**	**34**
LIABILITIES					
Held-for-trading	**93**	**215**	**-**	**0**	**309**
Equity instruments	-	0	-	-	0
Debt instruments	5	0	-	0	5
Derivatives	89	215	-	-	304
At fair value through profit or loss	**1,856**	**-**	**-**	**-**	**1,856**
Hedging derivatives	**-**	**75**	**-**	**21**	**95**
Financial liabilities at amortized cost	**212**	**8,325**	**-**	**13**	**8,550**
Deposit from credit institutions	-	1,011	-	1	1,011
Deposit from other than credit institutions	-	7,210	-	1	7,211
Debt certificates	212	104	-	12	328

Level 3 items measured at fair value

(in EUR million)	Financial instruments measured at fair value through profit or loss	Available-for-sale financial assets	Total
Balance as at 01/01/2012	**-**	**0**	**0**
Total profit / loss for the year	1	-	1
- recognised in the income statement	1	-	1
- recognised in other components of comprehensive income	-	-	-
Purchases	-	-	-
Sales	-1	-	-1
Transfers from / to level 3	-	-	-
Balance as at 31/12/2012	**-**	**0**	**0**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31/12/2012	1	0	1

(in EUR million)	Financial instruments measured at fair value through profit or loss	Available-for-sale financial assets	Total
Balance as at 01/01/2013	**-**	**0**	**0**
Total profit / loss for the year	1	-	1
- recognised in the income statement	1	-	1
- recognised in other components of comprehensive income	-	-	-
Purchases	-	-	-
Sales	-1	-	-1
Transfers from / to level 3	-	-	-
Balance as at 31/12/2013	**-**	**0**	**0**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31/12/2013	1	0	1

Transfers between the level 1 and level 2 categories

In EUR million

31/12/13

ASSETS	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Held-for-trading	**8**	**6**
Equity instruments	0	-
Debt instruments	8	6
Available-for-sale financial assets	**115**	**41**
Equity instruments (excluding instruments at cost)	8	-
Debt instruments	107	41
LIABILITIES		
Held-for-trading	**0**	**0**
Equity instruments	-	-
Debt instruments	0	0

Group policy for determining the timing of the transfers

The transfers disclosed in the above table are deemed to have occured at the end of the reporting period.
Transfers are thus measured at the closing fair values of the related items.

Reasons for those transfers

The transfers made in 2013 mainly reflect a change in the Group assessment of the current liquidity of the underlying instruments compared to the previous analysis performed as at 31 December 2012.

Transfers between the level 1 and level 2 categories which occurred in 2012 were not significant.

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
31/12/2012			
Unimpaired assets	4,213	4,057	**8,270**
Impaired assets	114	59	**173**
Impairment	-57	-47	**-105**
Total	**4,270**	**4,069**	**8,339**

(in EUR million)	Available-for-sale (AFS) financial assets	Loans and receivables (L&R)	TOTAL
31/12/2013			
Unimpaired assets	3,977	4,400	**8,377**
Impaired assets	59	57	**116**
Impairment	-31	-41	**-72**
Total	**4,005**	**4,415**	**8,420**

Note 19 – Financial assets and liabilities: breakdown by portfolio and residual maturity

(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
ASSETS						
31/12/2012						
Less than or equal to 1 year	263	8	622	3,208	2	**4,103**
More than 1 but less than or equal to 5 years	156	7	2,345	395	33	**2,936**
More than 5 years	73	0	901	459	0	**1,434**
Indefinite period	7	2,095	329	-	-	**2,432**
Accrued interest	3	0	72	6	10	**92**
Total	**502**	**2,110**	**4,270**	**4,069**	**45**	**10,996**
31/12/2013						
Less than or equal to 1 year	234	-	713	3,340	1	**4,287**
More than 1 but less than or equal to 5 years	85	-	2,115	616	22	**2,838**
More than 5 years	66	0	722	454	1	**1,243**
Indefinite period	4	1,863	386	-	-	**2,254**
Accrued interest	2	-	68	6	10	**86**
Total	**390**	**1,863**	**4,005**	**4,415**	**34**	**10,708**

(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
LIABILITIES					
31/12/2012					
Less than or equal to 1 year	197	-	8,273	3	**8,473**
More than 1 but less than or equal to 5 years	59	-	363	50	**472**
More than 5 years	44	-	5	33	**82**
Indefinite period	0	2,095	-	-	**2,095**
Accrued interest	0	-	14	20	**35**
Total	**301**	**2,095**	**8,655**	**107**	**11,158**
31/12/2013					
Less than or equal to 1 year	241	-	8,295	2	**8,539**
More than 1 but less than or equal to 5 years	26	-	250	41	**317**
More than 5 years	41	-	2	32	**74**
Indefinite period	0	1,856	-	-	**1,856**
Accrued interest	0	-	13	21	**34**
Total	**309**	**1,856**	**8,560**	**95**	**10,820**

Note 20 – Offsetting of financial assets and liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet position when, and only when the Group:

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group currently has no legally enforceable right which satisfies the above conditions. It follows that all amounts presented on the face of the balance sheet are gross amounts.

The Group however frequently enters into Master Netting Agreements ("MNA") with its counterparties to manage the credit risks associated primarily with (i) repurchase and reverse repurchase transactions, (ii) securities borrowing / lending and (iii) over-the-counter derivatives.
These arrangements may also be supplemented by collateral agreements.

Offsetting rights provided for by such MNA are generally conditional upon the occurrence of some specific future events (typically the events of default, insolvency or bankruptcy of the counterparty). They are thus not current, which prevents the Group from setting the related assets and liabilities off on the balance sheet.
Similarly, the rights of set off relating to the cash and other financial instrument collateral are also conditional upon the default of the counterparty.

The financial impact of the MNA potential offsetting opportunities are disclosed in the following tables. Only Global Master Repurchase Agreements (GMRA) for repurchase agreements and International Swaps and Derivatives Association Master Agreement (ISDA) for over-the-counter derivatives have been considered.
The effect of Master Netting Agreements relating to securities lending and borrowing has not been reported because, as underlined in the Group's significant accounting policies (cf. Note 2b), those transactions are not recognized on the balance sheet (i.e. securities lent are not derecognized from the balance sheet and securities borrowed are not recognized within assets). Notes 21 and 22 give additional information on those activities and on the related financial collateral received / pledged.

ASSETS (in EUR million)		**Impact of Master Netting Agreements**		
31/12/2012	Gross amounts of financial assets presented on the balance sheet	Netting potential / financial liabilities	Financial collateral received (securities and cash)	Net amount
Cash and balances with central banks	1,330	-	-	1,330
Financial assets				
Hedging and trading derivatives	309	-178	-23	107
Held-for-trading assets (excluding derivatives)	238	-	-	238
Assets designated at fair value through profit or loss	2,110	-	-	2,110
Available-for-sale financial assets	4,270	-	-	4,270
Loans and receivables	4,069	-118	-1,307	2,644
Total	**12,326**	**-296**	**-1,330**	**10,699**

LIABILITIES (in EUR million) 31/12/2012	Gross amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements Netting potential / financial assets	Financial collateral pledged (securities and cash)	Net amount
Financial liabilities				
Hedging and trading derivatives	393	-178	-99	115
Held-for-trading liabilities (excluding derivatives)	15	-	-	15
Liabilities designated at fair value through profit or loss	2,095			2,095
Liabilities measured at amortized cost	8,655	-118	-331	8,206
Total	**11,158**	**-296**	**-430**	**10,431**

ASSETS (in EUR million) 31/12/2013	Gross amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements Netting potential / financial liabilities	Financial collateral received (securities and cash)	Net amount
Cash and balances with central banks	1,171	-	-	1,171
Financial assets				
Hedging and trading derivatives	286	-121	-18	148
Held-for-trading assets (excluding derivatives)	139	-	-	139
Assets designated at fair value through profit or loss	1,863	-	-	1,863
Available-for-sale financial assets	4,005	-	-	4,005
Loans and receivables	4,415	-126	-1,683	2,606
Total	**11,879**	**-247**	**-1,700**	**9,932**

LIABILITIES (in EUR million) 31/12/2013	Gross amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements Netting potential / financial assets	Financial collateral pledged (securities and cash)	Net amount
Financial liabilities				
Hedging and trading derivatives	399	-121	-124	155
Held-for-trading liabilities (excluding derivatives)	5	-	-	5
Liabilities designated at fair value through profit or loss	1,856			1,856
Liabilities measured at amortized cost	8,560	-126	-186	8,247
Total	**10,820**	**-247**	**-310**	**10,263**

Note 21 – 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. The related securities are generally transferred under full ownership and the counterpart is thus able to re-use them in other operations.
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:

In EUR million 31/12/2012	**Repo (**)**	**Securities lending**		**Collateral given for securities borrowing (***)**	**Other**
	Debt instruments	**Debt instruments**	**Equity instruments**	**Debt instruments**	**Debt instruments**
Held-for-trading financial assets	4	2	-	-	-
Available-for-sale financial assets	502	153	1	697	384
Loans and receivables	-	-	-	-	143
Total financial assets not derecognised	**506**	**155**	**1**	**697**	**528**
Other (*)	508	886	5	779	-
Total	**1,014**	**1,041**	**6**	**1,476**	**528**

In EUR million 31/12/2013	**Repo (**)**	**Securities lending**		**Collateral given for securities borrowing (***)**	**Other**
	Debt instruments	**Debt instruments**	**Equity instruments**	**Debt instruments**	**Debt instruments**
Held-for-trading financial assets	-	1	-	-	-
Available-for-sale financial assets	81	103	-	749	516
Total financial assets not derecognised	**81**	**104**	**-**	**749**	**516**
Other (*)	234	1,032	0	598	70
Total	**315**	**1,136**	**0**	**1,347**	**586**

(*) 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.
(***) Fair value of securities borrowed: EUR 1,218 million at 31/12/2013 (EUR 1,173 million at 31/12/2012)

Note 22 – 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)	31/12/2012	31/12/2013
Reverse repurchase agreements	1,466	1,978
Collateral received in securities lending	973	1,169
Total	**2,438**	**3,147**
Of which, transferred to:		
Repurchase agreements	*251*	*-*
Securities lent	*29*	*18*
Collateral given for securities borrowing	*779*	*598*
Other	*-*	*70*
Total	**1,060**	**685**

Note 23 – Impairment of available-for-sale financial assets

Changes (in EUR million)	Debt instruments	Equity instruments
Balance as at 01/01/2012	**42**	**53**
Changes affecting the income statement	13	6
Allowances	14	6
Reversals	-1	0
Changes not affecting the income statement	-44	-12
Securities sold/matured	-43	-13
Other	0	1
Balance as at 31/12/2012	**11**	**46**

Changes (in EUR million)	Debt instruments	Equity instruments
Balance as at 01/01/2013	**11**	**46**
Changes affecting the income statement	2	0
Allowances	2	0
Reversals	0	0
Changes not affecting the income statement	-7	-20
Securities sold/matured	-7	-21
Other	0	0
Balance as at 31/12/2013	**5**	**26**

Note 24 – Impairment of loans and receivables

(in EUR million)	31/12/2012	31/12/2013
Total	**47**	**41**
Breakdown by type	**47**	**41**
Specific impairments of loans and receivables	45	39
Portfolio-based impairment	3	2
Breakdown by counterparty	**47**	**41**
Loans and advances to credit institutions	-	-
Loans and advances to other than credit institutions	47	41
Geographic breakdown	**47**	**41**
Domestic	30	32
International markets	17	9

Changes (in EUR million)	Specific impairments of loans and receivables	Portfolio-based impairment	Total
Balance as at 01/01/2012	**50**	**1**	**52**
Changes affecting the income statement	9	1	10
Allowances	10	2	12
Reversals	-1	0	-2
Changes not affecting the income statement	-14	0	-14
Use of provision	-13	-	-13
Other / Change impact	-2	0	-2
Balance as at 31/12/2012	**45**	**3**	**47**

Changes (in EUR million)	Specific impairments of loans and receivables	Portfolio-based impairment	Total
Balance as at 01/01/2013	**45**	**3**	**47**
Changes affecting the income statement	2	0	2
Allowances	4	0	4
Reversals	-2	-1	-2
Changes not affecting the income statement	-8	0	-8
Use of provision	-9	-	-9
Change in the scope of consolidation	1	-	1
Other / Change impact	0	0	0
Balance as at 31/12/2013	**39**	**2**	**41**

Note 25 – Derivatives

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

31/12/2012 (in EUR million)	**Held-for-trading**			**Fair value hedging**		
	Fair value		**Notional value**	**Fair value**		**Notional value**
	Assets	**Liabilities**		**Assets**	**Liabilities**	
Total	**264**	**286**	**27,994**	**45**	**107**	**1,265**
Interest rate contracts	**66**	**75**	**15,304**	**45**	**107**	**1,263**
Options	0	0	26	0	-	1
Interest rate swaps	59	68	14,713	43	106	1,146
Futures	0	0	89	-	-	-
Other	7	7	476	2	0	116
Foreign exchange contracts	**110**	**124**	**9,898**	**-**	**-**	**-**
Foreign exchange forwards	110	124	9,811	-	-	-
Cross currency swaps	-	-	-	-	-	-
Futures	0	0	74	-	-	-
Options	0	0	10	-	-	-
Other	0	0	3	-	-	-
Equity contracts	**88**	**86**	**2,768**	**0**	**-**	**3**
Futures	15	15	1,053	-	-	-
Options	55	55	1,396	-	-	-
Other	17	16	319	0	-	3
Loan contracts	**0**	**0**	**2**	**-**	**-**	**-**
Commodities and other contracts	**0**	**0**	**22**	**-**	**-**	-

31/12/2013 (in EUR million)	**Held-for-trading**			**Fair value hedging**		
	Fair value		**Notional value**	**Fair value**		**Notional value**
	Assets	**Liabilities**		**Assets**	**Liabilities**	
Total	**252**	**304**	**43,012**	**34**	**95**	**1,294**
Interest rate contracts	**50**	**55**	**29,499**	**34**	**86**	**1,236**
Options	0	0	25	0	-	1
Interest rate swaps	47	52	29,166	33	86	1,121
Futures	0	0	100	-	-	-
Other	3	3	207	1	0	114
Foreign exchange contracts	**79**	**126**	**9,454**	**0**	**9**	**57**
Foreign exchange forwards	76	123	8,881	-	-	-
Cross currency swaps	-	-	-	0	9	57
Futures	-	-	-	-	-	-
Options	3	3	567	-	-	-
Other	0	0	6	-	-	-
Equity contracts	**122**	**123**	**4,045**	**-**	**-**	**-**
Futures	57	57	2,255	-	-	-
Options	61	61	1,681	-	-	-
Other	4	5	109	-	-	-
Loan contracts	**-**	**-**	**-**	**-**	**-**	**-**
Commodities and other contracts	**0**	**0**	**14**	**-**	**-**	-

Note 26 – 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 27 – Tax assets and liabilities

(in EUR million)	31/12/2012[1]	31/12/2013
Current tax assets	**5**	**4**
Deferred tax assets	**30**	**19**
Employee benefits	0	1
Losses carried forward	69	56
Tangible and intangible assets	1	1
Provisions	-20	-21
Financial instruments at fair value through profit or loss	0	0
Available-for-sale financial instruments	-34	-29
Other	14	11
TAX ASSETS	**35**	**23**
Tax losses and tax credits not capitalised [1], [2]	147	154

(1) Restated according to the amendment to IAS19 (see Note 2a)
(2) Tax losses and tax credits not capitalised mainly concern tax losses of Group companies, which are not recognised because of uncertainty about future taxable profits.

(in EUR million)	31/12/2012	31/12/2013
Current tax liabilities	**2**	**2**
Deferred tax liabilities	**7**	**9**
Employee benefits	-	1
Losses carried forward	-7	-2
Tangible and intangible assets	0	0
Provisions	0	1
Financial instruments at fair value through profit or loss	-1	0
Available-for-sale financial instruments	13	9
Other	1	1
TAX LIABILITIES	**9**	**11**

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 28 – 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)	31/12/2012	31/12/2013
Total	**12**	**12**
Overview of investments in associates (including goodwill)		
European Fund Administration S.A. and EFA Partners S.A.	12	12
Goodwill in associates		
Gross amount	-	-
Cumulative impairment	-	-

Changes	31/12/2012	31/12/2013
Opening balance	**13**	**12**
Share of profit for the year	0	0
Dividends paid	-1	0
Changes in scope	-	0
Ending balance	**12**	**12**

Summary financial information (in EUR thousand)	Total assets	Total liabilities excluding equity	Net profit / (loss)
31/12/2013 (provisional figures)			
European Fund Administration S.A.	36,526	12,448	462
EFA Partners S.A.	2,098	4	-3

Note 29 – Goodwill and other intangible assets

Changes (in EUR million)	Goodwill arising in a business combination	Purchased Portfolio of customers	Software developed in-house	Software purchased	Other	Total
Balance as at 01/01/2012	**238**	**23**	**35**	**10**	**0**	**306**
Acquisitions	-	-	6	2	0	**8**
Disposals	-	-	-	-	-	**-**
Amortisation	-	-	-28	-9	-	**-37**
Impairment	-32	-15	-	-	-	**-47**
Allowances	-32	-15	-	-	-	**-47**
Reversals	-	-	-	-	-	**-**
Changes in scope	-	-	-	-	-	**-**
Other	-	-	-	1	0	**1**
Balance as at 31/12/2012	**206**	**8**	**12**	**5**	**0**	**231**
Of which cumulative amortisation and impairment	-121	-81	-35	-26	0	-263
Balance as at 01/01/2013	**206**	**8**	**12**	**5**	**0**	**231**
Acquisitions	-	-	3	2	0	**5**
Disposals	-	0	0	-	-	**0**
Amortisation	-	-	-2	-2	-	**-5**
Impairment	-	0	-	-	-	**0**
Allowances	-	0	-	-	-	**0**
Reversals	-	-	-	-	-	**-**
Changes in scope	-	-	-	-	-	**-**
Other	-	-	-	0	0	**0**
Balance as at 31/12/2013	**206**	**8**	**13**	**5**	**0**	**232**
Of which cumulative amortisation and impairment	-121	-81	-8	-27	0	-237

Note 30 – Property and equipment and investment properties

(in EUR million)	31/12/2012	31/12/2013
Property and equipment	**180**	**168**
Investment properties		
Carrying amount	27	26
Fair value	32	34
Investment properties – Rental income	**2**	**2**

Investment properties' fair values disclosed supra are based on valuations obtained from independent valuers who hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.
The estimates are primarily derived from recent transactions and other local market data observable in the areas where the properties are held. Related fair values are thus to be classified within the level 2 category under the IFRS 13 fair value hierarchy.

Changes (in EUR million)	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment properties
Balance as at 01/01/2012	**147**	**13**	**28**	**189**	**36**
Acquisitions	2	6	2	**10**	0
Disposals	-2	0	0	**-2**	-8
Depreciation	-7	-9	-4	**-20**	-1
Impairment	-	-	-	**-**	-
Allowances	-	-	-	**-**	-
Reversals	-	-	-	**-**	-
Translation differences	0	0	0	**0**	-
Changes in scope	3	-	-	**3**	-
Other	1	0	-1	**0**	0
Balance as at 31/12/2012	**144**	**10**	**26**	**180**	**27**
Of which cumulative depreciation and impairment	-101	-38	-45	-184	-9

Changes (in EUR million)	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment properties
Balance as at 01/01/2013	**144**	**10**	**26**	**180**	**27**
Acquisitions	0	4	1	**5**	0
Disposals	0	0	0	**0**	-
Depreciation	-7	-5	-3	**-15**	-1
Impairment	-	-	-	**-**	-
Allowances	-	-	-	**-**	-
Reversals	-	-	-	**-**	-
Translation differences	0	0	0	**0**	-
Changes in scope	-	-	-	**-**	-
Other	-2	0	0	**-2**	0
Balance as at 31/12/2013	**136**	**9**	**23**	**168**	**26**
Of which cumulative depreciation and impairment	-106	-37	-46	-189	-9

Note 31 – Gross technical provisions, insurance

(in EUR million)	31/12/2012	31/12/2013
Total	**355**	**214**
Provision for unearned premiums	-	-
Life insurance provision	355	214
Discretionary participation features	-	0

Changes (in EUR million)	31/12/2012	31/12/2013
Opening balance	**429**	**355**
Net payments received/premiums receivable	2	0
Liabilities paid for surrenders, benefits and claims	-65	-141
(Theoretical) risk premiums deducted	-	-
Credit of interest or change in unit-prices	10	7
Attributed profit sharing	0	-
Translation differences	-	-
Other movements	-22	-6
Changes in scope	-	-
Closing balance	**355**	**214**

The above technical provisions correspond to residual amounts which relate to former insurance contracts (“Branche 21”) that used to be offered by the Group insurance company (Vitis Life S.A.) but which are no longer actively marketed.

The provisions include two distinct products:

- “bons d’assurance” which are similar to debt certicificates and which offer a guaranteed interest rate up to a fixed maturity;
- “assurance épargne” contracts which include a discretionary participation feature.

Amounts received on the issue of these contracts are recognized in the income statement under the heading “Gross earned premiums, insurance”.
Amounts paid under the early redemptions of the contracts or at their maturity date are recorded in the income statement under the heading “Gross technical charges, insurance”. That heading also includes the symmetrical change in the insurance provision (for both amounts received and paid).

Insurance contracts issued by the Group nearly never include any insurance risk, as defined by IFRS 4. In addition, whenever such risk is taken, it is systematically fully covered through a reinsurance transaction.
Reinsurance premiums paid are recorded in the income statement under the heading “Ceded reinsurance result”.
Reinsurer’s share in technical provisions is disclosed separately within assets in the Group’s balance sheet. Changes in the reinsurer’s share in technical provisions are also booked under the “Ceded reinsurance result” in the income statement.

Apart from the above run-off activity, the Group regularly issues Unit-Linked insurance products (“Branche 23”). For this activity, and as described in the Group significant accounting policies, both the insurance liability and the linked asset are classified in the Financial Instruments at Fair Value category (see Note 17).
This approach reflects the investment risk on those transactions is fully borne by the policy holders.

Note 32 – Provisions

Changes (in EUR million)	Specific impairment for credit commitments	Pending legal disputes	Operational losses	Other provisions	Total
Balance as at 01/01/2012	**0**	**16**	**0**	**11**	**28**
Changes affecting the income statement	0	5	0	-2	**3**
Allowances	-	6	0	1	**7**
Reversals	0	-1	-	-3	**-4**
Other changes	0	-4	0	-2	**-6**
Balance as at 31/12/2012	**0**	**17**	**1**	**7**	**25**

Changes (in EUR million)	Specific impairment for credit commitments	Pending legal disputes	Operational losses	Other provisions	Total
Balance as at 01/01/2013	**0**	**17**	**1**	**7**	**25**
Changes affecting the income statement	0	2	0	10	**12**
Allowances	0	3	0	14	**17**
Reversals	-	-1	0	-4	**-5**
Other changes	0	-2	0	-1	**-3**
Balance as at 31/12/2013	**1**	**17**	**0**	**16**	**34**

Specific impairment for credit commitments: provisions accounted for to cover risk on given guarantees, more precisely on credits for which the Bank acts as sub-participant.

Provisions for pending legal disputes: provisions recorded to cover legal disputes with private and professional counterparties, including lawyers' fees.

Operational losses: provisions to cover operational dysfunctions for which the responsibility is not determined at the closing date.

Other provisions: other provisions than the above-mentioned provisions, among which provisions to cover the expenses in relation with the closedown of the Polish branch and provisions for tax regularization.

For most of the provisions recorded, no reasonable estimate can be made of when they will be used.

The main litigation cases are the following:

<u>Proceedings before the Belgian courts</u>
KBL *epb* with other defendants has been summoned in 2008 by an English company ("BSL") to appear before the Belgian Court. The plaintiff, a former client of KBL *epb*, claims the payment of an astronomic amount of USD 300 million alleging that KBL *epb* participated in the embezzlement of a commission which the plaintiff claims was owed to him by a South African counterpart with whom he was involved in an international commercial transaction between 1986 and 1991.
BSL held a KBL *epb* account from 1990 to 1991. BSL alleges that by opening this account the Bank acted in collusion with the counterpart in order to mislead him.
The Court declined jurisdiction in respect of KBL *epb* and ordered the plaintiff to pay an indemnification of EUR 50.000 to KBL *epb* for frivolous and vexatious proceedings.
BSL appealed the judgment and the case will be heard before the court of appeal in January, May and June 2014.

Madoff cases
In December 2008, Bernard L. Madoff's massive Ponzi scheme was discovered. Bernard L. Madoff Investment Securities LLC ("BLMIS") and its "feeder funds" were put into liquidation.
The liquidator of BLMIS considers that certain investors in BLMIS knew or should have known that BLMIS was a fraud. He therefore claims back payments made by BLMIS to these investors (so called "claw-back actions").
As the liquidator started claw-back actions against the feeder funds, the liquidators of these funds have in their turn started similar actions against KBL *epb* and other defendants before the New York courts and the BVI courts.
The BVI courts rejected the claim against KBL *epb* and other defendants judging that they acted in good faith.
The liquidators appealed these decisions before a London court. As a consequence of these decisions the New York courts decided to stay all proceedings until a final decision is taken in the BVI cases.

Landsbanki
The Landsbanki liquidators are suing KBL *epb* before the court of Reykjavik, claiming rescission of a payment of ISK 724,6 million (+/- EUR 2,9 million) made in the context of an interbank money deposit transaction, having taken place in 2008 a few days before the declaration of insolvability of Landsbanki.
In accordance with the Icelandic Act of Bankruptcy, they claim annulment of this payment because it was made during the 'suspect period' leading up to the bankruptcy of Landsbanki Islands hf.'s.
The first instance court rejected the claim but the liquidators appealed the decision. The court of appeal will probably render its decision in 2014.

As in these cases the risks are remote (in the Madoff case the investors and not KBL *epb* bear the risk of repayment), provisions have only be made for the legal costs

KBL (Switzerland) tax regularization programs
The subsidiary has assessed the legal risk and, on the basis of the assumptions made, it has, when appropriate, accounted for provisions for the risk of non recovery by the paying agents of the up-front payment made within the tax agreement between the Swiss Confederation and the United Kingdom (Rubik) and for the preliminary estimation of the costs related to the participation in the regularization program proposed by the US Department of Justice (DoJ).

Note 33 – 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 34) and restructuring plans are also included in this item.

Note 34 – Retirement benefit obligations

KBL *epb* group operates a number of defined benefit plans for its employees. The most material plans are in the Germany, Luxembourg and Switzerland. It also operates defined contribution plans in some countries.

Luxembourg

The Group operates a number of defined benefit plans in Luxembourg comprising employer-funded and employee-funded plans. The employer-funded plans provide retirement benefits linked to service and final salary. Investment earnings applied to employee contributions are subject to a minimum guaranteed return. The plans are funded via insurance arrangement with a third party to which the company pays regular premiums.

Germany

KBL *epb* group operates defined benefit plans in Germany which provide retirement, death and disability benefits. Some of these plans are closed to new entrants. Those plans with active membership mostly provide fixed amount pension promises. The plans are mostly unfunded but one plan is partly financed via a support fund, which invests in a single property.

Switzerland

KBL *epb* group operates a company-sponsored pension plan in Switzerland that provides contribution-based cash balance retirement benefits and death and disability benefits to employees to meet its obligations under Switzerland's mandatory company-provided 2nd pillar pension system. The plan is established within a pension foundation which is a separate legal entity to KBL *epb*'s Swiss subsidiary and is governed by a board that is legally responsible for the operation of the plan. Contributions are made to the plan in line with local funding requirements.

There are a number of guarantees provided within the plan, including a guaranteed minimum return on account balances as required by law.

Other plans

The Group also has various retirement plans in France, the Netherlands and the UK. Most of these plans are funded, with assets backing the obligations held in separate legal vehicles such as trusts or insurance vehicles. The benefits provided, the approach to funding and the legal basis of the plans reflect their local environments.

DEFINED BENEFIT PLANS In EUR million	31/12/2012 (1)	31/12/2013
Defined benefit plan obligations		
Value of obligations as at 01/01	**199**	**225**
Current service cost	6	7
Interest cost	8	6
Past service cost and losses arising from settlements	-	-2
Actuarial (gains)/losses	25	2
stemming from changes in demographic assumptions	0	2
stemment from changes in financial assumptions	26	-7
experience adjustments	-1	7
Benefits paid	-16	-11
Out of which: amounts paid in respect of settlements	-	-
Plan participant contributions	1	1
Currency adjustment	1	-1
Other	0	0
Value of obligations as at 31/12	**225**	**227**
Fair value of plan assets		
Fair value of assets as at 01/01	**121**	**134**
Actual return on plan assets	11	5
Interest income	4	4
Return on plan assets (excluding interest income)	6	2
Employer contributions	12	7
Plan participant contributions	1	1
Benefits paid	-13	-8
Out of which: amounts paid in respect of settlements	-	-
Currency adjustment	1	-1
Other	0	0
Fair value of assets as at 31/12	**134**	**139**

Plan assets include an investment of EUR 1.6 million in a transferable security issued by the Group (2012: EUR - million) and a property partially used by the Group for administrative purposes. The fair value of the portion of the property held for own use, as estimated at year-end, is EUR 0.5 million (2012 : EUR 0.5 million).

Effect of the asset ceiling		
Effect of the asset ceiling as at 01/01	**-1**	**-1**
Interest on the effect of asset ceiling	0	0
Change in the effect of asset ceiling	0	0
Other	-	-
Effect of the asset ceiling as at 31/12	**-1**	**-1**
Funded status		
Plan assets in excess of defined benefit obligations	-91	-89
Unrecognised assets	-1	-1
Unfunded accrued / prepaid pension cost	**-92**	**-90**

(1) Restated according to the amendment to IAS 19 (see Note 2a).

In EUR million	31/12/2012	31/12/2013
Changes in net defined benefit pension liability or asset		
Unfunded accrued / prepaid pension cost as at 01/01	**-79**	**-92**
Net periodic pension cost recognized in the income statement	-10	-7
Remeasurements recognized in OCI (excl. change in tax provision)	-19	-1
Employer contributions	12	7
Pension payments by employer	3	**3**
Out of which: amounts paid in respect of settlements	-	-
Currency adjustment	0	0
Unfunded accrued / prepaid pension cost as at 31/12	**-92**	**-90**
Changes in the tax provision relating to current deficits on external plans		
Recognized provision as at 01/01	**-3**	**-4**
Change in the provision recognized through OCI	-1	1
Recognized provision as at 31/12	**-4**	**-3**
Changes in the remeasurement reserve in equity		
Recognized reserve as at 01/01	**-**	**-20**
Remeasurement recognized in OCI	-20	0
Transfers	-	-
Recognized reserve as at 31/12	**-20**	**-19**
AMOUNTS RECOGNIZED IN COMPREHENSIVE INCOME		
Amounts recognised in the income statement		
Current service cost	-6	-7
Net interest on the defined benefit liability/asset	-3	**-3**
Past service cost	-	2
Gains and losses arising from settlements	-	-
Other	-	-
Net pension cost recognized in the income statement	**-10**	**-7**
Amounts recognized in other comprehensive income		
Actuarial gains/losses on the defined benefit obligation	-25	-2
Actual return on plan assets (excluding amounts included in interest income)	6	2
Change in the effect of the asset ceiling	0	0
Change in the tax provision	-1	1
Currency adjustment	-	0
Total other comprehensive income	**-20**	**0**
Actual return on plan assets	**8.78%**	**4.05%**
Breakdown of plan assets	**100%**	**100%**
Fixed income		
Quoted market price in an active market	63%	66%
Unquoted	-	-
Equities		
Quoted market price in an active market	18%	17%
Unquoted	-	-
Alternatives		
Quoted market price in an active market	10%	6%
Unquoted	-	-
Cash	3%	4%
Real estate	3%	3%
Other	2%	3%

In EUR million	31/12/2012	31/12/2013
Significant actuarial assumptions used:		
Defined benefit obligation The rate used to discount the post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds with similar maturities than the pension commitments.		
Discount rate	1.50% to 4.25%	2.00% to 4.40%
DBO sensitivity to changes in discount rate		
Scenario DR -1%	n/a	+33
Scenario DR +1%	n/a	-26
Expected rate of salary increase (including inflation)	2.00% to 3.00%	2.00% to 3.00%
Scenario SR -1%	n/a	-5
Scenario SR +1%	n/a	+5
Maturity profile of the DBO		
Weighted average duration of the DBO (in years)	n/a	**15**
Expected contributions for next year	**7**	**7**

Defined contribution plans **In EUR million**	**31/12/2012**	**31/12/2013**
Amount recorded in the income statement	-5	-6

Note 35 – Equity attributable to the owners of the parent

Pursuant to the extraordinary general meeting of the shareholders of the Bank held on 9 July 2013, it was decided to propose to each holder of preferential non-voting shares to convert part or all of its preferential non-voting shares into ordinary shares, the proposed exchange ratio being one preferential non-voting share against one ordinary share, being understood however that only the number of preferential non-voting shares for which the holders of preferential non-voting shares had accepted the conversion offer during the conversion offer period ended on 9 August 2013 were effectively converted into ordinary shares.

As such, 1,945,670 preferential non-voting shares were converted into 1,945,670 ordinary shares and, as at 31 December 2013, the subscribed and paid-up capital is EUR 187.2 million, represented by 20,132,547 ordinary shares without par value and by 4,041 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 incorporation, 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 is thus indebted for EUR 1.5 million to preference shareholders for 2010, 2011 and 2012, where no dividend has been paid-up.

Article 39 of the Bank’s articles of incorporation specifies that the net liquidation profit, after the charges payment, will be used to firstly refund the non-voting preference shareholders. The remaining balance will be allocated on equal basis to ordinary shareholders.

As at 31 December 2013, the legal reserve is EUR 18.7 million (31 December 2012: EUR 18.7 million) representing 10% of the paid-up capital, the free reserves amounts to EUR 782.4 million (31 December 2012: EUR 758.7 million) and the reserve for the reduction of wealth tax is nihil

(31 December 2012: EUR 23.7 million). The retained earnings are negative for EUR 282,1 million (31 December 2012: positive for EUR 38.3 million).

in number of shares	31/12/2012	31/12/2013
Total number of shares issued	**20,136,588**	**20,136,588**
Ordinary shares	18,186,877	20,132,547
Preference shares	1,949,711	4,041
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 01/01/2013	**18,186,877**	**1,949,711**	**20,136,588**
Conversion of preference shares into ordinary shares	+1,945,670	-1,945,670	0
Balance as at 31/12/2013	**20,132,547**	**4,041**	**20,136,588**

Note 36 – Result allocation proposal

At its meeting on 27 February 2014, the Board of Directors proposes to distribute the 2013 net result of EUR 35.2 million as follows:

(i) in the AGDL *(Association pour la Garantie des Dépôts Luxembourg)* provision framework, EUR 2.0 million will be allocated to the unavailable reserve;
(ii) according to the Bank status (see Note 35), a dividend of EUR 0.75 by share will be paid to the preference shareholders for EUR 1.5 million relating to years 2010, 2011 and 2012 when no dividend had been paid-up;
(iii) finally, a dividend of EUR 1.5772 by share will be paid-up to each preference and ordinary shareholders for a total amount of EUR 31.8 million.

On 19 March 2014, this affectation will be submitted to the approval of the Annual General Meeting.

Note 37 – Loans commitments, financial guarantees and other commitments

(in EUR million)	31/12/2012	31/12/2013
Confirmed credits, unused	779	758
Financial guarantees	59	66
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	318	550
Total	**1,157**	**1,373**

Note 38 – Assets under management and custody

Total assets under management related to clients in the private banking sector (including frozen and low yielding assets) as at 31 December 2013 amount to EUR 42.2 billion (2012: EUR 40.9 billion).

Total assets under custody (investment funds and institutionals) as at 31 December 2013 amount to EUR 41.3 billion (2012: EUR 38.6 billion).

Note 39 – 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	**31/12/2012**	**31/12/2013**
Financial assets	**-**	**0**
of which financial assets with Precision Capital	-	-
with Banque Internationale à Luxembourg	-	*0*
Held-for-trading	-	-
At fair value through profit or loss	-	-
Available-for-sale financial assets	-	-
Loans and receivables	-	0
Hedging derivatives	-	-
Financial liabilities	**18**	**12**
of which financial liabilities with Precision Capital	*18*	*12*
with Banque Internationale à Luxembourg	-	*0*
Held-for-trading	-	0
At amortised cost	18	12
Hedging derivatives	-	-
Income statement	**0**	**0**
of which income statement with Precision Capital	0	*0*
with Banque Internationale à Luxembourg	-	*0*
Net interest income	-	0
Net realised gains on available-for-sale financial assets	-	-
Net fee and commission income	0	0
Other net income / (charges)	-	-
Operating expenses	-	0
Impairment of financial assets not measured at fair value through profit or loss	-	-

WITH KEY MANAGEMENT PERSONNEL In EUR million	**31/12/2012**		**31/12/2013**	
	Amount	Number of persons	Amount	Number of persons
Amount of remuneration to key management personnel of KBL *epb* group on the basis of their activity, including the amounts paid to former key management personnel	40	223	36	230
Credit facilities and guarantees granted	9	55	9	60
Loans outstanding	6	47	6	46
Guarantees outstanding	0	12	0	13
Pension commitments	68	84	66	90
Expenses for defined contribution plans	2	63	1	63

Note 40 – Solvency

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

In EUR million	**31/12/2012**	**31/12/2013**
Regulatory capital	**781**	**702**
Tier 1 capital	**527**	**523**
Capital, share premium, reserves and retained earnings	1,035	789
Accumulated other comprehensive income/loss on remeasurement of defined benefit pension plans	-	-18
Non-controlling interest	0	0
Intangible assets and purchased portfolio of customers	-26	-26
Goodwill	-206	-206
Treasury shares	0	0
Negative revaluation of AFS bonds [(1)]	-	-
Net loss of the financial year	-251	-
Deferred tax assets [(2)]	-25	-16
Tier 2 capital	**254**	**180**
Preference shares	30	0
Positive revaluation of AFS shares	58	60
Subordinated liabilities	166	119
Deductions	**-1**	**-1**
Overall own funds requirements	**333**	**309**
Credit risk, counterparty risk, securitisation and incomplete transaction risk	259	239
Exchange risk	1	1
Position risk linked to debt securities trading	8	5
Position risk linked to equities	0	0
Settlement risk linked to trading securities	0	0
Operational risk	66	63
Solvency ratios		
Basic solvency ratio (Tier 1 ratio)	**12.64%**	**13.53%**
Solvency ratio (CAD ratio)	**18.73%**	**18.18%**

(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) At the CSSF request, deferred tax assets are deducted from Tier 1 capital as from end 2012.

Note 41 – Maximum credit risk exposure and collateral received to mitigate the risk

(in EUR million)	31/12/2012	31/12/2013
Assets	**10,359**	**10,152**
Balances with central banks	1,302	1,149
Financial assets	8,901	8,852
Held-for-trading	502	390
At fair value through profit or loss	15	7
Available-for-sale financial assets	4,270	4,005
Loans and receivables	4,069	4,415
Hedging derivatives	45	34
Tax assets	35	23
Other assets	121	129
Off-balance sheet items	**1,157**	**1,373**
Loans commitments	779	758
Financial guarantees	59	66
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	318	550
Securities lending	**1,047**	**1,137**
Maximum credit risk exposure	**12,563**	**12,661**

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.

Collateral received to mitigate the maximum exposure to credit risk (in EUR million)	31/12/2012	31/12/2013
Equity	-	-
Debt instruments	1,191	1,347
Loans and advances	2,622	3,662
of which measured at fair value	-	-
Derivatives	167	138
Other (including loans commitments given, undrawn amount)	70	107
Collateral received to mitigate the maximum exposure to credit risk	**4,050**	**5,253**

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 Bank is exposed towards Banque Internationale à Luxembourg and KBL *epb*'s subsidiaries. This exemption is not eligible towards Precision Capital. The exposures on related parties are disclosed in Note 39.

Note 42 – Risk management

This note aims to disclose the '*nature and risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks*', as required by IFRS 7. The information is presented by risk type as proposed by the standards.

The Pillar III disclosures report will be published in the first half of 2014 on the internet site of KBL *epb*.

1. Credit risk

1.1. Qualitative information

1.1.1. Origin of credit risk

The credit risks arising from financial instruments mainly originate from:

- lending to private clients (mainly Lombard loans and Mortgage loans) and to investment funds to a lesser extent, alongside the Bank's core activities has remained a supporting activity of the business. Risk in this activity is largely mitigated by a strong collateral policy, implying limited unsecured exposures;
- positions in ALM portfolios;
- uncommitted lines covering the trading activity and counterparty exposures with banks (forex, money markets, swaps, reverse repo, securities lending, derivatives, etc.);
- the granting of uncommitted lines to clients of the Global Investor Services (GIS) department in Luxembourg (mainly UCI), to cover temporary overdrafts;
- the acceptance of securities used as collateral in securities lending and repo transactions.

1.1.2. Credit allocation decision making process / governance

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

A delegation grid has been defined for all subsidiaries. Any credit proposal exceeding the defined limits has to be submitted to the Group Credit Committee for decision.

As a matter of principle, each new credit proposal submitted to the Credit Committee/Executive Committee is accompanied by an opinion issued by the Credit Risk Control, based on an analysis of the financial situation and creditworthiness of the borrower and of the structure of collateral.

At inception, internal processes ensure the identification of related counterparties, in order to monitor concentration risk on debtors/group of debtors. Group structures are moreover permanently updated by the Credit Risk Control.

1.1.3. Credit policy

In the context of the development of the credit activity for private banking clients, a review of the credit policy has been initiated. The aim is to precise the framework within which the loan activities to customers are managed in the KBL *epb* group, validated by the Board Risk Committee (“BRC”).[1]

1.1.4. Measurement/monitoring of credit risk

Credit risk related to lending activities, investment portfolios or trading activities has to remain within the general framework set in the Risk Appetite Statement validated in July 2013 by the Board Risk Committee for KBL *epb* group. Therefore, specific indicators have been defined, that are monthly reported to the ALCO and quarterly to the BRC. Specific attention has been set on concentration risk, being on single issuers, single banking counterparties or countries.

At a regulatory level, KBL *epb* group uses the standardised Basel II methodology to calculate credit risk.
Group Credit Risk Control has developed its own tools for Bank analyses, and implemented its own systems for Bank and Country limits, approved by the Executive Committee. These systems allow the definition of limits adapted to the size of the Group and to its risk appetite.

<u>1.1.4.1. Loans</u>

In terms of the day-to-day monitoring of lending transactions, the loan administration systems automatically monitor the loans and guarantees schedule, which allows any overrun to be detected and the appropriate corrective action to be taken swiftly.

On a quarterly basis, a global consolidated reporting of all lending exposures is performed, detailing the portfolio by loan types, customers type, countries, maturities and performing status. It also presents information on the effective loan-to-values for the collateralized exposures.

The files for which a specific monitoring is requested are included in the Watch-list which is discussed monthly in the Group Credit Committee.

<u>1.1.4.2. Investment Portfolio</u>

Investments proposals in the portfolios of any entity of KBL *epb* group are submitted by the ALM Function. All proposals within the Group have to respect the concentration limits, defined by issuers type (Sovereigns, Corporates and Banks), as the concerned country limits. The Group Credit Risk Control department checks the availability under those limits before any investment, and issues its own opinion on the credit risk linked with the issues, based on the analyses provided by the rating agencies and the published financial statements.

Group Credit Risk Control 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 deterioration in the quality of the portfolio.
Any overdraft of issuer concentration limits, due to rating downgrades, is communicated monthly to the ALCO, and quarterly to the BRC.

(1) The Board Risk Committee or BRC is a sub-committee of the Board of Directors dedicated to risk issues

1.1.4.3. Interbank transactions

The measurement and monitoring of counterparty risk for interbank transactions, which are mainly concentrated in the Luxembourg Dealing Room, are a major activity of Group Credit Risk Control. The department sets interbank limits for these transactions by establishing requirements for the whole KBL *epb* group. Loans outstanding are allocated to lines based on the “marked-to-market + add on” methodology.

The system for managing interbank limits has been validated by the Executive Committee of KBL *epb* group and is operational since mid-2012. This system defines interbank limits which are commensurate with the size of the Bank and its risk appetite, and fully integrates the Large Exposures regulation. Group Credit Risk Control has also developed its own tools for analysing bank counterparts.

The interbank limits system ensures that concentration limits, defined by counterparty and by group of counterparties, are respected at any level.

It is the task of the Bank’s front-office to manage the outstanding amounts on these interbank limits. Thus, for example, before concluding a deal, the operator must ensure that lines are available for the counterparty and for the product (and country) in question and that the relevant amounts and terms are available. In Luxembourg, overruns are monitored daily by the middle-office (using GEM). Exceptions reports are sent to the Trading Room management on a daily basis for justification and ratification, and to the Risk Control manager. All overruns are reported to the members of KBL *epb* Executive Committee.

1.1.4.4. Collateral monitoring

The management and supervision of collateral received for secured transactions (performed in Luxembourg), in addition to contract management, is handled by the Collateral Management entity in Luxembourg, which is part of Group Risk Control and located in close proximity to Group Credit Risk Control. At the beginning of 2012, the Executive Committee updated the specific guidelines regarding acceptable collateral with new rules on concentration by counterparties and by securities accepted as collateral, as well as risk correlation limits (correlation between the counterparty and the collateral). The respect of these rules is monitored on a daily basis by the Group Credit Risk Control department.

1.1.4.5. Country limits

As for interbank limits, Group Credit Risk Control has developed a new framework for the definition and monitoring of country limits, which is operational since mid-2012. The methodology has also been adapted in such a way as to cover all types of country risks (in particular that of contagion) and is no longer limited to the risk of transferability.

Lines are allocated to the Bank and its subsidiaries for credit activities, bonds investments and trading room activities (for Luxembourg) as and when required. As for counterparty risk, the respect of the set country limits is monitored on a daily basis.

1.1.4.6. Concentration monitoring

As mentioned here above, issuer concentration limits are defined per individual or group of counterparts. These limits are assigned to sovereign, banks and corporate counterparts, using a methodology derived from the country limit framework and consider additional financial criteria. Issuer concentration limits are divided into sub-limits which preserve diversification both in terms of maturity and products.

The issuer concentration limits are updated and monitored by Group Credit Risk Control. Exception reports are escalated to the Group ALCO.

1.2. Quantitative information

1.2.1. Breakdown of credit risk exposures

The distribution of the credit risk exposures (available-for-sale (AFS) financial assets and Loans and receivables (L&R)) by products is as follows:

In EUR million **AFS** **31/12/2012**	**Amortised cost (before impairment)**			**Fair value (after impairment)**		
	NPL/Impaired	**Standard**	**Total**	**NPL/Impaired**	**Standard**	**Total**
Bank bonds	-	778.2	**778.2**	-	818.4	**818.4**
Corporate bonds	20.6	996.9	**1,017.5**	11.0	1,064.5	**1,075.4**
Asset-backed securities	-	208.2	**208.2**	-	210.3	**210.3**
Government bonds	1.9	1,718.8	**1,720.6**	0.7	1,836.3	**1,837.0**
Sub-total	**22.4**	**3,702.0**	**3,724.5**	**11.6**	**3,929.4**	**3,941.1**
Equity instruments, funds…						**329.4**
TOTAL						**4,270.5**

In EUR million **AFS** **31/12/2013**	**Amortised cost (before impairment)**			**Fair value (after impairment)**		
	NPL/Impaired	**Standard**	**Total**	**NPL/Impaired**	**Standard**	**Total**
Bank bonds	-	713.7	**713.7**	-	753.7	**753.7**
Corporate bonds	9.2	974.2	**983.4**	3.9	1,031.7	**1,035.6**
ABS	-	129.5	**129.5**	-	131.8	**131.8**
Government bonds	-	1,611.1	**1,611.1**	-	1,697.5	**1,697.5**
Sub-total	**9.2**	**3,428.4**	**3,437.7**	**3.9**	**3,614.8**	**3,618.7**
Other (Equity instruments, funds…)						**386.1**
TOTAL						**4,004.8**

In EUR million

Loans and receivables

31/12/2012	**NPL/Impaired**	**Standard**	**Total**
Banks and other financial institutions	-	2,492.5	2,492.5
Customers	15.8	1,504.2	1,520.0
Sub-total	**15.8**	**3,996.7**	**4,012.5**
Other L&R and Intercompanies			56.1
TOTAL			**4,068.6**

In EUR million

Loans and receivables

31/12/2013	**NPL/Impaired**	**Standard**	**Total**
Banks and other financial institutions	-	2,630.5	2,630.5
Customers	44.1	1,682.8	1,726.9
Sub-total	**44.1**	**4,313.3**	**4,357.4**
Other L&R and Intercompanies			57.4
TOTAL			**4,414.8**

1.2.2. Specific loan impairment

For the parent company in Luxembourg, which constitutes the largest portion of global exposures, the valuation of potential losses and the adjustment of specific impairments are carried out quarterly by Credit Risk Control. The Credit Committee decides on any adjustment 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 impairments during the quarterly consolidation.

Below are listed specific impairments established in respect of the non performing loans and available-for-sale financial assets (debts instruments) as at 31 December 2012 and 2013:

In EUR million

31/12/2012	**< 30 days**	**30-60 days**	**60-90 days**	**90-180 days**	**6-12 months**	**>12 months**	**other impaired (1)**	**TOTAL**
AFS gross	-	-	-	-	-	-	22.4	22.4
Impairment	-	-	-	-	-	-	10.8	10.8
AFS net	-	-	-	-	-	-	11.6	11.6
Non performing L&R gross	2.3	0.1	1.5	2.2	-	48.5	9.6	64.2
Impairment	-	-	-	0.9	-	39.4	4.2	44.5
Non performing L&R net	2.3	0.1	1.5	1.3	-	9.1	5.4	19.7
Total gross	2.3	0.1	1.5	2.2	-	48.5	32.0	86.6
Impairment	-	-	-	0.9	-	39.4	15.0	55.3
Total net	2.3	0.1	1.5	1.3	-	9.1	17.1	31.3

(1) The related assets are impaired but not because of delays in payments.

In EUR million

31/12/2013	**< 30 days**	**30-60 days**	**60-90 days**	**90-180 days**	**6-12 months**	**>12 months**	**other impaired (1)**	**TOTAL**
AFS gross	-	-	-	-	-	-	9.2	9.2
Impairment	-	-	-	-	-	-	5.4	5.4
AFS net	-	-	-	-	-	-	3.9	3.9
L&R gross	39.3	17.9	7.5	3.6	8.7	38.0	13.7	128.7
Impairment	0.5	2.8	-	-	0.3	30.0	5.2	38.8
L&R net	38.8	15.2	7.5	3.6	8.4	8.0	8.5	89.9
Total gross	39.3	17.9	7.5	3.6	8.7	38.0	22.9	138.0
Impairment	0.5	2.8	-	-	0.3	30.0	10.5	44.2
Total net	38.8	15.2	7.5	3.6	8.4	8.0	12.4	93.8

(1) The related assets are impaired but not because of delays in payments.

In 2012, the Bank proceeded with new write-offs on loans exposures. The impairment on 4 debt instruments has been partially used during 2012 following the sale of the positions.
In 2013, the Bank proceeded with additional write-offs following the sale of securities.
The stock of impairment has also been influenced by a new specific allowance on a defaulted loan and on two perpetual securities.

The loan/loss ratio is as follows:

Loan/Loss ratio (*)	**2012**	**2013**
L&R from customers	59 bps	13 bps
AFS financial assets	35 bps	5 bps

(*) The loan/loss ratio is defined as the net variation of specific and general impairments on the average loan portfolio over the year.

1.2.3. Concentration of risks

1.2.3.1. By rating[(1)]

In EUR million

Rating 31/12/2012	**AFS** ***NPL / Impaired***	***Standard***	***Total***	**L&R-Banks and other financial institutions** ***Other L&R***	***Reverse Repo***	***Commercial Paper***	***Total***
AAA	-	1,266.9	1,266.9	0.1	-	-	0.1
AA+	-	554.8	554.8	-	-	-	-
AA	-	164.2	164.2	123.7	-	10.0	133.7
AA-	-	260.7	260.7	29.8	-	0.0	29.8
A+	-	135.6	135.6	90.5	191.5	44.8	326.8
A	-	216.0	216.0	189.0	1,106.1	99.6	1,394.7
A-	-	395.1	395.1	83.7	75.1	19.9	178.8
BBB+	-	276.3	276.3	10.2	67.6	43.5	121.3
BBB	1.6	448.8	450.4	9.7	-	-	9.7
BBB-	-	143.5	143.5	0.0	-	-	0.0
BB+	-	25.3	25.3	0.2	-	-	0.2
BB	-	11.8	11.8	0.1	-	-	0.1
BB-	-	3.0	3.0	0.6	-	-	0.6
B+	-	0.2	0.2	-	-	-	-
B	-	-	-	-	-	-	-
B-	-	0.2	0.2	0.0	-	-	0.0
CCC	-	-	-	-	-	-	-
CC	0.7	-	0.7	-	-	-	-
D	-	-	-	-	-	-	-
Not rated	9.3	27.0	36.3	119.7	177.0	-	296.7
Total	**11.6**	**3,929.4**	**3,941.1**	**657.4**	**1,617.3**	**217.8**	**2,492.5**

Rating 31/12/2013	**AFS** **NPL/ Impaired**	**Standard**	**Total**	**L&R-Banks and other financial institutions** **Other L&R**	**Reverse / Repo**	**Commercial Paper**	**Total**
AAA	-	1,127.2	1,127.2	1.5	-	-	1.5
AA+	-	543.2	543.2	0.3	-	-	0.3
AA	-	372.2	372.2	68.5	-	-	68.5
AA-	-	88.3	88.3	32.6	-	-	32.6
A+	-	116.0	116.0	81.4	17.1	-	98.5
A	2.3	274.8	277.1	221.8	257.8	-	479.6
A-	-	338.2	338.2	79.2	337.1	-	416.2
BBB+	-	246.8	246.8	20.7	-	-	20.7
BBB	1.6	347.8	349.4	54.6	951.8	-	1,006.4
BBB-	-	84.2	84.2	0.0	247.4	-	247.4
BB+	-	15.7	15.7	-	-	-	-
BB	-	8.6	8.6	0.3	-	-	0.3
BB-	-	-	-	0.6	-	-	0.6
B+	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-
B-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-

[(1)] The information on rating is not available as such for Loans and receivables to customers.

CC	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-
Note Rated	0	51.8	51.8	107.9	150.0	-	257.9
Total	**3.9**	**3,614.8**	**3,618.7**	**669.3**	**1,961.2**	**-**	**2,630.5**

1.2.3.2. Government bonds by country

In EUR million	**Available-for-sale financial assets**					**Held-for-trading assets**	
31/12/2012	**Nominal**	**Carrying amount**	**Available-for-sale reserve**	**Impairment**	**Related hedging derivatives**	**Nominal**	**Carrying amount**
Austria	**112.7**	**131.3**	**9.8**	**-**	**-**	**0.1**	**0.1**
Maturing in 2014 or 2015	4.1	4.4	0.1	-	-	-	-
Maturing in 2016 or 2017	27.0	30.7	2.5	-	-	-	-
Maturing in 2018 and later	81.6	96.3	7.3	-	-	0.1	0.1
Belgium	**286.8**	**317.3**	**12.1**	**-**	**-5.0**	**-**	**-**
Maturing in 2013	10.2	10.5	0.2	-	-	-	-
Maturing in 2014 or 2015	151.3	162.5	5.2	-	-	-	-
Maturing in 2016 or 2017	93.7	107.4	2.9	-	-5.0	-	-
Maturing in 2018 and later	31.5	36.9	3.7	-	-	-	-
Czech Republic	**8.0**	**9.4**	**0.1**	**-**	**-**	**-**	**-**
Maturing in 2018 and later	8.0	9.4	0.1	-	-	-	-
Denmark	**0.1**	**0.1**	**-**	**-**	**-**	**-**	**-**
Maturing in 2013	0.1	0.1	-	-	-	-	-
Finland	**2.3**	**2.3**	**0,0**	**-**	**-**	**0,0**	**0,0**
Maturing in 2013	2.3	2.3	0,0	-	-	-	-
Maturing in 2018 and later	-	-	-	-	-	0,0	0,0
France	**212.3**	**226.7**	**7.9**	**-**	**-**	**-**	**-**
Maturing in 2013	90.4	91.8	0.6	-	-	-	-
Maturing in 2014 or 2015	67.4	71.7	2.5	-	-	-	-
Maturing in 2016 or 2017	27.4	31.4	2.7	-	-	-	
Maturing in 2018 and later	27.1	31.8	2.1	-	-	0,0	-
Germany	**105.5**	**115.7**	**6.2**	**-**	**-**	**0.1**	**0.1**
Maturing in 2014 or 2015	64.0	67.2	1.9	-	-	-	-
Maturing in 2016 or 2017	35.5	40.8	3.4	-	-	-	-
Maturing in 2018 and later	6.0	7.7	1.0	-	-	0.1	0.1
Greece	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Maturing in 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**
maturing in 2014 or 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Ireland	**77.6**	**81.5**	**-0.1**	**-**	**-**	**0.1**	**0.1**
Maturing in 2014 or 2015	24.1	25.1	-0.1	-	-	-	-
Maturing in 2016 or 2017	20.0	21.6	-0.1	-	-	0.1	0.1
Maturing in 2018 and later	33.5	34.8	0.2	-	-	0,0	0,0
Italy	**180.1**	**184.4**	**3.7**	**-**	**-**	**-**	**-**
Maturing in 2013	41.7	41.9	0.1	-	-	-	-
Maturing in 2014 or 2015	59.1	60.3	1.5	-	-	-	-
Maturing in 2016 or 2017	48.6	49.7	1.7	-	-	0,0	0,0
Maturing in 2018 and later	30.8	32.5	0.4	-	-	-	-
Lithuania	**3.8**	**4.9**	**0.1**	**-**	**-**	**0.2**	**0.2**
Maturing in 2016 or 2017	-	-	-	-	-	0.2	0.2
Maturing in 2018 and later	3.8	4.9	0.1	-	-	-	-
Luxembourg	**96.9**	**106.6**	**2.2**	**-**	**-7.2**	**1.0**	**1.0**
Maturing in 2013	46.9	48.4	1.3	-	-	0.8	0.8
Maturing in 2018 and later	50.0	58.2	0.9	-	-7.2	0.2	0.2

The Netherlands	**81.5**	**89.6**	**5.6**	**-**	**-**	**0.1**	**0.1**
Maturing in 2013	19.6	20.0	0.2	-	-	-	-
Maturing in 2014 or 2015	30.8	32.9	2.0	-	-	-	-
Maturing in 2016 or 2017	20.6	24.2	2.1	-	-	-	-
Maturing in 2018 and later	10.5	12.4	1.3	-	-	0.1	0.1
Poland	**16.5**	**18.7**	**-**	**-**	**-**	**0.7**	**0.8**
Maturing in 2014 or 2015	-	-	-	-	-	-	-
Maturing in 2016 or 2017	11.0	11.9	0,0	-	-	-	-
Maturing in 2018 and later	5.4	6.8	-0,0	-	-	0.7	0.8
Slovakia	**22.3**	**23.9**	**0.2**	**-**	**-0.4**	**-**	**-**
Maturing in 2014 or 2015	12.3	13.0	0.1	-	-	-	-
Maturing in 2016 or 2017	7.0	7.5	0.2	-	-0.4	-	-
Maturing in 2018 and later	3.0	3.4	-	-	-	-	-
Slovenia	**24.7**	**24.5**	**-0.1**	**-**	**-**	**-**	**-**
Maturing in 2014 or 2015	9.0	9.1	-0.1	-	-	-	-
Maturing in 2018 and later	15.6	15.4	0,0	-	-	-	-
Spain	**26.3**	**26.4**	**0,0**	**-**	**-**	**-**	**-**
Maturing in 2013	26.3	26.4	0,0	-	-	-	-
Sweden	**23.3**	**24.3**	**0.9**	**-**	**-**	**-**	**-**
Maturing in 2014 or 2015	23.3	24.3	0.9	-	-	-	-
Supranational	**253.3**	**271.9**	**9.9**	**-**	**-5.4**	**6.3**	**6.8**
Maturing in 2013	2.9	2.9	0,0	-	-	-	-
Maturing in 2014 or 2015	56.6	58.0	0.3	-	-	1.6	1.7
Maturing in 2016 or 2017	145.0	156.3	8.2	-	-1.9	1.9	2.0
Maturing in 2018 and later	48.8	54.7	1.3	-	-3.6	2.8	3.1
Rest	**130.2**	**143.5**	**7.0**	**-1.2**	**-**	**7.3**	**7.0**
Maturing in 2013	9.1	9.1	0,0	-	-	1.1	1.1
Maturing in 2014 or 2015	22.3	23.7	0.5	-	-	2.7	2.6
Maturing in 2016 or 2017	30.3	32.2	0.4	-	-	0.5	0.5
Maturing in 2018 and later	68.5	78.5	6.2	-1.2	-	3.1	2.7
Total	**1,664.4**	**1,803.1**	**65.6**	**-1.2**	**-18.1**	**15.8**	**16.1**

In EUR million	**Available-for-sale financial assets**					**Held-for-trading assets**	
31/12/2013	**Nominal**	**Carrying amount**	**Available-for-sale reserve**	**Impairment**	**Related hedging derivatives**	**Nominal**	**Carrying amount**
Austria	**105.5**	**118.2**	**5.8**	**-**	**-**	**-**	**-**
Maturing in 2014	4.1	4.2	0.0	-	-	-	-
Maturing in 2015 or 2016	1.0	1.0	0.0	-	-	-	-
Maturing in 2017 or 2018	62.2	70.2	4.6	-	-	-	-
Maturing in 2019 and later	38.2	42.8	1.3	-	-	-	-
Belgium	**269.0**	**286.2**	**4.3**	**-**	**-3.4**	**-**	**-**
Maturing in 2014	87.8	89.2	0.5	-	-	-	-
Maturing in 2015 or 2016	122.3	130.4	1.7	-	-3.4	-	-
Maturing in 2017 or 2018	34.2	39.7	1.3	-	-	-	-
Maturing in 2019 and later	24.7	26.8	0.8	-	-	-	-
Czech republic	**8.0**	**9.3**	**0.1**	**-**	**-**	**0.0**	**0.0**
Maturing in 2017 or 2018	5.0	5.8	0.1	-	-	-	-
Maturing in 2019 and later	3.0	3.4	0.0	-	-	0.0	0.0
Finland	**2.0**	**2.2**	**0.0**	**-**	**-**	**0.0**	**0.0**
Maturing in 2019 and later	2.0	2.2	0.0	-	-	0.0	0.0
France	**158.6**	**169.5**	**4.8**	**-**	**-**	**-**	**-**
Maturing in 2014	29.8	30.6	0.2	-	-	-	-
Maturing in 2015 or 2016	60.9	63.1	1.1	-	-	-	-

	Maturing in 2017 or 2018	53.0	59.3	3.1	-	-	-	-
	Maturing in 2019 and later	14.9	16.5	0.4	-	-	-	-
Germany		**126.7**	**133.1**	**3.3**	**-**	**-**	**-**	**-**
	Maturing in 2014	47.0	47.0	0.0	-	-	-	-
	Maturing in 2015 or 2016	42.2	44.3	1.0	-	-	-	-
	Maturing in 2017 or 2018	27.7	31.0	1.8	-	-	-	-
	Maturing in 2019 and later	9.7	10.9	0.5	-	-	-	-
Ireland		**77.6**	**83.9**	**3.6**	**-**	**-**	**0.0**	**0.0**
	Maturing in 2014	9.1	9.1	-	-	-	-	-
	Maturing in 2015 or 2016	25.0	26.5	0.5	-	-	-	-
	Maturing in 2017 or 2018	41.4	46.0	2.8	-	-	-	-
	Maturing in 2019 and later	2.1	2.3	0.3	-	-	0.0	0.0
Italy		**128.4**	**134.3**	**5.1**	**-**	**-**	**-**	**-**
	Maturing in 2014	25.3	25.4	0.3	-	-	-	-
	Maturing in 2015 or 2016	49.2	51.3	2.4	-	-	-	-
	Maturing in 2017 or 2018	54.0	57.5	2.4	-	-	-	-
Luxembourg		**54.2**	**60.2**	**0.4**	**-**	**-5.1**	**0.4**	**0.4**
	Maturing in 2019 and later	54.2	60.2	0.4	-	-5.1	0.4	0.4
The Netherlands		**103.2**	**108.5**	**4.0**	**-**	**0.7**	**0.0**	**0.0**
	Maturing in 2014	9.2	9.4	0.0	-	-	-	-
	Maturing in 2015 or 2016	35.4	36.8	1.2	-	-	-	-
	Maturing in 2017 or 2018	26.7	30.2	1.8	-	-	-	-
	Maturing in 2019 and later	32.0	32.2	1.0	-	0.7	-	-
Norway		**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
	Maturing in 2015 or 2016	-	-	-	-	-	0.1	0.1
Poland		**29.4**	**33.1**	**0.1**	**-**	**-1.8**	**-**	**-**
	Maturing in 2015 or 2016	14.1	15.0	0.1	-	-	-	-
	Maturing in 2017 or 2018	10.9	13.0	0.2	-	-1.8	-	-
	Maturing in 2019 and later	4.4	5.1	-0.2	-	-	-	-
Slovakia		**42.7**	**45.7**	**0.2**	**-**	**-1.4**	**-**	**-**
	Maturing in 2014	8.0	8.0	0.0	-	-	-	-
	Maturing in 2015 or 2016	16.8	17.7	0.2	-	-0.2	-	-
	Maturing in 2017 or 2018	2.7	3.0	0.0	-	-	-	-
	Maturing in 2019 and later	15.2	17.0	0.0	-	-1.1	-	-
Spain		**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
	Maturing in 2017 or 2018	-	-	-	-	-	0.1	0.1
Sweden		**23.3**	**23.6**	**0.2**	**-**	**-**	**-**	**-**
	Maturing in 2014	23.3	23.6	0.2	-	-	-	-
Supranational		**274.9**	**288.2**	**6.8**	**-**	**-3.9**	**1.8**	**1.9**
	Maturing in 2014	16.6	16.8	0.1	-	-	-	-
	Maturing in 2015 or 2016	146.0	152.8	5.5	-	-	0.1	0.1
	Maturing in 2017 or 2018	56.3	58.5	0.4	-	-1.3	1.4	1.5
	Maturing in 2019 and later	56.0	60.2	0.8	-	-2.6	0.3	0.3
Rest		**158.5**	**171.7**	**0.9**	**-**	**-2.2**	**1.3**	**1.2**
	Maturing in 2014	15.5	15.6	0.1	-	-	0.1	0.1
	Maturing in 2015 or 2016	52.3	55.1	0.2	-	-	0.8	0.7
	Maturing in 2019 and later	90.8	101.0	0.6	-	-2.2	0.5	0.4
Total		**1,562.1**	**1,667.7**	**39.5**	**-**	**-17.0**	**3.7**	**3.7**

1.2.3.3. Country Risk Management

The breakdown of Available-for-sale financial assets and Loans and receivables per countries is as follows:

In EUR million	**AFS**			**L&R-Banks and other financial institutions**				**L&R-Customers**
Country 31/12/2012	**NPL/ Impaired**	**Standard**	**Total**	**Other L&R**	**Reverse repo**	**Commercial Paper**	**Total**	**Total**
Supranational	-	691.3	691.3	-	-	-	-	-
France	11.0	587.4	598.3	33.2	646.6	35.8	715.6	136.3
Belgium	-	492.1	492.1	76.0	-	10.0	86.0	196.4
Italy	-	308.1	308.1	3.5	-	8.7	12.2	8.8
Germany	-	291.2	291.2	78.9	177.0	19.9	275.9	144.2
The Netherlands	-	279.6	279.6	29.7	-	29.9	59.6	330.9
United Kingdom	-	164.1	164.1	139.3	793.8	58.8	991.9	134.5
United States of America	-	159.9	159.9	16.0	-	-	16.0	8.8
Austria	-	158.6	158.6	1.5	-	9.9	11.4	-
Luxembourg	-	119.6	119.6	130.6	-	-	130.6	292.1
Spain	-	107.2	107.2	3.3	-	14.9	18.2	60.5
Ireland	-	87.2	87.2	-	-	-	-	-
Switzerland	-	73.8	73.8	88.2	-	-	88.2	29.1
Sweden	-	73.6	73.6	0.4	-	-	0,4	-
Russia	-	32.3	32.3	0.0	-	-	-	7.7
Denmark	-	29.1	29.1	6.3	-	19.9	26.2	1.3
Finland	-	26.9	26.9	2.8	-	-	2.8	-
Slovenia	-	25.3	25.3	-	-	-	-	-
Slovakia	-	24.6	24.6	0.0	-	-	-	0.4
Poland	-	22.4	22.4	3.8	-	-	3.8	4.1
Hong Kong	-	16.9	16.9	2.0	-	-	2.0	0.0
Czech Republic	-	16.7	16.7	1.9	-	-	1.9	2.0
United Arab Emirates	-	16.6	16.6	0.1	-	10.0	10.1	0.3
Norway	-	15.5	15.5	0.8	-	-	0.8	0.7
Qatar	-	12.0	12.0	0.2	-	-	0.2	-
Panama	-	10.3	10.3	-	-	-	-	3.7
Canada	-	10.2	10.2	6.0	-	-	6.0	4.0
Australia	-	8.9	8.9	1.1	-	-	1.1	0.1
Brazil	-	6.5	6.5	7.1	-	-	7.1	0.2
British Virgin Islands	-	-	-	-	-	-	-	70.2
Monaco	-	-	-	0.5	-	-	0.5	38.0
Other	-	-	-	-	-	-	-	10.7
Mauritius	-	-	-	-	-	-	-	10.5
Other below EUR 10 million	0.7	61.5	62.2	24.1	-	-	24.1	24.2
Total	**11.6**	**3,929.4**	**3,941.1**	**657.4**	**1,617.3**	**217.8**	**2,492.5**	**1,520.0**

In EUR million	AFS			L&R-Banks and other financial institutions				L&R-Customers
Country **31/12/2013**	**NPL/ Impaired**	**Standard**	**Total**	**Other L&R**	**Reverse repo**	**Commercial Paper**	**Total**	**Total**
United Kingdom	-	179.6	179.6	93.0	486.4	-	579.4	175.5
France	1.6	486.0	487.5	44.5	125.5	-	170.1	267.0
Spain	-	60.5	60.5	1.7	688.2	-	689.9	111.1
Italy	-	198.6	198.6	49.6	511.1	-	560.6	6.0
Supranational	-	740.6	740.6	-	-	-	-	-
Belgium	-	419.6	419.6	51.6	-	-	51.6	231.3
Germany	-	296.3	296.3	62.0	150.0	-	212.0	127.3
The Netherlands	-	280.7	280.7	25.6	-	-	25.6	293.5
Luxembourg	-	70.6	70.6	87.4	-	-	87.4	282.7
United States of America	2.3	133.6	135.9	43.9	-	-	43.9	6.2
Austria	-	151.2	151.2	0.9	-	-	0.9	-
Switzerland	-	58.9	58.9	42.4	-	-	42.4	39.8
Ireland	-	86.5	86.5	5.9	-	-	5.9	-
Sweden	-	75.0	75.0	0.4	-	-	0.4	0.2
British Virgin Islands	-	-	-	-	-	-	-	63.3
China	-	2.3	2.3	52.2	-	-	52.2	0.4
Japan	-	3.5	3.5	50.8	-	-	50.8	-
Slovakia	-	47.1	47.1	0.2	-	-	0.2	0.2
Monaco	-	-	-	-	-	-	-	46.1
Poland	-	37.2	37.2	1.6	-	-	1.6	1.1
Finland	-	21.9	21.9	14.1	-	-	14.1	0.0
Czech Republic	-	21.0	21.0	11.4	-	-	11.4	0.0
Russia	-	30.9	30.9	0.4	-	-	0.4	0.4
Denmark	-	25.3	25.3	4.4	-	-	4.4	0.1
Qatar	-	27.8	27.8	0.3	-	-	0.3	-
Canada	-	24.9	24.9	2.5	-	-	2.5	0.3
Hong Kong	-	22.7	22.7	0.7	-	-	0.7	1.4
United Arab Emirates	-	20.3	20.3	0.2	-	-	0.2	0.1
Brazil	-	12.8	12.8	2.3	-	-	2.3	0.4
Norway	-	13.3	13.3	0.6	-	-	0.6	0.1
New Zealand	-	7.6	7.6	2.8	-	-	2.8	0.3
Australia	-	8.8	8.8	1.4	-	-	1.4	0.0
Cayman Islands	-	-	-	0.0	-	-	0.0	10.0
Other below EUR 10 million	-	49.7	49.7	14.7	0.0	0.0	14.7	61.9
Total	**3.9**	**3,614.8**	**3,618.7**	**669.3**	**1,961.2**	**0.0**	**2,630.5**	**1,726.9**

2. Market Risk: Trading Risk

2.1. Qualitative information

2.1.1. Origin of trading risk

KBL *epb* group being mainly Private Banking oriented, its trading risk-taking activity aims to support the core business activities. The trading positions reflect the necessary intermediation of the Head Office ‘s Dealing Room, supporting client flows of the Group in terms of debts instruments, equity instruments, structured products, forex and deposits. Most of the instruments used by the Dealing Room are plain vanilla.

2.1.2. Trading risk policy

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), price volatility 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). Forex risk is the only trading activity for which subsidiaries are allowed to carry some residual positions relating to their customers' flows.

2.1.3. Trading decision making process / governance

Trading activities are concentrated in Luxembourg (except residual Forex positions for a maximum equivalent of EUR 3 million, no trading activity is allowed in the subsidiaries).The primary limits are granted by the Board Risk Committee (according to the Risk Appetite Statement) to the Executive Committee of KBL *epb* group, which is responsible for the overruns validation. Trading exposures compared to their respective primary limits are communicated on a quarterly basis to the Board Risk Committee which is also informed when triggers are reached.

2.1.4. Measurement and monitoring of trading risk

The system of primary limits in place at KBL *epb* group is based on:

- nominal amounts for the activities subject to currency risk (Forex) and to price volatility risk (Equity, Third Party Funds, Structured Products, Special Bonds);
- 10 bpv limits for activities subject to interest rate risk (Treasury and Bond Desks).

These primary limits are supplemented by a structure of secondary limits allowing a more detailed analysis of the trading risks. Those secondary limits consist in concentration limits by currency and by time bucket as well as in limits by issue and issuer based on their rating or on their market liquidity.

Since August 2013, the set up of a Historical Value at Risk measure on each trading activity is tested. The implementation is planned to be finalized mid 2014.

2.1.5. Concentration Risk

Concentration risk by issuer is strictly governed by conservative limits restricting the trading in non-investment grade debts and in illiquid equities, which leads to a well diversified trading portfolio.

Notwithstanding the exposure on KBC Bank, the Bank's former mother company, for which the outstanding has strongly decreased in 2013 (EUR 23.0 million end of year) and the exposure on International Islamic Liquidity Management issues for which KBL *epb* operates as Primary Market Dealer (EUR 43.2 million end of year), the trading activity, as at 31 December 2013, was diversified on 139 Corporate and Financial issuers with an average outstanding of +/- EUR 0.7 million, with a maximum of EUR 7.1 million on EIB.

The evolution of exposures related to each activity compared with their respective limits (primary and secondary), as well as the results and key facts, are reported daily to the Heads of the Dealing Room and of the Risk Control Function. They are also weekly reported to the KBL *epb group* Executive Committee, on a monthly basis to the ALCO and on a quarterly basis to the Group Board Risk Committee.

2.2. Quantitative information

As at 31 December 2013 and 2012, the usage of limits in the Trading activities are as follows (KBL *epb* group):

In EUR million	**Limit in 10 bpv *(1)***	**Oustanding 31/12/2012**	**Maximum observed in 2013**	**Average observed in 2013**	**Oustanding 31/12/2013**
Treasury	**2.5**	0.6	1.6	0.6	0.7
Bond	**0.8**	0.2	0.7	0.2	0.0

(1) BPV 10 bps oustanding corresponds to the sum in abs value of the BPV 10 bps in each currency

In EUR million	**Limit in Nominal Amount**	**Oustanding 31/12/2012**	**Maximum observed in 2013**	**Average observed in 2013**	**Oustanding 31/12/2013**
Forex (bullions included)	**23.0**	5.5	10.9	5.4	4.2
Third Party funds	**5.0**	-	0.4	0.1	0.3
Equity	**8.0**	0.2	4.6	0.8	0.2
Bond Special *(2)*	**20.0**	12.7	14.7	6.7	1.9
Structured Product	**80.0**	54.2	72.4	59.4	51.4

(2) Bond Special activity: constant maturity swap notes (CMS) and steepeners

Over the year 2013, oustandings in each activity remained well below the authorised limit as expressed by the maximum outstanding observed.

3. Market Risk : ALM Risk

3.1. Qualitative information

3.1.1. Origin of ALM risk

The traditional activity of a private bank entails little ALM risk[(3)] compared to a retail bank: most of the client assets are reported as an off-balance sheet item in the form of securities deposits. Most short-term client cash deposits offer variable rates linked with money market rates and the same applies to Lombard/mortgage loans to customers. When fixed rates are granted for loans, hedging swaps are contracted.

[(3)] The ALM risk is defined as the market risks induced by the balance sheet, except the trading activity.

As a consequence, the ALM interest rate risk is mainly entailed by the securities portfolios set up within the frame of the ALM policy:

- fixed income bonds portfolios dedicated to the reinvestment of the free capital and of the stable part of clients' deposits (in the most material entities);
- in KBL *epb* only, fixed income securities, according to a return/interest rate risk optimisation approach, are also included in the bonds portfolio dedicated to the reinvestment of stable liquidities(1).

The ALM equity risk is induced by an investment portfolio invested in direct lines of equities or in UCI shares. The portfolio held in KBL *epb* (Luxembourg) is managed along Group ALCO's guidelines. Some equities portfolios exist in the subsidiaries, in order to meet specific needs (reinvestment of "branch 21" liabilities in the insurance company Vitis Life, pension obligations in Merck Finck & Co a.o.). Transactions in these portfolios are performed after validation of the subsidiary and of the Group ALM.

KBL *epb* group is not exposed to any ALM forex risk as no active foreign exchange exposure is taken (assets are funded in their respective currencies).

3.1.2 ALM decision making process/governance

The ultimate responsibility for the ALM of KBL *epb* group is held by the Group ALCO Committee, which gathers monthly and is an Executive Committee extended to the representatives of the ALM Function, of the Risk Control Function, of Global Financial Markets in addition to the Chief Investment Officer.

The ALCO validates a.o. strategies in terms of management of the gap between resources and their utilisations, in terms of return on equity enhancement, liquidity management and mitigation of the related risks.

Those strategies are proposed by the ALM Function (created in 2013) which has the responsibility for the preparation of the ALCO meetings and of the topics which are submitted to its decisions. The Function is also in charge of the day-to-day implementation of the ALCO decisions. When they have a Group dimension, it has to ensure their implementation within the limits of the governance constraints in place.

Under this new structure, the Risk Control Function endorses a role of second level control entity, issuing opinions on the proposals and monitoring the risks related to the ALM activity on a recurring basis.

3.1.3 ALM policy

A document entitled *'Investment Policy and ALM framework'* has been drafted by the ALM Function. It is in line with the Risk Appetite Statement expressed by the Board of Directors and describes a.o. the ALM objectives, the ALM governance and constraints (credit, liquidity, risk …). Its validation process is ongoing.

3.1.4. Measurement and monitoring of ALM risks

In its Risk Appetite Statement dated 18 July 2013, the Board Risk Committee has expressed its risk appetite for ALM interest rate risk and equity risk, mainly through limits on Value at Risk indicators, sensitivity measures and global outstanding at KBL *epb* group level.

Regarding the interest rate risk, one of the limits is based on the regulatory 200 bpv (basis point value) limit for all banking book positions of KBL *epb* group. While the regulatory limit amounts to 20% of own funds, the BRC limit has been fixed at 18%; the 200 bpv sensitivity equals 4.1% as at 31 December 2013 (31 December 2012: 13.2 %).

(1) This portfolio also contains interest rate risk-free securities - swapped or FRN -, according to a return/credit risk optimisation approach.

On the other hand, the interest rate Value at Risk 99% - 1 year amounts to EUR 81 million for a limit of EUR 150 million as at 31 December 2013 (31 December 2012 : EUR 110 million) for KBL *epb* group.

Regarding the equity (price) risk, the Risk Appetite statement is expressed in terms of limits on equity Value at Risk, by the fixing of stop losses and of maximum size for listed equities as well as for alternative equity investments for the whole Group.

The Value at Risk 99% - 1 year amounts to EUR 131 million for a limit of EUR 150 million as at 31 December 2013 (EUR 108 million as at 31 December 2012) for KBL *epb* group.

3.2. Quantitative information

3.2.1. Interest rate

3.2.1.1. Interest rate sensitivity

The sensitivity of the economic value of the balance sheet to interest rates (impact of a parallel increase by 1% of the interest risk curve) is as follows for KBL *epb* group:

In EUR million **100 bpv as at 31/12/2012**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Total 100 bpv**	**Carrying amount**
Financial assets	**-8**	**-10**	**-27**	**-39**	**-54**	**-137**	**10,996**
Held-for-trading	0	-4	0	0	0	**-5**	500
Designated at fair value through profit or loss	0	0	0	-	0	**0**	2,110
Available-for-sale financial assets	0	-3	-24	-37	-43	**-106**	4,198
Loans and receivables	0	-3	-2	-2	-11	**-19**	4,062
Hedging derivatives	-7	0	0	0	0	**-8**	34
Accruals	-	-	-	-	-	**-**	92
Financial liabilities	**13**	**28**	**12**	**18**	**12**	**83**	**11,158**
Held-for-trading	0	6	1	1	3	**12**	301
Designated at fair value through profit or loss	-	-	-	-	-	**-**	2,095
Measured at amortised cost (excluding deposits from CB)	4	3	8	5	5	**24**	8,387
Subordinated liabilities	0	0	0	7	0	**7**	254
Hedging derivatives	9	20	0	0	-	**30**	86
Accruals	-	-	-	-	-	**-**	35
Other liabilities (Vitis Life Br21)	0	0	3	4	3	**10**	
Gap	**5**	**19**	**-14**	**-22**	**-42**	**-54**	

In EUR million 100 bpv as at 31/12/2013	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total 100 bpv	Carrying amount
Financial assets	**-4**	**-6**	**-32**	**-33**	**-42**	**-117**	**10,708**
Held-for-trading	-0	-2	-	-	-	**-2**	389
Designated at fair value through profit or loss	-0	-	-0	-	-	**-0**	1,863
Available-for-sale financial assets	-0	-3	-25	-29	-35	**-92**	3,936
Loans and receiables	-2	-1	-2	-5	-7	**-17**	4,410
Hedging derivatives	-1	-0	-5	-	-	**-6**	24
Accruals	-	-	-	-	-	**-**	86
Financial liabilities	**4**	**5**	**18**	**17**	**24**	**73**	**10,820**
Held-for-trading	0	2	2	3	2	**9**	309
Designated at fair value through profit or loss	-	-	-	-	-	**-**	1,856
Measured at amortised cost (excluding deposits from CB)	3	3	6	5	5	**22**	8,314
Subordinated liabilities	0	0	5	0	0	**5**	233
Hedging derivatives	0	0	5	9	16	**31**	75
Accruals	-	-	-	-	-	**-**	34
Other liabilities (Vitis Life Br 21)	0	0	2	1	2	**5**	
Gap	**-0**	**-1**	**-14**	**-16**	**-18**	**-45**	

The sensitivity of the balance sheet has decreased since end of 2012 mainly due to the realignment of the portfolio dedicated to reinvestment of the free capital (around EUR 181 million) and to movements of the basic interest rate curves.

The sensitivity of the interest margin of KBL *epb* group to the interest rates (impact of a parallel increase by 1 % of the interest rate risk curve) is as follows:

In EUR million Sensitivity 100 bpv Shift 31/12/2012	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total impact
Financial assets	-3.6	-8.4	-18.5	-13.5	-29.1	-73.2
Financial liabilities	4.0	10.4	8.7	6.7	16.3	46.2
Net impact	**0.3**	**2.0**	**-9.8**	**-6.8**	**-12.8**	**-27.0**

In EUR million **Sensitivity 100 bpv Shift 31/12/2013**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Total Impact**
Financial assets	-4.2	-6.0	-15.6	-8.5	-6.3	**-40.5**
Financial liabilities	3.8	5.6	9.7	4.7	4.0	**27.6**
Net Impact	**-0.4**	**-0.4**	**-5.9**	**-3.8**	**-2.4**	**-12.9**

3.2.1.2. Concentration of interest rate risk

The sensitivity analysis shows that the main exposure to a parallel increase of the interest rates curve is located in the time buckets beyond 3 years, reflecting the current ALM policy (reinvestment of the free capital and of client deposits in cyclical portfolios up to 7 years, reinvestment of the excess liquidity). However, this exposure has to be put into perspective considering the permanent monitoring of the open positions in the liquidity portfolio by the ALM Function (and reviewed by Risk Control).

3.2.2. Equity Risk

3.2.2.1. Sensitivity of equity risk

Regarding the equity risk, the impact of a decrease of 25 % on both the income statement (impairment) and the equity AFS revaluation reserve (excluding Equity instruments at cost) is as follows for KBL *epb* group:

In EUR thousand

31/12/2012	**Current situation [1]**	***Impact of a markets' decrease of 25%***	**Stock after decrease**
Marked-to-Market value	296,253	*-74,063*	222,190
Gain/Loss	76,471	*-74,063*	2,408
Equity impact (AFS reserve)	78,867	*-64,801*	14,067
Income statement impact (impairment)	-2,397	*-9,263*	-11,659

(1) Some Equity instruments classified as available-for-sale financial assets are not covered here.

In EUR thousand

31/12/2013	**Current situation [1]**	***Impact of a markets' decrease of 25%***	**Stock after decrease**
Marked-to-Market value	389,560	*-97,390*	292,170
Gain/Loss	80,527	*-97,390*	-16,863
Equity impact (AFS reserve)	82,647	*-92,772*	-10,124
Income statement impact (impairment)	-2,121	*-4,618*	-6,739

(1) Some Equity instruments classified as available-for-sale financial assets are not covered here.

3.2.2.2. Concentration of equity risk

An exposure on the equity market(s) can be created/increased when the expectations for the equity market(s) are, according to an analysis validated by the ALCO, declared to be favourable. Such analysis will also decide on the relative weights of Europe, USA and Emerging Markets. But within the various regions, the investments are properly diversified in terms of sector, country/region and number of positions held. Concentration principles are respected for individual equity lines or individual investment funds, expressed in absolute amounts and in percentage of daily volume traded (or for fund of total NAV).
Those diversification rules do not apply when the Bank is a seed investor in a new investment fund managed by an asset management entity of the Group. In this case, the commercial objectives of such investment prevail over the objectives and constraints set for 'standard' investments in equity funds.

Following the principles presented above, the breakdown of the whole Equity portfolio of KBL *epb* group (direct lines and Funds) per nature and per region shows a prominent pan-European part as at end of December 2013 :

In EUR million

REGION / NATURE	**31/12/2013**	
Europe (Equity Funds + direct lines)	170.1	50%
Europe (Diversified Funds)	2.4	1%
EUR (Fixed Income Funds)	3.3	1%
World (Diversified Funds)	50.0	15%
World (Equity Funds + direct lines)	37.8	11%
United States (Equity Funds + direct lines)	40.0	12%
USD (Fixed Income Funds)	20.3	6%
Asia (Equity Funds + direct lines)	17.8	5%
TOTAL	**341.6**	**100%**
Other Equities	44.4	
Total Equities portfolios	**386.1**	

However, within these regions, the diversification is permanently targeted: a.o. for direct lines (equities), the breakdown per country is as follows as at 31 December 2013:

In EUR million

COUNTRY	**31/12/2013**	
France	43.3	33%
Germany	20.9	16%
Switzerland	15.5	12%
United States of America	14.6	11%
The Netherlands	10.2	8%
Sweden	6.7	5%
Belgium	6.3	5%
Spain	4.5	3%
Luxembourg	3.5	3%
Finland	3.2	2%
Italy	1.7	1%
Portugal	0.8	1%
United Kingdom	0.8	1%

Other	0.6	0%
TOTAL Direct Lines Equity	**132.6**	**100%**
Funds and other	253.4	
Total Equities portfolios	**386.1**	

Overweight in French equities is being gradually reduced with the sale of legacy positions (representing EUR 10 million of the France equity exposure as of 31 December 2013).
Similarly, the breakdown of the direct lines per economic sector reflects the permanent attention to the diversification of the Equity portfolio:

In EUR million

SECTOR	**31/12/2013**	
Industrial	25.7	19%
Financial	22.6	17%
Consumer, non cyclical	21.7	16%
Consumer, cyclical	20.7	16%
Energy	11.3	9%
Basic materials	10.7	8%
Communications	8.1	6%
Technology	6.7	5%
Utilities	4.2	3%
Diversified	0.9	1%
TOTAL	**132.6**	**100%**
Funds and other	253.4	
Total Equities Portfolios	**386.1**	

On the other hand, as at 31 December 2013, the individual exposures entailing equity risk, except seed moneys and pure bonds funds, do not exceed EUR 25 million per Equity Fund and EUR 10 million per direct line (with historical positions being the most significant).

4. Liquidity risk

4.1. Qualitative information

4.1.1. Origin of Liquidity risk

Liquidity risk is constantly monitored and is not seen as a major risk within KBL *epb* group. Indeed, the Bank as a Group has a large and stable funding base due to the natural accumulation of deposits from its two core businesses: Private Banking and Global Investor Services, which on the other hand consume relatively little liquidity. The overall funding gap is structurally and globally positive and KBL *epb* group is a net lender recycling structural liquidity positions in the interbank market.

4.1.2 Liquidity decision making process/governance

Like for Assets and Liabilities Management, the Group ALCO Committee has the final responsibility of the Liquidity Management of KBL *epb* group. The Group ALM Function proposes strategies – with the approval of the local Management/ALCO Committee - for the management of long term liquidity (putting, a.o. a strong emphasis on ECB eligible as well as Basel III eligible bonds), while the short term liquidity management is delegated to the Treasurer within strict limits (see trading risk above).

The Risk Control Function acts as a second level control entity, issuing opinions on the proposals and monitoring the liquidity risk on a daily basis.

4.1.3 Liquidity policy

The current policy applied by KBL *epb* group is to centralise the placement of all liquidity surpluses at the Head Office level. However, when local regulatory constraints exist (large exposures regime, liquidity constraints), the subsidiaries' liquidity is collateralized or is reinvested in local ALM portfolios under the supervision of both Group ALM and Risk Control Functions.
At the Head Office, the stable part of global funding is reinvested in ALM portfolios following a conservative strategy (a.o. respecting minimum European Central Bank/Basel III eligibility and rating criteria) and the unstable part of global funding is replaced in the short-term interbank market, the majority in the form of reverse repo transactions.

4.1.4. Measurement and monitoring of liquidity risk

The Board Risk Committee has expressed its Risk Appetite in terms of liquidity risk, by imposing limits for each entity of the Group on the future Basel III ratios (LCR and NSFR), and on deposits outflows. Furthermore, the loan-to-deposit ratio and some concentration indicators are more specifically monitored by the ALCO Committee.

As the excess liquidity throughout the Group is centralised at KBL *epb*'s Treasury Department, concentrating the Group's liquidity risk, KBL *epb*'s liquidity situation is closely monitored.

The operational liquidity of KBL *epb* is monitored on a daily basis by the Risk Control Function, which reports to Financial Markets (Dealing Room):

- a contractual liquidity gap of up to five days, as if the activity was to be continued (no stress test). This report is also sent to the BCL;
- a stock of available liquid assets;
- a daily estimate of the Basel III Liquidity Coverage Ratio, which stood at 135.4% as at 31 December 2013;
- the value of quantitative indicators, which can potentially trigger the Liquidity Contingency Plan (the Plan consists in various actions depending on the gravity - minor, major - of the liquidity crisis).

As far as structural indicators are concerned, the Loan-to-Deposit (LTD) ratio is established on a monthly basis for KBL *epb* group. As at 31 December 2013, it stood at 23.8%, confirming the excellent liquidity situation of the Group as natural deposit collector.

Finally, liquidity stress tests have been refined in 2013 in order to better fit the business model of KBL *epb* group defined by its shareholder. Their conclusions are that the Group can survive a severe liquidity crisis for 3 months without affecting its business model.

4.2. Quantitative information

4.2.1. Maturity analysis of liquid stock

The maturity analysis of financial assets held for managing liquidity risk (unencumbered marketable assets) is as follows:

In EUR million

Marketable assets 31/12/2012	**Stock of available assets**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**
Initial stock of available assets		**4,122**	**3,313**	**2,869**	**1,736**	**885**
CB eligible	2,970	-225	-375	-1,017	-718	-704
Marketable securities	1,152	-584	-69	-116	-133	-128
Total	4,122	-809	-445	-1,132	-851	-832
Residual stock of available assets	**4,122**	**3,313**	**2,869**	**1,736**	**885**	**53**

In EUR million

Marketable assets 31/12/2013	**Stock of available assets**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**
Initial stock of available assets		**5,011**	**3,024**	**2,764**	**1,253**	**667**
CB eligible	4,026	-1,778	-235	-1,246	-463	-313
Marketable securities	985	-209	-25	-265	-124	-217
Total	5,011	-1,988	-260	-1,510	-586	-530
Residual stock of available assets	**5,011**	**3,024**	**2,764**	**1,253**	**667**	**137**

4.2.2. Maturity analysis of financial assets and liabilities

The analysis by remaining contractual maturity for financial assets and liabilities is as follows:

In EUR million

31/12/2012	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Undetermined**	**Total**
Cash and balances with central banks	**1,330**	**-**	**-**	**-**	**-**	**-**	**1,330**
Financial assets	**3,237**	**959**	**1,663**	**1,273**	**1,400**	**2,465**	**10,996**
Held-for-trading	172	91	119	38	39	41	**500**
Designated at fair value through profit or loss	-	8	7	0	0	2,095	**2,110**
Available-for-sale financial assets	177	446	1,294	1,051	901	329	**4,198**
Loans and receivables	2,794	414	243	151	459	0	**4,062**
Hedging derivatives	2	0	0	33	0	-	**34**
Accruals	92	-	-	-	-	-	**92**
Other assets	**-**	**-**	**-**	**-**	**-**	**611**	**611**
TOTAL ASSETS	**4,567**	**959**	**1,663**	**1,273**	**1,400**	**3,076**	**12,937**

Deposits from central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities	**8,134**	**374**	**191**	**273**	**41**	**2,145**	**11,158**
Held-for-trading	166	32	49	2	2	50	**301**
Designated at fair value through profit or loss	-	-	-	-	-	2,095	**2,095**
Measured at amortised cost (excluding subordinated liabilities)	7,925	337	120	1	3	0	**8,387**
Subordinated liabilities	7	3	8	233	2	-	**254**
Hedging derivatives	1	3	14	36	33	-	**86**
Accruals	35	-	-	-	-	-	**35**
Other liabilities	**22**	**33**	**130**	**106**	**64**	**491**	**845**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**934**	**934**
TOTAL LIABILITIES	**8,156**	**408**	**320**	**379**	**105**	**3,570**	**12,937**
GAP	**-3,589**	**552**	**1,343**	**894**	**1,295**	**-494**	

Of which derivatives:

31/12/2012 Cashflows by bucket

	Less than 3 months EUR thousands	Between 3 months and 1 year EUR thousands	Between 1 year and 3 years EUR thousands	Between 3 years and 5 years EUR thousands	More than 5 years EUR thousands	Total EUR thousands	Carrying amount EUR million
Inflows	**6,239**	**3,291**	**143**	**45**	**16**	**9,734**	**309**
Interest rate	34	120	141	43	15	**353**	**111**
Equity	0	1	1	1	1	**5**	**88**
Currency	6,206	3,170	-	-	-	**9,376**	**110**
Other	0	0	-	-	-	**0**	**0**
Outflows	**-6,238**	**-3,313**	**-147**	**-40**	**-18**	**-9,757**	**393**
Interest rate	-37	-128	-146	-39	-17	**-367**	**182**
Equity	0	-1	-1	-1	-1	**-4**	**86**
Currency	-6,201	-3,184	-	-	-	**-9,385**	**124**
Other	0	0	-	-	-	**0**	**0**
Gap - Derivatives	**2**	**-22**	**-5**	**4**	**-2**	**-23**	

In EUR million

31/12/2013	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Undetermined	Total
Cash and balances with central banks	**1,171**	**-**	**-**	**-**	**-**	**-**	**1,171**
Financial assets	**3,661**	**712**	**1,724**	**1,114**	**1,208**	**2,289**	**10,708**
Held-for-trading	141	92	72	13	30	40	**389**
Designated at fair value through profit or loss	-	-	-	-	0	1,863	**1,863**
Available-for-sale financial assets	282	431	1,344	771	722	386	**3,936**
Loans and receiables	3,151	189	286	329	454	0	**4,410**
Hedging derivatives	1	-	22	0	1	-	**24**
Accruals	86	-	-	-	-	-	**86**
Other assets	-	-	-	-	-	589	**589**
TOTAL ASSETS	**4,833**	**712**	**1,724**	**1,114**	**1,208**	**2,879**	**12,469**
Deposits from central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities	**8,278**	**295**	**284**	**29**	**37**	**1,896**	**10,820**
Held-for-trading	176	65	22	1	3	41	**309**
Designated at fair value through profit or loss	-	-	-	-	-	1,856	**1,856**
Measured at amortised cost (excluding subordinated liabilities)	8,065	226	19	3	1	0	**8,314**
Subordinated liabilities	2	2	226	2	1	-	**233**
Hedging derivatives	0	2	17	24	32	-	**75**
Accruals	34	-	-	-	-	-	**34**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**690**	**690**
Provisions	-	-	-	-	-	34	**34**
Other liabilities	-	-	-	-	-	656	**656**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**959**	**959**
TOTAL LIABILITIES	**8,278**	**295**	**284**	**29**	**37**	**3,545**	**12,469**
GAP	**-3,445**	**416**	**1,439**	**1,085**	**1,170**	**-666**	

Of which derivatives:

31/12/2013	Cashflows by bucket						
	Less than 3 months EUR thousands	**Between 3 months and 1 year EUR thousands**	**Between 1 year and 3 years EUR thousands**	**Between 3 years and 5 years EUR thousands**	**More than 5 years EUR thousands**	**Total EUR thousands**	**Carrying amount EUR million**
Inflows	**6,852**	**1,724**	**129**	**40**	**68**	**8,813**	**286**
Interest rate	47	113	125	24	16	**325**	**84**
Equity	0	0	0	1	0	**2**	**122**
Currency	6,805	1,611	3	16	52	**8,487**	**79**
Other	-	-	-	-	-	**-**	**0**
Outflows	**-6,892**	**-1,750**	**-143**	**-55**	**-79**	**-8,918**	**399**
Interest rate	-47	-128	-130	-32	-18	**-355**	**141**
Equity	0	-0	-0	-0	-0	**-1**	**123**
Currency	-6,845	-1,622	-13	-22	-60	**-8,562**	**135**
Other	-	-	-	-	-	**-**	**0**
Gap - Derivatives	**-40**	**-26**	**-14**	**-15**	**-10**	**-105**	

4.2.3. Concentration risk

The concentration risk the Bank is facing in terms of liquidity is twofold:

- concentration in assets in which the liquidity is reinvested : this risk is monitored through the credit risk procedures (as described above);
- concentration in the funding sources. The Board Risk Committee has defined a specific Risk Appetite indicator with limits and triggers, based on the relative weight of the top 20 Private Clients Deposits among all deposits. This indicator is monthly monitored by the ALCO at Group level, completed with a concentration indicator for all significant counterparties in terms of funding sources (>1% of total liabilities, according to Basel III definition), and quarterly by the BRC. The percentage amounts to 10% for KBL *epb* group as at 31 December 2013 for a limit of 25%.

Note 43 – Audit fees

(in EUR thousand)	31/12/2012	31/12/2013
Standard audit services	2,346	2,125
Audit-related services	580	172
Other services	-	457
Total	**2,926**	**2,754**

Note 44 – List of significant subsidiaries and associates

COMPANY	COUNTRY	CAPITAL HELD	SECTOR
KBL European Private Bankers S.A.	Luxembourg	100.00%	Bank
FULLY CONSOLIDATED SUBSIDIARIES (global method)			
Brown, Shipley & Co. Limited	United Kingdom	100.00%	Bank
Cawood Smithie & Co Limited	United Kingdom	100.00%	Other - financial
Fairmount Pension Trustee Limited	United Kingdom	100.00%	Other - financial
Fairmount Trustee Services Ltd	United Kingdom	100.00%	Other - financial
The Brown Shipley Pension Portfolio Ltd	United Kingdom	100.00%	Other - financial
Slark Trustee Company Ltd	United Kingdom	100.00%	Other - financial
White Rose Nominees Ltd	United Kingdom	100.00%	Other - financial
KBL Immo S.A.	Luxembourg	100.00%	Real estate
Financière et Immobilière S.A.	Luxembourg	100.00%	Other - financial
Centre Europe S.A.	Luxembourg	100.00%	Real estate
Rocher Ltd	Isle of Man	100.00%	Real estate
S.C.I. KBL Immo III	Monaco	100.00%	Real estate
Plateau Real Estate LTD	Isle of Man	100.00%	Real estate
SCI KBL Immo II	Monaco	100.00%	Real estate
KBL Monaco Private Bankers	Monaco	100.00%	Bank
S.C.I. KBL Immo I	Monaco	100.00%	Real estate
KBL Monaco Conseil et Courtage en Assurance	Monaco	100.00%	Insurance
KBL Beteiligungs A.G.	Germany	100.00%	Holding
Modernisierungsgesellschaft Lübecker Str. 28/29 Gbr	Germany	79.06%	Real estate
Merck Finck & Co.	Germany	100.00%	Bank
Merck Finck Pension Universal Funds	Germany	100.00%	Management (Funds, Pensions, Portfolios)
Merck Finck Treuhand A.G.	Germany	100.00%	Other - financial
KBL Richelieu Banque Privée S.A.	France	100.00%	Bank
KBL Richelieu Gestion	France	100.00%	Management (Funds, Pensions, Portfolios)
S.E.V.	France	100.00%	Other - Commercial
KBLR Courtage (ex-KBLR INVEST 1)	France	100.00%	Management (Funds, Pensions, Portfolios)
KBLR INVEST 2	France	100.00%	Management (Funds, Pensions, Portfolios)
KBLR INVEST 3	France	100.00%	Management (Funds, Pensions, Portfolios)
KBLR INVEST 4	France	100.00%	Management (Funds, Pensions, Portfolios)
KBL Informatique G.I.E.	Luxembourg	100.00%	IT
KBL (Switzerland) Ltd	Switzerland	99.99%	Bank
Privagest	Switzerland	99.99%	Management (Funds, Pensions, Portfolios)
Kredietrust Luxembourg S.A.	Luxembourg	100.00%	Management (Funds, Pensions, Portfolios)
Puilaetco Dewaay Private Bankers S.A.	Belgium	100.00%	Bank
Banque Puilaetco Dewaay Luxembourg S.A.	Luxembourg	100.00%	Bank
Theodoor Gilissen Bankiers N.V.	The Netherlands	100.00%	Bank
TG Fund Management B.V.	The Netherlands	100.00%	Management (Funds, Pensions, Portfolios)
TG Ventures B.V	The Netherlands	100.00%	Corporate Finance
Theodoor Gilissen Trust B.V.	The Netherlands	100.00%	Management (Funds, Pensions, Portfolios)
Theodoor Gilissen Global Custody N.V.	The Netherlands	100.00%	Custodian
Lange Voorbehout B.V.	The Netherlands	100.00%	Real estate
Stroeve Asset Management B.V.	The Netherlands	100.00%	Management (Funds, Pensions, Portfolios)
Wereldeffect B.V.	The Netherlands	100.00%	Management (Funds, Pensions, Portfolios)
Vitis Life S.A.	Luxembourg	100.00%	Insurance
Data Office	Belgium	100.00%	Other - financial
ASSOCIATES			
EFA Partners S.A. (1)	Luxembourg	52.70%	Holding
European Fund Administration S.A. (1)	Luxembourg	48.58%	Fund administration

(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.

COMPANY	COUNTRY	CAPITAL HELD
NON-CONSOLIDATED COMPANIES		
KBL European Private Bankers S.A.		
Forest Value Investment Management S.A.	Luxembourg	25.60%
Horacio sarl	Luxembourg	100.00%
KBL Beteiligungs A.G.		
Steubag G. Betriebsw. & Bankendienst. GmbH	Germany	100.00%

Note 45 – Main changes in the scope of consolidation

COMPANY	COUNTRY	CAPITAL HELD	SECTOR
EXCLUDED IN SCOPE OF CONSOLIDATION			
Fidef Ingénierie Patrimoniale S.A. (liquidated)	France	100.00%	Other - financial
European Fund Administration S.A.			
European Fund Administration France S.A.S.	France	51.13%	Fund administration

Note 46 – 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 consolidated accounts as at 31 December 2013.

KBL European Private Bankers S.A.
43, boulevard Royal
L-2955 Luxembourg

R.C.S. Luxembourg: B 006.395

Annual accounts, Report of the independent auditor and Management report as at 31 December 2013

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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 INDEPENDENT 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 2013, 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 2013, 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, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Sylvie Testa

Luxembourg, 27 February 2014

INCOME STATEMENT

In EUR thousand	Notes	31/12/2012 (1)	31/12/2013
Net interest income	4, 34	56,796	53,278
Dividend income	5, 34	25,617	19,354
Net gains/losses on financial instruments measured at fair value through profit or loss	6	40,418	32,742
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	7	-71,691	30,221
Net fee and commission income	8, 34	84,610	87,527
Other net income	9, 34	7,519	7,681
GROSS INCOME		**143,269**	**230,803**
Operating expenses	10, 34	-249,460	-154,898
Staff expenses	11, 28, 29	-145,468	-102,049
General administrative expenses	38	-61,022	-43,116
Other	25, 26, 27	-42,970	-9,734
Impairment	12, 20, 21, 34	-197,149	-28,163
PROFIT / (LOSS) BEFORE TAX		**-303,340**	**47,741**
Income tax (expenses) / income	13	-1,907	-12,511
PROFIT / (LOSS) AFTER TAX		**-305,247**	**35,230**

(1) Restated according to the amendment to IAS 19 (see Note 2a).

STATEMENT OF COMPREHENSIVE INCOME

In EUR thousand	31/12/2012 (1)	31/12/2013
PROFIT / (LOSS) AFTER TAX	**-305,247**	**35,230**
OTHER COMPREHENSIVE INCOME	**130,134**	**-6,606**
Items that may be reclassified subsequently to profit or loss	**135,382**	**-9,423**
Available-for-sale financial assets	**135,382**	**-9,423**
Revaluation at fair value	92,514	29,022
Net realised gains/losses on sales	91,692	-44,238
Impairment	6,606	1,903
Income tax (expenses) / income	-55,430	3,890
Items that will not be reclassified to profit or loss	**-5,248**	**2,816**
Remeasurements of defined benefit pension plans	**-5,248**	**2,816**
Remeasurements (gross)	-5,248	2,816
Income tax on remeasurements	-	-
TOTAL COMPREHENSIVE INCOME	**-175,113**	**28,624**

(1) Restated according to the amendment to IAS 19 (see Note 2a).

The notes refer to the ‘Notes to the annual accounts’.

BALANCE SHEET

ASSETS (In EUR million)	Notes	31/12/2012	31/12/2013
Cash and balances with central banks	36	409	610
Financial assets	14, 15, 16, 17, 18, 19, 34, 36	7,552	7,569
Held-for-trading	22	449	287
At fair value through profit or loss		15	0
Available-for-sale financial assets	20, 39	3,730	3,423
Loans and receivables	21	3,313	3,825
Hedging derivatives	22	45	34
Tax assets	24,36	24	15
Current tax assets		-	-
Deferred tax assets		24	15
Investment properties	26	4	4
Property and equipment	26	95	90
Intangible assets	25	97	97
Other assets	23,36	30	27
TOTAL ASSETS		**8,212**	**8,413**

EQUITY AND LIABILITIES (In EUR million)		31/12/2012 [(1)]	31/12/2013
Financial liabilities	14, 16, 17, 34	6,850	7,074
Held-for-trading	22	256	210
At amortised cost		6,511	6,786
Hedging derivatives	22	83	79
Provisions	27	7	6
Other liabilities	28, 29	253	201
TOTAL LIABILITIES		**7,109**	**7,282**
TOTAL EQUITY	30	**1,102**	**1,131**
Out of which Common Equity Tier 1 instruments issued		*478*	*508*
TOTAL EQUITY AND LIABILITIES		**8,212**	**8,413**

(1) Restated according to the amendment to IAS 19 (see Note 2a).

The notes refer to the ‘Notes to the annual accounts’.

STATEMENT OF CHANGES IN EQUITY

In EUR million	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve AFS investments	Remeasu-rement of defined benefit pension plans	Reserves	**Total equity**
2012							
Balance as at 01/01/2012 [1]	**187.2**	**321.3**	**-0.1**	**-55.2**	**-**	**824.3**	**1,277.6**
Net movements on treasury shares	-	-	-	-	-	-	-
Dividends and profit-sharing	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	135.4	-5.2	-305.2	-175.1
Total variations	-	-	-	135.4	-5.2	-305.2	-175.1
Balance as at 31/12/2012 [1]	**187.2**	**321.3**	**-0.1**	**80.2**	**-5.2**	**519.1**	**1,102.4**

(1) Restated according to the amendment to IAS 19 (see Note 2a).

In EUR million	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve AFS investments	Remeasu-rement of defined benefit pension plans	Reserves	**Total equity**
2013							
Balance as at 01/01/2013	**187.2**	**321.3**	**-0.1**	**80.2**	**-5.2**	**519.1**	**1,102.4**
Net movements on treasury shares	-	-	-	-	-	-	-
Dividends and profit-sharing	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-9.4	2.8	35.2	28.6
Total variations	-	-	-	-9.4	2.8	35.2	28.6
Balance as at 31/12/2013	**187.2**	**321.3**	**-0.1**	**70.8**	**-2.4**	**554.3**	**1.131.0**

CASH FLOW STATEMENT

In EUR million	Notes	31/12/2012 (1)	31/12/2013
Profit /(loss) before tax		-303.3	47.7
Adjustments for:			
Impairment of securities, amortisation and depreciation of property and equipment, intangible assets and investment properties	*10, 12*	*237.4*	*36.0*
Profit/loss on the disposal of investments	*9*	*-5.4*	*0.2*
Change in impairment for losses on loans and advances	*12*	*1.7*	*0.0*
Change in other provisions	*10*	*1.1*	*2.0*
Unrealised foreign currency gains and losses		*-0.6*	*7.6*
Cash flows from operating activities, before tax and changes in operating assets and liabilities		**-69.2**	**93.4**
Changes in operating assets (2)		-3,487.1	835.1
Changes in operating liabilities (3)		657.5	-159.8
Income taxes		-	0.6
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**-2,898.8**	**769.2**
Purchase of subsidiaries or business units		-3.7	-0.8
Proceeds from sale of subsidiaries or business units		-	0.8
Purchase of intangible assets	25	-	0.0
Proceeds from sale of investment properties	9, 26	13.7	-
Purchase of property and equipment	26	-2.0	-0.4
Proceeds from sale of property and equipment	9, 26	-	-
NET CASH FLOWS FROM /(USED IN) INVESTING ACTIVITIES		**8.0**	**-0.4**
Purchase/sale of treasury shares		-	-
Issue/repayment of loans	14	-0,3	-30.5
Issue/repayment of subordinated debts	14	-8,6	-9.8
Dividends paid and profit-sharing		-	-
NET CASH FLOWS FROM /(USED IN) FINANCING ACTIVITIES		**-8.8**	**-40.3**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (4)		**-2,899.7**	**728.5**
CASH AND CASH EQUIVALENTS AS AT 01/01		**4,121.7**	**1,222.0**
Net increase/decrease in cash and cash equivalents		-2,899.7	728.5
CASH AND CASH EQUIVALENTS AS AT 31/12		**1,222.0**	**1,950.6**
ADDITIONAL INFORMATION			
Interest paid during the year		86.0	63.9
Interest received during the year		134.6	122.2
Dividends received (including equity method)	5	25.6	19.4
COMPONENTS OF CASH AND CASH EQUIVALENTS		**1,222.0**	**1,950.6**
Cash and balances with central banks (including legal reserve with the central bank)		409.4	610.3
Loans and advances to banks repayable on demand		1,881.1	2,515.5
Deposits from banks repayable on demand		-1,068.5	-1,175.2
Of which: not available (5)		389.4	595.5

(1) Restated according to the amendment to IAS 19 (see Note 2a).
(2) Including loans and advances to banks and customers, securities, derivatives and other assets.
(3) Including deposits from banks and customers, bonds issued, derivatives and other liabilities.
(4) 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.
(5) 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.).

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

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

Since July 2012, KBL *epb* group is 99.9% owned by Precision Capital, a Luxembourg-based company governed by Luxembourg law representing the interests of a group of Qatari private investors.

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 Precision Capital’s consolidated accounts. Precision Capital’s consolidated accounts and management report are available at its head office.

As of 31 December 2013, KBL *epb*’s non-consolidated accounts include those 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 27 February 2014.

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.

The annual accounts provide comparative information in respect of the previous financial year. Comparative information as of 31 December 2012 has been modified following the application of IAS 19 Employee Benefits (Revised 2011) but the Bank did not present an additional balance sheet at the beginning of the earliest financial year as the impact is not material on the balance sheet.

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.

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective for the Bank as of 1 January 2013 (for the avoidance of doubt, only the new standards, amendments to standards and IFRIC which may have an effect on the Bank's annual accounts are mentioned below):

- *Presentation of Items of Other Comprehensive Income (issued in June 2011) – Amendments to IAS 1 - Presentation of Financial Statements*

  The amendments modify the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to the income statement at a future point in time are now to be presented separately from items that will never be reclassified. The layout of the statement of comprehensive income has been adjusted accordingly.
  The amendments affect presentation only and have no impact on the Bank's financial position or performance.

- *IFRS 13 – Fair Value Measurement (new standard issued in May 2011)*

  According to the specific transitional provisions embedded in IFRS 13, the new standard is to be applied on a prospective basis (with no requirement to restate / produce disclosures for the comparative period).
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when a fair valuation is required or permitted.
  IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures.
  Application of IFRS 13 has not impacted the fair value measurements of the Bank. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The extended disclosure of the fair value hierarchy is provided in Note 14.

- *IAS 19 revised – Employee benefits (revised standard issued in June 2011)*

  The revised standard has introduced numerous amendments to the previous version of IAS 19. These range from fundamental changes such as removing of the corridor mechanism and the concept of expected return on plan assets to simple clarifications and re-wording. The transitional provisions of revised IAS 19 require a retrospective application.

Prior periods figures presented in this report have therefore been adjusted to comply with the requirements of the revised standard. The below table shows the detailed impacts of IAS 19 revised on prior periods figures.

The major adjustment concerns the actuarial gains and losses which were not recognized under the previous version of IAS 19 (optional "corridor approach" chosen by the Bank) and that are to be recognized through other comprehensive income under the revised standard.
Impacts that relate to periods before the 2012 exercise have been directly deducted from the reserves; those relating to the 2012 exercise were recognized in the new dedicated remeasurement reserve.

Amounts are presented in EUR thousand and as adjustment (increase / decrease) of the related headings in previous annual accounts.

(in EUR thousand)	**Opening 01/01/2012**	**Closing 31/12/2012**
LIABILITIES	**+15,129**	**+19,852**
Other liabilities	+15,129	+19,852
EQUITY AND COMPREHENSIVE INCOME	**-15,129**	**-19,852**
Reserves	-15,129	-15,129
Defined benefit remeasurement reserve (gross)	-	-5,248
Staff expenses (income statement)	-	+525
of which net impact on the profit or loss	***-***	***+525***
OPERATING SEGMENTS BY BUSINESS SEGMENT		
Operating expenses (staff expenses)	-	**+525**
Private banking	-	+186
Global Investor Services	-	+113
ALM activities	-	+84
Other	-	+142

Impact of IAS 19 revised on the current exercise:
The impact of IAS 19 revised on the 2013 income statement - i.e. compared to the picture that would have been obtained had the previous version of IAS 19 still been applied - is not significant.

- *Annual Improvements to IFRS 2009-2011 Cycle (issued in May 2012)*
  Amendments to IAS 1 - Presentation of Financial Statements
  Amendments to IAS 16 - Property, Plant and Equipment
  Amendments to IAS 32 - Financial Instruments: Presentation
  Amendments to IAS 34 - Interim Financial Reporting

The only amendment that had an impact on the Bank's annual accounts concerns the clarification introduced in IAS 34. As a matter of fact, the related amendment aligns the disclosure requirements for segment assets and liabilities in interim financial statements to those applicable in the annual accounts. This in particular means that the disclosures of segment assets and liabilities are only required if such measures are regularly provided to the chief operating decision maker.
Considering the information of segment assets and liabilities is no longer regularly provided to any member of the Bank's and/or the Group's Management, the related disclosures were removed from the interim report for the first time as at 30 June 2013.
The approach adopted in that interim report has been maintained both in these annual accounts and in the Group's consolidated accounts as at 31 December 2013.

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (issued in December 2011) – Amendments to IFRS 7 – Financial Instruments : Disclosures*

  The amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements).
  The new disclosures provide users with information that is useful in evaluating the effect of netting arrangements on the Bank’s financial position. They apply to all recognized financial instruments that are subject to an enforceable master netting agreement, irrespective of whether they are set off in accordance with *IAS 32 – Financial Instruments : Presentation.*
  Transitional rules indicate the amendments are to be applied on a retrospective basis. The new required disclosures, including those which relate to the comparative period, are provided in Note 17.

KBL *epb* has also decided not to early adopt the standards, amendments to standards and interpretations of the IFRIC which have been published but are not applicable for the year ending 31 December 2013. KBL *epb* will adopt these standards on the date of their effective application and when they will be 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):

- *IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

  These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are not expected to impact the Bank’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- *IFRS 9 Financial Instruments – Classification and Measurement (Not endorsed by the European Union yet)*

  IFRS 9, as issued, reflects the first and the third phases of the IASB’s work on the replacement of IAS 39. Those phases relate to classification and measurement of financial assets and financial liabilities (as defined in IAS 39) and to Hedge Accounting. The second phase, which deals with impairment methodology, has not been published yet.
  The IASB recently decided to tentatively remove the mandatory effective date for IFRS 9. That mandatory effective date will be set when the revised classification and measurement proposals and the expected credit loss proposals are finalised.
  The adoption of the first phase of IFRS 9 is expected to have an effect on the classification and measurement of the Bank’s financial assets, but not on the classification and measurement of financial liabilities. The Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- *IFRIC Interpretation 21 Levies (IFRIC 21)*

  IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Bank does not expect that IFRIC 21 will have a material financial impact in future annual accounts.

- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Bank has not novated derivatives designated in effective hedging relationships during the current financial year. However, these amendments will be considered for future novations.

- *IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements*

  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities.

  IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Bank.

  The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014.

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 denominated in foreign currencies 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 denominated 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 using exchange rates that approximate the rates at the dates of the transactions (e.g. average monthly exchange rates).

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 initially designated at fair value through profit or loss (frequently referred to as ‘the fair value option’) 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 near 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 the derivatives designated in hedging relationships for which hedge accounting is applied.

<u>Evaluation of financial instruments</u>

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.
Participating interests in subsidiaries, joint ventures and associates 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.

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.

– Determination of fair value –
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

When available, published price quotations (unadjusted) 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 determined or derived :

- from quoted prices for similar assets or liabilities in active markets and/or from quoted prices for identical assets or liabilities in markets that are not active.
- by using a valuation technique.

When valuation techniques are used to estimate fair value, those techniques incorporate all factors that market participants would consider in setting a price and are consistent with accepted financial methodologies used for pricing financial instruments.
Such techniques encompass discounted cash flow analysis (e.g. for the valuation of interest rate swaps or forward foreign exchange transactions) and option pricing models.
Inputs used in those models (yield curves, exchange rates, volatilities…) are often readily observable on the markets. When measuring fair value, the Bank maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

– 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 to 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.
However, the Bank currently does not hold any net investment in a foreign entity to which this approach is applied.

c. Intangible assets

Intangible assets acquired are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

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%). However, the useful life of two specific IT projects (Corporate Action Management - CAMA - and Globus T24) has been estimated at 7 years (average annual rate: 14.3%).

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.

<u>Overview of average depreciation rates</u>

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 of disposal).

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 (as revised in 2011), 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.

The components of the defined benefit cost are recognized according to the following principles:

(i) Service cost and net interest on the net defined benefit liability / asset are recognized in the income statement;

(ii) Remeasurements of the net defined benefit liability / asset are recognized in other comprehensive income. Remeasurements include:
- actuarial gains and losses stemming from the remeasurement of the defined benefit obligation;
- the return of plan assets after deducting the portion included in net interest as determined in (i); and
- any change in the effect of the asset ceiling – also excluding any amount included in net interest as determined in (i).

Remeasurements recognized in other comprehensive income are not reclassified to the income statement in subsequent periods.

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 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 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

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.

The "defined benefit remeasurement reserve" relating to the recognition of certain pension costs is also included in equity. This reserve will however never be subsequently recycled into the income statement.

As regards to 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 measured at fair value through profit or loss" 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.

l. Reclassifications of prior year figures

Where necessary, certain prior year figures in the Notes to the annual accounts have been reclassified to conform with changes to the current year's presentation for comparative purposes.

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 **'ALM ACTIVITIES'** segment includes "Global Financial Markets & Treasury" activities, which represent 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, as well as "Credit & Portfolio ALM", which cover "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 three 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**		**GLOBAL INVESTOR SERVICES**		**ALM ACTIVITIES**		**OTHER**		**KBL *epb***	
	2012 [1]	**2013**	**2012** [1]	**2013**	**2012** [1]	**2013**	**2012** [1]	**2013**	**2012** [1]	**2013**
Net interest income	11.4	14.3	11.7	10.6	22.3	28.0	11.3	0.4	**56.8**	**53.3**
Dividend income	-	-	-	0.1	1.1	3.3	24.5	15.9	**25.6**	**19.4**
Net gains/losses on financial instruments measured at fair value through profit or loss	1.3	1.6	5.2	6.4	34.2	16.8	-0.2	7.9	**40.4**	**32.7**
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	3.3	30.2	-75.0	-	**-71.7**	**30.2**
Net fee and commission income	46.1	46.9	29.7	29.8	0.6	2.7	8.3	8.2	**84.6**	**87.5**
Other net income	-0.7	0.0	-	-	2.0	4.0	6.2	3.7	**7.5**	**7.7**
GROSS INCOME	**58.1**	**62.8**	**46.5**	**47.0**	**63.6**	**84.9**	**-25.0**	**36.1**	**143.3**	**230.8**
Operating expenses	-50.4	-47.2	-29.5	-25.9	-25.6	-27.4	-144.0	-54.5	**-249.5**	**-154.9**
Impairment	-	0.0	-	-	-11.7	-1.7	-185.4	-26.4	**-197.1**	**-28.2**
PROFIT/LOSS BEFORE TAX	**7.7**	**15.6**	**17.1**	**21.2**	**26.3**	**55.8**	**-354.5**	**-44.8**	**-303.3**	**47.7**
Income tax (expense) / income	-2.9	-6.6	-3.9	-7.3	-10.5	-16.1	15.3	17.5	**-1.9**	**-12.5**
PROFIT/LOSS AFTER TAX	**4.8**	**8.9**	**13.2**	**13.9**	**15.8**	**39.7**	**-339.1**	**-27.3**	**-305.2**	**35.2**

(1) Restated according to the amendment to IAS 19 (see Note 2a).

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the annual accounts.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

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	**31/12/2012**	**31/12/2013**
Breakdown by portfolio		
Interest income	**137,462**	**115,792**
Available-for-sale financial assets	70,945	67,949
Loans and receivables	37,321	23,260
Other	31	24
Sub-total of interest income from financial assets not measured at fair value through profit or loss	*108,298*	*91,233*
Financial assets held-for-trading	4,646	3,650
Net interest on hedging derivatives	24,323	20,808
Other financial assets at fair value through profit or loss	194	101
Interest expense	**-80,666**	**-62,514**
Financial liabilities at amortised cost	-42,716	-27,760
Other	-372	-401
Sub-total of interest expense on financial liabilities not measured at fair value through profit or loss	*-43,088*	*-28,161*
Net interest on hedging derivatives	-37,578	-34,353
Net interest income	**56,796**	**53,278**

Note 5 – Dividend income

In EUR thousand	**31/12/2012**	**31/12/2013**
Participating interests	24,484	16,063
Other equity instruments available-for-sale	1,133	3,291
Dividend income	**25,617**	**19,354**

Note 6 – Net gains/losses on financial instruments measured at fair value through profit or loss

In EUR thousand	31/12/2012	31/12/2013
Held-for-trading (including interest and valuation of trading derivatives)	20,603	10,223
Other financial instruments at fair value	940	1,588
Exchange differences	19,444	20,910
Fair value adjustments in hedge accounting	-569	21
Fair value micro-hedging	*-569*	*21*
Fair value of hedged items	*15,542*	*-9,057*
Fair value of hedging items	*-16,111*	*9,079*
Net gains/losses on financial instruments measured at fair value through profit or loss	**40,418**	**32,742**

Note 7 – Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss

In EUR thousand	31/12/2012	31/12/2013
Available-for-sale financial assets	**-74,150**	**28,725**
Debt instruments	-73,789	852
Equity instruments	-360	27,874
Loans and receivables	**2,459**	**1,495**
Financial liabilities measured at amortised cost	**-**	**-**
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	**-71,691**	**30,221**

Note 8 – Net fee and commission income

In EUR thousand	31/12/2012	31/12/2013
Fee and commission income	**130,408**	**143,898**
Asset management	94,484	104,857
Securities transactions	26,152	28,868
Other	9,772	10,173
Fee and commission expense	**-45,798**	**-56,371**
Asset management	-41,470	-51,674
Securities transactions	-2,464	-2,884
Other	-1,865	-1,813
Net fee and commission income	**84,610**	**87,527**

Note 9 – Other net income

In EUR thousand	31/12/2012	31/12/2013
	7,519	**7,681**
Of which :		
Net proceeds from precious metals transactions	2,215	4,251
Final wealth tax settlement from 2008 to 2011	-	3,142
Net proceeds from the sale of "Boulevard Royal" building	5,708	-

Note 10 – Operating expenses

Operating expenses include staff costs, amortisation and depreciation of investment properties, amortisation and depreciation of 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	31/12/2012 [1]	31/12/2013
Staff expenses	-145,468	-102,049
General administrative expenses	-61,022	-43,116
Depreciation and amortisation of property and equipment, intangible assets and investment properties	-41,885 [2]	-7,745
Net provision allowances	-1,084	-1,989
Operating expenses	**-249,460**	**-154,898**

[1] Restated according to the amendment to IAS 19 (see Note 2a).
[2] of which accelerated depreciation on several IT projects (please refer to Note 25).

Note 11 – Staff

	31/12/2012	31/12/2013
Total average number of persons employed (in full-time equivalents - FTE)	**873**	**777**
Breakdown by business segment [3]		
Private Banking	309	270
Global Investor Services	188	162
ALM activities	140	130
Other	237	215

[3] The breakdown of commercial, administrative and support staff, which does not include the pre-retirement FTE, 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	31/12/2012	31/12/2013
(Impairment)/reversal of impairment of:		
Loans and receivables	-1,659	48
Available-for-sale financial assets	-195,490	-28,211
Impairment	**-197,149**	**-28,163**

Impairment on loans and receivables

More detailed information on impairment is provided in Note 37.

In EUR thousand	31/12/2012	31/12/2013
Total	**-1,659**	**48**
Breakdown by type		
(Impairment)/reversal of impairment		
Specific impairment on loans and receivables	-1,809	-568
Portfolio-based impairment	150	616

See also Note 21 – Impairment on loans and receivables

Impairment on available-for-sale financial assets

In EUR thousand	31/12/2012	31/12/2013
Total	**-195,490**	**-28,211**
(Impairment)/reversal of impairment of:		
Debt instruments	-12,054	-1,818
Equity instruments	-183,436	-26,393
On participating interests	**-180,584**	**-26,393**
KBL (Switzerland) Ltd – Switzerland	-49,996	-26,393
Theodoor Gilissen Bankiers N.V. – The Netherlands	-106,052	-
KBL Beteiligungs A.G. – Germany	-14,476	-
KBL Richelieu Banque Privée – France	-8,865	-
Puilaetco Dewaay Private Bankers S.A. – Belgium	-1,195	-

See also Note 20 – Impairment on available-for-sale financial assets

The values of participating interests and purchased portfolios of customers are subject to an impairment test which is performed at least annually in the course of the fourth quarter.

Recoverable values are primarily measured from a Dividend Discount Model ("DDM") valuation method which, in practice, represents an estimation of fair value less costs of disposal (the related fair value estimates correspond to "level 3" fair values under the fair value hierarchy described in IFRS 13).
Other cross-check methods such as the "Net asset value + multiple of Assets under management" might be used to corroborate the results of the DDM method.

DDM methodology

Future dividends input in the DDM model are estimated according to the following methodology:

- For the period covering the next three years, dividends are based on the three-year Business Plan presented by the subsidiaries to the Group Executive Committee;
- For the period beyond the third year, a terminal value is calculated based on a long term ("LT") growth rate of dividends.

In 2012, the DDM method included a seven-year-transitory period after the initial three-year-period (when cash-flows are directly extracted from business plans) and before the date when the terminal value was calculated. This period was primarily used to recognize a transition towards the Group "cost/income" target ratio.
In 2013, considering the mature profile of the participations tested for impairments and, more specifically, the high degree of integration of their related intangible assets, this transitory period has been removed.

Key assumptions

Key assumptions used in the DDM are the following:

- the Discount rate;
- the LT growth rate.

The Discount rate used in the DDM calculations is determined from the Group current cost of capital as estimated from the *Capital Asset Pricing Model* ("CAPM").
The CAPM estimates the cost of capital as the sum of the current risk free rate and an equity premium, the latter being adjusted to reflect current market expectations of the return required for the specific asset (β factor).

Inputs used in the model are adjusted to reflect current market situation and relies as much as possible on relevant observable data:

- risk free rates are measured from current long dated (10 years) government bond yields in the country where the participation operates;
- the β factor is directly derived from current observable market data for a selection of listed peers;
- consistently with generally accepted market methodologies used in business valuations, the standard Equity Risk premium is estimated from historical data on a country-by-country basis (source Morningstar - Ibbotson).

Discount rates used in the 2013 impairment tests range from 7.6% to 9.5% (7.8% for the impaired participating interest in KBL (Switzerland) Ltd).

LT growth rates used in the DDM have been aligned on "Real GDP Growth rates" (i.e. excluding the inflation component) as published in the European Commission Eurostat database (2015 forecasts by country).

LT growth rates used in the 2013 impairment tests range from 1.2% to 2.4% (1.9% for the impaired participating interest in KBL (Switzerland) Ltd).

Note 13 – Income tax (expenses) / income

In EUR thousand	31/12/2012	31/12/2013
Total	**-1,907**	**-12,511**
Breakdown by type	**-1,907**	**-12,511**
Current tax	-	0
Deferred tax	-1,907	-12,511
of which: losses carried forward	-	*-9,750*
Breakdown by major components:	**-1,907**	**-12,511**
Result before tax excluding branches	-298,550	51,958
Luxembourg income tax rate	29.22%	29.22%
Income tax calculated at the Luxembourg income tax rate	**87,236**	**-15,182**
Plus/minus tax effects attributable to:		
Tax-free income	6,627	4,688
Other non-deductible expenses	-1,058	-1,315
Adjustments related to prior years	-	946
Adjustments opening deferred tax due to change in tax rate	816	-
Unused tax losses and unused tax credits	-94,224	-
Other	-1,305	-1,648
Income tax adjustments	**-1,907**	**-12,511**

Details of tax assets are given in Note 24.

In 2002, under Article 164 bis 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. and KBL Immo S.A..

The deferred tax assets not recognised in the balance sheet as of 31 December 2013 amount to EUR 118.1 million (31 December 2012: EUR 117.2 million).

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 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
In EUR million

31/12/2012

ASSETS	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 credit institutions	**-**	**-**	**-**	**2,109**	**-**	**2,109**
Loans and advances to others than credit institutions	**-**	**15**	**-**	**1,200**	**-**	**1,215**
Consumer credits	-	-	-	5	-	**5**
Mortgage loans	-	-	-	90	-	**90**
Term loans	-	-	-	754	-	**754**
Current accounts	-	-	-	134	-	**134**
Other	-	15	-	217	-	**232**
Equity instruments	**1**	**-**	**912**	**-**	**-**	**912**
Debt instruments issued by	**227**	**0**	**2,771**	**-**	**-**	**2,998**
- government bodies	16	0	1,266	-	-	**1,282**
- credit institutions	80	-	493	-	-	**573**
- corporates	131	-	1,012	-	-	**1,143**
Financial derivatives	**218**	**-**	**-**	**-**	**34**	**253**
Accrued interest	**2**	**0**	**48**	**5**	**10**	**66**
Total	**449**	**15**	**3,730**	**3,313**	**45**	**7,552**
Of which reverse repos	-	-	-	1,630	-	**1,630**

CARRYING AMOUNT
In EUR million

31/12/2013

ASSETS	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 credit institutions	**-**	**-**	**-**	**2,347**	**-**	**2,347**
Loans and advances to others than credit institutions	**-**	**-**	**-**	**1,476**	**-**	**1,476**
Consumer credits	-	-	-	4	-	4
Mortgage loans	-	-	-	114	-	114
Term loans	-	-	-	989	-	989
Current accounts	-	-	-	147	-	147
Other	-	-	-	222	-	222
Equity instruments	**1**	**-**	**978**	**-**	**-**	**979**
Debt instruments issued by	**131**	**0**	**2,400**	-	-	**2,531**
- government bodies	3	0	1,158	-	-	1,162
- credit institutions	58	-	425	-	-	482
- corporates	70	-	817	-	-	887
Financial derivatives	**153**	**-**	**-**	**-**	**24**	**177**
Accrued interest	**2**	**-**	**45**	**2**	**10**	**59**
Total	**287**	**0**	**3,423**	**3,825**	**34**	**7,569**
Of which reverse repos	-	-	-	1,961	-	**1,961**

CARRYING AMOUNT
In EUR million

31/12/2012

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortised cost	Total
Deposits from credit institutions	**-**	**-**	**2,257**	**2,257**
Deposits from others than credit institutions	**-**	**-**	**3,864**	**3,864**
Current accounts/demand deposits	-	-	2,579	2,579
Time deposits	-	-	1,266	1,266
Other deposits	-	-	18	18
Debt certificates	**-**	**-**	**377**	**377**
Deposit certificates	-	-	0	0
Customer savings bonds	-	-	2	2
Debt certificates	-	-	118	118
Non-convertible bonds	-	-	3	3
Non-convertible subordinated liabilities	-	-	254	254
Financial derivatives	**241**	**67**	**-**	**308**
Short sales	**15**	**-**	**-**	**15**
Equity instruments	-	-	-	-
Debt instruments	15	-	-	15
Accrued interest	**0**	**16**	**14**	**31**
Total	**256**	**83**	**6,511**	**6,850**
Of which repos	-	-	1,118	**1,118**

CARRYING AMOUNT
In EUR million

31/12/2013

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortised cost	Total
Deposits from credit institutions	**-**	**-**	**2,382**	**2,382**
Deposits from others than credit institutions	**-**	**-**	**4,065**	**4,065**
Current accounts/demand deposits	-	-	2,599	2,599
Time deposits	-	-	1,455	1,455
Other deposits	-	-	11	11
Debt certificates	**-**	**-**	**326**	**326**
Deposit certificates	-	-	-	-
Customer savings bonds	-	-	1	1
Debt certificates	-	-	90	90
Non-convertible bonds	-	-	1	1
Non-convertible subordinated liabilities	-	-	233	233
Financial derivatives	**205**	**62**	**-**	**267**
Short sales	**5**	-	-	**5**
Equity instruments	0	-	-	0
Debt instruments	5	-	-	5
Accrued interest	**0**	**17**	**13**	**30**
Total	**210**	**79**	**6,786**	**7,074**
Of which repos	-	-	324	**324**

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).

In EUR million

	Carrying amount		Fair value	
	31/12/2012	**31/12/2013**	**31/12/2012**	**31/12/2013**
ASSETS				
Loans and advances to credit institutions	2,109	2,347	2,109	2,347
Loans and advances to others than credit institutions	1,200	1,476	1,200	1,476
Consumer credits	5	4	5	4
Mortgage loans	90	114	90	114
Term loans	754	989	754	989
Current accounts	134	147	134	147
Other	217	222	217	222
LIABILITIES				
Deposits from credit institutions	2,257	2,382	2,257	2,382
Deposits from others than credit institutions	3,864	4,065	3,863	4,065
Current accounts/demand deposits	2,579	2,599	2,579	2,599
Time deposits	1,266	1,455	1,265	1,454
Other deposits	18	11	18	11
Debt certificates	377	326	367	316
Deposit certificates	0	-	0	-
Customer savings bonds	2	1	2	1
Debt certificates	118	90	118	90
Non-convertible bonds	3	1	3	1
Non-convertible subordinated liabilities	254	233	244	223

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.

31/12/2012

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	0	-	-	**1**
Debt instruments held-for-trading	118	110	-	2	**230**
Derivatives held-for-trading	-	218	-	-	**218**
Instruments designated at fair value through profit or loss	0	15	-	0	**15**
Available-for-sale financial assets					
Equity instruments (excluding instruments at cost)	192	27	-	-	**219**
Debt instruments	2,507	263	-	48	**2,819**
Hedging derivatives	-	34	-	10	**45**
	2,818	**667**	**-**	**61**	**3,546**
LIABILITIES					
Financial liabilities at fair value through profit or loss					
Equity instruments held-for-trading	-	-	-	-	**-**
Debt instruments held-for-trading	14	1	-	0	**15**
Derivatives held-for-trading	-	241	-	-	**241**
Hedging derivatives	-	67	-	16	**83**
	14	**308**	**-**	**17**	**339**

31/12/2013

In EUR million

	Level 1	Level 2	Level 3	Accrued interest	Total
ASSETS					
Held-for-trading	**75**	**210**	**-**	**2**	**287**
Equity instruments	0	0	-	-	**1**
Debt instruments	75	57	-	2	**133**
Derivatives	-	153	-	-	**153**
Financial assets at fair value through profit or loss	**-**	**0**	**-**	**-**	**0**
Avalaible-for-sale financial assets	**2,401**	**299**	**-**	**45**	**2,745**
Equity instruments (excluding instruments at cost)	269	32	-	-	**301**
Debt instruments	2,133	267	-	45	**2,445**
Loans & receivables	**-**	**3,823**	**-**	**2**	**3,825**
Loans and advances to credit institutions	-	2,347	-	1	**2,348**
Loans and advances to others than credit institutions	-	1,476	-	1	**1,477**
Hedging derivatives	-	24	-	10	**34**
LIABILITIES					
Held-for-trading	**5**	**205**	**-**	**0**	**210**
Equity instruments	-	0	-	-	**0**
Debt instruments	5	0	-	0	**5**
Derivatives	-	205	-	-	**205**
Hedging derivatives	**-**	**62**	**-**	**17**	**79**
Financial liabilities at amortized cost	**212**	**6,551**	**-**	**13**	**6,776**
Deposit from credit institutions	-	2,382	-	0	**2,383**
Deposit from others than credit institutions	-	4,065	-	0	**4,065**
Debt certificates	212	104	-	12	**328**

Level 3 financial instruments measured at fair value

In EUR million

	Financial instruments measured at fair value through profit or loss	Available-for-sale financial assets	Total
Balance as at 01/01/2012	-	**-**	-
Total profit / loss for the year	1	-	1
- recognised in the income statement	1	-	1
- recognised in the other comprehensive income	-	-	-
Purchases	-	-	-
Sales	-1	-	-1
Transfers from / to level 3	-	-	-
Balance as at 31/12/2012	**-**	**-**	**-**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31/12/2012	1	-	1

In EUR million	Financial instruments measured at fair value through profit or loss	Available-for-sale financial assets	Total
Balance as at 01/01/2013	**-**	**-**	**-**
Total profit / loss for the year	1	-	1
- recognised in the income statement	1	-	1
- recognised in the other comprehensive income	-	-	-
Purchases	-	-	-
Sales	-1	-	-1
Transfers from / to level 3	-	-	-
Balance as at 31/12/2013	**-**	**-**	**-**
Total profit / loss for the year recognised in the income statement and relating to assets held as at 31/12/2013	1	-	1

Transfers between the level 1 and level 2 categories

31/12/2013

In EUR million

ASSETS	From Level 1 to Level 2	From Level 2 to Level 1
Held-for-trading	**8**	**6**
Equity instruments	-	-
Debt instruments	8	6
Financial assets at fair value through profit or loss	**0**	**-**
Debt instruments	0	-
Available-for-sale financial assets	**98**	**37**
Equity instruments (excluding instruments at cost)	-	-
Debt instruments	98	37
LIABILITIES		
Held-for-trading	**0**	**0**
Equity instruments	-	-
Debt instruments	0	0

The transfers disclosed in the above table are deemed to have occured at the end of the reporting period. Transfers are thus measured at the closing fair values of the related items.

The transfers mainly reflect a change in the Bank assessment of the current liquidity of the underlying instruments compared to the previous analysis performed as at 31 December 2012.

Transfers between the level 1 and level 2 categories which occurred in 2012 were not significant.

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
31/12/2012			
Unimpaired assets	3,231	3,310	6,541
Impaired assets	1,005	24	1,029
Impairment	-505	-21	-526
Total	**3,730**	**3,313**	**7,044**

In EUR million	Available-for-sale (AFS) financial assets	Loans and receivables (L&R)	Total
31/12/2013			
Unimpaired assets	2,960	3,819	6,779
Impaired assets	966	18	984
Impairment	-502	-12	-514
Total	**3,423**	**3,825**	**7,248**

Note 16 – Financial assets and liabilities: breakdown by portfolio and residual maturity

In EUR million

ASSETS	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
31/12/2012						
Less than or equal to 1 year	232	8	483	3,032	2	**3,756**
More than 1 but less than or equal to 5 years	162	7	1,521	179	33	**1,902**
More than 5 years	52	0	766	97	0	**915**
Indefinite period	1	-	912	-	-	**912**
Accrued interest	2	0	48	5	10	**66**
Total	**449**	**15**	**3,730**	**3,313**	**45**	**7,552**
31/12/2013						
Less than or equal to 1 year	156	-	411	3,475	1	**4,043**
More than 1 but less than or equal to 5 years	95	-	1,369	252	22	**1,738**
More than 5 years	34	0	619	96	1	**750**
Indefinite period	1	-	978	-	-	**979**
Accrued interest	2	0	45	2	10	**59**
Total	**287**	**0**	**3,423**	**3,825**	**34**	**7,569**

In EUR million

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Liabilities at amortised cost	Total
31/12/2012				
Less than or equal to 1 year	168	3	6,132	**6,303**
More than 1 but less than or equal to 5 years	66	45	362	**472**
More than 5 years	22	20	3	**44**
Indefinite period	0	-	0	**0**
Accrued interest	0	16	14	**31**
Total	**256**	**83**	**6,511**	**6,850**
31/12/2013				
Less than or equal to 1 year	164	2	6,534	**6,701**
More than 1 but less than or equal to 5 years	37	33	237	**306**
More than 5 years	9	27	2	**38**
Indefinite period	0	-	0	**0**
Accrued interest	0	17	13	**30**
Total	**210**	**79**	**6,786**	**7,074**

Note 17 – Offsetting of financial assets and liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when the Bank:

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Bank currently has no legally enforceable right which satisfies the above conditions. It follows that all amounts presented on the face of the balance sheet are gross amounts.

The Bank however frequently enters into Master Netting Agreements (“MNA”) with its counterparties to manage the credit risks associated primarily with (i) repurchase and reverse repurchase transactions, (ii) securities borrowing / lending and (iii) over-the-counter derivatives.
These arrangements may also be supplemented by collateral agreements.

Offsetting rights provided for by such MNA are generally conditional upon the occurrence of some specific future events (typically the events of default, insolvency or bankruptcy of the counterparty). They are thus not current, which prevents the Bank from setting the related assets and liabilities off on the balance sheet.
Similarly, the rights of set off relating to the cash and other financial instrument collateral are also conditional upon the default of the counterparty.

The financial impact of the MNA potential offsetting opportunities are disclosed in the following tables. Only Global Master Repurchase Agreements (GMRA) for repurchase agreements and International Swaps and Derivatives Association Master Agreement (ISDA) for over-the-counter derivatives have been considered.
The effect of Master Neeting Agreements relating to securities lending and borrowing has not been reported because, as underlined in the Bank’s significant accounting policies (cf. note 2b), those transactions are not recognized on the balance sheet (i.e. securities lent are not derecognized from the balance sheet and securities borrowed are not recognized within assets). Notes 18 and 19 give additional information on those activities and on the related financial collateral received / pledged.

ASSETS (in EUR million)		**Impact of Master Netting Agreements**		
31/12/2012	Gross amounts of financial assets presented on the balance sheet	Netting potential / financial liabilities	Financial collateral received (securities and cash)	Net amount
Cash and balances with central banks	409	-	-	409
Financial assets				
Hedging and trading derivatives	263	-182	-23	58
Held for trading assets (excluding derivatives)	230	-	-	230
Assets designated at fair value through profit or loss	15	-	-	15
Available-for-sale financial assets	3,730	-	-	3,730
Loans and receivables	3,313	-118	-1,319	1,876
Total	**7,960**	**-300**	**-1,343**	**6,318**

LIABILITIES (in EUR million) **31/12/2012**	Gross amounts of financial liabilities presented on the balance sheet	**Impact of Master Netting Agreements** Netting potential / financial assets	Financial collateral pledged (securities and cash)	Net amount
Financial liabilities				
Hedging and trading derivatives	324	-182	-100	42
Held for trading liabilities (excluding derivatives)	15	-	-	15
Liabilities measured at amortized cost	6,511	-118	-331	6,062
Total	**6,850**	**-300**	**-431**	**6,119**

ASSETS (in EUR million) **31/12/2013**	Gross amounts of financial assets presented on the balance sheet	**Impact of Master Netting Agreements** Netting potential / financial liabilities	Financial collateral received (securities and cash)	Net amount
Cash and balances with central banks	610	-	-	610
Financial assets				
Hedging and trading derivatives	187	-121	-18	49
Held for trading assets (excluding derivatives)	134	-	-	134
Assets designated at fair value through profit or loss	0	-	-	0
Available-for-sale financial assets	3,423	-	-	3,423
Loans and receivables	3,825	-126	-1,683	2,016
Total	**8,179**	**-247**	**-1,700**	**6,232**

LIABILITIES (in EUR million) **31/12/2013**	Gross amounts of financial liabilities presented on the balance sheet	**Impact of Master Netting Agreements** Netting potential / financial assets	Financial collateral pledged (securities and cash)	Net amount
Financial liabilities				
Hedging and trading derivatives	284	-121	-124	39
Held for trading liabilities (excluding derivatives)	5	-	-	5
Liabilities measured at amortized cost	6,786	-126	-186	6,473
Total	**7,075**	**-247**	**-310**	**6,517**

Note 18 – 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. The securities are generally transferred under full ownership and the counterpart is thus able to re-use them in other operations.

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:

In EUR million 31/12/2012	**Repo (**)**	**Securities lending**		**Collateral given for securities borrowing (***)**	**Other**
	Debt instruments	**Debt instruments**	**Equity instruments**	**Debt instruments**	**Debt instruments**
Held-for-trading financial assets	4	2	-	-	2
Available-for-sale financial assets	502	153	1	697	401
Loans and receivables	-	-	-	-	143
Total financial assets not derecognised	**506**	**155**	**1**	**697**	**547**
Other (*)	508	886	5	779	6
Total	**1,014**	**1,041**	**6**	**1,476**	**553**

In EUR million 31/12/2013	**Repo (**)**	**Securities lending**		**Collateral given for securities borrowing (***)**	**Other**
	Debt instruments	**Debt instruments**	**Equity instruments**	**Debt instruments**	**Debt instruments**
Held-for-trading financial assets	-	1	-	-	19
Available-for-sale financial assets	81	103	-	749	760
Total financial assets not derecognised	**81**	**104**	**-**	**749**	**779**
Other (*)	234	1,032	0	598	543
Total	**315**	**1,136**	**0**	**1,347**	**1,322**

(*) 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.

(***) Fair value of securities borrowed: EUR 1,218 million at 31/12/2013 (EUR 1,173 million at 31/12/2012).

Note 19 – 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	31/12/2012	31/12/2013
Reverse repurchase agreements	1,478	1,978
Collateral received for securities lending	973	1,169
Total	**2,451**	**3,147**
Of which, transferred to:		
Repurchase agreements	251	-
Securities lent	29	18
Collateral given for securities borrowing	779	598
Other	6	543
Total	**1,066**	**1,159**

Note 20 – Impairment of available-for-sale financial assets

CHANGES
In EUR million

	Debt instruments	Equity instruments
Balance as at 01/01/2012	**18**	**323**
Changes affecting the income statement	12	183
Allowances	12	183
Reversals	0	-
Changes not affecting the income statement	-20	-12
Securities sold / matured	-20	-12
Other	-	1
Balance as at 31/12/2012	**11**	**495**

CHANGES
In EUR million

	Debt instruments	Equity instruments
Balance as at 01/01/2013	**11**	**495**
Changes affecting the income statement	2	26
Allowances	2	26
Reversals	0	-
Changes not affecting the income statement	-7	-24
Securities sold / matured	-7	-8
Other	-	-16
Balance as at 31/12/2013	**5**	**497**

Note 21 – Impairment of loans and receivables

In EUR million	**31/12/2012**	**31/12/2013**
Total (balance sheet)	**21**	**12**
Breakdown by type	**21**	**12**
Specific impairments on loans and receivables	20	12
Collective impairment	1	0
Breakdown by counterparty	**21**	**12**
Loans and advances to banks	-	-
Loans and advances to customers	21	12

CHANGES
In EUR million

	Specific impairments on loans and receivables	**Collective impairment**	**Total**
Balance as at 01/01/2012	**31**	**1**	**32**
Changes affecting the income statement	2	0	2
Allowances	2	0	2
Reversals	0	0	0
Changes not affecting the income statement	-13	-	-13
Use of provision	-13	-	-13
Other / Change impact	0	-	0
Balance as at 31/12/2012	**20**	**1**	**21**

CHANGES
In EUR million

	Specific impairments on loans and receivables	**Collective impairment**	**Total**
Balance as at 01/01/2013	**20**	**1**	**21**
Changes affecting the income statement	1	-1	0
Allowances	2	0	2
Reversals	-1	-1	-2
Changes not affecting the income statement	-9	-	-9
Use of provision	-9	-	-9
Other / Change impact	0	-	0
Balance as at 31/12/2013	**12**	**0**	**12**

Note 22 – Derivatives

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

In EUR million 31/12/2012	Held-for-trading			Fair-value micro-hedging		
	Fair value		Notional value	Fair value		Notional value
	Assets	Liabilities		Assets	Liabilities	
Total	**218**	**241**	**25,999**	**45**	**83**	**1,083**
Interest rate contracts	**90**	**99**	**15,643**	**45**	**83**	**1,080**
Options	0	0	31	0	-	1
Interest rate swaps	83	92	15,089	43	83	963
Futures	0	0	47	-	-	-
Other	7	7	476	2	0	116
Foreign exchange contracts	**109**	**124**	**9,937**	**-**	**-**	**-**
Foreign exchange forwards	109	124	9,852	-	-	-
Foreign exchange futures	0	0	74	-	-	-
Options	0	-	9	-	-	-
Other	0	0	3	-	-	-
Equity contracts	**19**	**18**	**394**	**0**	**-**	**3**
Equity futures	0	0	34	-	-	-
Equity options	2	2	40	-	-	-
Other	17	16	319	0	-	3
Commodities and other contracts	**0**	**0**	**24**	**-**	**-**	**-**

In EUR million 31/12/2013	Held-for-trading			Fair-value micro-hedging		
	Fair value		Notional value	Fair value		Notional value
	Assets	Liabilities		Assets	Liabilities	
Total	**153**	**205**	**39,427**	**34**	**79**	**1,126**
Interest rate contracts	**67**	**71**	**29,809**	**34**	**69**	**1,069**
Options	0	0	30	0	-	1
Interest rate swaps	64	68	29,519	33	69	954
Futures	0	0	53	-	-	-
Other	3	3	207	1	0	114
Foreign exchange contracts	**78**	**126**	**9,429**	**0**	**10**	**57**
Foreign exchange forwards	75	122	8,882	-	-	-
Foreign exchange futures	-	-	-	-	-	-
Cross currency swaps	-	-	-	0	10	57
Options	3	3	546	-	-	-
Other	-	-	-	-	-	-
Equity contracts	**8**	**8**	**175**	**-**	**-**	**-**
Equity futures	0	0	6	-	-	-
Equity options	3	3	60	-	-	-
Other	4	5	109	-	-	-
Commodities and other contracts	**0**	**0**	**14**	**-**	**-**	**-**

Note 23 – 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 24 – Tax assets

In EUR million	31/12/2012	31/12/2013
Current tax assets	**-**	**-**
Deferred tax assets	**24**	**15**
Losses carried forward	65	55
Provisions	-22	-22
Available-for-sale financial instruments	-33	-29
Other	14	11
Tax assets	**24**	**15**

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 25 – Intangible assets

CHANGES

In EUR million	Purchased portfolio of customers	Software developed in-house	Software purchased	Total
Balance as at 01/01/2012	**84**	**35**	**6**	**125**
Acquisitions	-	6	-	**6**
Disposals	-	-	-	**-**
Depreciation	-	-27	-7	**-34**
Impairment	-	-	-	**-**
Allowances	-	-	-	**-**
Reversals	-	-	-	**-**
Other	-	-1	1	**0**
Balance as at 31/12/2012	**84**	**12**	**0**	**97**
Of which: cumulative amortisation and impairment	-	-35	-1	**-36**
Balance as at 01/01/2013	**84**	**12**	**0**	**97**
Acquisitions	-	3	-	**3**
Disposals	-	0	-	**0**
Depreciation	-	-2	0	**-2**
Impairment	-	-	-	**-**
Allowances	-	-	-	**-**
Reversals	-	-	-	**-**
Other	-	-	-	**-**
Balance as at 31/12/2013	**84**	**13**	**0**	**97**
Of which: cumulative amortisation and impairment	-	-8	-1	**-9**

Note 26 – Property and equipment and investment properties

In EUR million		31/12/2012	31/12/2013
PROPERTY AND EQUIPMENT		95	90
INVESTMENT PROPERTIES	Net carrying value	4	4
	Fair value	8	9
Investment properties – Rental income		1	1

Investment properties' fair values disclosed supra are based on valuations obtained from independent valuers who hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.
The estimates are primarily derived from recent transactions and other local market data observable in the areas where the properties are held. Related fair values are thus to be classified within the level 2 category under the IFRS 13 fair value hierarchy.

CHANGES

	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment properties
Balance as at 01/01/2012	**85**	**1**	**14**	**101**	**13**
Acquisitions	1	0	0	**2**	0
Disposals	-	-	-	**-**	-8
Depreciation	-5	-1	-1	**-7**	0
Impairment	-	-	-	**-**	-
Allowances	-	-	-	**-**	-
Reversals	-	-	-	**-**	-
Other	0	-	0	**0**	0
Balance as at 31/12/2012	**82**	**0**	**14**	**95**	**4**
Of which: cumulative amortisation and impairment	-63	-2	-10	**-75**	-5
Balance as at 01/01/2013	**82**	**0**	**14**	**95**	**4**
Acquisitions	0	0	0	**0**	-
Disposals	-	-	-	**-**	-
Depreciation	-4	0	-1	**-5**	0
Impairment	-	-	-	**-**	-
Allowances	-	-	-	**-**	-
Reversals	-	-	-	**-**	-
Other	0	0	-	**0**	-
Balance as at 31/12/2013	**77**	**0**	**13**	**90**	**4**
Of which: cumulative amortisation and impairment	-68	-2	-11	**-81**	-5

Note 27 – Provisions

In EUR million	Specific impairment for credit commitments	Pending legal disputes	Operational losses	Other provisions	Total
Balance as at 01/01/2012	**0**	**1**	**0**	**4**	**6**
Changes affecting the income statement	-	1	0	0	**1**
Allowances	-	1	0	0	**1**
Reversals	-	0	-	-	**0**
Other changes	0	2	0	-3	**-1**
Balance as at 31/12/2012	**0**	**4**	**1**	**2**	**7**

In EUR million	Specific impairment for credit commitments	Pending legal disputes	Operational losses	Other provisions	Total
Balance as at 01/01/2013	**0**	**4**	**1**	**2**	**7**
Changes affecting the income statement	1	0	0	0	**2**
Allowances	1	0	0	0	**2**
Reversals	-	-	0	-	**0**
Other changes	0	0	0	-2	**-2**
Balance as at 31/12/2013	**2**	**4**	**0**	**1**	**6**

Specific impairment for credit commitments: provisions accounted for to cover risk on given guarantees, more precisely on credits for which the Bank acts as sub-participant.

Provisions for pending legal disputes: provisions recorded to cover legal disputes with private and professional counterparties, including lawyers' fees.

Operational losses: provisions to cover operational dysfunctions for which the responsibility is not determined at the closing date.

Other provisions: other provisions than the above-mentioned provisions, among which provisions to cover the expenses in relation with the closedown of the Polish branch.

For most of the provisions recorded, no reasonable estimate can be made of when they will be used.

The main litigation cases are the following:

<u>Proceedings before the Belgian courts</u>
KBL *epb* with other defendants has been summoned in 2008 by an English company ("BSL") to appear before the Belgian Court. The plaintiff, a former client of KBL *epb*, claims the payment of an astronomic amount of USD 300 million alleging that KBL *epb* participated in the embezzlement of a commission which the plaintiff claims was owed to him by a South African counterpart with whom he was involved in an international commercial transaction between 1986 and 1991.
BSL held a KBL *epb* account from 1990 to 1991. BSL alleges that by opening this account the Bank acted in collusion with the counterpart in order to mislead him.
The Court declined jurisdiction in respect of KBL *epb* and ordered the plaintiff to pay an indemnification of EUR 50.000 to KBL *epb* for frivolous and vexatious proceedings.
BSL appealed the judgment and the case will be heard before the court of appeal in January, May and June 2014.

Madoff cases
In December 2008, Bernard L. Madoff's massive Ponzi scheme was discovered. Bernard L. Madoff Investment Securities LLC ("BLMIS") and its "feeder funds" were put into liquidation.
The liquidator of BLMIS considers that certain investors in BLMIS knew or should have known that BLMIS was a fraud. He therefore claims back payments made by BLMIS to these investors (so called "claw-back actions").
As the liquidator started claw-back actions against the feeder funds, the liquidators of these funds have in their turn started similar actions against KBL *epb* and other defendants before the New York courts and the BVI courts.
The BVI courts rejected the claim against KBL *epb* and other defendants judging that they acted in good faith.
The liquidators appealed these decisions before a London court. As a consequence of these decisions the New York courts decided to stay all proceedings until a final decision is taken in the BVI cases.

Landsbanki
The Landsbanki liquidators are suing KBL *epb* before the court of Reykjavik, claiming rescission of a payment of ISK 724,6 million (+/- EUR 2,9 million) made in the context of an interbank money deposit transaction, having taken place in 2008 a few days before the declaration of insolvability of Landsbanki.
In accordance with the Icelandic Act of Bankruptcy, they claim annulment of this payment because it was made during the 'suspect period' leading up to the bankruptcy of Landsbanki Islands hf.'s.
The first instance court rejected the claim but the liquidators appealed the decision. The court of appeal will probably render its decision in 2014.

As in these cases the risks are remote (in the Madoff case the investors and not KBL *epb* bear the risk of repayment) provisions have only be made for the legal costs.

Note 28 – 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 29) and restructuration plans are also included in this item.

Note 29 – 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 kinds.

Defined benefit plans may be either employer-funded or employee funded schemes. The employer-funded plans provide retirement benefits linked to service and final salary. Investment earnings applied to employee contributions are subject to a minimum guaranteed return.
The plans are funded via insurance arrangement with a third party to which the Bank pays regular premiums.

DEFINED BENEFIT PLANS **In EUR million**	**31/12/2012 [1]**	**31/12/2013**
Defined benefit plan obligations		
Value of obligations as at 01/01	**59**	**60**
Current service cost	2	2
Interest cost	3	2
Past service cost and losses arising from settlements	-	-
Actuarial (gains)/losses	5	0
stemming from changes in demographic assumptions	-	2
stemment from changes in financial assumptions	5	0
experience adjustments	0	-2
Benefits paid	-9	-4
Out of which: amounts paid in respect of settlements	-	-
Plan participant contributions	1	0
Other	-	0
Value of obligations as at 31/12	**60**	**61**
Fair value of plan assets		
Fair value of assets as at 01/01	**42**	**40**
Actual return on plan assets	2	4
Interest income	2	1
Return on plan assets (excluding interest income)	0	2
Employer contributions	3	3
Plan participant contributions	1	0
Benefits paid	-8	-4
Out of which: amounts paid in respect of settlements	-	-
Other	-	0
Fair value of assets as at 31/12	**40**	**43**

Plan assets include an investment of EUR 1.7 million in a transferable security issued by the Bank (2012 : -).

Effect of the asset ceiling		
Effect of the asset ceiling as at 01/01	**-1**	**-1**
Interest on the effect of asset ceiling	0	0
Change in the effect of asset ceiling	0	0
Other	-	**-**
Effect of the asset ceiling as at 31/12	**-1**	**-1**
Funded status		
Plan assets in excess of defined benefit obligations	-21	-18
Unrecognised assets	-1	-1
Unfunded accrued / prepaid pension cost	**-21**	**-19**

[1] Restated according to the amendment to IAS 19 (see Note 2a).

In EUR million	31/12/2012	31/12/2013
Changes in net defined benefit pension liability or asset		
Unfunded accrued / prepaid pension cost as at 01/01	**-18**	**-21**
Net periodic pension cost recognized in the income statement	-3	-3
Remeasurements recognized in OCI (excl. change in tax provision)	-5	2
Employer contributions	3	3
Pension payments by employer	1	0
Out of which: amounts paid in respect of settlements	-	-
Unfunded accrued / prepaid pension cost as at 31/12	**-21**	**-19**
Changes in the tax provision relating to current deficits on external plans		
Recognized provision as at 01/01	**-3**	**-4**
Change in the provision recognized through OCI	-1	1
Recognized provision as at 31/12	**-4**	**-3**
Changes in the remeasurement reserve in equity		
Recognized reserve as at 01/01	**-**	**-5**
Remeasurement recognized in OCI	-5	3
Transfers	-	**-**
Recognized reserve as at 31/12	**-5**	**-2**
AMOUNTS RECOGNIZED IN COMPREHENSIVE INCOME		
Amounts recognised in the income statement		
Current service cost	-2	-2
Net interest on the defined benefit liability/asset	-1	-1
Past service cost	-	-
Gains and losses arising from settlements	-	-
Other	-	-
Net pension cost recognized in the income statement	**-3**	**-3**
Amounts recognized in other comprehensive income		
Actuarial gains/losses on the defined benefit obligation	-5	0
Actual return on plan assets (excluding amounts included in interest income)	0	2
Change in the effect of the asset ceiling	0	0
Change in the tax provision	-1	1
Total other comprehensive income	**-5**	**3**
Actual return on plan assets	**5.04%**	**8.81%**
Breakdown of plan assets	**100%**	**100%**
Fixed income		
Quoted market price in an active market	62%	73%
Unquoted	-	-
Equities		
Quoted market price in an active market	19%	14%
Unquoted	-	-
Alternatives		
Quoted market price in an active market	12%	6%
Unquoted	-	-
Cash	8%	7%
Other	-	**-**

In EUR million	31/12/2012	31/12/2013
Significant actuarial assumptions used:		

Defined benefit obligation
The rate used to discount the post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds with similar maturities than the pension commitments.

	31/12/2012	31/12/2013
Discount rate	3.23%	3.20%
DBO sensitivity to changes in discount rate		
Scenario DR -1%	n/a	7
Scenario DR +1%	n/a	-6
Expected rate of salary increase (including inflation)	3.00%	3.00%
Scenario SR -1%	n/a	-4
Scenario SR +1%	n/a	4
Maturity profile of the DBO		
Weighted average duration of the DBO (in years)	n/a	11.78
Expected contributions for next year	**3**	**3**

Defined contribution plans **In EUR million**	**31/12/2012**	**31/12/2013**
Amount recorded in the income statement	1	2

Note 30 – Equity

Pursuant to the extraordinary general meeting of the shareholders of the Bank held on 9 July 2013, it was decided to propose to each holder of preferential non-voting shares to convert part or all of his/her preferential non-voting shares into ordinary shares, the proposed exchange ratio being one preferential non-voting share against one ordinary share, being understood however that only the number of preferential non-voting shares for which the holders of preferential non-voting shares had accepted the conversion offer during the conversion offer period ended on 9 August 2013 were effectively converted into ordinary shares.

As such, 1,945,670 preferential non-voting shares were converted into 1,945,670 ordinary shares and, as at 31 December 2013, the subscribed and paid-up capital is EUR 187.2 million, represented by 20,132,547 ordinary shares without par value and by 4,041 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 incorporation, 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 is thus indebted for EUR 1.5 million to preference shareholders for 2010, 2011 and 2012, where no dividend has been paid-up.

Article 39 of the Bank's articles of incorporation specifies that the net liquidation profit, after the charges payment, will be used to firstly refund the non-voting preference shareholders. The remaining balance will be allocated on equal basis to ordinary shareholders.

As at 31 December 2013, the legal reserve is EUR 18.7 million (31 December 2012: EUR 18.7 million) representing 10% of the paid-up capital, the free reserves amounts to EUR 782.4 million (31 December 2012: EUR 758.7 million) and the reserve for the reduction of wealth tax is nihil (31 December 2012: EUR 23.7 million). The retained earnings are negative for EUR 282,1 million (31 December 2012: positive for EUR 38.3 million).

In number of shares	**31/12/2012**	**31/12/2013**
Total number of shares issued	**20,136,588**	**20,136,588**
Ordinary shares	18,186,877	20,132,547
Preference shares	1,949,711	4,041
Of which: those that entitle the holder to a dividend payment	20,135,744	20,135,744
Of which: treasury shares	844	844
Of which: shares representing equity under IFRS	20,135,744	20,135,744

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	Ordinary shares	**Preference shares**	**Total**
Balance as at 01/01/2013	**18,186,877**	**1,949,711**	**20,136,588**
Conversion of preference shares into ordinary shares	+1,945,670	-1,945,670	0
Balance as at 31/12/2013	**20,132,547**	**4,041**	**20,136,588**

Note 31 – Result allocation proposal

At its meeting on 27 February 2014, the Board of Directors proposes to distribute the 2013 net result of EUR 35.2 million as follows:

(i) in the AGDL *(Association pour la Garantie des Dépôts Luxembourg)* provision framework, EUR 2.0 million will be allocated to the unavailable reserve;

(ii) according to the Bank status (see Note 30), a dividend of EUR 0.75 by share will be paid to the preference shareholders for EUR 1.5 million relating to years 2010, 2011 and 2012 when no dividend had been paid-up;

(iii) finally, a dividend of EUR 1.5772 by share will be paid-up to each preference and ordinary shareholders for a total amount of EUR 31.8 million.

On 19 March 2014, this affectation will be submitted to the approval of the Annual General Meeting.

Note 32 – Loans commitments, financial guarantees and other commitments

In EUR million	31/12/2012	31/12/2013
Confirmed credits, unused	865	838
Financial guarantees	26	38
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	318	550
Total	**1,209**	**1,425**

Note 33 – Assets under management and custody

Total assets under management related to clients in the private banking sector (including frozen and low yielding assets) as at 31 December 2013 amount to EUR 6.9 billion (2012: EUR 6.8 billion).

Total assets under custody (investment funds and institutionals) related to Global Investor Services clients as at 31 December 2013 amount EUR 41.3 billion (2012 : EUR 38.6 billion).

Note 34 – 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	31/12/2012	31/12/2013
Financial assets	**1,266**	**1,403**
of which financial assets with Precision Capital	-	-
with KBL epb group	*1,266*	*1,403*
with Banque Internationale à Luxembourg	-	-
Held-for-trading	25	22
At fair value through profit or loss	-	-
Available-for-sale financial assets	695	680
Loans and receivables	546	700
Hedging derivatives	-	-
Financial liabilities	**1,720**	**1,926**
of which financial liabilities with Precision Capital	*18*	*12*
with KBL epb group	*1,702*	*1,915*
with Banque Internationale à Luxembourg	-	-
Held-for-trading	5	2
At amortised cost	1,715	1,924
Hedging derivatives	-	-
Income statement	**-175**	**-28**
of which income statement with Precision Capital	-	*0*
with KBL epb group	*-175*	*-28*
with Banque Internationale à Luxembourg	*0*	*0*
Net interest income	-6	-2
Dividends	24	16
Net fee and commission income	-9	-13
Other net income	1	1
Operating expenses	6	-3
Impairment of financial assets not measured at fair value through profit or loss	-181	-26

WITH KEY MANAGEMENT PERSONNEL In EUR million	**31/12/2012**		**31/12/2013**	
	Amount	Number of persons	Amount	Number of persons
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	10	62	12	74
Credit facilities and guarantees granted	8	33	7	34
Loans outstanding	6	31	5	30
Guarantees outstanding	0	3	0	4
Pension commitments	20	40	17	40
Expenses for defined contribution plans	-	-	-	-

Note 35 – 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	31/12/2012	31/12/2013
Regulatory capital	**1,135**	**1,077**
Tier 1 capital	**892**	**912**
Capital and reserves (including profit/loss carried forward)	1,318	1,028
Intangible assets	-97	-97
Treasury shares	-0	-0
Negative revaluation of AFS bonds (1)	-	-
Audited net loss	-306	-
Remeasurement of defined benefit plans	-	-2
Deferred tax assets (2)	-24	-15
Tier 2 capital	**244**	**166**
Preference shares	30	0
Positive revaluation of AFS shares	46	45
Subordinated liabilities	168	120
Deductions	**-1**	**-1**
Overall own funds requirements	**281**	**262**
Credit risk, counterparty risk, securitisation and incomplete transaction risk	245	230
Foreign exchange risk	1	1
Position risk linked to debt securities trading	8	5
Position risk linked to equities	0	0
Settlement risk linked to trading securities	0	0
Operational risk	27	26
Solvency ratios		
Basic solvency ratio (Tier 1 ratio)	**25,40%**	**27,89%**
Solvency ratio (CAD ratio)	**32,33%**	**32,95%**

(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) At the CSSF request, deferred tax assets are deducted from Tier capital from end 2012.

Note 36 – Maximum credit risk exposure and collateral received to mitigate the risk

Maximum credit risk exposure **In EUR million**	**31/12/2012**	**31/12/2013**
Assets	**7,997**	**8,207**
Balances with central banks	391	597
Financial assets	7,552	7,569
Held-for-trading	449	287
At fair value through profit or loss	15	0
Available-for-sale financial assets	3,730	3,423
Loans and receivables	3,313	3,825
Hedging derivatives	45	34
Tax assets	24	15
Other assets	30	27
Off-balance sheet items	**1,209**	**1,425**
Loans commitments	865	838
Financial guarantees	26	38
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	318	550
Securities lending	**1,047**	**1,137**
Maximum credit risk exposure	**10,253**	**10,769**

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.

Collateral received to mitigate the maximum exposure to credit risk **In EUR million**	**31/12/2012**	**31/12/2013**
Equity	-	-
Debt instruments	1,191	1,347
Loans and advances	2,054	2,520
of which designated at fair value	-	-
Derivatives	167	138
Other (including loans commitments given, undrawn amount)	9	14
Collateral received to mitigate the maximum exposure to credit risk	**3,421**	**4,020**

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 towards Banque Internationale à Luxembourg and KBL *epb*'s subsidiaries. This exemption is not eligible towards Precision Capital. The exposures on related parties are disclosed in Note 34.

Note 37 – Risk management

This note aims to disclose the '*nature and risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks*', as required by IFRS 7 [1]. The information is presented by risk type as proposed by the standards.

A complete description of the Risk Management framework is provided in the annexes to the Annual Report.

1. Credit risk

1.1. Qualitative information

1.1.1. Origin of credit risk

The credit risks arising from financial instruments mainly originate from:

- lending to private clients (mainly Lombard loans and Mortgage loans) and to investment funds to a lesser extent, alongside the Bank's core activities has remained a supporting activity of the business. Risk in this activity is largely mitigated by a strong collateral policy, implying limited unsecured exposures;
- positions in ALM portfolios;
- uncommitted lines covering the trading activity and counterparty exposures with banks (forex, money markets, swaps, reverse repo, securities lending, derivatives, etc.);
- the granting of uncommitted lines to clients of the Global Investor Services (GIS) department in Luxembourg (mainly UCI), to cover temporary overdrafts;
- the acceptance of securities used as collateral in securities lending and repo transactions.

1.1.2. Credit allocation decision making process / governance

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

As a matter of principle, each new credit proposal submitted to the Credit Committee/Executive Committee is accompanied by an opinion issued by the Credit Risk Control, based on an analysis of the financial situation and creditworthiness of the borrower and of the structure of collateral.

At inception, internal processes ensure the identification of related counterparties, in order to monitor concentration risk on debtors/group of debtors. Group structures are moreover permanently updated by the Credit Risk Control.

1.1.3. Credit policy

In the context of the development of the credit activity for private banking clients, a review of the credit policy has been initiated. The aim is to precise the framework within which the loan activities to customers are managed in the KBL *epb* group, validated by the Board Risk Committee[1] ("BRC").

[1] The Board Risk Committee or BRC is a sub-committee of the Board of Directors dedicated to risk issues

1.1.4. Measurement/monitoring of credit risk

Credit risk related to lending activities, investment portfolios or trading activities has to remain within the general framework set in the Risk Appetite Statement validated in July 2013 by the Board Risk Committee. Therefore, specific indicators have been defined, that are monthly reported to the ALCO and quarterly to the BRC. Specific attention has been set on concentration risk, being on single issuers, single banking counterparties or countries.

At a regulatory level, KBL *epb* group uses the standardised Basel II methodology to calculate credit risk.
Credit Risk Control has developed its own tools for Bank analyses, and implemented its own systems for Bank and Country limits, approved by the Executive Committee. These systems allow the definition of limits adapted to the size of the Bank and to its risk appetite.

1.1.4.1. Loans

In terms of the day-to-day monitoring of lending transactions, the loan administration systems automatically monitor the loans and guarantees schedule, which allows any overrun to be detected and the appropriate corrective action to be taken swiftly.

On a quarterly basis, a global reporting of all lending exposures is performed, detailing the portfolio by loan types, customers type, countries, maturities and performing status. It also presents information on the effective loan-to-values for the collateralized exposures.

The files for which a specific monitoring is requested are included in the Watchlist which is discussed monthly in the Credit Committee.

1.1.4.2. Investment portfolio

Investments proposals are submitted by the ALM Function. All proposals have to respect the concentration limits, defined by issuers type (Sovereigns, Corporates and Banks), as the concerned country limits. The Credit Risk Control department checks the availability under those limits before any investment, and issues its own opinion on the credit risk linked with the issues, based on the analyses provided by the rating agencies and the published financial statements.

Group Credit Risk Control 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 deterioration in the quality of the portfolio.
Any overdraft of issuer concentration limits, due to rating downgrades, is communicated monthly to the ALCO, and quarterly to the BRC.

1.1.4.3. Interbank transactions

The measurement and monitoring of counterparty risk for interbank transactions, which are mainly concentrated in the Luxembourg Dealing Room, are a major activity of Group Credit Risk Control. The department sets interbank limits for these transactions by establishing requirements for the whole KBL *epb* group. Loans outstanding are allocated to lines based on the "marked-to-market + add on" methodology.

The system for managing interbank limits has been validated by the Executive Committee and is operational since mid-2012. This system defines interbank limits which are commensurate with the size of the Bank and its risk appetite, and fully integrates the Large Exposures regulation. Group Credit Risk Control has also developed its own tools for analysing bank counterparts.

The interbank limits system ensures that concentration limits, defined by counterparty and by group of counterparties, are respected at any level.

It is the task of the Bank's front-office to manage the outstanding amounts on these interbank limits. Thus, for example, before concluding a deal, the operator must ensure that lines are available 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 the middle-office using GEM. Exceptions reports are sent to the Trading Room management on a daily basis for justification and ratification, and to the Risk Control manager. All overruns are reported to the members of KBL *epb* Executive Committee.

1.1.4.4. Collateral monitoring

The management and supervision of collateral received for secured transactions, in addition to contract management, is handled by the Collateral Management entity, which is part of Group Risk Control and located in close proximity to Group Credit Risk Control. At the beginning of 2012, the Executive Committee updated the specific guidelines regarding acceptable collateral with new rules on concentration by counterparties and by securities accepted as collateral, as well as risk correlation limits (correlation between the counterparty and the collateral). The respect of these rules is monitored on a daily basis by the Group Credit Risk Control department.

1.1.4.5. Country limits

As for interbank limits, Credit Risk Control has developed a new framework for the definition and monitoring of country limits, which is operational since mid-2012. The methodology has also been adapted in such a way as to cover all types of country risks (in particular that of contagion) and is no longer limited to the risk of transferability.

Lines are allocated to the Bank for credit activities, bonds investments and trading room activities as and when required. As for counterparty risk, the middle-office is responsible for independent monitoring, on a daily basis, of the respect of the country limits.

1.1.4.6. Concentration monitoring

As mentioned here above, issuer concentration limits are defined per individual or group of counterparts. These limits are assigned to sovereign, banks and corporate counterparts, using a methodology derived from the country limit framework and consider additional financial criteria. Issuer concentration limits are divided into sub-limits which preserve diversification both in terms of maturity and products.

The issuer concentration limits are updated and monitored by Group Credit Risk Control. Exception reports are escalated to the Group ALCO.

1.2. Quantitative information

1.2.1. Breakdown of credit risk exposures

The distribution of the credit risk exposures (available-for-sale (AFS) financial assets and Loans and receivables (L&R)) by products is as follows:

In EUR million

AFS 31/12/2012	Amortised cost (before impairment)			Fair value (after impairment)		
	NPL/Impaired	Standard	Total	NPL/Impaired	Standard	Total
Bank bonds	-	530.5	530.5	-	555.8	555.8
Corporate bonds	20.5	696.1	716.6	11.0	753.6	764.5
Asset-backed securities	-	208.2	208.2	-	210.3	210.3
Government bonds	1.9	1,210.4	1,212.3	0.7	1,287.4	1,288.1
Sub-total	**22.4**	**2,645.2**	**2,667.6**	**11.6**	**2,807.1**	**2,818.7**
Equity instruments, funds…						911.8
TOTAL						**3,730.5**

In EUR million

AFS 31/12/2013	Amortised cost (before impairment)			Fair value (after impairment)		
	NPL/Impaired	Standard	Total	NPL/Impaired	Standard	Total
Bank bonds	-	451.3	451.3	-	481.6	481.6
Corporate bonds	9.2	602.3	611.5	3.9	649.6	653.5
Asset-backed securities	-	129.5	129.5	-	131.8	131.8
Government bonds	-	1,117.2	1,117.2	-	1,177.7	1,177.7
Sub-total	**9.2**	**2,300.3**	**2,309.5**	**3.9**	**2,440.8**	**2,444.7**
Equity instruments, funds…						978.4
TOTAL						**3,423.1**

In EUR million

Loans and receivables 31/12/2012	NPL/Impaired	Standard	Total
Banks and other financial institutions	-	2,221.0	2,221.0
Customers	2.7	486.6	489.2
Sub-total	**2.7**	**2,707.6**	**2,710.3**
Other L&R and Intercompanies	1.2	602.0	603.1
TOTAL	**3.8**	**3,309.6**	**3,313.4**

In EUR million

Loans and receivables 31/12/2013	NPL/Impaired	Standard	Total
Banks and other financial institutions	-	2,460.5	2,460.5
Customers	2.5	613.5	616.0
Sub-total	**2.5**	**3,074.0**	**3,076.5**
Other L&R and Intercompanies	-	748.7	748.7
TOTAL	**2.5**	**3,822.7**	**3,825.2**

1.2.2. Specific loan impairment

The valuation of potential losses and the adjustment of specific impairments are carried out quarterly by Credit Risk Control. The Credit Committee decides on any adjustment for the first three quarters of the year, this being the responsibility of the Executive Committee for the fourth quarter.

Below are listed specific impairments established in respect of the non performing loans and available-for-sale financial assets (debts instruments) as at 31 December 2012 and 2013:

In EUR million **31/12/2012**	**< 30 days**	**30-60 days**	**60-90 days**	**90-180 days**	**6-12 months**	**>12 months**	**other impaired (1)**	**TOTAL**
AFS gross	-	-	-	-	-	-	22.4	22.4
Impairment	-	-	-	-	-	-	10.8	10.8
AFS net	-	-	-	-	-	-	11.6	11.6
Non performing L&R gross	2.3	0.1	1.5	2.2	-	21.6	-	27.6
Impairment	-	-	-	0.9	-	19.0	-	19.9
Non performing L&R net	2.3	0.1	1.5	1.3	-	2.5	-	7.7
Total gross	2.3	0.1	1.5	2.2	-	21.6	22.4	50.0
Impairment	-	-	-	0.9	-	19.0	10.8	30.7
Total net	2.3	0.1	1.5	1.3	-	2.5	11.6	19.3

(1) The related assets are impaired but not because of delays in payments.

In EUR million **31/12/2013**	**< 30 days**	**30-60 days**	**60-90 days**	**90-180 days**	**6-12 months**	**>12 months**	**other impaired (1)**	**TOTAL**
AFS gross	-	-	-	-	-	-	9.2	9.2
Impairment	-	-	-	-	-	-	5.4	5.4
AFS net	-	-	-	-	-	-	3.9	3.9
Non performing L&R gross	19.3	5.1	6.9	0	0.4	11.8	-	43.4
Impairment	0.5	1.4	-	-	-	9.7	-	11.6
Non performing L&R net	18.8	3.6	6.9	0	0.4	2.1	-	31.8
Total gross	19.3	5.1	6.9	0	0.4	11.8	9.2	52.7
Impairment	0.5	1.4	-	-	-	9.7	5.4	17.0
Total net	18.8	3.6	6.9	0	0.4	2.1	3.9	35.7

(1) The related assets are impaired but not because of delays in payments.

In 2012, the Bank proceeded with new write-offs on loans exposures. The impairment on 4 debt instruments has been partially used during 2012 following the sale of the positions.
In 2013, the Bank proceeded with additional write-offs following the sale of securities and a debt write-off.
The stock of impairment has also been influenced by a new specific allowance on a defaulted loan and on two perpetual securities.

The loan/loss ratio is as follows:

Loan/Loss ratio (*)	**2012**	**2013**
L&R from customers	40 bps	10 bps
AFS financial assets	44 bps	7 bps

(*) The loan/loss ratio is defined as the net variation of specific and general impairments on the average loan portfolio over the year.

1.2.3. Concentration of risks

1.2.3.1. By rating[2]

In EUR million

Rating 31/12/2012	**AFS** *NPL / Impaired*	*Standard*	*Total*	**L&R-Banks and other financial institutions** *Other L&R*	*Reverse Repo*	*Commercial Paper*	*Total*
AAA	-	847.5	847.5	0.1	-	-	0.1
AA+	-	413.7	413.7	-	-	-	-
AA	-	149.7	149.7	59.4	-	10.0	69.3
AA-	-	173.2	173.2	29.8	-	-	29.8
A+	-	104.7	104.7	88.4	191.5	44.8	324.7
A	-	170.7	170.7	80.6	1,106.1	99.6	1,286.3
A-	-	190.5	190.5	78.4	75.1	19.9	173.5
BBB+	-	224.4	224.4	10.2	67.6	43.5	121.3
BBB	1.6	341.9	343.5	9.7	-	-	9.7
BBB-	-	127.2	127.2	-	-	-	-
BB+	-	23.3	23.3	0.2	-	-	0.2
BB	-	11.8	11.8	0.1	-	-	0.1
BB-	-	3.0	3.0	0.6	-	-	0.6
B+	-	0.2	0.2	-	-	-	-
B	-	-	-	-	-	-	-
B-	-	0.2	0.2	-	-	-	-
CCC	-	-	-	-	-	-	-
CC	0.7	-	0.7	-	-	-	-
D	-	-	-	-	-	-	-
Not rated	9.3	25.1	34.5	28.5	177.0	-	205.5
Total	**11.6**	**2,807.1**	**2,818.7**	**385.8**	**1,617.3**	**217.8**	**2,221.0**

[2] The information on rating is not available as such for Loans and receivable to customers.

In EUR million

Rating 31/12/2013	AFS *NPL / Impaired*	*Standard*	*Total*	L&R-Banks and other financial institutions *Other L&R*	*Reverse Repo*	*Commercial Paper*	*Total*
AAA	-	753.8	753.8	0.1	-	-	0.1
AA+	-	355.1	355.1	0.3	-	-	0.3
AA	-	302.9	302.9	51.8	-	-	51.8
AA-	-	58.1	58.1	16.7	-	-	16.7
A+	-	72.8	72.8	79.6	17.1	-	96.8
A	2.3	193.5	195.9	199.8	257.8	-	457.5
A-	-	154.0	154.0	61.8	337.1	-	398.9
BBB+	-	161.7	161.7	13.0	-	-	13.0
BBB	1.6	243.1	244.7	54.5	951.8	-	1,006.3
BBB-	-	73.9	73.9	0	247.4	-	247.4
BB+	-	13.1	13.1	-	-	-	-
BB	-	8.6	8.6	0.3	-	-	0.3
BB-	-	-	-	0.6	-	-	0.6
B+	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-
B-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-
CC	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-
Not Rated	-	50.1	50.1	20.7	150.0	-	170.7
Total	**3.9**	**2,440.8**	**2,444.7**	**499.3**	**1,961.2**	**-**	**2,460.5**

1.2.3.2. Government bonds by country

In EUR million **31/12/2012**		**Available-for-sale financial assets** **Nominal**	**Carrying amount**	**Available-for-sale reserve**	**Impairment**	**Related hedging derivatives**	**Held-for-trading assets** **Nominal**	**Carrying amount**
Austria		**65.6**	**76.2**	**5.0**	**-**	**-**	**0.1**	**0.1**
	Maturing in 2016 or 2017	15.4	17.1	1.5	-	-	-	-
	Maturing in 2018 and later	50.2	59.1	3.5	-	-	0.1	0.1
Belgium		**215.3**	**235.9**	**3.8**	**-**	**-5.0**	**-**	**-**
	Maturing in 2014 or 2015	114.4	121.4	2.1	-	-	-	-
	Maturing in 2016 or 2017	80.4	91.8	1.0	-	-5.0	-	-
	Maturing in 2018 and later	20.5	22.6	0.7	-	-	-	-
Czech Republic		**5.0**	**5.9**	**0.1**	**-**	**-**	**-**	**-**
	Maturing in 2018 and later	5.0	5.9	0.1	-	-	-	-
Finland		**-**	**-**	**-**	**-**	**-**	**0**	**0**
	Maturing in 2018 and later	-	-	-	-	-	0	0
France		**165.3**	**176.1**	**6.0**	**-**	**-**	**-**	**-**
	Maturing in 2013	87.2	88.5	0.6	-	-	-	-
	Maturing in 2014 or 2015	36.1	38.8	1.5	-	-	-	-
	Maturing in 2016 or 2017	22.4	25.7	2.5	-	-	-	-
	Maturing in 2018 and later	19.7	23.2	1.4	-	-	-	-
Germany		**49.2**	**54.6**	**3.4**	**-**	**-**	**0.1**	**0.1**
	Maturing in 2014 or 2015	20.4	21.5	0.8	-	-	-	-
	Maturing in 2016 or 2017	27.8	31.9	2.5	-	-	-	-
	Maturing in 2018 and later	1.0	1.2	-	-	-	0.1	0.1
Ireland		**70.5**	**74.0**	**-0.2**	**-**	**-**	**-**	**-**
	Maturing in 2014 or 2015	24.1	25.1	-0.1	-	-	-	-
	Maturing in 2016 or 2017	15.0	16.3	-0.1	-	-	-	-
	Maturing in 2018 and later	31.4	32.7	-	-	-	-	-

Italy		**106.2**	**108.2**	**0.8**	-	-	-	-
	Maturing in 2013	31.8	31.9	0.1	-	-	-	-
	Maturing in 2014 or 2015	20.5	20.4	0.2	-	-	-	-
	Maturing in 2016 or 2017	23.2	23.4	0.2	-	-	-	-
	Maturing in 2018 and later	30.8	32.5	0.4	-	-	-	-
Lithuania		**3.8**	**4.9**	**0.1**	-	-	**0.2**	**0.2**
	Maturing in 2016 or 2017	3.8	4.9	0.1	-	-	0.2	0.2
Luxembourg		**94.0**	**103.6**	**2.2**	-	**-7.2**	**1.0**	**1.1**
	Maturing in 2013	44.0	45.5	1.3	-	-	0.8	0.8
	Maturing in 2018 and later	50.0	58.2	0.9	-	-7.2	0.3	0.3
The Netherlands		**56.6**	**60.5**	**3.1**	-	-	-	-
	Maturing in 2013	19.6	20.0	0.2	-	-	-	-
	Maturing in 2014 or 2015	28.4	30.3	1.8	-	-	-	-
	Maturing in 2016 or 2017	8.6	10.2	1.1	-	-	0	0
Poland		**5.4**	**6.8**	-	-	-	**0.7**	**0.8**
	Maturing in 2018 and later	5.4	6.8	0	-	-	0.7	0.8
Slovakia		**17.0**	**18.0**	**0.1**	-	**-0.4**	-	-
	Maturing in 2014 or 2015	10.0	10.5	0	-	-	-	-
	Maturing in 2016 or 2017	7.0	7.5	0.2	-	-0.4	-	-
Slovenia		**20.7**	**20.7**	**-0.1**	-	-	-	-
	Maturing in 2014 or 2015	9.0	9.1	-0.1	-	-	-	-
	Maturing in 2018 and later	11.6	11.6	0	-	-	-	-
Spain		**16.9**	**16.9**	-	-	-	-	-
	Maturing in 2013	16.9	16.9	-	-	-	-	-
Sweden		**21.2**	**22.1**	**0.8**	-	-	-	-
	Maturing in 2014 or 2015	21.2	22.1	0.8	-	-	-	-
Supranational		**194.7**	**208.9**	**6.5**	-	**-5.4**	**6.3**	**6.8**
	Maturing in 2013	0.1	0.1	-	-	-	-	-
	Maturing in 2014 or 2015	47.3	48.4	0.2	-	-	1.6	1.7
	Maturing in 2016 or 2017	105.4	113.2	5.3	-	-1.9	1.9	2.0
	Maturing in 2018 and later	41.9	47.1	0.9	-	-3.6	2.8	3.1
Rest		**63.3**	**72.2**	**5.0**	**-1.2**	-	**7.3**	**7.0**
	Maturing in 2013	-	-	-	-	-	1.1	1.1
	Maturing in 2014 or 2015	-	-	-	-	-	2.7	2.6
	Maturing in 2016 or 2017	-	-	-	-	-	0.5	0.5
	Maturing in 2018 and later	63.3	72.2	5.0	-1.2	-	3.1	2.7
Total		**1,170.8**	**1,265.8**	**36.7**	**-1.2**	**-18.1**	**15.7**	**16.0**

In EUR million		**Available-for-sale financial assets**					**Held-for-trading assets**	
31/12/2013		**Nominal**	**Carrying amount**	**Available-for-sale reserve**	**Impairment**	**Related hedging derivatives**	**Nominal**	**Carrying amount**
Austria		**68.2**	**76.6**	**3.3**	-	-	-	-
	Maturing in 2017 or 2018	40.1	45.0	3.0	-	-	-	-
	Maturing in 2019 and later	28.1	31.6	0.4	-	-	-	-
Belgium		**226.2**	**239.9**	**1.5**	-	**-3.4**	-	-
	Maturing in 2014	78.0	79.3	0.4	-	-	-	-
	Maturing in 2015 or 2016	102.7	109.5	0.6	-	-3.4	-	-
	Maturing in 2017 or 2018	25.0	29.1	0.2	-	-	-	-
	Maturing in 2019 and later	20.5	22.0	0.3	-	-	-	-
Czech republic		**5.0**	**5.8**	**0.1**	-	-	-	-
	Maturing in 2017 or 2018	5.0	5.8	0.1	-	-	-	-
France		**92.5**	**99.5**	**3.6**	-	-	-	-
	Maturing in 2014	14.2	14.6	0.1	-	-	-	-
	Maturing in 2015 or 2016	36.3	37.7	0.7	-	-	-	-
	Maturing in 2017 or 2018	42.1	47.2	2.8	-	-	-	-
		49.2	**52.7**	**2.1**	-	-	-	-

Germany								
	Maturing in 2014	9.3	9.3	0	-	-	-	-
	Maturing in 2015 or 2016	16.0	16.6	0.6	-	-	-	-
	Maturing in 2017 or 2018	22.9	25.7	1.5	-	-	-	-
	Maturing in 2019 and later	1.0	1.1	0	-	-	-	-
Ireland		**70.5**	**76.2**	**3.1**	**-**	**-**	-	-
	Maturing in 2014	9.1	9.1	0	-	-	-	-
	Maturing in 2015 or 2016	20.0	21.1	0.4	-	-	-	-
	Maturing in 2017 or 2018	41.4	46.0	2.8	-	-	-	-
Italy		**74.5**	**78.2**	**2.6**	**-**	**-**	**-**	**-**
	Maturing in 2014	15.2	15.2	0.1	-	-	-	-
	Maturing in 2015 or 2016	5.2	5.4	0.1	-	-	-	-
	Maturing in 2017 or 2018	54.0	57.5	2.4	-	-	-	-
Luxembourg		**50.0**	**55.5**	**0.4**	**-**	**-5.1**	**0.4**	**0.4**
	Maturing in 2019 and later	50.0	55.5	0.4	-	-5.1	0.4	0.4
The Netherlands		**73.1**	**74.7**	**1.6**	**-**	**0.7**	**-**	**-**
	Maturing in 2014	9.2	9.4	0	-	-	-	-
	Maturing in 2015 or 2016	30.5	31.6	1.0	-	-	-	-
	Maturing in 2017 or 2018	8.6	9.7	0.7	-	-	-	-
	Maturing in 2019 and later	24.7	23.9	-0.1	-	0.7	-	-
Norway		**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
	Maturing in 2015 or 2016	-	-	-	-	-	0.1	0.1
Poland		**15.3**	**18.1**	**-**	**-**	**-1.8**	**-**	**-**
	Maturing in 2017 or 2018	10.9	13.0	0.2	-	-1.8	-	-
	Maturing in 2019 and later	4.4	5.1	-0.2	-	-	-	-
Slovakia		**29.0**	**30.8**	**0.2**	**-**	**-1.4**	**-**	**-**
	Maturing in 2014	8.0	8.0	0	-	-	-	-
	Maturing in 2015 or 2016	11.0	11.6	0.2	-	-0.2	-	-
	Maturing in 2019 and later	10.0	11.1	0	-	-1.1	-	-
Sweden		**21.2**	**21.5**	**0.2**	**-**	**-**	**-**	**-**
	Maturing in 2014	21.2	21.5	0.2	-	-	-	-
Supranational		**219.0**	**229.3**	**4.6**	**-**	**-3.9**	**1.8**	**1.9**
	Maturing in 2014	13.8	13.9	0	-	-	-	-
	Maturing in 2015 or 2016	102.5	106.9	3.5	-	-	0.1	0.1
	Maturing in 2017 or 2018	54.8	56.9	0.4	-	-1.3	1.4	1.5
	Maturing in 2019 and later	47.9	51.6	0.6	-	-2.6	0.3	0.3
Rest		**89.0**	**99.2**	**0.6**	**-**	**-2.2**	**1.3**	**1.2**
	Maturing in 2014	-	-	-	-	-	0.1	0.1
	Maturing in 2015 or 2016	-	-	-	-	-	0.8	0.7
	Maturing in 2019 and later	89.0	99.2	0.6	-	-2.2	0.5	0.4
		-	-	-	-	-	-	-
Total		**1,082.6**	**1,158.0**	**23.8**	**-**	**-17.0**	**3.5**	**3.5**

1.2.3.3. Country Risk Management

The breakdown of Available-for-sale debt instruments and Loans and receivables per countries is as follows:

In EUR million	AFS			L&R-Banks and other financial institutions				L&R-Customers
Country 31/12/2012	NPL/ Impaired	Standard	Total	Other L&R	Reverse repo	Commercial Paper	Total	Total
Supranational	-	520.6	520.6	-	-	-	-	-
France	11.0	467.4	478.4	25.0	646.6	35.8	707.4	17.5
Belgium	-	407.5	407.5	74.9	-	10.0	84.9	59.4
Italy	-	225.3	225.3	3.5	-	8.7	12.2	-
The Netherlands	-	138.9	138.9	0.2	-	29.9	30.1	2.0
United States of America	-	133.8	133.8	16.0	-	-	16.0	-
Germany	-	122.5	122.5	11.5	177.0	19.9	208.4	1.9
Luxembourg	-	112.4	112.4	64.5	-	-	64.5	275.5
Austria	-	86.5	86.5	1.5	-	9.9	11.4	-
Spain	-	86.1	86.1	2.0	-	14.9	16.9	61.6
United Kingdom	-	80.7	80.7	87.2	793.8	58.8	939.7	0.1
Ireland	-	76.4	76.4	-	-	-	-	-
Sweden	-	47.1	47.1	0.4	-	-	0.4	-
Russia	-	32.3	32.3	-	-	-	-	-
Switzerland	-	30.1	30.1	42.3	-	-	42.3	10.7
Denmark	-	24.7	24.7	6.3	-	19.9	26.2	-
Slovenia	-	21.3	21.3	-	-	-	-	-
Slovakia	-	18.6	18.6	-	-	-	-	-
United Arab Emirates	-	16.6	16.6	0.1	-	10.0	10.1	-
Norway	-	14.4	14.4	0.8	-	-	0.8	-
Qatar	-	12.0	12.0	0.2	-	-	0.2	-
Finland	-	11.6	11.6	2.8	-	-	2.8	-
Czech Republic	-	10.8	10.8	1.9	-	-	1.9	-
Panama	-	10.3	10.3	-	-	-	-	-
Canada	-	10.2	10.2	6.0	-	-	6.0	-
Poland	-	10.1	10.1	3.8	-	-	3.8	-
British Virgin Islands	-	-	-	-	-	-	-	56.4
Other below EUR 10 million	1.0	79.0	80.0	35.0	-	-	35.0	4.1
Total	**11.6**	**2,807.1**	**2,818.7**	**385.8**	**1,617.3**	**217.8**	**2,221.0**	**489.2**

In EUR million	AFS			L&R-Banks and other financial institutions				L&R-Customers
Country 31/12/2013	NPL/ Impaired	Standard	Total	Other L&R	Reverse repo	Commercial Paper	Total	Total
Spain	-	50.3	50.3	0.5	688.2	-	688.7	109.9
Italy	-	136.4	136.4	49.4	511.0	-	560.5	-
United Kingdom	-	78.5	78.5	57.0	486.4	-	543.4	6.6
France	1.6	348.8	350.4	37.4	125.5	-	162.9	80.3
Supranational	-	566.8	566.8	-	-	-	-	-
Belgium	-	371.9	371.9	50.7	-	-	50.7	60.1
Luxembourg	-	61.8	61.8	67.1	-	-	67.1	268.1
Germany	-	107.7	107.7	3.0	150.0	-	153.0	1.8
United States of America	2.3	98.3	100.7	43.9	-	-	43.9	0.1
The Netherlands	-	131.3	131.3	1.4	-	-	1.4	0
Austria	-	92.6	92.6	0.9	-	-	0.9	0
Ireland	-	78.6	78.6	5.9	-	-	5.9	0
Switzerland	-	21.0	21.0	34.4	-	-	34.4	10.4
British Virgin Islands	-	-	-	-	-	-	-	55.2
China	-	2.3	2.3	52.2	-	-	52.2	-
Japan	-	3.5	3.5	50.8	-	-	50.8	-
Sweden	-	33.5	33.5	0.4	-	-	0.4	0.2
Slovakia	-	31.7	31.7	0.2	-	-	0.2	-
Russia	-	27.7	27.7	0.4	-	-	0.4	-
Qatar	-	27.8	27.8	0.3	-	-	0.3	-
Canada	-	23.1	23.1	2.5	-	-	2.5	-
Poland	-	21.7	21.7	1.6	-	-	1.6	-
Czech Republic	-	10.6	10.6	11.4	-	-	11.4	-
Denmark	-	13.2	13.2	4.4	-	-	4.4	-
Brazil	-	10.5	10.5	2.3	-	-	2.3	-
Finland	-	11.2	11.2	0.8	-	-	0.8	-
United Arab Emirates	-	11.4	11.4	0.2	-	-	0.2	-
Hong Kong	-	10.2	10.2	0.7	-	-	0.7	-
Cayman Islands	-	-	-	0	-	-	0	10.0
Other below EUR 10 million	-	58.3	58.3	19.4	-	-	19.4	13.6
Total	**3.9**	**2,440.8**	**2,444.7**	**499.3**	**1,961.2**	**-**	**2,460.5**	**616.0**

2. Market Risk: Trading Risk

2.1. Qualitative information

2.1.1. Origin of trading risk

KBL *epb* group being mainly Private Banking oriented, its trading risk-taking activity aims to support the core business activities. The trading positions reflect the necessary intermediation of the Head Office's Dealing Room, supporting client flows in terms of debts instruments, equity instruments, structured products, forex and deposits. Most of the instruments used by the Dealing Room are plain vanilla.

2.1.2. Trading risk policy

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), price volatility 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).

2.1.3. Trading decision making process / governance

Trading activities are concentrated in Luxembourg. The primary limits are granted by the Board Risk Committee (according to the Risk Appetite Statement) to the Executive Committee which is responsible for the overruns validation. Trading exposures compared to their respective primary limits are communicated on a quarterly basis to the Board Risk Committee which is also informed when triggers are reached.

2.1.4. Measurement and monitoring of trading risk

The system of primary limits in place at KBL *epb* is based on:

- nominal amounts for the activities subject to currency risk (Forex) and to price volatility risk (Equity, Third Party Funds, Structured Products, Special Bonds);
- 10 bpv limits for activities subject to interest rate risk (Treasury and Bond Desks).

These primary limits are supplemented by a structure of secondary limits allowing a more detailed analysis of the trading risks. Those secondary limits consist in concentration limits by currency and by time bucket as well as in limits by issue and issuer based on their rating or on their market liquidity.

Since August 2013, the set up of a Historical Value at Risk measure on each trading activity is tested. The implementation is planned to be finalized mid 2014.

2.1.5. Concentration Risk

Concentration risk by issuer is strictly governed by conservative limits restricting the trading in non-investment grade debts and in illiquid equities, which leads to a well diversified trading portfolio.

Notwithstanding the exposure on KBC Bank, the Bank's former mother company, for which the outstanding has strongly decreased in 2013 (EUR 23.0 million end of year) and the exposure on International Islamic Liquidity Management issues for which KBL *epb* operates as Primary Market Dealer (EUR 43.2 million end of year), the trading activity, as at 31 December 2013, was diversified on 139 Corporate and Financial issuers with an average outstanding of +/- EUR 0.7 million, with a maximum of EUR 7.1 million on EIB.

The evolution of exposures related to each activity compared with their respective limits (primary and secondary), as well as the results and key facts, are reported daily to the Heads of the Dealing Room and of the Risk Control Function. They are also weekly reported to the KBL *epb* Executive Committee, on a monthly basis to the ALCO and on a quarterly basis to the Group Board Risk Committee.

2.2. QUANTITATIVE INFORMATION

As at 31 December 2013 and 2012, the usage of limits in the Trading activities are as follows (KBL *epb* group) :

In EUR million	Limit in 10 bpv *(1)*	Oustanding 31/12/2012	Maximum observed in 2013	Average observed in 2013	Oustanding 31/12/2013
Treasury	**2.5**	0.6	1.6	0.6	0.7
Bond	**0.8**	0.2	0.7	0.2	0

(1) BPV 10 bps oustanding corresponds to the sum in abs value of the BPV 10 bps in each currency

In EUR million	Limit in Nominal Amount	Oustanding 31/12/2012	Maximum observed in 2013	Average observed in 2013	Oustanding 31/12/2013
Forex (bullions included)	**20.0**	4.4	9.4	4.2	3.3
Third Party funds	**5.0**	-	0.4	0.1	0.2
Equity	**8.0**	0.2	4.6	0.8	0.2
Bond Special *(2)*	**20.0**	12.7	14.7	6.7	1.9
Structured Product	**80.0**	54.2	72.4	59.4	51.4

(2) Bond Special activity: constant maturity swap notes (CMS) and steepeners

Over the year 2013, oustandings in each activity remained well below the authorised limit as expressed by the maximum outstanding observed.

3. Market Risk: ALM Risk

3.1. QUALITATIVE INFORMATION

3.1.1. Origin of ALM risk

The traditional activity of a private bank entails little ALM risk[3] compared to a retail bank: most of the client assets are reported as an off-balance sheet item in the form of securities deposits. Most short-term client cash deposits offer variable rates linked with money market rates and the same applies to Lombard/mortgage loans to customers. When fixed rates are granted for loans, hedging swaps are contracted.

As a consequence, the ALM interest rate risk is mainly entailed by the securities portfolios set up within the frame of the ALM policy:

- fixed income bonds portofolios dedicated to the reinvestment of the free capital and of fixed rate sight deposits and savings accounts;
- fixed income securities, according to a return/interest rate risk optimisation approach, included in the bonds portfolio dedicated to the reinvestment of other stable liquidities[4].

The ALM equity risk is induced by an investment portfolio invested in direct lines of equities or in UCI shares. This portfolio is managed according to the ALCO’s expectations for the major indices per markets.

[3] *The ALM risk is defined as the market risks induced by the balance sheet, except the trading activity.*

[4] *This portfolio also contains interest rate risk-free securities - swapped or FRN -, according to a return/credit risk optimisation approach.*

KBL *epb* group is not exposed to any ALM forex risk as no active foreign exchange exposure is taken (assets are funded in their respective currencies).

3.1.2 ALM decision making process/governance

The ultimate responsibility for the ALM of KBL *epb* group is held by the monthly Group ALCO Committee, which is an Executive Committee extended to the representatives of the ALM Function, of the Risk Control Function, of Global Financial Markets in addition to the Chief Investment Officer.

The ALCO validates a.o. strategies in terms of management of the gap between resources and their utilisations, in terms of return on equity enhancement, liquidity management and mitigation of the related risks.

Those strategies are proposed by the ALM Function (created in 2013) which has the responsibility for the preparation of the ALCO meetings and of the topics which are submitted to its decisions. The Function is also in charge of the day-to-day implementation of the ALCO decisions. When they have a Group dimension, it has to ensure their implementation within the limits of the governance constraints in place.

Under this new structure, the Risk Control Function endorses a role of second level control entity, issuing opinions on the proposals and monitoring the risks related to the ALM activity on a recurring basis.

3.1.3 ALM policy

A document entitled *'Investment Policy and ALM framework*' has been drafted by the ALM Function. It is in line with the Risk Appetite Statement expressed by the Board of Directors and describes a.o. the ALM objectives, the ALM governance and constraints (credit, liquidity, risk …). Its validation process is ongoing.

3.1.4. *Measurement and monitoring of ALM risks*

In its Risk Appetite Statement dated 18 July 2013, the Board Risk Committee has expressed its risk appetite for ALM interest rate risk and equity risk, mainly through limits on Value at Risk indicators, sensitivity measures and global outstanding at KBL *epb* group level.

Regarding the interest rate risk, one of the limits is based on the regulatory 200 bpv (basis point value) limit for all banking book positions of KBL *epb* group. While the regulatory limit amounts to 20% of own funds, the BRC limit has been fixed at 18%; the 200 bpv sensitivity equals 4.1% as at 31 December 2013 for KBL *epb* (31 December 2012: 5.6%)

On the other hand, the interest rate Value at Risk 99% - 1 year amounts to EUR 46.8 million for KBL *epb* as at 31 December 2013 (31 december 2012: EUR 72.4 million). As mentioned above, the related Risk Appetite limit has been set for KBL *epb* group only (limit of EUR 150 million, for an exposure of EUR 81.2 million as at 31 December 2013).

Regarding the equity (price) risk, the Risk Appetite statement is expressed in terms of limits on equity Value at Risk, by the fixing of stop losses and in terms of maximum size for listed equities as for alternative equity investments for the whole Group.

The Value at Risk 99% - 1 year amounts to EUR 96.9 million for KBL *epb* as at 31 December 2013 (31 December 2012: EUR 68.0 million). But similarly, the Risk Appetite limit has been set for KBL *epb* group only (limit of EUR 150 million, for an exposure of EUR 130.8 million as at 31 December 2013).

3.2. QUANTITATIVE INFORMATION

3.2.1. Interest rate

3.2.1.1. Interest rate sensitivity

The sensitivity of the economic value of the balance sheet to interest rates (impact of a parallel increase by 1% of the interest risk curve) is as follows for KBL *epb* :

In EUR million **100 bpv as at 31/12/2012**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Total 100 bpv**	**Carrying amount**
Financial assets	**-9**	**-10**	**-14**	**-29**	**-37**	**-99**	**7,552**
Held-for-trading	-1	-5	0	0	0	**-6**	446
Designated at fair value through profit or loss	0	0	0	-	0	**0**	15
Available-for-sale financial assets	0	-2	-13	-28	-34	**-78**	3,682
Loans and receivables	-1	-2	-1	-1	-3	**-7**	3,309
Hedging derivatives	-7	0	0	0	0	**-8**	34
Accruals	-	-	-	-	-	**-**	66
Financial liabilities	**13**	**28**	**8**	**13**	**5**	**66**	**6,850**
Held-for-trading	0	5	0	-	-	**6**	255
Measured at amortised cost (excluding deposits from CB)	3	2	7	5	5	**23**	6,244
Subordinated liabilities	0	0	0	7	0	**7**	254
Hedging derivatives	9	20	0	0	-	**30**	67
Accruals	-	-	-	-	-	**-**	31
Gap	**4**	**18**	**-7**	**-17**	**-32**	**-33**	

In EUR million 100 bpv as at 31/12/2013	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total 100 bpv	Carrying amount
Financial assets	**-3**	**-5**	**-19**	**-29**	**-34**	**-90**	**7,569**
Held-for-trading	-0	-2	-1	-3	-2	**-9**	285
Designated at fair value through profit or loss	-0	-	-0	-	-	**-0**	0
Available-for-sale financial assets	-0	-1	-13	-25	-29	**-68**	3,378
Loans and receiables	-2	-1	-0	-1	-3	**-7**	3,823
Hedging derivatives	-1	-0	-5	-	-	**-6**	24
Accruals	-	-	-	-	-	**-**	59
Financial liabilities	**4**	**5**	**17**	**17**	**24**	**67**	**7,074**
Held-for-trading	0	2	2	3	2	**10**	210
Measured at amortised cost (excluding deposits from CB)	3	3	6	5	5	**21**	6,540
Subordinated liabilities	0	0	5	0	0	**5**	233
Hedging derivatives	0	0	5	9	16	**31**	62
Accruals	-	-	-	-	-	**-**	30
Gap	**1**	**0**	**-2**	**-12**	**-10**	**-23**	

The sensitivity of the balance sheet has decreased since end of 2012 mainly due to the realignement of the portfolio dedicated to the reinvestment of the free capital (around EUR 181 million) and to movements of the basic interest rate curves.
The sensitivity of the interest margin of KBL *epb* to the interest rates (impact of a parallel increase by 1 % of the interest rate risk curve) is as follows:

In EUR million Sensitivity 100 bpv Shift 31/12/2012	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total impact
Financial assets	-2.0	-9.2	-12.1	-10.9	-14.6	**-48.8**
Financial liabilities	3.5	9.7	6.7	5.7	15.3	**40.8**
Net impact	**1.5**	**0.4**	**-5.4**	**-5.2**	**0.7**	**-8.0**

In EUR million Sensitivity 100 bpv Shift 31/12/2013	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total Impact
Financial assets	-3.2	-4.7	-9.3	-7.3	-5.5	**-30.1**
Financial liabilities	3.7	5.1	8.4	4.4	3.7	**25.3**
Net Impact	**0.5**	**0.3**	**-1.0**	**-3.0**	**-1.8**	**-4.8**

3.2.1.2. Concentration of interest rate risk

The sensitivity analysis shows that the main exposure to a parallel increase of the interest rates curve is located in the time buckets beyond 3 years, reflecting the current ALM policy (reinvestment of the free capital and of client deposits in cyclical portfolios up to 7 years, reinvestment of the excess liquidity). However, this exposure has to be put into perspective considering the permanent monitoring of the open positions in the liquidity portfolio by the ALM Function (and reviewed by Risk Control).

3.2.2. Equity risk

3.2.2.1. Sensitivity of equity risk

Regarding the equity risk, the impact of a decrease of 25 % on both the income statement (impairment) and the equity AFS revaluation reserve (excluding Equity instruments at cost) is as follows for KBL *epb*:

In EUR thousand

31/12/2012	**Current situation [(1)]**	***Impact of a markets' decrease of 25%***	**Stock after decrease**
Marked-to-Market value	208,151	*-52,038*	156,113
Gain/Loss	63,850	*-52,038*	11,812
Equity impact (AFS reserve)	63,851	*-48,741*	15,110
Income statement impact (impairment)	-1	*-3,296*	-3,298

(1) Some Equity instruments classified as available-for-sale financial assets are not covered here.

In EUR thousand

31/12/2013	**Current situation [(1)]**	***Impact of a markets' decrease of 25%***	**Stock after decrease**
Marked-to-Market value	300,507	*-75,127*	225,380
Gain/Loss	63,627	*-75,127*	-11,500
Equity impact (AFS reserve)	63,629	*-74,476*	-10,847
Income statement impact (impairment)	-2	*-651*	-653

(1) Some Equity instruments classified as available-for-sale financial assets are not covered here.

3.2.2.2. Concentration of equity risk

An exposure on the equity market(s) can be created/increased when the expectations for the equity market(s) are, according to an analysis validated by the ALCO, declared to be favourable. Such analysis will also decide on the relative weights of Europe, USA and Emerging Markets. But within the various regions, the investments are properly diversified in terms of sector, country/region and number of positions held. Concentration principles are respected for individual equity lines or individual investment funds, expressed in absolute amounts and in percentage of daily volume traded (or for fund of total NAV).
Those diversification rules do not apply when the Bank is a seed investor in a new investment fund managed by an asset management entity of the Group. In this case, the commercial objectives of such investment prevail over the objectives and constraints set for 'standard' investments in equity funds.

Following the principles presented above, the breakdown of the whole Equity portfolio of KBL *epb* (direct lines and Funds) per nature and per region shows a prominent pan-European part as at end of December 2013:

In EUR million **REGION / NATURE**		**31/12/2013**
Europe (Equity Funds + direct lines)	132.7	49%
Europe (Diversified Funds)	-	0%
EUR (Fixed Income Funds)	-	0%
World (Diversified Funds)	39.4	15%
World (Equity Funds + direct lines)	18.6	7%
United States (Equity Funds + direct lines)	40.0	15%
USD (Fixed Income Funds)	20.3	8%
Asia (Equity Funds + direct lines)	17.8	7%
TOTAL	**268.7**	**100%**
Other Equities	31.8	
Total Equities portfolios	**300.5**	

However, within these regions, the diversification is permanently targeted. For direct lines (equities), the breakdown per country is as follows as at 31 December 2013 :

In EUR million **COUNTRY**		**31/12/2013**
France	30.2	32%
Switzerland	15.3	16%
United States	14.6	15%
Germany	10.2	11%
The Netherlands	7.9	8%
Sweden	6.7	7%
Belgium	3.2	3%
Spain	2.8	3%
Luxembourg	1.7	2%
Finland	1.4	1%
United Kingdom	0.8	1%
Italy	0.5	0%
TOTAL Direct Lines Equity	**95.3**	**100%**
Funds and other	205.3	
Total Equities portfolios	**300.5**	

Overweight in French equities is being gradually reduced with the sale of legacy positions (representing EUR 10 million of the France equity exposure as of 31 December 2013).
Similarly, the breakdown of the direct lines per economic sector reflects the permanent attention to the diversification of the Equity portfolio:

In EUR million **SECTOR**		**31/12/2013**
Industrial	20.8	22%
Consumer, cyclical	16.4	17%
Consumer, non cyclical	15.9	17%
Financial	14.2	15%
Basic materials	8.1	8%
Energy	7.1	7%
Communications	7.1	7%
Technology	3.6	4%
Utilities	2.1	2%
TOTAL	**95.3**	**100%**
Funds and other	205.3	
Total Equities portfolios	**300.5**	

On the other hand, as at 31 December 2013, the individual exposures entailing equity risk, except seed moneys and pure bonds funds, do not exceed EUR 25 million per Equity Fund and EUR 10 million per direct line (with historical positions being the most significant).

4. Liquidity risk

4.1. Qualitative information

4.1.1. Origin of Liquidity risk

Liquidity risk is constantly monitored and is not seen as a major risk within KBL *epb* group. Indeed, the Bank as a Group has a large and stable funding base due to the natural accumulation of deposits from its two core businesses: Private Banking and Global Investor Services, which on the other hand consume relatively little liquidity. The overall funding gap is structurally and globally positive and KBL *epb* group is a net lender recycling structural liquidity positions in the interbank market.

4.1.2 Liquidity decision making process/governance

Like for Assets and Liabilities Management, the Group ALCO Committee has the final responsibility of the Liquidity Management of the Bank. The ALM Function proposes strategies for the management of long term liquidity (putting, a.o. a strong emphasis on ECB eligible as well as Basel III eligible bonds), while the short term liquidity management is delegated to the Treasurer within strict limits (see trading risk above).

The Risk Control Function acts as a second level control entity, issuing opinions on the proposals and monitoring the liquidity risk on a daily basis.

4.1.3 Liquidity policy

The current policy applied by KBL *epb* group is to centralise the placement of all liquidity surpluses at the Head Office level. However, when local regulatory constraints exist (large exposures regime, liquidity constraints), the subsidiaries’ liquidity is collateralized or is reinvested in local ALM portfolios under the supervision of both Group ALM and Risk Control Functions.

At the Head Office, the stable part of global funding is reinvested in ALM portfolios following a conservative strategy (a.o. respecting minimum European Central Bank/Basel III eligibility and rating criteria) and the unstable part of global funding is replaced in the short-term interbank market, the majority in the form of reverse repo transactions.

4.1.4. Measurement and monitoring of liquidity risk

The Board Risk Committee has expressed its Risk Appetite in terms of liquidity risk, by imposing limits on the future Basel III ratios (LCR and NSFR), and on deposits outflows. The loan-to-deposit ratio and some concentration indicators are more specifically monitored by the ALCO Committee.

As the excess liquidity throughout the Group is centralised at KBL *epb*'s Treasury Department, concentrating the Group's liquidity risk, KBL *epb*'s liquidity situation is closely monitored through both operational and structural indicators.

The operational liquidity of KBL *epb* is monitored on a daily basis by the Risk Control Function, which reports to Financial Markets (Dealing Room):

- a contractual liquidity gap of up to five days, as if the activity was to be continued (no stress test). This report is also sent to the BCL;
- a stock of available liquid assets;
- a daily estimate of the Basel III Liquidity Coverage Ratio, which stood at 135.4% as at 31 December 2013;
- the value of quantitative indicators, which can potentially trigger the Liquidity Contingency Plan (the Plan consists in various actions depending on the gravity - minor, major - of the liquidity crisis).

Moreover, the Loan-to-Deposit (LTD) ratio is established on a monthly basis. As at 31 December 2013, it stood at 17.5%, confirming the excellent liquidity situation of KBL *epb* as natural deposit collector.

Liquidity stress tests have been refined in 2013 in order to better fit the business model of KBL *epb* group defined by its shareholder. Their conclusions are that the Group can survive a severe liquidity crisis for 3 months without affecting its business model.

4.2. QUANTITATIVE INFORMATION

4.2.1. Maturity analysis of liquid stock

The maturity analysis of financial assets held for managing liquidity risk (unencumbered marketable assets) is as follows:

In EUR million

Marketable assets 31/12/2012	**Stock of available assets**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**
Initial stock of available assets		**2,732.1**	**2,091.9**	**1,715.6**	**1,162.9**	**556.0**
CB eligible	1,794.1	-85.1	-311.1	-512.2	-489.7	-581.6
Marketable securities	938.0	-555.1	-65.1	-40.5	-117.2	-115.2
Total	2,732.1	-640.2	-376.3	-552.7	-606.9	-696.8
Residual stock of available assets	**2,732.1**	**2,091.9**	**1,715.6**	**1,162.9**	**556.0**	**-140.8**

In EUR million

Marketable assets 31/12/2013	**Stock of available assets**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**
Initial stock of available assets		**2,999.2**	**1,605.0**	**1,541.8**	**673.2**	**193.2**
CB eligible	2,177.7	-1,219.3	-46.5	-684.5	-359.4	-210.5
Marketable securities	821.5	-174.9	-16.7	-184.1	-120.7	-216.3
Total	2,999.2	-1,394.1	-63.2	-868.6	-480.0	-426.7
Residual stock of available assets	**2,999.2**	**1,605.0**	**1,541.8**	**673.2**	**193.2**	**-233.5**

4.2.2. Maturity analysis of financial assets and liabilities

The analysis by remaining contractual maturity for financial assets and liabilities is as follows:

In EUR million

31/12/2012	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Undetermined**	**Total**
Cash and balances with central banks	**409**	**-**	**-**	**-**	**-**	**-**	**409**
Financial assets	**2,960**	**862**	**1,011**	**891**	**915**	**913**	**7,552**
Held-for-trading	159	72	121	41	52	1	**446**
Designated at fair value through profit or loss	-	8	7	-	0	-	**15**
Available-for-sale financial assets	121	362	729	792	766	912	**3,682**
Loans and receivables	2,612	420	154	25	97	0	**3,309**
Hedging derivatives	2	-	0	33	0	-	**34**
Accruals	66	-	-	-	-	-	**66**
Other assets	**-**	**-**	**-**	**-**	**-**	**250**	**250**
TOTAL ASSETS	**3,369**	**862**	**1,011**	**891**	**915**	**1,163**	**8,212**
Deposits from central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities	**6,004**	**329**	**199**	**273**	**44**	**-**	**6,850**
Held-for-trading	154	14	59	6	22	0	**255**
Measured at amortised cost (excluding subordinated liabilities)	5,812	310	120	1	1	0	**6,244**
Subordinated liabilities	7	3	8	233	2	-	**254**
Hedging derivatives	0	2	12	33	20	-	**67**
Accruals	31	-	-	-	-	-	**31**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**239**	**239**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**1,122**	**1,122**
TOTAL LIABILITIES	**6,004**	**329**	**199**	**273**	**44**	**1,361**	**8,212**
GAP	**-2,635**	**533**	**812**	**618**	**872**	**-198**	

Of which derivatives:

31/12/2012 Cashflows by bucket

	Less than 3 months EUR thousands	Between 3 months and 1 year EUR thousands	Between 1 year and 3 years EUR thousands	Between 3 years and 5 years EUR thousands	More than 5 years EUR thousands	Total EUR thousands	Carrying amount EUR million
Inflows	**6,577**	**3,415**	**155**	**52**	**23**	**10,222**	**263**
Interest rate	37	123	152	51	22	**384**	**134**
Equity	0	1	1	1	1	**5**	**19**
Currency	6,540	3,291	2	-	-	**9,833**	**109**
Other	-	0	-	-	-	**0**	**0**
Outflows	**-6,575**	**-3,440**	**-159**	**-48**	**-23**	**-10,245**	**324**
Interest rate	-37	-133	-156	-47	-22	**-395**	**182**
Equity	0	-1	-1	-1	-1	**-4**	**18**
Currency	-6,538	-3,307	-2	-	-	**-9,846**	**124**
Other	0	-	-	-	-	**0**	**0**
Gap - Derivatives	**3**	**-25**	**-5**	**4**	**-1**	**-24**	

In EUR million **31/12/2013**	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Undetermined	Total
Cash and balances with central banks	**610**	**-**	**-**	**-**	**-**	**-**	**610**
Financial assets	**3,561**	**470**	**963**	**777**	**818**	**979**	**7,569**
Held-for-trading	107	49	75	20	34	1	285
Designated at fair value through profit or loss	-	-	-	-	0	-	0
Available-for-sale financial assets	182	229	704	665	619	978	3,378
Loans and receiables	3,212	192	163	91	164	0	3,823
Hedging derivatives	1	-	22	0	1	-	24
Accruals	59	-	-	-	-	-	59
Other assets	**-**	**-**	**-**	**-**	**-**	**234**	**234**
TOTAL ASSETS	**4,171**	**470**	**963**	**777**	**818**	**1,213**	**8,413**
Deposits from central banks	**0**	**-**	**-**	**-**	**-**	**-**	**0**
Financial liabilities	**6,516**	**215**	**275**	**28**	**36**	**5**	**7,074**
Held-for-trading	142	22	25	8	7	5	210
Designated at fair value through profit or loss	-	-	-	-	-	-	-
Measured at amortised cost (excluding subordinated liabilities)	6,342	189	8	0	1	0	6,540
Subordinated liabilities	2	2	226	2	1	-	233
Hedging derivatives	0	2	15	18	27	-	62
Accruals	30	-	-	-	-	-	30
Other liabilities	**-**	**-**	**-**	**-**	**-**	**207**	**207**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**1,131**	**1,131**
TOTAL LIABILITIES	**6,516**	**215**	**275**	**28**	**36**	**1,343**	**8,413**
GAP	**-2,345**	**256**	**689**	**749**	**782**	**-130**	

Of which derivatives:

31/12/2013	Cashflows by bucket						
	Less than 3 months EUR thousands	**Between 3 months and 1 year EUR thousands**	**Between 1 year and 3 years EUR thousands**	**Between 3 years and 5 years EUR thousands**	**More than 5 years EUR thousands**	**Total EUR thousands**	**Carrying amount EUR million**
Inflows	**7,120**	**1,882**	**139**	**46**	**72**	**9,258**	**187**
Interest rate	50	116	134	30	19	**349**	**101**
Equity	0	0	0	1	0	**2**	**8**
Currency	7,070	1,766	4	16	52	**8,908**	**78**
Other	-	-	-	-	-	**-**	**0**
Outflows	**-7,156**	**-1,908**	**-153**	**-61**	**-82**	**-9,360**	**284**
Interest rate	-47	-132	-139	-38	-21	**-378**	**140**
Equity	0	-0	-0	-0	-0	**-1**	**8**
Currency	-7,109	-1,776	-14	-22	-60	**-8,982**	**136**
Other	-	-	-	-	-	**-**	**0**
Gap - Derivatives	**-36**	**-26**	**-15**	**-15**	**-10**	**-102**	

4.2.2. Concentration risk

The concentration risk the Bank is facing in terms of liquidity is twofold:

- concentration in assets in which the liquidity is reinvested: this risk is monitored through the credit risk procedures (as described above);
- concentration in the funding sources. The Board Risk Committee has defined a specific Risk Appetite indicator with limits and triggers, based on the relative weight of the top 20 Private Clients Deposits among all deposits. This indicator is monthly monitored by the ALCO at Group level, completed with a concentration indicator for all significant counterparties in terms of funding sources (>1% of total liabilities, according to Basel III definition), and quarterly by the BRC. The percentage amounts to 18.78% for KBL *epb* as at 31 December 2013 for a limit of 25%.

Note 38 – Audit fees

in EUR thousand	31/12/2012	31/12/2013
Standard audit services	581	504
Audit related services	-	121
Other services	-	368
Total	**581**	**993**

Note 39 – Significant subsidiaries

As at 31 December 2013, the list of the consolidated companies in which the Bank has a significant holding of at least 20% of the capital is as follows :

NAME AND COUNTRY OF THE 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	42,317,536	GBP	5,486,931
KBL (Switzerland) Ltd - Switzerland	99.99%	CHF	80,192,756	CHF	-19,691,174
KBL Richelieu Banque Privée – France	100.00%	EUR	128,928,238	EUR	6,121,893
KBL Monaco Private Bankers S.A. – Monaco	100.00%	EUR	24,916,122	EUR	679,382
Financière et Immobilière S.A. – Luxembourg (1) and (3)	100.00%	EUR	2,418,365	EUR	71,101
KBL Immo S.A. – Luxembourg (1) and (3)	100.00%	EUR	35,726,955	EUR	546,479
Centre Europe S.A. – Luxembourg (1) and (3)	100.00%	EUR	25,292,801	EUR	635,826
Merck Finck & Co – Germany (1)	100.00%	EUR	112,083,393	EUR	106,549
European Fund Administration S.A. – Luxembourg (1)	48,58%	EUR	23,615,733	EUR	462,066
Kredietrust Luxembourg S.A. – Luxembourg (1) and (3)	100.00%	EUR	6,520,727	EUR	4,442,979
Theodoor Gilissen Bankiers N.V. – Netherlands (3)	100.00%	EUR	76,557,277	EUR	5,457,527
Puilaetco Dewaay Private Bankers S.A. – Belgium (1)	100.00%	EUR	83,526,143	EUR	11,482,399
KBL Beteiligungs A.G. – Germany	100.00%	EUR	32,248,259	EUR	-1,411,207
Vitis Life S.A. – Luxembourg	100.00%	EUR	40,645,238	EUR	16,971,292

(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 40 – 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 of 31 December 2013.

MANAGEMENT REPORT

DECLARATION ON THE CONFORMITY OF THE ANNUAL ACCOUNTS

We, Yves Stein, Chief Executive Office, and Yves Pitsaer, Chief Financial & Risk Officer, confirm, to the best of our knowledge, that the annual accounts which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of KBL European Private Bankers S.A., and that the management report includes a fair review of the development and performance of the business and the position of KBL European Private Bankers S.A. together with a description of the principal risks and uncertainties that the Bank faces.

Luxembourg, 27 February 2014

Yves Stein	Yves Pitsaer
Chief Executive Officer	Chief Financial & Risk Officer

AACHEN
AMSTERDAM
ANTWERP
AUGSBURG
BARCELONA
BERLIN
BIRMINGHAM
BREST
BRUSSELS
COLOGNE
DÜSSELDORF
EDINBURGH
EINDHOVEN
ESSEN
FRANKFURT
GENEVA
GRÜNWALD
HAMBURG
HASSELT
INGOLSTADT
JAMBES
KOBLENZ
LAS PALMAS







LAUSANNE
LEEDS
LIÈGE
LINGEN
LONDON
LUGANO
LUXEMBOURG
LYON
MADRID
MANCHESTER
MONACO
MUNICH
MÜNSTER
MURCIA
NANCY
PARIS
ROTTERDAM
ROTTWEIL
SINT-MARTENS-LATEM
STRASBOURG
STUTTGART
WAREGEM
ZURICH