Annual report 2008

it's all about you

KBL EUROPEAN PRIVATE BANKERS

MEMBER OF KBC GROUP

The Japanese garden

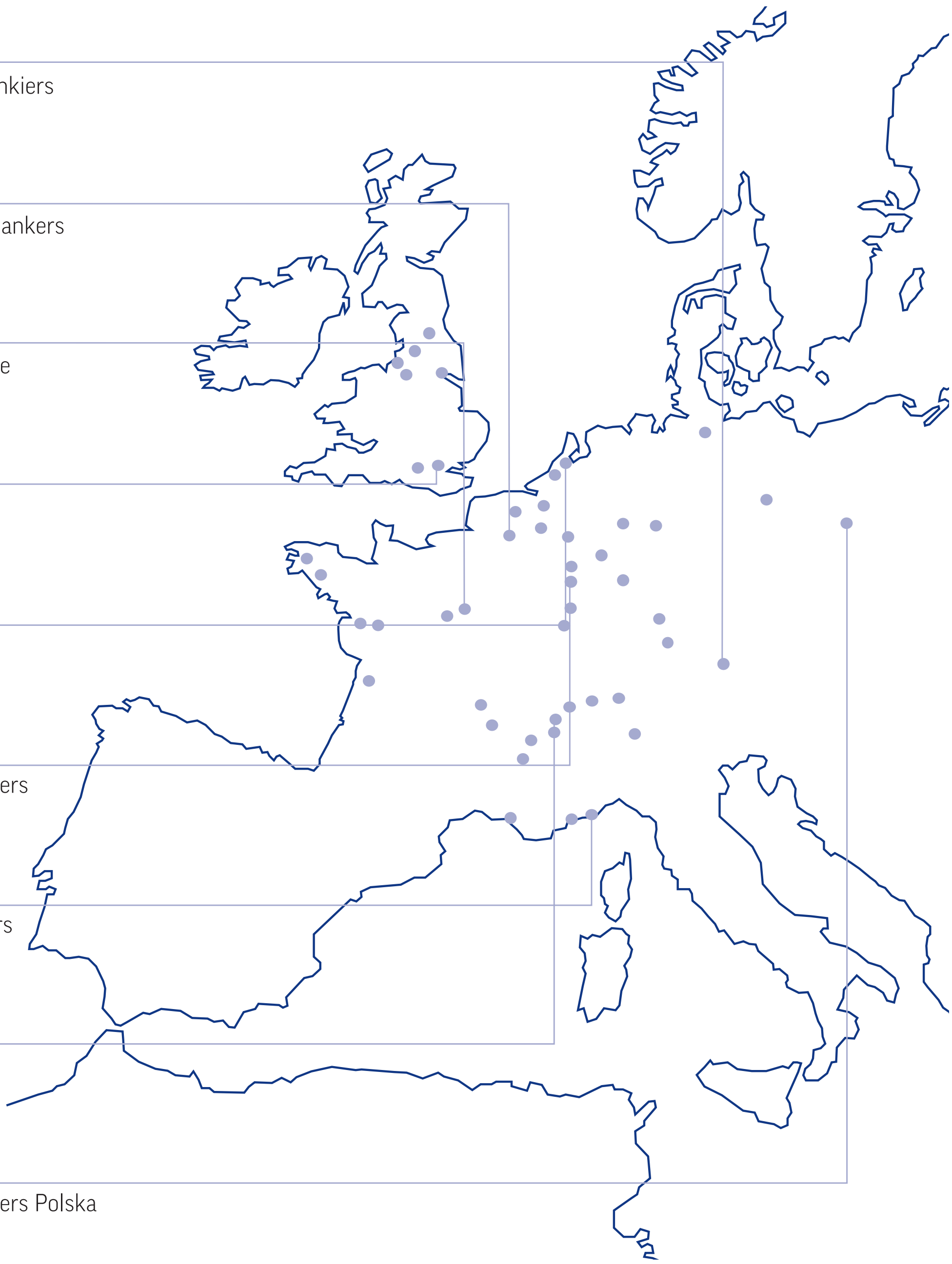
*In harmony with the pebbles which cause the walker to reflect as he crosses them,
the stones which form a path suggest the right direction to take on the road to paradise.
Their reassuring form makes it possible to cross the garden with confidence.*

*Our group's ambition is to advise and guide its clients towards the balance that suits them.
Accompanying them is a constant and personal task,
making it possible to take each step of the unfolding journey in serenity.*

it's all about you

EUROPEAN
PRIVATE BANKERS

KBL European Private Bankers



GERMANY
Merck Finck & Co, Privatbankiers
Head office Munich

BELGIUM
Puilaetco Dewaay Private Bankers
Head office Brussels

FRANCE
KBL Richelieu Banque Privée
Head office Paris

GREAT BRITAIN
Brown, Shipley & Co.
Head office London

THE NETHERLANDS
Theodoor Gilissen Bankiers
Head office Amsterdam

LUXEMBOURG
KBL European Private Bankers
Head office Luxembourg

MONACO
KBL Monaco Private Bankers
Head office Monaco

SWITZERLAND
KBL (Switzerland)
Head office Geneva

POLAND
KBL European Private Bankers Polska
Head office Warsaw

Summary

Position as at 31 December 2008

BOARD OF DIRECTORS

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

Etienne VERWILGHEN
Chairman
KBL European Private Bankers S.A.
Director and member of the KBC Group N.V. Executive Committee

Herman AGNEESSENS
Managing Director of KBC Bank N.V. and Member of the Executive Committee of KBC Group N.V. Chief Financial Officer & Chief Risk Officer

Jan Maarten de JONG
Company Director

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

Diego du MONCEAU
Company Director

Frans FLORQUIN
Managing Director of KBC Bank N.V. and Member of the Executive Committee KBC Group N.V.
(until 30.04.2008)

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

Edmond MULLER
Industrialist

Jean-Paul LOOS
Executive Director
KBL European Private Bankers S.A.

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

Jacques PETERS
Executive Director
KBL European Private Bankers S.A.

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

Marie-Christine VANTHOURNOUT-SANTENS
Company Director

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

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

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

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

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

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

Marie-Paule NILLES
Staff representative
KBL European Private Bankers S.A.

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

Laurent MERTZ
Staff representative
KBL European Private Bankers S.A.
(since 01.01.2009)

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

Position as at 31 December 2008

EXECUTIVE COMMITTEE

Etienne VERWILGHEN
Chairman

Jean-Paul LOOS

Philippe PAQUAY

Jacques PETERS

SENIOR MANAGEMENT

Luc CAYTAN
Financial Markets

Rafik FISCHER
Global Investor Services

Marie-Paule GILLEN
General Secretariat

Michel GODFRAIND
Risk Management

Olivier de JAMBLINNE
Wealth Management

Jean-Luc MARTINO
IT

Yves PITSAER
Subsidiaries

Bernard SOETENS
Corporate / Credit and Analysis

Philippe VAN DOOREN
Operations Management

Philippe VERDIER
Organisation

Carlo FELTEN
Buildings and Logistics

Vincent SALZINGER
Compliance

Bernard SIMONET
Human Resources

Thierry THOUVENOT
Internal Audit

Philippe AUQUIER
Finance
(since 01.02.09)

Key Events in 2008

Results – Impact of the crisis

- Leaving aside the direct impact of the financial crisis (CDO depreciation, banks in trouble in the USA and Iceland, equity portfolios and structured products) and other extraordinary elements, the net results of KBL *epb* were EUR 153.9 million, a fall of 26% on last year. This fall is mainly explained by the impact of the bad stock marlet climate which reduced commission income.
- In 2008 KBL *epb* posted a net loss of EUR 145.9 million against a net profit of EUR 208.3 million the previous year.
- Private client Assets under Management at KBL *epb* posted a positive volume effect of more than 6% in 2008 (EUR 2.6 billion) and even 11% in certain subsidiaries. However, following the negative market effect of 22% due to the financial crisis, KBL *epb* AuM fell overall by 16%.

Refocusing on core business and cost control

- In the global context of the financial crisis, we concentrated our efforts on preserving our clients' assets.
- Activities not falling within our core business have been sharply reduced, in particular loans which underwent radical restructuring.
- A voluntary plan to reduce costs by 5% was launched in 2008 across the whole KBL *epb* network and a policy of strict cost control will be continued in 2009.

Construction of a network of European private banks continues

- 9 April 2008 saw the acquisition of Richelieu Finance, an asset management company in Paris. This was merged with KBL France to form a new structure called KBL Richelieu Banque Privée.
- The second half of 2008 was given to preparing deployment in Central and Eastern Europe, with Poland being the first step. Activities here should start up in April 2009, with the opening of a branch.
- This year, the strategy of building up a European network of private bankers was again rewarded and KBL *epb* was voted Best Bank in Luxembourg, 2008 by *World Finance* magazine.

Change of name

- At the AGM of 19 March 2008 the name of Kredietbank S.A. Luxembourgeoise was changed to KBL European Private Bankers S.A. which more clearly reflects the group's strategic orientation.
- A new logo, with open lines, is linked to the name change to reinforce our image of a private banker open to innovation and open to Europe.

Employees

As at 31 December 2008, the total staff of the KBL *epb* network amounted to 2,854 (up +7% on 2007). This increase was mainly due to the acquisition of Richelieu Finance. Of these 2,854 staff, some 58% work in the subsidiaries outside Luxembourg.

Key consolidated figures

	2007	2008	2008 "Clean Underlying"*
RESULTS (in EUR million)			
Net banking income	756.3	**396.0**	**653.5**
Operating expenses	-509.9	**-683.7**	**-517.7**
Of which: Operating expenses	-475.5	**-475.6**	**-475.6**
Impairment	-37.5	**-210.2**	**-44.3**
Pre-tax profit	246.4	**-287.7**	**135.8**
Income taxes	-38.1	**141.8**	**18.2**
Net consolidated profit, group share	208.3	**-145.9**	**153.9**
DIVIDENDS (in EUR million)	201.4	**0.0**	**-**
FINANCIAL RATIOS (in %)			
Tier one ratio (after profit appropriation) – Basel II	10.9%	**6.9%**	**-**
Solvency ratio (after profit appropriation) – Basel II	18.2%	**12.2%**	**-**
Regulatory capital / balance sheet total	6.8%	**5.6%**	**-**
Loan-to-Deposit Ratio	15.9%	**16.1%**	**-**
ROAE	13.7%	**-13.6%**	**14.3%**
ROAA	1.0%	**-0.8%**	**0.8%**
Cost/Income Ratio	62.9%	**120.1%**	**72.8%**

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

Key consolidated figures

	2007	2008
TOTAL BALANCE SHEET (in EUR billion)	20.3	**16.2**
Assets		
Loans and advances to credit institutions and investment companies	8.9	**5.4**
Loans and advances to customers	1.9	**1.5**
Securities	6.5	**6.5**
Liabilities		
Amounts owed to credit institutions and investment companies	6.0	**3.8**
Amounts owed to customers and debts evidenced by securities	11.9	**10.4**
Subordinated debts	1.0	**0.8**
Total equity	1.3	**0.8**
AUM (in EUR million)		
Assets under management	54,462	**44,040**
Of which: private banking customers	41,041	**34,575**
Volume impact	+1.3%	**+6.2%**
Market impact	+0.6%	**-22.0%**

Management report and report of the Board of Directors

Consolidated management report

1. GENERAL COMMENTS ON THE RESULTS

Net consolidated profit, group share as at 31 December 2008 was EUR -145.9 million compared with EUR 208.3 million as at 31 December 2007.
Excluding the effect of the negative valuation of financial instruments at fair value and the impairments on securities held for sale and loans and receivables, the underlying clean profit was EUR 153.9 million, down by 26% compared with 31 December 2007.

As at 31 December 2008, the profit on securities at fair value was affected in an amount of EUR 250.2 million by the total write-off of CDO structured products held by KBL *epb* (compared with a negative impact of EUR 18.1 million as at 31 December 2007).

After neutralising the negative valuation effect arising directly from the financial crisis on financial instruments valued at fair value, banking income fell by 14% from EUR 756.3 million to EUR 653.5 million.

Net commissions fell by 9% to EUR 418.2 million at the end of 2008, or 64% of the restated banking income, compared with 61% as at 31 December 2007.

Operating costs remained flat at EUR 475.6 million but this stems from a reverse trend in employee costs, which were down by EUR 20.4 million principally due to the discounting of the early retirement provision and despite the first-time consolidation of Richelieu in 2008, and in other administrative expenses, up EUR 20.5 million, explained notably by the first-time consolidation of Richelieu, as well as the Bank's contribution to the AGDL under the deposit guarantee scheme for Icelandic banks.

As at 31 December 2008 impairment charges amounted to EUR 210.2 million compared with EUR 37.5 million as at 31 December 2007 and mainly related to the capital notes positions of EUR 54.6 million on the Loans and Receivables portfolio, equities positions of EUR 64.6 million and bonds of EUR 88.5 million on the AFS portfolio.

Excluding impairment charges, the stability of general overheads confirms the constant pursuit of cost controls.

The balance sheet total fell by 20% compared with the end of 2007, the fall was principally located at the level of inter-bank transactions.

At the end of the financial year under review, the basic Tier 1 consolidated equity capital calculated in accordance with CSSF circular 06/273 defining capital ratios under Basel II amounted to EUR 514.5 million and the consolidated solvency ratio of basic equity capital was 6.9%.

2. MISSION OF KBL EPB WITHIN KBC GROUP

KBL European Private Bankers (KBL *epb*) is the parent company for the Private Banking Business Unit of the KBC Group. In this role, its brief is to focus on the development of pure-play private banking in certain target countries in western, Central and Eastern Europe. In Luxembourg, this role is coupled with the provision of services to professional investors through Global Investor Services (GIS) (see below).

2.1. STRATEGIC OBJECTIVES

2.1.1. KBL European Private Bankers: a unique model

KBL *epb* is the only European network of local, pure-play private banks. Private banking is our core business and our focus is very much client-centred with a strong accent on specific local needs, cultural awareness and investor preferences.

Initially targeted at the countries of western Europe (Germany, Belgium, France, the Netherlands, the United Kingdom, Switzerland and Monaco), our network of private banks is now extending its reach into Central and Eastern Europe in a bid to increase our reputation as European private bankers. The first new country to come into our sights will be Poland, where our services will be operational from April 2009.

In 2008 we completed the acquisition of Richelieu Finance, one of the highest profile independent asset management companies in Paris with a reputation for excellent performances and quality of service. The acquisition, completed on 29 August 2008, culminated in a merger with KBL France and the creation of KBL Richelieu Banque Privée. The transaction provides a perfect illustration of our strategy which is not simply to become a major player in France but, more broadly, to secure long-term profitability in all the countries covered by the network.

Our vision of a network of private banks sees the autonomy of each member as a key factor for success. Because we want to be Belgian in Belgium, Dutch in the Netherlands and Polish in Poland, each member of the KBL *epb* network enjoys a large measure of independence in defining its particular commercial strategy. These private banks operate on a human scale, in their own names and in line with local business practices. As a result, wherever we have a presence, our lasting quality and success are based on the name, the track record and the reputation of each member bank and the entrepreneurial spirit of the private bankers it attracts.

2.1.2. Private banking: our core business

KBL *epb* is currently continuing to refocus its efforts around its core private banking business. In line with our strategy, all activities which are not directly related to private banking will be gradually restricted.

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

We are also recognised as ***trusted employers***. We offer attractive career opportunities and are able to attract outstanding private bankers. To guarantee the very highest levels of support, we also offer an excellent career structure for a wide range of auxiliary banking professionals who act in a support role, optimising the work and performances of our private bankers.

Finally, we also see ourselves as ***trusted investors.*** Our independence in our investment choice is guaranteed by our tried and tested strategy of open architecture for each asset class.

All the asset strategies our private banks eventually propose to our clients have first undergone an in-depth analysis which takes into account both the potential performance of the investment and the risk profile of the client in question.

We are convinced that over the forthcoming years, once the current unprecedented financial crisis has passed, this private banking-centred model will provide a real engine for growth.

2.1.3. Business management processes tailored to reality

In 2008, we decided to implement a cost-cutting plan aimed at reducing unnecessary expenditure by 5% without adversely affecting existing productivity measures across the KBL *epb* network.

This plan aims to achieve cost savings primarily through restructuring programmes, but also by reducing administrative costs. As a result, all activities not directly related to our core business will be reduced or restructured.

In 2008, we took a close look at the future of our credit activities which had already been significantly reduced over recent years. A number of concrete measures, which will begin to take effect in 2009, have been taken to reduce the impact of the current credit crunch on the group and at the same time to tailor our credit activities more closely to the specific needs of our clients.

2.1.4. Employee commitment

Our employees are the primary resource of our network. The quality of the relationships they forge with our clients and the extent to which they are able to achieve their targets are a direct reflection of their attitude towards the Bank. This is something of which we are well aware. To maintain our dynamism in the current depressed financial climate, we have launched a major internal communication campaign designed to highlight and reward the efforts of our staff, thereby binding them more tightly to KBL *epb* and increasing productivity by improving internal processes and rewarding personal initiative.

This programme is a perfect example of the role played by the KBL *epb* network in the KBC Group's endeavours to promote social responsibility and professional ethics whilst at the same time stimulating performance.

2.2. POSITIVE EVOLUTION OF AUM FOR PRIVATE BANKING CLIENTS

In 2008, Assets under Management (AuM) for KBL *epb* private banking clients recorded positive growth of over 6% across the board (EUR 2.6 billion), rising to 11% in certain sectors. This net influx of private banking assets confirms client confidence in our private banking network.

However, the unprecedented financial crisis in 2008 nevertheless created a spiral of distrust in the stock markets, and the market value of financial assets fell significantly. Against this backdrop of crashing markets, AuM fell by 22% as the major European indexes recorded falls of more than 40%.

The combined result of these volume and market effects was a drop of 16% in private client AuM. As at 31 December 2008 total assets stood at EUR 44 billion.

3. HUB SERVICE CENTRE

In order to provide itself with the means to ensure successful development of its European Private Bankers network within KBC Group, KBL *epb* set up, for its members, a range of services centred on the Private Banking Hub Service Centre in Luxembourg.

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

This platform has already been operating successfully in France (KBL Richelieu Banque Privée), the United Kingdom (Brown, Shipley & Co.) and, since 2007, in Belgium (Puilaetco Dewaay Private Bankers). Plans to roll out similar systems in Poland (KBL *epb* Polska) and Switzerland (KBL Swiss Private Banking) will be implemented in 2009.

In operational and dealing room terms all of the professional operations of our subsidiaries in Switzerland, Great Britain, Luxembourg and Belgium are run through the Hub, as are the non-domestic operations and international payments of our French, Monegasque and Dutch subsidiaries.

The range of services offered by the Hub will grow considerably in 2009 with the creation of a new unit, Back Office Shared Services or B.O.S.S., which will deal initially with a number of services traditionally operated at the local level (B-to-C) for the new operations. KBL *epb* Polska will be the first to enjoy this new range of services with effect from April 2009.

With the private banking Hub, KBL *epb* has firmly oriented itself towards a new role, a high-quality proactive service based in Luxembourg for European private bankers who are seeking excellence for their customers. Pooling processing capabilities and skills plus the flexibility of the architecture implemented make the Hub an essential tool to support growth and to optimise the quality of service and the cost base for the KBL *epb* Business Unit.

The originality and strategic vision of our Hub Service Centre was recognised in 2008 when it received a Golden-i Award from ITnews 2.0.

4. AN ADDITIONAL NICHE ACTIVITY

4.1. GLOBAL INVESTOR SERVICES

Here in Luxembourg we operate a second business activity which owes its existence to the very special nature of the Luxembourg financial markets. It is here that we have developed Global Investor Services (GIS), an entity which both supports our private banking business and acts as a counterparty for external clients. Global Investor Services is working to develop non-private client services and to generate new contacts and new business in sectors where the Bank has recognised expertise. These sectors are primarily those linked to the undertaking for collective investment (UCI) industry and to market-based activities and those involving portfolio management services – seen in the broadest sense of the term - for professional and institutional clients.

In addition to its commercial responsibilities, GIS has also become the preferred point of contact for the members of KBL *epb*. Thus, for example, the investment desk regularly provides them with private banking products tailored to meet their particular local needs based on opportunities offered by the KBC Group.

During its second year of business, GIS extended its one-stop shop range to the asset management sector with the creation of Institutional Asset Management Services (IAMS). Its role is to develop institutional management and to increase the distribution of UCI outside the KBL *epb* network's usual channels. To this end, IAMS offers a complete range of products and services designed to assist clients in achieving their yield objectives while taking into account the risk factor. IAMS provides a link to our asset and multi-management expertise based on the principles of open architecture and fund selection. To give clients real-time access to their portfolio data, IAMS - in collaboration with GIS - is currently engaged in a major programme of IT development work. It includes the launch of a new Internet tool which will provide institutional clients with exhaustive and transparent information on their KBL *epb* accounts. Designed to complement this portfolio management tool, KBL *epb*'s Asset Management Portal, operated by IAMS, gives clients access to the bank's ideas and investment strategies and to detailed information on financial markets

2008 also saw the arrival of new staff highly qualified in financial market products and services. They were recruited to the Bank's Global Market Sales (GMS) division whose role is to offer professional and institutional clients a large range of diversified market products and services accompanied by expertise-based advice. Our Trading Room, one of the last trading floors still in operation in Luxembourg, gives GMS access to the world's major stock markets and to derivatives and commodities operations either directly or via structured products.

The UCI and Global Custody Services division has reorganised its UCI Client and UCI Legal teams to achieve a clearer allocation of tasks within the division and move closer to the client. It is now even better positioned to respond to the ever changing environment of the UCI industry.

In the face of unprecedented volatility, our teams can nevertheless boast several important commercial successes in 2008. They were, for example, able to attract a number of new clients including a large Swiss private bank. In addition, GIS launched several Specialist Investment Funds (SIF) for family offices, and its teams have made a significant breakthrough in the field of socially responsible funds both in the microfinance and the renewable energy sectors. We have also completed a number of major internal and intra-group cross-selling operations.

At the end of 2008, GIS – a net contributor to KBL *epb* revenue – had three separate divisions dedicated to the service of our professional and institutional clients and from this very broad base of financial expertise offers an ever improving service.

4.2. UCI

4.2.1. Luxembourg – Europe's UCI leader

The investment fund sector finished 2008 down 24%, with net assets falling from EUR 2 059.4 billion at the end of 2007 to EUR 1 559.7 billion at the end of 2008.

Despite the difficult global economic climate and falling net assets (net buybacks and a negative market effect), sponsors nevertheless supported the net creation of 503 new UCI structures comprising 1 210 sub-funds. As a result Luxembourg is more than ever Europe's leading market for UCI and, after the United States, still represents the world's second investment fund market.

2008 was marked by a significant expansion in alternative funds. The growth in venture capital investment companies (SICAR) remained steady (215 companies at the end of November 2008 as against 175 in the previous year), with Specialist Investment Funds (SIF) leading the field. Less than two years after the introduction of this flexible but regulated private equity investment vehicle, 837 SIF structures had been created by December 2008. The majority of them are funds which follow an alternative investment strategy: property, non-listed companies, hedge funds, microfinance, socially responsible investments, etc.

The regulatory sphere was dominated by consultation exercises and reviews preparing the way for the adoption of a new European UCITS Directive, commonly referred to as "UCITS IV", which will deal with subjects such as cross-border fund mergers, the simplification of the notification procedure and a new draft of the simplified prospectus.

4.2.2. Evolution of assets managed by KTL

In a difficult financial environment, marked above all in the second half of the year by the fallout from the US sub-prime mortgage crisis, the crisis of confidence which came in its wake and highly fluctuating stock markets, net assets nevertheless remained at a satisfactory level of EUR 41.4 billion as at the end of December 2008.

The number of sub-funds grew by a net 31 units, representing an increase of 4.42% as against the end of December 2007.

4.2.3. European Fund Administration

Since 1998 Kredietrust – a specialist subsidiary of KBL *epb* – as the central UCI administration entity has subcontracted its management accounting and investor register management functions to a specialist company called European Fund Administration (EFA), of which KBL *epb* is the major shareholder. At the end of 2008, EFA was managing over 2 644 sub-funds containing total net assets worth EUR 100.7 billion.

In April 2008, EFA launched "EFA Private Equity" in response to the growing demand for made-to-measure services for property and venture capital/private equity funds.

Finally, following the creation of EFA France in the autumn of 2006, in November 2008 EFA acquired a holding in the Milanese company Servizi SGR through which it is now able to offer its services to Italian funds.

Report on non-consolidated operations

1. GENERAL BALANCE SHEET PERFORMANCE

At the end of the 2008 financial year, the balance sheet total amounted to EUR 14.7 billion, EUR 3.1 billion less than as at 31 December 2007 due mainly to the fall in our lending in the context of the exceptional turbulence on the financial markets.

Inter-bank volumes were particularly impacted both on the assets and on the liabilities side of the balance sheet.

The ratio of liquid assets to short-term debts remained positive. The Bank still has a comfortable liquidity position.

2. TAX CREDIT

The Bank had a tax credit on the assets side of the balance sheet due to the loss over the past year.

3. CONTRASTING DEVELOPMENTS IN THE NET INTEREST INCOME AND NET COMMISSION INCOME

The net interest income, including the margin on derivative products impacting the “Net gains on financial instruments at fair value” saw a rise of around 101% with a distinct rise in cash flow. On the other hand, despite a dynamic increase in commission income over the first months of the year, the pernicious stock market climate in the second half of the year generated a fall in commission income of around 18.6%.

4. NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE

There was a significant negative impact due to the write-off in full of the fair values of the CDOs as at 31 December 2008, which represented a charge of EUR 226 million.

5. CONTAINMENT OF STAFF AND ADMINISTRATIVE EXPENSES

Excluding extraordinary items, such as the rediscounting of the early retirement provision and the Bank’s charges in connection with the Icelandic bank claims, these expenses remained at a relatively stable level.

6. IMPAIRMENT OF ASSETS

As a result of the financial crisis we were required to make significant provisions on our bond portfolio and equity portfolio.

7. PROFIT

In view of the aforementioned factors, there was a net loss of EUR 105.6 million. However, after neutralising the impact of the write-downs, the net income amounts to some EUR 206 million.

ANNEX 1 – COMPLIANCE RISK

Compliance is responsible for implementing all measures designed to prevent the bank and the group from suffering damage or loss, whether financial or otherwise, due to a failure to comply with regulations in force.. Its objective is to identify and evaluate the Complaince risk and to assist Senior Management in managing and controlling this risk. To this end KBL *epb* & Group Compliance covers a range of tasks including identifying compliance risks, managing them, suggesting and implementing corrective measures, internal reporting and relations with the Public Prosecutor and the CSSF regarding money laundering and insider trading.

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

The threefold role of advice, prevention and control in these various areas of intervention form the core work of the Compliance Division. At the same time, the KBL *epb* and Group Compliance Division is also responsible for monitoring and managing compliance risk across the KBL *epb* network.

Having successfully developed the major infrastructure elements required to comply with the Markets in Financial Instruments Directive (MiFID) in 2007, and having focussed these 2007 efforts on the implementation of a Compliance Monitoring Programme based on a common methodology across the KBL *epb* network, in 2008 the KBL *epb* and Group Compliance Division introduced a number of new projects with the aim of further increasing professionalism and transparency in the field of compliance from all the players involved *(i.e. KBC Group Compliance and Management, Bank management and staff and the corresponding Compliance Officers in the various subsidiaries).*

1.1. Advice and prevention

In addition to monitoring the progress of the client file harmonisation plan both within the Bank and across the wider KBL *epb* network and implementing various initiatives designed to raise staff awareness of compliance risks, the Compliance Advice Unit together with the Money Laundering Reporting Officer (MLRO) also devoted particular attention to the following areas over the course of the last year:
- the transposition of the rules defined by KBC across the KBL *epb* network, including, in particular, updating the Compliance Charter and drawing up an integrity policy, anti-money laundering standards and rules relating to the management of conflicts of interest and personal transactions;
- the setting up of a Compliance Awareness Programme across the KBL *epb* network with the aim, for example, of determining a systematic and structured approach to the training required by bank staff over a number of years to raise their awareness of compliance risks based on their degree of exposure to the risks involved. An e-learning programme was also planned for those in the least exposed positions;
- within the framework of the Division's regulatory monitoring function, particular attention was paid to the transposition of the 3rd Anti-Money Laundering Directive into Luxembourg law. The major changes were initially communicated on a selective basis, then integrated into the various training sessions provided within the framework of the Compliance Awareness Programme. In addition, internal procedures were adapted where necessary.

1.2. Control

In terms of checks and balances, in addition to the refinement of certain tests required under MiFID *(suitability and best and timely execution),* the Compliance Control Unit also ran its Compliance Monitoring Programme and ensured that it was correctly implemented in the various subsidiaries. Where appropriate, it provided the necessary support in the form of selective assignments.

More particularly, 2008 was marked by the launch of a project to implement a specialist anti-money laundering software program designed to further professionalize existing measures. This tool will be operational in Luxembourg at the start of 2009, after which it will be rolled out across the group.

2008 also saw the setting up across the group of a new, more efficient compliance reporting system providing information to the various governing bodies.

An excellent communication tool, the Division's intranet site is regularly updated with articles of interest in addition to the latest legislation and regulatory provisions.

Another vital contribution in this field is made by the queries which Bank staff continue to submit to the Compliance Division and which illustrate just how firmly the compliance culture is now anchored within the Bank.

Finally, the group's Compliance Officers had the opportunity to meet on several occasions over the year, ensuring that each KBL *epb* member has the very latest information, facilitating the exchange of information and experiences and the implementation of best practice throughout the group.

ANNEX 2 – CREDIT RISK

At the start of 2009, KBL *epb* set about reorganising the units responsible for controlling credit and management risk at group level.

In terms of credit risk, given the significant impact of the current crisis on financial products in general and structured products such as CDOs/SIVs in particular, KBL *epb* took the decision to centralise within its risk management function a Credit Risk Management unit whose sphere of control will cover all credit risks on both own-account and private and institutional client transactions. Following this reorganisation the new Credit Risk unit largely comprises the former Financial Analysis Department previously housed within Corporate, Credit and Analysis.

The major issues relating to the implementation of credit operations, their distribution by geographical locality or business unit within the KBL *epb* network, the implementation of the IRB approach advocated under the Basel II Accord and funding for 2008 are discussed below:

2.1. Credit allocation decision-making

TAll decisions relating to loans or advances are the responsibility of the Executive Committee, the Credit Committee or one of the other competent bodies designated under the delegation of powers agreed by the Executive Committee in accordance with criteria established in relation to operation type, amount, term, risk and guarantees. This delegation of powers always requires the involvement of at least two people from different entities, to ensure that there is no risk of any conflict of interest. All decisions taken on the basis of a delegation of powers must also be reported to and approved by the senior body.

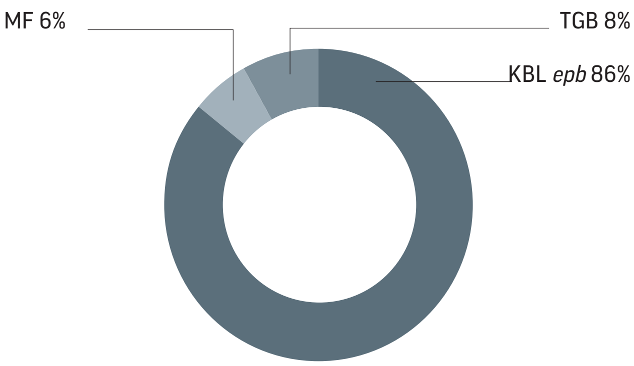
In terms of international loans, the KBL *epb* decision-making process reflects the existing lending balances at KBC Group, which creates a common credit risk approach and avoids the group concentrating excessively on certain counterparties.

In this respect, in some very specific cases, our decision-making process also reflects an opinion expressed by KBC Group.

2.2. Breakdown of the loan portfolio

To analyse the distribution of our credit risks, we examine the composition of the loan portfolios operated by the main group companies active in lending. The consolidated figures below comprise the outstanding loans of KBL *epb*, Merck Finck & Co. and Theodoor Gilissen Bankiers, i.e. more than 95% of the outstanding loans of the KBL *epb* network.

CONSOLIDATED LOAN PORTFOLIO - BREAKDOWN BY GROUP COMPANY

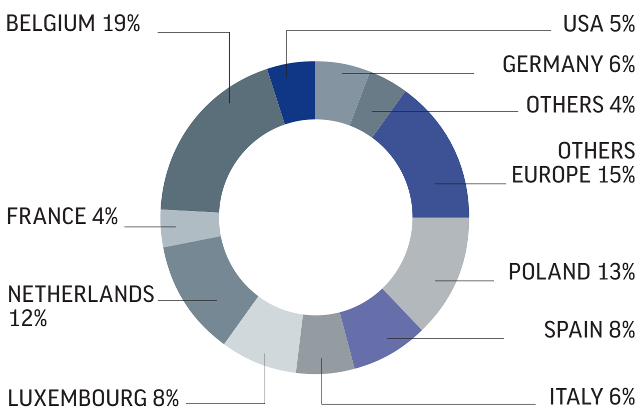


As at 31 December 2008, the loan portfolio amounted to EUR 6 billion, an increase of EUR 1.8 billion compared with the end of 2007. This was mainly due to the credit granted to other companies within KBC Group.

The credit commitments of KBL and KBLFI, mainly high-quality externally-rated liquid international loans, make up 86% of the consolidated portfolio. The balance is divided between our subsidiaries Theodoor Gilissen Bankiers and Merck Finck & Co, with loan transactions essentially linked to private banking activities.

2.3. Breakdown by region

CONSOLIDATED LOAN PORTFOLIO - GEOGRAPHICAL BREAKDOWN



Borrowers from Europe make up 91% of the consolidated portfolio (86% in 2007). US accounts make up 5% (7% in 2007), with only 4% from other geographic areas (7% in 2007).

2.4. Monitoring of credit risk

The Bank has the following tools for the day-to-day monitoring of lending transactions on its own portfolio:

- an IT application for monitoring guarantees and loan repayment schedules;
- automatic daily monitoring of irregular overdrafts and instances of insufficient cover for loans backed by securities, allowing for the rapid implementation of appropriate corrective measures;
- automatic tracking of changes in the ratings of externally-rated borrowers.

Various types of monitoring reports are also drawn up in order to minimise any risk in the deterioration of the portfolio. Therefore,

- loan debtors at risk are reviewed at least once a year based on the financial statements; if certain risk deterioration factors are detected there may be more frequent reviews (watch list);
- reporting is at least once a year in order to monitor the sector concentration of our risks and also debtor concentration;
- a problem credit report is also drawn up at the same intervals.

These various reports are produced independently by a middle office. They are drawn up on a consolidated basis and are all forwarded to the Credit Committee of the parent company and in most cases to the Executive Committee.

2.5. Implementation of the IRB approach advocated by Basel II

KBL *epb* decided to implement the internal ratings-based approach to the calculation of capital requirements, setting itself the target of introducing this system for regulatory purposes by the third quarter of 2009. In terms of the Bank's balance sheet, the main asset classes affected are banks, governments, securitizations and large corporates. Other asset classes will continue to be weighted according to the standard approach, given their lesser significance in terms of volume and/or credit risk.

In an attempt to achieve greater synergies, wherever possible the Bank uses models developed centrally by the KBC Group. Thus, for example, it uses KBC models for banks and governments. For large corporates, the model used by the Bank in Luxembourg is a replica of the model used at KBC Bank (the West European Large Corporate model).

Preparations for the implementation of an IRB system continued throughout 2008, with the large corporate models being progressively integrated into credit risk management procedures. All the Bank's large corporate counterparties are now given internal ratings which are subsequently used in the investment and risk review process. All procedures relating to ratings and their use in the various credit processes have been adapted and validated by the Executive Committee.

The development of IT systems has continued, and a number of integrated risk management tools and a dedicated calculation engine for capital requirements based on the internal ratings-based approach are now available for use.

A first full reporting programme following the IRB approach was used to determine the Bank's financial position as at 30 September 2008 (parallel run). A further calculation of the impact of credit risk on capital requirements and anticipated losses will be carried out for subsequent quarters in parallel with the calculation of capital requirements using the previous standard approach which remains the regulatory norm until the end of 2008.

2.6. Specific loan provisions

Below we list specific provisions established in respect of the consolidated loan portfolio as at 31 December 2008 and the changes in these provisions over the course of the year.

The financial crisis having largely impacted the value of certain structured products the Bank decided, over the 2008 financial year, to make a 100% provision against its Structured Investment Vehicles (SIVs).

Other provisions have been duly made following defaults on the part of, amongst others, Icelandic Banks, Lehman Brothers and Washington Mutual.

As at 31/12/2007

(in EUR thousand)	Gross loans	Specific loan provisions	Net loans
More than 90 days overdue	66,495	50,143	16,352
Other doubtful debts	81,197	38,092	43,105
All doubtful and non-performing loans	147,692	88,235	59,457

As at 31/12/2008

(in EUR thousand)	Gross loans	Specific loan provisions	Net loans
More than 90 days overdue	189,196	161,522	27,674
Other doubtful debts	102,167	36,351	65,816
All doubtful and non-performing loans	291,363	197,873	93,490

LOAN / LOSS RATIO *	2007	2008
Average over 5 years	2 bps	47 bps
FY 2008	86 bps	264 bps

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

VARIATION IN SPECIFIC LOAN PROVISIONS Exercice 2007	(in EUR million)
Total provisions as at 01.01.07	**56.62**
Transfer from income statement	
Increase in provisions	+38.80
Reduction in provisions	-2.54
Applications	-4.14
Adjustments for exchange-rate variations	-0.51
Total provisions as at 31.12.07	**88.23**
FY 2008	
Total provisions as at 01.01.08	**88.23**
Transfer from income statement	
Increase in provisions	+135.38
Reduction in provisions	-1.39
Applications	-25.89
Adjustments for exchange-rate variations	1.54
Total provisions as at 31.12.08	**197.87**

Alongside these specific provisions, it should be pointed out the Bank adopted a prudent approach on its portfolio of CDOs because it was decided to revalue the whole of the portfolio to zero, which results in a negative value adjustment in the 2008 consolidated income statement of EUR 250 million.

ANNEX 3 – GROUP RISK MANAGEMENT

On 1 February 2009, the Executive Committee approved a new role for KBL *epb*'s Risk Management Division designed to strengthen risk management initiatives for its Business Unit's core business.

Assessed against the situation prevailing in 2008, this new risk management role means:

- that its sphere of control, currently limited to credit and market risks relating to own-account transactions, will be extended to cover transactions for and assets of our private and institutional clients (wealth management including asset management) and GIS clients. This control function will be targeted as a matter of priority at situations/clients where the Bank's liability is directly at stake;
- that its sphere of control in terms of credit risk in particular, currently limited to managing the counterparty risk of KBL *epb*'s Trading Room operations, will be extended to cover all credit risks on both own-account transactions and transactions carried out for private and institutional clients (wealth management), GIS clients and the Custodian Bank;
- that its role in steering the Risk Management units in the various subsidiaries will be strengthened. In line with the principle of subsidiarity, a functional relationship similar to that currently operating in Compliance will be put in place. Based on local Risk Management units, KBL *epb* Risk Management will thus exercise a third tier controlling function over the Risk Management units of its subsidiaries and, as a permanent member of their Audit and Compliance Committees, will be able to intervene as it sees fit depending on the circumstances and position of each subsidiary.

The new Risk Management structure will comprise four departments:

- the Operational Risk Department with responsibility for monitoring operational risk and insurance management issues in the KBL *epb* Business Unit. The Executive Committee has agreed to strengthen this department by the addition of an FTE Risk Manager with specific responsibility for private client operational risk management;
- the Market Risk Department with responsibility for monitoring market risk issues and issues linked to variations in interest rates, exchange rates and stock, commodities and derivatives market prices in the KBL *epb* Business Unit. This department will take over the current monitoring procedures for issues relating to ALM, liquidity risk and KBL *epb* Trading Room market risk. It will also absorb the risk managers working on Basel II Pillar 1 (IRB) and monitoring the implementation of Pillar 2 (ICAAP);
- the Credit Risk Department with responsibility for monitoring credit risk for the KBL *epb* Business Unit which will essentially comprise the former Financial Analysis Department;
- the Risk Controlling department, responsible for certain activities close to Risk Management, including current Middle Office and Collateral Management (ex CEMD) activities and recurring controls of the second level transferred to this department.

In order to ensure the effective use of risk management techniques and resources right across the Business Unit, the Executive Committee has approved the setting up of a Group Risk Committee (GRC) made up of the CROs of the various subsidiaries and the Risk Management Manager and chaired by the Business Unit's CFRO.

3.1. Introduction: Risk taking and risk management policy

3.1.1. Risk taking policy

KBL European Private Bankers is the Business Unit of KBC Group which specialises in private banking, operating through a network of pure-play private banks. As such, risk taking is generally restricted to supporting its activities:

- the exchange function is oriented towards customer service;
- the cash flow function, also oriented towards customer service, is based on deposits and classical linear derivatives (essentially interest rate and currency swaps) and collateralised transactions (primarily reverse repos);
- in bond markets, over-the-counter markets par excellence, KBL *epb*'s role is, firstly, to take charge of the internal cash flows generated by the private and institutional banking activities of the KBL *epb* network and, secondly, to act as the counterparty of choice for the huge network of selected professional counterparties;
- in the more organised stock markets, the Bank's function is that of an intermediary. Its objective is to route client cash flows towards organised stock markets either directly or via accredited brokers, wherever possible using Straight Through Processing (STP);
- with regard to structured products, the Bank essentially plays the role of a Private Banker, offering a specialist service to an ever more specialised clientele;
- own-account position taking per se is based on a conservative philosophy and takes place on a purely secondary basis or within the ALM framework agreed by the KBC Group;
- finally, in terms of liquidity, the Bank is a net lender on the financial markets. Notwithstanding this fact, it always has the possibility of acquiring liquidity by the repurchase agreement technique.

In full compliance with the prevailing rules and methods used within KBC Group, the Executive Committee has therefore defined specific risk limits for interest rates, exchange rates, price variation (e.g. stocks) and liquidity.

Another area of risk which receives particular attention through the application of Operational Risk Management (ORM) techniques is non-financial or so-called operational risk. Here KBC Group has opted to use the standardised Basel II/CAD III method in all the companies across the Group.

3.1.2. Risk management: rôle of Group Risk Management

Group Risk Management comprises three units:
- the Risk Management Unit;
- the Middle Office;
- Group Operational Risk and Insurance.

These three units are responsible for supervising the risks linked to the various activities set out above. The various fields of intervention of these units are detailed below.

The Risk Management Unit is responsible for the implementation within KBL *epb* of market and credit risk evaluation techniques which comply with the standards set by KBC Group in collaboration with the Middle Office.

To this end the Risk Management Unit measures and controls the following on a consolidated basis:
- Asset and Liability Management (ALM) risk;
- trading risk (for subsidiaries this risk is essentially linked to Forex transactions in so far as all stock and bond trading transactions have now been transferred to KBL *epb*);
- counterparty/country risk (unconfirmed lines).

In addition to the activities set out above, the Risk Management Unit is also:
- involved in the methodological aspects of the project to set up a credit risk management and monitoring system in accordance with Basel II;
- responsible for implementing Pillar 2 of Basel II within KBL *epb* (CSSF Circulars 07/301 and 08/338) in accordance with KBC Group methodology. It also supports the various subsidiaries in meeting the various local regulatory requirements in this area.

The tasks relating to the Middle Office can be defined as follows:
- controlling the integrity and reliability of positions and results of foreign exchange traders and their reconciliation with the positions and results obtained by Accounting;

- control of the use of and adherence to the limits and investment criteria set by the Bank's management in conjunction with the KBC Group Trading Risk Committee: HVaR, concentration, sensitivity, counterparty, country;
- the reporting of group trading positions (as opposed to limits) and results to the Trading Room Managers, members of the Executive Committee and the KBC Group Trading Risk Committee;
- monitoring extraordinary transactions, price control, prevention of fraud (implementation of monitoring procedures to be completed in June 2009);
- monitoring of repos and securities lending, guarantees received from counterparties and margin calls on futures contracts and in relation to framework agreements (GMRA, GMSLA, Credit Support Appendix of the ISDA contract).

The role of the Group Operational Risk and Insurance Unit is to ensure that the necessary operational risk management and insurance programme management and coordination techniques are implemented within the global KBC Group framework across the KBL *epb* network.

3.2. Risk management

Within the overall risk management framework, Group Risk Management plays the following role in the global management of structural risks:

- market risks: trading risk and ALM risk;
- liquidity risk;
- counterparty/country risk;
- operational risk.

3.2.1. Market risk

3.2.1.1. Trading risk

By their very nature, positions are generally taken up in support of the various client activities undertaken across the KBL *epb* network and monitored by Group Risk Management. As part of these activities, any so-called "trading" positions taken up are based on a conservative investment philosophy and are of secondary importance. They are subject to strict rules in terms of both limits and prior product authorisation.

3.2.1.1.1. Methodology

These limits take the form of primary Historical Value-at-Risk (HVaR) and nominal amount limits and secondary limits based on sensitivity (for activities subject to rate risks), concentration (Forex and equities), monthly stop losses and a hierarchical structure for the delegation of powers. These techniques are based on the various methods currently in use within KBC Group.

The development of the various positions compared to their respective limits together with the results and characteristic features of each activity are analysed by the Group Trading Risk Committee at its fortnightly meetings.

The measures taken to deal with market operators who breach Trading Room rules range from the verbal reprimand, via written warnings to dismissal for serious professional misconduct, depending on the gravity of the facts in each particular case. The Management decides whether or not such breaches should be notified to the CSSF on a case by case basis.

Risk Management also plays an important quantitative support role in the definition of market-risk-related limits and investment criteria for the whole of the Group.

Finally, Risk Management also has a consultative role to play whenever a new activity involving market risks is planned, evaluating the associated risks and determining the appropriate measures to be implemented.

3.2.1.1.2. Reporting

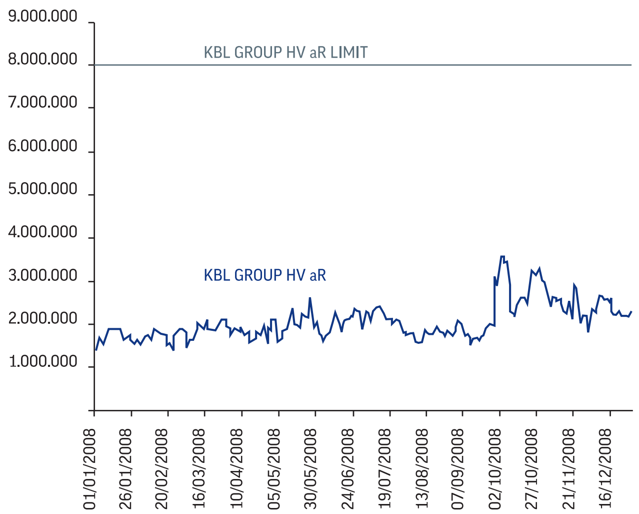
The KBL *epb* Finance and Risk Unit makes regular reports on the group's risk liabilities to the Management, the KBC Group Trading Risk Committee and the Audit and Compliance Committee.

Finally, KBL *epb* is a permanent member of the KBC Group Trading Risk Committee.

3.2.1.1.3. HVaR and nominal limit positions for trading activities

On 16 October 2007, the KBC Group Trading Risk Committee approved KBL *epb*'s proposal (cf. Minutes of the KBC Group Executive Committee) to set a global Historical Value-at-Risk limit (HVaR 99% at 10 days over a historical period of 500 days) of EUR 8 million.

The global liability in terms of VaR for all Forex, treasury, fixed income and equity trading activities developed as follows over 2008:



Trading HVaR was EUR 1.25 million as at 31 December 2007 and EUR 2.30 million as at 31 December 2008. It remained generally below EUR 3 million during 2008, except at the heart of the crisis where it rose above that figure as a result of increased volatility.

As at 31 December 2008, total HVaR was 29% of the limit and broke down as follows:

	KBL *epb* - HVaR		
in EUR million	**Limit**	**Outstanding**	**Use %**
Equity	1.80	0.15	8%
Bond	2.70	0.98	36%
Treasury	2.45	1.04	43%
Forex	0.55	0.12	22%
Buffer	0.50	0.00	0%
TOTAL	**8.00**	**2.30**	**29%**

In addition, for the few products which cannot be modelled using the HVaR method (such as structured products and certain illiquid bonds) the Bank introduced a nominal limit of EUR 75 million.

3.2.1.2. ALM risk

Asset/liability management within the KBL *epb* network is a fully integrated function of KBC Group governance. The GALCO (KBC Group ALM Committee) is the only decision-making body for ALM issues.

As the Business Unit responsible for the development of private banking, KBL *epb* does not engage in so-called "tactical" ALM activities designed to speculate on rate changes, but holds "structural" positions and old bond portfolios with grandfather clauses (i.e. terms are not renewed and the Bank can sell the positions if the situation is favourable).

Structurally, the Bank holds:
- surplus or "free" capital portfolios; and
- sight deposit and savings portfolios.

KBL *epb* also holds a share investment portfolio. Following the example of old bond portfolios, this investment portfolio is subject to a grandfather clause and positions can only be sold in order to steer the bank's results where market conditions allow.

Historically, KBL *epb* operated an ALM policy dedicated to the convergence of exchange/interest rates by purchasing government bonds in non-euro currencies with euros. This activity has now ceased, and the existing portfolios (Brazilian and Turkish government bonds) are subject to grandfather clause.

3.2.1.2.1. Methodology

KBC Group has granted KBL *epb* the following ALM limits:

- a 10 BPV (Basis Point Value) limit of EUR 7.3 million for bond investment portfolios;
- a diversified VaR limit of EUR 125 million for the share investment portfolio;
- a non-diversified VaR limit of EUR 66 million to control exchange risk developments in non-euro foreign currency positions financed with euros (Brazilian and Turkish government bonds).

As at 31 December 2008 the ALM risk broke down as follows:

	KBL *epb*		
in EUR million	**Limit**	**Outstanding**	**Use %**
Interest rate	7.3	4.9	67%
FX	66	47.5	72%
Equity	125	58.6	47%

3.2.1.2.2. Reporting

The results of the various indicators are reported at each meeting of the KBL *epb* Executive Committee, and monthly to KBC Group and quarterly to the Audit and Compliance Committee.

Finally, KBL *epb* is represented on the GALCO (KBC Group ALM Committee) by its General Manager Financial Markets.

3.2.2. Liquidity risk

Given the importance of liquidity risk in light of the events witnessed on the financial markets in 2008 and within the overall framework of the implementation of KBC methodology, the Bank implemented and developed a number of measures to deal with its liquidity risk during 2008. These included:

- a structural liquidity monitoring process (funding liquidity gap and vertical analysis);
- stress testing;
- the implementation of a Liquidity Contingency Plan.

3.2.2.1. Structural liquidity

As the Business Unit responsible for the development of private banking, the Bank is in structural terms a net lender on the financial markets. It has a large and stable funding base in Private Banking and GIS (Global Investor Services). This funding is largely reinvested within the framework of an ALM policy and in the short-term interbank market. KBL *epb* has no "active" credit activity beyond that required to develop its core business (primarily Lombard loans). For this reason, the Bank has a relatively low loan-to-deposit ratio (+/- 15%).

KBL *epb* has developed two structural liquidity indicators as tools for managing its funding stability:

- a "funding gap" which ensures a healthy diversification of funding sources;
- a "vertical analysis" which permits the Management to ensure funding stability and its capacity to cover so-called "illiquid" assets (such as fixed assets, portfolios not accepted by the Central Bank, interbank loans, credit).

3.2.2.2. Stress testing

During 2008 KBC Group invested considerable resources in developing liquidity stress testing techniques. This exercise is designed to measure the structural liquidity of KBC Group during a "crisis" period and is carried out across KBC Group as a whole and on the various entities (including KBL *epb*). It involves the development of various scenarios followed by the calculation of a liquidity buffer per time bucket for each scenario.

This liquidity buffer is calculated as follows:

liquidity buffer = expected cash evolution + expected liquidity increasing action

where:

- "expected cash evolution" = taking into account incoming/outgoing cash flows on a hypothetical basis.
- "expected liquidity-increasing actions" = use of the repo market to acquire liquidity, reduction/cessation of interbank loans, etc.

A negative liquidity buffer therefore signals that the Bank would be unable to meet its debts as they fell due in a given scenario.

Stress testing is carried out quarterly. Further work on the development of liquidity stress testing methods will be carried out in 2009.

3.2.2.3. Liquidity Contingency Plan

As part of the Liquidity Contingency Plan, KBL *epb* forecasts a Daily Liquidity Gap including a variety of data:

- a liquidity gap for each day over a period of three months for each currency. 5- and 30-day "operational" limits have been set for this purpose;
- all liquefiable assets organised by category;
- change in liquidity position since the previous day.

Various triggers have been defined to activate this Liquidity Contingency Plan in varying degrees depending on whether the crisis is qualified as minor or major. A "major crisis" would be managed by the KBC Group ALCO, which includes the Trading Room General Manager, in consultation with the KBL *epb* Executive Committee.

3.2.3. Counterparty / Country Risk Management

3.2.3.1. Counterparty risk

Within the framework of the Hub Service Centre, KBL *epb* submits requests for the entire network and it is then the responsibility of the Bank to redistribute the lines allocated between the various units.

The Bank's interbank line management function enables it to monitor and limit its consolidated interbank counterparty risk providing, as it does, information on:

- all lines opened with a group of counterparties but also with each counterparty in the group;

- all lines opened (with one counterparty or one group) for the Bank but also for each of its subsidiaries.

The Bank has not implemented lines for measuring the counterparty risk generated by all security selling/buying activities. In fact, as a general rule, almost all such transactions are made on a "cash on delivery" basis.

It is the task of the Bank's Front Office to manage the outstanding amounts on these lines. Thus, for example, before settling a deal, the operator must ensure that lines are available for the counterparty and for the product (and country) in question and that the relevant amounts and terms are available.

Abuses and overruns are monitored by Group Risk Management (and more particularly the RMU – Counterparty/Country Risk Section) using GEM. Anomaly reports are sent to the Trading Room management on a daily basis for justification and ratification, and to the Finance and Risk function manager. All overruns are reported to the members of the KBL *epb* Executive Committee and to KBC Group on a monthly basis.

3.2.3.2. Country risk

As far as country risk is concerned, transferability risks are the Bank's chief concern. Lines are allocated to the Bank and its subsidiaries for credit activities and trading room activities as and when required.
Following the example of the decision-making process implemented for lines which have not been confirmed by the counterparty, the decision to grant a country line is now taken by KBC Group (since November 2006). KBC Group defines the country lines for the entire group on the basis of global theoretical limits representing the maximum weighted credit risk possible in consolidated terms.

Following the example the counterparty risk, the Risk Management Unit within the Risk Management Group is responsible for monitoring whether or not the country limits set are respected.

3.2.4. Operational Risk Management

3.2.4.1. Definition

Operational risk is the risk of direct or indirect losses resulting from inadequate or deficient internal procedures, individuals, systems or external events.

3.2.4.2. Setting up operational risk management systems

The Group Operational Risk and Insurance Unit, acting on behalf of KBL *epb* as bank and holding company, is responsible for implementing the KBC Group's ORM (Operational Risk Management) project, the Group having opted for the Basel II/ CRD standardised method for all its units.

3.2.4.3. Techniques applied in the KBL *epb* network

The Bank opted for the standardised method of determining the regulatory capital requirement and implementing effective management of its operational risk, placing particular emphasis on the qualitative element essential to the method.

The pillars of this approach are:

- a group-wide incident database;
- the group-wide implementation of standards (outsourcing, Business Continuity Plan, etc.);
- a policy of self-evaluation of risks and safeguards;
- examination of the Group's resistance to the occurrence of external events (scenario-based);
- the creation of risk monitoring indicators.

3.2.4.4. Operational risk governance

An Operational Risk Committee (ORC) supervises the operational risk management process at KBL *epb* level and takes the necessary decisions. This Committee is chaired by the CFRO and is made up of the directors of the business lines which present a proven operational risk. It issues instructions to the Group Operational Risk and Insurance Unit. A steering committee, the KBL Group Operations Committee, chaired by the CFRO, is responsible for ensuring that this methodology is applied in all KBL *epb* subsidiaries. The KBL *epb* ORC is itself represented on the KBC Group ORC.

The Audit and Compliance Committee carries out a quarterly operational risk audit.

The key principle applied here is that ORM remains the responsibility of the various business lines. A network of Local Operational Risk Managers (LORM) has been set up in the various operational units. These LORM belong to the operational teams and ensure, for example, that procedures are followed, that auto-assessments are performed (following PCAI) and that Group standards compliance evaluations are carried out.

Each member of the KBL *epb* network has set up a structure of this type at local level (ORC – CORM – LORM), with local ORC reporting to the KBL *epb* network ORC which is itself represented on the KBC Group ORC.

3.2.4.5. Risk transfer

The residual operational risk is covered by a number of insurance policies, most of which are taken about by the KBC Group. All the members of the KBL *epb* network are included in the cover they provide.

NB: The various insurance policies managed by the Human Resources Department (invalidity and life insurance, pensions) remain entirely separate from this risk insurance cover.

3.2.4.6. Business Continuity Management (BCM)

A Business Continuity Plan (BCP) has been put in place to ensure the continuity of the Bank's critical activities in the case of a major incident. From an IT point of view this BCP is based on the Disaster Recovery Plan (DRP) with emergency measures designed to ensure the continuity of IT resources. An IT emergency site and a "business" emergency site, both remote from the main headquarters, are designed to guarantee the continuity of critical activities within a maximum of four hours of the DRP and/or BCP being triggered.

3.2.5. Internal Capital Adequacy and Assessment Process (ICAAP)

In line with CSSF requirements and under instruction from the Management, the RMU set up an ICAAP process during the course of 2008.

This process is based on an economic capital approach (developed at KBC Group level) which evaluates all the material risks to which the Bank is (or might be) exposed in order to estimate the maximum loss sustainable by the KBL *epb* network over a Oone-year period and for a given confidence interval.

An initial calculation of Economic Capital (ECap) required and Available Financial Resources (AFR) was carried out based on the position at the end of 2007 and with a budgetary horizon of three years. ECap and AFR data has since been updated quarterly, though the forecasting element has not been repeated.

In parallel with the implementation of ICAAP at the Bank, the RMU unit also provides the Bank's subsidiaries with support on issues such as approaches to and contacts with local regulators.

ANNEX 4 - SHARE BUY -BACK PROGRAMME

4.1. Buy-backs to 19 March 2008

In a bid to make company management simpler and more efficient, on 25 September 2006 the company made a share buyback offer which was subsequently renewed on 19 March 2008. After this date the prices offered were EUR 156.45 per ordinary share and EUR 138.25 per preference share without voting rights.

Following the repurchase of 870 shares between 23 March 2007 and 19 March 2008, 18,651 shares (0.09% of capital) remained in the hands of minority shareholders.

The share repurchase offer therefore cost the Bank a total of EUR 131,743.50 (EUR 98,563.50 for the ordinary shares and EUR 33,180.00 for the preference shares).

4.2. Cancellation of repurchased shares

At the Extraordinary General Meeting of Shareholders held on 19 March 2008, the 870 repurchased shares were cancelled and the company's capital thus reduced by EUR 8,091 in line with the total accounting par value (rounded-up) of the repurchased shares.

4.3. Buy-backs since 19 March 2008

Between 19 March and 31 December 2008, the Bank acquired 699 ordinary shares, 599 at the price of EUR 150 and 100 at EUR 156.45. No preference shares were repurchased during this period.

As at 31 December 2008, 17,952 shares (10,864 ordinary and 7,088 preference shares), together representing 0.9% of the company's capital, were still in the hands of minority shareholders.

[1] There are five risks which are considered to be material and for which a capital provision is deemed opportune: market, credit, operational, ALM and business.

Appropriation of profit

After the necessary write-downs, provisions and depreciation, the accounts of KBL European Private Bankers S.A. showed a loss of EUR 105,558,495.71 for the financial year ended 31 December 2008.

The Bank adopted the Luxgaap reporting system in order to switch to IAS and the distributable retained earnings as at 31 December 2008 amounted to EUR 101,231,645.

It is proposed to the annual general meeting that no dividend be paid and that the loss for the financial year be allocated in full to the retained earnings such that following said allocation, the retained earnings shall be a negative figure of EUR 4,326,850.71.

Composition of the board of directors

Mrs Marie-Christine Vanthournout-Santens and Messrs Jan Maarten de Jong, Luc Philips, Jacques Peters and Philippe Paquay will cease to be directors with effect from the 2009 Ordinary General Meeting.

It is proposed that the Meeting renew their mandates for a further period of four years.

Following the 2008 company elections, Mr Laurent Mertz was appointed Director responsible for staff representation in place of Mrs Marie-Paule Nilles on 1 January 2009.

Luxembourg, 18 February 2009

The Board of Directors

Auditors’ report on the consolidated balance sheet

UNQUALIFIED CERTIFICATION OF THE AUDITOR

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

Following our appointment by the Board of Directors, we have audited the accompanying consolidated accounts of KBL European Private Bankers S.A., including the consolidated balance sheet for 31 December 2008, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, as well as the notes thereto summarising the main accounting policies and other explanatory information for the consolidated accounts.

Responsibility of the Board of Directors in the preparation and presentation of the consolidated financial statements

The Board of Directors is responsible for the preparation and faithful presentation of the consolidated accounts in accordance with International Financial Reporting Standards adopted by the European Union. This responsibility includes the planning, performance and monitoring of internal controls that the preparation and faithful presentation of the consolidated financial statements are free of material misstatement, whether intentional or unintentional, and that the accounting estimates determined are reasonable in respect of the circumstances.

Responsibility of the Statutory Auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed our audit in accordance with the International Standards on Auditing adopted by the Institute of Statutory Auditors (Institut des Réviseurs d’Entreprises). These standards require us to comply with ethical rules and to plan and perform the audit to obtain reasonable assurance that these consolidated accounts are free of material misstatement.

An audit involves performing procedures in order to obtain evidence of the amounts and information provided in the consolidated accounts. The choice of procedure falls to the discretion of the statutory auditor, as does the evaluation of the risk of material misstatement, whether intentional or unintentional, in the consolidated financial statements. In performing this evaluation, the consideration by the statutory auditor of internal controls in effect at the entity, on the preparation and faithful presentation of the consolidated accounts, does not have the purpose of expressing an opinion on their effectiveness.

An audit also involves assessing the suitability of the accounting policies applied and reasonability of the accounting estimates used by the Board of Directors, as well as an assessment of the overall presentation of the consolidated accounts.

We believe the evidence obtained forms an adequate, appropriate basis for forming our opinion.

Auditors' report on the consolidated balance sheet

Opinion

In our opinion, the consolidated accounts give a true and fair view of the consolidated financial situation of KBL European Private Bankers S.A. as at 31 December 2008, as well as the financial performance and the consolidated cash flows for the period then ended in accordance with the system of International Financial Reporting Standards adopted by the European Union.

Report on other legal or regulatory obligations

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

ERNST & YOUNG,
Société Anonyme
Statutory auditor

Sylvie TESTA Daniel MEIS

Luxembourg, 18 February 2009

Consolidated accounts

Consolidated IFRS balance sheet

in EUR million, as at 31 December

ASSETS	NOTES	2007	2008
Cash and balances with central banks	37	1,620	972
Financial assets	15, 16, 17, 18, 35, 37	17,968	14,301
Held-for-trading assets	22	738	994
At fair value via profit and loss		582	172
Available-for-sale assets	20	5,770	6,129
Loans and receivables	21	10,740	6,922
Hedging derivatives	22	138	84
Tax assets	24	21	179
Current tax assets		1	34
Deferred tax assets		19	145
Investments in associates	25, 35	14	14
Investment property	27	39	38
Tangible assets	27	190	200
Goodwill and other intangible assets	26	289	372
Other assets	23, 35	131	108
TOTAL ASSETS		**20,271**	**16,184**

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

Consolidated IFRS balance sheet

in EUR million, as at 31 December

LIABILITIES	NOTES	2007	2008
Financial liabilities	15, 17, 35	18,512	14,999
Held-for-trading	22	459	628
At amortised cost		17,963	14,299
Hedging derivatives	22	89	72
Tax liabilities	24	95	5
Current tax liabilities		33	2
Deferred tax liabilities		62	3
Provisions	28	40	25
Other liabilities	29, 30, 35	320	305
TOTAL LIABILITIES		**18,966**	**15,335**
TOTAL EQUITY		**1,305**	**849**
Equity, group share	31	1,304	848
Minority interests		-	-
TOTAL LIABILITIES		**20,271**	**16,184**

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

Consolidated IFRS income statement

in EUR thousand, as at 31 December

	NOTES	2007	2008
Net interest income	4, 35	243,671	212,254
Dividend income	5	11,705	7,143
Net gains from financial instruments at fair value	6	-56,082	-258,575
Net realised gains from available-for-sale assets	7	61,207	4,570
Net fee and commission income	8, 35	461,436	418,183
Other income	9	34,396	12,415
GROSS INCOME		**756,332**	**395,989**
Operating expenses	10	-475,505	-475,552
Staff expenses	11, 30	-311,843	-291,423
General administrative expenses	39	-130,925	-162,479
Other	26, 27, 28	-32,737	-21,650
Impairment	12, 20, 21, 27	-37,501	-210,235
Share in profit of associates	13, 25	3,084	2,134
PROFIT BEFORE TAX		**246,410**	**-287,663**
Income tax expenses	14	-38,066	141,761
PROFIT AFTER TAX		**208,343**	**-145,901**
Attributable to MINORITY INTERESTS		59	-16
Attributable to GROUP SHAREHOLDERS		**208,284**	**-145,886**

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

Consolidated statement of changes in equity

in EUR million

	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Consolidated reserves	Currency translation differences	**Equity, group share**	Minority interests	**Total equity**
2007									
Balance as at 01/01/2007	**189.0**	**354.6**	**-38.4**	**117.7**	**1,118.5**	**-4.0**	**1,737.4**	**2.0**	**1,739.4**
Net movements on treasury shares	-	-	3.4	-	-	-	3.4	-	**3.4**
Fair value adjustments before tax	-	-	-	-39.5	-	-	-39.5	-	**-39.5**
Deferred tax on fair value changes	-	-	-	12.6	-	-	12.6	-	**12.6**
Transfer from revaluation reserve to profit and loss	-	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-1.7	-	-	-1.7	-	**-1.7**
Net gains/losses on disposal	-	-	-	-64.2	-	-	-64.2	-	**-64.2**
Deferred income tax	-	-	-	14.2	-	-	14.2	-	**14.2**
Net profit for the period	-	-	-	-	208.3	-	208.3	0.1	**208.4**
Dividends	-	-	-	-	-574.9	-	-574.9	-0.8	**-575.7**
Currency translation changes	-	-	-	-	-	8.9	8.9	-	**8.9**
Changes in scope of consolidation	-	-	-	-	-	-	-	-	**-**
Effects of acquisitions/ disposals on minority interests	-	-	-	0.3	-	-	0.3	-0.4	**-0.2**
Other	-1.8	-33.1	34.9	-	-	-	-	-0.3	**-0.4**
Total change	-1.8	-33.1	38.3	-78.4	-366.6	8.9	-432.8	-1.5	**-434.3**
Balance as at 31/12/2007	187.2	321.4	-0.1	39.3	751.9	4.9	1,304.6	0.5	**1,305.0**

Consolidated statement of changes in equity

in EUR million

	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Consolidated reserves	Currency translation differences	**Equity, group share**	Minority interests	**Total equity**
2008									
Balance as at 01/01/2008	**187.2**	**321.4**	**-0.1**	**39.3**	**751.9**	**4.9**	**1,304.6**	**0.5**	**1,305.0**
Net movements on treasury shares	-	-	-0.1	-	-	-	-0.1	-	**-0.1**
Fair value adjustments before tax	-	-	-	-179.1	-	-	-179.1	-	**-179.1**
Deferred tax on fair value changes	-	-	-	59.3	-	-	59.3	-	**59.3**
Transfer from revaluation reserve to profit and loss	-	-	-	-9.0	-	-	-9.0	-	**-9.0**
Impairment losses	-	-	-	-6.3	-	-	-6.3	-	**-6.3**
Net gains/losses on disposal	-	-	-	-4.2	-	-	-4.2	-	**-4.2**
Deferred income tax	-	-	-	1.5	-	-	1.5	-	**1.5**
Net profit for the period	-	-	-	-	-145.9	-	-145.9	-	**-145.9**
Dividends	-	-	-	-	-201.4	-	-201.4	-	**-201.4**
Currency translation changes	-	-	-	-	-	19.4	19.4	-	**19.4**
Changes in scope of consolidation	-	-	-	-	-	-	-	-	**-**
Effects of acquisitions/ disposals on minority interests	-	-	-	-	-	-	-	-	**-**
Other	-	-0.1	0.1	0.4	0.1	-	0.5	-0.1	**0.4**
Total change	-	-0.1	-	-128.4	-347.2	19.4	-456.2	-0.1	**-456.3**
Balance as at 31/12/2008	**187.2**	**321.3**	**-0.1**	**-89.1**	**404.7**	**24.3**	**848.3**	**0.4**	**848.7**

Consolidated cash flow statement

in EUR million, as at 31 December

	2007	2008
Profit before tax	246.4	-287.7
Adjustments for:	-66.5	218.5
Depreciation, amortisation and impairment of property and equipment, intangible assets, investment property and securities	65.4	178.0
Profit/loss on the disposal of investments	-19.6	-
Change in impairment for losses on loans and advances	-	55.7
Change in other provisions	4.9	-1.8
Unrealised foreign currency gains and losses	-114.0	-11.2
Profit from associates	-3.1	-2.1
Cash flows from operating activities before tax and before changes in operating assets and liabilities	**179.9**	**-69.1**
Changes in operating assets [1]	5,779.7	-1,313.8
Changes in operating liabilities [2]	-2,539.4	-3,527.7
Income taxes paid	-49.6	-48.9
Adjustment in the definition of cash and cash equivalent	3,106.2	468.9
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,476.8**	**-4,490.6**
Acquisition of subsidiaries or business units, net of cash acquired/disposed of	-	-
Sale of subsidiaries or business units, net of cash acquired/disposed of	34.9	-
Proceeds from the sale of investment property	-	-0.4
Acquisition of intangible assets	-2.5	-6.3
Proceeds from the sale of intangible assets	0.1	0.5
Purchase of property and equipment	-22.5	-25.1
Proceeds from the sale of property, plant and equipment	18.8	2.1
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**28.9**	**-29.2**
Purchase/sale of treasury shares	3.3	-0.1
Issue /repayment of promissory notes and other debt securities	-3.3	4.2
Proceeds from /repayment of subordinated liabilities	-11.9	-183.7
Dividends paid	-574.9	-201.4
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-586.8**	**-381.0**

[1] Including loans and advances to banks, loans and advances to customers, securities, derivatives and other assets.

[2] Including deposits from banks, deposits from customers, bonds issued, derivatives and other liabilities.

Consolidated cash flow statement

	2007	2008
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [3]	**5,918.8**	**-4,900.8**
Cash and cash equivalents as at 01/01	1,706.7	7,625.5
Net increase/decrease in cash and cash equivalents	5,918.8	-4,900.8
Effect of exchange rates on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AS AT 31/12	**7,625.5**	**2,724.6**
ADDITIONAL INFORMATION		
Interest paid	-1,447.7	-840.2
Interest received	1,747.2	1,069.9
Dividends received (including equity method)	11.7	7.1
COMPONENTS OF CASH AND CASH EQUIVALENTS	**7,625.5**	**2,724.6**
Cash and balances with central banks (including legal reserve with the central bank)	1,619.7	971.6
Loans and advances to banks repayable on demand	7,586.9	3,239.0
Deposits from banks repayable on demand	-1,581.2	-1,485.9
Of which: Not available [4]	1,501.7	854.0

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

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

NOTE 1 – General

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

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

KBL *epb* group is headed by KBL European Private Bankers S.A. (hereinafter "KBL *epb*"), formerly Kredietbank S.A. Luxembourgeoise, a public limited liability company (société anonyme) in Luxembourg and having its registered office at:
43, boulevard Royal, L-2955 Luxembourg

The group draws up its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and a management report, both of which may be obtained from its head office.

KBL *epb* group is part of KBC Group. KBL *epb* group's consolidated accounts are themselves consolidated in the consolidated accounts of KBC Group. The consolidated accounts of KBC Group and the consolidated management report may be obtained from its head office.

Born on 2 March 2005 from the merger of KBC Bancasurance Holding N.V. and its parent company Almanij, the KBC Group is today one of the major financial groups in Europe. As a multi-channel, independent bancassurance group, centred geographically on Europe, KBC Group provides individual clients, as well as small and medium-sized companies, with retail and private banking services. It is also active in the fields of asset management, corporate banking and private equity markets. KBC Group is a major player on the Belgian and central European markets and has created a large network of private bankers in western Europe. KBC Group has also selectively developed a presence in certain other countries and regions across the world.

NOTE 2A – Statement of compliance

The consolidated accounts presented in this report were approved by the Board of Directors of KBL *epb* on 18 February 2009.

KBL *epb* group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Given its activity, KBL *epb* is not concerned *de facto* by IFRS 4 on insurance contracts. The preparation of consolidated accounts in accordance with IFRS requires making estimations and the future results of the operations for which these estimations have been made may turn out to be different from these.

The KBL *epb* group has decided not to adopt in advance the standards, amendments to standards and interpretations of the IFRS which have been published but are not in application for the year ending 31 December 2008. These are basically the following publications. Only the standards, amendments to standards and interpretations of the IFRS which could have an effect on the KBL *epb* group are mentioned below:

- IFRS 8 "Operating Segments" (published in November 2006); this standard – which replaces IAS 14 "Segment reporting" – is applied to accounts opened on or after 1 January 2009. It will affect the presentation of information relating to business segment and geographic segment (information currently available in Notes 3a and 3b).

- Amendment to IAS 1 "Presentation of Financial Statements" (published in September 2007); this amendment, applicable to financial years opened on or after 1 January 2009, introduces the new requirement to present a "Statement of Comprehensive Income", the result of the aggregation of income over the period and the various elements previously directly imputed to equity (like the revaluation reserve for available-for-sale financial instruments for example).
- Amendment to IFRS 3 "Business Combinations" (published in January 2008); the amended standard modifies treatment of acquisition costs (advisory, legal, finders' fees…) and sets complementary valuation rules for certain assets and liabilities (particularly regarding non-controlling interests in the acquired entity). For the KBL *epb* group this standard will be applicable to all business combinations with an acquisition date later than 31 December 2009.
- Amendment to IAS 27 "Consolidated and Separate Financial Statements" (published in January 2008); the amendment mainly concerns the treatment of total or partial disposals of subsidiaries (with or without loss of control). It applies to accounting periods beginning on or after 1 July 2009.

NOTE 2B – Main accounting methods

a. Consolidation criteria

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

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

All entities over which KBL *epb* exercises, directly or indirectly, exclusive control are consolidated according to the method of global consolidation.

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

Investments in associates, i.e. where KBL *epb* has significant influence, are accounted for using the equity method.

b. Conversion of items in foreign currency

The consolidated accounts of KBL *epb* are drawn up in EUR, which is the operating currency of the group.

KBL *epb* maintains a multi-currency accounting system under which all transactions are registered in the original foreign currency on the day on which the contract is concluded.

In preparing the annual accounts for KBL *epb* and the consolidated subsidiaries whose accounts are drawn up in EUR, assets and liabilities in foreign currencies are translated into EUR. Foreign currency items have been converted at the exchange rate applicable on the date of the balance sheet; differences arising from such conversion have been recorded in the profit and loss account. Non-monetary items measured at historical cost are translated at the historical exchange rate that existed on the transaction date. Non-monetary items carried at fair value are translated at the spot rate on the date the fair value was determined and translation differences are reported together with changes in the fair value.

Income and expense items expressed in foreign currencies are recognised in profit or loss in their respective currencies and periodically translated at the average monthly rate.

The balance sheets of foreign subsidiaries are translated into EUR at the spot rate at the balance sheet date (with the exception of the capital and reserves, which are translated at the historical rate).

The profit and loss accounts are translated at the average rate for the financial year. This principle is applicable to subsidiaries of KBL *epb* in Switzerland and in the United Kingdom.

Exchange rate as at 31/12/2008 1 EUR = ... DEV		**Change versus 31/12/2007**
CHF	1,485	-10,26 %
GBP	0,9525	29,88 %

Average annual exchange rates in 2008 1 EUR = ... DEV		**Change versus 31/12/2007**
CHF	1,586953	-3,40 %
GBP	0,793423	15,88 %

Exchange differences resulting from the procedures applied to translate the balance sheet and the profit and loss account of the foreign subsidiaries into EUR are recognised as a separate item in equity.

c. Financial assets and liabilities

General principles of recognition and derecognition of financial instruments

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

A financial asset is derecognised when and only when the contractual rights on the cash flows linked to the asset expire or the group transfers the financial asset.

A financial liability is derecognised when and only when the contractual rights on the cash flows linked to the asset expire or the group transfers the financial asset.

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

In the case of sale, the assets are valued at their sale price during the period between the transaction date and the settlement date.

Pursuant to the principles of IAS 39 on derecognition, the group keeps securities lent in its securities portfolio but the securities borrowed are not recorded on the balance sheet. Similarly, the securities concerned by repurchase agreements are kept in the securities portfolio but those under reverse-repo contracts are not recorded on the balance sheet.

Definition of assets and liabilities according to the IAS 39 classification system

All financial assets and liabilities – including derivatives – must be recognised in the balance sheet according to the IAS 39 classification system. Each classification is subject to specific measurement rules.

The IAS 39 classifications are as follows:

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

- *Financial assets at fair value via profit and loss* include held-for-trading assets and any other financial assets initially recognised at fair value via profit and loss. Held-for-trading assets are those acquired principally for the purpose of selling them in the short term and those which are part of a portfolio with indications of recent short-term profit-taking. All derivatives are considered as being held for trading unless designated as effective hedging instruments. Other assets initially recognised at fair value via profit and loss are valued in the same way as held-for-trading assets, even if there is no intention of short-term profit taking. The "fair value" option may be used when a contract contains one or more derivatives under certain conditions or when its application produces more pertinent information:
  - either because a group of financial assets/liabilities is managed on the fair-value basis and the performance is measured on the fair-value basis, according to a documented investment or risk management strategy,
  - or because the application of this option makes it possible to eradicate or strongly limit discrepancies resulting from differing valuations of the assets and liabilities concerned.

This option is mainly used by the group firstly for contracts with one or more embedded derivatives and secondly as an alternative to hedge accounting (aligning of the way of valuing the instrument covered on that of the covering instrument).

- *Available-for-sale assets* are all non-derivatives which do not fall into one of the above categories.
- *Held-for-trading liabilities* are liabilities held mainly with the intention of repurchasing them in the short term. All derivatives are considered as being held for trading unless designated as effective hedging instruments.
- *Other liabilities* are all other financial instruments not held for trading.
- *Hedging derivatives* are derivatives for hedging purposes.

Evaluation of financial instruments

Financial assets and liabilities are initially recognised at fair value and are then evaluated according to the principles governing IAS 39 in which they are placed.

– General principles –

Loans and receivables with a fixed maturity are measured at amortised cost using the effective interest rate, i.e. the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. The instruments without a fixed maturity are measured at cost.

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

The *financial assets at fair value via profit and loss* and the *held-for-trading liabilities* are measured at fair value with variations in this taken to the income statement.

Other liabilities are recognised in the balance sheet at amortised cost. The difference between the amount made available and the nominal amount is recognised in the income statement (net interest income) *pro rata temporis,* on a yield-to-maturity basis using the EIR.

– Impairment –

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

- Available for sale assets

For listed shares, a provision is recognised if the market value is less than 70% of the carrying amount or if the market price of the share over a year is less than the acquisition price. For debt instruments, the amount of impairment is also calculated using the recoverable value.

Impairment losses are always recognised in the profit and loss account. Meanwhile, reversals are recognised on the income statement only for debt instruments. For listed shares and other equity instruments, reversals are taken to equity in the revaluation reserve (available-for-sale financial instruments).

- Loans and receivables

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

– Embedded derivatives –

Derivatives contained in financial instruments that are not measured at fair value via profit and loss are separated from the financial instruments and measured at fair value via profit and loss if the risk relating to the embedded derivative is not closely related to the risk on the host contract.

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

– Hedge accounting –

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

It does however use micro-hedge accounting when all the necessary conditions have been met: the hedging relationship must be designated and formally documented on the inception of the hedge, it is expected that hedge is highly effective, and it must be possible to measure this in a reliable way, expected transactions (in the framework of cash-flow hedging) must be highly likely and the hedge is measured on a continuous basis and is determined as having been highly effective during the financial periods in which the hedge was designated.

Fair value hedge accounting is used by the group to cover the exposure of available-for-sale assets and certain financial liabilities to changes in the fair value as a result of variations in interest rates or exchange rates. In this case those derivatives designated as hedging instruments (mainly interest-rate swaps and interest-rate and currency swaps) are valued at fair value with variations in fair value being recognised in profit and loss. Furthermore, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged element and is also recognised in profit and loss. If the hedged item is an available-for-sale asset already measured at fair value due to other IFRS stipulations, applying hedge accounting leads to a division of the variation in fair value of the instrument between a part covered by the hedging relationship, recognised in the profit and loss, and a part for unhedged risks, recognised in the revaluation reserve in equity.

Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, and for debt instruments, the cumulative changes to the carrying amount of the hedged instrument (relative to the risks hedged) is transferred to the profit and loss account pro rata temporis until the instrument expires. As regards cash flow hedging, not currently used by the KBL *epb*, group, hedging instruments are measured at fair value. Gains or losses for the ineffective portion of the hedging instrument are recognised in the income statement.

Hedge accounting will be discontinued if the hedge accounting criteria are no longer met. In this case, the hedging instruments will be treated as held-for-trading and measured accordingly.

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

Determination of fair value

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

If this is not available fair value will be obtained:

- by reference to recent "at arm's length" market transactions between knowledgeable, willing parties;
- by using a valuation technique (discounted cash flow analysis and option pricing models). The valuation technique must incorporate all factors that market participants would consider in setting a price and be consistent with accepted methodologies used for pricing financial instruments;
- by using the European Venture Capital Association (EVCA) guidance for private equity.

d. Goodwill and other intangible assets

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

Goodwill in a business combination is not amortised but is tested for impairment on an annual basis.

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

Negative goodwill is the excess of KBL *epb* group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture or associate on the date of the acquisition, compared with the acquisition cost. Where negative goodwill exists after re-examination and re-estimation of the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture or associate, it is immediately recognised in profit.

The purchase of a client portfolio (goodwill) generally includes the transfer of the client assets under management to the group and also the recruitment of all or part of the account officers in charge of client relations.

The goodwill is not amortised, but is tested for impairment at least annually. The criteria used for impairment testing are those used on the acquisition of the client portfolio (percentage of assets under management, gross margin multiple, etc.). The result of the impairment test is compared with an estimation based on the parameters deduced from similar transactions, if available.

If the capitalisation criteria are met and the amounts are not immaterial, software is recognised as an intangible asset. Internal and external development expenses for the development phase of internally generated strategic software are capitalised and amortised according to the straight-line method over the estimated useful life (average annual rate: 25%).

Research expenses for these projects and all expenses for non-strategic projects are taken directly to profit or loss.

e. Property and equipment

Property and equipment are initially recognised at cost.

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

Overview of average depreciation rates	
Type of investment	Depreciation rate
Land	Non-depreciable
Buildings	2 % – 3 %
Technical installations	5 % – 10 %
Furniture	25 %
IT hardware	25 %
Vehicles	25 %
Works of art	Non-depreciable

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

When property or equipment is sold the realised gains or losses are taken directly to profit or loss. If property or equipment is destroyed, the carrying amount to be written off is taken directly to profit or loss.

f. Investment property

An investment property is real estate held to earn rental income or for capital appreciation or both.

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

Investment property is recognised at cost less any accumulated depreciation and impairment. It is depreciated according to the straight-line method over the economic life of the investment property concerned (average rate: 2% – 3%).

g. Pension commitments

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

In the case of defined-benefit pension plans, the pension cost on the income statement and liability on the balance sheet are calculated according to IAS 19, based on the projected unit credit method, which envisages each period of service granting additional entitlement to pension benefits. The calculations are made each year by independent actuaries.

Actuarial gains and losses are recognised according to what is known as the "corridor method". The portion of gains and losses exceeding 10% of the greater of the two values below shall be recognised in profit or loss on a straight-line basis over a period of five years maximum:

- the discounted value of the defined benefit commitment at the date of the balance sheet (before deducting plan assets), and
- the fair value of the plan assets at the date of the balance sheet.

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

h. Tax assets and liabilities

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

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

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

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

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

i. Provisions

A balance sheet provision is recognised when the following three conditions have been fulfilled:

- the group has a current obligation (on the date of the balance sheet) resulting from a past event;
- it is more likely than unlikely that a future payment will be necessary to settle this obligation, and
- the amount of the obligation can be reliably estimated.

j. Financial guarantees

Financial guarantees are initially recognised at their fair value or at the amount of the commission received. The group later measures the debt relative to each guarantee issued, the debt corresponding to the largest of the following amounts: depreciated commission or best estimation of the amount required to settle any financial liability arising therefrom.

k. Equity

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

Equity instruments have been differentiated from financial instruments in accordance with rules IAS 32 and IAS 39.

The acquisition cost of KBL treasury shares acquired or being acquired is deducted from equity. On the sale, issuance or cancellation of treasury shares, gains or losses are directly reported in equity.

The revaluation reserve for available-for-sale assets is included in equity until disposal or impairment of the assets. At that time, the gains or losses are transferred to profit or loss for the financial year.

If applicable in the case of cash-flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, in the "hedging reserve".

l. Revenue

KBL *epb* group recognises revenue if and only if the following conditions are met:

- it is probable that the economic benefits relating to the transaction shall flow to KBL *epb* group, and
- the amount of revenue can be estimated reliably.

The specific conditions below should also be respected before recognising the revenue concerned.

Net interest income

Interest is recognised pro rata temporis (using the EIR method, a method of allocating financial income or expenses during the period concerned).

All interest paid and received on financial instruments is recognised in the net interest income, except for interest generated by held-for-trading derivatives which appear under "Net gains from financial instruments at fair value" on the income statement.

Dividends

Dividends are recognised when the right of the shareholder to receive payment is recognised. They are entered under "Dividends" on the income statement regardless of the IFRS asset category concerned. .

Services provided

Revenue relating to the provision of a service is recognised in accordance with the percentage completion of the transaction at the balance sheet date. In accordance with this method, the revenue is recognised in the periods in which the services are provided.

m. Reclassing of opening balance

From 2008, financial instruments are presented using what is known as the dirty price method (including accrued interest). To make it possible to compare figures, the data as at 31 December 2007 have been adapted.

NOTE 3A – Segment reporting by business segment

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

- The "PRIVATE BANKING" segment includes the wealth management activities provided to private customers by KBL *epb* group. This segment also includes investment fund management mainly for private customers. This segment includes all the major subsidiaries of KBL *epb* group: KBL (Switzerland) Ltd, KBL Monaco Private Bankers S.A., KBL Richelieu Banque Privée S.A., Puilaetco Dewaay Private Bankers S.A., Theodoor Gilissen Bankiers N.V., Brown Shipley & Co Ltd and Merck Finck & Co. Privatbankiers and the private banking activities of KBL *epb* and Kredietrust Luxembourg S.A.

- The "GLOBAL INVESTOR SERVICES" segment includes securities activities for institutional clients. This segment includes custodian bank and fund administration activities (including the shareholding in European Fund Administration), paying agent activities, specialised securities depository and central securities depository Clearstream / Euroclear, as well as intermediation and portfolio management services for KBL *epb* institutional clients.

- The "CORPORATE BANKING" segment covers international loan activities (including syndicated loans, SAS and FRN) and direct loans to KBL *epb* corporate and institutional clients.

- The "FINANCIAL MARKETS" segment represents the extension of intermediation activities to KBL *epb*, and includes cash management, securities lending, Repos/Reverse Repos and taking positions for the bank itself.

- The "OTHER" segment includes all the elements not directly linked to the four preceding segments, i.e. the replacement of excess equity, central costs, exceptional elements not directly linked to other business segments, the results of small non-core subsidiaries, analytical switches and consolidation.

Individual profit or loss items include inter-segment transfers, calculated on an arm's length or cost recovery basis.

The net result of each entity included in the scope of consolidation is allocated to the various sectors after taking into account consolidation restatements.

PROFIT AND LOSS ACCOUNT (in EUR million)	**PRIVATE BANKING**		**GLOBAL INVESTOR SERVICES**		**CORPORATE BANKING**		**FINANCIAL MARKETS**		**OTHER**		**KBL *epb* GROUP**	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Net interest income	83.8	98.3	26.0	22.6	23.0	27.0	6.3	62.0	104.5	2.5	**243.7**	**212.3**
Dividend income	3.2	2.2	-	-	-	-	8.5	4.9	-	-	**11.7**	**7.1**
Net gains from financial instruments at fair value	19.6	-11.1	4.0	4.2	-14.8	-236.0	39.4	6.6	-104.3	-22.3	**-56.1**	**-258.6**
Net realised gains from available-for-sale financial assets	5.2	10.2	-	-	0.2	-7.5	3.1	-0.2	52.7	2.1	**61.2**	**4.6**
Net fee and commission income	394.4	364.5	62.5	48.0	1.2	1.2	-0.6	-2.8	3.9	7.3	**461.4**	**418.2**
Other income	3.4	0.2	-	-	0.2	-	1.1	3.1	29.7	9.1	**34.4**	**12.4**
GROSS INCOME	**509.7**	**464.3**	**92.6**	**74.8**	**9.8**	**-215.3**	**57.7**	**73.5**	**86.6**	**-1.4**	**756.3**	**396.0**
Operating expenses	-337.0	-367.8	-35.8	-34.7	-6.1	-4.2	-22.4	-22.6	-74.2	-46.3	**-475.5**	**-475.5**
Impairment	-0.7	-12.0	-	-	-35.4	-135.4	-2.0	-0.5	0.6	-62.4	**-37.5**	**-210.2**
Share in profit of associates	-	-	3.4	2.1	-	-	-	-	-0.3	-	**3.1**	**2.1**
PROFIT BEFORE TAX	**172.0**	**84.5**	**60.1**	**42.2**	**-31.7**	**-354.9**	**33.4**	**50.5**	**12.6**	**-110.0**	**246.4**	**-287.7**
Income tax expense	-39.3	-13.3	-16.7	-11.9	12.4	128.4	-3.6	-11.4	9.2	49.9	**-38.1**	**141.8**
PROFIT AFTER TAX	**132.7**	**71.2**	**43.4**	**30.3**	**-19.4**	**-226.4**	**29.8**	**39.1**	**21.9**	**-60.1**	**208.3**	**-145.9**
Attributable to MINORITY INTERESTS	-0.1	-	-	-	-	-	-	-	-	-	**-0.1**	**-**
Attributable to GROUP SHAREHOLDERS	**132.6**	**71.2**	**43.4**	**30.3**	**-19.4**	**-226.4**	**29.8**	**39.1**	**21.9**	**-60.1**	**208.3**	**-145.9**

BALANCE SHEET (in EUR million)	PRIVATE BANKING		GLOBAL INVESTOR SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL *epb* GROUP	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Cash and balances with central banks	99	90	-	-	-	-	1,521	881	-	-	**1,620**	**972**
Financial assets	3,450	2,688	294	338	2,558	3,087	11,666	8,188	-	-	**17,968**	**14,301**
Held-for-sale assets	298	406	-	-	-	-	439	588	-	-	**738**	**994**
At fair value via profit and loss	227	1	-	-	213	22	141	149	-	-	**582**	**172**
Available-for-sale assets	1,434	1,070	-	-	2,229	2,977	2,107	2,082	-	-	**5,770**	**6,129**
Loans and receivables	1,490	1,211	294	338	115	88	8,841	5,285	-	-	**10,740**	**6,922**
Hedging derivatives	-	-	-	-	1	-	138	84	-	-	**138**	**84**
Tax assets	20	29	-	-	1	-	-	-	-	151	**21**	**179**
Current tax assets	1	7	-	-	1	-	-	-	-	27	**1**	**34**
Deferred tax assets	19	21	-	-	-	-	-	-	-	124	**19**	**145**
Investments in associates	-	-	14	14	-	-	-	-	-	-	**14**	**14**
Investment property	-	-	-	-	-	-	-	-	39	38	**39**	**38**
Tangible assets	163	177	15	17	4	3	7	3	-	-	**190**	**200**
Goodwill and other intangible assets	281	364	-	-	-	-	-	-	9	8	**289**	**372**
Other assets	131	108	-	-	-	-	-	-	-	-	**131**	**108**
TOTAL ASSETS	**4,144**	**3,456**	**323**	**369**	**2,562**	**3,090**	**13,194**	**9,073**	**48**	**196**	**20,271**	**16,184**
Financial liabilities	8,065	7,508	3,326	2,514	278	213	6,843	4,764	-	-	**18,512**	**14,999**
Held-for-sale	186	216	-	-	-	-	273	412	-	-	**459**	**628**
At amortised cost	7,879	7,292	3,326	2,514	277	213	6,481	4,280	-	-	**17,963**	**14,299**
Hedging derivatives	-	-	-	-	-	-	89	72	-	-	**89**	**72**
Tax liabilities	20	5	-	-	-	-	-	-	76	-	**95**	**5**
Current tax liabilities	18	2	-	-	-	-	-	-	16	-	**33**	**2**
Deferred tax liabilities	2	3	-	-	-	-	-	-	60	-	**62**	**3**
Provisions	20	20	-	-	-	-	-	-	19	5	**40**	**25**
Other liabilities	265	305	-	-	-	-	-	-	55	-	**320**	**305**
TOTAL LIABILITIES, EXCLUDING EQUITY	**8,370**	**7,838**	**3,326**	**2,514**	**278**	**213**	**6,843**	**4,764**	**150**	**5**	**18,966**	**15,335**
Acquisitions of P&E and intangible assets	23	26	2	2	-	-	1	1	1	2	**28**	**31**

NOTE 3B – Segment reporting by geographic sector

KBL *epb* group, as the driving force for the development of private banking within the KBC Group, distinguishes between the secondary segments “OFF-SHORE”, covering the activities of the Luxembourg, Swiss and Monegasque companies and “ON-SHORE”, covering the activities of the other companies included in the scope of consolidation.

(in EUR million)	On-shore		Off-shore		KBL *epb* group	
	2007	2008	2007	2008	2007	2008
Gross income	290	169	467	227	756	396
Total assets	4,463	4,190	15,809	11,994	20,271	16,184
Total liabilities (excluding equity)	4,874	4,631	14,092	10,704	18,966	15,335
Acquisition of non-current assets	8	8	20	24	28	31

NOTE 4 – Net interest income

(in EUR thousand)	31/12/2007	31/12/2008
Breakdown by portfolio		
Interest income	**1,204,339**	**1,005,005**
Available-for-sale assets	271,323	324,479
Loans and receivables	718,307	500,384
Other	1,909	2,994
Sub-total of interest income from financial assets not measured at fair value via profit and loss	991,540	827,858
Financial assets held-for-trading	7,221	6,529
Net interest on hedging derivatives (if net income)	178,823	145,787
Financial assets at fair value via profit and loss	26,755	24,832
Interest expense	**-960,668**	**-792,752**
Financial liabilities at amortised cost	-780,561	-654,077
Other	-3,255	-2,483
Sub-total of interest expense on financial liabilities not measured at fair value via profit and loss	-783,816	-656,560
Net interest on hedging derivatives	-176,853	-136,191
Net interest income	**243,671**	**212,254**

NOTE 5 – Dividend income

(in EUR thousand)	31/12/2007	31/12/2008
Available-for-sale shares	11,111	5,329
Shares held-for-trading	591	1,813
At fair value via profit and loss	4	2
Dividend income	**11,705**	**7,143**

NOTE 6 – Net gains from financial instruments at fair value

(in EUR thousand)	31/12/2007	31/12/2008
Held-for-trading (including interest and valuation of trading derivatives)	-100,512	4,909
Other financial instruments at fair value	-18,882	-258,118
Foreign exchange trading	63,321	-6,921
Fair value adjustment in hedge accounting	-9	1,554
Micro-hedging	-9	2,177
Fair-value hedging	4,621	19,431
Fair value of hedged item	-4,630	-17,254
Macro-hedging	-	-622
Fair-value hedging	-	4,119
Fair value of hedged item	-	-4,742
Net gains from financial instruments at fair value	**-56,082**	**-258,575**

NOTE 7 – Net realised gains from available-for-sale financial assets

Net realised gains on available-for-sale financial assets include the gains realised on the disposal of available-for-sale financial assets (both fixed-income securities and variable-yield securities).

(in EUR thousand)	31/12/2007	31/12/2008
Fixed-income securities	2,927	-7,862
Variable-yield securities	58,280	12,431
Net realised gains from available-for-sale financial assets	**61,207**	**4,570**

NOTE 8 – Net fee and commission income

(in EUR thousand)	31/12/2007	31/12/2008
Fee and commission income	**591,211**	**547,445**
Asset management	331,282	323,947
Securities transactions	210,151	186,202
Other	49,778	37,296
Fee and commission expense	**-129,775**	**-129,261**
Asset management	-64,434	-76,845
Securities transactions	-51,800	-41,012
Other	-13,541	-11,404
Net fee and commission income	**461,436**	**418,183**

NOTE 9 – Other income

(in EUR thousand)	31/12/2007	31/12/2008
Total	**34,396**	**12,415**
Of which:		
Net proceeds on the sale of Banca KBL Fumagalli Soldan	14,416	-
Write-back of provisions for various expenses	8,673	3,853
Net proceeds on the sale of Renelux	3,026	-
Net proceeds on the sale of a building	1,601	-
Net proceeds on precious metals transactions	1,057	3,161
Late interest received on VAT reimbursement	-	1,000

NOTE 10 – Operating expenses

Operating expenses include the employee benefits expense, amortisation and depreciation of property and equipment and intangible assets, changes in the provisions for risks and charges and general administrative expenses.

These last items include repair and maintenance expenses, advertising expenses, rent, professional fees, IT costs and various (non-income) taxes.

(in EUR thousand)	31/12/2007	31/12/2008
Staff expenses	-311,843	-291,423
General administrative expenses	-130,925	-162,479
Depreciation and amortisation of tangible and intangible assets	-27,873	-23,415
Provisions for risks and charges	-4,864	1,764
Operating expenses	**-475,505**	**-475,552**

NOTE 11 – Personnel

	31/12/2007	31/12/2008
Total average number of persons employed (in full-time equivalents)	**2,668**	**2,811**
Breakdown by business [1]	**2,668**	**2,811**
Private Banking	1,816	1,954
Global Investor Services	276	256
Corporate Banking	39	36
Financial Markets	99	104
Other	438	461
Geographic breakdown	**2,668**	**2,811**
On-shore	1,308	1,430
Off-shore	1,360	1,381

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

NOTE 12 – Impairment

(in EUR thousand)	31/12/2007	31/12/2008
(Impairment)/reversal of impairment on:		
Loans and receivables	-33,443	-55,684
Available-for-sale financial assets	-4,009	-153,131
Other	-49	-1,419
Total impairment	**-37,501**	**-210,235**

Impairment on loans and receivables

Further information on impairment is provided in the annex to the management report.

(in EUR thousand)	31/12/2007	31/12/2008
Total	**-33,443**	**-55,684**
Breakdown by type	**-33,443**	**-55,684**
(Impairment)/Reversal of impairment on		
Specific impairments for on-balance-sheet lending	-34,618	-55,551
Specific impairments for off-balance-sheet credit commitments	993	-
Portfolio-based impairments	182	-133
Geographic breakdown	**-33,443**	**-55,684**
On-shore	-192	264
Off-shore	-33,251	-55,948

See also Note 21 – Impairment on balance sheet lending– and Note 28 – Provisions.

Impairment on available-for-sale financial assets

(in EUR thousand)	31/12/2007	31/12/2008
(Impairment)/reversal of impairment on:		
Fixed-income securities	-1,505	-88,508
Variable-yield securities	-2,504	-64,623
Total	**-4,009**	**-153,131**

Other impairment

(in EUR thousand)	31/12/2007	31/12/2008
Property and equipment	-49	-1,419
Total	**-49**	**-1,419**

NOTE 13 – Share in profit of associates

(in EUR thousand)	31/12/2007	31/12/2008
Total	**3,084**	**2,134**
European Fund Administration S.A. and EFA Partners S.A.	3,084	2,134

NOTE 14 – Income tax

(in EUR thousand)	31/12/2007	31/12/2008
Total	**-38,066**	**141,761**
Breakdown by type	**-38,066**	**141,761**
Current tax *	-34,956	14,460
Deferred tax	-3,111	127,302
Breakdown by major components	**-38,066**	**141,761**
Profit before tax	246,410	-287,663
Luxembourg statutory income tax	29.63%	29.63%
Income tax calculated at the Luxembourg statutory rate	**-73,011**	**85,234**
Plus/minus tax effects attributable to:		
Differences in tax rates, Luxembourg – abroad	-28,839	-14,676
Tax-free income	55,452	34,154
Other non-deductible expenses	-3,814	-4,943
Adjustments related to prior years	8,323	33,496
Adjustment to opening balance due to tax rate change **	331	-2,137
Unused tax losses and tax credits	11,203	3,778
Others	-7,711	6,855
Income tax adjustments	**34,945**	**56,527**

Details of tax assets and liabilities are given in Note 24.

* This amount includes reversals of excess provisioning in previous years.

** Deferred taxes have been calculated using the rate adopted or half-adopted as at 31 December 2008, i.e. 28.59%.

NOTE 15 – Classification of financial instruments: breakdown by portfolio and by product

- Financial instruments are divided into several categories (portfolios). Details of these various categories and the valuation rules linked to them are given in Annex 2b, in point b, dealing with financial assets and liabilities (IAS 39).
- The following balance sheet analyses are made at a clean price. Consequently, accrued interest is presented separately, with the exception of trading derivatives which are presented at the dirty price.

CARRYING AMOUNT (in EUR million)

31/12/2007

ASSETS	Held-for-trading (HFT) assets	Financial instruments at fair value (FIFV) via profit and loss	Available-for-sale (AFS) assets	Loans and receivables (L&R)	Hedging derivatives	Total
Loans and advances to banks and investment firms	**-**	**-**	**-**	**8,854**	**-**	**8,854**
Loans and advances to customers	-	**27**	-	**1,832**	-	**1,859**
Discount and acceptance credit	-	-	-	2	-	2
Consumer credit	-	-	-	6	-	6
Mortgage loans	-	-	-	258	-	258
Term loans	-	-	-	652	-	652
Current accounts	-	-	-	739	-	739
Other	-	27	-	175	-	201
Variable-yield securities	**18**	**-**	**304**	**-**	**-**	**322**
Fixed-income securities issued by	**287**	**542**	**5,368**	-	-	**6,197**
- government bodies	17	142	2,575	-	-	2,734
- banks and investment firms	83	189	1,097	-	-	1,368
- corporations	187	211	1,697	-	-	2,095
Derivatives	**428**	**-**	**-**	**-**	**86**	**514**
Total excluding accrued interest	**733**	**569**	**5,672**	**10,686**	**86**	**17,745**
Accrued interest	**5**	**13**	**98**	**54**	**53**	**223**
Total including accrued interest	**738**	**582**	**5,770**	**10,740**	**138**	**17,968**
Of which: Reverse repos	-	-	-	3,840	-	3,840

CARRYING AMOUNT (in EUR million)

31/12/2008

ASSETS	Held-for-trading (HFT) assets	Financial instruments at fair value (FIFV) via profit and loss	Available-for-sale (AFS) assets	Loans and receivables (L&R)	Hedging derivatives	Total
Loans and advances to banks and investment firms	**-**	**-**	**-**	**5,366**	**-**	**5,366**
Loans and advances to customers	-	**22**	-	**1,521**	-	**1,543**
Discount and acceptance credit	-	-	-	-	-	-
Consumer credit	-	-	-	7	-	7
Mortgage loans	-	-	-	287	-	287
Term loans	-	-	-	360	-	360
Current accounts	-	-	-	762	-	762
Other	-	22	-	105	-	127
Variable-yield securities	**39**	**-**	**274**	**-**	**-**	**313**
Fixed-income securities issued by	**304**	**143**	**5,770**	**-**	**-**	**6,216**
- government bodies	28	142	2,426	-	-	2,596
- banks and investment firms	64	-	759	-	-	824
- corporations	211	1	2,585	-	-	2,796
Derivatives	**648**	**-**	**-**	**-**	**56**	**704**
Total excluding accrued interest	**990**	**165**	**6,044**	**6,887**	**56**	**14,143**
Accrued interest	**4**	**7**	**85**	**35**	**28**	**158**
Total including accrued interest	**994**	**172**	**6,129**	**6,922**	**84**	**14,301**
Of which: Reverse repos	-	-	-	254	-	254

CARRYING AMOUNT (in EUR million)
31/12/2007

LIABILITIES	Held-for-trading (HFT) liabilities	Financial liabilities at fair value (FIFV) via profit and loss	Hedging derivatives	Financial liabilities at amortised cost	Total
Deposits from banks and investment firms	**-**	**-**	**-**	**5,974**	**5,974**
Deposits from customers	**-**	**-**	**-**	**10,894**	**10,894**
Demand deposits	-	-	-	5,356	5,356
Time deposits	-	-	-	5,478	5,478
Other deposits	-	-	-	59	59
Debt securities	**-**	**-**	**-**	**997**	**997**
Certificates of deposit	-	-	-	2	2
Customer savings bonds	-	-	-	7	7
Non-convertible bonds	-	-	-	13	13
Non-convertible subordinated liabilities	-	-	-	976	976
Derivatives	**423**	**-**	**49**	**-**	**472**
Debts associated with short sales	**36**	**-**	**-**	**-**	**36**
Variable-yield securities	1	-	-	-	1
Fixed-income securities	35	-	-	-	35
Total excluding accrued interest	**459**	**-**	**49**	**17,864**	**18,372**
Accrued interest	**-**	**-**	**40**	**99**	**139**
Total including accrued interest	**459**	**-**	**89**	**17,963**	**18,512**
Of which: Repos	-	-	-	1,107	1,107

CARRYING AMOUNT (in EUR million)

31/12/2008

LIABILITIES	**Held-for-trading (HFT) liabilities**	**Financial liabilities at fair value (FIFV) via profit and loss**	**Hedging derivatives**	**Financial liabilities at amortised cost**	**Total**
Deposits from banks and investment firms	**-**	**-**	**-**	**3,797**	**3,797**
Deposits from customers	**-**	**-**	**-**	**9,560**	**9,560**
Demand deposits	-	-	-	5,002	5,002
Time deposits	-	-	-	4,468	4,468
Other deposits	-	-	-	91	91
Debt securities	**-**	**-**	**-**	**865**	**865**
Certificates of deposit	-	-	-	-	-
Customer savings bonds	-	-	-	5	5
Non-convertible bonds	-	-	-	17	17
Non-convertible subordinated liabilities	-	-	-	843	843
Derivatives	**574**	**-**	**57**	**-**	**631**
Debts associated with short sales	**53**	**-**	**-**	**-**	**53**
Variable-yield securities	38	-	-	-	38
Fixed-income securities	15	-	-	-	15
Total excluding accrued interest	**627**	**-**	**57**	**14,223**	**14,907**
Accrued interest	**-**	**-**	**15**	**76**	**92**
Total including accrued interest	**628**	**-**	**72**	**14,299**	**14,999**
Of which: Repos	-	-	-	590	590

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying amounts and fair values of the financial assets and liabilities not appearing on the balance sheet at fair value.

(in EUR million)	Carrying amount		Fair value	
	31/12/2007	31/12/2008	31/12/2007	31/12/2008
ASSETS				
Loans and advances to banks and investment firms	8,854	5,366	8,854	5,366
Loans and advances to customers	1,832	1,521	1,832	1,504
Discount and acceptance credit	2	-	2	-
Consumer credit	6	7	6	7
Mortgage loans	258	287	258	287
Term loans	652	360	651	344
Current accounts	739	762	739	762
Other	175	105	175	105
LIABILITIES				
Deposits from banks and investment firms	5,974	3,797	5,974	3,798
Deposits from customers	10,894	9,560	10,893	9,562
Demand deposits	5,356	5,002	5,356	5,002
Time deposits	5,478	4,468	5,477	4,470
Other deposits	59	91	59	91
Debt securities	997	865	1,005	839
Certificates of deposit	2	-	2	-
Customer savings bonds	7	5	7	5
Non-convertible bonds	13	17	20	17
Non-convertible subordinated liabilities	976	843	976	817

NOTE 16 – Available-for-sale assets and Loans and receivables: breakdown by portfolio and quality

(in EUR million)	**Available-for-sale (AFS) assets**	**Loans and receivables (L&R)**	**Total**
31/12/2007			
Unimpaired assets	5,758	10,700	**16,458**
Impaired assets	30	140	**170**
Impairment	-17	-100	**-117**
Total	**5,770**	**10,740**	**16,510**
31/12/2008			
Unimpaired assets	6,020	6,914	**12,934**
Impaired assets	284	137	**420**
Impairment	-175	-129	**-304**
Total	**6,129**	**6,922**	**13,051**

NOTE 17 – Financial assets and liabilities: breakdown by portfolio and residual maturity

(in EUR million)	Held-for-trading (HFT) assets	Financial instruments at fair value (FIFV) via profit and loss	Available-for-sale (AFS) assets	Loans and receivables (L&R)	Hedging derivatives	**Total**
ASSETS						
31/12/2007						
Less than or equal to 1 year	305	206	1,108	10,362	52	**12,033**
More than 1 but less than or equal to 5 years	250	148	2,382	186	15	**2,982**
More than 5 years	166	227	1,976	192	18	**2,579**
Indefinite period	18	-	304	-	53	**375**
Total	**738**	**582**	**5,770**	**10,740**	**138**	**17,968**
31/12/2008						
Less than or equal to 1 year	546	149	852	5,569	4	**7,121**
More than 1 but less than or equal to 5 years	190	13	3,356	1,055	26	**4,640**
More than 5 years	219	10	1,646	297	26	**2,198**
Indefinite period	39	-	274	-	28	**341**
Total	**994**	**172**	**6,129**	**6,922**	**84**	**14,301**

(in EUR million)	Held-for-trading (HFT) liabilities	Hedging derivatives	Liabilities at amortised cost	Total
LIABILITIES				
31/12/2007				
Less than or equal to 1 year	220	2	16,882	**17,104**
More than 1 but less than or equal to 5 years	82	21	673	**777**
More than 5 years	121	26	408	**555**
Indefinite period	36	40	-	**76**
Total	**459**	**89**	**17,963**	**18,512**
31/12/2008				
Less than or equal to 1 year	339	-	13,327	**13,666**
More than 1 but less than or equal to 5 years	60	31	682	**773**
More than 5 years	174	27	291	**492**
Indefinite period	53	15	-	**69**
Total	**627**	**72**	**14,299**	**14,999**

NOTE 18 – Securities lending and securities given in guarantee

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

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

These transactions can be broken down as follows:

(in EUR million)	Repo **	Securities trading		Other
	Fixed-income securities	Fixed-income securities	Variable-yield securities	Fixed-income securities
31/12/2007				
Financial assets held for trading	-	4	-	-
Financial assets at fair value via profit and loss	125	-	-	-
Available-for-sale financial assets	173	393	6	783
Total financial assets not derecognised	298	397	6	783
Other *	766	1,994	246	3,228
Total	**1,064**	**2,391**	**252**	**4,011**
31/12/2008				
Financial assets held for trading	-	-	-	-
Financial instruments at fair value via profit and loss	121	-	-	7
Available-for-sale financial assets	147	26	1	1,828
Total financial assets not derecognised	268	26	1	1,835
Other *	314	212	24	359
Total	**582**	**238**	**25**	**2,194**

* The item "Other" relates to securities borrowed or received as collateral for other operations.
** The carrying amount of debts associated with repo operations is available in Note 15.

NOTE 19 – Securities received in guarantee

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

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

(in EUR million)	31/12/2007	31/12/2008
Reverse Repurchase agreements	3,819	254
Collateral received in securities lending	2,702	292
Total	**6,521**	**546**
Of which, transferred to:		
Repurchase agreements	122	224
Securities lent	-	-
Collateral given for securities borrowing	3,014	291
Other	-	-
Total	**3,136**	**515**

NOTE 20 – Impairment of available-for-sale financial assets

(in EUR million)	Fixed-income securities	Variable-yield securities
CHANGES		
Balance as at 01/01/2007	**7**	**7**
Changes affecting profit and loss		
Allowances	2	3
Reversals	-1	0
Changes not affecting profit and loss		
Repayments	-	-1
Other	-1	1
Balance as at 31/12/2007	**7**	**10**

(in EUR million)	Fixed-income securities	Variable-yield securities
CHANGES		
Balance as at 01/01/2008	**7**	**10**
Changes affecting profit and loss		
Allowances	89	65
Reversals	-	-
Changes not affecting profit and loss		
Repayments	-	-
Other	-3	8
Balance as at 31/12/2008	**93**	**82**

NOTE 21 – Impairment of loans and receivables

The annex to the consolidated management report contains a certain amount of information relating to non-performing receivables and the management of the related impairment.

(in EUR million)	31/12/2007	31/12/2008
Total	**100**	**129**
Breakdown by type	**100**	**129**
Specific impairments for on-balance sheet lending	99	128
Specific impairments for credit commitments	-	-
Portfolio-based impairment	1	1
Breakdown by counterparty	**100**	**129**
Loans and advances to banks	-	1
Loans and advances to customers	100	128
Credit commitments (specific and portfolio-based impairment)	-	-
Geographic breakdown	**100**	**129**
On-shore	56	30
Off-shore	44	100

(in EUR million)	Specific impairments for on-balance sheet lending	Specific impairments for credit commit-ments	Portfolio-based impairment	Total
Changes				
Balance as at 01/01/2008	**99**	**-**	**1**	**100**
Changes affecting profit and loss	55	-	-	55
Allowances and reversals	57	-	-	57
Reversals	-2	-	-	-2
Changes not affecting profit and loss	-26	-	-	-26
Repayments	-21	-	-	-21
Other	-5	-	-	-5
Balance as at 31/12/2008	**128**	**-**	**1**	**129**

NOTE 22 – Derivatives

(in EUR million)	Held-for-trading				Hedging Fair value hedging			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabili-ties	Assets	Liabili-ties	Assets	Liabili-ties	Assets	Liabili-ties
31/12/2007								
Total	**428**	**423**	**28,966**	**28,990**	**86**	**49**	**2,460**	**2,419**
Interest rate contracts	**138**	**101**	**14,692**	**14,692**	**34**	**39**	**2,188**	**2,188**
Interest rate swaps	131	94	14,359	14,359	34	39	2,188	2,188
Futures	1	1	123	123	-	-	-	-
Other	6	6	210	210	-	-	-	-
Foreign exchange contracts	**135**	**165**	**9,608**	**9,632**	**51**	**10**	**263**	**222**
Forward foreign exchange operations	126	156	9,175	9,199	-	-	-	-
Currency and interest rate swaps	-	-	-	-	51	10	263	222
Options	4	4	343	343	-	-	-	-
Other	4	4	90	90	-	-	-	-
Equity contracts	**152**	**153**	**4,454**	**4,454**	**-**	**-**	**9**	**9**
Futures	1	1	49	49	-	-	-	-
Options	119	119	3,397	3,397	-	-	-	-
Other	31	32	1,009	1,009	-	-	9	9
Raw material and other contracts	**4**	**5**	**211**	**211**	**-**	**-**	**-**	**-**

The fair value of held-for-trading derivatives includes interest while hedging derivatives do not include this. The income interest accruing for hedging derivatives is EUR 53 million, while the interest expense accruing is EUR 40 million.

(in EUR million)	Held-for-trading				Hedging Fair value hedging			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabili-ties	Assets	Liabili-ties	Assets	Liabili-ties	Assets	Liabili-ties
31/12/2008								
Total	**648**	**574**	**22,101**	**22,100**	**56**	**57**	**2,035**	**2,031**
Interest rate contracts	**88**	**112**	**10,025**	**10,025**	**52**	**56**	**1,969**	**1,969**
Interest rate swaps	84	108	9,643	9,643	52	56	1,969	1,969
Futures	-	1	174	174	-	-	-	-
Other	3	3	208	208	-	-	-	-
Foreign exchange contracts	**196**	**150**	**8,374**	**8,374**	**4**	**2**	**59**	**55**
Forward foreign exchange operations	183	147	8,227	8,226	-	-	-	-
Currency and interest rate swaps	-	-	-	-	4	2	59	55
Options	-	-	20	20	-	-	-	-
Other	13	2	127	127	-	-	-	-
Equity contracts	**347**	**306**	**3,583**	**3,583**	**-**	**-**	**7**	**7**
Futures	1	1	72	72	-	-	-	-
Options	188	188	2,454	2,454	-	-	-	-
Other	158	117	1,057	1,057	-	-	7	7
Raw material and other contracts	**17**	**6**	**119**	**119**	**-**	**-**	**-**	**-**

The fair value of held-for-trading derivatives includes interest while that of hedging derivatives does not. The income interest accruing on the hedging derivatives is EUR 28 million, while the interest expense accruing is EUR 15 million.

NOTE 23 – Other assets

The heading "Other assets" covers various short-term receivables such as dividends and coupons that clients bring to the Bank to be cashed and of which the countervalue has already been paid.

NOTE 24 – Tax assets and liabilities

(in EUR million)	31/12/2007	31/12/2008
Current tax assets	**1**	**34**
Deferred tax assets	**19**	**145**
Losses carried forward	10	85
Provisions for risk and charges	-	-22
Financial instruments at fair value via profit and loss	-	10
Financial instruments available for sale	2	42
Other	7	30
TAX ASSETS	**21**	**179**
Tax losses and tax credits not capitalised [1]	60	52

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

(in EUR million)	31/12/2007	31/12/2008
Current tax liabilities	**33**	**2**
Deferred tax liabilities	**62**	**3**
Employee benefits	-2	-
Provisions for risk and charges	25	-
Financial instruments at fair value via profit and loss	24	-
Financial instruments available for sale	21	-
Other	-6	3
TAX LIABILITIES	**95**	**5**

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

NOTE 25 – Investments in associates

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

(in EUR million)	31/12/2007	31/12/2008
Total	**14**	**14**
Overview of investments in associates (including goodwill)		
European Fund Administration S.A. and EFA Partners S.A.	14	14
Goodwill in associates		
Gross amount	-	-
Accumulated impairment	-	-

Changes

Balance as at 01/01/2008	**14**
Share in profit for period	2
Dividends paid	-2
Changes in scope	-
Balance as at 31/12/2008	**14**

Summary financial information

(in EUR thousand)	Total Assets	Total liabilities excluding equity	Profit for period
31/12/2008 (Provisional figures)			
European Fund Administration S.A. (Group)	45,221	19,560	5,968
EFA Partners S.A.	3,404	7	1,524

NOTE 26 – Goodwill and other intangible assets

(in EUR million)	Goodwill	Client portfolio	Software developed in-house	Software bought	Other	Total
CHANGES						
Balance as at 01/01/2007	**239**	**32**	**8**	**6**	**-**	**284**
Acquisitions	3	1	3	2	-	9
Disposals	-	-	-	-	-	-
Amortisation	-	-	-2	-2	-5	-9
Impairment	-	-	-	-	-	-
Allowances	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-
Other	1	-	-	-	5	6
Balance as at 31/12/2007	**242**	**33**	**9**	**5**	**-**	**289**
Of which: Cumulative amortisation and impairment	-	-47	-3	-31	-	-81
Balance as at 01/01/2008	**242**	**33**	**9**	**5**	**-**	**289**
Acquisitions	-	2	2	2	-	6
Disposals	-	-	-	-	-	-
Amortisation	-	-	-3	-3	-	-5
Impairment	-	-	-	-	-	-
Allowances	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Changes in scope	81	-	-	-	-	82
Other	-	-	-	-	-	-
Balance as at 31/12/2008	**324**	**36**	**8**	**5**	**-**	**372**
Of which: Cumulative amortisation and impairment	-	-47	-6	-32	-	-84

NOTE 27 – Property and equipment and investment properties

(in EUR million)	31/12/2007	31/12/2008
Property and equipment	190	200
Investment properties		
Carrying amount	39	38
Fair value	46	46
Investment properties – rental income	3	3

	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
CHANGES					
Balance as at 01/01/2007	**156**	**15**	**25**	**196**	**38**
Acquisitions			6	22	1
Disposals			-1	-9	-
Depreciation	-7	-7	-4	-18	-1
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Translation differences	-1	-	-	-1	-
Changes in scope	-	-	-	-	-
Others		-	-	-1	1
Balance as at 31/12/2007	**150**	**15**	**25**	**190**	**39**
Of which: Cumulative depreciation and impairment	-65	-66	-38	-169	-7
Balance as at 01/01/2008	**150**	**15**	**25**	**190**	**39**
Acquisitions	9	8	8	25	-
Disposals	-	-	-1	-1	-
Depreciation	-7	-6	-4	-17	-1
Impairment	-	-	-1	-1	-
Allowances	-	-	-1	-1	-
Reversals	-	-	-	-	-
Translation differences	2	-	-	2	-
Changes in scope	-	-	2	2	-
Others	-	-	-	1	-1
Balance as at 31/12/2008	**155**	**16**	**29**	**200**	**38**
Of which: Cumulative depreciation and impairment	-72	-67	-43	-183	-8

NOTE 28 – Provisions

(in EUR million)	Provisions for restructuring	Specific impairment for credit commitments	Other provisions [1]	Total
Balance as at 01/01/2008	**10**	**-**	**29**	**40**
Changes affecting profit and loss	7	-	-8	-2
Allowances	9	-	8	17
Reversals	-2	-	-16	-19
Other changes	-5	-	-8	-12
Balance as at 31/12/2008	**12**	**-**	**13**	**25**

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

NOTE 29 – Other liabilities

The heading "Other liabilities" covers various items payable in the short term such as coupons and redeemable securities as paying agent.

Also included in this item are net liabilities related to staff pension funds (see Note 30).

NOTE 30 – Retirement benefit obligations

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

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

Defined-benefit plans (in EUR million)	31/12/2007	31/12/2008
Defined benefit-plan obligations		
Value of obligations as of 01/01	138	**138**
Current service cost	5	5
Interest cost	7	8
Plan amendments	1	-
Actuarial gain/(loss)	-5	9
Benefits paid	-9	-7
Currency adjustment	-2	-3
Changes in scope	-	-
Others	2	-
Value of obligations as at 31/12	138	**150**
Fair value of plan assets		
Fair value of assets as at 01/01	72	**79**
Actual return on plan assets	2	-6
Employer contributions	7	8
Plan participant contributions	0	-
Benefits paid	-6	-4
Currency adjustment	-1	-
Changes in scope	-	-3
Others	6	1
Fair value of assets as at 31/12	79	**75**
Of which: Financial instruments issued by KBL *epb* group	-	-
Funded status		
Plan assets in excess of defined-benefit obligations	-59	-75
Unrecognised net actuarial gains	5	25
Unrecognised past service costs	-	-
Unrecognised assets	-1	-3
Plan excess/underfunding	-55	**-53**

Defined-benefit plans (continuation) (in EUR million)	31/12/2007	31/12/2008
Movements relating to net liability		
Net liability as at 01/01	-58	-55
Net period pension cost	-7	-10
Employer contributions	7	8
Currency adjustments	-	-
Change in scope of consolidation	-	-
Other	4	4
Net liability as at 31/12	-55	**-53**
Amounts recognised in profit or loss		
Current service cost	-5	-5
Interest cost	-7	-8
Expected return on plan assets	4	3
Adjustments to limit prepaid pension cost	-	-
Amortisation of unrecognised past service costs	2	-
Amortisation of unrecognised net actuarial (gains)/losses	-	-
Other	-	-
Net period pension cost	-7	**-10**
Actual return on plan assets (in %)	3,13%	-8,18%
Principal actuarial assumptions used [1]		
Discount rate	from 4.18% to 5.70%	from 3.80% to 6.80%
Expected rate of return on plan assets	from 4.66% to 5.50%	from 3.80% to 6.80%
Expected rate of salary increase	from 2.50% to 3.00%	from 2.50% to 3.00%
Expected rate of pension increase	from 1.80% to 5.00%	from 1.80% to 5.00%

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

Defined-benefit plans (in EUR million)	**31/12/2004**	**31/12/2005**	**31/12/2006**	**31/12/2007**	**31/12/2008**
Value of obligations at the end of the year	299	328	138	138	150
Fair value of assets at the end of the year	147	167	72	79	75
Excess plan assets compared to obligations	-152	-161	-66	-59	-75
Plan excess/underfunding	-145	-144	-58	-55	-53

The estimation of the employer's contribution in 2009 to defined benefit plans is EUR 8 million.

Defined-benefit plans (continuation) (in EUR million)	**31/12/2007**	**31/12/2008**
Net period pension cost	**-5**	**-7**

NOTE 31 – Equity, group share

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

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

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

In number of shares	31/12/2007	31/12/2008
Total number of shares issued	**20,137,458**	**20,136,588**
Ordinary shares	18,187,507	18,186,877
Preference shares	1,949,951	1,949,711
Of which: Those that entitle the holder to a dividend payment	**20,136,588**	**20,135,889**
Of which: Treasury shares, including commitments	**870**	**699**
Of which: Shares representing equity under IFRS	**20,136,588**	**20,135,889**

CHANGES	Ordinary shares	Preference shares	Total
Balance as at 01/01/2008	**18,187,507**	**1,949,951**	**20,137,458**
Cancellation of shares bought back	-630	-240	-870
Balance as at 31/12/2008	**18,186,877**	**1,949,711**	**20,136,588**

NOTE 32 – Dividend per share

At the General Meeting of 18 March 2009 it will be proposed that the loss for 2008 be carried forward in retained earnings. For 2008, a dividend of EUR 0.5 million on preference shares will be paid in the next profit-making period. In 2008, a gross dividend for 2007 of EUR 10 per share will be paid.

NOTE 33 – Lending commitments, financial guarantees and other commitments

(in EUR million)	31/12/2007	31/12/2008
Confirmed credits, unused	1,194	587
Financial guarantees	97	151
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	1,092	133
Total	**2,383**	**871**

In the course of 2000 several directors, managers and members of KBL staff, as well as some former directors, managers and members of staff were charged by a Belgian examining magistrate with offences relating to a tax suit as a result of their professional activities at the bank. The case was brought before the Judges' Council Chamber of the Court of Brussels on 24 January 2006. Following this court's ruling of 11 January 2008 and the ruling of the Court's Indictment Division of 24 September 2008, the six persons from KBL *epb* charged were referred to the criminal court. To date, the case has not yet come before this Court and since the outcome remains uncertain, it is not possible to measure any impact on consolidated accounts of KBL *epb* reliably.

NOTE 34 – Assets under management

Total assets under management as at 31 December 2008 were EUR 44 billion, of which EUR 34.58 billion was from clients in the private banking sector (2007: EUR 54.5 billion, of which EUR 41 billion were from clients in the private banking sector).

NOTE 35 – Related-party transactions

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

(in EUR million)	31/12/2007	31/12/2008
Assets	**2,829**	**5,505**
Loans	2,415	4,640
Current accounts	9	49
Loans	2,406	4,591
Securities	176	488
Derivatives	171	315
Other assets (including accrued interest)	66	62
Liabilities	**661**	**817**
Deposits	562	674
Deposits	433	465
Other debts	128	209
Derivatives	73	135
Other liabilities (including accrued interest)	26	9
Income statement	**71**	**193**
Net interest income	74	188
Net fee and commission income	-4	5
Guarantees given by KBL *epb*	**3**	**4**
Guarantees received by KBL *epb* group	**41**	**109**

WITH KEY MANAGEMENT PERSONNEL (in EUR million)	31/12/2007	31/12/2008
Amount of remuneration to key management personnel of KBL *epb* group on the basis of their activity, including the amount in respect of retirement pensions granted to former key management personnel	48	51
Credit facilities and guarantees granted	26	34
Loans outstanding	13	20
Guarantees outstanding	-	-
Pension commitments	65	71
Expenses for defined-contribution plans	1	1

NOTE 36 – Solvency

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

(in EUR million)	**31/12/2007**	**31/12/2008**
Regulatory capital (after profit appropriation)	**1,369**	**913**
Tier 1 capital	**822**	**515**
Capital and reserves	1,096	848
Intangible assets	-47	-48
Goodwill acquired in business combinations	-242	-324
Hybrid capital	121	77
Minority interests	-	-
Eliminations:	-106	-39
Preference shares	-18	-18
Positive AFS revaluaton reserve	-88	-21
Deductions	-1	-
Tier 2 and Tier 3 capital	**547**	**399**
Preference shares	18	18
Hybrid capital not assimilated in Tier 1	-	81
Positive AFS revaluaton reserve	88	21
Subordinated liabilities	441	278
Complementary equity (Tier 3)		
Deductions	-1	-
Weighted risks	**7,515**	**7,498**
Credit risk	5,814	5,996
Market risk	655	456
Operational risk	1,046	1,046
Solvency ratios		
Core Tier-1 ratio	**9.3%**	**5.8%**
Tier-1 ratio	**10.9%**	**6.9%**
CAD ratio	**18.2%**	**12.2%**

NOTE 37 – Maximum credit-risk exposure

(in EUR million)	31/12/2007	31/12/2008
Assets	**19,696**	**15,381**
Balances with central banks	1,596	938
Financial assets	17,968	14,301
Held-for-trading	738	994
At fair value via profit and loss	582	172
Available-for-sale assets	5,770	6,129
Loans and receivables	10,740	6,922
Hedging derivatives	138	84
Accrued income	1	34
Other assets	131	108
Off-balance sheet items	**2,383**	**871**
Confirmed credits, unused	1,194	587
Financial guarantees	97	151
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	1,092	133
Maximum credit risk exposure	**22,079**	**16,252**

For the instruments carried at fair value, the amounts in the above table represent the current credit-risk exposure and not the maximum credit risk that could apply in accordance with future changes in the estimates made.

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

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

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

NOTE 38 – Risk management

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

NOTE 39 – Remuneration for external auditors

(in EUR thousand)	31/12/2007	31/12/2008
Standard audit services	2,231	2,375
Other services	41	63
Total	**2,272**	**2,438**

NOTE 40 – List of significant subsidiaries and associates

Company	Registered office	Ownership percentage as at 31/12/2008	Control percentage as at 31/12/2008	Sector of activity
FULLY CONSOLIDATED SUBSIDIARIES (global method)				
Brown, Shipley & Co. Limited	London - GB	100.00%	100.00%	Bank
Brown Shipley Holdings (Jersey) LTD	St Helier - JE	100.00%	100.00%	Holding
Cawood Smithie & Co Limited	London - GB	100.00%	100.00%	Other - financial
Fairmount Group Nominees LTD	Leatherhead - GB	100.00%	100.00%	Other - financial
Fairmount Pension Trustee Limited	London - GB	100.00%	100.00%	Other - financial
Fairmount Trustee Services LTD	Leatherhead - GB	100.00%	100.00%	Other - financial
KBL Investment Funds LTD	London - GB	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
The Brown Shipley Pension Portfolio Ltd	London - GB	100.00%	100.00%	Other - financial
Slark Trustee Company LTD	Leatherhead - GB	100.00%	100.00%	Other - financial
White Rose Nominees LTD	London - GB	100.00%	100.00%	Other - financial
Fidef Ingénierie Patrimoniale, S.A.	La Rochelle - FR	100.00%	100.00%	Other - financial
Financière et Immobilière, S.A.	Luxembourg - LU	100.00%	100.00%	Other - financial
KB Lux Immo S.A.	Luxembourg - LU	100.00%	100.00%	Real estate
Centre Europe S.A.	Luxembourg - LU	100.00%	100.00%	Real estate
Rocher LTD	Isle of Man - IM	100.00%	100.00%	Real estate
S.C.I. KB Luxembourg Immo III (Monaco)	Monaco - MC	100.00%	100.00%	Real estate
KBL Monaco Private Bankers S.A.	Monaco - MC	100.00%	100.00%	Banque
S.C.I. KB Luxembourg Immo I (Monaco)	Monaco - MC	100.00%	100.00%	Real estate
KBL Finance Ireland	Dublin - IE	100.00%	100.00%	Other - financial
KBL Beteiligungs A.G.	Mainz - DE	100.00%	100.00%	Holding
Modernisierungsgesellschaft Lübecker Str. 28/29 Gbr	Mainz - DE	79.06%	79.06%	Real estate
Merck Finck & Co, Privatbankiers	München - DE	100.00%	100.00%	Bank
Merck Finck Invest Asset Management GMBH	München - DE	100.00%	100.00%	Fund administration
Merck Finck Pension Universal Funds	München - DE	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
Merck Finck Treuhand A.G.	München - DE	100.00%	100.00%	Other - financials
Merck Finck Vermögensbetreuungs	München - DE	100.00%	100.00%	Other - financials
Unterstützung u. Einrichtung des Bankhauses MF	München - DE	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
KBL Richelieu Banque Privée S.A.	Paris - FR	100.00%	100.00%	Bank
KBL Richelieu Gestion (ex-KBL France Gestion)	Paris - FR	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
René Aballéa Finance S.A.	Brest - FR	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
Kredietbank Informatique G.I.E.	Luxembourg - LU	100.00%	100.00%	IT

Company	Registered office	Ownership percentage as at 31/12/2008	Control percentage as at 31/12/2008	Sector of activity
KBL (Switzerland) Ltd	Genève - CH	99.99%	99.99%	Bank
Privagest	Genève - CH	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
Kredietrust Luxembourg S.A.	Luxembourg - LU	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
Puilaetco Dewaay Private Bankers S.A.	Brussels - BE	100.00%	100.00%	Bank
Banque Puilaetco Dewaay Luxembourg S.A.	Luxembourg - LU	100.00%	100.00%	Bank
DL Quality Asset Management S.A.	Luxembourg - LU	100.00%	100.00%	Other - financials
Theodoor Gilissen Bankiers N.V.	Amsterdam - NL	100.00%	100.00%	Bank
Adm. Kantoor Interland B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Adm. Kant. Gebr. Kant. Boissevain en Kerkhoven en compagnie B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Trust- en Adm. My. Interland B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Adm. Kant. Gebr. Boissevain en Gebr. Texeira de Mattos B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
TG Fund Management B.V.	Amsterdam - NL	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
TG Ventures B.V.	Amsterdam - NL	100.00%	100.00%	Corporate Finance
Theodoor Gilissen Trust B.V.	Amsterdam - NL	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
Theodoor Gilissen Global Custody B.V.	Amsterdam - NL	100.00%	100.00%	Custodian
Van Kollem en Broekman Effecten B.V.	Amsterdam - NL	100.00%	100.00%	Broker
Lange Voorbehout B.V.	Amsterdam - NL	100.00%	100.00%	Real estate
Stroeve Asset Management B.V.	Amsterdam - NL	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)
Wereldeffect B.V.	Amsterdam - NL	100.00%	100.00%	Management (Funds/ Pensions/Portfolios)

Company	Registered office	Ownership percentage as at 31/12/2008	Control percentage as at 31/12/2008	Sector of activity
ASSOCIATES				
EFA Partners S.A. [1]	Luxembourg - LU	52,70%	52,70%	Holding
European Fund Administration S.A. [1]	Luxembourg - LU	52,70%	65,00%	Fund administration
European Fund Administration France S.A.S.	Paris - FR	52,70%	65,00%	Fund administration
Servizi SGR S.p.A.	Milan - IT	34,00%	34,00%	Fund administration
NON-CONSOLIDATED COMPANIES (materiality threshold not reached)				
KBL *epb*				
Cogere S.A.	Münsbach - LU	50,00%	50,00%	
Gécalux S.A.	Münsbach - LU	50,00%	50,00%	
KBL Beteiligungs AG				
Steubag G. Betriebsw. & Bankendienst. GmbH	Mainz - DE	100,00%	100,00%	
Merck Finck & Co, Privatbankiers				
Merck Finck Beteiligungs GmbH	München - DE	100,00%	100,00%	
KB Lux Immo S.A.				
Plateau Real Estate Limited	Douglas - IM	100,00%	100,00%	
SCI KB Luxembourg Immo II (Monaco)	Monaco - MC	99,90%	99,90%	
KBL Richelieu Banque Privée S.A.				
S.E.V.	Paris - FR	68,92%	68,92%	
Theodoor Gilissen Bankiers N.V.				
Damsigt SCP	Utrecht - NL	24,58%	24,58%	

Note:

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

NOTE 41 – Main changes in the scope of consolidation

Activity	Company	Ownership percentage (direct + indirect)		Comments
		31/12/2008	31/12/2007	
INCLUDED IN SCOPE OF CONSOLIDATION				
Management (Funds/ Pensions/Portfolios)	Richelieu Finance Gestion Privée	100,00%		Acquisition on 9 April 2008. Then merger with KBL France in third quarter. The company has been renamed KBL Richelieu Banque Privée
Broker	Richelieu Finance S.A.	100,00%		Acquisition on 9 April 2008 and merger with KBL Richelieu Banque Privée on 1 December 2008
Insurance	Richelieu Finance Patrimoine S.A.S.	100,00%		Acquisition on 9 April 2008 and merger with KBL Richelieu Banque Privée on 1 December 2008
Insurance	SNC KBL France Courtage Assurances	100,00%		Inclusion in scope of consolidation in third quarter and merger with KBL Richelieu Banque Privée on 1 October 2008
Management (Funds/Pen-sions/Portfolios)	Cabinet du doré S.à r.l.	100,00%		Acquisition in 2008 and merger with KBL Riche-lieu Banque Privée on 1 October 2008
Fund administration	Servizi SGR S.p.A.	34,00%		Acquisition in fourth quarter by European Fund Administration
REMOVED FROM THE SCOPE OF CONSOLIDATION				
Bank	Puilaetco Dewaay Private Bankers S.A.		100,00%	Merger with Puilaetco Private Bankers on 1 January 2008
Broker	Stroeve & Co. Breda NV		100,00%	Merger with Theodoor Gilissen Bankiers
Company administration	Pacific Administratiekantoor B.V.		100,00%	Liquidation in January 2008
Company administration	Adm. Kantoor voor Handel en Nijverheid B.V.		100,00%	Liquidation in January 2008
Company administration	Adm. Kantoor van Theodoor Gilissen B.V.		100,00%	Liquidation in January 2008
Broker	Smidswater B.V. (Ex- Onafhankelijk Vermo-gensbeheer Gravenhage B.V.)		100,00%	Liquidation in December 2008

NOTE 42 – Events after the balance sheet date

There were no significant events after the date of the balance sheet requiring an update to the information provided or adjustments to the consolidated financial report as at 31 December 2008.

Non-consolidated accounts

Non-consolidated annual accounts

The non-consolidated annual accounts of KBL *epb* were drawn up pursuant to the International Financial Reporting Standards as adopted by the European Union.

They are presented here in abridged form. As required by law, the annual non-consolidated accounts, comprising the balance sheet, profit and loss account and notes to the annual accounts are published in accordance with legislation in effect, as is other information to be published such as the management report, report of statutory auditors responsible for verifying the annual accounts, the dates of publication in the *Mémorial* of the bank's Articles of Association and amendments thereto and any other information required by law.

Pursuant to Article 71 of the Act of 17 June 1992 on credit institutions' financial accounts, the duly certified annual accounts must be filed with the trade and companies' register in the month they are adopted by the General Meeting of Shareholders. The accounts are published by mention in the *Mémorial* of the filing with the register of companies where these documents are available.

The auditor responsible for verifying the accounts as at 31 December 2008 delivered an unqualified certification of the KBL *epb*'s non-consolidated accounts.

Non-consolidated balance sheet

in EUR million, as at 31 December

ASSETS	2007	2008
Cash, balances with Central Banks	1.521	881
Financial assets	16.021	13.408
Held for tradinng	609	808
At fair value via profit and loss	378	171
Available for sale	5.206	6.120
Loans and receivables	9.713	6.226
Hedging derivatives	115	84
Tax assets	-	151
Current tax assets	-	27
Deferred tax assets	-	124
Investment property	15	14
Property and equipment	101	108
Intangible assets	93	92
Other assets	39	35
TOTAL ASSETS	**17.790**	**14.689**

Non-consolidated balance sheet

in EUR million, as at 31 December

LIABILITIES	2007	2008
Financial liabilities	15.877	13.323
Held for trading	336	438
At amortised cost	15.474	12.813
Hedging derivatives	66	72
Tax liabilities	76	-
Current tax liabilities	16	-
Deferred tax liabilities	60	-
Provisions	23	7
Other liabilities	158	142
TOTAL DEBTS	**16.134**	**13.472**
TOTAL EQUITY	**1.657**	**1.216**
TOTAL LIABILITIES	**17.790**	**14.689**

Non-consolidated profit and loss account

in EUR thousand, as at 31 December

	2007	2008
Net interest income	184.412	148.352
Dividend income	110.027	96.011
Net gains from financial instruments at fair value	-69.649	-243.869
Net realised gains from available-for-sale financial assets	54.642	-5.612
Net fee and commission income	134.744	109.657
Other income	43.165	11.222
GROSS INCOME	**457.342**	**115.761**
Operating expenses	-172.739	-146.308
Staff expenses	-110.475	-84.224
General administrative expenses	-50.383	-67.661
Other	-11.881	5.577
Impairment	-48.334	-210.907
PROFIT BEFORE TAX	**236.268**	**-241.454**
Income tax expense	-19.398	135.895
PROFIT AFTER TAX	**216.870**	**-105.558**

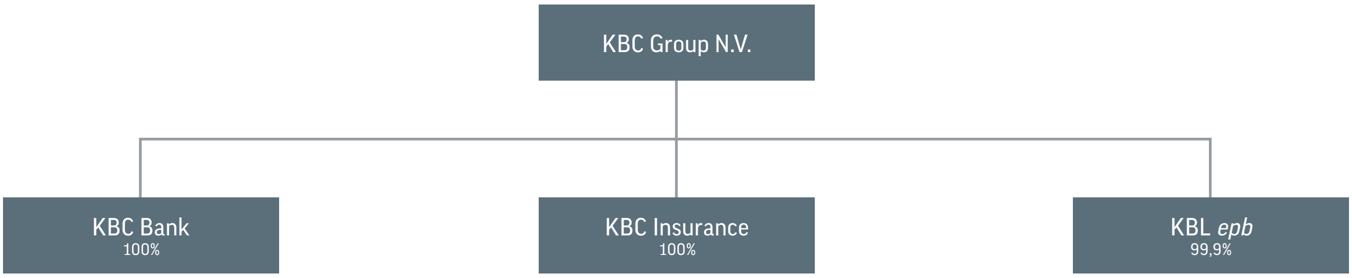
KBC Group

Group profile and structure

KBC is an integrated bancassurance group, catering mainly for retail, SME and private banking customers. It occupies leading positions on its home markets of Belgium and central and eastern Europe where it specialises in retail bancassurance, asset management activities as well as in the provision of services to businesses. The group is also active in a selection of other countries in Europe in private banking and services to businesses. Elsewhere around the globe, the group has established a presence in selected countries and regions.

Legal structure

The KBC Group was born on 2 March 2005 from the merger of KBC Bancassurance Holding and its parent company Almanij. The simplified legal structure of the group in the diagram below comprises a single entity – KBC Group N.V. – which controls three underlying companies. KBC Bank, KBC Insurance and KBL European Private Bankers (KBL *epb* below).



Shareholders as at 31 December 2008

KBC Ancora	23%
Cera	7%
MRBB	12%
Other core shareholders	11%
KBC Group companies	5%
Free float	42%
TOTAL	100%

Customers as at 31 December 2008

Belgium	3.9 million
Central and eastern Europe and Russia	8.5 million

Staff (FTE) as at 31 December 2008

Belgium	18,149
Central and eastern Europe and Russia	35,583
Rest of the world	5,547
TOTAL	59,279

KBL European Private Bankers' Subsidiaries

Germany

Merck Finck & Co, Privatbankiers
Pacellistraße 16
80333 MUNCHEN
Tel: (49) 89 21 04 0
Fax: (49) 89 29 98 14
www.merckfinck.de

Belgium

Puilaetco Dewaay Private Bankers S.A.
Avenue Herrmann Debroux 46
1160 BRUXELLES
Tel: (32) 2 679 45 11
Fax: (32) 2 679 46 22
www.puilaetcodewaay.be

France

KBL Richelieu Banque Privée
Boulevard Malesherbes 22
75008 PARIS
Tel: (33) 1 42 89 00 00
Fax: (33) 1 42 89 62 29
www.kblrichelieu.com

Lyon Branch
Rue du Président Carnot 3
69002 LYON
Tel: (33) 4 72 41 60 00
Fax: (33) 4 78 38 24 85

Nancy Branch
Rue St Georges 80
54000 NANCY
Tel: (33) 3 83 17 68 20
Fax: (33) 3 83 32 90 06

Chambéry Branch
Rue Sommeiller 68 A
73000 CHAMBERY
Tel: (33) 4 79 60 56 70
Fax: (33) 4 79 60 56 71

Aballéa Finance
Rue Emile Zola 38
29200 BREST
Tel: (33) 2 98 80 65 71
Fax: (33) 2 98 80 14 78

Great Britain

Brown, Shipley & Co. Ltd
Founders Court, Lothbury
LONDON EC2R 7HE
Tel: (44) 207 606 9833
Fax: (44) 207 282 3399
www.brownshipley.com

KBL Investment Funds Ltd
Founders Court, Lothbury,
LONDON, EC2R 7HE
Tel: (44) 20 7606 9833
Fax: (44) 20 7282 3392
www.solusfunds.com

Luxembourg

Kredietrust Luxembourg S.A.
Rue Aldringen 11
2960 LUXEMBOURG
Tel: (352) 46 81 91
Fax: (352) 47 97 73 930

Banque Puilaetco Dewaay Luxembourg S.A.
Boulevard Emmanuel Servais 2
2535 LUXEMBOURG
Tel: (352) 47 30 25 1
Fax: (352) 47 15 70
www.puilaetco.lu

Monaco

KBL Monaco Private Bankers S.A.
Avenue de Grande-Bretagne 8
BP 262
98005 MONACO CEDEX
Tel: (377) 92 16 55 55
Fax: (377) 92 16 55 99

Netherlands

Theodoor Gilissen Bankiers N.V.
Keizersgracht 617
1017 DS AMSTERDAM
Tel: (31) 20 527 6000
Fax: (31) 20 527 6060
www.gilissen.nl

Poland

KBL European Private Bankers Polska
Ul. Bonifraterska 17
00-203 WARSZAWA
Tel: (48) 22 530 6700
Fax: (48) 22 530 6701
www.kblpolska.pl

Switzerland

KBL (Switzerland) Ltd
Boulevard Georges-Favon 7
1211 GENEVE 11
Tel: (41) 58 316 60 00
Fax: (41) 58 316 64 44
www.kblswissprivatebanking.com

Lausanne Branch
Avenue d'Ouchy 10
Case postale 135
1001 LAUSANNE
Tel: (41) 58 316 62 00
Fax: (41) 58 316 62 01

Lugano Branch
Via S. Balestra 2
6901 LUGANO
Tel: (41) 58 316 63 00
Fax: (41) 58 316 63 01

Zürich Branch
Schützengasse 21, Postfach
8021 ZURICH
Tel: (41) 58 316 61 00
Fax: (41) 58 316 63 01

Privagest S.A.
Rue du Rhône 63
1204 GENEVE
Tel: (41) 22 787 55 55
Fax: (41) 22 787 55 56

Addresses in Luxembourg

KBL EUROPEAN PRIVATE BANKERS S.A.

43, boulevard Royal - L-2955 Luxembourg - www.kbl.lu
Tel: (352) 4797 1 - Fax: (352) 4797-73900 - R.C. Luxembourg B 6395

PRIVATE BANKING

Olivier de Jamblinne, Manager

Private Banking
43, boulevard Royal — Tel: 4797-2099/2100
L-2955 Luxembourg — Fax: 4797-73922

Personal Banking
43, boulevard Royal — Tel: 4797-2272
L-2955 Luxembourg — Fax: 4797-73914

Private Banking Bertrange
403, route d'Arlon — Tel: 4797-5232
L-8011 Bertrange — Fax: 4797-73925

Private Banking Ettelbruck
4, avenue J.-F. Kennedy — Tel: 4797-7724
L-9053 Ettelbruck — Fax: 4797-73926

INSTITUTIONAL CLIENTS

GLOBAL FINANCIAL MARKETS	
Management & Executive Assistant	Tel: 4797-2774
Correspondent Banking & International Relations	Tel: 4797-3869
Market Support	Tel: 4797-7882
Fixed Income	
Pool Euro & Euro-In Currencies	Tel: 2621-0122
Pool USD, CAD, AUD, NZD & Emerging Markets	Tel: 2621-0122
Pool CMS, Tier 1 & Tier 2	Tel: 2621-0122
Structured Products, Derivatives & Equities	
Structured Products + Derivatives	Tel: 2621-0233
Domestic & Foreign Equity Markets	Tel: 2621-0366
Investment Funds - OTC	Tel: 2621-0366
Money Markets	
Treasury	Tel: 2621-0311
Repos & Securities Lending	Tel: 2621-0322
Fiduciary Deposits	Tel: 2621-0344
Forex	Tel: 2621-0333
Bullion	Tel: 2621-0355

GLOBAL MARKET SALES	
Management & Executive Assistant	Tel: 4797-3783
Fixed Income	Tel: 2621-0133
Structured Products	Tel: 4797-2267
Global Equities	Tel: 2621-0211
Money Market & Forex	Tel: 2621-0144
Repurchase Agreements & Securities Lending	Tel: 4797-3154
Third Party Funds	Tel: 2621-2306
EXECUTION CLEARING & SETTLEMENT	
Management	Tel: 4797-2773
Execution Clearing & Settlement	
Fund Processing	Tel: 2621-0222
Equity & Bond Execution	Tel: 4797-2280
Equity & Bond Clearing & Settlement	Tel: 4797-2763

Corporate and Credits	Tel: 4797-3885
B.O. Emissions Fiscal Agencies / Corporate Trust	Tel: 4797-2748
Loans and Research Division	Tel: 4797-2064
Custody Division	Tel: 4797-2750
KBL Direct Access	Tel: 4797-2496
Transfers	Tel: 4797-2571
Corporate Actions	Tel: 4797-2769
Private Equity	Tel: 4797-2941
Corporate Banking & International Loans	Tel: 4797-2289

GENERAL DEPARTMENTS

Management Secretarial Services	Tel: 4797-2529
Legal Department	Tel: 4797-3115
Tax Department	Tel: 4797-2987
Account Administration	Tel: 4797-2610
Marketing - Communication	Tel: 4797-3111
Human Resources	Tel: 4797-2636
Finance	Tel: 4797-2933
Risk Management	Tel: 4797-2933

KREDIETRUST LUXEMBOURG S.A.

11, rue Aldringen - L-2960 Luxembourg
Tel: (352) 46 81 91 - Fax: (352) 4797-73930 - R. C. Luxembourg B 65 896

Franck Sarre, Managing Director

Administration	Tel: 46 819-2093
Portfolio Management	Tel: 46 819-4191
Fund Research & Multi-Management	Tel: 46 819-4577