KBL EUROPEAN PRIVATE BANKERS

PWM The Banker
GLOBAL PRIVATE BANKING AWARDS 2017
BEST PRIVATE BANK IN
LUXEMBOURG

AMSTERDAM
BRUSSELS
LONDON
LUXEMBOURG
MADRID
MUNICH

2017 ANNUAL REPORT

THE EUROPEAN PRIVATE BANKING GROUP

GUIDING PRINCIPLES

MISSION

TO PRESERVE AND GROW EACH
CLIENT'S WEALTH ACROSS GENERATIONS

VISION

TO BE RECOGNIZED AS A TRUSTED PARTNER
AND LEADING PRIVATE BANK EVERYWHERE WE OPERATE

I INTEGRITY

C COMMITMENT

E EXCELLENCE

VALUES

INTEGRITY, COMMITMENT AND EXCELLENCE

EUROPEAN NETWORK

BROWN SHIPLEY

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

PUILAETCO DEWAAY PRIVATE BANKERS

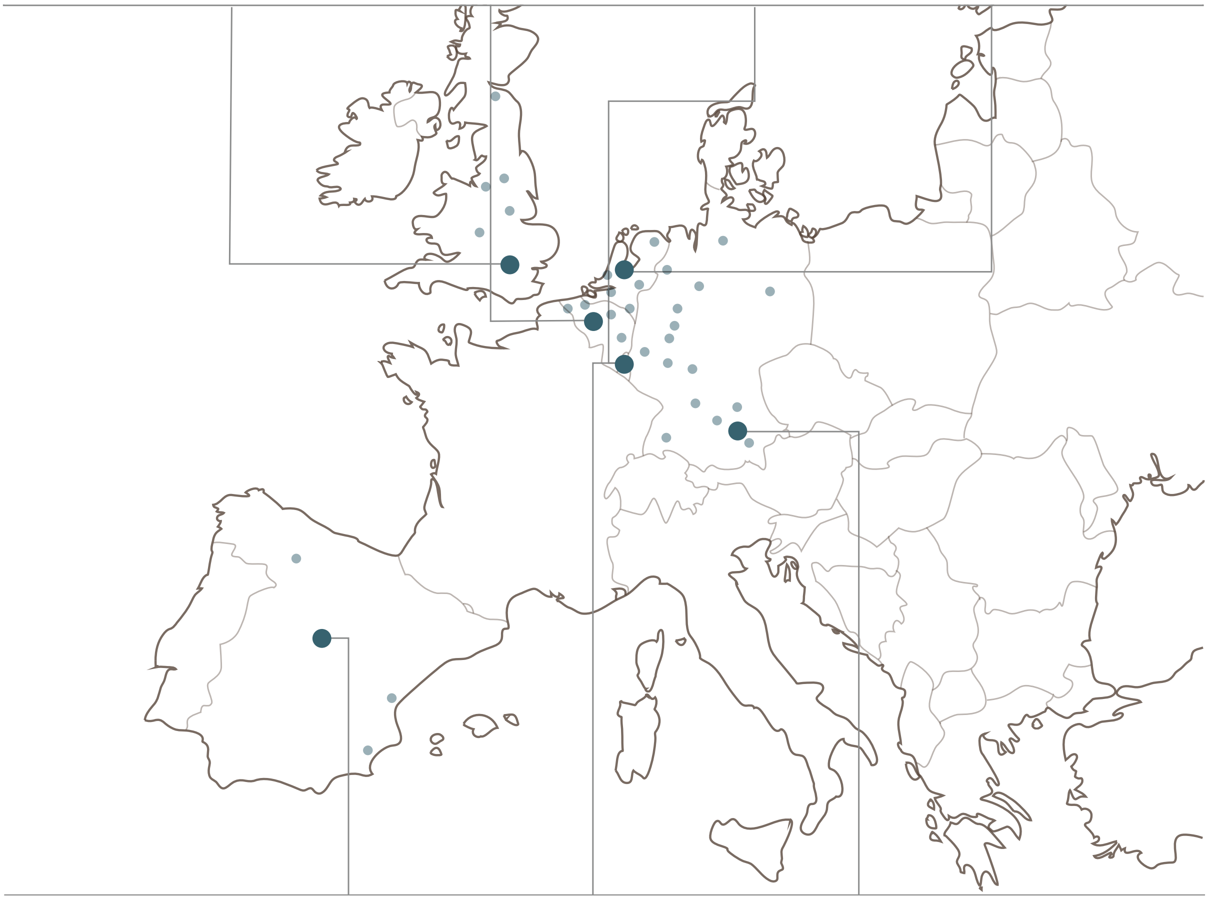
Herrmann Debrouxlaan 46
B-1160 Brussels
Belgium
www.pldw.be

KBL EUROPEAN PRIVATE BANKERS

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

insinger gilissen

Herengracht 537
1017 BV Amsterdam
The Netherlands
www.insingergilissen.nl



KBL ESPAÑA EUROPEAN PRIVATE BANKERS

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

Puilaetco Dewaay PRIVATE BANKERS

2, boulevard E. Servais
L-2355 Luxembourg
Luxembourg
www.puilaetco.lu

MERCK FINCK PRIVATBANKIERS

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

CONTENTS

WELCOME FROM THE GROUP CEO

Thank you for your interest in KBL European Private Bankers, the pan-European private banking group headquartered in Luxembourg.

As Europe's only network of boutique private banks, KBL *epb* builds on the heritage and track record of our strong domestic brands – with deep local knowledge and cross-border expertise – to meet the evolving needs of each individual we have the opportunity to serve.

Reflecting our mission to preserve and grow each client's wealth across generations, we harness our group's collective insights to better serve *every* client, whatever their needs and wherever they are based – providing customized, integrated solutions for individuals, entrepreneurs and families, institutions, family offices and external asset managers.

With a wealth management offering that includes investment management, financial planning and lending, we are focused on ensuring client proximity, organizational efficiency and consistency over time. In parallel, we continue to actively invest in digital tools to enhance client experience.

With the full support of our shareholder – Precision Capital, a Luxembourg-based bank holding company supervised by the European Central Bank – KBL *epb* continues to pursue a long-term growth strategy, including organic, semi-organic and external initiatives, as we consolidate our industry leadership status across Europe.

Our success in that regard continues to be widely recognized. In 2017, for the third consecutive year, KBL *epb* was named among the "Outstanding Private Banks in Europe" at the Private Banker International Global Wealth Awards and, for the second year in a row, the "Best Private Bank in Luxembourg" at the PWM/The Banker Global Private Banking Awards.

We are sincerely grateful for the external recognition earned by our 2,000 smart, hardworking people. But we also know that organizational excellence alone is insufficient, and that providing superior products and great service is likewise not enough.

In an era broadly characterized by mistrust and disbelief, *every* organization – no matter their sector of activity, no matter how large or small – must act responsibly and embrace the principles of sustainability.

Ten years after the start of the global financial crisis, this is a burden that banks, in particular, must bear. That's why, at KBL *epb*, we take very seriously our obligations as a trusted employer for our people, trusted partner for our clients and trusted corporate citizen, which adds value to the community in every market in which we operate.

Today, it is not enough to do well, although performance matters greatly. We must also do good if we wish to have access to clients, capital and talent.

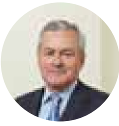
If we can provide further information about our commitment to acting responsibly, our services or how we can put our experience and expertise to work for you, please do not hesitate to contact any of our offices across Europe, or to contact me directly.

Sincerely,

Peter Vandekerckhove
Group Chief Executive Officer
& Executive Board Member
Peter.Vandekerckhove@kbl-bank.com

DIRECTORS & MANAGEMENT

BOARD OF DIRECTORS

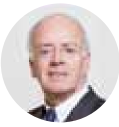


JAN MAARTEN DE JONG
Chairman

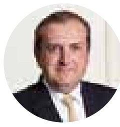
MAURICE LAM
Director

GEORGE NASRA
Vice Chairman

ANNE REULAND
Director



ALFRED BOUCKAERT
Director



[1] YVES STEIN
Director

NICHOLAS HARVEY
Director

[2] PETER VANDEKERCKHOVE
Director

ANNE RUTH HERKES
Director

ALBERT WILDGEN
Director

[1] Until January 31, 2018
[2] Replacing Yves Stein as of February 1, 2018

EXECUTIVE COMMITEE

[1] PETER VANDEKERCKHOVE
Group CEO

[3] SIEGFRIED MARISSENS
Secretary General

CARLO FRIOB
CEO, Luxembourg

PAUL SCHOLTEN
Group COO

RACHEL HAMEN
Group CFO

[4] ANTHONY SWINGS
Group Chief Risk Officer

[2] BRUNO LÈBRE
Group Chief of Wealth Management Solutions

AFFILIATE CEOs

OLIVIER DE JAMBLINNE DE MEUX
Banque Puilaetco Dewaay Luxembourg

[6] ALAN MATHEWSON
Brown Shipley

[5] AMAURY DE LAET
Puilaetco Dewaay Private Bankers

MATTHIAS SCHELLENBERG
Merck Finck

RAFAEL GRAU
KBL España

[7] PETER SIERADZKI
InsingerGilissen

[1] As of January 1, 2018, replacing Yves Stein
[2] As of July 1, 2017
[3] As of January 1, 2018, assuming responsibility for Compliance & Regulatory Affairs from Yves Pitsaer
[4] As of January 1, 2018, assuming responsibility for Risk from Yves Pitsaer
[5] As of February 1, 2018, replacing Thierry Smets
[6] As of April 3, 2018, replacing Ian Sackfield
[7] As of November 1, 2017, following tenure as CEO of Insinger de Beaufort and that of Tanja Nagel as CEO of Theodoor Gilissen

MANAGEMENT

PHILIPPE AUQUIER
Group Head of Asset Liability Management & Treasury

CAROLINE BAKER
Group Head of Human Resources

GUILLAUME DE GROOT-HERZOG
Head of Real Estate & Logistics, Luxembourg

ERIC COLUSSI
Head of Lending, Luxembourg

RAFIK FISCHER
Group Head of Global Institutional & Professional Services

OLIVIER HUBERT
Group Head of Tax

FLORENT LACOMBE
Group Head of MIS & Procurement

CÉDRIC LEBEGGE
Group Head of Project Management Office

FRANÇOIS LENERT
Group Head of Global Markets

PHILIPPE MAIRLOT
Head of Accounting, Luxembourg

ÉRIC MANSUY
Group Head of IT & Operations

NICHOLAS NESSON
Group Head of Corporate Communications

VINCENT SALZINGER
Group Head of Compliance

MARK SELLES
Chief Transformation Officer

ANDRE SEREBRIAKOFF
Head of Legal, Luxembourg

BERNARD SIMONET
Head of Human Resources, Luxembourg

THIERRY THOUVENOT
Group Head of Internal Audit

STEFAN VAN GEYT
Group CIO

PHILIPPE VAN DOOREN
Head of Process Management

QUENTIN VERCAUTEREN DRUBBEL
Head of Wealth Management, Luxembourg

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

2017 IN REVIEW

JANUARY

KBL *epb* successfully closes the acquisition of Insinger de Beaufort, a precursor to the merger between that private bank and Theodoor Gilissen, the group's Dutch affiliate.

FEBRUARY

KBL *epb* opens its new private client reception in Luxembourg.

MARCH

Richard Stubbs is appointed Head of Lending at Brown Shipley.

As part of its long-term partnership with the Philharmonie de Luxembourg, KBL *epb* invites clients and prospects to a concert by the Solistes Européens.

APRIL

Merck Finck sponsors a major exhibition of works by Gerhard Richter at the Folkwang Museum in Essen, Germany, inviting some 300 clients to a private showing.

For the fifth consecutive year, KBL *epb* staff take part in World Autism Awareness Day; staff also participate in the "Relay For Life," organized by the Luxembourg Cancer Foundation.

MAY

Bruno Lèbre is appointed Group Chief of Wealth Management Solutions at KBL *epb* and Carlo Friob assumes the role of CEO, Luxembourg.

Brown Shipley successfully integrates The Roberts Partnership, following the acquisition of the UK-based financial planning and wealth management firm in 2016.

KBL *epb* staff take part in the "Day for Cultural Diversity" by participating in a charity event with the Back to Sport association.

JUNE

130 Luxembourg-based KBL *epb* staff are recognized for their service to the nation by the country's finance minister, Pierre Gramegna.

KBL *epb* presents its mid-year investment outlook at a series of press and client events.

KBL *epb* staff take part in the "Wear Your Trainers" event and take more than 1 million steps in support of the charity ELA Luxembourg.

JULY/AUGUST

KBL *epb* Luxembourg successfully migrates its activities to a new IT platform.

Brown Shipley announces sponsorship agreements with the Lancashire County Cricket Club and Emirates Old Trafford.

KBL *epb* Luxembourg launches a long-term initiatives to promote diversity and, in particular, gender parity.

SEPTEMBER

Daniel Kerbach is appointed Chief Investment Officer at Merck Finck.

KBL *epb* sponsors the "Le Tournoi des Légendes" tennis tournament in Luxembourg.

Brown Shipley hosts a client lunch at the House of Commons with a keynote speech by former UK politician Michael Portillo.

OCTOBER

KBL *epb* announces the appointment of Peter Vandekerckhove as Group CEO, effective January 2018.

Theodoor Gilissen and Insinger de Beaufort successfully merge and the new entity, InsingerGilissen, opens for business in the Netherlands.

Brown Shipley announces the appointment of Alan Mathewson as CEO, effective April 2018.

For the third consecutive year, KBL *epb* is recognized as one of the best private banking groups in Europe at the Private Banker International Global Wealth Awards.

KBL *epb* is named best private bank in Luxembourg for the second consecutive year at the PWM/The Banker Global Private Banking Awards.

KBL *epb*'s Maria Dolores Perez is named Chief Information Security Officer of the Year in Luxembourg.

NOVEMBER

KBL *epb* reinforces its presence in the Netherlands with the acquisition of Lombard Odier's private banking business in that country.

Merck Finck earns a "summa cum laude" rating from the *Elite Report* for the tenth consecutive year.

KBL *epb* is recognized by Luxembourg's Ministry of Equal Opportunity for its commitment to diversity.

InsingerGilissen serves as the main sponsor of the "International Documentary Film Festival Amsterdam" and takes part in the opening of the Dutch stock exchange.

DECEMBER

Puilaetco Dewaay appoints Amaury de Laet as CEO, effective February 2018.

Brown Shipley integrates into its London office the UK branch of Insinger de Beaufort, creating the Brown Shipley International Office.

KBL *epb* signs a preliminary agreement with the SGBL Group for the sale of KBL *epb*'s private banking and asset management operations in France and Monaco.

The Merck Finck Foundation celebrates its 10^{th} year of operations.

KEY CONSOLIDATED FIGURES

(Consolidated figures as of December 31)	2014	2015	2016	2017
RESULTS (in € million)				
Operating income	539.0	547.9	465.9	**487.9**
Operating expenses	-438.6	-449.4	-451.1	**-446.1**
Impairments	-0.4	0.2	0.2	**1.0**
Share in results of associated companies	-0.1	0.6	1.1	**0.1**
Pre-tax profit (from continuing operations)	100.0	99.3	16.1	**42.9**
Income taxes	-32.7	-17.9	-10.1	**-4.2**
Discontinued operations, net of tax	-	-	-	**-3.6**[2]
Net consolidated profit, Group share	66.9	81.3	6.0	**35.2**
FINANCIAL RATIOS (in %)				
Core Tier one ratio	13.7%	13.8%	16.0%[1]	**17.2%**
Tier one ratio	13.7%	13.8%	16.0%[1]	**17.2%**
Solvency ratio	14.7%	14.0%	16.0%[1]	**17.2%**
Regulatory capital/balance sheet total	4.9%	4.8%	5.9%	**5.3%**
Loan-to-Deposit Ratio	30.0%	26.2%	27.2%	**29.3%**
ROAE	7.0%	8.7%	0.6%	**3.2%**
ROAA	0.5%	0.7%	0.1%	**0.3%**
ROA	0.5%	0.7%	0.1%	**0.3%**
Cost/Income Ratio	81.4%	82.0%	96.8%	**91.4%**

(1) Simulated ratio including Bank Insinger de Beaufort (see note 44 of the 2016 Consolidated Accounts).

(2) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" application on KBL Monaco, KBL Richelieu, S.C.I. KBL Immo I and S.C.I. KBL Immo III (see note 1 and 2d of the 2017 Consolidated Accounts).

The complete financial statements of KBL *epb* and KBL Group are available on the internet site of KBL *epb*.

The Pillar III disclosures report will be published in first half of 2018 on the internet site of KBL *epb*.

www.kbl.lu

(Consolidated figures as of December 31)	2014	2015	2016	2017
BALANCE SHEET TOTAL (in € billion)	12.4	11.1	11.0	**11.5**
ASSETS				
Loans and advances to credit institutions (incl. on demand)	1.6	2.6	1.5	**0.7**
Loans and advances to others than credit institutions	2.4	2.7	2.1	**2.5**
Equity and debt instruments	4.6	4.6	5.4	**4.3**
LIABILITIES				
Deposits from credit institutions	1.0	0.9	1.1	**0.6**
Deposits from others than credit institutions	7.5	8.5	8.1	**8.6**
of which, subordinated debt	0.2	0.2	0.0	**0.0**
Total equity	0.9	0.9	1.1	**1.1**
PRIVATE BANKING ASSETS UNDER MANAGEMENT (in € billion)	32.6	35.2	36.4	**45.3**
Volume impact	-1.4%	+6.0%	+1.1%	**+0.7%**
Price impact	+4.7%	+3.4%	+2.4%	**+4.3%**
ASSETS UNDER CUSTODY (in € billion)	49.1	47.3	26.2	**27.5**
INSTITUTIONAL ASSETS UNDER MANAGEMENT (in € billion)	4.6	5.0	5.1	**8.6**

CONSOLIDATED MANAGEMENT REPORT

GENERAL COMMENTS ON THE RESULTS AND THE BALANCE SHEET

Consolidated net profit, group share, as of December 31, 2017, was €35.2 million compared to €6.0 million as of December 31, 2016. This sharp increase is explained by an increase in core-business revenue in 2017, while exceptional investments relating to various projects were committed in 2016.

Operating profit increased by €22 million to €488 million, compared to €466 million in 2016.

At year end, the interest margin of €81 million (+€5 million vs. 2016) and net commission income of €330 million (+€42 million vs. 2016) were marked by the inclusion of Insinger de Beaufort in the scope of consolidation as of January 1, 2017. The group's two Dutch entities, Theodoor Gilissen Bankiers and Insinger de Beaufort, merged on October 1, 2017, to form InsingerGilissen Bankiers.

In 2017, the group realized a capital gain of €47 million on one real estate transaction. In 2016, the bank made a gain on the sale of buildings in Luxembourg Center, Monaco and London for a total of €51 million.

The group's operating expenses continued to be contained (€446 million at the end of 2017, compared to €451 million at the end of 2016), despite the costs incurred by the transformation of the Group.

As of December 31, 2017, the group's balance sheet total was €11.5 billion, compared to €11.0 billion in 2016. This change was due mainly to larger interbank outstandings.

On December 1, 2017, KBL *epb* signed a preliminary agreement for the sale of its subsidiaries KBL Richelieu in France and KBL Monaco Private Bankers to Société Générale de Banque in Lebanon, a universal bank. Following this announcement, the bank reclassified the balance sheet outstandings and net income under the respective "Held for sale" headings, in accordance with applicable IFRS accounting standards.

This sale remains subject to approval by the regulatory authorities and should be finalized during the first half of 2018.

Solvency increased further with a ratio of 17.16% as of December 31, 2017. This ratio remains well above the regulatory threshold imposed by the European Central Bank.

A SHARED CORPORATE CULTURE

Our corporate culture is founded upon a shared mission, vision and set of values. These convictions are based on group-wide dialogue, driven by leadership discussions and shaped by employee insights across our 50-city network.

That collaborative process has been key to our shared success. Strengthening our corporate culture has provided deeper internal alignment, supported greater focus in our daily actions and instilled a sense of shared purpose in our longer-term journey – helping us achieve our business objectives.

MISSION

Our mission is clear: to preserve and grow each client's wealth across generations.

Continually adapting to our clients' evolving expectations in an ever-changing world, our long-term approach reflects the asymmetric risk appetite of our clients. Our mission informs every action we take across our network.

We carry out this mission by providing clients with proximity, agility and personalized service – maintaining close, constant contact, responding quickly to specific needs, and offering tailor-made solutions addressing their unique priorities and long-term goals.

Every day, we put our shared expertise to work for each of our clients, providing customized "one-stop-shop" solutions for individuals, entrepreneurs, families, institutions, family offices and external asset managers.

For detailed figures, please refer to the Annual Accounts.

VISION

We strive to be recognized as a trusted partner and leading private bank everywhere we operate.

With the full support of our shareholder, Precision Capital (which is supervised by the European Central Bank), our group draws upon a cross-border knowledge base that reflects our commitment to partnering with our clients, as well as our strategy to achieve sustained growth through organic, semi-organic and external initiatives.

As we seek to achieve this ambitious, client-centric goal, five key factors drive us forward: our people, passion, pride, performance and profitability.

VALUES

Our values are integrity, commitment and excellence, serving as the foundation for how we act and do business, encompassing our core attitudes, beliefs and obligations.

They set standards that shape our actions and inform our vision, guiding us towards our long-term goals.

- **Integrity:** A requirement that all our actions meet or exceed relevant legal and ethical standards and regulations – including by embracing the dual imperatives of transparency and confidentiality
- **Commitment:** An essential quality in our people, who must ensure that each promise we make becomes reality – supported by individual accountability and a broader spirit of interdependence
- **Excellence:** An attitude among all our staff, with an unwavering aspiration to exceed the expectations of our clients and colleagues, founded upon a commitment to making the pursuit of excellence a way of life

TRAINING & DEVELOPMENT

Training and development are central to further enhancing our client services and improving the overall client experience.

"OUR VALUES ARE INTEGRITY, COMMITMENT AND EXCELLENCE, SERVING AS THE FOUNDATION FOR HOW WE ACT AND DO BUSINESS"

That's why we invest in the skills and development of our people and recruit experienced professional staff.

Indeed, KBL *epb* firmly believes that staff training and development is no less critical. Indeed, all our people – from the mailroom to the boardroom – are contributing to our ability to better serve each individual client.

In that regard, the group continues to make significant investments in training and development under the auspices of KBL *epb* Group University, an umbrella organization and a long-term, group-wide programme aimed at supporting employee development through a combination of classroom instruction, e-learning and one-to-one mentorship.

Across the group's footprint, and especially in Luxembourg, KBL *epb* continues to promote internal mobility, creating opportunities for relevant staff to transfer their knowledge and skills within the organization.

Likewise, we strongly encourage cross-border cooperation, organizing events that bring together staff from multiple markets. Such meetings facilitate the sharing of local experience and insight – and the creation of shared strategies to better serve all our clients, no matter where they are based.

SOCIAL COMMITMENT

With more than 2,000 employees across 50 European cities, our group has a unique opportunity to make a difference in local communities.

Today, we continue to reinforce our commitment to corporate social responsibility, supporting various worthy causes throughout Europe.

At KBL *epb* we believe in doing well for our clients and doing good in our communities. By contributing resources, time and capital to laudable causes and important ideas, we serve as an agent of positive social change.

Our current CSR commitments reflect the distinctly multi-local identity of our group and include support of organizations such as:

- Autism Foundation in Luxembourg
- St. Gemma's Hospice in the UK
- Goods to Give in Belgium

We further support various staff-nominated causes across the communities we serve. In Belgium and Germany, we support multiple organizations that work with terminally ill, sick, handicapped and deprived children. KBL *epb* also provides ongoing funding for a broad range of non-profit cultural organizations such as the Luxembourg Philharmonic and the Grand Theater of Luxembourg.

In addition to direct financial support, our group strongly encourages staff to participate in initiatives that benefit local communities. Such staff-supported initiatives include:

- Relay For Life, about 50 employees took part in this 24-hour relay in Luxembourg to raise funds for cancer research

"TODAY, WE CONTINUE TO REINFORCE OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY"

- Three Peaks Challenge, a 24-hour race that involves climbing the highest mountains in England, Scotland and Wales to raise awareness and funds for multiple charitable organizations

GROUP EMPLOYEES

As of December 31, 2017, the KBL *epb* network included 2,124 individual staff, compared with 2,141 at the end of 2016. Of the group's 2,124 employees, some 66% work in subsidiaries outside Luxembourg.

OUR CORE BUSINESS: PRIVATE BANKING

At KBL *epb*, our core business is private banking – backed by the group's centuries of collective experience, deep local market knowledge and cross-border capabilities.

Our holistic and personalized approach is founded upon our commitment to minimizing risk while maximizing opportunity. Preserving and growing each client's wealth across generations is at the heart of all of our actions as we aspire to be recognized as a trusted partner and leading private bank everywhere we operate.

Whether by investing in equities, derivatives, fixed-income or structured products, and in-house or third-party funds, we take into account the risk-return potential and tax implications of every investment, in line with each client's specific objectives.

Our experts build long-term client relationships based on mutual understanding and trust. Across our footprint, we seek to grow our core HNWI client base, offering services and products tailored to their individual needs, while continuing to serve affluent clients through a highly efficient delivery model.

Regular communication and constant contact with our clients are prioritized, especially during times of increased volatility – we provide regular, transparent reporting of the performance of each portfolio.

Already firmly established as European leaders, we continue to invest in supporting the professional development of our 400 experienced private bankers serving at 50 offices across Europe. We also selectively recruit highly skilled and motivated relationship managers to ensure the highest level of personalized service.

Moving forward, we will continue to identify further opportunities to grow our private banking operations. In doing so, we will maintain our commitment to client-centricity and, at the same time, favor innovation and diversity.

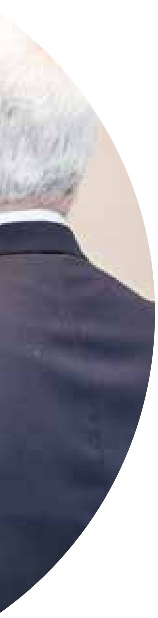
“OUR EXPERTS BUILD LONG-TERM CLIENT RELATIONSHIPS BASED ON MUTUAL UNDERSTANDING AND TRUST”

CLIENT-CENTRIC APPROACH

Our services – in areas such as Wealth Planning & Structuring and Lending – are direct answers to the needs of the individuals, entrepreneurs and families we serve. Those services are designed to help our clients successfully navigate an evolving and often challenging regulatory environment.

Whether we are managing today's wealth or structuring tomorrow's inheritance, our clients benefit from a suite of open, independent solutions, tailored to their specific needs – backed by our client-centric approach, founded upon offering proximity, agility and personalized service.

WEALTH MANAGEMENT, LUXEMBOURG



Founded in Luxembourg in 1949, KBL *epb* is a wealth management specialist, whose team of 50 experienced private bankers is focused on preserving and growing each client's wealth across generations.

Such clients include individuals and families, professionals and executives, and business owners and entrepreneurs – whose needs are met by KBL *epb* specialists covering areas such as wealth planning and structuring, asset management, global financial markets, credit and insurance.

Whatever their requirements and no matter where they are based, KBL *epb* provides solutions that are right for each client, in line with their individual ambitions and risk appetite. Broadly, such solutions are based on the client's investment profile and preferred mandate: Management, Advisory, Strategic or Execution Only.

A tailor-made wealth planning strategy is developed for each client – starting with a thorough analysis of their personal situation and long-term needs – and includes guidance on financial, tax and legal affairs, seeking to strike the appropriate balance between performance and risk.

Clients of KBL *epb* also benefit from access to the group's pan-European network, whose deep local knowledge is especially valuable for the development of cross-border solutions in line with both domestic and European regulations.

While clients can always count on a deep, one-to-one relationship with their private banker, a range of services are also available via eKBL, the bank's recently enhanced online banking platform. In addition to providing 24/7 access to one's portfolio – including detailed and easily customizable information – clients can communicate directly with their private banker through eKBL thanks to a secure messaging system.

It's that mix of tradition and innovation that sets KBL *epb* apart, and why it has been named the "Best Private Bank in Luxembourg" at the PWM/The Banker Global Private Banking Awards for the second consecutive year.

"WE FOCUS ON PRESERVING AND GROWING EACH CLIENT'S WEALTH ACROSS GENERATIONS"

GROUP BUSINESS DEVELOPMENT

Serving institutional and professional clients has been a pillar of KBL *epb*'s business for many years. While that segment in Luxembourg is of course especially substantial – partly due to the country's status as the largest investment fund center in Europe – our reach extends far beyond the fund industry and the borders of the Grand Duchy.

Indeed, services for external asset managers have been successfully developed in certain affiliates outside Luxembourg, where we have been able to profit from the rapid growth of the UCI industry. Overall, the institutional and professional services segment is vitally important to our long-term success.

The beginning of 2015 saw the creation of a new business line, Group Business Development, whose main responsibility is to develop the international marketing of our services to professional and institutional clients in Europe and across the world.

Since its creation, as well as offering services to the investment fund industry, it has also focused on providing wealth management solutions in the wider sense for family offices, foundations, external asset managers and other institutional clients, such as insurance companies.

The FO/EAM Desk, which operates in exactly this field, was strengthened last year and now consists of four experts, each focused on a specific market. Their significant experience allows them to identify the needs of each client, whether a wealth manager or a family office. This team submits a project that best meets the requirements of this type of client in terms of custodian bank loans and products and services offered by our dealing room, one of the last still operating in Luxembourg.

Our institutional and professional clients benefit from our in-depth knowledge of trading and brokerage: we provide execution services in third-party funds, equities, bonds, money market instruments and Forex, as well as in structured products and precious metals. Over 2017, the FO/EAM Desk achieved its first significant successes, acquiring new clients who deposited more than €400 million in new assets with us.

It is worth noting that, once again, Institutional & Professional Services made a significant contribution to the group's annual profitability.

2017 again saw significant changes for our bank. We migrated our various IT and financial applications to a single operational platform, developed by private bankers for private bankers. Right from the start of that project, our sales teams were mobilized and raised the specificities and requirements of their institutional and professional clients in order to offer them a tool adapted to their business requirements. A new tool, eKBL Pro, is the result.

eKBL Pro provides institutional and professional clients with easy access to positions in their managed portfolios, including valuations, and allows them to place stock-market orders, make payments and generate personalized reports. Launched in July 2017, eKBL Pro is still evolving, with the active participation of both our marketing teams and our clients, who know better than anyone the needs of end users.

The entry into force of the European Directive MiFID II in January 2018 also saw the mobilization of all Group Business Development staff. To meet the challenge posed by this Directive, our sales staff participated in training courses in compliance and financial products, and then successfully passed tests of their knowledge and competence.

Already a major custodian for small and medium asset managers, our teams are redoubling efforts to attract and retain such clients, continuing to record major new business wins in this dynamic segment whose needs are closely aligned with our own proposition. We remain confident that we will realize our ambitions, which will help us continue to grow our institutional and professional client base.

INSTITUTIONAL & PROFESSIONAL SERVICES

Launched in 2015 and originating from KBL *epb*'s business line formerly known as Global Investor Services, Institutional & Professional Services (IPS), together with private banking, is the second pillar of our business in Luxembourg and across our footprint.

IPS exclusively serves existing institutional and professional clients, completing the wealth management value chain by positioning the group as a true "one-stop shop."

Largely centered on our longstanding expertise in global custody, fund administration and fund structuring, the aim of IPS is to ensure – via its highly professional Relationship Managers and Account Officers – that the complex needs of institutional and professional clients are satisfied efficiently and to the highest professional standard. IPS today serves more than 250 institutional and professional clients and around 2,000 structures and portfolios. It has more than €20.8 billion in assets under custody.

From a regulatory perspective, the entry into force of MiFID II in January 2018 meant all of our teams were focused in 2017 on being ready for that deadline, prepared to offer a level of service in line with the new requirements in terms of investor protection, transparency and reporting that MiFID II imposes on all financial institutions. To be able to do this, our teams participated in in-depth training, followed by a test of the knowledge and skills required to be in line with the new Directive. All our people passed the test with flying colors.

A large-scale project that began in 2016 for IPS was the migration of our IT and operational tools to a new IT platform; that continued to occupy the division's resources until its implementation in July 2017. Involvement by IPS in this project was vital to its success, ensuring that this IT and operational transfer was as flexible, efficient and transparent as possible for our professional and institutional clients.
In the context of the increasing prospecting of wealth managers and family offices by our FO/EAM Desk from Group Business Development, we recently set up a Middle Office specifically dedicated to following up relationships with these professional clients, with specific requirements linked to their business, which is close to private banking and in which we have been specialized for many years.

"WE HAVE LONGSTANDING EXPERTISE IN GLOBAL CUSTODY, FUND ADMINISTRATION AND FUND STRUCTURING"

CENTRAL UCI ADMINISTRATION

LUXEMBOURG, EUROPE'S UNRIVALLED LEADER

On November 30, 2017, the total net assets of collective investment undertakings and specialized investment funds in Luxembourg amounted to €4.136 trillion, compared to €3.641 trillion at the end of November 2016, an increase of 13.63%. The increase in the financial center's net assets was €495 billion.

The number of UCI structures rose by 180 in 2017. The number of sub-funds grew by 467 (+3.29%). Contrary to previous years, Specialized Investment Funds (SIF) attracted fewer new fund promoters to Luxembourg (-3.28%), while their net assets rose by 12% compared to November 2016.

To this can be added the RAIF (Reserved Alternative Investment Fund). Launched in July 2016, this new type of alternative investment vehicle has enriched the Luxembourg landscape. Since launch, every investment fund promoter has had the choice between an investment vehicle regulated by the CSSF (SIF, SICAR, Part II funds) or the RAIF, which is regulated and supervised indirectly.

At the end of 2016, there were 28 RAIF structures, a number which had risen to 271 by the end of November 2017. This success is explained by the fact that the promoter of the vehicle does not need a double level of regulation, i.e. regulation of the vehicle (AIF) and of the manager (AIFM) and that it wants to launch its business quickly. It has the characteristics of specialized investment funds without having to be regulated by the Commission de Surveillance du Secteur Financier, which sets it apart from the SICAR and the SIF. It is, however, subject to the AIFMD regulation by the supervision of its authorized AIFM. This new vehicle is dedicated to well-informed institutional and professional investors, investing a minimum of €125,000.

Luxembourg remains Europe's unrivalled leader and the world's second-largest investment fund domicile (after the United States) with a total of 4,068 structures and 14,699 sub-funds.

The top three countries of origin of fund promoters remain the same as the previous year (market share in % of total net assets): the United States (20.7%), the United Kingdom (17.5%) and Germany (14.5%), followed closely by Switzerland (13.6%).

Thanks to the promotional support of its professional association (ALFI) and the governmental agency for the development of the financial center (LFF), Luxembourg has successfully positioned itself as the leader for the cross-border distribution of investment funds, with more than 64% of UCITS distributed internationally domiciled in Luxembourg.

Moreover, a growing number of Asian and Latin American countries recognize UCITS as a stable, high-quality, well-regulated investment product with significant levels of investor protection. As a result, the world's most-renowned fund promoters and managers have chosen Luxembourg as a base to domicile or manage their UCITS, with a clearly defined global distribution strategy.

Capitalizing upon the introduction of the AIFMD, alternative funds continue to grow by offering investment strategies in the broader sense, including non-listed companies, real estate, hedge funds, microfinance, alternative energy and socially responsible investments, etc.

In terms of regulation, 2017 saw the bank make major efforts to ensure full compliance with the legal requirements imposed by the European Directive MiFID II, which entered into force in January 2018.

EVOLUTION OF ASSETS ADMINISTERED BY KTL

During 2017, the net assets of the 46 structures totalling 147 sub-funds were worth €7.02 billion.

During the same period, a significant number of new relationships were established with promoters worldwide. In addition, KTL stepped up its business relations with more than 50 existing client promoters.

EUROPEAN FUND ADMINISTRATION

Since 1998, KTL, as a central administrator for mutual funds, has outsourced the management of accounting and the keeping of investor registers to a specialized company called European Fund Administration (EFA), of which KBL *epb* is a major shareholder.

At the end of 2017, EFA managed, on behalf of 188 clients, more than 2,300 sub-funds with total net assets of €125.6 billion.

Since its launch in 2007, EFA Private Equity – the business line dedicated to real estate funds and venture capital/private equity type funds – has been offering its specialized services to more than 100 investment vehicles. With over €18.9 billion of assets under administrative management, EFA Private Equity is the leading provider of administrative and accounting management services for regulated private equity and real estate vehicles in Luxembourg.

Finally, in connection with newly introduced regulations and requirements, EFA has developed a number of additional services to support various players in fields such as governance, risk management and performance analysis, investment limits, and the eligibility and evaluation of target investments. EFA also provides compliance and reporting solutions to the investment fund industry for PRIIPs, FATCA and CRS.

> LUXEMBOURG IS EUROPE'S LEADING DESTINATION FOR INVESTMENT FUND DOMICILIATION

GLOBAL MARKETS

Global Markets is, as a key Group Competence Center, tasked with providing integrated one-stop-shop solutions to meet the financial market needs of KBL *epb* clients across all segments: from affluent, HNWI and UHNWI private clients to external asset managers, family offices and institutions. In line with this, Global Markets offers trading, sales and execution for a full range of products listed and traded over the counter.

At KBL *epb* Global Markets, we completed over 40,000 fixed-income transactions on behalf of private and institutional clients in 2017, while also consolidating our position as a buy-side client with keenly monitored market pricing.

Our Fixed Income Trading team remained active on the primary and secondary markets, working for KTL, Wealth Management, our subsidiaries and ALM.

Our fund-execution business remains a key inflection point with our private and institutional clients. We offer our clients a universe of more than 35,000 funds, managed by 500 transfer agents. In 2017, we handled more than 200,000 trades for a volume of over than €20 billion. In addition, we manage high volumes in ETF through our care-order service and trade funds on the Luxembourg Stock Exchange.

As our asset allocation teams constantly adjust their fund recommendations, Global Markets seeks to deliver efficient and accurate execution through enhanced technology and connectivity.

The structured product business flourished in 2017, with the launch of more than 200 new products. Over the course of the year, most of our clients focused on products linked to individual equities.

With its significant experience, including more than 15 years on capital markets and numerous connections with international dealing rooms, our team of structurers is able to offer clients the most suitable products based on the recommendations of the bank's macro- and micro-economic research teams.

The Treasury team offers our clients spontaneous rates on the money markets. It provides advice on interest rates across the G7 markets and provides the best possible execution on the unstable and less liquid peripheral markets. It also assists clients in finding, switching and hedging opportunities.

On the currency front, Global Markets' clients mainly trade in EUR/USD, EUR/CHF and EUR/GBP. We nevertheless offer a full range of spot, forward and swap solutions on all currencies, deliverable and non-deliverable, with an annual global volume for all currency pairs of close to €38 billion in 2017.

Global Markets has longstanding expertise in precious metals. We actively trade gold, silver, platinum and palladium, both physically (bars and coins) and in forward contracts. We also offer secure custody services.

KTL: ASSET MANAGEMENT ACTIVITIES

Established in Luxembourg in 1987, Kredietrust Luxembourg (KTL) is the asset management subsidiary of KBL *epb*. With a dual license as a UCITS management company and an alternative investment fund manager, KTL qualifies as a "SuperManCo," which works with the bank to provide the following services:

- Investment research, analysis and recommendations in collaboration with other KBL *epb* group companies
- Management of investment funds under the commercial brand "Richelieu Investment Funds"
- Portfolio management for institutional clients
- Third-party fund selection
- Management company services for third-party clients

As noted above, Richelieu Investment Funds is the commercial brand that englobes the fund range actively promoted by KBL *epb* at its different affiliates. The fund range consists of sub-funds covering the traditional asset classes of fixed income and equities through Lux UCITS Richelieu Bond, Richelieu Equity, Richelieu Fd and Richelieu Money Market. In addition, there is a limited fund range of multi-management funds structured under the UCITS KBL Key Fund.

The following group teams – whose members are based at various affiliates, overseen by the Group Chief Investment Officer – are focused on carrying out specific actions to support KBL *epb* investment research activities:

- Group Investment Research (GIR), the coordinating entity for investment research activities throughout the group, including defining the group investment universe

- Group Asset Allocation Committee (GAAC), which oversees the tactical asset allocation process for managed portfolios within the group

> KTL PROVIDES INVESTMENT RESEARCH, ANALYSIS AND RECOMMENDATIONS

- Group Equity Research Team (GERT), which analyzes and issues a list of preferred European small and mid caps; European and US large-cap stock selection has been outsourced to expert external providers

- Group Macroeconomic Team (GMAT), the internal provider of input and insight to the GAAC on macroeconomic trends

- Group Corporate Team (GCOR), which provides bottom-up fixed-income analysis, with a focus on credit research

- Group Thematic Ideas Team (GTI), the key internal provider of broad, top-down equity research, such as thematic ideas, regional equity market analysis and overall styles

- Group Fund Selection Team (GFST), which focuses on identifying the optimal external funds within their category in order to meet clients' investment needs

- Group Forex and Commodities Team (GFOX), a provider of research and insight on currencies and commodities

- Group Investment Advisory Team (GIAT), a "pivot" in the conviction chain that ensures that ideas and insight are cascaded and incorporated by Group Investment Research

2017 IN REVIEW: AFFILIATES

INSINGERGILISSEN

After officially joining the KBL *epb* family in the first month of 2017, Insinger de Beaufort merged with Theodoor Gilissen Bankiers on October 1, 2017. By combining the asset management expertise of both banks, the new entity, InsingerGilissen, is in the perfect position to meet the evolving needs of its clients, backed by KBL *epb*'s pan-European private banking network.

Merging these two historically important wealth managers created one of the strongest pure-play private banks in the Dutch market. As a leading private and custodian bank, InsingerGilissen effectively and independently guides clients and future generations in making important financial decisions – during every phase of their life.

By delivering refreshing financial solutions and great service, the bank actively supports clients in shaping their own future, creating new beginnings at each important step they take in their life. In this endeavor, InsingerGilissen helps raise industry standards, step by step and over and over again.

With strong net inflows, supported by a positive market effect and the merger, assets under management increased significantly in 2017 and exceed €26.5 billion. A promising new start for two established boutique private banks, moving forward as one.

PUILAETCO DEWAAY PRIVATE BANKERS

Puilaetco Dewaay Private Bankers, founded 150 years ago, is a pure-play Belgian private bank focused on providing independent, personalized wealth management services that meet the needs of each individual we have the opportunity to serve.

Headquartered in Brussels with offices in seven other cities in Belgium, Puilaetco Dewaay believes in innovation through tradition: building upon a commitment to excellence and high-added-value services that began in 1868, we embrace the spirit of change required by a constantly evolving environment, including by investing in digital solutions. In this and everything we do, our goal is to preserve and grow the wealth of our clients – today, tomorrow and for generations to come.

Our more than 200 highly professional staff provide long-term, holistic wealth management services and open-architecture investment solutions for our HNWI clients, who benefit from a wide range of personalized services, including wealth planning; investment management; credit; fine art collection management; and sustainable investing, through a partnership with Triodos Bank.

A client-focused organization with over €10 billion in assets under management, Puilaetco Dewaay continues to record sustained growth, strengthening existing relationships, attracting new clients and looking to the future with confidence.

BROWN SHIPLEY

In 2017, Brown Shipley successfully integrated The Roberts Partnership, following the acquisition of the UK-based financial planning and wealth management firm in 2016. This significantly strengthened Brown Shipley's wealth planning capabilities, in line with the strategic objective to broaden our overall client offering, while also increasing assets under management by over €500 million.

Brown Shipley last year also acquired and integrated into its London office the UK branch of Insinger de Beaufort – following the merger of Insinger de Beaufort and Theodor Gilissen in the Netherlands – to create the Brown Shipley International Office. This added a further €2 billion in AuMs, increasing total AuMs to some €8.7 billion at the end of 2017.

We have successfully delivered the required changes to the way we operate to ensure we are MiFID II compliant, following a significant investment in process and IT system enhancements, as well as staff training.

Work has also commenced to migrate Brown Shipley onto the group-wide IT platform, powered by Lombard Odier, which will supply us with a state-of-the-art administration and custody solutions. Migration is targeted to take place in 2019.

Brown Shipley's people have continued to live up to the promise of our corporate values, serving clients to a high standard, while successfully delivering our transformation agenda and a CSR programme that supports a range of UK charities.

MERCK FINCK

Munich-headquartered Merck Finck offers a wide spectrum of solutions for its HNWI clients. With 15 offices and more than 300 employees across Germany, we have built strong relationships founded upon mutual trust and nearly 150 years of experience.

Following the appointment of Daniel Kerbach as Chief Investment Officer, a new investment process was implemented. Ingo Koczwara – another investment expert – also joined the Investment Management department. He will focus on small and mid-cap equity strategy, and has created the "Richelieu Equity Small & Mid Cap Germany" fund and is managing it as well.

In the middle of last year, Merck Finck started to introduce a more contemporary corporate design. The fresh look is contributing to the image of Merck Finck as a dynamic wealth manager.

Finally, the outstanding quality of Merck Finck's advisory services was recognized once again with awards and top rankings from leading media and organizations such as Handelsblatt Elite Report and Fuchsbriefe.

KBL ESPAÑA

Established in 2011 as a branch of KBL *epb*, KBL España is headquartered in Madrid with offices in Murcia, Las Palmas, León and Valencia. We offer clients the flexibility of developing private banking relationships managed from Spain with the ability to domicile assets in the KBL *epb* market of their choice.

In 2017, only our sixth full year of operation and despite an increasingly competitive environment, we achieved significant expansion in terms of the number of new clients – a record by volume during the year – as well as growth in assets under management and revenues. Having started as a greenfield operation in the very large Spanish market, we consider that there continue to be important opportunities for future growth.

We also established a new asset management subsidiary, KBL España Asset Management SGIIC S.A., in line with changes to the local regulatory environment.

The majority of our clients are high net worth individuals for whom we aim to provide customized asset management services with the objective of analyzing each client's full profile in order to offer a complete wealth management solution that takes account of more than purely financial factors.

Working closely with our colleagues in Luxembourg and across Europe, we continue to identify further opportunities for cross-border collaboration, enhancing our ability to provide clients with deep insight into the Spanish market combined with broader international perspective.

BANQUE PUILAETCO DEWAAY LUXEMBOURG

In January 2016, Banque Puilaetco Dewaay Luxembourg successfully migrated its activities to a new IT platform. In July 2017, its parent, KBL European Private Bankers, migrated to the same platform, powered by Lombard Odier and designed to meet the specific requirements of the pan-European private banking group. Moving forward, KBL *epb* will continue to roll out this platform across its network, supporting front and back-office activities.

Meanwhile, Banque Puilaetco Dewaay Luxembourg continued to focus on its core business: customized discretionary management. This comes in the context of the introduction in January 2018 of MiFID II, putting an end to advisory mandates and limiting administered account services to a select number of UHNWI clients.

The bank did not make any new hires in 2017, but undertook a restructuring of costs and a complete overhaul of its margins. This was done in such a way as to return the bank's overall profitability to close to the levels seen before the IT migration.

In December 2017, the bank's lending business closed with the transfer of loans to KBL *epb*, which has now taken over this service for the bank's clients. Finally, Banque Puilaetco Dewaay Luxembourg has rented new premises in Strassen, Luxembourg, to which its headquarters will move in the first half of 2018.

NON-FINANCIAL & DIVERSITY INFORMATION

In line with European Commission Directive 2014/95/EU on the disclosure of non-financial and diversity information, KBL *epb* is pleased to provide its first annual report of environmental, social and governance-related initiatives and impacts, complementing the information provided in the group's 2017 consolidated and non-consolidated reporting.

Whenever possible, the information and data contained in this report encompass the activities of the group as a whole – excluding KBL Richelieu and KBL Monaco Private Bankers, reflecting the fact that KBL *epb* signed on December 1, 2017, a preliminary agreement for the sale of those subsidiaries to Société Générale de Banque in Lebanon, a universal bank. That sale remains subject to approval by the regulatory authorities and should be finalized during the first half of 2018.

Given that the group's headquarters are in Luxembourg, where 34% of its staff are based, particular emphasis is placed on KBL *epb*'s environmental, social and governance-related initiatives and impacts in the Grand Duchy.

SUSTAINABILITY & RESPONSIBILITY

In a period marked by rapid social change and deepening environmental concerns, sustainability – in every sense of the word – has never been more important for companies everywhere, no matter where they are based or their sector of activity.

Given the low level of public trust in financial services organizations in particular – especially in the wake of the global financial crisis – such firms have a unique opportunity to demonstrate to their stakeholders (including but not limited to clients, employees and the community at large) that they act responsibly.

At KBL *epb*, we are committed to doing well for our clients, doing right by our people and doing good in the communities in which we operate. That commitment is shared across our group, and brought to life by our 2,124 staff based in some 50 European cities.

Founded in Luxembourg in 1949 and with centuries of collective heritage, we know that our group must continue to change with the times to bring that commitment to life. We are therefore pleased to report, for the first time, our environmental, social and governance-related initiatives and impacts – recognizing that such reporting can and must grow richer over time.

ENVIRONMENTAL IMPACT

In every market in which we operate, the KBL *epb* group is making a sustained effort to reduce its carbon footprint, including by minimizing electricity usage, maximizing the recycling of paper and other waste, privileging public transportation and seeking local solutions insofar as possible.

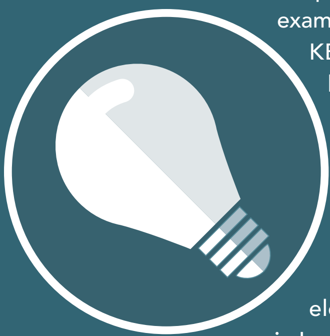
In Luxembourg, the Real Estate & Logistics department develops, executes and follows up on such environmental impact initiatives, acting under the supervision of the Group CFO.

Carbon footprint: In September 2016, the group entered into a partnership with Egencia, a business travel solutions provider. Consequently, we are now able to track, trace and seek to reduce our carbon footprint at group level and at each affiliate.

FLIGHT CARBON FOOTPRINT BY C02 EMISSIONS, IN KG, BY KBL *epb* GROUP ENTITY (2017)

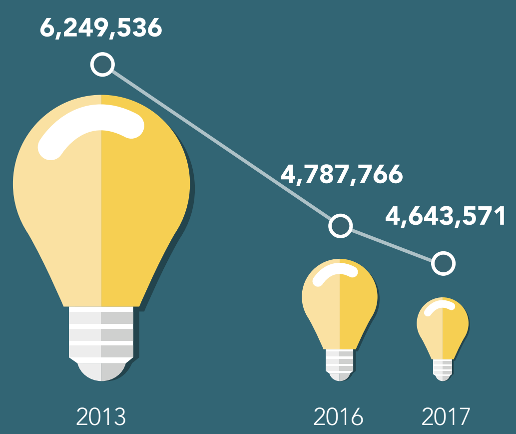
	2017
KBL *epb*	101,829
Merck Finck	118,652
Brown Shipley	38,113
Puilaetco Dewaay	1,695
Theodoor Gilissen (pre-merger)	11,084

At the same time, our policy is to favor and actively promote business-related travel by public transportation (including train, bus and, on some occasions, ride-sharing), including by subsidizing the cost of daily commuting for employees who opt for such public transportation through, for example, the "M-Pass" programme for KBL *epb* Luxembourg employees based in neighboring countries such as Belgium and France.



Electricity consumption: Over the past several years, reflecting increasing awareness of the environmental impact of electricity consumption, KBL *epb* – in Luxembourg and across the group's operations – has put in place measures to reduce such consumption. In Luxembourg, for example, electricity consumption has been reduced by nearly 25% since 2013. Meanwhile, at Merck Finck's headquarters in Munich, electricity consumption has been reduced by nearly 47% since 2003. At Puilaetco Dewaay's Brussels headquarters, electricity consumption was reduced by nearly 30% between 2016 and 2017.

ELECTRICITY CONSUMPTION, IN KWH, BY KBL *epb* LUXEMBOURG



At several entities, including KBL *epb* Luxembourg and Merck Finck, energy audits have been conducted. At Brown Shipley's London office, a major internal renovation project took place in 2014, followed by the renovation of three elevators in 2017. These measures helped materially reduce electricity consumption.

Indeed, thanks to measures such as the installation of LED light bulbs and movement-sensor detectors and the optimization of cooling and air-circulation systems, the group's real estate/facilities management departments have broadly succeeded in optimizing electricity consumption.

Paper usage: In line with best practices, printers at every group entity are preconfigured to print in black and white and recto-verso, reducing paper and ink usage. All entities also use FSC-certified paper, ensuring that the wood within the product is from FSC-certified material, recycled material or controlled wood. The group also developed and put in place a long-term internal campaign to reduce unnecessary and/or excessive printing. Consequently, the consumption of A4 paper in Luxembourg declined by 12% between 2016 and 2017.

FSC A4 PAPER CONSUMPTION AT KBL *epb* LUXEMBOURG AND BROWN SHIPLEY

	2016	2017
KBL *epb*	4,895,000	4,300,000
Brown Shipley	2,801,000	2,586,500

Waste treatment: In Luxembourg, KBL *epb* earned SuperDrecksKëscht® fir Betriber status a decade ago, reflecting the organization's sustained commitment to the responsible treatment of waste, including the fact that some 50 tons of organic waste is annually converted into a source of industrial heating. This status is conferred by the country's Environmental

Administration, the Chamber of Commerce and Chamber of Trades based on the sustainable management of waste in line with environmental standards.

SuperDrecksKëscht® fir Betriber status is certified according to the international norm ISO 14024:2000. The treatment and recycling of waste by companies with such certification integrates the requirements of the norm ISO 14024.

SINCE 2008, KBL *epb* HAS BEEN RECOGNIZED FOR ITS COMMITMENT TO THE RESPONSIBLE TREATMENT OF WASTE

Employee meals: A number of initiatives were put in place in 2017 to enhance the quality, healthiness and environmental impact of meals served at staff canteens. In Luxembourg, for example, only organic fruit is now served, local produce is privileged and all organic waste generated by the canteen is recycled as a source of energy. At Puilaetco Dewaay in Belgium, the bank has introduced a range of Oxfam fair trade hot drinks.

SOCIAL RESPONSIBILITY

In every market in which we operate, our group recognizes diversity as a source of strength, invests in the life-long professional development of our people, and commits to contributing to the well-being of the local community.

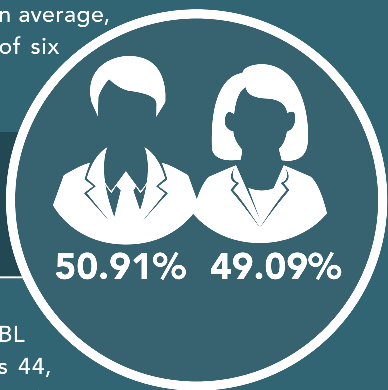
In each of our markets, the local HR department, supported by Group HR, develops, executes and follows up on policies and strategies to measure and promote staff diversity, and also leads staff training and professional development activities. Corporate social responsibility activities are typically led by HR and Corporate Communications, with oversight by senior management and/or a committee dedicated to CSR actions, which must be in line with the established Group CSR Policy. Such budgets are allocated locally.

Diversity: KBL *epb* is an equal-opportunity employer, which is committed to ensuring that every employee – no matter their gender, their age, their sexual orientation, the color of their skin or their physical abilities – is treated with the respect and fairness that everyone deserves.

At the group's headquarters, and across our pan-European network, we place special emphasis on improving gender parity, over time, at all levels of the organization. In Luxembourg, the bank was recognized in 2017 for its commitment to this effort by the Ministry of Equal Opportunity, which presented KBL *epb* with a Positive Action Award.

Approximately 50% of Luxembourg-based staff are female, while an average 43% of staff at each affiliate are women. Meanwhile, staff in Luxembourg are highly multicultural, including 16 different nationalities, led by Belgian (39%), French (32%) and Luxembourgish (7%). On average, affiliates employ staff of six different nationalities.

APPROXIMATELY 50% OF LUXEMBOURG-BASED STAFF ARE FEMALE



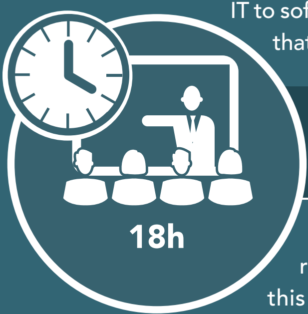
The average age of a KBL *epb* group employee is 44, reflecting the level of experience typically required for staff in this sector of activity; our employees have served at the group, on average, for 11 years.

At the same time, the group actively seeks to hire, train and promote younger employees. In Luxembourg, relevant actions include an initiative known as the "Kaleidoscope Programme," a two-year, customized integration programme that allows high-achieving recent graduates to explore key departments of the bank and gain a uniquely comprehensive understanding of the financial services sector. This programme, initiated 30 years ago, has produced generations of executives, with some 80 graduates having taken part to date.

COMPOSITION OF KBL *epb* GROUP ENTITIES BY AGE, SENIORITY, GENDER

	Age	Seniority	Men	Women
KBL *epb*	46.02	17.63	362	349
Merck Finck	48	13	183	138
Brown Shipley	41.5	7.58	218	160
Puilaetco Dewaay	45.05	12	128	106
Insinger de Beaufort (pre-merger)	46.83	14.33	106	67
Theodoor Gilissen (pre-merger)	46.27	11.62	139	41
KBL España	40	3.5	20	17

Training, development & well-being: Training is an imperative for all KBL *epb* staff, no matter their age or experience, especially given the rapid pace of change in the private banking sector. At KBL *epb*, we provide our people with ongoing opportunities to grow personally and professionally as part of a leading multi-local private banking group. Training offered under the umbrella of KBL *epb* Group University – ranging from IT to soft skills to language learning – ensures that career growth remains continuous.



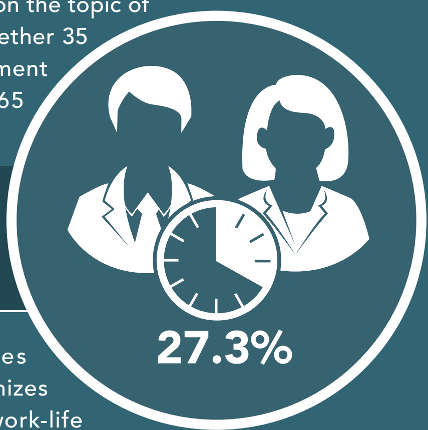
NUMBER OF ANNUAL TRAINING HOURS, PER EMPLOYEE, AT MERCK FINCK (2017)

Given ongoing changes to the regulatory environment, training in this area is of particular importance. In the context of the entry into force of MiFID II, for example, some 90 KBL *epb* staff in Luxembourg were required to participate in between 15-40 hours of in-depth training, and then pass a test to prove that they have the knowledge required to advise clients in this new environment.

Together, the Group Learning & Development team, HR Luxembourg and various in-house experts designed and implemented training and test modules for relevant employees – including from Wealth Management, Business Development, Investment Management & Advisory and certain front-office support functions. Backed by the training developed by our people for our people, all employees successfully passed the MiFID II knowledge and competence tests, and each is now certified to provide our clients with the best solutions.

Since 2008, KBL *epb* Luxembourg has employed a full-time Social Assistant, who, in cooperation with the HR department, works with staff to help them address personal challenges and supports them in developing solutions. In 2017, the bank organized seven internal events on the topic of burnout, bringing together 35 members of management and more than 265 employees.

PERCENTAGE OF PART-TIME STAFF AT KBL *epb* IN LUXEMBOURG (2017)



KBL *epb* promotes flexibility and recognizes the importance of work-life balance. In Luxembourg, more than one-quarter of all staff work part-time, and remote access is increasingly proposed as a solution – on a periodic basis, in line with relevant regulations – particularly for working parents. To that end, the bank launched in 2017 a three-month pilot programme to evaluate opportunities to expand its remote access programme.

Across the group, investments are made on an ongoing basis in employee well-being, including significant enhancements to the physical office space in Luxembourg, as well as at the head office of InsingerGilissen in Amsterdam. Whether it's providing baskets of fresh fruit, employee changing rooms and showers, regular staff movie nights, breakfast discussions with senior management or all-staff holiday parties, the group rewards its people for their hard work, dedication and client-centricity.

€474,000

ANNUAL BUDGET FOR STAFF TRAINING AT KBL *epb* IN LUXEMBOURG (2017)

Corporate social responsibility: With 2,000 employees based in some 50 cities in Europe, the KBL *epb* group has a unique opportunity to make a difference in local communities and to be a benchmark socially responsible financial institution everywhere we operate. Moreover, at KBL *epb*, we believe we meet the needs of all our stakeholders by acting as a positive and effective influence in local communities. By contributing resources and capital to worthy causes and initiatives, we serve as an agent of positive social change.

In 2017, KBL *epb* donated €30,000 to charitable associations in Luxembourg, including the Fondatioun Kriibskrank Kanner, which accompanies children fighting cancer or a rare and life-threatening disease and their families; the Luxembourg Autism Foundation; Jonk Entrepreneuren, which facilitates youth entrepreneurship; ELA, which supports research in the field of leukodystrophy; and many other causes. KBL *epb* also provides ongoing financial support to a broad range of non-profit cultural organizations, such as the Luxembourg Philharmonic and the Grand Theater of Luxembourg. Whenever possible, KBL *epb* facilitates opportunities for its staff to participate in charitable initiatives.

Outside the Grand Duchy, KBL *epb* affiliates are likewise very active in their local community, including by sponsoring children's welfare initiatives (Puilaetco Dewaay), art exhibitions and theater (Merck Finck and InsingerGilissen), and charity races (Brown Shipley).

COMPLIANCE NORMS & POLICIES

As outlined in Appendix 2, Compliance Risk, Compliance is responsible for implementing all measures designed to prevent KBL *epb* from suffering damage or loss, whether financial or otherwise, due to a failure to comply with existing regulations. The operating procedures of this function – in terms of objectives, responsibilities and powers – are laid down in the Compliance Charter drawn up by the Compliance department and approved by the Executive Committee and the Board of Directors.

The Compliance Charter:

- Defines the position of Compliance in the bank's organizational chart
- Recognizes the right of Compliance to open investigations into any of the bank's activities
- Defines the responsibilities and reporting lines of the Chief Compliance Officer
- Describes the relationships with Risk Management and Internal Audit
- Defines the applicable conditions and circumstances for calling on external experts
- Establishes the right of the Chief Compliance Officer to contact directly and on his own initiative the Chairman of the Board of Directors or, where appropriate, members of the Audit Committee or the Compliance Committee, as well as the CSSF

The core focus of the Compliance function covers:

- The fight against money-laundering and terrorism financing
- Prevention of market abuse and personal transactions
- Integrity of the markets in financial instruments
- Investor protection
- Data protection, including banking secrecy

- Avoidance and management of conflicts of interest
- Prevention of the use of the financial sector by third parties to circumvent their regulatory obligations
- Management of compliance risks linked to cross-border activities
- Professional ethics (codes of conduct, compliance manual, etc.) and the fight against fraud and corruption

The following primary Compliance policies, guidelines and standards – available via the group's Intranet – are applicable across the KBL *epb* group:

- Compliance Charter
- Compliance Policy
- Code of Protection of Whistle Blowers
- Code of Protection of Whistle Blowers – Annex 1
- Conflict of Interest Policy
- Conduct of Business Policy
- Code of Conduct
- Anti-corruption and Bribery Policy
- Anti-corruption and Bribery Policy Q&A
- Cross-border Policy
- Policy Relating to the Exercise of Mandates by Employees

Via various compulsory training sessions, each KBL *epb* employee has been made fully aware of their role in the fight against money-laundering and the fight against terrorism. In addition, at the end of 2017 and with the imminent entry into force in Luxembourg of the MiFID II Directive to improve investor protection, specific training on this topic was provided to all relevant staff.

NON-CONSOLIDATED MANAGEMENT REPORT

GENERAL COMMENTS ON THE RESULTS AND THE BALANCE SHEET

At the end of the financial year 2017, KBL *epb*'s balance sheet totalled €8.6 billion, stable compared to the end of 2016 (€9.0 billion). The bank has slightly scaled down the size of its own securities portfolio.

On December 1, 2017, KBL *epb* signed a preliminary agreement for the sale of its subsidiaries KBL Richelieu in France and KBL Monaco Private Bankers to Société Générale de Banque in Lebanon, a universal bank. Following this announcement, the bank reclassified its two investments as "Held for sale" in the balance sheet, in accordance with applicable IFRS accounting standards.

This transaction remains subject to regulatory approval and is expected to close in the first half of 2018.

The solvency of the bank was further strengthened with a ratio of 36.51% as of December 31, 2017. This ratio remains well above the regulatory threshold imposed by the European Central Bank.

The net interest margin totalled €51 million, which reverses the downward trend observed in recent years with an increase of nearly 6% compared to the end of 2016.

Net commissions were down 9% to total €55 million (vs. €61 million at the end of 2016), mainly due to commissions from the custody business.

In 2017, the bank received higher dividends from its subsidiaries, namely €65 million vs. €43 million in 2016.

At the end of 2017, KBL *epb* realized a capital gain of some €11 million on one real estate transaction. In 2016, the sale of a building in Luxembourg Center generated a capital gain of €15 million in other operating income.

Operating expenses decreased by 14% (€146 million in 2017 compared to €170 million in 2016). In 2016, this heading was affected by implementation of the transformation plan and by the development of the new IT platform in partnership with Lombard Odier. In 2017, the bank put in place a plan to resize the workforce to its target model and its new platform, which negatively affected staff costs.

As of December 31, 2017, KBL *epb* recorded a net profit of €39.3 million compared to €28.7 million in 2016.

For detailed figures, please refer to the Annual Accounts.

APPENDICES

APPENDIX 1
DEPOSIT GUARANTEE

These directives are transposed into Luxembourg law by the law of 18 December 2015.

In Luxemburg, the national deposit guarantee scheme (DGS) is represented by the FGDL ("Fonds de garantie des dépôts Luxembourg," see the website www.fgdl.lu).

The purpose of the FGDL is to protect clients of the member institutions in case a bank goes bankrupt.

KBL *epb* is an FGDL member. As a member account holders (natural persons and legal entities) in KBL *epb* Luxembourg and in the KBL Spain branch are protected by the FGDL up to a maximum of €100,000 per person/account (additional guarantees are in place for temporary deposits, see the FGDL website for details).

In case of failure, FGDL ensures compensation of depositors within 7 days.

In order to be compliant with the legislation, KBL *epb* has since December 31, 2013, implemented a system which is able to produce a Single Customer View (SCV) file including data about all eligible cash depositors along with the customers references. The KBL *epb* system is tested twice a year. This set of information is requested by the CSSF in order to facilitate the reimbursement of depositors in case of the bank's failure.

Each year, KBL *epb* Luxembourg pays a contribution to the FGDL for its financing.

In 2017, KBL *epb* Luxembourg paid €425,360 for the FGDL (2016: €498,235) and €1,938,444 for the Luxembourg Resolution Fund FRL (2016: €1,352,970).

Considering the amount paid for the FGDL during the current year, the same amount of €425,360 was transferred back from the unavailable to the available reserves.

As for the investor protection, the Luxembourg investor compensation scheme (SIIL: "Système d'indemnisation des investisseurs Luxembourg") covers investors (natural persons and legal entities) in the scope of the legislation (law of 18 December 2015). The investment transactions made by the same investor are covered up to an amount equivalent to €20,000.

KBL *epb* Luxembourg is also an SIIL member, in the scope of which eligible investors in KBL *epb* are covered.

APPENDIX 2
COMPLIANCE RISK

Compliance is responsible for implementing all measures designed to prevent KBL *epb* from suffering damage or loss, whether financial or otherwise, due to a failure to comply with existing regulations.

The tasks of Group Compliance encompass the identification and management of compliance risks, as well as the implementation of an awareness-raising policy. Its monitoring includes corrective measures, internal reporting, and liaising with the Public Prosecutor and the CSSF in the field of anti-money laundering. It actively supports management bodies in the control and management of these risks.

Its core focus is:

- Investor protection (MiFID, customer complaints, avoidance and management of conflicts of interest, etc.).
- Prevention of market abuse, money laundering and terrorism financing
- Professional ethics (codes of conduct, compliance manual, etc.) and fraud prevention
- Staff and Group adherence to regulatory obligations
- Prevention and management of compliance risks linked to cross-border business

Advice, prevention and control in these various areas of intervention form the core work of Compliance, which also monitors compliance risks and their management across the whole KBL *epb* network through cooperation between local and Luxembourg-based teams.

Furthermore, the Board Compliance & Legal Committee (BCLC) is informed of, and regularly monitors, the adequacy of Compliance measures. This Committee is delegated by the Board and meets on a quarterly basis.

2.1. ADVICE & PREVENTION

Compliance continues to advise and support the bank's various business lines. It regularly supports commercial initiatives and the questions that can arise from them. Compliance is also involved in the bank's client acceptance and revision procedure.

It should be noted that Compliance takes part in the validating of new products and services for their marketing to clients. The goal of this process, which incorporates support materials like brochures and term sheets, is to ensure that clients understand products and their risks, and make informed investment decisions which comply with existing regulations.

Compliance is also associated to various regulatory projects. Compliance participates in the group-wide high-level assessment analysis and provides the workstreams with appropriate regulatory roadmaps, as well as a group regulatory dashboard consolidating all applicable requirements. In 2017, Compliance actively participated in the preparatory work for the entry into force of the MiFID II and PRIIPs regulations in January 2018.

In addition to its ongoing monitoring and support of subsidiaries, the Group continued to support the roll out of the Compliance Awareness programme across the whole of KBL *epb*.

This programme is mainly based upon a systematic and structured multi-annual approach with training sessions, depending on the person's level of exposure to Compliance risks. The programme is accompanied by regular information for employees and managers on Compliance risks according to what is topical (internal or external).

In 2017, the Group Compliance Normative Committee met several times, gathering together a number of local Heads of Compliance to examine new group norms and standards, ensuring best practices. This Committee advises the Group Executive Committee. In August 2017, this saw the revision of the current anti-money laundering standard and at the end of the year the adoption of a policy on investor protection.

Compliance continued to strengthen Compliance practices across KBL *epb* through forums, and regular exchanges with Compliance Officers in our European network. In particular, Group Compliance made a major effort to train all Compliance Officers throughout the Group in the new requirements brought in by MiFID II.

2.2. CONTROL

Compliance continued to maintain its Control function. 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 regularly checks that these risks are under control. If necessary, suggestions for improving the plan are put forward. Since 2016, the plan has been drawn up based on the results of a Compliance Risk Assessment exercise. This methodology for evaluating compliance risk targets a more refined and better documented risk analysis to better allocate compliance resources to the biggest risks.

The correct execution of these controls by our subsidiaries is monitored from Luxembourg, with support provided as necessary.

Specialized anti-money laundering is now in place in all KBL *epb* entities. This solution improves the review processes for the group's clients, whether new or existing, both by analysing client behaviour (before and after), and by screening the client database and international lists of persons subject to legal action or restrictive measures.

In addition, in 2017, the Group started installing an external professional tool specialized in the detection of market abuse and insider trading. The same tool will be used to automate checks to ensure that the Best Execution policy is adhered to when processing client orders.

KBL *epb* is constantly adapting its control procedures and reiterating to staff the ongoing need to protect clients.

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

APPENDIX 3
RISK MANAGEMENT

3.1 MISSION & ACHIEVEMENTS

One of the highlights of 2017 for the KBL *epb* group was the merger of Insinger de Beaufort (IdB) with existing subsidiary Theodoor Gilissen Bankiers to become InsingerGilissen.

IdB is an historically important Dutch private bank, founded in 1779, that the group acquired in 2016. The IdB UK branch migrated to Brown Shipley & Co. Group Risk Control supported IdB alignment with KBL *epb* group standards.

Another important event for the group was the signature of a preliminary agreement for the sale of KBL Richelieu and KBL Monaco Private Bankers to Société Générale de Banque au Liban (SGBL). This sale is expected to close in the first half of 2018, and the Risk Management framework will be adapted accordingly.

On July 1, 2017, a major milestone in the group's Utopia project – the outsourcing of part of KBL *epb*'s IT & Operations activities to the Swiss private bank Lombard Odier – was achieved with the successful migration of KBL *epb* Luxembourg to the new platform (following migrations at Puilaetco Dewaay Luxembourg and KBL Richelieu in 2016).

Group Risk Control was involved in the preparatory work (i.e. to ensure that material gaps between the former and new control environment were properly identified) and in post-migration "hypercare" monitoring.

In the continuity of the project, a new centralized Risk Database has been set up to which all former satellite databases are currently being migrated. The database aims at following BCBS 239 guidelines – which KBL *epb* is, however, not directly subject to by regulation – with a specific effort dedicated to the standardization and availability of information to subsidiaries.

In 2017, the fourth iteration of the bank's Group Recovery Plan was submitted to the regulator. Among other improvements, the Recovery Plan was complemented with a sound calibration of the recovery indicators, and with a detailed escalation process of the Plan, including the Communication Plan.

Preparatory measures in order to remove impediments to the effective implementation of recovery options, and the integration of the recovery plan in the group's governance, Risk Management framework and Management Information System, were described in greater depth.

In preparation for the drafting of KBL *epb*'s resolution plan by regulatory authorities, several workshops were organized with the Single Resolution Board (SRB), where the group's structure was screened (with a focus on interdependencies), and critical functions were analyzed. The resolution plan comprises a description of the bank and elaborates on the measures the SRB can implement if the bank meets the conditions for resolution (i.e. restructuring in order to safeguard public interests, including the continuity of the bank's critical functions, maintaining financial stability, etc., while the opposite alternative is insolvency).

In 2017, quantitative developments were mainly focused on regulatory topics. The use of the new calculation tool implemented in 2016 was generalized to all calculations requiring advanced capabilities. This was the case for a.o. (i) the Expected Credit Loss (ECL) calculation and related KRIs (default probabilities, etc.) in the context of the set up of IFRS9 accounting standards, (ii) for the KIID rating and performance scenarios in the context of the setup of the PRIIPS standard, and (iii) the Principal Component Analysis in the context of the IRRBB standards.

Further to the Utopia migration, the set of tools used for the monitoring of the Contingency Funding Plan (CFP) has been implemented in the new Risk Database, and further automated: Liquidity Coverage Ratio (LCR) as per Delegated Act, Additional Liquidity Monitoring Metrics, Net Stable Funding Ratio, collateral inventory and other liquidity gap measures.

The fire drill of the CFP was successfully renewed in 2017. This exercise allowed the testing under the new platform of the operational processes through which the bank would use pre-defined liquidity sources in the event of a major liquidity crisis.

With regard to the management of Interest Rate Risk in the Banking Book (IRRBB), the bank participated to the 2017 Stress Test Sensitivity analysis of IRRBB, launched by the ECB in February. This stress test exercise aimed at assessing the robustness of the bank's economic value of equity and Net Interest Income under six prescribed Interest Rate scenarios. The outcome of the exercise was used as input for the Supervisory Review Evaluation Process (SREP).

In relation to credit risk, a further update to the Group Credit Policy – defining the framework within which loan activities for clients are to be managed – was introduced in early 2017.

In terms of operational risk, the main improvements in 2017 were the review of the Risk and Control Self-

Assessment process (RCSA) of affiliates as well as the review and validation of the main operational procedures related to the new operational set up.

3.2 STRUCTURE & ORGANIZATION

Risk Control entities fulfill a second line of defense role, the first line being assumed by the entities at the source of risk. In this context, they ensure that each key risk the group may be exposed to is properly identified, measured, monitored and reported.

As of December 31, 2017, Group Risk Control in Luxembourg is organized into seven departments with a total of 26.4 Full-Time Equivalent employees (FTEs).

The Market Risk Control department, with 1.8 FTEs, is in charge of the monitoring of market risks (interest rate, price (equity) risk, currency, real estate, and liquidity risks) carried by the entire balance sheet, including both ALM and Trading activities.

Therefore, the entity checks and monitors a comprehensive set of market risk factors and reports their measures to the different levels of management from Global Markets/ALM senior management to the Board Risk Committee.

Regarding liquidity risk, the entity is in charge of the interpretation and implementation of new EU regulatory requirements, in addition to the recurrent control of the liquidity situation of the bank.

Market Risk Control also participates in the local "Asset and Liability Management Committees" (ALCOs) of the different subsidiaries to ensure that local decisions are taken in compliance with Group ALCO Policy.

The Credit Risk Control department, with 5.3 FTEs, is in charge of monitoring credit risk for the group, which arises from the following activities:

- Lombard & mortgage lending to private clients in support of the bank's core private banking activity
- Portfolios of fixed-income investments, in the context of the reinvestment of excess liquidity
- Counterparty risk linked to Money Market transactions contracted between Global Markets and a network of banking counterparties
- Committed and uncommitted credit lines granted to investment funds in support of Institutional & Professional Services activity
- Credit risk carried by 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 Lending Management department, with 6.6 FTEs, reports to the Head of Credit Risk Control. Lending Management is in charge of:

- The implementation of loans by the parent company (especially the drafting of loan documentation, as well as the complete setting up of securities in accordance with the credit decision)
- The risk monitoring of each parent company loan facility during its lifetime
- The secretariat for Luxembourg and group credit committees

The Operational Risk Control department, with 4 FTEs, has the following responsibilities:

- Collect operational incidents for the group through the Group Operational Incident Database:
    - Challenge reporting, root cause analysis and mitigating action plan
    - Initiate case studies analysis
- Conduct/review RCSAs
    - Organize (and participate in) workshops with the business units
    - Challenge key risks/controls
    - Follow action plans
- Steer the insurance program for the group
- Act as second line of defense for Business Continuity Management

- Act as a member of various committees involving discussions on operational risks (i.e. the new Operational Risk Committee, the New Product & Service Approval Committee, the Group Information Security Committee, the Business Continuity Management Steering Committee)

The Group Risk Advisory department, with 1 FTE, is the single point of contact for subsidiaries, and in this role prepares and challenges local Board Risk Committees, provides support to group initiatives, and deals with transversal issues or projects.

The Risk Modelling & Quantitative Analysis department, with 3.85 FTEs, is in charge of the design and implementation of all risk models (market, credit and operational VaRs, internal stress test, product scoring, ECL, etc.) and provides quantitative support to Group Risk Control, Group ALM, Asset Management, Group Global Markets and subsidiaries. The department is also responsible for risk data management, and designing and maintaining an efficient risk database and reporting tool.

The Risk Reporting department, with 1.8 FTEs, covers transversal risk matters such as internal and regulatory risk reporting (i.e. monthly/quarterly risk reports, ICAAP, Recovery Plan, etc.) and regulatory watch in addition to some risk-related projects (e.g. Client Risk Management Framework, etc.).

The Process Management department, with 1 FTE, is in charge of the creation and implementation of the transversal procedures of the bank, mainly for the parent company, but also for certain branches/subsidiaries. Located in the Risk Control Function, it can develop synergies with the Operational Risk Control department.

The Group Head of Risk Control (1 FTE) completes the Risk Management staff in Luxembourg, being in charge of the steering of Risk Control in Luxembourg and the coordination of RC activities across the group.

The total number of risk managers in the KBL *epb* group is 56.2 FTEs (excluding the KBL *epb* Lending Management department). In light of the non-materiality of certain risks in the subsidiaries (absence of trading activity; ALM activities tightly framed and controlled by the parent company; limited liquidity risk), the majority of these resources are dedicated to managing and controlling client, credit and operational risks.

It should be noted that the two specific risk functions outsourced by KBL Monaco to Group Risk Control – Head of local Risk Control (+/- 0.2 FTE) and local Credit Risk Officer (+/- 0.2 FTE) – will be terminated upon the closing of the sale of KBL Monaco in 2018.

RESULT ALLOCATION PROPOSAL

At its meeting on March 22, 2018, the Board of Directors proposes to allocate the 2017 net result of €39,264,011 as follows:

I. A dividend of €0.25 per share will be paid to the preference shareholders for €1.081 relating to 2016 when no dividend had been paid-up
II. A dividend of €1.2612 by share will be paid-up to each preference and ordinary shareholders for a total amount of €30 million
III. Allocation of €9,247,925 to the retained earnings

On April 25, 2018, this affectation will be submitted for the approval of the Annual General Meeting.

COMPOSITION OF THE BOARD OF DIRECTORS

The Ordinary General Meeting of April 26, 2017 noted the expiry of the mandates of the following directors:

- A-R. Herkes
- A. Reuland
- A. Bouckaert
- N. Harvey
- M. Lam

and approved the renewal of their mandates until the ordinary General Meeting of 2019.

This report is available in English and French.

Only the English version is authentic.

DECLARATION ON THE CONFORMITY OF THE 2017 CONSOLIDATED ACCOUNTS

We, Peter Vandekerckhove, Group Chief Executive Officer, and Rachel Hamen, Group Chief Financial Officer, confirm, to the best of our knowledge, that the consolidated 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 consolidated assets, liabilities, financial position and consolidated profit or loss of KBL *epb* group, and that the consolidated management report includes a fair review of the development and performance of the business and the position of KBL *epb* group together with a description of the principal risks and uncertainties that the group faces.

Luxembourg; March 22, 2018

PETER VANDEKERCKHOVE
Group Chief Executive Officer

RACHEL HAMEN
Group Chief Financial Officer

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